



Local Government Auditing and Accounting

Newsletter

Office of the Utah State Auditor

auditor.utah.gov

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Upgraded Online Submission System

In order to improve the process of submitting reports to The Office of the Utah State Auditor (OSA) we will be upgrading our system on February 17, 2016. To facilitate this process, the Online Submission System will not be available between February 16th through February 18th. You will not be able to submit any documents to our office during this time.

Some of the added features to the system include:

- An individualized dashboard that identifies the local government you represent
- A list of documents that need to be uploaded (a to-do list, so to speak)
- An automated process to recover your username and password

As you take the opportunity to use the new Online Submission System, we invite you to provide feedback to our office so that we can continue to improve your experience.

As part of this upgrade, local government entities that do not require an audit to be made each year, will no longer enter their financial information online. Rather, a financial survey form is available for download on the new Online Submission System website. This form can be filled out and submitted in order to meet your financial reporting responsibilities.

Welcome Alexandra Nelson — Office Specialist

Alexandra is a Utah native who is happy to bring her economics and government background to the Local Government team. In June 2015, Alexandra received dual degrees from Seattle University in Economics and International Studies. Alexandra previously served as a Constituent Liaison for the Salt Lake City Mayor's Office and has interned with the U.S. House of Representatives. Alexandra's assignments include facilitating Local Government training, developing benchmarking standards, and supporting the Local Government Reporting Compliance process. She may be contacted at anelson@utah.gov or [801-538-3176](tel:801-538-3176).



Online Training

Coming Soon

In 2015, the OSA began using an online training platform called Adobe Connect to provide webinar training. Starting in January 2016, the OSA will also provide targeted, on-demand video training curriculum through the Adobe Connect platform.

The training courses will be about 10 minutes in length and will be followed by a handful of quiz questions to ensure comprehension of the material covered.

The first series of courses is directed to members of governing boards and will cover a variety of topics on an introductory level. These courses will be available starting January 19, 2016. Those interested in registering for these courses can do so by visiting our training website auditor.utah.gov/training/elected-officials-training/.

Online Training

We recently added an “Open and Public Meetings” video which qualifies for the annual training on this topic required by *Utah Code 52-4-104*. There are now 12 recorded online trainings on our website. These trainings can also be viewed by clicking the following links. We encourage you to view and share these links with others within your organization.

[Cash Receipt Auditing](#)

[How to Upload Reports](#)

[Self-Evaluation Form Training](#)

[Internal Controls Overview](#)

[Separation of Duties between Clerk and Treasurer](#)

[GRAMA for Local Governments](#)

[Enterprise Fund Transfers](#)

[Report Requirement Thresholds 2015](#)

[Non-Profit Reporting](#)

[Tax Increment Reporting](#)

[Fiscal Procedures for Interlocal Entities](#)

[Open and Public Meetings](#)

Roundtable Events

Local Government Roundtable

Due to the success of the CPA Roundtable program, the OSA is going to pilot a similar forum for those who work in local governments. The purpose of this roundtable is to discuss how to improve the guidance and training provided by our office.

The roundtable event will be January 13, 2016, at 1:00 p.m.. There are 24 seats for in-person attendance. Individuals who work for local governments and would like to participate in person should send an email to jeremywalker@utah.gov expressing your interest in attending the event in person and how you could add to the in-person discussion.

The roundtable event will also be broadcast as a live webinar through our Adobe Connect training platform. Click [here](#) to sign up for the webinar. There is a 200 participant limit for the webinar, so we apologize to any who will not be able to participate in the live broadcast, but a recording will be posted for viewing on our [training website](#) soon after the live event.

Roundtable Events (continued)

Agenda for Local Government Roundtable:

- Welcome and Introductions
- Training Overview
- Independent Audits Overview
- Publications Overview
- Reporting Requirements and Submission Overview
- Financial Related Laws
- Other Issues

CPA Roundtable

In January 2014 and again in 2015, the OSA held roundtable discussions with a limited number of CPAs who audit local governments. The collective expertise of these individuals has contributed to significant improvements to the State Compliance Audit Guide (SCAG), Agreed-Upon Procedures Guide (AUP), and other similar manuals and documents designed to improve audit, accounting, and compliance with state laws among Utah's local governments. The time and resources of these individuals has been greatly appreciated. In an effort to continue improving the guides and resources produced by the OSA, the next CPA roundtable discussion is scheduled for January 20, 2016. If you are a CPA who audits local governments and would like to participate, please contact Kylie Cone at kccone@utah.gov or 801-538-1364.

Agenda for CPA Roundtable:

- Welcome and Introductions
- Recent Audit Alerts
- List and status of CPA Reviews
- Common findings written to local government clients
 - ◆ Internal control weakness over financial reporting
 - ◆ Auditor Independence
 - ◆ Lack of separation of duties
- Changes to State Auditor manuals
 - ◆ State Compliance Audit Guide
 - Non-profits (no longer applicable)
 - Transparency website — Compliance and accuracy
 - Elimination of state grant testing
 - ◆ Agreed-Upon Procedures Guide
 - ◆ Self-Evaluation Form
 - ◆ Uniform Accounting Manual
- Wrap-up
- LEA Discussion— Applicable to those that have school districts and charter schools as clients.

Special-Purpose Audit of Small Entities

Within the past few years, the OSA has identified instances of embezzlement and abuse of government funds. For example, finance officers issuing checks to themselves or family businesses for services that were not provided to the entity and board members voting themselves tens of thousands of dollars in compensation and benefits which significantly exceeded compensation amounts allowed by State law.

These instances of illegal use of government funds caused the OSA to consider the risk associated with small entities that are not required to have an independent audit or any objective review of their compliance with State laws. As a means of addressing risk, the OSA performed an informal review of a sample of small entities that were delinquent in financial reporting. The review assessed a few specific statutory requirements on cash disbursements as well as any suspicious or unusual transactions. Those initial reviews yielded a high frequency of findings. Therefore, the scope was expanded to a special-purpose audit of all entities with revenues of less than \$350,000, which included about 150 entities consisting of mostly local and special service districts and a few towns. Now, with a significant portion of the audits completed, we have identified the following concerns:

- Single signature checks where the signer was the payee.
- Checks with insufficient signatures.
- Board members receiving more than the maximum \$5,000 in compensation allowed by law.
- Board members who are also employees of a local or special service district.
- Lack of separation of duties between the clerk and treasurer functions.

In response to these findings, we introduced the Self-Evaluation Form for entities with less than \$350,000 in revenues/expenditures. For more information about the Self-Evaluation process, please see the online training link on page 2 of this newsletter.



Public Employees Ethics Act

The OSA has a hotline reporting system (at auditor.utah.gov/hotline) that receives allegations regarding fraud, waste, or abuse at state and local government entities. Many of the complaints relate to public officials and employees using their public position for personal gain. This article is intended to outline provisions in the law that should be considered by public officials and employees.

Ethics laws are designed to establish the public's confidence in the integrity of their government without denying public officers/employees the opportunities available to all other citizens to acquire other interests, so long as those interests do not interfere with the discharge of their public duties.

Laws generally do not require public officials or employees to abstain from a vote or discussion where a real or perceived conflict may exist. While the law may allow an individual to participate in a vote or discussion; generally, nothing would prevent an individual from abstaining from a vote or discussion if they choose to do so.

An entity may choose to adopt policies that are more restrictive than the law; therefore, entity personnel should be familiar with entity policies as well as the laws. The intent of this article is not to provide a comprehensive overview, but enough information to determine if an ethics question exists and subsequently work with legal counsel to ensure compliance with laws and/or policies.

Conflicts of Interest

Ethics laws have similar provisions; however, there are differences with which each applicable entity should be familiar. The following laws are applicable to the related entities:

- Counties – *Utah Code* 17-16a-1 through 12
- Municipalities – *Utah Code* 10-3-1301 through 1312
- All Others (Local and Special Service Districts, School Districts, Charter Schools etc.) – *Utah Code* 67-16-1 through 15

Generally ethics laws are applicable to:

- Public officials (elected and appointed)
- Public Employees
- Full-time committee or board members, whether or not they are compensated



Public Employees Ethics Act (continued)

The table below lists the potential conflict, requirements applicable to each entity type, and the potential penalty. It should be noted that specific disclosure requirements vary depending upon entity type and conflict.

Conflict	Requirements			Penalty
	County	Municipality	All Other	
<i>Conflict between public duty and personal interests.</i>	Allowed with proper disclosure	Nothing specifically stated in statute		Depends upon specifics, but generally: <ul style="list-style-type: none"> • Removal from office • Dismissal from employment • Misdemeanor to felony, depending upon amount and type of offense • Rescind or void contract without returning any part of consideration received by government entity.
<i>Disclosure of private or protected information.</i>	Not allowed			
<i>Gifts</i>	Not allowed, with some exceptions for occasional small gifts			
<i>Compensation for assisting person or business with a transaction involving the government.</i>	Allowed with proper disclosure			
<i>Being an officer, agent, employee or owner of a business subject to regulation by the government.</i>	Allowed with proper disclosure			
<i>Interest in a company that does business with the governmental entity.</i>	Allowed with proper disclosure			
<i>Personal investments that create conflict between personal interest and public duty.</i>	Allowed with proper disclosure		Not allowed	
<i>Use or attempt to use official position to gain a substantial economic interest or secure special privileges for self or others.</i>	Nothing stated in statute		Not allowed	
<i>Outside employment that might interfere with ethical performance of public duties.</i>	Nothing stated in statute		Not allowed	
<i>Demanding or accepting a donation, payment, or service as a condition of granting a permit, approval, authorization, etc. (seeking and offering a bribe).</i>	Nothing stated in statute		Not allowed	