

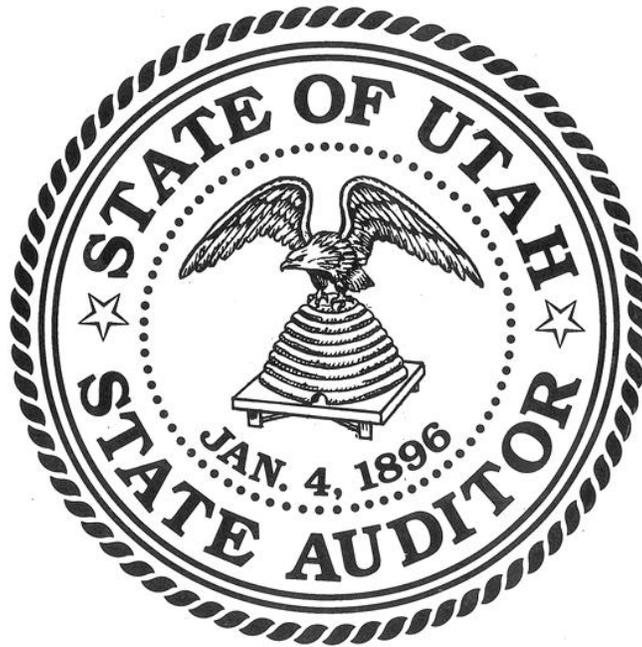
# **MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE**

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Government Auditing Standards Report  
For the Year Ended June 30, 2015

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Report No. 15-40



**OFFICE OF THE  
UTAH STATE AUDITOR**

# **MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE**

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Government Auditing Standards Report  
For the Year Ended June 30, 2015

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Report No. 15-40

**AUDIT TEAM:**

Jason Allen, CPA, CFE, Audit Supervisor  
Stephen Miller, CPA, Audit Senior

**MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE**  
FOR THE YEAR ENDED JUNE 30, 2015

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OFFICE OF THE  
**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, 2015, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated January 25, 2016.

**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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control, described in the accompanying

schedule of findings and recommendations as Finding No. 1, that we consider to be a significant deficiency.

### **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*.

### **Other Finding**

We noted a certain other finding that is included in the accompanying schedule of findings and recommendations.

### **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  
January 25, 2016

# **MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015**

### **1. INADEQUATE CONTROLS OVER NORTHSTAR STUDENT RECEIVABLE SYSTEM**

Mountainland Applied Technology College (College) does not have adequate internal controls to ensure that receivables, payables, and unearned revenue are properly reported in the general ledger. The College records student receivables and unearned revenue based on reports from the Northstar student receivable system. These reports are used to determine the outstanding student receivable balance at year end and to make adjustments to the unearned revenue for the financial statements. During our testwork we noted the following errors resulting from inaccuracies in the Northstar reports:

- One student had \$2,218 of Pell grant money in her student account that had been awarded and earned more than two years earlier. Although the student completed her program, the awarded amount was never distributed to her. This balance is payable to the student, but was erroneously classified as unearned revenue.
- One student had \$840 of Pell grant money in her student account that should have been returned to the Department of Education – see Finding No. 2 for more details. This balance is payable to the U.S. Department of Education, but was erroneously classified as unearned revenue.
- As of the date of our testwork (approximately 6 months after the fiscal year end), the College had not received any payments for 4 of the 8 (50%) selected student receivable balances as of June 30, 2015. Also, the College had an additional \$40,047 in student receivables outstanding for more than one year as of June 30, 2015. These factors indicate collectability issues; however, the College had not recorded an allowance for doubtful accounts in the financial statements to offset these potentially uncollectible receivables.

The estimated impact of these errors on the financial statements includes an overstatement of unearned revenues and a corresponding understatement of accounts payable in the amount of \$83,675, as well as an overstatement of accounts receivable—from others in the amount of \$87,475.

Management appears to be reliant on the reports generated from the Northstar student receivable system without proper controls in place to ensure the validity of the information. Management is responsible for establishing internal controls and procedures to ensure the accuracy and propriety of all systems that are used to report the financial activity of the College.

#### **Recommendation:**

**We recommend that the College improve internal controls to ensure the accuracy and propriety of the financial activity of the College.**

# **MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE**

## FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2015

### College's Response:

*The College agrees with the recommendation and will improve internal controls to ensure that receivables, payables, and unearned revenue are properly reported.*

## 2. **NONCOMPLIANCE RELATED TO RETURN OF TITLE IV FUNDS**

Federal Agency: **U.S. Department of Education**  
CFDA Number and Title: **84.063 Federal Pell Grant Program**  
Federal Award Number: **Various**  
Questioned Costs: **\$840**  
Pass-through Entity: N/A

During our testwork of unearned revenue at the College, we noted that the College did not return Title IV funds that were unearned by one student. This student completed her College program ahead of schedule and, therefore, did not require Title IV funds for an additional semester. However, the College did not follow federal regulations (34 CFR 668.22(a)(4)) which state that if the amount awarded to the student exceeds the amount the student earned, the College must return the difference to the U.S. Department of Education. We have questioned \$840 for this error, which represents the amount of Title IV funds that the College should have returned. This error occurred because the College does not have proper controls for the return of Title IV funds.

### **Recommendation:**

**We recommend the College improve internal controls over the return of Title IV funds.**

### College's Response:

*The College agrees with the recommendation and will improve internal controls over the return of Title IV funds.*