

# UTAH COLLEGE OF APPLIED TECHNOLOGY

## AGENDA ITEM

### UCAT BOARD OF TRUSTEES

15 January 2015

ITEM: III. P

TOPIC: FY 2014 Enrollment Audit

#### BACKGROUND

UCAT Administration has engaged Eide Bailly, CPAs & Business Advisors (formerly Hansen, Barnett & Maxwell) to conduct an audit of FY2014 membership hours at each campus. Their audit will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and will be underway immediately and be completed prior to the April Board of Trustees meeting at which time a report will be made to the Board.

The following procedures have been identified as areas of special focus. Eide Bailly will therefore:

1. Test campus practices and procedures to ensure membership hours attributed to students whose enrollment periods extend beyond the fiscal year of initial enrollment are not double-counted.
2. Policy 201.6.2 provides that membership hours be reported for a defined-length schedule on the date of enrollment. Test to determine whether students whose hours are "front-loaded" and who subsequently withdraw prior to completion are properly accounted for within the system. Campus practices should ensure exit codes are updated accordingly to maintain the integrity of the system and campus data.
3. Test student identifying data to determine whether sufficient evidence (i.e. name, social security number, birth date, etc.) exists to confirm student enrollment.
4. Test for sufficient evidence to document student placement data for COE and other reports.
5. Examine UCAT Policy 201.5 addressing Budget-Related Membership Hours and provide independent feedback relative to the adequacy of the policy (particularly paragraph 201.5.6, Provided by the Campus) for determining whether periods of scheduled instruction should be reported as budget-related membership.

#### FISCAL IMPACT

\$32,000 – 38,000 from the budget of the UCAT President's Office

Attachments:

Engagement letter from Eide Bailley





CPAs & BUSINESS ADVISORS

January 9, 2015

Audit Committee  
c/o Robert O. Brems, President  
Utah College of Applied Technology  
2801 Ashton Boulevard  
Lehi, Utah 84043

We are pleased to confirm our understanding of the nature and limitations of the services we are to provide for Utah College of Applied Technology (UCAT).

We will apply the agreed-upon procedures which UCAT has specified, listed in the attached schedule, to perform the procedures outlined in the attachment to this letter for each College as of and for the fiscal year ended June 30, 2014. This engagement is solely to assist UCAT in performing the procedures outlined in the attachment. Our engagement to apply agreed-upon procedures will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose. If, for any reason, we are unable to complete the procedures, we will describe any restrictions on the performance of the procedures in our report, or will not issue a report as a result of this engagement.

Because the agreed-upon procedures listed in the attached schedule do not constitute an examination, we will not express an opinion on the procedures outlined in the attachment. In addition, we have no obligation to perform any procedures beyond those listed in the attached schedule.

We will submit a report listing the procedures performed and our findings. This report is intended solely for the use of UCAT's audit committee and management, and should not be used by anyone other than these specified parties. Our report will contain a paragraph indicating that had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

You are responsible for the presentation of the procedures outlined in the attachment in accordance with the policies and procedures outlined by UCAT; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for making all management decisions and performing all management functions; for designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience. In addition, you are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for the results of such services.

Paul O. Skeen is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We plan to begin our procedures on approximately January 12, 2015 and, unless unforeseeable problems are encountered, the engagement should be completed by March 31, 2015. At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for the presentation of the procedures outlined in the attachment in accordance with the established criteria.

[www.eidebailly.com](http://www.eidebailly.com)

5 Triad Center, Ste. 600 | Salt Lake City, UT 84180-1106 | T 801.532.2200 | F 801.532.7944 | EOE

We estimate that our fees for these services will range from \$32,000 to \$38,000. You will also be billed for travel and other out-of-pocket costs such as report production, word processing, postage, etc. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

In addition, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before our procedures agreed-upon procedures are completed and a report issued, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney's fees will be added to the amount due.

Eide Bailly LLP is a member of HLB International, a worldwide organization of accounting firms and business advisors, ("HLB"). Each member firm of HLB, including Eide Bailly LLP is a separate and independent legal entity and is not owned or controlled by any other member of HLB. Each member firm of HLB is solely responsible for its own acts and omissions and no other member assumes any liability for such acts or omissions. Neither Eide Bailly LLP, nor any of its affiliates, are responsible or liable for any acts or omission of HLB or any other member firm of HLB and hereby specifically disclaim any and all responsibility, even if Eide Bailly LLP, or any of its affiliates are aware of such acts or omissions of another member of HLB.

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## **DISPUTE RESOLUTION**

The following procedures shall be used to resolve any disagreement, controversy or claim that may arise out of any aspect of our services or relationship with you, including this engagement, for any reason ("Dispute"). Specifically, we agree to first mediate.

### ***Mediation***

All Disputes between us shall first be submitted to non-binding mediation by written notice ("Mediation Notice") to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator. The mediator will be selected by mutual agreement, but if we cannot agree on a mediator, one shall be designated by the American Arbitration Association ("AAA").

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute. Mediation will be conducted with the parties in person in Salt Lake City, Utah.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Either party may commence suit on a Dispute after the mediator declares an impasse.

### ***Governing Law and Venue***

We both agree to submit any unresolved Dispute to trial by a federal or state court venued in Minneapolis, Minnesota. This agreement shall be governed by and construed in accordance with the laws of the State of Minnesota (regardless of the laws that might be applicable under the principles of conflict of law) as to all matters including without limitation, matters of validity, construction, effect, and performance.

### **LIMITATION OF DAMAGES AND NO PUNITIVE DAMAGES**

The exclusive remedy available to you in any adjudication proceeding shall be the right to pursue claims for actual damages that are directly caused by acts or omissions that are breaches by us of our duties under this agreement and/or under applicable professional standards, such damages will be limited to no more than two times fees paid under this agreement. In no event shall we be liable to you for any punitive or exemplary damages, or for attorneys' fees.

### **TIME LIMITATION**

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute. We both agree that, notwithstanding any statute of limitations that might otherwise apply to a Dispute, it is reasonable that you may not bring any legal proceeding against us unless it is commenced within twenty-four (24) months ("Limitation Period") after the date when we deliver our report, return or other deliverable under this agreement to you, regardless of whether we do other services for you or that may relate to the agreed-upon procedure report.

The Limitations Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute.

### **INDEMNITY**

You agree that none of Eide Bailly LLP, its partners, affiliates, officers or employees (collectively "Eide Bailly") shall be responsible for or liable to you for any misstatements in your financial statements and/or tax return that we may fail to detect as a result of knowing representations made to us, or the concealment or intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit, and to hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

If a claim is brought against you by a third-party that arises out of or is in any way related to the services provided under this engagement, you agree to indemnify Eide Bailly LLP, its partners, affiliates, officers and employees (collectively "Eide Bailly"), against any losses, including settlement payments, judgments, damage awards, punitive or exemplary damages, and the costs of litigation (including attorneys' fees) associated with the services performed hereunder provided that the services were performed in accordance with professional standards, in all material respects.

**ASSIGNMENTS PROHIBITED**

You agree that you will not and may not assign, sell, barter or transfer any legal rights, causes of actions, claims or Disputes you may have against Eide Bailly, its partners, affiliates, officers and employees, to any other person or party, or to any trustee, receiver or other third party.

We appreciate the opportunity to assist you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If the need for additional procedures arises, our agreement with you will need to be revised. It is customary for us to enumerate these revisions in an addendum to this letter. If additional specified parties of the report are added, we will require that they acknowledge in writing their responsibility for the sufficiency of procedures.

EIDE BAILLY LLP



Paul O. Skeen, Partner

ACCEPTED BY Utah College of Applied Technology

\_\_\_\_\_  
Name and Title

\_\_\_\_\_  
Date

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