MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

Government Auditing Standards Report
For the Year Ended June 30, 2013

Report No. 13-36

OFFICE OF THE
UTAH STATE AUDITOR

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

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AUDIT LEADERSHIP:

Van Christensen, CPA, Audit Director
Ariane Gibson, CPA, Audit Senior

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

FOR THE YEAR ENDED JUNE 30, 2013

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UTAH STATE AUDITOR

INDEPENDENT STATE 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 Directors, Audit Committee
and
Clay E. Christensen, President
Mountainland Applied Technology College

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 Mountainland Applied Technology College (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations, that we consider to be significant deficiencies (see findings 1 and 2).

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

College's Responses to Findings:

The College's responses to the findings identified in our audit are described in the accompanying schedule of findings and recommendations. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Utah State Auditor

Office of the Utah State Auditor
December 12, 2013

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2013

1. INADEQUATE INTERNAL CONTROLS OVER FINANCIAL REPORTING

Mountainland 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 proposed to properly present the College's financial position and results of operations:

- Student Tuition and Fee Revenue was reduced by $61,163 to correct an overstatement.
- Student Tuition and Fee Accounts Receivable were reduced by $33,893 to correct an overstatement.
- Unearned Revenue was increased by $27,270 to correct an understatement.

These adjustments were needed because an error in running the student aging report resulted in the above amounts being recorded in the wrong accounting period.

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 statements.

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 agrees with the recommendation and has implemented 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.

2. FAILURE TO DEPOSIT CASH RECEIPTS WITHIN THREE BUSINESS DAYS

Four of the six cash receipts tested at the College's Thanksgiving Point and Spanish Fork Cosmetology locations were deposited between 4 and 9 business days after the date of receipt. *Utah Code* 51-4-1 requires that cash receipts be deposited within three business days of receipt. Delaying the deposit of cash receipts increases the risk that the receipts will be lost or stolen.

Recommendation:

We recommend that the College deposit all cash receipts within three business days of receipt in accordance with *Utah Code* 51-4-1.

College's Response:

The College agrees with the recommendation and has provided additional training and implemented additional procedures to ensure that all cash receipts are deposited within three business days of receipt in accordance with Utah Code 51-4-1.