DIXIE STATE UNIVERSITY

Government Auditing Standards Report
For the Year Ended June 30, 2017

Report No. 17-21

OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:
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DIXIE STATE UNIVERSITY
FOR THE YEAR ENDED JUNE 30, 2017

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To the Board of Trustees, Audit Committee
and
Dr. Richard B. Williams, President
Dixie State University

We have audited the financial statements of Dixie State University (the University), as of and for the year ended June 30, 2017, 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 21, 2017. 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 Dixie Foundation (Foundation), as described in our report on the University'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 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. However, we did identify a certain deficiency in internal control, described in the accompanying finding and recommendation, 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 Finding

The University's response to the finding identified in our audit is included with the accompanying finding and recommendation. 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.

Office of the State Auditor

Office of the State Auditor
December 21, 2017

FINDING AND RECOMMENDATION

INADEQUATE SEPARATION OF DUTIES RELATED TO BOOKSTORE ACCOUNTS RECEIVABLE

The University's Bookstore has inadequate separation of accounting duties over its accounts receivable. The accounting clerk responsible for tracking and collecting accounts receivable has access to cash and checks received, prepares and sends billings, and reviews expected receipts. Inadequate separation of duties exists when the same individual has access to assets, access to the accounting records, and collection responsibilities. This inadequate separation of duties occurred due to employee turnover and the University not appropriately reassigning the former employee's responsibilities. Since the majority of bookstore transactions are point of sale, the amount of receivables is immaterial to the University's financial statements. However, this inadequate separation of duties could result in the misappropriation of assets and could allow errors and fraud to occur without detection.

Recommendation:

We recommend that the University properly separate the Bookstore clerk's conflicting responsibilities.

University's Response:

This issue was the result of turnover in the Bookstore staff. When the former Bookstore director retired, he disbursed the tasks he was doing to various staff members. This was intended to be a temporary solution, but that was not communicated to the new director or his staff. We have now implemented a number of controls to correct the situation. They include:

1. *The A/R clerk records all receivables into the appropriate systems, MBS and Banner.*
2. *The Marketing Coordinator/Accounting Office Manager will open mail and log all funds received directly by the bookstore and deposit them through the central Cashier's Office.*
3. *The A/R clerk will reconcile the deposited amounts to the MBS and Banner systems to ensure that the outstanding receivable amounts are accurate.*
4. *The reconciliation will be periodically reviewed by the Store Director or the Bookstore Accounting Office Manager.*

We feel that these changes along with other written procedures will provide the internal controls to safeguard bookstore Campus Store assets.