

STATE OF UTAH
OFFICE OF THE UTAH STATE AUDITOR



TINA M. CANNON
UTAH STATE AUDITOR

Timpanogos Academy Charter School

Limited Review

For the period January 1, 2018 to December 31, 2024

Report No. TACS25SP

Office of the Utah State Auditor

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Report No. TACS25SP

December 8, 2025

Board of Directors
Timpanogos Academy Charter School
700 South 100 East
Lindon, UT 84041

Dear Board Members:

The Office of the Utah State Auditor (Office) offers a hotline program through which we receive complaints with financial or compliance implications related to state and local governments. The Office received a complaint alleging various financial and procedural irregularities related to Timpanogos Academy Charter School's (Academy) employee Health Savings Accounts (HSA) as well as 401(k) and Roth savings accounts (Retirement).

To determine the credibility of these allegations, we performed the following procedures:

1. Compared employee contributions based on third-party HSA custodian account statements to Academy payroll records for the period 2018 to 2024;
2. Compared employee contributions based on third-party Retirement custodian account statements to Academy payroll records for the period 2021 to 2024;
3. Evaluated employer HSA and Retirement account deposits for the applicable time period for reasonableness and compliance with Academy policy;
4. Scanned Academy accounts payable records for improper payments to certain personnel or personnel-owned businesses for the period 2020 to 2024; and
5. Interviewed various Academy personnel.

This letter communicates the resulting findings and recommendations to the Board. Our procedures were limited to matters related to the complaint. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

We appreciate the courtesy and assistance extended to us by Academy personnel during our review. We look forward to a continuing professional relationship. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Tina M. Cannon".

Tina M. Cannon
Utah State Auditor

cc: Aaron Jones, Deputy Chief, Investigation Division, Utah Attorney General's Office
Deborah Davis, Chief Audit Executive, Utah State Board of Education
Errol Porter, Principal

Background

In November 2024, several Academy employees (Complainants) noticed discrepancies in their HSA and Retirement account deposits. Upon further review, the Complainants found additional discrepancies in previous years and suspected that the Business Operations and Human Resource Manager (Manager) may have misdirected their HSA and Retirement account contributions to her own accounts for personal benefit. The Complainants presented their concerns to the Academy Board (Board) who, in turn, contacted the Office for assistance. The Manager was initially placed on paid administrative leave and was eventually terminated in early 2025.

Limitations and Assumptions

We experienced multiple limitations and made certain assumptions while performing our review that may impact our final results. The Board should consider these factors as they work with employees who may have been affected by HSA and Retirement account discrepancies and should also encourage employees to review their own personal records and contact third-party administrators directly, as necessary. We encountered the following:

- **Timing Differences:** As discussed, we compared third-party account statements to Academy payroll records for the period 2018 to 2024 for HSA accounts and 2021 to 2024 for Retirement accounts. We selected these time periods based on the availability and accuracy of third-party custodian and Academy payroll records. We calculated the net discrepancy to account for any potential timing differences over those periods. However, we acknowledge that there may be some timing or other differences that occurred prior to our audit period that could either contribute to or negate our final net discrepancy amounts. For example, an employee contribution may have been withheld from a paycheck in one period, but remitted to the custodian in a later period. Depending on timing, this could appear to be an overage when, in reality, it is not.
- **Incomplete HSA Information:** We attempted to obtain complete contribution records per pay period directly from the third-party HSA custodian, including employer, employee payroll, and employee personal (non-payroll) contribution histories. Due to concerns of the HSA custodian about employee privacy, we were unable to obtain this information in a timely manner. As a result, we relied on records obtained through the Academy's online custodian account. The online account records exclude potentially important information, such as personal employee contributions. Therefore, we recognize that some HSA account discrepancies may be explained by employee contributions made outside the Academy payroll system.
- **Inadequate Contribution Change Request Records:** The Manager reportedly handled employee HSA and Retirement contribution change requests informally and sometimes accepted verbal contribution change requests. As a result, the Academy does not have a reliable record of what an employee's contribution *should* have been. We were limited to comparing

what was actually deposited based on third-party custodian records to what was withheld from the employee's paycheck based on Academy payroll records. Our report addresses discrepancies between these two sources of information, but we cannot conclude which, if either, amount was authorized by the employee. (The Academy has now reportedly implemented a formal contribution change request system.)

- **Lack of Contingency Plan:** The Manager performed most Academy accounting duties with little review or oversight (see Finding 2). It also appears that the Academy did not designate and train a back-up bookkeeper, as Academy personnel were unable to answer many of our questions regarding payroll and other accounting processes.
- **Payroll Record Accuracy:** Our analysis was based, in part, on review of Academy payroll records which included employee year-end pay stubs. We assumed these pay stubs are accurate.

Findings & Recommendations

Finding 1. HSA and Retirement Account Deposit Discrepancies

Our comparison of Academy payroll records to records provided by third-party HSA and Retirement account custodians indicates that amounts withheld from the paychecks of multiple employees were different than the corresponding amounts credited to their HSA and/or Retirement account. Some employees benefitted from these errors in that additional funds were credited to their accounts, while other employees were harmed as their deposit was less than the associated withholding. In some cases, we were able to identify a likely explanation for the discrepancy, such as one employee's withholding apparently being credited to the Retirement account of another employee. However, in most cases, we were unable to determine a likely explanation. We believe the discrepancies were most likely caused by poor accounting practices, including a lack of reconciliation between the payroll and HSA/Retirement account remittance process and other control weaknesses (see Finding 2).

We did not find evidence that the Manager misdirected other employees' withholdings to her HSA and Retirement accounts for personal benefit, nor did we find evidence that she issued inappropriate payments to herself or associated businesses through the accounts payable system.¹

To protect employee privacy, we will issue a separate report to the Academy that contains detailed discrepancies by individual employee. However, a summary of our net results is included in the table below:

¹ Because Academy personnel are more familiar with valid Academy vendors, in addition to our review, we issued a verbal recommendation that they perform an expanded review of vendor payments as well as processed check images for any unusual payments. None were reported by the Academy.

DESCRIPTION	NUMBER OF EMPLOYEES AFFECTED	NET (SHORTAGE) OVERAGE	DOLLAR RANGE PER EMPLOYEE
Employer HSA Contribution Net Shortage ²	4	(\$2,250.00)	(\$1,000) - \$500
Employee HSA Contribution Net Overage ³	33	\$11,480.00	(\$1,975) - \$5,010
Employee Retirement Account Contribution Net Shortage ⁴	11	(\$695.00)	(\$2,438) - \$2,314
Total HSA And Retirement Account Net Overage⁵	35	\$8,535.00	(\$2,570) - \$5,510

In addition to numerous small dollar differences, we found the following larger discrepancies and other notable instances which are included in our net results:

- The Manager received an additional \$500 HSA employer deposit in 2021 and an additional \$900 HSA employer deposit in 2024. She was the only employee to receive more than the standard employer deposit amount. The Academy detected the additional 2024 deposit and deducted the overpayment from her next employer deposit; therefore, we included only the \$500 overpayment in our net results above. Academy personnel were unaware of the 2021 overpayment and were unable to determine why she received the additional funds in 2021 and 2024. It appears the overpayments were from Academy operating funds as opposed to other employees' HSA contributions.
- One employee had \$5,010 more in HSA employee deposits than the amount withheld from the employee's paycheck. As previously discussed, we were unable to determine whether any of the overage was due to non-payroll contributions by the employee.
- Three employees did not receive the full standard HSA employer contribution for one year which resulted in a total underpayment of \$2,750. For one employee, it is not clear when she changed from a family medical insurance plan to a single plan, which may have an impact on this amount. The Academy should research this change before taking any corrective action.
- One employee's 401(k) loan repayment appears to have been misclassified as a 401(k) contribution in the Academy payroll system. This misclassification could have potential tax implications.

² As an employee benefit, the Academy deposits a certain amount into employee HSA accounts biannually. This represents the net amount by which certain employees did not receive the full employer deposit for the audit period according to third-party custodian records.

³ This represents the net amount by which deposits according to third-party custodian records exceeded the applicable employee's HSA withholding according to Academy payroll records for the audit period. As discussed under the Limitations section, some of this overage may be due to non-payroll contributions by employees.

⁴ This represents the net amount by which Retirement deposits according to third-party custodian records were less than the applicable employee's withholding according to Academy payroll records for the audit period.

⁵ These totals represent the total number of employees affected, the net resulting overage, and largest shortage and largest overage any one employee experienced.

- One employee's Retirement account was short \$1,218.75 in 2023; we determined that another employee's⁶ Retirement account was over by that exact amount in the same year. The odd amount and the fact that the second employee did not make any other Retirement account contributions for the audit period indicates that the first employee's withholding was likely deposited to the second employee's Retirement account in error. The first employee's Retirement account was also short by \$1,218.75 in 2024 for a total Retirement account shortage of \$2,437.50; however, we could not find a corresponding overage in another employee's account for 2024.
- We found multiple instances when an employee's monthly Retirement account deposit changed to an unusual amount or an amount inconsistent with the remaining monthly deposit amounts. Although these changes appear unusual, as discussed, we did not have a reliable record of employee withholding change requests and could not determine with certainty the propriety of these changes.

Employee withholdings and contributions for HSA and Retirement should have been made in an accurate and timely manner. As a result of the errors and inconsistencies noted above and the lack of oversight discussed in Finding 2, some employees were harmed and some benefitted more than they should have.

Recommendation

We recommend that the Academy:

- Ensure those employees who were negatively impacted by inaccurate HSA and Retirement deposits are compensated appropriately.
- Consult with third-party administrators to determine how overage deposits should be handled and whether there are any associated tax implications.

We recommend that Academy employees:

- Review personal records to determine the correct amount the Academy was authorized to withhold from their payroll checks for HSA and Retirement account contributions.
- Review personal, non-payroll contributions to their HSA account to determine whether such contributions can explain potential HSA overages.
- Consult with third-party administrators or tax professionals, as necessary, to determine whether there are any tax implications for those deposits that were misclassified or for overage deposits.
- Monitor their HSA and Retirement account deposits periodically to ensure that activity is proper and consistent with their requested contributions.

⁶ This employee was not the Manager.

Finding 2. Lack of Reconciliation and Other Internal Control Weaknesses

The Manager did not reconcile remittances to HSA and Retirement third-party administrators with the payroll system; as a result, multiple discrepancies occurred over the audit period without detection. It appears that the Manager processed remittances to the third-party administrators separately from the payroll process. When processed separately, a reconciliation of the remittance process to the payroll system is essential to ensure that deposits to HSA and Retirement accounts agree to the amounts withheld from employee payroll for those purposes, both in total and at the individual employee level. It also ensures that employees' W-2s contain accurate HSA and Retirement account contribution information.

Further, it appears that the Manager was responsible for processing accounts payable and payroll (recording approved hours, calculating amounts, submitting payments to employees, making payments for tax, HSA, Retirement, and other withholdings, updating payroll master files, etc.) with little or no oversight. Due to the lack of separation of duties, errors and/or irregularities were able to occur without detection.

We understand that the Academy has since outsourced payroll and other accounting functions to a third-party firm that specializes in providing services to charter schools. Therefore, our report will not make recommendations to address internal control weaknesses that occurred prior to the outsourcing decision. Although outsourcing can be a good solution, Academy personnel should actively monitor outsourced services to ensure accuracy and compliance.

Recommendations

The Academy should implement best-practice monitoring activities, including:

- Establish governance and oversight roles
- Define service level agreements and key performance indicators
- Require detailed reporting and exception logs
- Perform regular reconciliations
- Conduct periodic independent reviews

Finding 3. Lack of Cash Receipting Policy

The Academy does not have a cash receipting policy. Although most accounting functions have been outsourced, the Academy still receives cash for miscellaneous reasons and events. The Academy should create and implement a detailed cash receipting policy to ensure that all cash receipts are properly accounted for and deposited. The policy should address the use of cash receipt forms or other

boundary control⁷ method, deposit of the cash at least every three business days in accordance with *Utah Code § 51-4-2(2)*, and an independent reconciliation of the bank-validated deposit to the cash receipt forms to ensure that all cash can be accounted for and has been deposited to the bank.

Recommendation

The Academy should create and implement a comprehensive cash receipting policy.

⁷ The boundary is the point at which Academy personnel take custody of a payment. A “boundary control” should be established to create a reliable record of payments received by the Academy and to ensure that all payments received can be accounted for and entered into the general ledger.



Timpanogos Academy

70 South Titan Trail, Lindon, Utah 84042, Phone: 801-785-4979, Fax: 801-785-9690

Date: 06 December 2025

To:

Tina M. Cannon, Utah State Auditor
Office of the Utah State Auditor
Utah State Capitol, Suite 260
Salt Lake City, UT 84114

Re: Timpanogos Academy Charter School – Limited Review, Report No. TACS25SP (DRAFT)

State Auditor Cannon:

On behalf of the Board of Directors of Timpanogos Academy Charter School (“the Board”), thank you for the work of your office in conducting the limited review of our Health Savings Account (HSA) and Retirement account processes, as summarized in Draft Report No. TACS25SP for the period January 1, 2018 through December 31, 2024.

We requested your assistance after employee concerns were raised, and we appreciate the professionalism and cooperation of your team throughout the review. We recognize the seriousness of the issues identified and are committed to fully addressing each finding and strengthening our internal controls.

We have carefully reviewed the Draft Limited Review, the confidential Discrepancy Detail Report – Schedule, and the accompanying Discrepancy Detail Notes provided for internal use. Our responses to each finding are below.

Finding 1 – HSA and Retirement Account Deposit Discrepancies

We acknowledge the discrepancies identified between amounts withheld from employee paychecks and amounts deposited into employee HSA and Retirement accounts over the audit period, which resulted in some employees being under-credited and others receiving overages. We understand that these discrepancies, and the limitations and assumptions described in the report, require careful, employee-specific follow-up.

Board Response and Corrective Actions

1. Commitment to Make Negatively Affected Employees Whole

Using the Discrepancy Detail Schedule and Notes, we will identify employees with clear net shortages in their HSA or Retirement accounts that are attributable to Timpanogos Academy error.

For those employees, the Board will authorize corrective payments or adjustments, in consultation with the third-party administrators, so that affected employees are made whole to the extent permitted by law and plan rules.

2. Handling of Overages and Potential Tax Implications

For employees whose accounts show net overages, we will work directly with the HSA and Retirement custodians (and, as needed, outside tax advisors) to determine the appropriate method of correction, including whether funds must be reclassified, refunded, or otherwise adjusted, and to identify any tax reporting implications.

We will follow written guidance from the third-party administrators to ensure that any corrections are properly documented and reported.

3. Employee Communication and Participation

Each employee identified in the Discrepancy Detail Schedule will receive a confidential, individualized communication summarizing their situation and explaining the limitations noted by your Office (including timing differences, incomplete HSA information, and historical lack of contribution-change records).

Employees will be encouraged to compare Timpanogos Academy's summary to their own records and to contact the third-party administrators directly, consistent with your recommendations.

4. Formal Contribution-Change Process

Timpanogos Academy has implemented, and will continue to refine, a formal written process for HSA and Retirement contribution changes. Verbal requests will no longer be accepted.

Effective immediately:

- † Employees must submit contribution changes on a standardized form or secure electronic approval system.
- † Each request will require employee signature/acknowledgment and administrative approval.
- † Forms/approvals will be retained in the employee's personnel or benefits file as part of our permanent records.

5. Ongoing Monitoring of HSA and Retirement Deposits

As part of our regular operations (see Finding 2 response), payroll and benefit remittance reports from the third-party firm will be reconciled monthly to the general ledger and to custodian reports at both the aggregate and individual-employee level.

Any discrepancies identified will be investigated and resolved promptly, with documentation retained for Board and audit review.

6. Special or Complex Cases

For the small number of more complex situations described in the Discrepancy Detail Notes (e.g., potential misapplication of one employee's Retirement contributions to another's account, possible misclassification of a loan repayment as a contribution, or large HSA overages that may include personal contributions), we will:

- † Conduct additional review with our payroll/benefits vendor;
- † Engage with the affected employees; and
- † Cooperate with law enforcement or regulatory authorities as needed if further documentation can only be obtained through formal channels.

Finding 2 – Lack of Reconciliation and Other Internal Control Weaknesses

We concur with the finding that the prior process lacked adequate reconciliation between payroll and HSA/Retirement remittances and that too many accounting and payroll functions were concentrated in a single position without sufficient oversight. We acknowledge that these weaknesses contributed to the deposit discrepancies.

Actions Already Taken

- Timpanogos Academy has outsourced payroll, benefits remittances, and key accounting functions to a third-party firm that specializes in charter schools, as noted in your report.
- The former Business Operations and Human Resource Manager is no longer employed by Timpanogos Academy.

Strengthened Controls and Monitoring

To directly address your recommendations and the underlying risks, the Board has implemented, or is in the process of implementing, the following measures:

1. Governance and Oversight Roles

The Board has formally assigned oversight of financial controls and outsourced services to its Finance Committee, chaired by a board member with financial expertise.

The Principal and Board Finance Committee receive regular reports from the third-party accounting firm and review significant exceptions or adjustments.

2. Service Level Agreements (SLAs) and Performance Expectations

Our contract with the third-party firm includes clearly defined responsibilities, timelines, and expectations for:

- ✦ Timely and accurate payroll processing;
- ✦ Proper HSA and Retirement remittance and reporting; and
- ✦ Regular reconciliation and error-correction procedures.

3. Detailed Reporting and Exception Logs

We require detailed payroll, contribution, and remittance reports, along with exception logs showing any rejected, corrected, or unusual transactions.

Exceptions are reviewed by Timpanogos Academy administration and the Finance Committee and documented as resolved.

4. Regular Reconciliations

Monthly reconciliations are performed to ensure that:

- ✦ Payroll system totals equal amounts remitted to HSA and Retirement custodians; and
- ✦ Individual employee withholdings agree to amounts credited to their accounts.

Discrepancies are investigated and corrected before month-end close.

5. Independent Periodic Reviews

The Board intends to obtain an independent review (through our external auditor or another qualified professional) of the effectiveness of these new controls on at least an annual basis, and more frequently during the first full year of implementation.

Finding 3 – Lack of Cash Receipting Policy

We concur that, although many core accounting functions have been outsourced, Timpanogos Academy still receives cash and checks for miscellaneous activities and that a formal cash receipting policy is needed to ensure complete and timely deposit of all funds.

Corrective Actions

1. Adoption of a Written Cash Receipting Policy

The Board will adopt a comprehensive written cash receipting policy by 08 January 2026.

The policy will include:

- Clear boundary controls at the point Timpanogos Academy personnel receive payments (e.g., pre-numbered receipt books, logs, or designated electronic systems);
- Requirements that all cash and checks be deposited at least every three business days in accordance with Utah Code § 51-4-2(2);
- Segregation of duties to the extent feasible in a school environment, including dual custody of cash when practicable; and
- Secure storage of funds until deposit.

2. Independent Reconciliation of Deposits

The policy will require an independent reconciliation of bank-validated deposit slips back to the cash receipts log or other boundary-control records to ensure that all funds are accounted for and deposited intact.

3. Training and Communication

All staff involved in receiving or handling payments will receive training on the new policy and procedures at least annually and upon hire or role change.

The policy will be reviewed periodically and updated as needed.

Our Conclusion

The Board of Directors of Timpanogos Academy Charter School takes these findings seriously and is committed to protecting our employees, our students, and the public trust. We appreciate the guidance from your Office in identifying weaknesses and helping us improve our systems.

We also understand that the management letter and supporting documents are currently in draft form and not public. We have limited distribution of these draft materials to appropriate officers, board members, and legal/financial advisors in accordance with Utah Code 67-3-1(17).

Thank you again for your work on this review. If you have any questions or need additional information regarding our responses or implementation timelines, please contact me.

Sincerely,

Jennie Bruce

Chair, Board of Directors
Timpanogos Academy Charter School
801-722-4440