

UTAH STATE UNIVERSITY

Government Auditing Standards Report
and
Single Audit Management Letter
For the Year Ended June 30, 2015

Report No. 15-17



OFFICE OF THE
UTAH STATE AUDITOR

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AUDIT TEAM:

Jon T. Johnson, CPA, Audit Director
Patricia Nelson, CPA, Audit Supervisor

UTAH STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2015

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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 (University), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 4, 2015. 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 auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report 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 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 and the other auditors 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.

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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Finding

We noted a certain other finding resulting from the University's portion of our statewide federal compliance audit for the year ended June 30, 2015 that is included in this report.

University's Response to Finding

The University's response to the finding identified in this report is included with the accompanying finding and recommendation. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 4, 2015



OFFICE OF THE
UTAH STATE AUDITOR

SINGLE AUDIT MANAGEMENT LETTER

November 4, 2015

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

This management letter is issued as a result of Utah State University's (University's) portion of the statewide federal compliance audit for the year ended June 30, 2015. Our report on the statewide federal compliance audit for the year ended June 30, 2015 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 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, 2015. 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 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency 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 consider the deficiency in internal control presented in the accompanying finding and recommendation to be a significant deficiency at the federal program level.

The University's written response to the finding identified in our audit has not been subjected to the audit procedures applied in our audit and, accordingly, we express no opinion on it.

The purpose of this communication on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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,

A handwritten signature in cursive script that reads "Jon T. Johnson".

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

UTAH STATE UNIVERSITY

FINDING AND RECOMMENDATION FOR THE YEAR ENDED JUNE 30, 2015

FAILURE TO SUBMIT ANNUAL SF-425 REPORT

(Significant Deficiency and Reportable Noncompliance to the Research & Development Program)

Federal Agency: **U.S. Department of Agriculture**

CFDA Number and Title: **10.310 Impact of Typical Western Diet (R&D)**

Federal Award Number: **2014-67017-21755**

Questioned Costs: **\$0**

Pass-through Entity: N/A

We tested a sample of 7 Utah State University (University) Research and Development Grants to determine whether the University had properly submitted an SF-425 report for each grant. We noted that the University had not submitted the SF-425 report for 1 of the 7 grants (specifically related to the “Impact of Typical Western Diet” grant). According to the grant agreement, the University is required to submit a SF-425 report annually to the U.S. Department of Agriculture. This was a new grant during fiscal year 2015, and the grant personnel misunderstood the annual reporting requirement. Failure to prepare and submit the required financial reports could result in a loss of federal funds.

Recommendation:

We recommend that the University properly submit an annual SF-425 report for all Research and Development grants as required by the grant agreements.

University’s Response:

We concur with the recommendation. Additional training and procedures have been put in place to prevent this from happening in the future.

*Contact person: Irene Jorgensen, Director of Sponsored Program Accounting, (435) 797-1061
Anticipated correction date: October 31, 2015*