



DEPARTMENT OF COMMERCE

Management Letter
For the Year Ended June 30, 2007

Report No. 07-17

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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UTAH STATE AUDITOR

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Office of the State Auditor

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REPORT NO. 07-17

December 10, 2007

Francine Giani, Executive Director
Department of Commerce
160 East 300 South
SLC, Utah 84111

Dear Ms. Giani:

We have completed our audit of the financial statements of the State of Utah as of and for the year ended June 30, 2007 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 November 20, 2007, is issued under separate cover. We have not yet completed the statewide federal compliance audit for the year ended June 30, 2007. Our report on the statewide federal compliance audit for the year ended June 30, 2007 should be issued in January 2008. Any additional findings relating to the Department of Commerce (the Department) which result from the completion of the federal compliance audit will be issued to you as a supplement to this letter.

In planning and performing our audit we considered the Department's internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing our opinions on the State's financial statements and on the State's compliance with the requirements of its major programs, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies. However, we identified a certain deficiency in internal control that we consider to be a significant deficiency. This deficiency is identified in the accompanying finding and recommendation.

A control deficiency 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 misstatements or noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to 1) initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles or 2) administer a federal program such that there is more than a remote likelihood that a misstatement of the entity's financial statements or that noncompliance with a type of compliance requirement of a federal program that are more than inconsequential will not be prevented or detected by the entity's internal control.

This communication is intended solely for the information and use of management and others within the Department and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

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

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 call Joe Christensen, Deputy State Auditor, at (801) 538-1354.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Cory Ervin, Human Resource Specialist, Department of Commerce

DEPARTMENT OF COMMERCE

FINDING AND RECOMMENDATION FOR THE YEAR ENDED JUNE 30, 2007

NONCOMPLIANCE WITH PAYROLL POLICY (Significant Deficiency)

Federal Agency: **various**

Federal Award Number: **various**

CFDA Number and Title: **various**

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

Pass-through Entity: N/A

As part of our annual audit of State payroll expenditures, we reviewed the reports associated with 45 payroll expenditures to ensure that they were properly reviewed, approved, and retained. For both items selected for review at the Department of Commerce, the Department did not properly document the review and approval of the "Time Entered After Cutoff" and "Time Edit" report. State Accounting Policies and Procedures (FIACCT 11-17.00) require the Department to generate, review, approve, and retain certain payroll reports each pay period to ensure the accuracy and document approval of the payroll transactions entered into the SAP Payroll System. Noncompliance with the policy could allow errors or misappropriations related to payroll expenditures to occur without detection.

Recommendation:

We recommend that the Department generate, review, approve, and retain required payroll reports each pay-period to document that payroll transactions entered into the SAP Payroll System are accurate and approved.

Department's Response:

Beginning with Pay Period 13, June 29, 2007, the DHRM Human Resources Analyst who works with the Department of Commerce began printing, reviewing, and saving the Time Edit Report for every pay period, to review any irregularities for the employee time entered.

Beginning with Pay Period 24, November 30, 2007, the DHRM Human Resources Analyst who works with the Department of Commerce has set a payroll cut off of 5:00 pm on the Thursday following the end of each pay period, and will begin generating and reviewing the "Time Entered After Cutoff" report at that time for each pay period.

Contact Person: Francine A. Giani, Executive Director, (801) 538-6431

Correction Date: November 2007