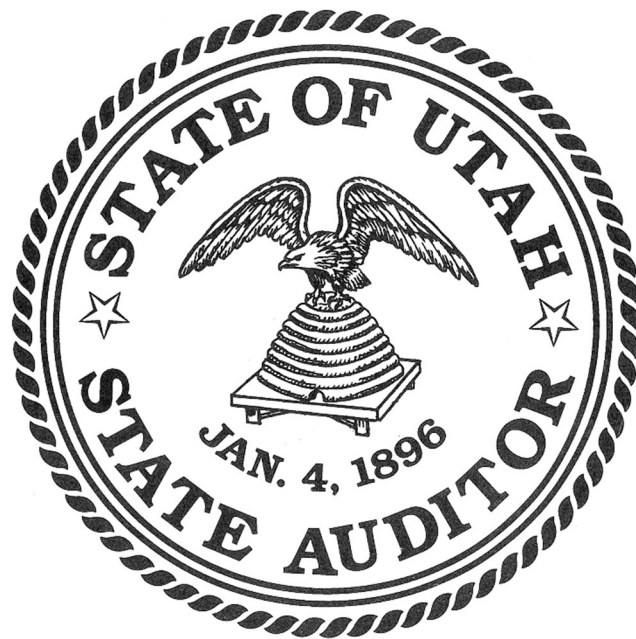


Snow College

Government Auditing Standards Report For the Year Ended June 30, 2022

Report No. 22-29



Office of the State Auditor

AUDIT LEADERSHIP:

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Snow College

For the Year Ended June 30, 2022

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Finding Type:

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

Applicable To:

s State 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
Stacey McIff, Interim 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 (the College), as of and for the year ended June 30, 2022, 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 22, 2023.

Report on 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 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 identified certain deficiencies in internal control, described in the accompanying schedule of findings as items that we consider to be significant deficiencies.

Report on 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings. 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
Salt Lake City, Utah
February 22, 2023

Findings and Recommendations

Finding 1. Inadequate Internal Control over the Financial Reporting Preparation Process

Snow College (College) does not have adequate internal controls to ensure it prepares the College's annual financial statements in accordance with generally accepted accounting principles. As a result, multiple financial statement adjustments were needed to fairly present the College's financial position. While the College's implementation of a new chart of accounts and employee turnover in key positions contributed to the above noted issues, the lack of adequate internal controls during the preparation of the financial statements was the primary cause of the errors.

To ensure the financial statements materially reflect the College's financial position, the college should perform sufficient reviews and analyses of information prepared for financial statement reporting. Inadequate controls over the preparation process may result in undetected material misstatements in the financial statements.

Recommendation:

We recommend the College establish and maintain internal controls sufficient to ensure information presented in the financial statements materially reflects the College's financial position.

College's Response:

The College had several contributing factors play into the cause of multiple adjustments being made to the financial statements after delivering draft financial statements to the State auditors at the beginning of their audit. The College implemented a new chart of accounts during fiscal year 2022 which required significant changes to the financial statement account mapping structure. The College also had a significant amount of turnover of personnel in its office, including three different Controllers over the course of one year. During the course of fiscal year 2022, the College went without a Controller for five months leading to a lot of catch up work to be performed prior to the audit. After hiring the third Controller, there was only two months to close out fiscal year 2022 and to prepare the financial statements prior to the start of the annual financial audit which resulted in inadequate time to thoroughly review the entire financial statement preparation process. All of these factors led to the adjustments made during the audit.

To eliminate adjustments to the financial statement in the future, the College will implement the following procedures and controls:

- The fiscal year close will be completed by August 30th of the following fiscal year.*

- *All manual adjustments made outside of Banner during the financial statement preparation process will be evaluated to see if hierarchal changes within Banner can be made to eliminate the need for those entries in future years. This will be completed prior to June 30th, 2023.*
- *The financial statements and footnotes will be reviewed by either the Controller or Assistant Controller, which will be different from the preparer of that section.*
- *A thorough year-over-year analysis will be performed of each financial statement and will be reviewed by a secondary reviewer prior to submission to the auditors.*
- *A complete tie out of the financial statements, footnotes, and MD&A will be performed prior to submission to the auditors.*
- *The College will complete a financial statement GASB checklist to ensure all required disclosures and reporting requirements have been met prior to submission to the auditors.*

Finding 2. Procedural and Internal Control Issues Related to Year-end Liability Accruals

Eight invoices totaling \$273,672 for goods and services received in fiscal year 2022 were not recorded as liabilities at June 30, 2022. These errors occurred due to the College not maintaining sufficient receiving documentation to determine the appropriate fiscal year to record the liabilities and a lack of internal controls to ensure the transactions were consistently reviewed and recorded in the correct fiscal year. These errors required an adjustment to ensure the College's financial position was fairly presented in their financial statements.

Recommendation:

We recommend the College maintain sufficient receiving documentation to show the date goods and services are received or provided, and perform consistent reviews to ensure transactions are recorded in the correct fiscal year.

College's Response:

The College's financial system, Banner, records liabilities in a reporting period based on the receiving date entered. In order to ensure the proper receiving date is entered into the system, the College will request and collect all receiving documentation associated with each purchase order fulfilled. In order for an invoice to be paid, it will be required that a purchase order, invoice, and a receiving/shipping document (if a good was purchased) be supplied. Departments will be required to submit these documents to Accounts Payable prior to being paid. The receiving date will be entered into Banner based off of the information provided on the receiving/shipping documentation. In addition, the Purchasing Office will follow up with the respective College department for each open purchase order older than 90 days to verify the status of the order and to request any receiving documentation if the order has already been received by the department. All receiving

documentation will be stored in the College's document imaging software for future reference. These controls should ensure proper cut-off and recording of liabilities. These changes will be implemented by March 30, 2023.