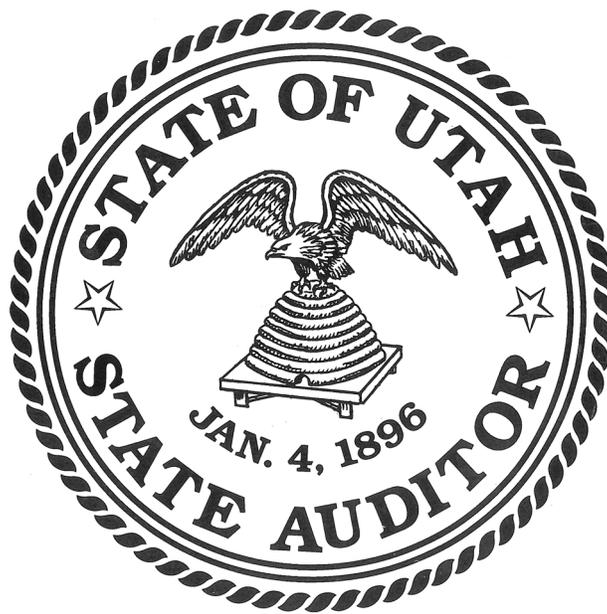


UTAH VALLEY UNIVERSITY

Government Auditing Standards
For the Year Ended June 30, 2019

Report No. 19-35



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jason Allen, CPA, CFE, Audit Director
Sean Clayton, Audit Senior

UTAH VALLEY UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2019

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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, Audit Committee,
and
Dr. Astrid S. Tuminez, President
Utah Valley University

We have audited, in accordance with the 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, the financial statements of Utah Valley University (University), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 have not been identified. We did identify a certain deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.

University's Response to Finding

The University's response to the accompanying finding was not subjected to the auditing procedures applied in our 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. However, pursuant to Utah Code Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Office of the State Auditor

Office of the State Auditor
January 29, 2020

FINDING AND RECOMMENDATION

MISAPPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Utah Valley University (University) and the Utah Valley University Foundation (Foundation) failed to recognize that the change in the Foundation's governance required a change in the application of generally accepted accounting principles (GAAP). As a result, the Foundation financial statements that were prepared in accordance with FASB standards required the following changes to the financial statements to bring them into compliance with Governmental Accounting Standards Board (GASB) standards:

1. Adjustments were required of promises to give (pledges receivable) as some of the pledges did not meet the revenue recognition requirements of GASB Statement No. 33 because donor-imposed time requirements or other contingencies for use of the pledges has not been met at June 30, 2019. These adjustments required a \$5,246,284 net reduction of pledges receivable, a \$2,100,085 reduction of gift revenue, and an adjustment of \$3,146,199 to beginning net position to adjust for revenue reported in previous years.
2. The recognition of Charitable Remainder Unitrusts under the requirements of GASB Statement No. 81 also differs from the reporting requirements under FASB, and as such an adjustment of \$1,897,985 was required to be made to deferred inflows of resources, as well as a corresponding adjustment to beginning net position to correct the overstatement of revenue in prior years.
3. An adjustment was also necessary to account for the restricted nature of assets according to GASB Codification Section 2200.180, which required a shift in classification from "Current" to "Noncurrent" cash and cash equivalents in the amount of \$21,418,881.

The Foundation should have recognized that the change in governance required the Foundation to change the applicable GAAP. Misapplication of GAAP may result in undetected errors in the financial statements.

Recommendation:

We recommend the University work with the Foundation to ensure proper recording and reporting of the Foundation's activities in accordance with generally accepted accounting principles.

University's Response:

We concur.