Ogden-Weber Technical College

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

Report No. 21-26

Office of the
State Auditor

AUDIT LEADERSHIP:

John Dougall, State Auditor
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Ogden-Weber Technical College

For the Year Ended June 30, 2021

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Finding Type:		Applicable To:	
MW	Material Internal Control Weakness	s	College Financial Statements
SD	Significant Deficiency of Internal Control	f	Federal Program
MN	Material Noncompliance		
RN	Reportable Noncompliance or Illegal Acts		

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
Jim Taggart, President
Ogden-Weber Technical 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 Ogden-Weber Technical College (the College), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated February 9, 2022. Our report includes a reference to other auditors who audited the financial statements of the Ogden-Weber Technical College Foundation (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation 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 the Foundation.

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 opinions 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying finding and recommendation that we consider to be a material weakness.

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 opinions. 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 Findings

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

Office of the State Auditor
February 9, 2022

Findings and Recommendations

Finding 1. Improper Recognition of Capital Asset Transactions

Ogden-Weber Technical College (College) does not have adequate internal controls to ensure capital asset transactions are appropriately recognized and reported in the College's financial statements. As a result, the following adjustments to the statements were required:

- $1,692,916 to add substantially completed projects transferred to the College from the State Division of Facilities and Construction Management (DFCM);
- $1,757,554 to correct the depreciation expense that was recorded twice for multiple assets;
- $199,236 to properly recognize a loss on the disposal of assets; and
- $250,000 to reclassify the acquisition of land instead of buildings.

College personnel did not understand when to recognize and how to report construction projects handled by DFCM in the College's financial statements. In addition, the College's implementation of a new capital asset tracking system did not have proper implementation controls in place, which caused depreciation expense for multiple assets to be recognized more than once and for loss on disposal of assets to be inaccurately recorded in depreciation expense.

The College should have adequate internal controls over capital assets to ensure these assets are properly recognized and reported in the financial statements. Inadequate controls may result in undetected errors in the financial statements.

Recommendation:

We recommend College personnel:

1) **gain an understanding of how to properly recognize capital projects handled by DFCM; and**
2) **implement internal controls to ensure the assets are appropriately accounted for when implementing new financial reporting systems.**

College's Response:

1) *The College agrees with the recommendation for college personnel to gain an understanding of how to properly recognize capital projects handled by DFCM.*

   This is a topic fiscal staff have discussed at length over the years both internally and with the state auditors and we were under the impression that our process was well thought out and in compliance with recognition practices and expectations. This was the first time any current staff in the fiscal office had heard of a "substantially *complete and transferred projects report" provided by DFCM. This information was gained during the audit when the adjustments were proposed, and processes have already been put into place to ensure the proper recognition of DFCM transfers using this report.*

2) *The College agrees with the recommendation to implement controls to ensure assets are appropriately accounted for when implementing new financial reporting systems.*

   Processes and internal controls have already been discussed and implementation has begun to ensure the assets and depreciation will be appropriately accounted for in the financial reporting systems as we phase out the use of one asset tracking system to another.

Transitioning to an entirely new staff in the fiscal office at the end of the fiscal year contributed heavily to the oversights associated with these proposed adjustments to the financial statements. We are confident that moving forward recognition of capital asset transactions will be better.