



OFFICE OF THE
UTAH STATE AUDITOR

News Release

For Immediate Release

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Office of the Utah State Auditor Completes Audit of Federal Funds Received by State

*\$4.292 Billion in Federal Funds Expended during Fiscal Year 2015
Reviewed for Proper Use and Appropriate Internal Controls*

Salt Lake City, UTAH –

The Office of the Utah State Auditor (Office) released its Single Audit Report of the expenditures of federal funds by the State of Utah (State). The audit report covers the State's compliance with federal laws and regulations governing the use of federal funds. The \$4.292 billion in federal funds spent in fiscal year 2015 represents 23% of the State's total fiscal year 2015 expenditures of \$18.459 billion.

Federal funds are a major source of funding for the State of Utah and are the State's largest revenue from a single source. For the fiscal year ended June 30, 2015, Utah received \$4.159 billion in federal revenues. As comparison, during the same period the State received a combined \$3.281 billion in individual income taxes and \$2.235 billion in sales taxes. The difference between federal funds expended and federal funds received is comprised largely of unemployment insurance expenditures required to be reported as a federal expenditure. In addition, the State reported another \$1.897 billion in food commodities, loans outstanding, endowments, and loan guarantees for total federal assistance of \$6.189 billion.

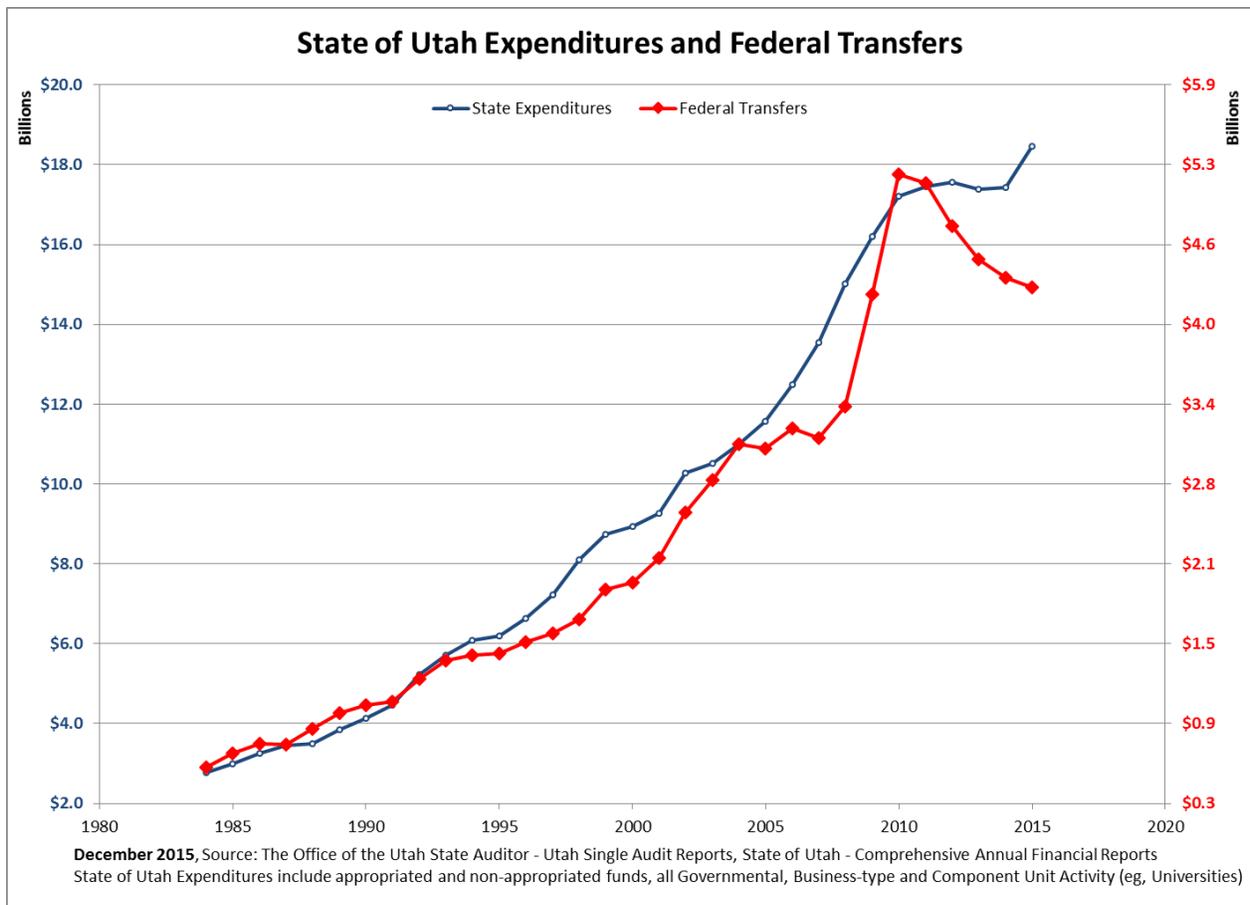
Percent of State of Utah Expenditures from Federal Transfers



December 2015. Source: The Office of the Utah State Auditor - Utah Single Audit Reports, State of Utah - Comprehensive Annual Financial Reports
 State of Utah Expenditures include appropriated and non-appropriated funds, all Governmental, Business-type and Component Unit Activity (eg, Universities)

The graph above shows the percentage of Utah expenditures from federal transfers. In fiscal year 1984, approximately 19% of Utah’s expenditures came from federal transfers, rising to a peak in fiscal year 2010 at 30%. In fiscal year 2015, the rate continued its recent decline from that peak to approximately 23%. However, the trend line shows the long-term average, which indicates that Utah’s dependence on federal funds has been on an upward trend for three decades.

The following graph illustrates the rate of growth of total state expenditures and of federal transfers. State expenditures are shown in blue on the left axis of the graph and federal transfers received by the State are shown in red on the right axis. Both lines show significant ongoing increases in Utah’s spending and the impact that changes in the economy have on government spending policies.



Overall, the Single Audit for fiscal year 2015 showed targeted improvements in compliance with federal requirements. The Office reported that the State expends federal funds in most respects in compliance with federal regulations. The report presents 53 audit findings, or problems, and recommendations related to the State's noncompliance with federal laws and regulations and related internal controls. The majority of these findings are modest in scope or impact.

This year, 5 material weaknesses in internal controls were reported in 3 federal programs, up from 2 material weaknesses in internal controls in 2 federal programs in fiscal year 2014. Of the 30 federal programs audited for fiscal year 2015, two received qualified audit opinions because of material noncompliance with federal program requirements. These material weaknesses were identified in the following programs:

- Fish, Wildlife, and Plant Conservation Resource Management (CFDA 15.231) program administered by the Department of Natural Resources (material weakness in internal controls and material noncompliance). The identified issues in this program pertain to (1) inadequate internal controls over the requests for reimbursement from the federal agency, which resulted in the Department of Natural Resources requesting and receiving a reimbursement for \$814,000 more than was expended during the fiscal year, and (2) errors in reporting the receipts and expenditures on required federal reports.

- HIV Care Formula Grant (CFDA 93.917) program administered by the Department of Health (material weakness in internal controls and material noncompliance). The identified issues in this program pertain to (1) inadequate controls over funds provided to the University of Utah, and (2) inadequate documentation and incorrect eligibility determination for program cases, which resulted in unallowable costs of \$3,063.
- Emergency Management Performance Grants (CFDA 97.042) administered by the Department of Public Safety (material weakness in internal controls). The identified issue in the program pertained to inadequate internal controls (lack of reviews) to ensure that program funds provided to other entities (subrecipients) were used for allowable purposes.

The Single Audit Report includes a detailed listing of expenditures for each of the federal programs, as well as a list of expenditures sorted by State department/agency and a list of findings found during the audit.

BACKGROUND:

Of the \$4.292 billion in federal expenditures, \$3.631 billion was expended by the State's governmental and business-type activities and \$661 million was expended by the State's colleges and universities.

Both federal and state laws require the State to have an annual audit of all federal funds expended to determine whether the funds were spent in accordance with federal laws and regulations. Any funds that appear to have not been spent in accordance with federal laws and regulations are questioned by the Office. The Federal Government will work with each State agency and each college and university where costs have been questioned to determine whether the costs need to be paid back. The Federal Government may also choose to expand the audit of problem areas identified to increase the amount of disallowed costs.

In addition, federal audit standards require the Office to audit the State's federally funded programs and give an opinion on the State's compliance with federal laws and regulations. Federal audit standards require a risk-based approach which focuses auditing efforts on the largest federal programs and those programs with higher risk. The Office audited 30 programs in fiscal year 2015. The programs audited represent approximately 72% of the federal financial assistance received by the State of Utah.

A copy of this report can be viewed on our website at auditor.utah.gov and specifically at <http://financialreports.utah.gov/saoreports/2015/2015SingleAuditStateofUtah.pdf>.

About the Office of the Utah State Auditor

The Office of the Utah State Auditor provides Utah taxpayers and government officials with an independent assessment of financial operation, statutory compliance, and performance management for state and local government.

Specific activities of the Office include performing financial audits, conducting federal funds compliance audits, providing local government oversight, conducting agency and program performance audits, performing fraud and compliance audits, and operating the State Auditor Hotline for citizens to report suspected financial issues or improprieties. These capabilities strengthen Utah State Government and help taxpayers have confidence in the integrity of Utah's government agencies.

The Utah State Auditor is a Constitutional Officer of the State of Utah, elected directly by the state's citizens every 4 years. The role of the Utah State Auditor is authorized in Article VII, Section 15 of the Utah Constitution. For more information, see auditor.utah.gov.

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