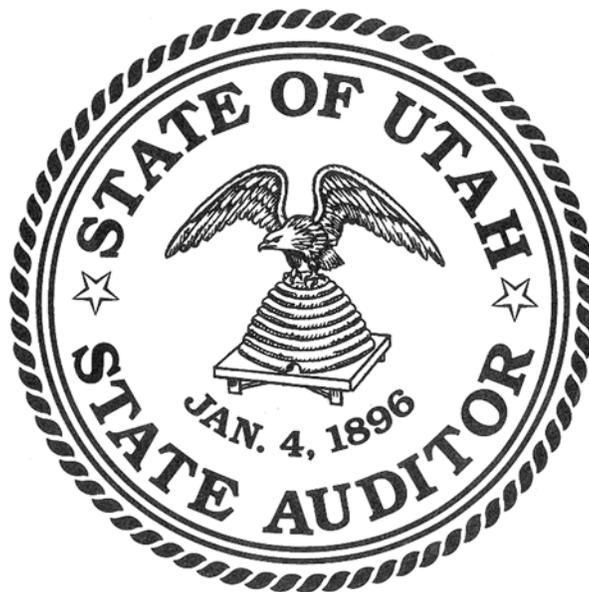


UTAH NAVAJO TRUST FUND

Government Auditing Standards
For the Year Ended June 30, 2018

Report No. 18-48



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Ryan Roberts, CPA, Audit Supervisor
Chantel Wixon, Audit Senior

UTAH NAVAJO TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT STATE AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
FINDING AND RECOMMENDATION:	
INADEQUATE POLICIES AND PROCEDURES OVER RECOGNITION OF NAVAJO REVITALIZATION FUND REIMBURSEMENTS (Significant Deficiency)	3



OFFICE OF THE
STATE AUDITOR

**INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
and
Tony Dayish, Trust Administrator
Utah Navajo Trust Fund

We have audited the financial statements of the Utah Navajo Trust Fund (UNTF), a private-purpose trust fund of the State of Utah, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the UNTF's financial statements, and have issued our report thereon dated May 23, 2019. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the UNTF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the UNTF's internal control. Accordingly, we do not express an opinion on the effectiveness of the UNTF's internal control.

A deficiency in internal control 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 to detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying finding and recommendation that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the UNTF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

UNTF's Responses to Finding

The UNTF's response to the finding identified in our audit included after the finding and recommendation. The UNTF's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the State Auditor

Office of the State Auditor
May 23, 2019

UTAH NAVAJO TRUST FUND

FINDING AND RECOMMENDATION FOR THE YEAR ENDED JUNE 30, 2018

INADEQUATE POLICIES AND PROCEDURES OVER RECOGNITION OF NAVAJO REVITALIZATION FUND REIMBURSEMENTS

(Significant Deficiency)

The UNTF's policies and procedures regarding revenue recognition were not adequate to ensure revenue was recognized in accordance with generally accepted accounting principles (GAAP). The UNTF frequently processes transactions for the Navajo Revitalization Fund (NRF) related to various construction projects benefiting the Utah Navajos in San Juan County. The NRF then reimburses the UNTF for the projects. Although the UNTF is eligible for reimbursement as soon as the expense has been incurred for projects, its practice has been to wait until it bills the NRF before recognizing the revenue. GASB Statement No. 33 states that recipients in non-exchange transactions should recognize revenues when all applicable eligibility requirements for reimbursement are met. This error resulted in 1) a prior period adjustment of approximately \$2.5 million to establish a receivable for expenses incurred by the UNTF for NRF projects in prior years and 2) a \$406,200 audit adjustment to recognize revenue for fiscal year 2018 expenses incurred by the UNTF for NRF projects.

Recommendation:

We recommend that the UNTF establish policies and procedures to recognize revenue in accordance with GAAP.

UNTF's Response:

We concur. UNTF will review and revise policies and procedures as needed to insure that revenues are recognized in accordance with GAAP.