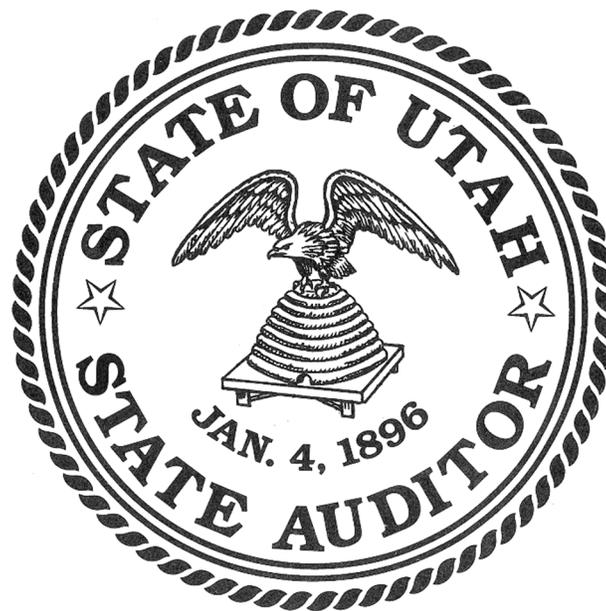


SNOW COLLEGE

Government Auditing Standards Report
For the Year Ended June 30, 2019

Report No. 19-44



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Hollie Andrus, CPA, Audit Director
Chantel Wixon, Audit Senior

SNOW COLLEGE
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, Finance and Facilities Committee
and
Bradley J. Cook, President
Snow College

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 Snow College (College), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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. However, as described in the accompanying schedule of findings and recommendations, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

Compliance and Other Matters

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

College's Response to Finding

The College's response to the finding identified in our audit is included with the accompanying finding and recommendation. The College'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. 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
March 19, 2020

FINDING AND RECOMMENDATION

DIFFICULTIES IN FINANCIAL REPORTING PROCESS DELAYED COMPLETION OF FINANCIAL STATEMENT AUDIT

During and following fiscal year 2019, Snow College's (College) current administration made considerable efforts towards achieving better financial reporting and resolving various problems from the previous fiscal year. The administration made difficult decisions as it worked to reassign resources, re-allocate assignments among staff, budget for additional staff in the Controller's Office, overhaul the College's bank reconciliation processes, and analyze potential weaknesses in the College's general ledger system (Banner).

While the current administration has made significant improvements, current staffing capabilities and priorities delayed the completion of the fiscal year 2019 financial statement audit. According to its bond covenants, the College should submit its annual audited financial statements by January 31, 2020. If the audited statements are not available at the January 31 deadline, Securities & Exchange Commission regulations allow the College to submit draft financial statements, which the College did. In the late stages of the audit, the College identified several new issues with receivables in the Banner student module. Efforts to resolve these issues delayed the completion of the financial statement audit.

The College should ensure the staff involved in its financial reporting process 1) have the capacity to appropriately identify and correct such issues and 2) prioritize preparation of the College's financial statements to complete its financial statements on time. Untimely completion of the audit may affect the College's future access to long-term financing opportunities.

Recommendation:

We recommend the College:

- **Ensure all financial reporting staff are capable, competent, and available to meet the requirements of the College. This may include hiring qualified staff or contracting with a qualified organization to perform the required tasks.**
- **Correct the Banner issues identified.**
- **Prioritize the preparation of the financial statements.**

College's Response:

The College appreciates the recognition that the Controller's office team has made considerable efforts to correct and analyze potential weaknesses in the College's Banner Finance system. Towards the end of the audit the College found process errors, dating back multiple years, that needed to be corrected and resulted in adjustments to the financial statements. This resulted in delays in the State Auditor's office issuing their report. The Controller determined these adjustments were necessary to present materially accurate financial statements. The Controller's office staff worked diligently in investigating and correcting errors and worked with the State Auditor's office in resolving the outstanding issues.

The College agrees with the recommendation to ensure that preparation of the financial statements is prioritized. Preparation of the financial statements in a timely manner has been and remains a priority of the College. The College is committed to continue to look for and implement process improvements to speed up the year-end financial statement preparation process.

The College agrees with the recommendation of contracting with a qualified organization to address Banner Finance issues. The College has already completed two consulting engagements with Ellucian, the developer of Banner, in which consultants came to the College to evaluate and consult on Banner Finance issues. The College has already implemented, or is the process of implementing, many of the recommendations produced by these contracts. In addition, the College is in the early stages of the Request for Proposal (RFP) process to contract with a company to bring in another Banner Finance consultant, which may be external to Ellucian and provide an unbiased view of issues and recommendations. This consultant will help the Controller's office continue to work through and correct identified issues. Again, the College is committed to resolving all Banner Finance issues.

An audit report, with an unmodified opinion, was issued on March 19, 2020. As stated in the finding, the College's 2011 Housing Bond covenants require the College to submit annual financial statements, audited or unaudited, by January 31 to the Electronic Municipal Market Access (EMMA) system, operated by the Municipal Securities Rulemaking Board (MSRB). The College fully complied with its bond covenants by submitting a draft financial statement by January 31 and then properly amended that filing with audited financial statements once the audit report was received in mid-March. Because the College is in full compliance with their bond covenants, the College has been assured by bond counsel there is no risk or effect on the College's future access to long-term financing.

Finally, the College will continue to prioritize the financial statement preparation process in the future with the goal to file audited financial statements with their required January 31 report to EMMA.