

STATE OF UTAH  
OFFICE OF THE UTAH STATE AUDITOR



TINA M. CANNON  
UTAH STATE AUDITOR

**Southern Utah University**  
**Government Auditing Standards Report**  
For the year ended June 30, 2025  
Report No. 25-25

**Office of the Utah State Auditor**

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# 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  
Mindy Benson, President  
Southern Utah University

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 Southern Utah University (University), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated January 23, 2026.

### Report on 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 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 and questioned costs as items as Findings 1 and 2 that we consider to be significant deficiencies.

## Report on 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as Findings 1 and 2

## University's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. 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 Utah State Auditor  
Salt Lake City, Utah  
January 23, 2026

## Findings & Recommendations

### **Finding 1. Inadequate Processes and Controls Related to Capital Asset Reporting**

#### **(Significant Deficiency)**

The University had inadequate processes and controls over capital asset recording and reporting that resulted in multiple significant adjusting journal entries to the fiscal year financial statements. Issues resulting in adjustments included the misclassification of funding received related to the purchase of a new building that was reimbursed by the Division of Facilities Construction and Management (DFCM); misclassification of gains/losses on disposal of capital assets; improperly recording routine repairs and maintenance re-roof projects as capital assets; and improperly reporting Subscription-Based Information Technology Arrangements (SBITA) contracts as prepaid expenses.

In addition to the issues that required adjusting journal entries discussed above, we also noted the University does not calculate its SBITA assets according to GASB 96 guidelines by using its current incremental borrowing rate for each contract; the University used the same historical average rate for all contracts instead. GASB 96 defines and outlines the accounting standards for SBITA contracts and requires that an imputed interest rate approximate the current incremental borrowing rate and that each contract be evaluated separately for contract conditions.

These errors resulted from the lack of a formal internal control process for authorizing, recording, and reviewing capital asset transactions. Appropriate internal control procedures will help ensure that the University's capital asset transactions are properly recorded in the general ledger and reported in their financial statements. The lack of appropriate internal control procedures could lead to additional errors in the recording and reporting of capital assets and related accounts.

#### **Recommendation**

We recommend the University review its processes and procedures for recording and reporting capital assets and implement stronger controls for authorizing, recording, and reviewing capital asset transactions.

#### **University's Response**

Management Response: Southern Utah University agrees with this finding. Accounting Services will implement greater review of capital asset recording and reporting. To address these concerns, the accounting team has trained on the proper classification of capital versus non-capital assets, prepaid expenses, and SBITAs. Going forward, an Accounting Manager will review capital asset additions to determine whether funding sources are appropriately classified. The Controller will review Prepaid

Expenses and SBITAs to ensure classifications are accurate. These controls will be integrated into year-end processes.

Additionally, the University will calculate the value of SBITA assets by using a current incremental borrowing rate for each contract.

## **Finding 2. Inadequate Processes and Controls Related to Gift Revenue Reporting**

### **(Significant Deficiency)**

The University had inadequate processes and controls over gift revenue recording and reporting resulting in multiple significant adjusting journal entries to the fiscal year financial statements. We identified multiple instances in which gifts were misclassified, including gifts restricted for capital purposes that were recorded as private gifts and unrestricted gifts recorded and reported as restricted gift revenue.

These errors resulted from the lack of a formal internal control process for reviewing gift agreements and insufficient communication between the Advancement Office and Accounting Services. The University's Advancement employees did not consistently communicate the nature and stipulations of gifts or provide supporting documentation to Accounting Services. Accounting Services did not consistently review gift agreements or have direct visibility into donor restrictions and intended use of gifts; instead, they relied on Advancement to identify and communicate gift types prior to assigning or creating new fund codes within the financial system. As a result, gifts were not always recorded in accordance with applicable accounting standards, increasing the risk of revenue misclassification and financial statement misstatement. Without proper review of gift agreements and classification, funds could be expended for purposes not authorized by the donor, resulting in violation of gift agreements, which could impact future donations.

### **Recommendation**

We recommend the University establish a formalized internal control process requiring documented review of gift agreements and regular coordination between Advancement and Accounting Services to ensure gifts are accurately identified, coded, and classified at the time of recording.

### **University's Response**

Southern Utah University agrees with this finding. Accounting Services has strengthened the review of gifts received by the University. Accounting Services is working in conjunction with the Advancement Office to obtain necessary documentation (such as gift agreements) to confirm gifts are appropriately classified. The Assistant Controller performs a review of gift agreements to verify proper classification

of new gifts. For this purpose, greater use of an interdepartmental shared drive will occur to facilitate improved communication.