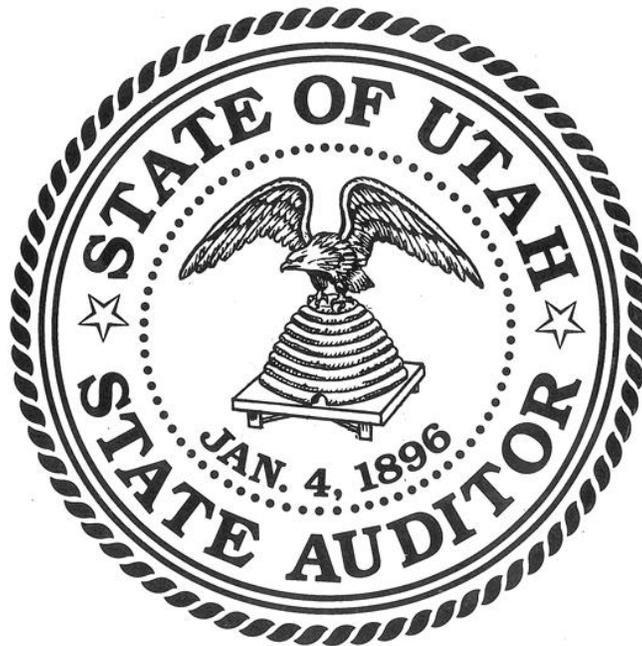


DEPARTMENT OF PUBLIC SAFETY

Single Audit Management Letter
For the Year Ended June 30, 2013

Report No. 13-11



OFFICE OF THE
UTAH STATE AUDITOR

DEPARTMENT OF PUBLIC SAFETY

Single Audit Management Letter
For the Year Ended June 30, 2013

Report No. 13-11

AUDIT TEAM:

Van Christensen, CPA, Audit Director
Nancy Watson, CPA, Audit Supervisor



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER NO. 13-11

October 11, 2013

Col. Keith D. Squires, Commissioner
Department of Public Safety
4501 South 2700 West
P.O. Box 141775
SLC, Utah 84114-1775

Dear Colonel Squires:

This management letter is issued as a result of the Department of Public Safety's (the Department's) portion of the statewide federal compliance audit for the year ended June 30, 2013. Our report on the statewide federal compliance audit for the year ended June 30, 2013 is issued under separate cover. The federal programs tested as major programs at the Department were the Disaster Grants–Public Assistance and the Homeland Security Grant Programs.

In planning and performing our audit of the federal programs listed above, we considered the Department's compliance with the applicable types of compliance requirements as described in the OMB Circular A-133 Compliance Supplement for the year ended June 30, 2013. We also considered the Department's internal control over compliance with the requirements previously described that could have a direct and material effect on the federal programs in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

Our consideration of internal control over compliance was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct on a timely basis noncompliance with a type of compliance requirement of a federal program. A material weakness over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We identified a certain deficiency in internal control that we consider to be a material

weakness. This deficiency is identified in the accompanying table of contents and is described in the accompanying schedule of findings and recommendations.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control that we consider to be significant deficiencies. These significant deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

The Department's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on them.

The purpose of this communication is solely to describe the scope of our testing of internal control over compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with OMB Circular A-133 in considering the Department's internal control over compliance. Accordingly, this communication is not suitable for any other purpose.

We appreciate the courtesy and assistance extended to us by the personnel of the Department during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Van Christensen, CPA
Audit Director
801-538-1394
vchristensen@utah.gov

cc: Joseph Brown, Administrative Services Director
Jona Whitesides, Financial Manager, Division of Emergency Management

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FOR THE YEAR ENDED JUNE 30, 2013

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Finding Type:

MW Material Internal Control Weakness
SD Significant Deficiency of Internal Control
RN Reportable Noncompliance or Illegal Acts

Applicable To:

f Federal Program

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FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

1. INADEQUATE CONTROL OVER SUBRECIPIENT AUDITS

Federal Agency: **Department of Homeland Security**

CFDA Numbers and Titles: **1) 97.036 Disaster Grants–Public Assistance**

2) 97.067 Homeland Security Grant Program

Federal Award Numbers: **1) FEMA-1955-DR, FEMA-4011-DR, FEMA-4053-DR,
FEMA-4088-DR**

**2) 2009-SS-T9-0021, 2010SS-T0-0017, EMW-2011SS-
00132, EMW-2012-SS-00047**

Questioned Cost Amount: **N/A**

Pass-through Entity: **N/A**

The Department of Public Safety (the Department) does not have adequate internal controls to ensure that subrecipients of the Disaster Grants–Public Assistance Program and the Homeland Security Grant Program are complying with OMB Circular A-133 audit requirements. Per OMB Circular A-133, grant recipients that pass-through federal grant funds to subrecipients are required to:

- Ensure that subrecipients expending over \$500,000 in federal awards during the subrecipient’s fiscal year have an A-133 audit completed within 9 months of the end of the subrecipient’s fiscal year end;
- Issue a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and
- Ensure that subrecipients take timely and appropriate corrective action on all audit findings.

The last subrecipient A-133 audit reports the Department reviewed were for subrecipient fiscal years ending in 2010. The Department’s failure to review subrecipient reports occurred because the employee who had been performing these reviews left the Department and the new employee was not informed of this responsibility. Inadequate subrecipient monitoring can result in inappropriate use of federal funds without detection and possible questioned costs.

Recommendation:

We recommend that the Department establish internal controls to ensure that the required monitoring of subrecipients’ A-133 audits is completed in a timely manner.

Department’s Response:

The Department’s Division of Emergency Management will draft a policy and procedure concerning the requirements of A-133 audit reports for subrecipients and make it a part of

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FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

their existing financial policy procedures. This will ensure continuity and compliance of this requirement even when the responsibility changes to a different employee.

*Contact Person: Jona Whitesides, Financial Manager, (801) 538-9613
Anticipated Correction Date: November 15, 2013*

2. FAILURE TO PROVIDE FEDERAL AWARD INFORMATION TO SUBRECIPIENTS

Federal Agency: **Department of Homeland Security**

CFDA Number and Title: **97.036 Disaster Grants–Public Assistance**

Federal Award Numbers: **FEMA-1955-DR, FEMA-4011-DR, FEMA-4053-DR,
FEMA-4088-DR**

Questioned Cost Amount: **N/A**

Pass-through Entity: **N/A**

The Department uses two documents, the Articles of Agreement and the Project Worksheet, to provide federal award information to subrecipients. For fiscal year 2013, we reviewed 14 project files for grant subrecipients and noted the following:

- The Department did not obtain signed Articles of Agreement from 1 of the 14 subrecipients.
- The Department did not make any of the 14 subrecipients aware of the CFDA number and title of the federal award.

At the time of the subaward, the grant recipient is required to identify to the subrecipient the federal award information (i.e., CFDA title and number, amount of award, award name and number, and name of federal awarding agency) and applicable compliance requirements. The failure to obtain the signed Articles of Agreement from one subrecipient was an oversight. The Department failed to provide the CFDA number and title to any of the subrecipients because they were unaware of this requirement. Failure to disclose federal award information to subrecipients could result in subrecipient noncompliance with grant requirements.

Recommendation:

We recommend that the Department implement controls to ensure that signed Articles of Agreement are obtained from all subrecipients and that all required federal award information is communicated to subrecipients.

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Department's Response:

The Department's Division of Emergency Management will modify the Articles of Agreement to include the CFDA number so that this information is given to the subrecipient for Public Assistance. The Division will draft a policy and procedure that no award will be made to a subrecipient until the Articles of Agreement have been received by the Division and an electronic copy has been made.

*Contact Person: Jona Whitesides, Financial Manager, (801) 538-9613
Anticipated Correction Date: November 15, 2013*

3. FAILURE TO COMMUNICATE ALL APPROPRIATE AWARD INFORMATION TO SUBRECIPIENTS

Federal Agency: **Department of Homeland Security**

CFDA Number and Title: **97.067 Homeland Security Grant Program**

Federal Award Numbers: **2009-SS-T9-0021, 2010SS-T0-0017, EMW-2011SS-00132,
EMW-2012-SS-00047**

Questioned Cost Amount: **N/A**

Pass-through Entity: **N/A**

The Department did not comply with subrecipient monitoring requirements for the Homeland Security Grant Program (HSGP) as follows:

- a. OMB Circular A-133 requires the Department to provide subrecipients with specific award information (CFDA title and number, amount of award, award name and number, and name of federal agency). The Department uses two documents, the Articles of Agreement and the Award Obligation document, to provide this federal award information for HSGP subrecipients. However, for the 32 subrecipients we reviewed, the Department was not able to locate 13 Articles of Agreement and 3 Award Obligation documents either because they were never obtained or because they were obtained and subsequently lost.
- b. Per 6 USC 605(c)(1), States must obligate funds for subgrants within 45 days after the date of the grant award. The Award Obligation document is used to document this information; however, as indicated above, the Department was unable to locate Award Obligation documents for 3 of the 32 subrecipients reviewed, and we were unable to determine whether the funds were obligated within the 45-day time period.
- c. Per 2 CFR part 25, Appendix A, a grant recipient must obtain a DUNS number from a subrecipient before making a subaward to them. The Department did not obtain a

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DUNS number from any of its Homeland Security Grant subrecipients before making subawards to them because they were not aware of the requirement to do so.

Not providing or obtaining all of the appropriate award information to/from subrecipients results in noncompliance with federal requirements by the Department and may result in the subrecipients not complying with grant requirements which could, in turn, result in possible loss of future grant funds.

Recommendation:

We recommend that the department implement controls to ensure that:

- a. Federal award information is communicated to all subrecipients.**
- b. Documentation that the State has obligated funds for subgrants within 45 days after the date of the grant award is obtained and retained.**
- c. A DUNS number is obtained from all HSGP subrecipients before making subawards to them.**

Department's Response:

The Department's Division of Emergency Management provides the CFDA number to all subrecipients for the Homeland Security Grant Program on the Award Obligation document and obligates all awards within 45 days after the date of the grant award so the deficiency isn't in the lack of providing information but rather the process to ensure that information is saved appropriately. The Division will draft a policy and procedure for saving electronic copies of all Award Obligation documents and Articles of Agreement for subrecipients.

The Division will also revise Articles of Agreement to include a line for subrecipients to provide their DUNS number to fulfill this federal award requirement.

*Contact Person: Jona Whitesides, Financial Manager, (801) 538-9613
Anticipated Correction Date: November 15, 2013*