

# UTAH STATE UNIVERSITY

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Government Auditing Standards Report  
and  
Management Letter  
For the Year Ended June 30, 2013

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Report No. 13-20



OFFICE OF THE  
UTAH STATE AUDITOR

# UTAH STATE UNIVERSITY

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Government Auditing Standards Report  
and  
Management Letter  
For the Year Ended June 30, 2013

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Report No. 13-20

AUDIT TEAM:

Jon T. Johnson, CPA, Audit Director  
Jamie Sorenson, CPA, Audit Supervisor

**UTAH STATE UNIVERSITY**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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OFFICE OF THE  
**UTAH STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees, Audit Committee  
and  
Stan Albrecht, President  
Utah State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Utah State University (the University), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 23, 2013. Our report includes a reference to other auditors who audited the financial statements of the Utah State University Research Foundation (Foundation), as described in our report on the University's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, our report on the financial statements, insofar as it relates to the amounts included for the Foundation, and this report, insofar as it relates to the Foundation's compliance and internal control over financial reporting, are based on the reports of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency (see Finding No. 1)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted another finding resulting from the University's portion of our statewide federal compliance audit for the year ended June 30, 2013, which is included in the accompanying schedule of findings and recommendations.

### **University's Responses to Findings**

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Utah State Auditor*

Office of the Utah State Auditor  
October 23, 2013



OFFICE OF THE  
**UTAH STATE AUDITOR**

**MANAGEMENT LETTER**

November 22, 2013

To the Board of Trustees, Audit Committee,  
and  
Stan Albrecht, President  
Utah State University

This management letter is issued as a result of our audit of the basic financial statements of Utah State University (the University) as of and for the year ended June 30, 2013 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report thereon, dated October 23, 2013, is issued under separate cover. This management letter is also issued as a result of the University'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 following federal programs were tested as major programs at the University:

- Research and Development Programs
- Student Financial Assistance Programs

In planning and performing our audit of the financial statements of the University, we considered the University's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Additionally, in planning and performing our audit of the federal programs listed above, we considered the University'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 University'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 University's internal control over financial reporting or compliance.

Our consideration of internal control over financial reporting or compliance was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting or 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 financial reporting or compliance that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting or compliance exists when the design or operation of a control over financial reporting or 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 misstatements of the entity's financial statements or noncompliance with a type of compliance requirement of a federal program. A material weakness over financial reporting or compliance is a deficiency, or a combination of deficiencies, in internal control over financial reporting or compliance, such that there is a reasonable possibility that a material misstatement of the entity's financial statements or 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency in internal control over financial reporting or compliance is a deficiency, or a combination of deficiencies, in internal control over financial reporting or 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 University's written responses to the findings identified in our audit have not been subjected to the audit procedures applied in our audits 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 financial reporting and compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the University's internal control over financial reporting and 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 University during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,



Jon T. Johnson, CPA  
Audit Director  
801-538-1359  
jonjohnson@utah.gov

cc: David T. Cowley, Vice President for Business and Finance  
Dan Christensen, Controller  
Patti Kohler, Financial Aid Director

# UTAH STATE UNIVERSITY

## FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013

### 1. INADEQUATE CONTROLS OVER RESEARCH AND DEVELOPMENT GRANT EXPENDITURES

Federal Agency: **Various**

CFDA Numbers and Titles: **Various Research and Development Cluster Awards**

Federal Award Numbers: **Various**

Questioned Costs: **\$-0-**

Pass-through Entity: N/A

We reviewed the monthly purchase card statements associated with 14 Research and Development (R&D) cluster purchase card transactions and noted that 2 of the 14 statements were not appropriately reviewed by either the cardholder or the administrative reviewer. Utah State University Purchase Card Policies and Procedures, sections 1.0 and 2.2, require cardholders and administrative reviewers to sign and date monthly purchase card statements in a timely manner indicating that the charges are correct, authorized by the cardholder, compliant with procurement policies, and consistent with departmental budget and federal program guidelines. Inadequate reviews of monthly purchase card statements may allow inappropriate or unallowable purchases using University or federal funds to occur without detection.

#### Recommendation:

**We recommend that the University strengthen internal controls over purchase card transactions to ensure all transactions are appropriately reviewed and approved in a timely manner.**

#### University's Response:

*We are currently rolling out a new electronic approval workflow process for p-card transactions that will require electronic review and approvals before the transactions are posted to Banner.*

*Contact Person: Dan Christensen, Controller, (435) 797-1055*

*Anticipated Correction Date: March 31, 2014*

# UTAH STATE UNIVERSITY

## FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2013

### 2. UNTIMELY ENROLLMENT REPORTING

Federal Agency: **Department of Education**  
CFDA Number and Title: **84.268 Federal Direct Student Loans**  
Federal Award Numbers: **N/A**  
Questioned Costs: **\$-0-**  
Pass-through Entity: **N/A**

We selected a sample of 10 students, out of a statewide sample of 40, who either withdrew (officially or unofficially) or graduated from Utah State University (University) to determine whether enrollment changes were being properly reported to the National Student Loan Data System (NSLDS). In two instances, the students graduated from the University at the end of the Fall semester but their graduated status was not reported to NSLDS within the required time. Per the NSLDS Enrollment Reporting Guide, the University must report within 30 days whenever attendance changes for students, unless the next roster will be submitted within 60 days. Untimely reporting of a student's enrollment status to NSLDS could cause a student's loan to be inappropriately delayed in being converted to repayment status. These errors occurred because the University did not ensure that its third-party servicer submitted the data to NSLDS by the required due date.

#### **Recommendation:**

**We recommend that the University ensure that its third-party servicer submits the proper data to NSLDS in a timely manner as required.**

#### **University's Response:**

*The Financial Aid Office disagrees with the finding and the interpretation of the regulation for reporting graduated students. We have asked for clarification from the Department of Education, and are waiting to hear back. We were following the recommended reporting times from the National Student Clearinghouse, whose mission is to ensure all institutions across the nation are in compliance with Department of Education deadlines. However, until we receive clarification, the Financial Aid Office and the Registrar's Office will revise their schedule of reporting to the National Student Clearinghouse, which then reports to NSLDS. The reporting will be done at Day 1 of the term, Day 15 of the term, and monthly in between. This will ensure that the reporting from the Clearinghouse to NSLDS is done in a timely manner to meet appropriate deadlines. Lastly, we will implement a check system to ensure that the information we are sending to the Clearinghouse is being passed onto NSLDS within the required timeframe.*

*Contact Person: Patti Kohler, Director of Financial Aid, (435) 797-1455  
Anticipated Correction Date: October 1, 2013*