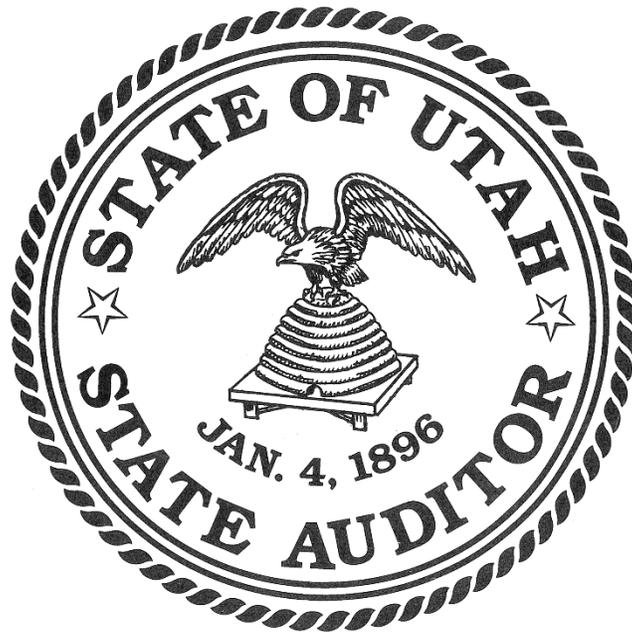


University of Utah

Government Auditing Standards Report *For the Year Ended June 30, 2021*

Report No. 21-08



Office of the State Auditor

AUDIT LEADERSHIP:

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University of Utah

For the Year Ended June 30, 2021

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Entity’s Response

Finding Type:

MW Material Internal Control Weakness
SD Significant Deficiency of Internal Control
MN Material Noncompliance
RN Reportable Noncompliance or Illegal Acts

Applicable To:

e Entity’s Financial Statements
f Federal Program



Office of the
State Auditor

Independent 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
Taylor R. Randall, President
University of Utah

We have audited the financial statements of the business-type activities and fiduciary activities of the University of Utah (the University), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's financial statements, and have issued our report thereon dated November 3, 2021. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of the University of Utah Hospitals & Clinics (UUHC), ARUP Laboratories, Inc. (ARUP), University of Utah Research Foundation (UURF), University of Utah Health Insurance Plans (UUHIP), and the Community Nursing Service (CNS), as described in our report on the University's financial statements. This report does not include the results of the UUHC, UURF, UUHIP, and CNS auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. The financial statements of ARUP were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with ARUP.

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 opinions 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. 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 schedule of findings and questioned costs as Finding 1 that we consider to be a significant deficiency.

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 Findings

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University'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

November 3, 2021

Finding and Recommendation

Finding 1. Improper Financial Report Presentation For Correction of Prior Year Errors

In response to our prior year audit findings related to pledges (promises to give), the University reviewed all pledge agreements during fiscal year 2021 and identified pledges that were previously recognized, but should not have been recognized for financial reporting purposes. After identifying the errors, the University made adjustments to the financial statements, which caused current year revenues to be understated by approximately \$46,500,000.

Government Accounting Standards Board (GASB) Codification section 2250.123 states, “A correction of an error in previously issued financial statements should be accounted for and reported as a prior-period adjustment and excluded from the change in net position section of the [Statement of Revenues, Expenses, and Changes in Net Position] for the current period.” As a result, an adjustment was proposed to present the \$46,500,000 prior year error as an adjustment to beginning net position rather than to current year revenues. This reporting issue was a result of management oversight in how corrections of errors affect the financial statement presentation.

Recommendation:

We recommend the University properly report corrections of errors as prior period adjustments in the financial statements in accordance with GASB Codification Section 2250.123.

University’s Response:

The University is committed to ensuring compliance with GASB standards in reporting corrections of prior period adjustments on the financial statements. The Financial and Business Services team will work with the Development Office to create a report that identifies prior period adjustments to pledges. Additional training will then be provided for appropriate staff so that these adjustments are reviewed and reported correctly in the future.