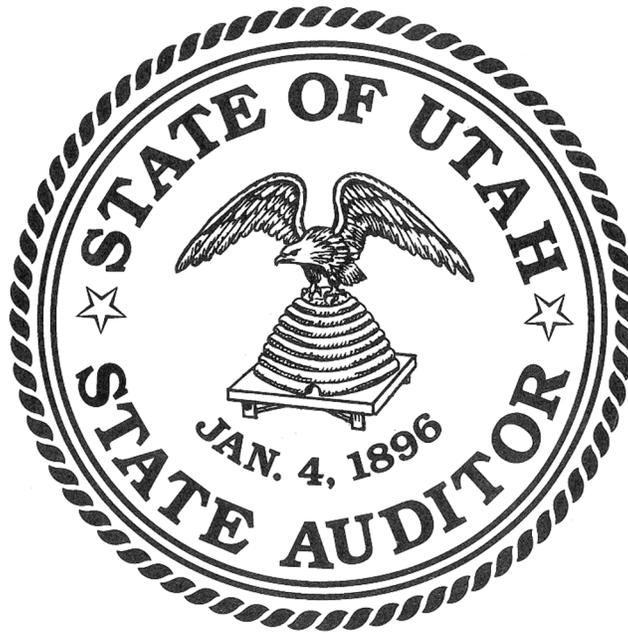


SOUTHERN UTAH UNIVERSITY

Government Auditing Standards Report
For the Year Ended June 30, 2018

Report No. 18-28



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Gregg Hastings, CPA, Audit Manager

SOUTHERN UTAH UNIVERSITY
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
FINDINGS AND RECOMMENDATIONS:	
1. INADEQUATE MONITORING OF SELF-INSURANCE CLAIMS (Significant Deficiency)	3
2. FAILURE TO RESOLVE DIFFERENCES IDENTIFIED IN RECONCILIATION PROCESS (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, Audit Committee
and
Scott L. Wyatt, President
Southern Utah 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 Southern Utah University (the University), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 19, 2018.

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 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 certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations, that we consider to be significant deficiencies.

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 Responses to Findings

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
December 19, 2018

FINDINGS AND RECOMMENDATIONS

1. INADEQUATE MONITORING OF SELF-INSURANCE CLAIMS

Southern Utah University (University) does not adequately monitor insurance claims processed by Educators Mutual Insurance Association of Utah (EMI) to ensure the University reimburses EMI for only benefit-eligible University employees. The University contracts with EMI to administer its self-insurance plans and should review detailed claims listings to confirm the claims paid are limited to benefit-eligible employees. University personnel were not aware that EMI would provide the necessary level of claims detail and, therefore, did not request and review it. Failure to review detailed claims data could result in the University paying EMI for ineligible claims.

Recommendation:

We recommend the University implement procedures to obtain and review the detailed claims listings from EMI.

University's Response:

We will utilize information that comes with each monthly billing to select a random sample of claims for eligibility testing. We will then request a report from EMI with an appropriate level of detail for the selected sample of claims to perform tests to ensure claims paid are limited to benefit-eligible employees.

2. FAILURE TO RESOLVE DIFFERENCES IDENTIFIED IN RECONCILIATION PROCESS

The University does not adequately resolve differences between the accounts receivable and general ledgers. In the June 30, 2018 reconciliation, the University had \$364,849 in such "unlocated" differences. University personnel did not prioritize the resolution of the differences when performing their other responsibilities. The University should resolve all material differences between the ledgers as part of the reconciliation process. Failure to reconcile these differences could result in errors and possible misappropriations occurring undetected by the University.

Recommendation:

We recommend the University reconcile differences identified in the reconciliation process.

University's Response:

Since July 2018, we have archived detailed tables to aid in the reconciliation process. We will continue to develop processes to ensure timely and accurate reconciliation of balances between the accounts receivable sub-ledger and general ledger. We anticipate having a complete reconciliation process and any "unlocated" differences identified by the end of March 2019.