

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

**A Regional College within the
Utah College of Applied Technology,
A Component Unit of the State of Utah**

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

Report No. 12-47

**STATE OF UTAH
OFFICE OF THE STATE AUDITOR**



UINTAH BASIN APPLIED TECHNOLOGY COLLEGE
FOR THE YEAR ENDED JUNE 30, 2012

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STATE OF UTAH
OFFICE OF THE STATE AUDITOR



**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 Directors, Fiscal Committee,
and
David R. Woolstenhulme, President
Uintah Basin Applied Technology College

We have audited the financial statements of Uintah Basin Applied Technology College (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 10, 2013. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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

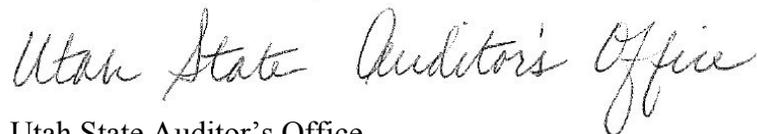
possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying finding and recommendation to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The College's response to the finding identified in our audit is included with the accompanying finding and recommendation. We did not audit the College's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the College's management, Board of Directors, and Audit Committee, others within the entity, and the Utah College of Applied Technology 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.

A handwritten signature in cursive script that reads "Utah State Auditor's Office".

Utah State Auditor's Office
January 10, 2013

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

FINDING AND RECOMMENDATION FOR THE YEAR ENDED JUNE 30, 2012

INADEQUATE INTERNAL CONTROLS OVER FINANCIAL REPORTING

Uintah Basin Applied Technology College (College) does not have adequate internal controls to ensure that the financial statements are properly prepared in accordance with generally accepted accounting principles. As a result, the following significant audit adjustments were required to properly present the College's financial position and results of operations:

- a. Adjustments decreasing beginning net assets by \$15 million and increasing long-term liabilities by \$15 million to properly report the Uintah Impact Mitigation Special Service District's ownership interest in the Vernal campus building. The building was previously reported as if the College held total ownership.
- b. An adjustment to accrue the \$88,386 Utah Retirement System payment owed for June 2012 that was not paid until July 2012.
- c. An adjustment to reduce Benefits expense and Salaries and Wages Payable by \$71,694, which is the amount the College refunded to employees during fiscal year 2012 for their contributions to Social Security from January 1, 2011 through June 30, 2011.

Management is responsible for establishing internal controls and procedures to accurately capture and record transactions and for the preparation and accuracy of the College's financial reporting.

Recommendation:

We recommend that the College establish internal controls to ensure that transactions are captured and recorded in the proper accounting period and to ensure the financial statements reflect the College's financial position and results of operations in conformity with generally accepted accounting principles.

College's Response:

The College will comply with the audit recommendation to accurately and completely record transactions to conform with current accounting standards.

Every effort will be made to properly state the Vernal campus building in the financial statements consistent with the ownership interest held by the Uintah Impact Mitigation Special Service District. This will involve, at a minimum, an annual consultation with the management of the District to determine consistent and appropriate accounting treatment prior to issuing financial statements.

The payment to Utah Retirement Systems was a liability that was incorrectly classified as an outstanding check on the June bank reconciliation with no impact on the net income. The College will perform a review of the bank reconciliations in the future to prevent such misstatements.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

FINDING AND RECOMMENDATION FOR THE YEAR ENDED JUNE 30, 2012

The error in the social security accrual resulted from a complex set of transactions spanning several years. Careful review will be done in the future to assure appropriate treatment in unusual circumstances such as this.