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UTAH STATE AUDITOR

**STATE OF UTAH**  
**Office of the State Auditor**

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**MANAGEMENT LETTER NO. 04-46**

August 29, 2005

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

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, 2004. Our report thereon, dated May 13, 2005, was issued under separate cover. This management letter contains the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters 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, 2004. The federal programs tested as major programs at the College were the Student Financial Assistance Cluster of programs.

We have also completed our review of certain aspects of internal control and compliance with State law at the College for the period July 1, 2003 through December 31, 2004. Findings numbers 10 through 14 are a result of that expanded testwork.

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 (801) 538-1352.

Sincerely,

Auston G. Johnson, CPA  
Utah State Auditor

cc: Raelene Allred, Vice President of Finance and Administrative Services  
Brian Foisy, Assistant Commissioner of Finance and Facilities, Board of Regents

**COLLEGE OF EASTERN UTAH**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**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 Trustees,  
Audit Committee,  
and  
Ryan L. Thomas, President  
College of Eastern Utah

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, 2004, and have issued our report thereon dated May 13, 2005. 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

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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions to the College. 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. Reportable conditions are described in the accompanying schedule of findings and recommendations as items 1 through 6.

A material weakness is a reportable 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 caused by errors or fraud 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, of the reportable conditions described above, we consider item 1 to be a material weakness to the

College. We also noted other matters involving the internal control over financial reporting that are included in the accompanying schedule of findings and recommendations.

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*. However, we noted certain immaterial instances of noncompliance that are included in the accompanying schedule of findings and recommendations.

This report is intended solely for the information and use of the College's Board of Trustees, Audit Committee, and management 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.

Auston G. Johnson, CPA  
Utah State Auditor  
May 13, 2005

# **COLLEGE OF EASTERN UTAH**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

### **1. JOURNAL ENTRIES NOT REVIEWED (Material Weakness)**

We noted that there were 49 journal entries made in the preparation of the financial statements that were not recorded in Banner (the College's accounting system) until after the audit was finalized. The high number of journal entries increases the time needed to prepare the financial statements or other financial reports used by management. If Banner contained the necessary information and was utilized properly, it could generate financial statements at any time that would only need minor adjustments to prepare the statements in the proper format in accordance with accounting standards. We noted that 31 of these 49 journal entries affected the College's net assets by \$64.9 million dollars, which included \$51.0 million of adjustments relating to capital assets and related depreciation.

We also noted that none of these journal entries were reviewed by an individual other than the individual preparing the financial statement presentation to ensure that the adjustments were reasonable and proper. We understand some adjustments are needed to the financial statements for reporting format purposes which cannot be recorded in Banner (e.g. to eliminate interdepartmental revenue/expenditures including duplicated revenue from scholarships, federal financial aid, grants, and institutional resources). Lack of this review could allow inappropriate or improper adjustments to be made and go undetected, which could result in material misstatements in the financial statements.

#### **Recommendation:**

**We recommend that the College record all journal entries in Banner. We also recommend that the College assign someone other than the individual preparing the financial statements to review all journal entries and necessary adjustments for reporting format purposes for reasonableness and propriety.**

#### **College's Response:**

*The process of recording journal entries during the preparation of the financial statements is a practice that has been used for over twenty years. When the financial statements are completed and the audit report finalized, the majority of the entries are entered into the financial system. By preparing manual journal entries the financial information from Banner remains constant as of a specific date. Comparisons can therefore be made in preparing the financial statements with the information from Banner finance. A copy of the journal entries are provided to the auditors for their working papers and to help in reconciling to the financial system and financial statements.*

*Financial statements for 2003-2004 were the first produced from the Banner finance system. As learning increases in Banner's capabilities, the system will be utilized more and more.*

# **COLLEGE OF EASTERN UTAH**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

*In previous years the College has not recorded the market value on investments nor depreciation on fixed assets in the financial records. These entries will be entered in the Banner system for fiscal year 2004-2005. In addition, manual journal entries will be reviewed by the assistant controller as they are prepared.*

### **2. UNDERSTAFFED ACCOUNTING DEPARTMENT (Reportable Condition)**

For the past few years, the accounting department at the College has been understaffed compared to similar sized colleges, including not having a Controller or Senior Accountant to assist the Vice President of Finance and Administrative Services (Vice President) in performing accounting duties. This understaffing became even more apparent during fiscal year 2004 because the College implemented the general ledger and human resources modules of Banner. The Vice President has limited assistance from the accounting department's personnel to plan and implement these Banner modules and to deal with more complex accounting issues because of the accounting department's limited staff and accounting backgrounds (most do not have accounting degrees). The College will be implementing additional Banner modules in the future, which could present the same problems if the accounting department is not adequately staffed.

In addition, the College handles the administrative functions, such as accounting, registration, and personnel, for the Southeast Applied Technology College (a separate reporting entity and part of the Utah College of Applied Technology), with no compensation for such services (see finding Number 7).

These issues can overwhelm the Vice President and the College's accounting department, which can contribute to additional or insufficient monitoring and supervision of internal controls and compliance requirements, delayed transaction processing and financial reporting, and additional time needed to prepare for the financial audit. This additional time requirement has been evidenced in the past two fiscal years by the College's requests to delay the audit.

#### **Recommendation:**

**We recommend that the College adequately staff the accounting department to ensure that the accounting and internal control functions are performed properly and in a timely manner.**

#### **College's Response:**

*The College concurs with the auditor's findings on limited staffing in the accounting department. This issue is not limited to just the College of Eastern Utah. Banner has been a major undertaking at all seven institutions.*

# **COLLEGE OF EASTERN UTAH**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

*A plan will be implemented for additional staffing for the accounting department in preparation when additional funding becomes available.*

### **3. INADEQUATE REVIEWS OF BANNER FINANCIAL REPORTS** (Reportable Condition)

We inquired of 19 department heads to determine whether they were reviewing Banner Financial Reports for completeness and accuracy of the revenues and expenses in their accounts. We noted that 10 of the 19 departments did not review on a regular basis the Banner Financial Reports for the funds and accounts for which they are responsible. The ten departments include the following: Auxiliaries, Industrial Arts, Library, Cosmetology, Bunnell/Dmitrich Athletics Center, Athletic Events, Summer Camps, Wellness Center, Bookstore, and Food Service. These departments should review and document their review of Banner to ensure that all revenues collected and expenses made are properly recorded and for the proper amount. These reports are available at any time on-line for review by the 10 departments. This review by the individual departments is a key control relied upon by management and helps to detect potential misstatements due to errors or fraud.

#### **Recommendation:**

**We recommend that all departments adequately review and document their review of the Banner Financial Reports relevant to their responsible areas.**

#### **College's Response:**

*The College concurs with the auditors on departments reviewing their accounts on the Banner system. Classes will continue to be held for faculty and staff on Banner training.*

### **4. INADEQUATE SEPARATION OF DUTIES OVER CASH RECEIPTING** (Reportable Condition)

The College has separation of duties weaknesses at various auxiliary services. Inadequate separation of duties exists when the same individual has custody of the assets, access to the accounting records, and/or collection responsibilities. The weaknesses were as follows:

- a. The Food Service Supervisors at the Price and San Juan Campuses have access to cash and checks received, prepare and send billings (invoices) for catering engagements, and review expected receipts.
- b. The Library Public Service Manager has access to cash and checks received and prepares and sends billings (invoices) for various library fines. The Business Office was unaware

# **COLLEGE OF EASTERN UTAH**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

that the Library was preparing and sending billings using the Library's Horizon system, which could understate receivables on the College's financial statements.

- c. The Nurse at the Health and Wellness Center has access to cash and checks received and prepares and sends billings (invoices) to patients and insurance companies for various services performed through their Medi-Soft (patient) system.
- d. The Health and Wellness Center Director has access to cash and checks received and can write off accounts.

The College's process is to have a copy of the invoice sent to the Business Office directing the payment to the Cashier's Office. However, without adequate separation of duties at the department level, misappropriations, errors, or fraud could occur without detection. If the College wishes to continue their same payment process, then compensating controls such as independent reviews at each department should be implemented.

### **Recommendation:**

**We recommend that the College establish adequate separation of duties between billing and cash receipting functions in the Food Service, Library, and Health and Wellness Center.**

### **College's Response:**

*The College concurs with the auditor's findings. The findings have been reviewed and personnel are working on separation of duties.*

## **5. DEFICIT NET ASSETS IN COLLEGE AREAS/FUNDS (Reportable Condition)**

During our review of net asset balances with fund deficits greater than \$20,000, we noted that there were nine areas/funds that had a deficit at fiscal year-end as shown in the "Fiscal Year 2004 Deficit" column below:

# COLLEGE OF EASTERN UTAH

## FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

<u>Fund</u>	Fiscal Year 2003 <u>Deficit</u>	Fiscal Year 2004 <u>Deficit</u>	Increase / (Reduction) of <u>Deficit</u>
Scholarships – Price	\$ 282,135	\$ 507,060	\$ 224,925
Housing	270,673	338,247	67,574
Food Services – Price	129,498	190,374	60,876
Education & General – Price	440,797	149,775	(291,022)
Motorpool – Price	311,736	283,884	(27,852)
Athletics	193,911	154,934	(38,977)
UDOT M3	151,315	121,545	(29,770)
Trucking – Price	151,334	85,433	(65,901)
BDAC	85,999	77,286	(8,713)
Testing Center	<u>48,505</u>	<u>39,837</u>	<u>(8,668)</u>
Total Deficits over \$20,000 each	2,065,903	1,948,375	(117,528)
All Other Fund Deficits under \$20,000 each	<u>1,177,315</u>	<u>373,833</u>	<u>(803,482)</u>
Total Deficits	<u>\$ 3,243,218</u>	<u>\$ 2,322,208</u>	<u>\$ (921,010)</u>

Three of the ten net asset deficits greater than \$20,000 have increased from fiscal year 2003, whereas, seven of the ten deficits greater than \$20,000 have decreased as shown above. The net result of all changes in deficit net assets is a decrease in the overall deficit of \$921,010, showing some overall improvement. The deficits above do not reflect the various journal entries that were not booked until after the audit was finalized (see Finding Number 1); therefore, these deficits could be significantly different depending on which areas/funds those journal entries affect.

Regardless, prudent budgeting and financial management of a College dictate that the College maintain positive net asset balances from year to year to help prevent mismanagement of the fiscal affairs and to help prevent the College from becoming a going concern. Although overall progress is being made, the budgetary process is still a significant area for concern.

### **Recommendation:**

**We recommend that the College establish better internal controls to prevent deficits in net asset balances from occurring and to consistently reduce those already in existence.**

### **College's Response:**

*As shown in the auditor's recommendation, deficits from 2002-2003 were reduced by \$921,010 in 2003-2004. The College is making great strides in eliminating the deficits. Since 2000-2001 the Education and General deficit has been reduced from \$1,876,000 to \$149,775. President Thomas set a goal in 2000-2001 to have College deficits eliminated over a 4 to 5 year period. The College is in year three of the plan.*

# **COLLEGE OF EASTERN UTAH**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

### **6. INADEQUATE CONTROLS OVER CAPITAL ASSETS (Reportable Condition)**

During our review of capital assets at the College, we noted the following instances in which the College was not in compliance with their capital asset policy and procedure (2-5):

- a. Six of 25 selected assets (24%) on the College's capital asset inventory listing could not be located by the custodian of the asset. Four of these assets were assigned to the College's San Juan Campus and the remaining two were assigned to the College's Price Campus. Per discussion with the custodian of the assets and per the placed-in-service date of these assets, it is reasonable that all of these assets have been surplused. All surplused or missing capital assets should be communicated to the purchasing department for timely updating of the inventory record.
- b. Two of 25 selected assets (8%) could not be traced back to the College's capital asset inventory records. This may indicate that these have either not been recorded on the financial statements or have been improperly removed from the capital asset inventory listing. Both of these assets were located on the College's San Juan Campus. All capital assets having a value of \$1,000 or more should be placed on the College's capital asset inventory record.
- c. Four equipment items in the trucking department were traded-in to acquire two newer equipment items. The College paid cash in addition to the traded-in assets for the acquisition. However, the acquired assets were only recorded on the College's books with a cost of the amount of cash paid. Generally Accepted Accounting Principles (APB Opinion 29) mandate that acquired assets be valued at the book value of the assets traded-in plus any cash paid, less any loss recognized on the transaction. This error occurred because the detailed information of the trade-ins was not properly communicated to the Business Office for proper accounting to take place. This would have resulted in an understatement of capital assets on the financial statements of \$95,551 had we not noted the error.
- d. Five capital assets that were disposed of prior to fiscal year 2004 and two capital assets that were disposed of in fiscal year 2005 were recognized as disposals on the fiscal year 2004 financial statements. Disposals should be recognized in the fiscal year in which they occur. This would have resulted in an overstatement of capital assets on the financial statements of \$111,885 had we not noted the error.
- e. One of 25 capital assets (4%) tested was not properly tagged with a College capital asset tag and number as of March 2005. This asset, located on the College's Price campus, was placed in service in January 2004. All capital assets having a value of \$1,000 or more should be identified with an official College tag.

## **COLLEGE OF EASTERN UTAH**

### **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

- f. Several capital asset custodians expressed that they do not perform thorough annual inventory of their assigned capital assets because they are frustrated because many of the corrections they have previously communicated have not been made to their capital asset inventory listings. Furthermore, many of the asset descriptions are not specific enough to provide adequate guidance to locate a particular asset. These challenges may have resulted in many of the capital asset listings not being returned to the purchasing department for updating of the capital asset inventory listing.

Following proper capital asset procedures helps prevent mismanagement of capital assets and misstatements to the financial statements.

#### **Recommendation:**

**We recommend that the College establish controls to ensure that:**

- a. **Details of non-monetary exchange transactions (trade-ins) are properly communicated to the Business Office.**
- b. **Disposals of equipment are recognized in the fiscal year in which the equipment disposal occurs.**
- c. **New capital assets are properly tagged in a timely manner;**
- d. **The capital asset listing is updated in a timely manner when equipment is surplus.**
- e. **All capital assets are properly accounted for on the capital asset inventory records.**
- f. **Information from capital asset custodians in the various departments/areas are properly recorded on the capital asset listing and that sufficient descriptions are on the listing to enable proper identification of all assets.**

#### **College's Response:**

*The College is aware of the problem with fixed assets. Banner offers a fixed asset module which will be utilized in the future when time permits to set up the module. In addition to recording fixed assets in Banner, additional staffing will be hired to physically locate all of the assets listed on the College's books when funding becomes available.*

## **COLLEGE OF EASTERN UTAH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

7. **SEPARATE BANK ACCOUNT NOT MAINTAINED** (Repeat Finding)

The College and the Southeast Applied Technology College (SEATC) process their transactions through the same bank account even though the SEATC is part of a separate legal entity. The SEATC 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 in the College's financial statements. The College performs the administrative functions, such as accounting, registration, and personnel for the SEATC with no compensation to the College for such services (see also finding Number 2). As noted in the prior year's management letter, two legally separate entities should maintain separate financial records and accounts in order to ensure proper fiscal accountability and reporting. Also, although the College and the SEATC 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 in the College's financial statements because separate bank accounts were not maintained.

**Recommendation:**

**We recommend that the College work with the SEATC to ensure that a separate bank account is established and maintained for the transactions of the SEATC.**

*College's Response:*

*Southeast Applied Technology College's (SEATC) situation has been discussed with the Board of Regents' Commissioner and the College's Board of Trustees. When SEATC became a separate entity, the Board of Regents requested that the Applied Technology College utilize existing facilities and resources on university and college campuses. The auditor's recommendation has been fully disclosed to the Commissioner of Higher Education and the College's Board of Trustees.*

8. **NONCOMPLIANCE WITH BOND RATE COVENANTS** (Repeat Finding)

The College has not collected enough building and rental fees from the Burtenshaw Hall Dorms to sufficiently cover the dorm's operating and maintenance expenses and 125% of the fiscal year 2005 debt service requirement. The total required amount to meet the bond covenant is \$200,515. The actual building and rental fees collected in fiscal year 2004 were \$194,317 an increase of \$10,934 over the fiscal year 2003 amount.

The Official Statement for the Student System Revenue Refunding Bonds, Series 1996 A (Burtenshaw Hall Bond) states that "while any of the principal or interest payments on the bonds are outstanding, rental rates, charges and fees for the use of the student facilities shall be charged

# **COLLEGE OF EASTERN UTAH**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

and Burtenshaw building fees shall be assessed and collected from all full-time and part-time on-campus students of the college sufficient to pay the operation and maintenance expenses for the student facilities, and to provide revenues for each bond fund year of not less than 125% of aggregate debt service requirement for the next succeeding bond fund year.”

The Official Statement also states that “in the event that revenues for the current bond year are less than 125% of the aggregate debt service requirement for the next succeeding bond fund year, the board and the college hereby agree and covenant to increase Burtenshaw building fees to the extent permitted by applicable law to such amount necessary to generate revenues for the current bond fund year equaling 125% of the aggregate debt service requirement for the next succeeding bond fund year as if such increase had been in effect as of the commencement of the current bond fund years: and further provided that such rental rates, charges and fees must be reasonable for the type, kind and character of the service rendered.”

The College detected the noncompliance and increased building fees by 7% during its March 22, 2004 Board of Trustees meeting. This increase became effective on July 1, 2004.

### **Recommendation:**

**We recommend that the College continue to monitor and charge building fees at an amount allowed by law that will ensure compliance with the bond rate covenants.**

### **College's Response:**

*The College concurs with the auditor's recommendation.*

## **9. INADEQUATE PROCEDURE TO RECORD EARLY RETIREMENT BENEFIT LIABILITIES**

Fiscal year 2004 early retirees were recorded as qualifying for more benefits than their early retirement contracts allowed, which would have caused the early retirement benefit liability in the financial statements to be overstated by \$62,475 had we not noted the error. Early retirement contracts specify the benefits for which early retirees are qualified. The early retirement benefit contract information was communicated to the Business Office; however, the Business Office did not use their copies of the retirement contracts to accrue this liability for financial statement purposes.

We noted no payments made to these retirees for benefits that were not included in their early retirement contracts.

# **COLLEGE OF EASTERN UTAH**

## **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

### **Recommendation:**

**We recommend that the Business Office establish a procedure to ensure that early retirement benefit liability is properly recorded in accordance with the early retirement contracts.**

### **College's Response:**

*A procedure has been established to ensure that the accounting office is informed of employees who take advantage of early retirement and the terms of the retirement.*

## **10. INACCURATE INVENTORY RECORDS**

During our review of inventory at the College's San Juan Center bookstore, we noted that 2 of 25 (8%) inventory items tested did not agree with the number of items recorded on the perpetual inventory system. The discrepancies occurred due to untimely updating of the perpetual inventory system when new inventory items were received and/or when inventory items were returned for a refund.

The College should have adequate controls in place to enable the bookstore to maintain an accurate inventory count. Not having adequate inventory controls can result in inventory being misappropriated and, subsequently, under or overstated in the College's financial statements.

### **Recommendation:**

**We recommend that the College establish controls to ensure that an accurate perpetual inventory is maintained.**

### **College's Response:**

*The College concurs with the auditor's recommendation. The accountant at the Blanding campus will conduct inventory counts at the San Juan bookstore periodically.*

## **11. INADEQUATE CONTROLS OVER CONTRACT MANAGEMENT**

Three of the current service contracts tested did not have a formal, signed contract between the College and service provider. Instead, bid quotes obtained from the winning bidder were used to support charges for services performed on contract. Written contracts specify the terms and conditions of an agreement and help protect the interests of the contracting parties. Formal

## **COLLEGE OF EASTERN UTAH**

### FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004

contracts should be in writing and signed by both the winning bidder and the College's purchasing representative.

In addition, two of the three service bid quotes included charges for cost plus a percentage of cost for materials and parts. *Utah Code*, Section 63-56-29 prohibits cost plus a percentage of cost type contracts; therefore, use of this type of contract is in violation of state law.

#### **Recommendation:**

**We recommend that the College have a formal signed contract for all accepted bids and ensure that the terms of all contracts entered into are in accordance with state law.**

#### **College's Response:**

*The College uses the bid quote as the contract between the College and the service provider. The bid quote is signed by the contractor and the purchasing agent.*

*Purchasing will no longer accept bids that are listed at cost plus a percentage of cost.*

## 12. **NONCOMPLIANCE WITH ANNUAL EVALUATION POLICY**

We reviewed the personnel files for several employees and noted that neither of the two files tested for full time staff had a current annual evaluation (the most recent evaluation for both employees was for fiscal year 2000, approximately 4 years ago). The College's policies and procedures (3-22 and 3-23) state that full-time staff and faculty are to receive an annual employee evaluation. Annual evaluations are intended to provide the employee with an understanding of their job performance and effectiveness on a regular basis.

#### **Recommendation:**

**We recommend that the College prepare an annual evaluation for each full time employee in accordance with the College's policies and procedures.**

#### **College's Response:**

*A committee will be established to revise the College's annual evaluation policy. The new evaluation policy will be approved by College Senate and Board of Trustees. After approval by both bodies, annual evaluations will resume.*

## **COLLEGE OF EASTERN UTAH**

### **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

#### **13. IMPROPER RECONCILIATION OF THE PETTY CASH FUND**

We performed a surprise count of the petty cash fund at the Purchasing Office on the Price Campus in March 2005 and noted the following:

- a. The petty cash fund was short \$131.58. The petty cash fund should equal the total authorized amount at all times (in a combination of money, receipts and vouchers). If the petty cash fund is not properly tracked, the school has a greater chance of losing money through human error or fraud.
- b. There are three individuals with access to this petty cash fund, which makes it difficult for the custodian to be held responsible for any discrepancies.
- c. There were two vouchers, one for \$37.97 from 1999 and one for \$100 from 1997, where money was advanced and no receipt or money was returned. Petty cash advances are considered "late" after one week of the date of the advance per the College's petty cash policy (Policy and Procedures Manual 2-2-G). Violations of this policy may result in advances being denied. In addition, vouchers should be written off when it becomes obvious that the College will not be able to collect on the advance funds. If the school does not write off the old outstanding vouchers, cash would be overstated in the financial statements.

Per inquiry, the Business Office performs periodic surprise counts of the College's petty cash and change funds; however, this control is ineffective if shortages are not corrected and unusual (e.g. old vouchers) are not investigated and appropriately resolved.

#### **Recommendation:**

**We recommend that the College:**

- a. Reconcile and investigate any differences between the authorized amount of the petty cash fund and the amount counted in the fund.**
- b. Designate the custodian to be the only employee with access to the fund and hold the custodian accountable for shortages.**
- c. Write off old vouchers.**

#### **College's Response:**

*A new procedure has been implemented in the purchasing office for petty cash funds. The funds are to be reconciled daily to help prevent discrepancies in the petty cash fund.*

## **COLLEGE OF EASTERN UTAH**

### **FINDINGS AND RECOMMENDATIONS FOR THE YEAR ENDED JUNE 30, 2004**

*The purchasing office has three employees. It is not feasible to maintain three petty cash funds. Lack of personnel requires that all three employees have access to the funds.*

*The petty cash voucher from 1997 has been written off of the finance system. The voucher from 1999 has been submitted to the accounts receivable accountant for collection.*

#### **14. UNAUTHORIZED PETTY CASH FUND**

We noted the existence of an unauthorized petty cash fund at the College Museum that contained \$127.52. This fund was not recorded in the College's accounting system, but has existed for at least the last 10 years. This unauthorized petty cash fund was replenished by submitting receipts and receiving funds from the Price Campus' main petty cash fund. We were unable to determine the original College source of the funds. Petty cash funds should be authorized, restricted to access by just one individual, and properly recorded in the College's accounting system so that they can be adequately monitored. Not authorizing or maintaining adequate records of petty cash funds could allow for misappropriations of funds to occur and remain undetected.

#### **Recommendation:**

**We recommend that the College authorize and maintain adequate records of all petty cash funds so that all funds can be adequately monitored to ensure compliance with the College's policy and procedures.**

#### **College's Response:**

*The petty cash fund at the Museum has been recorded on the College's financial records. Greater care will be taken to monitor petty cash funds on campus.*