

UTAH COLLEGE OF APPLIED TECHNOLOGY Administration

Departmental Audit
For the Period July 1, 2014 through June 30, 2015

Report No. 15-45



**OFFICE OF THE
UTAH STATE AUDITOR**

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AUDIT LEADERSHIP:

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



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March 8, 2016

Tom Bingham, Chair, Board of Trustees
and
Robert O. Brems, President
Utah College of Applied Technology
2801 Ashton Boulevard
Lehi, UT 84043

Dear Mr. Bingham and President Brems:

In conjunction with our financial audits performed at the individual applied technology college campuses, we performed the procedures described below at the Utah College of Applied Technology Administrative Office (UCAT) for the period July 1, 2014 through June 30, 2015.

1. We reviewed the cash receipting, cash disbursing, recording, and reconciling duties for adequacy of separation of duties for internal control purposes.
2. We reviewed the internal controls over cash receipting and cash disbursement procedures. We tested 10 cash receipt and disbursement transactions for proper accounting and to determine if internal controls were properly designed and implemented.
3. We reviewed personnel compensation to determine if the amounts were reasonable based on employee job titles and responsibilities.
4. We reviewed the Utah Public Finance Website to determine if UCAT was in compliance with transparency reporting requirements as described in *Utah Code* 63A-3-402.
5. We reviewed the accounting records of UCAT to determine if financial information was properly reported to the State Division of Finance and included in the State's *Comprehensive Annual Financial Report*.

Our procedures were more limited than would be necessary to express an audit opinion on compliance or on the effectiveness of UCAT's internal controls or any part thereof. Accordingly, we do not express such opinions. Alternatively, we have identified the procedures we performed and the findings resulting from those procedures. Had we performed additional procedures or had we made an audit of the effectiveness of UCAT's internal control, other matters might have come to our attention that would have been reported to you.

Our findings resulting from the above procedures are included in the findings and recommendations section of this report. We feel that these findings are indicative of key internal control weaknesses or important compliance issues to UCAT.

By its nature, this report focuses on exceptions, weaknesses, and problems. This focus should not be understood to mean there are not also various strengths and accomplishments. We appreciate the courtesy and assistance extended to us by the personnel of UCAT during the course of the engagement, and we look forward to a continuing professional relationship. If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Allen', with a long horizontal flourish extending to the right.

Jason Allen, CPA, CFE

Audit Supervisor

801-808-0716

jasonallen@utah.gov

cc: Tyler Brinkerhoff, Vice President of Finance and Administrative Services

UTAH COLLEGE OF APPLIED TECHNOLOGY

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FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

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UTAH COLLEGE OF APPLIED TECHNOLOGY

Administration

FINDINGS AND RECOMMENDATIONS FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

1. **NONCOMPLIANCE WITH TRANSPARENCY REPORTING**

The Utah College of Applied Technology Administrative Office (UCAT) did not report required public financial information to the Utah Public Finance Website (Transparency Website) as required by *Utah Code* 63A-3-402 for fiscal years 2010 through 2015. This error occurred due to a lack of procedures and internal controls over required reporting. UCAT's failure to provide this information impairs transparency and accountability and is contrary to public policy established by law.

Recommendation:

We recommend that UCAT report required public financial information to the Transparency Website for fiscal years 2010 through 2015 and implement internal controls to ensure accurate and timely reporting going forward.

UCAT's Response:

UCAT agrees with the recommendation and has uploaded required financial transaction records for Fiscal Years 2010 – 2015. UCAT has taken steps to ensure timely compliance in the future.

2. **INADEQUATE SEPARATION OF DUTIES**

UCAT has a separation of duties weakness. Inadequate separation of duties occurs when the same individual has access to assets, access to the accounting records, and reconciling responsibilities. The weakness is as follows:

- The Vice President of Finance and Administrative Services is an authorized check signer, has access to the general ledger, approves and reviews disbursements, and performs the bank reconciliation.

These responsibilities should be performed by separate individuals, or other internal controls should be in place that would prevent and detect misappropriation of assets. Inadequate separation of duties over the authorization, custody, record keeping, and reconciliation functions could allow misappropriation of assets to occur and not be detected. This deficiency occurred due to a majority of the accounting responsibilities being delegated only to the Vice President of Finance and Administrative Services.

Recommendation:

We recommend that UCAT separate recording and reconciling duties and limit those duties to those with no ability to access checks. In situations where it is not feasible or

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FINDINGS AND RECOMMENDATIONS
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practical to separate incompatible duties, we recommend that the UCAT implement mitigating internal controls that would prevent and/or detect misappropriations of funds.

UCAT's Response:

UCAT agrees with the recommendation, and administration will assign reconciliation functions to a staff member with no ability to access checks. UCAT Administration currently utilizes compensating controls to safeguard College assets and mitigate risk of misappropriation but believes implementing this change will further strengthen its processes.