



**COLLEGE OF EASTERN UTAH
TRIO Programs**

Management Letter
For the Year Ended June 30, 2007

Report No. 07-43

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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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

MANAGEMENT LETTER NO. 07-43

January 11, 2008

To the Board of Trustees, Audit Committee,
and
Ryan L. Thomas, President
College of Eastern Utah

We have completed the College of Eastern Utah's portion of 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.

In planning and performing our audit we considered the College's internal control over financial reporting and compliance as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 certain deficiencies in internal control that we consider to be significant deficiencies. These deficiencies are identified in the accompanying table of contents and are described in the accompanying schedule of findings and recommendations.

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.

During our audit, we also noted another matter involving internal control deficiencies and noncompliance. We are submitting for your consideration related recommendations designed to help the College make improvements and achieve operational efficiencies. This matter is described in the accompanying schedule of findings and recommendations.

This communication is intended solely for the information and use of the College's management, Board of Trustees, Audit Committee, and others within the organization 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 College's written responses to the findings and recommendations identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We appreciate the courtesy and assistance extended to us by the personnel of the College during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please call Jon Johnson, Audit Director, at (801) 538-1359.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Kevin Walthers, Ph.D., VP of Finance and Administrative Services
Gina Gagon, Controller, College of Eastern Utah
Robyn Sheriff, Business Office Manager
Donna Blake, Grant Accountant
Garth Wilson, Director, Student Support Services
Keele Johnson, Director, Educational Talent Search
Tony Wojcik, Director, Upward Bound

COLLEGE OF EASTERN UTAH
TRIO Programs
FOR THE YEAR ENDED JUNE 30, 2007

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Finding Type:

SD Significant Deficiency of Internal Control

RN Reportable Noncompliance

Applicable To:

s State Financial Statements

f Federal Program

COLLEGE OF EASTERN UTAH
TRIO Programs

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

1. **INAPPROPRIATE REIMBURSEMENT OF INDIRECT COSTS**

Federal Agency: **Department of Education**

CFDA Numbers and Titles: 1) **84.042 (TRIO) Student Support Services**
2) **84.044 (TRIO) Talent Search**

Federal Award Numbers: 1) **P042A050297**
2) **P044A020606/060589**

Questioned Costs: **\$6,358**

Pass-through Entity: N/A

The College did not comply with the “modified total direct costs” provision in calculating the indirect costs for the Trio Program. The College inappropriately calculated indirect costs as 8% of the total combined direct and indirect costs for the Student Support Services Program (Price Campus) and Talent Search Program. The U.S. Department of Education guidance states that the entity can charge a maximum 8% of “modified total direct costs” which are actual direct costs, less equipment, contracts, stipends and grant-in-aid. These errors resulted in the Student Support Services Program (Price Campus) and Talent Search Program overcharging the federal program for indirect costs of \$3,151 and \$3,207, respectively, for the 2007 state fiscal year. Therefore, we have questioned these excess charges.

Recommendation:

We recommend that the College calculate indirect costs for the TRIO Program based on actual expenditures using the appropriate base of “modified direct costs.”

College’s Response:

The College will calculate indirect costs using approved federal guidelines.

*Contact Person: Kevin Walthers, Ph.D., Vice-President for Finance and Administration,
(435) 613-5654*

Anticipated Correction Date: Immediate.

COLLEGE OF EASTERN UTAH
TRIO Programs

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

2. **INADEQUATE DOCUMENTATION**

Federal Agency: **Department of Education**
CFDA Number and Title: **84.044 (TRIO) Talent Search**
Federal Award Number: **P044A020606/060589**
Questioned Costs: **\$150**
Pass-through Entity: N/A

We tested a sample of 7 TRIO Program disbursement transactions at the College of Eastern Utah, and noted one Talent Search Program purchase of three mini-fridges totaling \$150 for use by the Monument Valley High School, Whitehorse High School, and Monticello High School Counseling Centers. Per federal regulations (34CFR 643.30(f)), in order for the equipment to be allowable, it must help meet the objectives of the project in a more economical or efficient manner. Since this purchase does not meet the objectives of the program, we have questioned these costs. Based on our projections of the questioned costs noted in this statewide sample, we believe that the resulting noncompliance is not material to the program.

Recommendation:

We recommend that the College only purchase equipment items that help meet the objectives of the program as required by Federal regulations.

College's Response:

We do not agree that the expenditure of \$150 for refrigerators is an unallowable expenditure. The refrigerators were used to store beverages and small food items as explicitly allowed by Federal Regulation. The use of the refrigerators increase efficiency and allow the program to be more economical by purchasing bulk items.

*Contact Person: Kevin Walthers, Ph.D., Vice-President for Finance and Administration,
(435) 613-5654*

Anticipated Correction Date: N/A

COLLEGE OF EASTERN UTAH
TRIO Programs

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

3. **CASH MANAGEMENT WEAKNESSES**

Federal Agency: **Department of Education**

CFDA Numbers and Titles: 1) **84.042 (TRIO) Student Support Services**
2) **84.044 (TRIO) Talent Search**
3) **84.047 (TRIO) Upward Bound**

Federal Award Numbers: 1) **P042A050297 and P042A020583/060026**
2) **P044A020606/060589**
3) **P047A050427**

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

Pass-through Entity: N/A

While reviewing the College's TRIO program revenues, expenses, and federal reimbursement requests, we noted the College was unable to provide adequate documentation detailing how draws were calculated and that the College is not seeking reimbursement for TRIO program costs on a regular and timely basis.

- The San Juan Campus Student Support Services program had expenditures totaling \$327,833 during State fiscal year 2007; however, the College submitted only two requests for reimbursement (on 12/29/2006 and 5/25/2007) totaling \$141,650 from the U.S. Department of Education during that time period.
- The Price Campus Student Support Services program had expenditures totaling \$223,540 during State fiscal year 2007; however, the College did not submit any requests for reimbursement from the U.S. Department of Education during that time period.
- The Upward Bound program had expenditures totaling \$472,097 during State fiscal year 2007; however, the College submitted only three requests for reimbursement (on 11/30/06, 12/29/2006, and 5/25/2007) totaling \$298,415 from the U.S. Department of Education during that time period.
- The Talent Search program had expenditures totaling \$367,407 during State fiscal year 2007; however, the College submitted only two requests for reimbursement (on 12/29/2006 and 5/25/2007) totaling \$179,986 from the U.S. Department of Education during that time period.

Federal cash management regulations allow the College to establish procedures to minimize the time elapsing between the disbursement of funds and the transfer of funds from the federal government. Failure to seek reimbursement of program costs from the federal government on a regular and timely basis results in a cash management burden on the College and potential mismanagement or loss of program funding.

COLLEGE OF EASTERN UTAH
TRIO Programs

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2007

Recommendation:

We recommend that the College properly calculate, document and seek reimbursement for TRIO program costs on a regular and timely basis.

College's Response:

The time in question was a time of transition for the College. The College's long time controller (who also served as vice president) had been absent beginning in June of 2006, then opted to retire. Federal draws had been completed by the controller, who had not cross-trained other staff to complete them in her absence. In December of 2006 the College hired a new Vice President for Finance and Administration. In March the College hired a new Controller. In 2007 the College established a cash management plan that includes regular draws for all grant programs.

*Contact Person: Kevin Walthers, Ph.D., Vice-President for Finance and Administration,
(435) 613-5654*

Anticipated Correction Date: Already completed