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MANAGEMENT LETTER NO. 02-46

May 29, 2003

To the College of Eastern Utah Board of Trustees
and Ryan L. Thomas, President

We have completed our audit of the financial statements of the College of Eastern Utah (hereinafter referred to as the "College") for the year ended June 30, 2002. Our report thereon, dated April 2, 2003, was issued under separate cover. This management letter contains the Report on Compliance and on Internal Control Over Financial Reporting required by *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also completed the College's portion of the statewide federal compliance audit for the year ended June 30, 2002. The federal programs tested as major programs at the College were the Student Financial Assistance Cluster of programs.

This report by its nature focuses on exceptions, weaknesses, and problems. This 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 the College during the course of our audit, and we look forward to a continuing professional relationship. If you have any questions, please call Dean Eborn, Audit Director, at 538-1352.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor

cc: Raelene Allred, Vice-President of Finance and Administrative Services
Greg Fisher, Director of Internal Audit, Board of Regents

COLLEGE OF EASTERN UTAH
FOR THE YEAR ENDED JUNE 30, 2002

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the College of Eastern Utah Board of Trustees
and Ryan L. Thomas, President

We have audited the financial statements of the College of Eastern Utah (hereinafter referred to as the "College") as of and for the year ended June 30, 2002, and have issued our report thereon dated April 2, 2003. 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.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the College's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and recommendations as item Number 1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted another matter involving the internal control over financial reporting that is included in the accompanying schedule of findings and recommendations.

This report is intended solely for the information and use of the Board of Trustees and management of the College and is not intended to be and should not be used by anyone other than these specified parties.

Auston G. Johnson, CPA
Utah State Auditor
April 2, 2003

COLLEGE OF EASTERN UTAH

FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2002

1. UNTIMELY BANK RECONCILIATIONS (Reportable Condition)

As of our testwork performed in December 2002, the College of Eastern Utah (the College) had not completed bank reconciliations for the months of June through November of 2002. Bank reconciliations not prepared in a timely matter resulted in transactions not being booked into the financial system for the period in which they occurred. The performance of a bank reconciliation functions as a control over cash receipts and disbursements duties. The performance of timely bank reconciliations is necessary to prevent or detect errors and/or misappropriations in a timely manner.

Recommendation:

We recommend that the College prepare monthly bank reconciliations in a timely manner.

College's Response:

The College concurs with the auditors findings. Bank reconciliations are being conducted on a monthly basis.

2. SEPARATE BANK ACCOUNT NOT MAINTAINED

The College and the Southeast Applied Technology College (SATC) process their transactions through the same bank account even though each is a legally separate entity. The SATC was established as a legally separate component of the Utah College of Applied Technology (UCAT) at the beginning of fiscal year 2002 but was previously included as part of the College reporting entity. Two legally separate entities should maintain separate financial records and accounts in order to ensure proper fiscal accountability and reporting. Although the College and the SATC maintain separate accounts in the accounting system and do not have access to each other's assets, the College was unable to provide required information for proper footnote disclosure of cash balances because separate bank accounts were not maintained.

Recommendation:

We recommend that the College of Eastern Utah ensure that a separate bank account be established and maintained for the Southeast Applied Technology College.

College's Response:

In the last legislative session a bill was initiated to combine the SATC with the College. At the last moment, the SATC was removed from the bill. Discussion is taking place to incorporate the SATC with the College, thereby eliminating the need for separate bank accounts.