SNOW COLLEGE
A Component Unit of the State of Utah

Government Auditing Standards Report
For the Year Ended June 30, 2012

Report No. 12-39

Keeping Utah Financially Strong

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR

SNOW COLLEGE
FOR THE YEAR ENDED JUNE 30, 2012

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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
Scott L. Wyatt, President
Snow College

We have audited the basic financial statements of Snow College (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and recommendations, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and recommendations as finding No. 1.

We noted certain matters resulting from the College's portion of our statewide federal compliance audit for the year ended June 30, 2012, which were issued in a separate report to the College. (See Single Audit Management Letter #12-13, dated October 10, 2012.)

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. We did not audit the College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the College's Board of Trustees, audit committee, management, others within the organization, and the Utah State Board of Regents and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Auston G Johnson

Auston G. Johnson, CPA
Utah State Auditor
November 28, 2012

SNOW COLLEGE

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

1. **NONCOMPLIANCE WITH MONEY MANAGEMENT COUNCIL RULE 17 AND THE MONEY MANAGEMENT ACT**
(Significant Deficiency) (Reportable Noncompliance)

Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. Portfolios of $20,000,000 or more, which the College has, may not invest more than 5% of the total portfolio with a single issuer. In our testwork of the investments held by the College, we noted that the College has investments in corporate obligations of two single issuers that exceed this 5% limit. In addition, Section 51-7-11 of the Money Management Act limits the remaining term to maturity on all investments in fixed rate corporate obligations to 13 months or less. The College has one fixed rate corporate bond that had a remaining term to maturity of 4 years at the time of purchase. This noncompliance with Rule 17 of the Money Management Council and with the Money Management Act occurred because of inadequate internal control over investment purchases. Failure to comply with the Money Management Council rules and the Money Management Act could result in the purchase of investments that are not prudent for the College.

Recommendation:

We recommend that the College consult with the Money Management Council to determine what should be done with the investments the College owns that are not in compliance with the Council rules and the Money Management Act. We also recommend that the College implement internal controls to ensure that future purchases of investments are in compliance with these requirements.

College's Response:

The College agrees with the finding and has implemented controls to ensure future purchases of investments are in compliance with the Money Management Act. The Controller's Office created a checklist based on the Money Management Act to ensure that compliance requirements are met prior to the purchase of each new investment. The checklist must be reviewed, approved, and signed by the Assistant Controller, Controller, and Vice President of Finance and Administrative Services. The signed checklist will then be attached to the investment trade confirmation and kept on file with investment reports.

In addition, the College contacted a senior research analyst for the Money Management Council on December 4, 2012, to determine what action should be taken regarding the investments not in compliance with the Money Management Act. The analyst indicated the Council would only be concerned with one of the three investments in question, as one of the investments matured and closed on August 1, 2012, and the second investment is entirely endowment funds of the College and therefore falls under the Office of Utah State Higher Education (USHE) Rule R541. As recommended, the College sent a letter to the Council on December 14, 2012 explaining the *situation of the third investment, the current cost of selling the investment, along with an outline of actions taken by the College to prevent the purchase of non-compliant investments in the future. The Council meets on December 20, 2012, and will discuss the College's letter and situation.*

Contact Person: Jake Dettinger, Assistant Controller, (435) 283-7255
Correction Date: December 2012

2. INADEQUATE CONTROLS OVER TICKETS (ATHLETIC DEPARTMENT)

(Significant Deficiency)

There is no independent reconciliation to account for all pre-numbered tickets maintained in the Athletic Department office. Pre-numbered ticket stock should be reviewed on a regular basis and reconciled to ensure that all pre-numbered tickets are accounted for. Lack of adequate controls over tickets could result in misappropriation, errors, and/or fraud occurring without detection.

Recommendation:

We recommend that the Athletic Department implement an independent reconciliation of ticket stock to account for all pre-numbered tickets.

College's Response:

The College agrees with the finding and purchased a web-hosted online ticketing system through TICKETsage Inc. in the fall of 2012. Full implementation will be completed in December 2012. The TICKETsage system will be used by all College venues selling tickets and allows customers the opportunity to purchase tickets online or at a box office. The system enhances accounting controls by providing a unique ticket number and bar code on each ticket that can then be scanned electronically at the door of each event. Pre-numbered ticket stock will no longer be used once the new ticketing system is fully implemented. In addition to the purchase of TICKETsage, the College's Internal Auditor, Controller's Office, and Athletic Department are developing controls to ensure that daily ticket sales reports are independently verified for completeness and accuracy.

Contact Person: Jake Dettinger, Assistant Controller, (435) 283-7255
Anticipated Correction Date: January 2013