



DEPARTMENT OF COMMUNITY AND CULTURE

Management Letter
For the Year Ended June 30, 2008

Report No. 08-44

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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MANAGEMENT LETTER NO. 08-44

February 18, 2009

Palmer DePaulis, Executive Director
Utah Department of Community and Culture
324 South State Street, Suite 500
Salt Lake City, UT 84111-2388

Dear Mr. DePaulis:

We have completed our audit of the basic financial statements of the State of Utah as of and for the year ended June 30, 2008 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 December 4, 2008, was issued under separate cover. We have also completed the Department of Community and Culture's (the Department's) portion of the statewide federal compliance audit for the year ended June 30, 2008. The federal programs tested as major programs at the Department were the Low-Income Home Energy Assistance Program and the Community Services Block Grant. Our report on the statewide federal compliance audit for the year ended June 30, 2008 should be issued in February 2009.

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 basic 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.

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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements or that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, we identified certain deficiencies in internal control or other matters which we are submitting for your consideration to help the Department make improvements and achieve operational efficiencies. These matters are described in the accompanying schedule of findings and recommendations.

This communication is intended solely for the information and use of management of the Department 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 Department'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 Department 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: Allyson Isom, Deputy Director
Kimbal W. Hale, Finance Director
Man Diep, Internal Auditor
Gordon D. Walker, Director, Division of Housing and Community Development
Glenn McMurtrey, Financial Manager, Division of Housing and Community Development
Sherman Roquero, LIHEAP Program Manager, Division of Housing and Community Development
Jonathan Hardy, CSBG Program Manager, Division of Housing and Community Development
Mike Glenn, Director, State Housing Programs, Division of Housing and Community Development

DEPARTMENT OF COMMUNITY AND CULTURE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

1. INADEQUATE CONTROL OVER CRISIS PAYMENTS

We reviewed 15 CRISIS payments made from LIHEAP funds for compliance with federal and state laws and regulations. We noted that one subrecipient had paid a total of \$872 in CRISIS payments for one household during federal fiscal year 2008 without obtaining prior approval from the State HEAT Office for disbursing an amount larger than \$500. According to the HEAT program policy manual, “Energy crisis intervention payments are limited to a maximum of \$500 per household per HEAT program year [which is the federal fiscal year] unless prior approval for an amount larger than \$500 is obtained from the State HEAT Office.” It appears that this error occurred because there were two payments made for this particular household, each for less than \$500. Because the disbursements were for costs that would have been allowable with the proper approval, we have not questioned any costs.

Recommendation:

We recommend that the Department strengthen existing controls to ensure that CRISIS payments do not exceed established thresholds and are made in accordance with policy.

Department’s Response:

We concur with your recommendation. We continue to make efforts to ensure compliance with policy and strengthen internal controls, through policy clarification and training specific to this issue. We now require that all HEAT Crisis payments exceeding \$500 (whether a single payment or a combination of payments throughout the year) must get prior approval from the State.

Corrective Action Completion Date: June 30, 2009

Contact: Sherman Roquero, 801/538-8644, or Mike Glenn, 801/538-8666

2. LIHEAP ELIGIBILITY DETERMINATION AND ASSISTANCE AMOUNT CALCULATION ERRORS

We reviewed the case files for 70 LIHEAP heating, crisis, and/or weatherization assistance expenditures at the Department and noted eligibility determination and/or benefit calculation errors with three of the cases, as described below:

- For one case, the eligibility worker calculated the heating assistance amount incorrectly. The detailed State Plan and Section 330 of the HEAT Policy Manual allow households to receive \$50 for each target group in the household. For the case in question, the household included two target groups (children under 6 and an adult over 60), so the total assistance payment should have included \$100 for these target groups. However, the eligibility

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FINDINGS AND RECOMMENDATIONS FOR THE FISCAL YEAR ENDED JUNE 30, 2008

worker only included one target group (children under 6) in the calculation of the heating assistance, resulting in an underpayment of \$50.

- Per Section 330.3(f) of the HEAT Policy Manual, households with incomes less than \$50 above the income limit and which are eligible for a target group credit may use the target group credit as a deduction from income instead of as a credit in order to bring income below the income limit. For one case, the target group credit was applied as a deduction from income even though income was already below the income limit. This resulted in an underpayment of \$46.
- For one case, the student's portion of Veterans Educational Assistance was incorrectly included in countable income when calculating the household's HEAT benefits. Per Section 310.E.11 of the HEAT Policy Manual, a student's portion of Veterans Educational Assistance is to be excluded from the household's countable income when calculating the heating assistance. This inclusion of exempt income resulted in an underpayment of \$196.

Since these errors resulted in heating assistance underpayments, we have not questioned any costs.

Recommendation:

We recommend that the Department strengthen existing internal controls to ensure that LIHEAP eligibility determinations and assistance amount calculations are correct and comply with policy.

Department's Response:

We concur with your recommendations and continue to emphasize in our comprehensive training, those program rules that may result in calculation errors. In addition, and perhaps more importantly, we continue to perform on- and off-site monitoring of case files to correct any calculation errors that may occur, so that HEAT clients continue to be well-served by the program. We also continue to provide technical assistance and policy clarifications to the field office staff and supervisors on a daily basis to ensure that the program is executed in compliance with all rules and regulations.

Corrective Action Completion Date: June 30, 2009

Contact: Sherman Roquero, 801/538-8644, or Mike Glenn, 801/538-8666