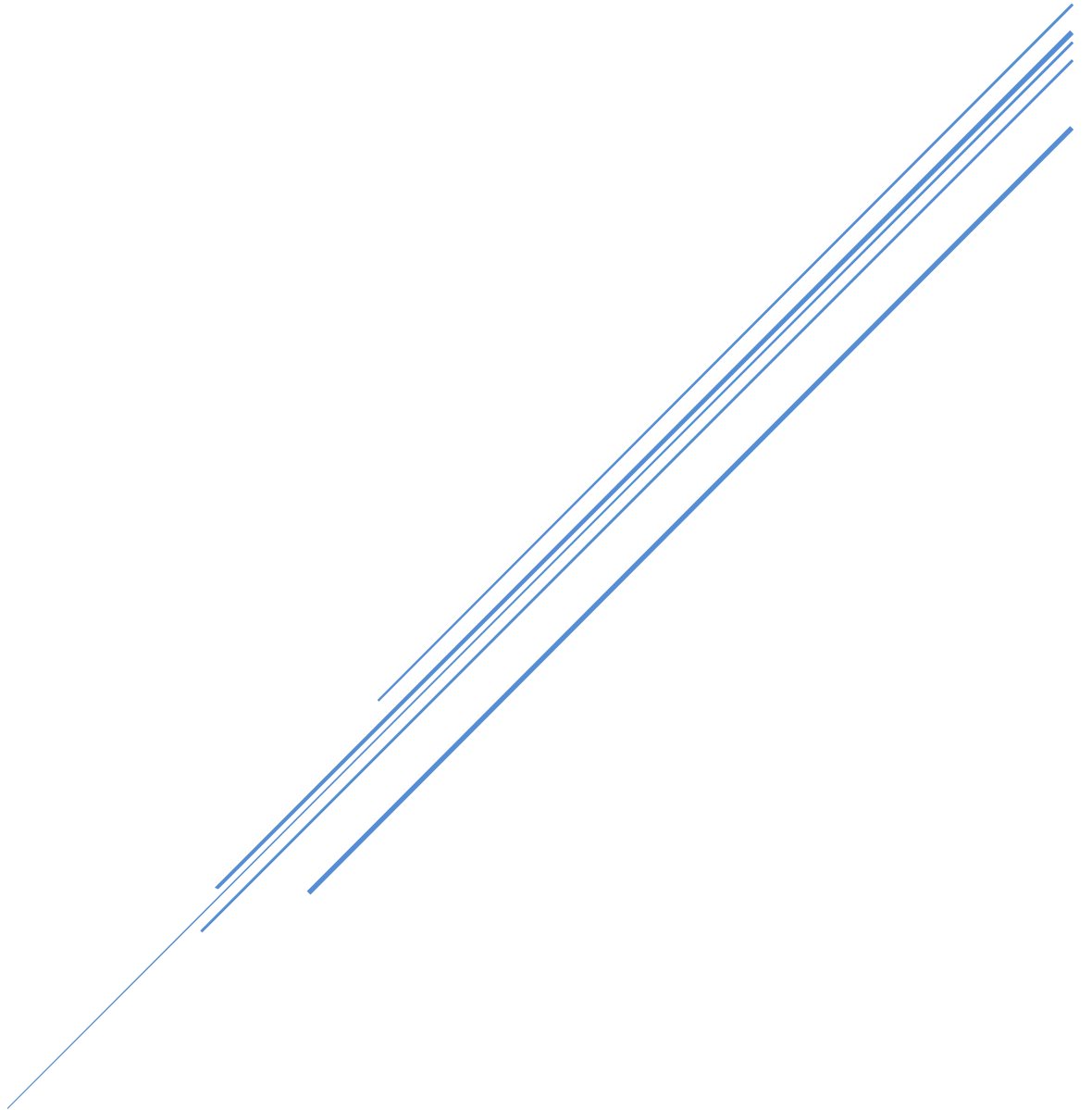# SNOW COLLEGE

DRAFT - Audit Committee 2017 Annual Report

SNOW COLLEGE

January 10, 2018

Chair Wilford Clyde
Regents' Audit Review Subcommittee
Utah State Board of Regents
60 South 400 West
Salt Lake City, Utah 84101

To the Utah State Board of Regents Audit Subcommittee:

Pursuant to Regents' Policy R565 #4.6.2.2, the following report is submitted on behalf of the Snow College Board of Trustees Finance and Facilities Subcommittee (Audit Committee) for the 2017 calendar year.

Members of the Audit Committee
The Audit Committee is comprised of the following individuals:
1. Rick Robinson, Audit Committee Chair
2. Scott Bushnell, Board of Trustees Chair and Audit Committee Member
3. David Christensen, Audit Committee Member
4. Leslie Keisel, Audit Committee Member
5. Randy Cox, Audit Committee Member

Meeting Dates in 2017 and Proposed for 2018
Audit Committee meetings/reports took place on the following dates:
- ➢ January 10, 2017 – Audit Committee Report with Board of Regents Audit Committee
- ➢ January 27, 2017 – Regular report to Snow College Board of Trustees
- ➢ March 24, 2017 – Regular report to Snow College Board of Trustees
- ➢ June 23, 2017 – Regular report to Snow College Board of Trustees
- ➢ August 25, 2017 – Regular report to Snow College Board of Trustees
- ➢ October 27, 2017 – Regular report to Snow College Board of Trustees
- ➢ December 8, 2017 – Regular report to Snow College Board of Trustees

Audit Committee meetings are typically held prior to regularly scheduled Board of Trustee meetings. The Audit Committee anticipates meeting on the following dates in 2018:

- ➤ January 26, 2018
- ➤ March 23, 2018
- ➤ June 22, 2018
- ➤ July 18, 2018
- ➤ September 14, 2018
- ➤ November 9, 2018

Summary of the Risk Assessment Process.

To best utilize the limited resources in Internal Audit, the Audit Committee is focused on having a streamlined annual risk assessment process that is concise and repeatable. To accomplish this, the Office of Internal Audit is working on designing and developing a risk assessment procedure using data analytics, survey and presentation tools such as ACL, Qualtrics and Tableau.

The 2017 risk assessment was conducted in January, and was used to establish the audit schedule. Following is a description of the approach used to conduct the risk assessment:

1) Create an audit universe using the organizations and departments at Snow College.
2) Perform data analytics using data from Banner, purchasing card statements, and budget reports.
3) Create a risk matrix using results from the data analytics.
4) Conduct interviews with selected staff, faculty and administration to identify additional risks and update the risk matrix.
5) Using the risk matrix, assess likelihood and impact of the risks and calculate a risk index for each entity.
6) Create the audit plan using the risk assessment results and brief audit committee.

Audit Universe: There were 107 auditable entities, departments or programs identified in the risk assessment along with 239 different student clubs. The Utah System of Higher Education policies require that seven of these entities are audited on a periodic basis.

Data Analytics: Information from Banner, purchasing card statements and budget reports was combined and analyzed using a software tool called ACL. ACL provides the ability to include the entire population in the risk assessment rather than using a sample. Data analytics procedures for risk assessment will be automated through the development of scripts. Once the scripts are implemented, the analytics portion of the risk assessment could potentially be updated more frequently than once per year to more dynamically identify areas of risk.

Surveys: Once per year, internal control questionnaires and surveys are sent to Administration, Directors and Department Chairs. In 2017, the surveys were conducted through interviews and were limited to just a small group of staff, faculty and Administration employees. For 2018 the questionnaires and surveys will be deployed using Qualtrics, a web based survey tool, and results will be included in the risk matrix.

Risk Matrix: A risk matrix is being developed using Microsoft Excel workbooks. The risk matrix is broken down into the following sections:

- List of the identified auditable entities at Snow College (Audit Universe)
- Financial information and risks by entity
- Information technology and security information and risks by entity
- Compliance information and risks by entity

The main purpose of the risk matrix is to provide a consistent and objective method for measuring risks for each entity in the audit universe.

Assess Likelihood and Impact: Risks are scored and ranked using a calculation of the likelihood x Impact. In addition, risk weightings were included to help ensure the audit schedule risks were properly scored and assessed.

Modify Audit Plan: The 2017 audit plan was drafted and submitted to the Audit Committee during their January session. The audit plan was based on the results of the risk assessment process. Periodic updates were made to the audit plan usually following completion of an audit.

Audits Completed During 2017

Audit Activity	Audit Type	Audit Objectives
Cash Handling Controls	Financial	Create an inventory of all cash collection points and perform cash counts and cash handling controls to determine if college assets (cash) were properly safeguarded.
Presidential Travel – R212	Compliance	**Required Audit.** Determine if Presidential travel was reviewed and approved in accordance with the Utah System of Higher Education policy R212, "Presidential Travel Oversight". Determine if expenses for Presidential Travel were recorded in accordance to Snow College policies.
Investments – R541	Compliance / Agreed upon Procedures	**Required Audit.** Agreed upon procedures audit to 1) attest to the accuracy and completeness of the numbers in the annual Report of Cash, Cash Equivalents, and Investments. 2) Submit evidence that the numbers of the Report of Cash, Cash Equivalents, and Investments ties to the statement of net assets, 3) Express an opinion regarding compliance with laws and policies governing investment activity.
Athletics	Compliance / Operational	Determine if the Athletics Department is operating in compliance with Snow College policies and procedures and is efficient and effective in meeting their goals and objectives.
Admissions	Compliance / Operational	Determine if the Office of Admissions is effective and efficient at meeting their goals and objectives and is operating in compliance with Snow College policies and procedures.

Adult Literacy	Agreed-upon-procedures	**Required Audit.** Evaluate Snow College's compliance with the Utah State Board of Education's Rule R2777-733, *Adult Education Programs* and the *Utah Adult Education Policies and Procedures* guide.
Ethics.Point Reports	Investigation/ Follow-up	Follow-up on issues reported through the anonymous report function. (see anonymous reporting system below for more information)
Sevier Valley Center	Follow-up	**Required Audit.** Follow-up on recommendations made in the 2016 Sevier Valley Center audit report
Banner Access Controls	Follow-up	Follow-up on recommendations made in the 2016 Banner Access Controls audit report
Direct Deposit Changes	Continuous Auditing / Monitoring	Continuous auditing scripts were developed and implemented to periodically monitor and review of all changes made to direct deposit accounts in Banner

The following audits were in-progress when this report was being written. It is anticipated that these audits will be completed by the end of the 2017 calendar year, but may carry forward into 2018:

Audit Activity	Audit Type	Audit Objectives
Travel and Purchasing Card	Financial / Compliance	College-wide review of travel related purchasing card transactions to determine if Snow College employees are in compliance with Snow College purchasing card and travel policies.
Scholarship	Compliance / Operational	Determine if the Scholarship Office is effective and efficient at meeting their goals and objectives and is operating in compliance with Snow College policies and procedures.
Discretionary Funds R548	Compliance	**Required Audit.** Annual certification of the accuracy of Snow College's report of actual sources and uses of Institutional Discretionary funds.

The following audits were completed by external entities, and involved Internal Audit and the Audit Committee in their procedures and reporting:

- The State of Utah Auditor's Office completed the annual Financial Statement Audit for the year ending June 30, 2017.
- The Office of the Legislative Auditor General (OLAG) completed a system wide audit of purchasing card use.
- The State of Utah Auditor's Office completed the Single Audit for the fiscal year ending June 30, 2017.

The risk assessment will be updated during December 2017 and January 2018 to finalize the 2018 audit schedule. The following is the tentative audit schedule pending results of the 2018 risk assessment:

Audit Activity	Audit Type	Audit Objectives
Food Services – R550	Compliance / Financial	**Required Audit** - Determine if Food Services is operating in compliance with Snow College cash handling and PCI policy requirements. Verify compliance with Board of Regents policy R550, "Auxiliary Enterprises Operation and Accountability".
Presidential Travel – R212	Compliance	**Required Audit** - Determine if Presidential travel was reviewed and approved in accordance with the Utah System of Higher Education policy R212, "Presidential Travel Oversight". Determine if expenses for Presidential Travel were recorded in accordance to Snow College policies.
Investments – R541	Compliance / Agreed upon Procedures	**Required Audit** - Agreed upon procedures audit to 1) attest to the accuracy and completeness of the numbers in the annual Report of Cash, Cash Equivalents, and Investments. 2) Submit evidence that the numbers of the Report of Cash, Cash Equivalents, and Investments ties to the statement of net assets, 3) Express an opinion regarding compliance with laws and policies governing investment activity.
Residence Life – R550	Compliance / Financial	**Required Audit** - Determine if Food Services is operating in compliance with Snow College cash handling and PCI policy requirements. Verify compliance with Board of Regents policy R550, "Auxiliary Enterprises Operation and Accountability".
Discretionary Funds – R548	Compliance Certification	**Required Audit –** Certification of report on Discretionary Funds verifying compliance with Utah System of Higher Education policy R548, "Institutional Discretionary Funds Administration and Accountability"
Adult Literacy	Agreed-upon-procedures	**Required Audit -** Evaluate Snow College's compliance with the Utah State Board of Education's Rule R2777-733, *Adult Education Programs* and the *Utah Adult Education Policies and Procedures* guide.
Music Department	Compliance / Operational	Determine if the Music Department is effective and efficient and is operating in compliance with Snow College policies and procedures.
Advancement Office / Foundation	Compliance / Operational	Determine if the Advancement Office and Foundation is operating in compliance with Snow College policies and procedures. Evaluate the effectiveness and efficiency of operations.

Audit Activity	Audit Type	Audit Objectives
Direct Deposit	Continuous Auditing / Monitoring	Continuous audit of changes made to Direct Deposit accounts in Banner. Process run twice per month and reports submitted to the Payroll, AP, Controller and Information Security Officer. Reports submitted to Audit Committee if violations are detected.
Admissions	Follow-up	Follow-up on recommendations made in the 2017 Admissions audit report.
Athletics	Follow-up	Follow-up on recommendations made in the 2017 Athletics audit report.
EthicsPoint Reports	Investigation/ Follow-up	Follow-up on issues reported through the anonymous report function. (see anonymous reporting system below for more information)
Quality Assurance and Improvement Program	Compliance	Complete an Institute of Internal Auditors quality assurance self-assessment checklist, make plans to improve process, if needed. Work through the USHE Auditor to arrange for an external validation of the checklist. Participate in an evaluation of another institution, if requested.

In addition, Internal Audit and the Audit Committee will participate in the following external audits, where requested:

a. Financial Statement Audit for the year ending June 30, 2017 (State Auditor's Office)
b. Single Audit/Federal Funds for year ending June 30, 2017 (State Auditor's Office)
c. Audit of institution asset tracking (OLAG)

Anonymous Report Function (Ethics.Point), Issues, and How Resolved

Snow College subscribes to the online and telephone system called Ethics.Point for the anonymous whistleblower hotline. Ethics.Point is a cloud-based software product that provides an anonymous whistleblower hotline both online and via phone to report any suspicious behaviors or activities. The following table illustrates the issues that were reported through Ethics.Point during 2017:

Type of Issue Reported	Report Description	How Resolved
Offensive or Inappropriate Communication	Professor retaliating against student by giving low grades.	Snow College Risk Management worked with the Dean of the Department to investigate this matter. It was determined that the student received a deserving grade and there was no retaliation.
Employee Misconduct	Violations of school hiring policies and State Law.	Human Resources and the Vice President of Finance and Administrative Services reviewed the complaint

		and actions taken with the Attorney General Office to determine if there were any violations of policy or law. It was determined that the hiring process was compliant with Snow policy and State Law.
Data Privacy / Integrity	A cyber-theft was reported where user credentials were inappropriately used to redirect payroll direct deposits.	The Snow College Information Security Officer worked with Internal Audit and other departments to research the concern and immediately implemented additional controls to detect and prevent unauthorized change of personal information in the future.
Environmental / Safety	The reporter observed a daycare activity where children were riding ponies and horses without helmets.	Snow College Risk Management worked with the Daycare to implement additional safety protocols for their activities.

Efforts Made to Promote Use of Ethics.Point

The following steps have been taken to further promote the use of the Ethics.Point hotline system:

1) Established an Ethics.Point team consisting of the following representatives:
    - Internal Audit Director (Ethics.Point Team Facilitator)
    - Human Resources Director (Ethics.Point Application Administrator)
    - Information Security Officer (Ethics.Point Application Administrator Backup)
    - Campus Security Officer
    - Executive Assistant to Academic Affairs
    - Vice President Finance and Administrative Services
    - Controller
    - Risk Manager
2) Documented procedures and guidelines for following up on reports and for the use of Ethics.Point. Procedures have been documented for the Ethics.Point team and for other employees that are involved in resolving reports.
3) Printed and hung posters all college facilities including student housing. These posters are permanently displayed in areas that are frequented by faculty, staff and students.
4) Created links to Ethics.Point on the Snow College website.
5) Printed business cards and had them placed at cash collection points.

Internal Audit Staff and Qualifications

Wayne Bushman is the Director of Internal Audit and is the only full-time employee in Internal Audit. There is also a part-time student, to assist with some cash control reviews, scanning and filing, and other audit duties as needed.

Wayne has a Bachelor's Degree in Information Systems and an Associate's Degree in Computer Science and is a Certified Information System Auditor (CISA). He has work experience in multiple industries including Financial/Banking, Healthcare, and Local Government. Prior to working for Snow College,

Wayne worked for the Salt Lake County Auditor's Office as an Associate Director of Internal Audit with the responsibility for initiating and managing an Information Technology audit program.

Ethan Devey is the student worker and is a Sophomore at Snow College and is pursuing his associates of science degree in general education. This is his second year working as a student worker in Internal Audit at Snow College.

The Audit Committee's Involvement with External Auditors.

For the June 2016 financial statement audit, the former audit committee chair, Doug Barton, was contacted by the state auditor who asked him some questions regarding his knowledge, if any, of possible fraud within Snow College. He also asked him some questions about the role of the audit committee at Snow College. The June 2017 financial statement audit is still in progress, however, the audit committee chair, Rick Robinson was also contacted by the state and was asked similar questions.

The State Auditors did not meet with the Audit Committee to discuss the report or findings in the report. However, the Audit Committee discussed the report and findings during the meeting on March 24, 2017. The results of the audit were presented by the Vice President of Finance and Administrative Services.

If you have any questions about this summary of activities, please contact me at your convenience. You may reach me by phone (435) 201-0707 or by email at rick.robinson@zionsbank.com.

Sincerely,

Rick Robinson
Snow College Board of Trustees
Finance and Facilities Committee / Audit Committee Chair

Cc: Scott Bushnell, Board of Trustees Chair, Audit Committee Member
        David Christensen, Board of Trustees Member, Audit Committee Member
        Randy Cox, Board of Trustees Member, Audit Committee Member
        Leslie Keisel, Board of Trustees Member, Audit Committee Member
        Dr. Gary Carlston, Snow College President
        Jake Dettinger, Vice President of Finance and Administrative Services
        Wayne Bushman, Director of Internal Audit