



**DEPARTMENT OF COMMUNITY AND CULTURE**

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Statewide Review of Expenditures  
For the Period July 2005 through June 2006

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Report No. 06-MAO-A7

*Keeping Utah  
Financially Strong*

AUSTON G. JOHNSON, CPA  
UTAH STATE AUDITOR



**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

**STATE OF UTAH**  
**Office of the State Auditor**

UTAH STATE CAPITOL COMPLEX  
EAST OFFICE BUILDING, SUITE E310  
P.O. BOX 142310  
SALT LAKE CITY, UTAH 84114-2310  
(801) 538-1025  
FAX (801) 538-1383

**DEPUTY STATE AUDITOR:**  
Joe Christensen, CPA

**AUDIT DIRECTORS:**  
H. Dean Eborn, CPA  
Deborah A. Empey, CPA  
Stan Godfrey, CPA  
Jon T. Johnson, CPA

**REPORT NO. 06-MAO-A7**

June 28, 2007

Palmer DePaulis, Executive Director  
Dept. of Community and Culture  
324 South State Street, Suite 500  
SLC, Utah 84111

Dear Mr. DePaulis:

We have performed a statewide review of disbursements for propriety and compliance with certain State laws and purchasing policies. Disbursements from the Department of Community and Culture (DCC) were included in the sample selected for this review for the period July 2005 through June 2006. The procedures performed included a review of disbursements identified as having a match between employee and vendor addresses and/or identification numbers.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of DCC's internal control or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the finding resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of DCC's internal control, other matters might have come to our attention that would have been reported to you.

Our finding resulting from the above procedures is included with this report. We feel that the finding is a significant weakness to DCC's disbursements. If this weakness is left uncorrected, an unacceptable amount of errors or misappropriations could occur without detection.

This report is intended solely for the information and use of DCC and is not intended to be and should not be used by anyone other than this specified party. However, the report is a matter of public record and its distribution is not limited.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of DCC during the course of the

engagement, and we look forward to a continuing professional relationship. If you have any questions, please call Debbie Empey, Audit Director, at 538-1342.

Sincerely,

Auston G. Johnson, CPA  
Utah State Auditor

cc: Kimbal W. Hale, Finance Director, Dept. of Community and Culture  
Ms. Man Diep, Internal Auditor, Dept. of Community and Culture  
Margaret Hunt, Director, Utah Arts Council  
Douglas G. Richins, Director, State Division of Purchasing and General Services

# DEPARTMENT OF COMMUNITY AND CULTURE

## FINDING AND RECOMMENDATION FOR THE PERIOD JULY 2005 THROUGH JUNE 2006

### LACK OF PROPER DOCUMENTATION FOR CONTRACT AWARDS

(Significant Weakness)

Based on a statewide sample of expenditures, we noted a lack of proper documentation for contract awards at the Utah Arts Council, a division of the Department of Community and Culture, as follows:

- a. The Arts Council did not include the agreed-upon rate of pay for a contractor in a contract effective July 1, 2005 through June 30, 2006. Additionally, there was no alternative documentation indicating the agreed-upon rate of pay. The rate of pay was apparently agreed to verbally. Therefore, we were unable to determine that the contractor was properly paid. Lack of documentation for agreed-upon rates of pay could result in improper rates being paid to contractors and disputes between the State and the contractor as to the agreed-upon rate of pay.
- b. The Arts Council did not document its justification for awarding a contract to a contractor. Because the Arts Council has a limited purchasing delegation (DGR), they thought they did not have to justify their reasoning for the applicability of the DGR to the particular contract tested and for their decision not to get bids and award as a sole source. However, their DGR states "Agency will retain documentation pertaining to justification for purchases for audit purposes." Lack of documentation for justification for purchases could result in improper payments and biased decisions regarding purchases and contract awards.

### Recommendation:

**We recommend that the Utah Arts Council:**

- a. **Document the agreed-upon rate of pay to contractors in their contracts.**
- b. **Document the justification for all purchases related to their limited purchasing delegation. This documentation should justify the applicability of the delegation (when not readily obvious) and bidding and/or sole source decisions.**

### Response from the Utah Arts Council:

*Upon reviewing the contract in question, we agree that the audit finding is correct. Although verbal agreements were completed as to the rate of pay, there was nothing included in the written contract to verify the agreement.*

*We appreciate the finding, the justification, and the recommendations that were submitted by the audit committee. We will include pay rates and schedules in all future contracts. We will also attach justification for contracts with future contractors. Until this time, all documentation was maintained in separate Arts Council program files. It is clear that justification and documentation must be included and agreed to, in writing, by both parties signing the contract.*