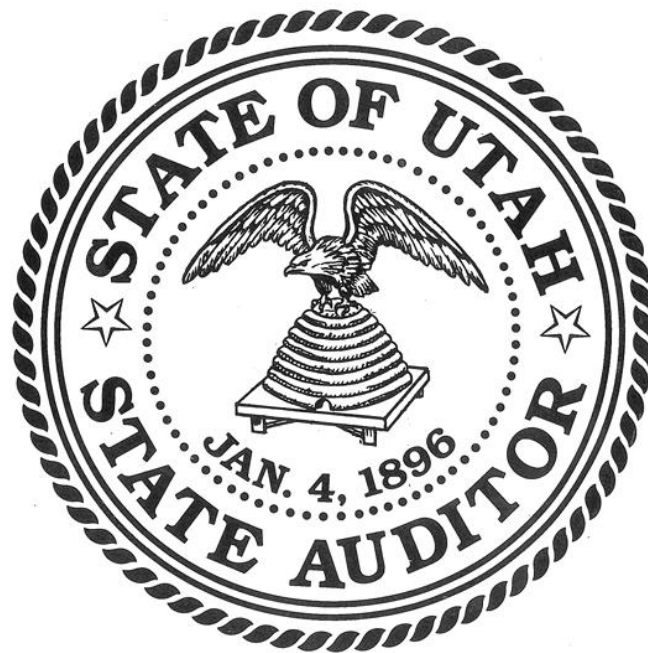


STATE OF UTAH
LEGAL COMPLIANCE AUDIT GUIDE
July 1, 2013



OFFICE OF THE
UTAH STATE AUDITOR

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INTRODUCTION

This introductory section addresses the application of compliance audit requirements for local governments and those nonprofit organizations required to file their audited financial statements with the Office of the Utah State Auditor (OSA). It also discusses performing risk assessment procedures and tests of controls, materiality, and reporting on state legal compliance.

Chapters 1 and 2 of this *State of Utah Legal Compliance Audit Guide (Guide)* provide general compliance requirements with which local governmental entities must comply. Chapter 3 contains specific compliance requirements for grants received from the Utah State Office of Education, as well as applicable agreed-upon procedures related to those grants. Chapter 4 contains compliance testwork guidance for state funds received by local governments and nonprofit organizations. Chapter 5 provides report illustrations.

In addition to the compliance requirements listed in this *Guide*, the auditor is expected to test compliance with other laws, regulations, contracts, and grant agreements that could be material to the financial statements. *U.S. Auditing Standards—AICPA Clarified (AU-C)* section 250 requires that as part of the audit of the financial statements, auditors test state laws and regulations that could directly and materially affect the determination of financial statement amounts. *Government Auditing Standards (GAS)* 4.19 extends that requirement to include contracts and grant agreements. A law or regulation would be considered to have a direct and material effect if noncompliance has the potential to materially misstate the financial statements. **These types of compliance requirements should be tested as part of the audit of the financial statements and may not be included in this *Guide*.** This may include, but not be limited to, compliance with the State Money Management Act, compliance with debt or bond requirements, or debt limitations. This *Guide* is not intended to identify compliance requirements that could be material to the financial statements. Therefore, the auditors should use appropriate audit procedures, such as inquiry with management, review of minutes, and other procedures as considered necessary, to identify the compliance requirements that should be tested as part of a financial audit.

APPLICATION

This *Guide* applies to audits of:

- Local government entities:
 - Counties
 - Municipalities
 - Local Education Agencies (LEAs):
 - School districts
 - Charter schools (including charter schools organized as nonprofits)
 - Local and special service districts
 - Other local government entities
- Nonprofit organizations that receive at least 50% of their funds from federal, state, or local government entities (excluding charter schools structured as nonprofits)

This *Guide* does not apply to:

- State departments or agencies
- Local government entities that are allowed and choose to receive an agreed-upon procedures engagement as outlined in the OSA's *Guide for Agreed-upon Procedures Engagements for [Local Governments, Nonprofits, or Charter Schools] with Revenues or Expenditures Greater than \$100,000 and Less Than \$500,000* (see OSA's website at <http://www.auditor.utah.gov/lgResources.html>).

Utah Code Annotated (UCA) 51-2a-202 requires audits of local government entities to be performed in accordance with both GAS and state auditing requirements. Further, UCA 51-2a-301 requires the OSA to

establish guidelines, qualifications, criteria, and audit procurement procedures for all entities that file financial reports.

Compliance audits and attestation engagements usually are performed in conjunction with a financial statement audit. Accordingly, **the guidance in AU-C section 935, *Compliance Audits*, is applicable when an auditor performs a compliance audit** in accordance with 1) generally accepted auditing standards, 2) the standards for financial audits under GAS, and 3) this *Guide*. When an auditor is engaged to perform agreed-upon procedures to assist users in evaluating an entity's compliance with specified requirements (as required by Chapter 3, Appendix 3-1 and Appendix 3-2, in this *Guide*), AICPA *Statements on Standards for Attestation Engagements*, Section AT 601, *Compliance Attestation*, applies.

GAS and this *Guide* contain certain standards and requirements that are supplementary to auditing standards generally accepted in the United States of America (U.S. GAAS), and to the guidance on how to apply those standards and requirements.

AUDIT REQUIREMENTS

Local Government Entities

UCA 51-2a-201 requires all local government entities with total annual revenues or expenditures (expenses) greater than or equal to \$500,000 to have their financial statements audited by an independent certified public accountant licensed to practice in Utah. Additionally, the Utah State Office of Education requires operating charter schools with annual revenues and expenditures less than \$500,000 to have an audit. **All local government entities that receive an audit are required to follow the compliance testwork identified in this *Guide*.**

Nonprofit Organizations

UCA 51-2a-201 and UCA 51-2a-102(6)(f) require the filing of financial reports with the OSA by all nonprofit organizations that received at least 50% of their funds from the federal, state, or local governments, as a condition for receiving such aid. **Nonprofit organizations required to file a financial report with the OSA are required to follow the compliance testwork identified in this *Guide*, unless those nonprofit organizations did not receive any State funds. Nonprofit organizations are not, however, required to report on the general state requirements contained in Chapters 1 and 2 of this *Guide*.** However, **charter schools structured as nonprofit organizations** are considered public schools and, therefore, Chapters 1 and 2 apply, similar to school districts.

Nonprofit organizations that receive less than 50% of their funds from federal, state, or local government entities are not subject to any of the requirements of this *Guide*. Testwork and reporting are not required by this *Guide* even if major State grants have been received by these entities. (However, the State grant may be subject to audit requirements if agreed to in the contract with the entity awarding the funds.)

MATERIALITY

Materiality for compliance differs from financial statement materiality. Materiality for compliance is affected by 1) the nature of the compliance requirement, 2) the nature and frequency of noncompliance identified, and 3) qualitative considerations, such as the needs and expectations of oversight and granting agencies and other users of the auditor's report.

AU-C 935 defines **material noncompliance** as "a failure to follow compliance requirements . . . that result in noncompliance that is quantitatively or qualitatively material . . . to the affected government program." A **material weakness in internal control over compliance** is defined as "a deficiency . . . in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis."

In addition to the discussion above from AU-C 935, the *AICPA Audit and Accounting Guide for State and Local Governments*, paragraph 4.21, discusses other qualitative factors that the auditor may consider in evaluating material noncompliance:

- The potential effect of the noncompliance on the government's ability to raise resources (for example, through taxes, grants, contributions, or debt or loan financings) in the future.
- The potential effect of the noncompliance on the continuation of existing relationships with vendors, employees, and elected appointed officials.
- Whether the noncompliance involves an activity that often is scrutinized by elected or appointed officials, citizens, the press, creditors, or rating agencies.
- Whether the noncompliance is an isolated event or instead has occurred with some frequency.
- Whether the noncompliance results from management's continued unwillingness to correct internal control weakness.
- The likelihood that similar noncompliance will continue in the future.

PERFORMING RISK ASSESSMENT PROCEDURES AND INTERNAL CONTROLS

For each general compliance area and each compliance requirement for major state programs selected for testing, the auditor should perform risk assessment procedures to obtain an understanding of the applicable compliance requirements and the entity's internal control over compliance with the applicable compliance requirements. **Procedures to test the effectiveness of internal control over compliance are not required.** However, performing risk assessment procedures to obtain an understanding of the entity's internal control over compliance **includes an evaluation of the design of controls and whether the controls have been implemented.**

When evaluating whether controls over compliance have been properly designed and implemented the auditor should consider the risk of material noncompliance (what could go wrong) when determining whether controls are sufficient. The auditor should also remember that there are five components of internal control that should be considered and not focus solely on traditional control activities such as review, approval, reconciliation, etc.

For example, in Chapter 1 Section A. Cash Management of this *Guide*, the auditor is required to document control procedures over the completeness and accuracy of the deposit and investment report submitted to the State of Utah Money Management Council. The Money Management Council uses this report to evaluate compliance with rules established by the Council. These rules are designed to safeguard public funds by ensuring that funds are deposited into secure financial institutions and that investments do not exceed an acceptable level of risk. The first step is to assess risk and evaluate what could go wrong. Risk considerations could include:

- Does the person preparing the report have an incentive to misstate the report?
- Has the auditor found errors on the report in the past?
- What is the potential impact on the entity if additional deposits are included or if other deposits are excluded from the report?

If the auditor determines that the risk of noncompliance is high, then a second person's review or approval of the report may be necessary. If the auditor determines that the risk of noncompliance is low, then the entity's policies and procedures establishing a commitment to hiring and developing competent personnel, assignment of authority, responsibility and accountability may be sufficient. See AU-C 315 .A68 and .A69 for additional guidance.

If the auditor identifies risks of material noncompliance, the auditor should design and perform further audit procedures in response to such risks. These procedures should include performing tests of controls over compliance if the auditor expects controls over compliance to be adequate or if substantive

procedures (tests of transactions) alone do not provide sufficient appropriate audit evidence. When tests of controls are performed, the auditor should test the operating effectiveness of controls over each applicable compliance requirement to which the conditions apply in the compliance audit.

REPORTING

A report on compliance as well as a report on internal controls over compliance is required by this Guide. Such communications on internal control over compliance can be combined with the report on state legal compliance. The auditor should report as audit findings:

- Material noncompliance with compliance requirements as described in this *Guide*.
- Significant deficiencies and material weaknesses in internal control over compliance requirements.

Utah Administrative Code Rule R123-5-5(6), AU-C 935, and GAS also require the auditor to report the views of responsible officials and planned corrective actions for findings related to the compliance requirements.

Findings and deficiencies reported under OMB Circular A-133, as well as views of responsible officials and their planned corrective action for those findings and deficiencies, are also to be included with the report on compliance or in accompanying schedules.

Other instances of noncompliance that do not result in an opinion modification but are more than inconsequential should also be reported to management and those charged with governance, but can be communicated in either a letter to management and those charged with governance or with the report. When a management letter is used to communicate other instances of noncompliance (immaterial or inconsequential findings), the state legal compliance report should refer to the management letter and include a response from management either in the report or by referring to management's response in the letter to management.

The auditor is to use professional judgment to determine whether and how to communicate to the entity violations of compliance requirements that are inconsequential and to document any such communications. Although not required, the auditor may decide to communicate such findings in a letter to management. The letter to management and the governing body's response to the recommendations need not be bound with the financial statements and related auditor's report, but the audit report will not be considered complete until all required elements have been received by the OSA.

In accordance with this *Guide*, AU-C 935, and GAS, the auditor should form an opinion on whether the entity complied in all material respects with the applicable compliance requirements and the auditor's consideration of internal controls over those requirements and report appropriately.

State Legal Compliance Requirements for Reporting Findings			
	Report On Compliance and on Internal Controls Over Compliance	Communicate in Writing	Auditors Use Professional Judgment to Determine Reporting
Instances of noncompliance with general or major state program compliance requirements: <ul style="list-style-type: none"> • Those that have a material effect • Less than material but more than inconsequential¹ • Those that are inconsequential 	X	X	X
Deficiencies in internal control over general or state major program compliance requirements: <ul style="list-style-type: none"> • Material weakness • Significant deficiency • Deficiency in internal control¹ 	X X	X	
¹ Communication can be in the report or in a letter to management.			

Illustrative auditor’s combined reports on legal compliance and internal control over compliance are shown in Chapter 5 of this *Guide*.

Schedule of Expenditures of State Grants, Contracts, and Loan Funds

Local government entities other than LEAs are required to submit a Schedule of Expenditures of State Grants, Contracts, and Loan Funds for the period. The schedule should list (1) the State agency, (2) the name of the grant, contract or loan funding source, (3) total expended, and (4) the year the grant, contract, or loan funds were subject to audit by this *Guide*. This schedule should be emailed to OSA at sao@utah.gov as part of the audit report submission (see Chapter 4, Appendix 4-1 for an example of this schedule).

QUESTIONS AND COMMENTS

The OSA welcomes questions, comments and suggestions on this *Guide*. Please submit them to Patricia Nelson, Audit Supervisor, Local Government, at patricianelson@utah.gov.

**CHAPTER 1:
GENERAL AUDIT PROCEDURES
TO BE PERFORMED ANNUALLY**

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CHAPTER 1: GENERAL AUDIT PROCEDURES TO BE PERFORMED ANNUALLY

This chapter provides general compliance requirements with which local governmental entities must comply. The suggested audit procedures should be performed annually. This chapter does not apply to nonprofit organizations. However, charter schools structured as nonprofit organizations are considered public schools and, therefore, this chapter applies, similar to school districts.

IN DETERMINING HOW THE GOVERNMENT ENSURES COMPLIANCE, CONSIDER THE FOLLOWING:

- Accounting system capable of recording appropriations or budgets and comparing them to actual results
- Reconciling appropriation or budget totals to totals recorded in the accounting system
- Policies and Procedures Manuals
- Knowledge and Training of personnel
- Legislative and Management Monitoring
- Management’s identification of changes in laws and regulations
- Management’s communication of changes in laws and regulations to employees

A. CASH MANAGEMENT

Information Contact: Ann Pedroza, 801-538-1883, Secretary to the Utah Money Management Council

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to *:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 51-7-15- (3)	ALL (except Charter Schools organ- ized as non- profits	<p>Public treasurers are required to file a written report with the Money Management Council (Council) on or before January 31 and July 31 of each year. This report, entitled the “Deposit and Investment Report Form,” provided by the Council (see http://utah.gov/treasurer/documents/utah-state-treasurer-deposit-investment.pdf), contains information about the deposits and investments of that public treasurer during the preceding six months ending December 31 and June 30, respectively. The Council uses this form to determine if the entity is in compliance with the Money Management Act.</p> <p>Review the entity's fiscal year-end report and determine that the report agrees to financial institution statement year-end closing balances ('bank' balances NOT 'book' balances), is accurate, and is fairly presented.</p>		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

B. BUDGETARY COMPLIANCE

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Towns: 10-5-107 Cities: 10-6-135 Districts: 17B-1-609 Counties: 17-36-12 LEAs: 53A-19-102	ALL	1. Ensure that the entity provided the required notice for its budget adoption hearing by reviewing the certified copy of the notice. a. Municipalities and districts are required to provide a 7 day notice. b. LEAs are required to provide a 10 day notice. (NOTE: Per UCA 53A-1a-511(4)(f), charter schools are exempt from any notice requirements).		
UCA Towns: 10-5-114 Cities: 10-6-117 Districts: 17B-1-613 Counties: 17-36-17 LEAs: 53A-19-104	ALL	2. Examine the entity's records and financial reports and determine that the total expenditures by fund did not exceed the amounts appropriated in the final adopted budget.		
UCA Cities: 10-6-147 Districts: 17B-1-638 Counties: 17-36-17 LEAs: 53A-19-108	ALL	3. Determine that financial reports detailing receipts and disbursements for all funds are prepared at least quarterly and reviewed by the governing body. Select one financial report and determine that it reconciles to the general ledger.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

C. FUND BALANCE

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
See Below	M, C, D	1. Determine that the entity maintained and did not budget a minimum fund balance of 5% of total general fund revenues.		
UCA 17-36-16	C	2. Counties: Determine that the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed an amount equal to the greater of: <ul style="list-style-type: none"> a. the estimated total revenue from property taxes for the current fiscal period, or b. for a county with a taxable value of \$750 million or more and a population of 100,000 or more, 20% of the total revenues of the General Fund for the current fiscal period; or for any other county, 50% of the total revenues of the General Fund for the current fiscal period. 		
UCA Cities: 10-6-116-(2) Towns: 10-5-113-(2)	M	3. Municipalities: Determine that the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 25% for cities or 75% for towns of the total estimated revenue of the general fund. The total estimated revenue of the general fund is the current year's total general fund revenue minus any beginning fund balances appropriated.		
UCA 17B-1-612	D	4. Special and Local Service Districts: The maximum unrestricted (committed, assigned, and unassigned) fund balance is restricted to the greater of: <ul style="list-style-type: none"> a. 100% of the current year's property tax; or b. 25% of the total general fund's revenues, if the annual general fund budget is greater than \$100,000; or c. 50% of the total general fund's revenues, if the annual general fund budget is equal to or less than \$100,000. 		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

D. JUSTICE COURTS

Information Contacts: Heather Mackenzie-Campbell, Audit Manager, Administrative Office of the Courts, (801) 578-3889
 Diane Williams, Internal Auditor, Administrative Office of the Courts, (801) 578-3985

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		1. Obtain a sufficient understanding of the separation of duties over cash receipting functions at the Justice Court. If authorization, custody of assets, and record keeping duties are not separated (limited staff) and no compensating review is performed by an individual without access to monies collected, complete Procedures 2 through 6 below.		
	M, C	2. Select a sample of cases with a full or partial payment receipted during the audit period and determine that the disposition of the fines, fees, and forfeitures were in compliance with the applicable laws (see Chapter 1 Appendix 1-1, Disposition of Justice Court Fines, Fees, and Forfeitures).		
See Chapter 1 Appendix 1-1	M, C	3. <u>Credits</u> : Select a sample of credits issued (CORIS credit detail report) during the audit period. Verify each credit was authorized by the bail schedule (as specified in the Uniform Fine/Bail Forfeiture Schedule) or ordered by the judge (specified in the judicial order or a general court order). In addition, review the documented proof of compliance, e.g. completion of community service, completion of alcohol treatment, proof of valid registration, proof of repair of faulty equipment or other judicially specified reason attached to the citation, stored in the case file or scanning system, or filed with the daily accounting records. Note: The Uniform Fine/Bail Forfeiture Schedule is located at: http://www.utcourts.gov/resources/rules/ucja/append/c_fineba/finebail_schedule.pdf		
See Chapter 1 Appendix 1-1	M, C	4. <u>A/R Adjustments</u> : Select a sample of account receivable (a/r) adjustments (CORIS adjustments to a/r) during the audit period. Verify each a/r adjustment was entered to correct a clerical error when setting up the amount or the amount is no longer due (dismissed offense based on proof specified in the Uniform Fine/Bail Forfeiture Schedule or dismissed by judge in a judicial order).		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
See Chapter 1 Appendix 1-1	M, C	<p>5. <u>Dismissed Offenses/Amounts</u>: Select a sample of dismissed offenses that clerks are authorized to dismiss as specified in the Uniform Fine/Bail Forfeiture Schedule (CORIS charge disposition report) during the audit period.</p> <p>Verify each dismissed offense is appropriate. Review the documented proof provided to the clerk (proof of insurance, proof of drivers license in effect at time of offense, etc. as specified in the bail schedule). The proof of documentation is attached to the citation, stored in the case file or scanning system, or filed with the daily accounting records. Verify that an appropriate reason or explanation was provided in each case.</p> <p>All other dismissed offenses not specified in the Uniform Fine/Bail Forfeiture Schedule and CJA Rule 4-704 must be dismissed by written judicial order. Verify that an appropriate reason or explanation was provided in each case.</p>		
See Chapter 1 Appendix 1-1	M, C	<p>6. <u>Voided Receipts</u>: Select a sample of transaction reversals (CORIS transaction reversals report) during the audit period.</p> <p>Verify that each transaction reversal (void) was initiated by the cashier and approved by a second clerk/employee to compensate for separation of duties weaknesses. Select any reversals initiated and approved by the same clerk/employee with a focus on cash transactions and review for propriety. If a cash receipt, verify the re-receipt. If a cash payment was receipted, then voided at a much later time/date, review for propriety.</p>		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

**E. STATEMENT OF TAXES CHARGED, COLLECTED AND DISBURSED –
 CURRENT AND PRIOR YEARS**

Information Contact: Jennifer Condie, Manager, Property Taxes, Tax Commission, (801) 297-3636

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 59-2-913	C	Determine if the Statement of Taxes Charged, Collected, and Disbursed - Current and Prior Years (also called the Treasurer's Settlement Statement) that was submitted to the Tax Commission as form PT-750, agrees to applicable county records, is accurate, and is fairly presented.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

F. ASSESSING AND COLLECTING PROPERTY TAXES

Counties collect funds through levies on property taxes which are to be used in each county's functions of assessing, collecting, and distributing property taxes.

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
59-2-1602 through 59-2-1605	C	1. Examine the county's accounts for the assessing and collecting (A&C) function and document whether the county has properly accounted for A&C revenues separately. Both those received from the state and those received from the County's own levy should be recorded in separate accounts.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
59-2-1602 through 59-2-1605	C	2. Examine the county's costs charged to A&C. Document that the costs, both direct and indirect, were related to the A&C function (i.e. the valuation of property; the establishment and maintenance of uniform assessment levels; and the efficient administration of the property tax system, including the costs of assessment, collection, and distribution of property taxes).		
59-2-1602 through 59-2-1605	C	3. For A&C costs that are allocated to county departments, determine that the allocation rates are based on a formal study and reasonable methodology that has been conducted or updated by the county within the last five years.		
59-2-1602 through 59-2-1605	C	4. Document that any A&C revenues which exceeded costs charged in the year under audit were carried over and reserved for the A&C function for the following year.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

G. TRANSIENT ROOM TAX AND TOURISM, RECREATION, CULTURE, CONVENTION, AND AIRPORT FACILITIES TAX

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 59-12-301 and 17-31-5.5(3)	C	1. Obtain from the county a schedule detailing the amount of (1) transient room tax and (2) tourism, recreation, culture, convention, and airport facilities tax collected by the county during the fiscal year. Per statute, the schedule must contain the following categories: <u>TRANSIENT ROOM TAX</u> 1. Establishing and promoting: <ul style="list-style-type: none"> a. Recreation b. Tourism c. Film production d. Conventions 		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		2. Acquiring, leasing, constructing, furnishing, or operating: <ul style="list-style-type: none"> a. Convention meeting rooms b. Exhibit halls c. Visitor information centers d. Museums e. Related facilities 3. Acquiring or leasing land required for or related to: <ul style="list-style-type: none"> a. Convention meeting rooms b. Exhibit halls c. Visitor information centers d. Museums e. Related facilities 4. Mitigation costs 5. Payment of principal, interest, premiums, and reserves on bonds <u>TOURISM, RECREATION, CULTURE, CONVENTION, AND AIRPORT FACILITIES TAXES</u> <ul style="list-style-type: none"> 1. Financing tourism promotion 2. Development, operation, and maintenance of: <ul style="list-style-type: none"> a. Airport facilities b. Convention facilities c. Cultural facilities d. Recreation facilities e. Tourist facilities 3. Pledges as security for evidence of indebtedness 		
UCA 17-31-5.5	C	2. Determine that the breakdown of expenditures into categories on the schedule prepared by the county was proper and accurate and the schedule is fairly presented.		
UCA 17-31-2 (1),(2) & (3)	C	3. Select a representative sample of expenditures made from <u>transient room taxes</u> and determine whether the expenditures were made only for purposes and in the proportions authorized by law, as follows: <ul style="list-style-type: none"> a. A county may use up to 100 percent of the tax to establish, finance, and promote recreation, tourism, film production and conventions. b. A county may not expend more than 1/3 of the revenues generated by the transient room tax for any combination of the following purposes: <ul style="list-style-type: none"> 1) Acquiring, leasing, constructing, furnishing, maintaining, or operating convention meeting rooms, exhibit halls, visitor information centers, museums, sports and recreation facilities (including practice fields, stadiums, and arenas), and related facilities; and acquiring land, leasing land, or making payments for construction or infrastructure improvements; 		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		<p>2) As required to mitigate the impacts of recreation, tourism, or conventions in counties of the fourth, fifth, or sixth class, to pay for solid waste disposal operations, emergency medical services, search and rescue activities, and law enforcement activities;</p> <p>3) To make the annual payment of principle, interest, premiums, and necessary reserves for bonds related to the activities listed in a. and b. above.</p> <p>(Note: If, on or after October 1, 2006, a county imposes a transit room tax or increases the rate of the tax in accordance with Section 59-12-301 at a rate that exceeds 3%, the county may expend revenues generated by the portion of the rate that exceeds 3% for any purpose described above and is not subject to any limits on the amount of revenues that may be expended for those purposes.)</p>		
UCA 17-31-5.5 and 5-12-603	C	<p>4. Select a representative sample of expenditures made from <u>tourism, recreation, culture, convention, and airport facilities taxes</u> and determine whether the expenditures were made only for purposes and in the proportions authorized by law, as follows:</p> <p>a. For financing tourism promotion</p> <p>b. For the development, operation, and maintenance of: (A) an airport facility; (B) a convention facility; (C) a cultural facility; (D) a recreation facility; or (E) a tourist facility.</p> <p>c. A county of the first class shall expend at least \$450,000 of the tax revenues each year to fund a marketing and ticketing system designed to promote tourism in ski areas within the county by persons that do not reside within the state; and combine the sale of ski lift tickets; and accommodations and services.</p> <p>d. To pledge as security for bonds, notes, or other evidences of indebtedness incurred to finance an airport facility, a convention facility, a cultural facility, a recreation facility, or a tourist facility.</p>		
UCA 17-31-3	C	<p>5. <u>Transit Room Tax</u>: If the collections exceeded the expenditures during the fiscal year, determine that the remainder was reserved and retained in a special fund and did not revert to the general fund.</p>		

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CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

H. IMPACT FEES

When considering materiality for the auditor’s testing of the impact fee schedule, a potential user may include those who pay the impact fee. Those who pay the impact fee may be concerned about amounts typically considered immaterial in comparison to total impact fees or the total project. Due to audit efficiency considerations, the OSA does not expect the auditor to test the impact fee schedule to the level of materiality of each individual who pays the impact fee.

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 11-36A-601	C, M, D	1. Determine that the entity prepared a schedule identifying impact fee funds and that: <ul style="list-style-type: none"> a. The schedule detailed the year in which they were received, the project from which the funds were collected, the capital projects for which the funds are budgeted, and the projected schedule for expenditure. b. Disbursements reported on the schedule agree to the entity's accounting records. c. Receipts reported on the schedule are reasonable. 		
UCA 11-36A-602 (1)	C, M, D	2. Determine that impact fee proceeds disbursed in the current year were used only for public facilities identified in the capital facilities plan and for the specific public facility type for which the fee was collected.		
UCA 11-36A-602 (2)	C, M, D	3. Determine that the impact fee proceeds were used in a timely manner and that reasons for holding fees longer than six years were appropriate and documented.		
UCA 11-36A-603	C, M, D	4. Determine that the entity has appropriately refunded any unused impact fees.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

I. UTAH RETIREMENT SYSTEMS COMPLIANCE

The procedures in this section should be performed if the governmental entity participates in any of the following systems and if the employer is paying the member contribution or a portion of it into the system:

- The Public Employees Noncontributory Retirement System,
- The Public Employees Contributory Retirement System,
- The Public Safety Noncontributory Retirement System,
- The Public Safety Contributory Retirement System,
- The Firefighters' Retirement System
- The Public Safety and Firefighter Contributory System.

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 49-11	ALL (except charter schools organized as non-profits)	1. Verify that there is documentation authorizing employer "pick-up". The documentation includes an annual "formal" action in writing (e.g. minutes of a meeting, a resolution, or ordinance) adopted by persons authorized to amend the governing laws and is effective for a specified period to effect the employer pick-up election.		
UCA 49-11	ALL (except charter schools organized as non-profits)	2. Select a sample of newly hired employees from the payroll register and determine that eligible employees were immediately and accurately enrolled in the Utah Retirement Systems unless the employee qualifies to be exempt from retirement coverage. Eligibility rules vary by retirement system: <ul style="list-style-type: none"> • Tier 1 Public Employees Noncontributory Retirement System (<i>Utah code 49-13-201</i>) • Tier 1 Public Employees Contributory Retirement System (<i>Utah code 49-12-201</i>) • Tier 1 Public Safety Noncontributory Retirement System (<i>Utah code 49-15-201</i>) • Tier 1 Public Safety Contributory Retirement System (<i>Utah code 49-14-201</i>) • Tier 1 Firefighters Retirement System (<i>Utah code 49-16-201</i>) • Tier 2 Public Employees Contributory Retirement System (<i>Utah code 49-22-201</i>) • Tier 2 Public Safety and Firefighter Contributory Retirement System (<i>Utah code 49-23-201</i>) 		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 49-11	ALL (except charter schools organized as non-profits)	3. Select a sample of employees on leave of absence and determine that the employer maintained accurate records relating to leave of absence and notified the retirement office of the beginning and ending dates of leave.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

J. TRANSFERS FROM UTILITY ENTERPRISE FUNDS

Utilities fees for items such as water, sewer, garbage, electricity, etc. represent an implied agreement with rate payers and should be used for the purpose for which they were imposed.

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Towns: 10-5-108 Cities: 10-6-135 Districts: 17B-1-629 Counties: 17-36-32	C, M, D	1. <u>Municipalities and Counties</u> : Determine that permanent transfers from a utility enterprise fund to another fund were included in the original budget or in a subsequent budget amendment. If the transfers were NOT included in the original budget or subsequent amendments, determine that the entity performed the required notice procedures (see below) BEFORE any transfers were made. <u>Local and Special Service Districts</u> : Determine that permanent transfers from a utility enterprise fund to another fund are based on reasonable allocations of costs between funds (see testwork in step 3 below) and that the transfers were included in the original budget or in subsequent budget amendments. If the transfers are NOT based on reasonable allocations of cost and are not included in the original budget or subsequent amendments, determine that the entity performed the required notice of hearing (see below) BEFORE any transfers were made.		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		<p><u>REQUIRED UTILITY ENTERPRISE FUND TRANSFER NOTICE PROCEDURES:</u></p> <p>a. A public hearing must be held (including proper notice requirements).</p> <p>b. Notices must be mailed to each utility enterprise fund customer at least seven days before the day of the hearing noting the following information:</p> <ul style="list-style-type: none"> i. the utility enterprise fund from which money is being allocated or transferred; ii. the amount being allocated or transferred; and iii. the fund to which the money is being allocated or transferred. <p>The above information may be printed on the utility enterprise fund customer's bill or a separate notification mailed/transmitted with the utility bill.</p>		
UCA Counties: 17-36-32 Cities: 10-6-135 Districts: 17B-1-629	C, M, D	<p>2. Through inquiry and obtaining other corroborating evidence (scanning the general ledger, etc.), verify that departments are paying for utility services at the same rate charged to other customer's of the utility. If the entity has not charged its departments for utility services, verify that the entity notified the rate payers and held a public hearing in compliance with <i>Utah Code</i>.</p> <p>NOTE: Not charging the government's departments for utility services is a non-cash transfer to another fund and is subject to notice and hearing requirements in order to be allowable.</p>		
UCA Counties: 17-36-32 Cities: 10-6-135 Districts: 17B-1-629	C, M, D	<p>3. For utility enterprise funds transferred to another fund that are considered a reasonable allocation of costs, determine that the allocation rates are based on a formal study and reasonable methodology that has been conducted or updated by the entity within the last five years.</p>		
UCA Counties: 17-36-30 Cities: 10-6-132 Districts: 17B-1-626	C, M, D	<p>4. For utility enterprise funds loaned to another fund, determine that rates and repayment terms have been established and that payments are being made according to the established terms.</p>		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

K. LOCALLY GENERATED TAXES AND FEES

The objective of this testwork is to ensure property tax and related fee revenue are correctly levied, recognized in the proper year, and allocated to the appropriate school district fund. The testwork also ensures that property tax and related fee revenue are expended as allowed by state law.

Information contact: Cathy Dudley, Utah State Office of Education School Finance, 801-538-7667

TYPES OF FUNDS COLLECTED:

Property Taxes – “Current Taxes” – Property taxes are determined by applying a levy or tax rate to the taxable value of real and personal property within a school district (district). The county in which the district resides collects and distributes the tax to the district. Receipts of property taxes should be allocated to each assigned district fund based on current-year property tax rates. See “Types and Allocation of Tax Levies” table below for more detail.

Tax Sales and Redemptions – “Delinquent Taxes” – Tax sales and redemptions and related penalties and interest are collections of delinquent real property taxes. Although these collections can be allocated to the district’s funds using the rates that were in effect when the tax was originally levied, tax sales and redemptions received by the district are normally allocated to each assigned district fund based on current-year tax rates (similar to how current taxes are allocated).

Fees-in-Lieu of Taxes and Other Tax-Related Revenues. Motor vehicle fees and other tax-related items are distributed by counties to taxing entities within the county in the same proportion in which revenue collected from property taxes are distributed. Collections of fees and other tax-related items should be allocated to each assigned district fund based on current-year tax rates (similar to how current taxes are allocated).

TYPES AND ALLOCATION OF TAX LEVIES:

Districts can levy taxes based on up to six different available tax rates. All districts must levy the basic rate in order to qualify for receipt of the state contribution toward the basic program. Receipts of property taxes should be allocated to each assigned district fund based on current-year property tax rates.

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Available Tax Levy	Required vs. Optional	Ceiling Rate	District Fund to Which Funds s/b Allocated	Allowable Expenditures	Utah Code Reference
Basic – the local-state shared portion	Required	0.001651	General Fund	Unrestricted – to be used for each district's operation and maintenance of schools.	53A-17a-135; 59-2-902, 903, 905, 906 & 924
Voted Local – State and local funds received by a district under the Voted Local Program	Optional	0.002000	General Fund	Unrestricted – may be budgeted and expended with the general fund as authorized by the local school board	53A-17a-133; 59-2-904
Board Local – State and local funds received by a district under the Board Local Program	Optional	0.001800 or 0.002500	General Fund	Unrestricted – may be budgeted and expended with the general fund as authorized by the local school board	53A-17a-134 & 164; 59-2-904
Capital Local	Optional (except for school districts in a first-class county who must impose a capital local levy of at least .0006)	0.002400	Capital Projects Fund	Restricted –Used for capital outlay and debt service.	53A-16-107 & 113; 11-14-310
Debt Service	Optional	Voter approval	Debt Service Fund	Levied by the district in order to issue and sell general obligation bonds used to finance its building program. The tax levy must derive at least its G.O. bond principal and interest debt payment annually less debt service fund balance.	11-14-310; 53A-17a-145
Judgment Recovery	Optional	Varies by Judgment	Each fund based on related levies	These revenues are to fund a property tax judgment (plus interest) against the district as a result of a successful appeal of over-collection of property tax.	59-2-102, 918.5, 924, 1328 & 1330

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	LEA	1. TAX LEVIES – Verify that all levies on property tax and related fee revenues were approved and certified by the State Tax Commission and were correctly levied as follows:		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
See table above		<p>NOTE: A taxing entity may impose a tax rate in excess of the maximum levy permitted by law if the rate generates revenues that are less than the revenues that would be generated under the certified tax rate [UCA 59-2-914(3)(a)].</p> <p>a. Basic – (Required) Ensure that the district levied the required basic rate of .001651 by confirmation with the county treasurer or the Utah State Tax Commission Certified Tax Rate web site found at: http://www.taxrates.utah.gov</p> <p>NOTE: UCA 53A-17a-135(1)(a), (b) and (c) provide that the State Tax Commission will certify and adjust the basic rate on or before June 22 to generate \$289,021,900 for Fiscal Year 2012-2013.</p>		
See table above	LEA	<p>b. Voted Local or Board Local – (These levies are optional) Ceiling rate of 0.002000 for Voted Local or 0.001800 or 0.002500 for Board Local.</p> <p>NOTE: The amount of state aid guarantee money to which a district would be otherwise entitled under the Voted/Board Local Levy programs may not be reduced as a consequence of changes in the certified tax rate pursuant to changes in property valuation. This applies for a period of five years following any such change in the certified tax rate [UCA 53A-17a-133(3)(d)(i) and (ii) and 53A-17a-134(2)(c)(i)(ii)].</p>		
See table above	LEA	<p>c. Capital Local – (This levy is optional except for school districts in a first-class county who must impose a capital local levy of at least .0006.) Ceiling rate of 0.002400.</p> <p>NOTE: Districts levying less than the base tax effort rate shall receive proportional funding under the Capital Outlay Foundation program based on the percentage of that base tax effort rate, which means the average of the highest combined capital levy rate; and the average combined capital levy rate for the districts statewide. Districts are required, regardless of any limitations which may otherwise exist on the amount of taxes which the district may levy, to provide for the levy and collection annually of ad valorem taxes without limitation as to rate or amount on all taxable property in the district fully sufficient to fund general obligation indebtedness.</p>		
See table above	LEA	<p>d. Debt Service – (This levy is optional) If a district elected to issue and sell general obligation bonds to finance its building program, ensure that the district levied a debt service tax (which has no ceiling and is approved by voters) that will derive at least its general obligation bond principal and interest debt payment</p>		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		annually less debt service fund balance.		
See table above	LEA	<p>e. Judgment Recovery Levy – Check the following website for any judgments involving the school district: http://propertytax.utah.gov/careports/recent.html.</p> <p>If judgments were issued between December 16 and May 31 and each individual judgment exceeds the lesser of \$5,000 or 2 ½ percent of the taxable value of the district, the district may be eligible to levy a judgment levy.</p> <p>Determine if the district met all the truth-in-taxation requirements for the levy (see UCA 59-2-918.5 and Tax Commission Rule R884-24P-57).</p> <p>Determine that the judgment levy was established at a rate sufficient to generate only the revenue required to satisfy the known unpaid judgments and that the district included the basic tax rate when computing the judgment levy certified tax rate. (Revenue generated from the judgment levy includes current taxes and an appropriate allocation of tax-related revenue items, i.e., redemptions, motor vehicle fees, etc.) Ensure that the ad valorem property tax revenue generated by the judgment levy was not part of the consideration in establishing the taxing entity’s aggregate certified tax rate.</p> <p>NOTE: Senate Bill 84 of the 2000 General Session clarified eligibility requirements for the imposition of a judgment levy. An eligible judgment is a final order or judgment under UCA 59-2-1328 or UCA 59-2-1330 that became final and unappealable no more than 14 months prior to July 22nd of each year and for which the taxing entity’s share of the judgment is greater than or equal to the lesser of \$5,000 or 2 ½ percent of the total ad valorem property taxes collected by the taxing entity in the previous fiscal year [UCA 59-2-102(10)]. Because each year stands on its own, judgment levies are not considered part of the total certified tax rate; the effective judgment levy certified tax rate is considered to be zero each year and taxing entities must go through the hearing and notice requirements of UCA 59-2-918.5 each year. If a judgment levy is imposed, all refunds and interest ordered must be paid no later than December 31 of the year in which the judgment levy is imposed [UCA 59-2-1328 (3)]. Beginning with tax year 2010, or fiscal year ending June 30, 2011, districts must include the basic tax rate when computing the judgment levy certified tax rate. Judgment levies need to be allocated to all property taxes for the year and should show in individual fund sections.</p>		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index														
See table above	LEA	<p>2. ALLOCATION –</p> <p>a. Verify that collections of current property taxes, tax sales and redemptions, and fees in lieu of taxes and other tax-related items were allocated to each assigned district fund based on the fund’s prorated share of the total tax levy.</p> <table border="1" data-bbox="464 583 1052 835"> <thead> <tr> <th>LEVY</th> <th>ASSIGNED FUND</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td>General Fund</td> </tr> <tr> <td>Voted Local</td> <td>General Fund</td> </tr> <tr> <td>Board Local</td> <td>General Fund</td> </tr> <tr> <td>Capital Local *</td> <td>Capital Projects Fund</td> </tr> <tr> <td>Debt Service</td> <td>Debt Service Fund</td> </tr> <tr> <td>Judgment Recovery</td> <td>Each fund based on related levies</td> </tr> </tbody> </table> <p>* Collections from this levy are distributed by the county to the districts within the county based on student fall enrollment counts and growth. Although the source of the allocation is from a capital local levy, this levy should be accounted for separately rather than with the other levies. Thus, the enrollment allocation from the county would be excluded from the property tax revenue allocations. The funding, however, is restricted for capital outlay.</p> <p>If the district imposed a capital local levy exceeding the .0006 rate, ensure the county distributed the revenue generated from the portion of the levy in excess of the .0006 rate to the district in the same manner as it distributes the revenue generated from the other levies.</p>	LEVY	ASSIGNED FUND	Basic	General Fund	Voted Local	General Fund	Board Local	General Fund	Capital Local *	Capital Projects Fund	Debt Service	Debt Service Fund	Judgment Recovery	Each fund based on related levies		
LEVY	ASSIGNED FUND																	
Basic	General Fund																	
Voted Local	General Fund																	
Board Local	General Fund																	
Capital Local *	Capital Projects Fund																	
Debt Service	Debt Service Fund																	
Judgment Recovery	Each fund based on related levies																	
see above table	LEA	<p>b. <u>Interest Earnings on Taxes Held by the County</u> – Verify that any significant amount of interest earned on tax balances held by the county were allocated to each assigned district fund in proportion to how current property taxes were allocated. Also verify that such earnings were reported as interest earnings rather than as property tax revenue.</p>																
see above table	LEA	<p>c. <u>Interest Earnings on Cash and Investments</u> – Review the allocation of earnings on cash and investment balances in each fund to determine if they were reasonable and if they were recorded in the fund that earned the revenue. Average cash and investment balances in each fund can be used as a base for the allocation.</p> <p>When cash and investment balances of funds are pooled and invested by the district, the earnings on the pooled assets should be allocated to the funds based on the average balance of each participating fund. Accordingly, the use of investment earnings in each fund is restricted to the purposes of the fund. For example, investment earnings recorded in the debt service fund are restricted to payment of general obligation bond principal and</p>																

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		interest.		
See table above	LEA	<p>3. ALLOWABILITY –</p> <p>a. Basic, Voted Local, and Board Local –These tax levies are for unspecified uses and may be applied to any educational program in the general fund as authorized by the local school board. However, verify that the following requirements were met:</p> <p>1) State Reading Improvement: To fully participate in the Guarantee Program of the Reading Improvement program (see Chapter 3, Section A of this <i>Guide</i> and UCA 53A-17a-150), a district must allocate to the program an amount of unrestricted local resources equal to the amount of revenue that would be generated by a tax rate of .000056. To fully participate in the Low Income Students Program of the Reading Improvement program (see Chapter 3, Section A of this <i>Guide</i> and UCA 53A-17a-150), a district must allocate to the program an amount of unrestricted local resources equal to the amount of revenue that would be generated by a tax rate of .000065.</p> <p>2) State Guarantee on Transportation Levy: To fully participate in the State Guarantee on Transportation Levy program (see Chapter 3, Section A of this <i>Guide</i> and UCA 53A-17a-127), the district must expend an amount of revenue equal to at least .000200 per dollar of taxable value of the district’s board local levy for eligible transportation costs (transporting students and replacement of school buses).</p> <p>3) Matching Requirements for State Reading Improvement and Guarantee on Transportation Levy Programs – If the district is participating in the state-supported Reading Improvement and/or the Guarantee on Transportation Levy programs, verify that the specified match is added to the state program as required. The amount of the match is determined as follows:</p> <p style="padding-left: 40px;">Matching rate divided by total tax rate multiplied by property tax revenues (i.e. collections of current property taxes, tax sales and redemptions, and fees in lieu of taxes and other tax-related items) collected from April 1 of the preceding year to March 31 of the current year.</p> <p style="padding-left: 40px;">For example, if the district’s total tax rate is .006000 and property tax collections for the period total \$18 million, then the matching requirements would be as</p>		

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		<p style="text-align: center;">follows:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">State Program</th> <th style="text-align: center; border-bottom: 1px solid black;">Matching Rate</th> <th style="text-align: center; border-bottom: 1px solid black;">Total Rate</th> <th style="text-align: center; border-bottom: 1px solid black;">Property Tax Collections</th> <th style="text-align: center; border-bottom: 1px solid black;">Required Match</th> </tr> </thead> <tbody> <tr> <td colspan="5">Reading Improvement:</td> </tr> <tr> <td>Guarantee Program</td> <td style="text-align: center;">0.000056</td> <td style="text-align: center;">/ 0.006000</td> <td style="text-align: center;">X \$18,000,000</td> <td style="text-align: right;">= \$168,000</td> </tr> <tr> <td>Low Income Students Program</td> <td style="text-align: center;">0.000065</td> <td style="text-align: center;">/ 0.006000</td> <td style="text-align: center;">X \$18,000,000</td> <td style="text-align: right;">= \$195,000</td> </tr> <tr> <td>Guarantee on Transportation Levy Program</td> <td style="text-align: center;">0.000200</td> <td style="text-align: center;">/ 0.006000</td> <td style="text-align: center;">X \$18,000,000</td> <td style="text-align: right;">= \$600,000</td> </tr> </tbody> </table>	State Program	Matching Rate	Total Rate	Property Tax Collections	Required Match	Reading Improvement:					Guarantee Program	0.000056	/ 0.006000	X \$18,000,000	= \$168,000	Low Income Students Program	0.000065	/ 0.006000	X \$18,000,000	= \$195,000	Guarantee on Transportation Levy Program	0.000200	/ 0.006000	X \$18,000,000	= \$600,000		
State Program	Matching Rate	Total Rate	Property Tax Collections	Required Match																									
Reading Improvement:																													
Guarantee Program	0.000056	/ 0.006000	X \$18,000,000	= \$168,000																									
Low Income Students Program	0.000065	/ 0.006000	X \$18,000,000	= \$195,000																									
Guarantee on Transportation Levy Program	0.000200	/ 0.006000	X \$18,000,000	= \$600,000																									
See table above	LEA	<p>b. Debt Service – Verify that these funds have been used only to pay general obligation debt service principal and interest along with paying agent fees and refunding costs. If the proceeds of this levy exceeded the expenses of this fund, ensure the excess remains in the fund and is available for future debt service.</p> <p>Determine that no amounts from this levy were transferred <u>except</u> to the capital projects fund and <u>only if</u> the general obligation bond debt was fully retired during the year.</p>																											
See table above	LEA	<p>c. Capital Local – Verify these funds were used only for capital outlay (defined as items that are capital in nature such as land, buildings, improvements, equipment, and other capital assets) and debt service and maintenance projects, with exceptions as noted below.</p> <p>In the 2011 General Legislative Session, the law was changed to allow a local school board with an enrollment of 2,500 or more to utilize the proceeds of a maximum of 0.0002 per dollar of taxable value of the local school board's annual capital outlay levy for the maintenance of school facilities in the district.</p> <p><u>Maintenance of Effort:</u> A district that uses the .0002 tax rate option shall 1) maintain the same level of expenditure for maintenance in the current year as it did in the preceding year, plus the annual average percentage increase applied to the general fund budget for the current year, and 2) identify the expenditure of capital outlay funds for the expansion of a maintenance program by a project number to ensure that the funds are expended in the manner intended in accordance with UCA 53A-16-107(2).</p> <p>A local school board of a district with an enrollment of fewer than 2,500 students may use the proceeds of the local school board's capital outlay levy in fiscal years 2011-12, 2012-13, and 2013-14, for expenditures made within the accounting function classification 2600, Operation and Maintenance of Plant Services, of the Financial Accounting for Local and State School Systems guidelines developed by the National Center for Education Statistics, excluding expenditures for mobile phone service and vehicle operation and maintenance. In either case, the local</p>																											

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		school board shall notify the public of the local school board's use of the capital outlay levy proceeds for general fund purposes prior to the board's budget hearing and at a budget hearing.		
See table above	LEA	d. Judgment Recovery – Determine that these revenues were used only to fund property tax judgments (plus interest) against the district that were the result of successful appeals of over-collection of property tax.		
	LEA	e. Other Matters – Prior to fiscal year 2012-13, thirteen property tax rates were available to districts. Determine that any unspent property tax revenue remaining from these levies at June 30, 2012 was used for the original purpose for which the revenue was collected.		
	LEA	4. FINANCIAL REPORTING – a. <u>Interfund Borrowings</u> – Interfund borrowings of restricted resources are prohibited. When interfund borrowing occurs from unrestricted resources, ensure reasonable interest is charged to the borrowing fund.		
	LEA	b. <u>Adjustments to Tax Revenue</u> – Review any adjustments to property tax revenue in each fund for allowability. Two adjustments can affect tax revenue. 1) Per UCA 53A-1a-513, a district's contribution to local replacement funds for charter schools can be recorded as an adjustment to one or more of the following revenue sources: <ul style="list-style-type: none"> • Unrestricted revenues • Listed tax levies (voted local, board local, and capital local) <p>The debt service and basic levies are excluded from the list of available revenue sources.</p> 2) Eligible tax judgments (plus interest) are paid by the district from property tax revenue; tax judgments are adjustments to property tax revenue in the period the judgments are paid.		
	LEA	c. <u>Revenue Recognition of Taxes</u> – Ensure property tax and related fee revenue is recognized in the proper year. Governmental funds recognize property tax revenue when it is received from the county with the following modifications: <ul style="list-style-type: none"> • Counties normally disburse collected taxes to taxing entities by the tenth day of the following month. Accordingly, taxes 		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		<p>received during July and August (depending upon the timeframe within which the entity defines as available) would be recognized in the preceding fiscal year (or in the period when the county collects them).</p> <ul style="list-style-type: none"> Some property owners prepay taxes that are due November 30; prepaid taxes are to be deferred and recognized in the year for which the taxes are levied. Accordingly, receipts of "current" taxes from January to July are recorded as revenue in the subsequent fiscal year. 		
	LEA	<p>d. <u>Debt Service</u> – Ensure the debt service fund balance at year end is not more than necessary. Under federal tax law, an issuer of tax-exempt bonds can carry forward a reasonable amount not to exceed the greater of a) the earnings on the investment of moneys in the debt service fund or b) one-twelfth of the principal and interest payments on the bonds for the immediately preceding bond year.</p> <p>The district should anticipate debt service requirements so that little or no balance remains in the debt service fund once the general obligation bonds are paid in full. Once general obligation bond debt is fully retired, a remaining balance in the debt service fund can be transferred to the capital projects fund; no amounts from this levy should ever be transferred to any other fund or at any time other than when the debt service fund is discontinued.</p>		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

L. SCHOOL FEES

The objective of these procedures is to ensure that fees are not being charged in the public school system for kindergarten through sixth grade students for activities occurring during the regular school day. Secondary schools (grades 7-12) may impose fees if authorized by the Legislature and local boards consistent with local board policies and state law and used in a manner consistent with their original design.

Information Contacts: Carol Lear (Legal), Utah State Office of Education, 801-538-7835
 Natalie Grange (Audit), Utah State Office of Education, 801-538-7813

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
R277-407	LEA	1. For schools selected for testwork for the Minimum School Program (see Chapter 3), review such items as the registration packet, board minutes, LEA's webpage, parental letters, fee schedule, donation requests, and accounting records, etc. to gain an understanding of fees or charges for individual students and assess an appropriate risk level.		
R277-407	LEA	2. Document your consideration of the LEA's internal controls over compliance with the Utah Administrative Code R277-407.		
R277-407	LEA	3. Review the LEA's sources of local and donation revenue, taking into consideration months during the beginning of a school year when fees are more likely to be collected.		
R277-407 and UCA 53A-12-102 (1-2)	LEA	<p>4. Fees for Regular School Day Activities:</p> <p><u>Elementary Schools</u> – Through the documentation and understanding gained in steps 1 - 3 above, determine that the school did not charge school fees of any kind for activities that took place during the regular school day, including materials, textbooks, supplies, snacks, drinks, or for any class or activity, including assemblies and field trips. Additionally, determine that students were not required to bring items from home, unless the student was replacing supplies provided by the school which were lost, wasted, or damaged by the student through careless or irresponsible behavior.</p> <p><u>Secondary Schools</u> – Verify that fees charged for secondary school or activities were 1) approved by the local school board in a public meeting, 2) listed on the fee schedule, and 3) subject to waiver compliant with R277-407-6. NOTE: Textbook fees may be charged in grades 7-12 and students may be required to provide their own student supplies subject to the provisions of R277-407-6.</p>		

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Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
R277-407	LEA	5. Fees for Activities Occurring Outside of Regular School Day – Ensure that participation was voluntary and that the fee was 1) approved by the local school board in a public meeting, 2) listed on the fee schedule, and 3) subject to waiver compliant with R277-407-6.		
R277-407	LEA	6. Donations or Contributions – Ensure that any donations or contributions were solicited and accepted in accordance with LEA policies and IRS regulations, and that all requests clearly stated that donations and contributions were voluntary. NOTE: A donation is considered a fee if a student is required to make a donation in order to participate in an activity.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

APPENDIX 1-1: DISPOSITION OF JUSTICE COURT FINES, FEES, AND FORFEITURES

The following table summarizes the disposition of fines, fees, and forfeitures.

Receipt	Type of Ordinance	Disposition
Surcharge	90% Felony Surcharge or class A misdemeanor, Title 41, Chapter 6a, Part 5 DUI & Reckless Driving or any class B misdemeanor not classified within Title 41. 35% Surcharge on any other offense except non-moving traffic violation or when community service is ordered in lieu of fine. (UCA 51-9-401)	State Treasurer according to UCA 51-9-401(2)(a)(b).
Security Surcharge	A security surcharge of \$32 shall be assessed on all convictions for offenses listed in the uniform bail schedule adopted by the Judicial Council and moving traffic violations. (UCA 78A-7-122)	(1) In addition to any fine, penalty, forfeiture, or other surcharge, a security surcharge of \$40 shall be assessed on all convictions for offenses listed in the uniform bail schedule adopted by the Judicial Council and moving traffic violations. (3) Eight dollars of the security surcharge shall be remitted to the state treasurer and distributed to the Court Security Account created in Section 78A-2-602. (4) Thirty-two dollars of the security surcharge shall be allocated as follows: (a) the assessing court shall retain 20% of the amount collected for deposit into the general fund of the governmental entity; and (b) 80% shall be remitted to the state treasurer to be distributed as follows: (i) 62.5% to the treasurer of the county in which the justice court which remitted the amount is located; (ii) 25% to the Court Security Account created in Section 78A-7-602; and (iii) 12.5% to the Justice Court Technology, Security, and Training Account created in Section 78A-7-301.
Fines and Forfeitures (not otherwise listed below)	Municipal or County (UCA 78A-7-120(1))	½ to Local Gov. responsible for court ½ to Local Gov. which prosecutes case
Fines and Forfeitures	Wildlife, UCA 23 (UCA 78A-7-120(2)(a))	85% to State Treasurer for distribution to the Wildlife Division 15% to Local Gov. responsible for court

Receipt	Type of Ordinance	Disposition
Fines and Forfeitures	Off-Highway, UCA 41-22 (UCA 78A-7-120(2)(b))	85% to State Treasurer (for distribution to the State Div. of Parks & Recreation). 15% to Local Gov. responsible for court
Fines and Forfeitures	Boating Act, UCA 73-18 (UCA 78A-7-120(2)(b))	85% to State Treasurer (for distribution to the Div. of Parks & Recreation). 15% to Local Gov. responsible for court
Fines and Forfeitures	Maximum weight limits & Overweight permits UCA 72-7-404, 406 (UCA 78A-7-120(4))	100% to the State Treasurer (for distribution to the State Class B & C road account).
Fines and Forfeitures	UCA 53B-3-107 Traffic violations (State Institutions of Higher Education.)	100% to the State Treasurer (to be credited to the general operating fund of institution of higher education).
Fees on Overweights & Over Permits	Admin. Office of Courts. \$50 trial case; case w/judge time; or bail forfeiture	½ to Local Gov. which prosecutes case ½ to Local Gov. responsible for court
Fines and Forfeitures	UCA 41-6a-1712(6) or UCA 72-7-409(8)(b)(i), (8)(b)(ii) second or subsequent violation (UCA 78A-7-120(6)(a))	60% to State Treasurer (for distribution to the State Transportation Fund). 40%, ½ to the treasurer of the Local Gov. responsible for court and ½ to the treasurer of the Local Gov. which prosecutes
Fines and Forfeitures	UCA 72-7-409(8)(c)(i), (8)(c)(ii) second or subsequent violation (UCA 78A-7-120(6)(b))	50% to State Treasurer (for distribution to the State Transportation Fund). 50%, ½ to the treasurer of the Local Gov. responsible for court and ½ to the treasurer of the Local Gov. which prosecutes
Plea in Abeyance Fees	UCA 77-2a-3(5) UCA 77-2-4.2(3)(a)(3) In all cases which are compromised pursuant to the provisions of Subsection (2): (a) the court, taking into consideration the offense charged, shall collect a plea in abeyance fee which shall: (i) be subject to the same surcharge as if imposed on a criminal fine; (ii) be allocated subject to the surcharge as if paid as a criminal fine under Section 78A-5-110 and a surcharge under Title 63, Chapter 63a, Crime Victim Reparation Trust (iii) be not more than \$25 greater than the bail designated in the Uniform Bail Schedule.	State Treasurer (surcharge portion), Remaining portion: ½ to Local Gov. which prosecutes case ½ to Local Gov. responsible for court

Receipt	Type of Ordinance	Disposition
Fees Charged for Traffic School, Class, or Other Rehabilitative Program	UCA 77-2a-3(5) UCA 77-2-4.2 If no plea in abeyance fee is collected, a surcharge on the fee charged for the traffic school or other school, class, or rehabilitative program shall be collected. The surcharge is collected and remitted in the same manner as if the traffic school fee and surcharge had been imposed as a criminal fine.	State Treasurer (surcharge portion), local government, or traffic school provider.
DUI Assessment	Full compensation for treatment (UCA 62A-15-502 and 503)	State Treasurer, local government, or rehabilitation agency
Abstract	UCA 78A-2-301(1)(n)(ii) The fee for filing an abstract or transcript of judgment of a court of law of this state or a judgment, order, or decree of an administrative agency, commission, board, council, or hearing officer of this state or of its political subdivisions other than the Utah State Tax Commission, is \$50.	City or Town; County
Audio Tape Copy	CJA Rule 4-202.08(3)(C) audio tape: \$10 per tape	City of Town; County
Certification/Certified Copies	UCA 78A-2-301.5(7) The fee for a certified copy of a document is \$4 per document plus 50 cents per page.	City or Town; County
Collections Cost (collection cost on NSF check \$20)	UCA 7-15-1(4)(b)	City of Town; County
Contempt fine	UCA 78B-6-308 Fine not to exceed \$500	City of Town; County
Copy Fee \$.25 a page	CJA Rule 4-202.08(3)(A) paper except as provided in (H): \$.25 per sheet	City or Town; County
Court Costs	UCA 77-32a-1; UCA 77-32a-2; UCA 77-32a-3	City or Town; County
Electronic Payment Fee	UCA 10-8-85.6(3) A municipality that accepts an electronic payment may charge an electronic payment fee UCA 17-15-28(3) A county that accepts an electronic payment may charge an electronic payment fee.	City of Town; County

Receipt	Type of Ordinance	Disposition
Exemplified Copies	UCA 78A-2-301.5(8) The fee for an exemplified copy of a document if \$6 per document plus 50 cents per page.	City or Town; County
Expungement: \$135 for a petition for expungement	UCA 78A-2-301.5(3)	City or Town; County
CD Copy	CJA Rule 4-202.08(3)(E) Floppy disk or compact disk other than of court bearings: \$10 per disk.	City or Town; County
Garnishment Small Claims	UCA 78A-2-301.5(5) The fee for a writ garnishment \$50	City or Town; County
Postage – Copies	CJA Rule 4-202.08(4) <i>Mailing.</i> The fee for mailing is the actual cost. The fee for mailing shall include necessary transmittal between courts or offices for which a public or private carrier is used.	City or Town; County
Return Check Fee (service charge \$20)	UCA 7-15-1(2)(B)(II)(b)(ii)	City or Town; County
Small Claims Filing Fee 0K to 2K \$60	UCA 78A-8-105(2); UCA 78A-2-301.5 (1)(a) UCA 78A-7-121	City or Town; County
Small Claims Filing Fee 2K to >7,500 \$100	UCA 78A-8-105(2); UCA 78A-2-301.5 (1)(b) UCA 78A-7-121	City or Town; County
Small Filing Fee 7,500 to >10K \$185	UCA 78A-8-105(2); UCA 78A-2-301.5 (1)(c) UCA 78A-7-121	City or Town; County
Small Counter Filing Fee 0K to 2K \$50	UCA 78A-8-105(2); UCA 78A-2-301.5 (2)(a); UCA 78A-7-121	City or Town; County
Small Counter Filing Fee 2K to 7500 \$70	UCA 78A-8-105(2); UCA 78A-2-301.5 (2)(b);UCA 78A-7-121	City or Town; County
Small Counter Filing Fee 7500 to >10K \$120	UCA 78A-8-105(2); UCA 78A-2-301.5 (2)(c); UCA 78A-7-121	City or Town; County
Small Claims Appeal Processing fee \$10	UCA 78A-2-301.5 (6); UCA 78A-7-121;	City or Town; County

Receipt	Type of Ordinance	Disposition
Special Searches (beyond the first 15 minutes of personnel time)	CJA Rule 4-202.08(5)(A)-(F)	City or Town; County
Telephone/FAX Charge	<i>Fax.</i> The fee for faxing is \$5 for 10 pages or less. The fee for additional pages is \$.50 per page.	City or Town; County
Traffic School Fee	Amount set by local government; not a court fee.	City or Town; County
Video Tape Copy	CJA Rule 4-202-.08(3)(D) Video tape: \$15 per tape	City or Town; County

**CHAPTER 2:
GENERAL AUDIT PROCEDURES
TO BE PERFORMED AT LEAST EVERY THIRD YEAR**

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CHAPTER 2: GENERAL AUDIT PROCEDURES TO BE PERFORMED AT LEAST EVERY THIRD YEAR

This chapter of the *Legal Compliance Audit Guide* identifies compliance testwork that auditors can generally rotate. For example, there are 6 compliance requirements in this chapter. (Not all of them apply to all entity types.) Auditors should divide the applicable requirements approximately in third, and test a third of them with each audit, budgeting a similar amount of tests for each audit cycle to avoid audit cost fluctuations from year to year unless the risk of noncompliance warrants testing of these requirements every audit.

Auditors should not rotate / omit a specific compliance test if the prior audit identified noncompliance or if evidence supports an elevated risk of noncompliance for the current audit.

This chapter does not apply to nonprofit organizations. However, charter schools structured as nonprofit organizations are considered public schools and, therefore, this chapter applies, similar to school districts.

IN DETERMINING HOW THE GOVERNMENT ENSURES COMPLIANCE, CONSIDER THE FOLLOWING:

- Accounting system capable of recording appropriations or budgets and comparing them to actual results
- Reconciling appropriation or budget totals to totals recorded in the accounting system
- Policies and Procedures Manuals
- Knowledge and Training of personnel
- Legislative and Management Monitoring
- Management’s identification of changes in laws and regulations
- Management’s communication of changes in laws and regulations to employees

A. GOVERNMENT RECORDS ACCESS MANAGEMENT ACT (GRAMA)

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 63A-12-103	ALL	1. Verify that the entity has a policy defining how to respond to a GRAMA request.		
UCA 63G-2-203	ALL	2. If fees are charged for GRAMA requests, verify that the entity has adopted a uniform fee structure.		

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Legal Ref.	Applicable to: *	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 63-2-103-(25)	ALL	3. Determine whether the entity has appointed a records officer to work with State Archives.		
UCA 63G-2-108	ALL	4. Through inquiry with entity officials, and observation of certificates or other relevant evidence, determine whether the records officer has completed the annual online training course provided by State Archives on the requirements of GRAMA.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

B. CONFLICTS OF INTEREST

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 67-16 Charter Schools: 53A-1a-518	ALL	1. Determine that the entity has a policy and procedure to disclose conflicts of interest and that it has been effectively communicated to public officers and employees of the entity.		
UCA 67-16 Cities/Towns: 10-3-1304 Counties: 17-16a-4 Charter Schools: 53A-1a-518	ALL	2. Inquire of those charged with governance whether they are aware of any conflicts of interest. If conflicts of interest are identified, review documentation disclosing the conflict. NOTE: A public officer or employee may not: 1) Use or attempt to use their official position to further substantially their personal economic interest or secure special privileges or exemptions for themselves or others; 2) Accept employment or engage in a business or professional activity that might impair their independence of judgment or interfere with the ethical performance of their public duties.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by	Workpaper

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

weaknesses, and management letter comments):	and Date	Index

C. NEPOTISM

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 52-3 Charter Schools: 53A-1a-518	ALL	1. Determine that the entity has a policy and procedure established to disclose nepotism and that it has been effectively communicated to public officers and employees of the entity.		
UCA 52-3-1 Charter Schools: 53A-1a-518	ALL	2. Determine if the entity is complying with State nepotism and hiring laws by inquiring and observing (such as scanning the entity's payroll or personnel records) whether there are any relatives working together or in a direct line of authority at the entity.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

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D. UTAH PUBLIC FINANCE WEBSITE

This section of the *Legal Compliance Audit Guide* applies to entities with annual budgets of \$1 million or more.

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 63A-3-402	ALL	1. Look up the audited entity on www.transparent.utah.gov and determine that the entity has posted the required public financial information to the Utah Public Finance Website within the required deadlines as follows: <ul style="list-style-type: none"> • Detail revenue and expense information must be posted quarterly and within one month of the end of the fiscal quarter. • Employee compensation summary information must be posted within three months after the end of the fiscal year. 		
		2. Agree total annual revenues, expenditures and employee compensation summary information on the website to totals in the entity's general ledger.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

E. OPEN AND PUBLIC MEETINGS ACT

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 52-4-104	ALL	Through inquiry with officials of the entity and observation of meeting agendas, certificates or other relevant evidence, determine that the presiding officer of a governing body ensured that members of the governing body were provided with annual training on the requirements of open and public meetings.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

F. SPECIAL AND LOCAL SERVICE DISTRICT BOARD MEMBERS

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 17B-1-311	D	1. Through inquiry of management and scanning payroll or personnel records, determine that no member of the board is also an employee of the district at the same time.		
UCA 17B-1-312	D	2. Through inquiry with officials of the entity and observation of certificates or other relevant evidence, determine that each member of a board of trustees of a district, within one year after taking office, complete training developed by the Office of the Utah State Auditor in cooperation with the Utah Association of Special Districts.		

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CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

**CHAPTER 3:
AUDIT PROCEDURES FOR MINIMUM SCHOOL PROGRAM (MSP) FUNDS
RECEIVED THROUGH THE UTAH STATE OFFICE OF EDUCATION
(Local Education Agencies)**

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CHAPTER 3: AUDIT PROCEDURES FOR MINIMUM SCHOOL PROGRAM (MSP) FUNDS RECEIVED THROUGH THE UTAH OFFICE OF EDUCATION (Local Education Agencies)

This part of the Legal Compliance Audit Guide identifies compliance testwork relating to State funds received from the Utah State Office of Education (USOE). This section provides a source of information for auditors to understand and document the USOE programs' objectives, procedures, and compliance requirements relevant to the audit, as well as audit objectives and suggested audit procedures for determining compliance with these requirements. In the following text, "LEA" means Local Education Agency and refers to school districts and charter schools.

This Chapter discusses funding allocated by the USOE to LEAs for the following programs:

1. Minimum School Program (MSP)
2. School Building Program and the Charter School Revolving Account
3. Driver Education

IN DETERMINING HOW THE LEA ENSURES COMPLIANCE, CONSIDER THE FOLLOWING:

- Accounting system capable of recording appropriations or budgets and comparing them to actual results
- Reconciling appropriation or budget totals to totals recorded in the accounting system
- Policies and Procedures Manuals
- Knowledge and Training of personnel
- Legislative and Management Monitoring
- Management's identification of changes in laws and regulations
- Management's communication of changes in laws and regulations to employees

A. GENERAL MINIMUM SCHOOL PROGRAM (MSP) PROCEDURES

The objective of the Minimum School Program (MSP) is to provide reasonably equal educational opportunities for all children in the State of Utah regardless of where they live or their economic status. This *Guide* applies to school year 2012-2013.

MSP funds are allocated to LEAs by the School Finance Section of the USOE based on formulas provided by the Minimum School Finance Act and State Board of Education administrative rules. The largest share of funds use allocations based on average daily membership and fall enrollment. Some allocations are based on fixed or competitive grant applications.

The MSP provides funding for most educational activities. Abbreviated descriptions are listed below for the programs most commonly participated in. Full descriptions for these programs can be found at the following website:

<http://www.schools.utah.gov/finance/Minimum-School-Program/MSP-Descriptions.aspx>

Classification of MSP Programs:

The school programs within the MSP can be divided into two groups: general and restricted.

"General" school programs have few specific compliance requirements and are intended for general educational purposes. General school programs include the following programs within the MSP:

- Kindergarten – To support educational services for students in kindergarten.
- Grades 1-12 – To support educational services for students in grades 1 through 12.
- Foreign Exchange Students – To support the educational services for students enrolled under an interstate compact or a student receiving services under the Compact on Placement of Children.
- Necessarily Existent Small Schools – To assist small schools that are located in remote areas and are therefore expensive to operate.
- Professional Staff – To support LEAs in recruiting and retaining highly educated and experienced educators for instructional, administrative, and other types of professional employment in public schools.
- Administrative Costs – To support LEAs – especially LEAs with small enrollments – in maintaining administrative resources.
- Flexible Allocation – WPU Distribution – New in 2011, the legislature appropriated a flexible source of funding for LEAs to assist in managing budget reductions. Currently these funds are not designated for a specific purpose.
- Charter School Local Replacement – This program provides revenue to charter schools for general education and capital facility needs. The school district (a taxing entity) where a charter student resides contributes some of its revenue to the charter school (a non-taxing entity) where the charter student attends. The state will supplement this program to ensure that a charter school receives an average amount per student.
- Charter School Administrative Costs – To support charter schools in maintaining administrative resources.
- Leeway Programs – The funds received for these programs are based on specific leeway formulas. Voted and Board Leeway proceeds are to be expended for general fund (maintenance and operation) purposes only.

“Restricted” special population, other MSP, and one time programs are those programs or grants within the MSP that are to be used for those specific purposes or populations as outlined in Utah statute or Board Administrative Rules. **These programs are to be evaluated for risk and tested for compliance on a rotating basis.** Restricted school programs include the following school programs within the MSP:

- Special Education – Add-on – To provide additional educational services for regular students with disabilities as required by federal law.
- Special Education – Self Contained – To compensate for the higher cost of providing more extensive educational services to students who are in a self contained setting (enrolled in special education for 180 minutes or more each day). Unlike resource students, self contained students do not generate a “regular” WPU.
- Special Education – Preschool – To provide preschool educational services for children with disabilities from ages 3 through 5 as required by federal law.
- Special Education – Extended Year for Severely Disabled – To provide a longer school year for those students with disabilities whose regression over school breaks is so severe that an inordinate amount of time is necessary to recoup previous learning.
- Special Education – State Programs – To support LEAs in serving special education students whose extensive needs cost the LEA more than \$15,000 per student.

- Special Education – State Programs – Stipends Extended Year – To provide *stipends* to special educators for additional days of work pursuant to the requirements of *Utah Code* Section 53A-17a-158.
- Career and Technical Education (CTE) – Add-On – To compensate for the higher cost of state approved CTE courses provided either directly by LEAs or through external providers on contract to LEAs.
- Class Size Reduction – To reduce the size of classes or maintain smaller classes in kindergarten and grades 1 through 8.
- Pupil Transportation / Guarantee on Transportation Levy – To support LEAs for the transportation of students to and from school, including the training of LEA transportation personnel and replacement of school buses.
- **Special Populations** – The funds for these programs are distributed based on approved RFPs or formulas and must be spent within the respective special populations. Special populations programs include: Enhancement for At-Risk Students, Gang Prevention, Enhancement for Accelerated Students (Gifted and Talented, Advanced Placement, and International Baccalaureate), Youth-in-Custody, Adult Education, and Concurrent Enrollment.
- **Other Minimum School Programs** – The funds distributed for these programs are mostly unrestricted or can be used for educational purposes related to programs such as School LAND Trust, Reading Improvement, Educator Salary Adjustments, Library Books and Electronic Resources, School Nurses, Critical Languages and Dual Immersion, USTAR Centers, and Title I Schools in Improvement Paraeducators, etc.
- **One-Time Programs** – These funds are to finance programs such as Classroom Supplies and Materials, Beverley Taylor Sorenson Elementary Arts Learning, Early Intervention, and U-PASS.

This manual does not detail all audit procedures necessary to test for compliance. We have included in this *Guide* detailed steps for those procedures we feel are most significant. Other procedures in this guide are broad in nature and may require the auditor to determine the applicable program requirements and the appropriate audit procedures to test for compliance with those requirements.

Information contact: Cathy Dudley, USOE School Finance Division, 801-538-7667
 Von Hortin, USOE Audit Division, 801-538-7670

Document below the control procedures which address each of the MSP compliance requirements tested below:	Performed by and Date	Workpaper Index

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Title 53A	<p>1. Minimum School Program (MSP) Schedule – Complete the MSP Schedule in the format provided in Chapter 3, Appendix 3-3 of this <i>Guide</i>. This schedule identifies the classification (general vs. restricted) of school programs within the MSP, significant restricted programs selected for testing by the independent auditor in the current and prior two years, and the percent of restricted school programs tested. This schedule will be used in identifying and documenting the programs selected for testwork.</p> <p>(NOTE: This schedule is also required to be submitted to the USOE by</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	November 30, in the Excel format outlined in Appendix 3-3).		
	<p>1. For each program (general and restricted) selected for testwork, trace the flow of funding for each individual program to the final disposition as follows:</p> <p>a. Trace the LEA's reconciliation of program activities from reports prepared by the USOE (monthly allotments, recipient reports, and LEA summary reports) to the LEA's records and reports (general ledger, program revenue and expenditure reports, claims for reimbursement, financial statements, Annual Program Report, and Annual Financial Report).</p>		
	<p>b. Verify that program balances agree with prior-year and current-year ending balances on reports prepared by the LEA. (For each program, the LEA's reconciliation should include beginning receivable or unspent program balance, receipts, expenditures, adjustments, and ending receivable or unspent program balance.) The attached Illustrative State and Federal Revenue Reconciliation worksheet could be used.</p>		
	<p>2. General School Programs –</p> <p>a. Document the LEA's internal control over compliance with the applicable requirements of the general school programs, including, but not limited to allowable activities, allowable costs, equipment management, procurement, and reporting.</p> <p>b. Select samples of costs charged to these general school programs and test for compliance or document your consideration of how audit procedures performed in other areas support an opinion on whether the LEA complied in all material respects with the applicable compliance requirements of the MSP.</p> <p>NOTE: The auditor is reminded that he or she should consider the LEA's internal control over compliance and obtain sufficient appropriate audit evidence to form an opinion and report on whether the LEA complied in all material respects with the applicable compliance requirements of the MSP. The auditor should also consider indications of abuse.</p>		
	<p>3. Charter School Local Replacement Funds – Verify that at least 10% of this program is used for facilities-related costs. (Note: the remaining 90% is unrestricted for general education expenditures.)</p>		
	<p>4. Determine Which Restricted Programs to Test:</p> <p>1) <i>Significant restricted programs</i> (those programs with expenditures totaling 3% or more of the calculated total) must be selected at least once every three years. If a significant restricted program is new to the LEA in the current year, it should be selected in the current year because it was not selected in one of the prior two years. Also, a program that reaches the 3% threshold for the first time and has not been selected in one of the prior two years must be selected in the current year. If the LEA reaches the \$500,000 threshold, then each significant restricted program is to be selected once during a 3-year period.</p> <p>2) Restricted programs designated as high risk by the USOE or for which there</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>were audit findings in either of the preceding two years must be selected in the current year.</p> <p>3) A <i>cluster of programs</i> is a grouping of closely related restricted programs that share common compliance requirements. Three clusters (Special Education, Enhancement for Accelerated Students, and Transportation) have been identified. A cluster of restricted programs should be treated as one program when determining which programs to select.</p> <p>The combined amount of restricted program expenditures selected for testwork must be equal to or greater than 25% of the total of all restricted programs for MSP. Therefore, additional programs may need to be selected to meet the required percentage of coverage. These additional programs are selected by the auditor, using professional judgment and considering risks of noncompliance.</p>		
	<p>5. Identify compliance requirements for restricted school programs selected for testwork by consulting applicable state laws and rules and contacting state program administrators. Determine any necessary audit procedures which need to be performed in addition to those listed below.</p>		
	<p>6. Document control procedures over each compliance requirement identified in Procedure 5 above.</p>		
	<p>7. For Each Restricted School Program Selected for Testing – verify that funds were expended appropriately by performing the following steps:</p> <p>a. Identify the allowable activities and costs for each selected program.</p>		
	<p>b. Select samples of expenditures from each selected program, ensuring that the population from which the sample is selected includes all program expenditures (including payroll and non-payroll transactions and adjustments, as well as those qualifying for matching and level of effort), and perform procedures and tests to verify that transactions were properly classified and accumulated into the activity totals and that activities and costs were allowable per the following criteria:</p> <ul style="list-style-type: none"> • are reasonable and necessary; • were allocated in accordance with relative benefits received; • are given consistent treatment; • conform to any limitations established by state laws or administrative rules; • are supported with appropriate documentation; • represent charges for actual costs, not budgeted or projected amounts; • are net of all applicable credits; • and are calculated in conformity with generally accepted accounting principles. <p>(See OMB Circular A-87 for governments or OMB Circular A-122 for nonprofit organizations for guidance on cost principles.)</p>		
	<p>c. Perform procedures and tests to verify that indirect cost rates were applied in accordance with approved rate limitations and guidelines.</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>d. Determine and document requirements for matching, level of effort, and earmarking:</p> <ul style="list-style-type: none"> • Verify that the required matching contributions or level of effort were met. • Verify that matching contributions were from allowable sources. • Verify that earmarking requirements were met. • Verify that amounts used in computations were derived from the books and records from which the audited financial statements and program reports were prepared. <p>NOTE: <i>Matching</i> includes requirements to provide unrestricted contributions of a specified amount or percentage to match state program funding. <i>Matching</i> usually is in the form of allowable costs incurred. <i>Level of effort</i> or maintenance of effort (MOE) includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from unrestricted sources for specified activities to be maintained from period to period, and (c) state funds to supplement and not supplant non-state funding of services. <i>Earmarking</i> includes requirements that specify the minimum and/or maximum amount or percentage of the program’s funding that must/may be used for specified activities.</p> <p>State-funded programs with MOE requirements are the State Special Education Programs, and the Career and Technical Education, Reading Improvement, and Transportation programs.</p>		
	<p>COMMON RESTRICTED SCHOOL PROGRAMS THAT MAY BE SELECTED FOR TESTWORK:</p>		
<p>UCA 53A-17a-153 and Admin Rule R277-110</p>	<p>8. Educator Salary Adjustments Funds – These funds are appropriated by the Utah Legislature to give an on-going salary adjustment to each qualifying educator (\$4,200) and school administrator (\$2,500) employed by the LEA.</p> <ul style="list-style-type: none"> a. Select a sample of persons whose salary has been charged to this program and verify that these employees are currently employed in a qualifying position and that they have received a satisfactory rating or above on their most recent evaluation. b. Review the amount of the adjustment paid to the persons sampled. Also, review employer-paid benefits charged to the programs for allowability. <p>NOTE: A qualifying educator means a person employed by an LEA who holds a license and a position as a classroom teacher, speech pathologist, librarian or media specialist, preschool teacher, mentor teacher, teacher specialist or teacher leader, guidance counselor, audiologist, psychologist, or social worker. A qualifying school administrator means persons employed by the LEA who are “licensed educators, which hold an Administrative/Supervisory area of concentration, who serve as formal leaders at each school site. Duties include items such as school safety, budget, building operations and maintenance, teacher quality, student achievement, parent and community relations, core instruction, and extracurricular activities. Principals, assistant principals and administrative interns are included in this definition” (see CACTUS Educator Categories – 4/26/2010 at the following site: http://www.schools.utah.gov/CURR/main/Course-Codes-and-</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>Approval/CACTUSEducatorCategories.aspx).</p> <p>Salary adjustments are to be the same for each full-time qualifying position; a person who is not in a full-time qualifying position receives a partial salary adjustment based on the number of hours the person works in a qualifying position. Educator salary adjustments can include costs for the following employer-paid benefits: retirement, worker’s compensation, Social Security, and Medicare.</p>		
	<p>9. Special Education Cluster –</p> <p>a. Verify that special education programs were only used to provide additional or <i>special</i> services to students with disabilities. For example, students participating in the state special education add-on program qualify for one WPU of regular classroom funding and one additional WPU for state special education add-on funding. Accordingly, costs charged to special education programs are for services performed in addition or supplementary to regular services that are provided in the regular classroom, such as aids, program modifications, and support that are provided in conjunction with regular classroom instruction. Costs can also be for special classes, resource room or itinerant instruction, related supplies, testing, specialists, and direct supervision of special education services.</p>		
	<p>b. Obtain either class rolls or inquiry access to the student information system (SIS) and verify that students enrolled in special education programs have been included in the December 1 count of students used to drive the special education funding. An alternative step would be to review the criteria used by the LEA to identify students as having disabilities to qualify them for inclusion in the December 1 count.</p> <p>NOTE: The funding is determined by the level of service required by the student and that the LEA may not inflate the level of service required in order to generate additional funds. Programmatic compliance reviews are conducted to ensure students receive only the level of service (and therefore funding) that is required to implement their Individualized Educational Plan.</p>		
	<p>c. Select a sample of costs charged to state special education programs and test for allowability. Funds may be spent only for direct costs. Indirect costs are not allowable. Allowable and unallowable direct costs for approved programs for students with disabilities are published in the USOE Special Education Rules (Rules), beginning on page 198, located at http://www.schools.utah.gov/sars/DOCS/law/finalrules-rev.aspx. Ensure that costs for regular classroom instruction have not been included with or allocated to state special education programs.</p> <p>NOTE: Although a regular education teacher of a student with a disability is a member of the individualized education program (IEP) team and participates in the development of the IEP of the student or reviews the IEP of the student that participates in the general education classroom, none of the regular education teacher’s personnel costs can be allocated to a special education program. Note that special education services and aids that provide incidental benefit to nondisabled children may be allowable. The costs of</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a student with a disability in accordance with the IEP of the student are allowable, even if one or more nondisabled students benefit from these services.		
	d. Ensure the special education maintenance of effort requirements were met. The LEA is to ensure that current year expenditures in its state special education programs are equal to or greater than the level of those expenditures of the preceding year. Certain exceptions apply. See the Rules, beginning on page 190, regarding maintenance of effort. Special education maintenance of effort is the amount of unrestricted local or state sources that must be added to the program each year.		
	<p>10. Transportation Cluster – Select a sample of expenditures charged to the student transportation program and test the sampled items for allowability (see also <i>Utah Code 53A-17a-127</i>). Compare total costs recorded for student transportation as reported on the AFR for function 2700 with the APR for the transportation program.</p> <p>NOTE: Only costs for transporting students are allowable. Transportation and maintenance costs for administrative or other purposes should not be charged to these funding sources.</p>		
R277-733-5	<p>11. Adult Education –</p> <p>a. Ensure that any carryover of unspent State Adult Education program funds is not more than ten percent or \$50,000 (whichever is less) of State Adult Education funds allocated to the LEA for the year; review the revised budget and written USOE approval to carry forward such funds.</p>		
R277-733-9	b. Ensure that tuition and fees charged to a student for ABE, GED preparation, AHSC, or ESOL (defined in Appendix 3-2, Section C of this <i>Guide</i>) courses do not exceed \$100 annually. Ensure that fees and tuition charges are reasonable and necessary as determined by the LEA board. Ensure that fees collected are used to provide additional adult education and literacy services that the program would otherwise be unable to provide.		
	c. Test program expenditures for allowability (used only for Adult Education programs) and compatibility with the LEA’s annual plan.		
	<p>12. Career and Technical Education (CTE) – Add-On –</p> <p>a. Obtain a copy of the class listings, preferably with either the grade or birthdates, and verify that the student information is correct within the Student Information System.</p>		
	b. Verify that CTE funding was used only for student in grades 9-12. (NOTE: Some LEAs may allow students of lower grades to participate in these classes; however, students from these lower grades may not be counted towards membership for CTE purposes.)		
	c. Ensure the CTE maintenance of effort requirements are met. If students in grades 7-8 are also enrolled in a CTE course, local revenue beyond that		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>required for meeting CTE Maintenance of Effort requirements must be included with local revenue for the program. The amount of local revenues should be equivalent to the CTE funding for students in grades 9-12 on a per student basis. CTE maintenance of effort as calculated by the USOE (see http://www.schools.utah.gov/cte/documents/funding/AllocationMOE13.pdf) must be added to the program. The CTE maintenance of effort can be from unrestricted local or state sources.</p>		
	<p>13. Class Size Reduction –</p> <p>a. Verify that at least fifty percent of the allocation is used to reduce class size in any one or all of grades kindergarten through grade two, unless a waiver has been granted by the State because the average class size of the LEA is less than 18 in grades K-2.</p>		
	<p>b. Select a sample of costs charged to this program and test for allowability (personnel and related benefit costs for qualifying classroom teachers and facility costs for qualifying classroom projects).</p>		
	<p>c. Verify that funding is used to supplement other class size reduction programs.</p> <p>NOTE: Twenty percent of the funds may be used for capital facilities projects that help reduce class size. If student population increases by five percent or 700 students from the previous school year, the LEA may use up to fifty percent of its funds for classroom construction. This funding is to supplement any other appropriation for class size reduction. Although not required, it is recommended the LEA maintain a list of educators and related benefits paid from this funding.</p>		
	<p>14. Classroom Supplies and Materials – Obtain a listing of the amounts allocated by teacher. Verify that either 1) reimbursements are occurring based upon receipts being turned in or 2) that the LEA is including the amounts paid to teachers in their W-2 wages. (There is a formula which differentiates amounts by teacher based upon elementary or secondary assignment as well as the number of years of teaching experience.)</p>		
R277-713	<p>15. Concurrent Enrollment – Perform the following procedures:</p> <p>a. Ensure reports submitted to USOE agree with supporting documentation.</p>		
R277-713-8(E)	<p>b. Test program expenditures for allowability.</p>		
R277-713-6	<p>c. Review fees and tuition collected for compliance with R277-713-6.</p>		
UCA 53A-17a-167 and R277-489	<p>16. Early Intervention – Review the LEA's application for this program and ensure that use of allocated funds is consistent with the LEA's application and with state funding requirements.</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 53A-17a-166 and R277-708	<p>17. Enhancement for At-Risk Students – Select a sample of expenditures charged to the program and test the sampled items for allowability.</p> <p>(Note: Gang Prevention funds are awarded on a grant basis and should be tested separately if the LEA has an award during the current fiscal year.)</p>		
UCA 53A-17a-150	<p>18. Reading Improvement –</p> <p>a. Review the LEA’s State board approved plan and test related expenditures for allowability and compliance with the plan.</p>		
	<p>b. Determine that the LEA allocated to the program a specified amount from unrestricted state and local sources.</p>		
UCA 53A-16-101.5 (5)	<p>19. School LAND Trust – Board-approved plans can be viewed at http://www.schoollandtrust.org/schools/program-plans.</p> <p>a. Verify that school plans were approved by the local board of education.</p>		
	<p>b. Test expenditures to see they were made after board approval.</p>		
R277-477	<p>c. Test expenditures for allowability and compliance with the approved plan and budget categories set forth in the plan. See Administrative Rule R277-477 for specific allowable costs.</p>		
	<p>20. USTAR Centers (Year-Round Math & Science) –</p>		
	<p>a. Verify that the LEA used USTAR funds only for full-year teacher contracts, part-time teacher contract extensions, or a combination of both, and only for math and science teachers.</p>		
	<p>b. Test program expenditures for allowability.</p>		
	<p>c. Review program results and ensure no more than 5% of program expenditures were used for math and science field trips, textbooks, and supplies.</p>		
	<p>21. Youth-In-Custody – From the LEA’s funding application, obtain an understanding of allowable expenditures. Test expenditures for allowability in accordance with that application.</p>		
R277-419-3(D)	<p>22. Reporting Requirements Related to Minimum School Program – Each LEA is required to submit the following reports to the State Office of Education.</p>		
	<p>a. Aggregate Membership Agreed-Upon Procedures Report (due September 15) – Prepared by an independent accountant (see Appendix 3-1 of this <i>Guide</i>).</p>		
	<p>b. Adult Education Agreed-Upon Procedures Report (due September 15) – Prepared by an independent accountant (see Appendix 3-2 of this <i>Guide</i>).</p>		
UCA 63A-3-	<p>c. LEA Annual Financial Report (AFR) and Annual Program Report (APR) (due to the USOE by October 1) – Determine whether the LEA complied with</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
406 & R277-425-3 53A-19-105 53A-19-103 63A-3-406	the following key reporting requirements: <ul style="list-style-type: none"> • Total revenues, expenditures, and fund balances on the AFR agree to the APR. • Total revenues, expenditures, and fund balances on the AFR agree to the LEA's audited financial statements. Errors should be reported to the USOE as soon as possible. If allowable differences between the AFR and the audited financial statements exist (for example, differences in the basis of accounting or differences in the presentation of funds or activities), a detailed reconciliation of the differences should be submitted to USOE by November 30. • Interfund transfers must be made in accordance with <i>Utah Code</i> 53A-19-105, or as authorized by specific statute or Board rule. • An LEA's undistributed reserve balance or use is in accordance with <i>Utah Code</i>, 53A-19-103. Also, an undistributed reserve may not exceed 5% of the general fund's budgeted expenditures per Administrative Rule R277-425-4. The purpose of the reserve is to meet unexpected and unspecified contingencies. • The LEA classified transactions in accordance with a uniform chart of accounts used for budgeting, accounting, financial reporting, and auditing purposes (effective May 14, 2013). See <i>Utah Code</i> 63A-3-406. The National Center for Education Statistics (NCES) publishes a standard chart of accounts that can be viewed at: http://nces.ed.gov/pubs2009/2009325.pdf. USOE also follows the NCES chart of accounts and provides a sample for LEAs at: http://www.schools.utah.gov/finance/Budget-and-Accounting-Handbook.aspx 		
	d. UTREx Update as of October 1 (due October 15) – Tested through agreed-upon procedures in e. below.		
	e. Fall Enrollment Count Agreed-Upon Procedures Report and Transfer Student Documentation Agreed-Upon Procedures Report (due November 1) – prepared by an independent accountant (see Appendix 3-1 of this <i>Guide</i>).		
	f. Audited Financial Statements (due November 30) – performed by an independent auditor separately from the requirements of this <i>Guide</i> .		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

B. SCHOOL BUILDING PROGRAM and CHARTER SCHOOL REVOLVING ACCOUNT

The objective of the School Building Program is to provide financial assistance to school districts for the purpose of capital outlay, debt service, construction, and renovation (*Utah Code* 53A-21-102(1) and 401(1)(a)). The Charter School Revolving Sub-Account under the School Building Program is a separate account titled the Charter School Revolving Account per *Utah Code* 53A-1a-522 and is subject to different purposes and restrictions.

Information contact: Cathy Dudley, 801-538-7667 or Von Hortin, 801-538-7670, Utah State Office of Education

Document below the control procedures which address each of the compliance requirements tested below:	Performed by and Date	Workpaper Index

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 53A-21-102 and 401	1. School Districts – Ensure the school district used the money provided to them from the School Building Revolving Account under the Capital Outlay – Foundation Program and Enrollment Growth Program only for school district capital outlay, debt service, construction and renovation purposes.		
UCA-53A-1a-522	2. Charter Schools – Ensure that the charter school used the money provided to them from the Charter School Revolving Account loan program only for the following: <ul style="list-style-type: none"> • planning expenses, • equipment and supplies, • school building construction and renovation needs, • start-up of a new charter school or expansion of an existing charter school. 		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

C. DRIVER EDUCATION PROGRAM

The objectives of the Driver Education Program in Utah are to provide funds to LEAs with qualifying driver education training programs to help cover the actual cost of providing driver education training and to develop student knowledge, attitudes, habits and skills necessary for the safe operation of motor vehicles, including a proper acceptance of personal responsibility in traffic and a true appreciation of the causes, seriousness and consequences of traffic accidents.

Contact: Linda Mayne, Specialist, Program Approval/Driver Education, Utah State Office of Education, 801-538-7734

Document below the control procedures which address each of the compliance requirements tested below:	Performed by and Date	Workpaper Index

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>1. HIGH SCHOOL STUDENT DRIVER EDUCATION PROGRAMS –</p> <p>a. Ensure that reimbursements claimed by the LEA from the USOE did not exceed the following:</p> <ul style="list-style-type: none"> • \$100 per student who has completed the classroom and behind-the-wheel portions of driver education during the school year. • \$30 per student who has only completed the classroom portion in the school or through the electronic high school during the school year; or • \$70 per student who has only completed the behind-the-wheel and observation portion in the school during the school year. <p>A student who completes the course and does not pass, may retake the course a second time. The program may then receive an additional \$100 reimbursement for the repeat student.</p>		
	b. Review student fees to ensure that the fees are reasonably associated with the costs of driver education that are not otherwise covered by the reimbursements and allocations from USOE.		
	c. Ensure fees are properly handled and recorded.		
	d. Ensure the LEA has not subsidized its driver education program from any sources other than USOE reimbursements and student fees.		
	e. Determine if the LEA has policies which allow private school students to participate in driver education classes under the same terms and conditions as applied to students in public schools.		
R277-746	f. Determine if the LEA has policies and procedures to ensure that students receive a minimum of 6 hours of required behind-the-wheel driving experience in a dual-control automobile under the direction and supervision of a qualified instructor, three hours of which may be fulfilled by use of driving ranges and simulators, with a limitation of one hour for simulators that are not fully interactive.		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
Driver Education for Utah H.S.	<p>2. ADULT DRIVER EDUCATION PROGRAMS</p> <p>a. Determine if the LEA has policies and procedures to ensure that adult driver education students receive a minimum of 18 hours of class instruction, 6 clock hours of behind-the-wheel driving experience, and 6 hours of observation.</p>		
	<p>b. Determine if the LEA has policies and procedures to ensure the following:</p> <ul style="list-style-type: none"> • All instruction is given by a qualified driver education instructor who has met the same standards as those required for regular high school instructors. • All school-sponsored driver education classes for adults are administered through the LEA's adult education division. • Fees levied for those who take the adult driver education course do not exceed the cost of the program. 		
	<p>c. On a test basis, determine if the LEA complies with the rules listed in steps 2.a. and b. above by examining adult education records documenting student participation, teacher qualifications, etc.</p>		
	<p>d. Perform a gross analysis comparing the cost of the adult driver education courses to the fees collected from students participating in the courses. Determine if the fee charged is less than or equal to the cost of providing the program.</p>		
	<p>3. ELIGIBILITY (Student and Adult programs) –</p> <p>a. Determine if the LEA has policies and procedures to ensure that reimbursement for costs is claimed only for those persons who meet the following eligibility standards:</p> <ul style="list-style-type: none"> • Students must be enrolled in grades 10 through 12, must be at least 15 years of age before beginning behind-the-wheel instruction. • Adult driver education participants must have: <ul style="list-style-type: none"> ○ A signed statement declaring their intent to complete requirements for a high school diploma. ○ A signed statement by an authorized school official declaring that the courses for which the student is enrolled qualify for adult high school credit. 		
	<p>b. On a test basis, determine if costs claimed for reimbursement were for persons meeting the above eligibility requirements.</p>		
	<p>4. REPORTING – Determine if the information contained in the Driver Education Report (completed by the LEA as part of the year-end Web survey) is accurate. Ensure that the amounts reported agree to the LEA's aggregate and individual student records.</p>		
	<p>5. SPECIAL TEST – Examine the LEA's records to determine if the LEA has properly retained records of its driver education program for five years.</p>		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

APPENDIX 3-1: STUDENT MEMBERSHIP AND FALL ENROLLMENT REPORTING AGREED-UPON PROCEDURES ENGAGEMENT for Local Education Agencies (LEAs)

To identify sources of errors in recording and reporting non-fiscal data for the purpose of making continuous improvements to the quality of student accounting systems, the Utah State Office of Education (USOE) requires all Local Education Agencies (LEAs) to contract with public accounting firms to perform certain agreed-upon procedures regarding aggregate membership and enrollment records submitted by LEAs to the USOE. The procedures to be performed, as determined by the USOE, are described in this section of the *Legal Compliance Audit Guide (Guide)*. **The contract between the LEA and the independent accountant should clearly identify the agreed-upon procedures to be performed, and those procedures should be consistent with the guidance in this appendix.**

REQUEST FOR CONSIDERATION OF ADJUSTMENTS – If, as a consequence of the agreed-upon procedures or further review of its student accounting system, an LEA would like to make an adjustment to statistics — that is, to aggregate data already in the possession of the USOE based on individual data previously reported by the LEA — that may have a material impact on the LEA’s allocation of funds, the LEA may submit a formal request for consideration to the USOE.

Evidence supporting the adjustment must be documented in the body of or as an attachment to the agreed-upon procedures report and be received by the USOE by the deadlines specified above. The actual request may be made by email over the “signature” of either the LEA superintendent or business administrator (or their charter school equivalents).

The USOE will review all such requests for consideration together with agreed-upon procedures reports during its regularly scheduled report review meetings in September (for the Year End UTREx Report and the Year End Web Survey) and November (for the Fall Enrollment UTREx Report).

Submission of a request does not guarantee that an adjustment will be made. Moreover, adjustments to aggregate data will not be reflected in the underlying individual data stored in the USOE UTREx Data Warehouse. In either case, LEAs will be notified via email of the decision of the USOE. The USOE also retains the right to adjust statistics when warranted by the findings of an agreed-upon procedures engagement in the absence of a request from the LEA.

Attestation Standards

The procedures performed and the reports issued by the independent accountants should meet the standards for attestation engagements established by the American Institute of Certified Public Accountants (AICPA) (see AICPA AT Section 601, *Compliance Attestation*) and the standards applicable to attestation engagements contained in *Government Auditing Standards* (2011 Revision), issued by the Comptroller General of the United States. The relationship of these standards is described in paragraph 2.09 of *Government Auditing Standards*:

“Attestation engagements can cover a broad range of financial or nonfinancial objectives about the subject matter or assertion depending on the users’ needs. GAGAS [generally accepted government auditing standards] incorporates by reference the AICPA’s Statements on Standards for Attestation Engagements (SSAE). Additional requirements for performing attestation engagements in accordance with GAGAS are contained in chapter 5.”

Chapters 1 through 3 and 5 of *Government Auditing Standards* apply to attestation engagements.

BACKGROUND

Minimum School Program (MSP) funds are allocated to LEAs by the School Finance Section of the USOE. Allocations

are based on formulas provided by the Minimum School Finance Act, most of which rely on prior year average daily membership (ADM), which is derived from aggregate membership, plus a growth factor, which is derived from fall enrollment counts.

Aggregate membership and enrollment records are submitted for each student annually by LEAs to the USOE as electronic text files via the Utah eTranscript and Record Exchange (UTREx) at year end (by July 7) for the prior school year and in the fall (by October 15) as of the first school day in October. From this information, the USOE generates school and LEA level summary reports out of the individual student detail data in the UTREx files. These summary reports — in particular, the aggregate membership section of the Year End UTREx Report and the enrollment section of the Fall UTREx Report — serve as statements of assertions by the LEA.

Statewide Online Education Program (SOEP)

The Statewide Online Education Program (SOEP) was created by the Utah State Legislature in the 2011 General Session. The program is one of several options a student has to enroll in online courses. A student participating in the SOEP enrolls in courses offered by providers outside of the student's primary LEA of enrollment. These online courses replace any traditional courses in which a student would otherwise be enrolled as part of his or her full course load at the primary school of enrollment.

Funding for the program is a unique process whereby Online Course Providers and Primary Schools of Enrollment enter into a financial agreement using a Course Credit Acknowledgment (CCA). A fee is withheld from the Primary School of Enrollment until a student's successful completion of the course, at which time the fee is transferred to the Online Course Provider as final payment.

STANDARDS FOR RECORDING AND REPORTING STUDENT DATA

For purposes of this section of the *Guide*, "official documentation" includes records of daily student attendance which meet the standards of State Board of Education's Utah Administrative Code Rule R277-419-4(B), "Pupil Accounting, Official Records" and regardless of format should be maintained in accordance with the standards and guidelines set forth by the Government Access and Management Act (GRAMA) and Public Records Management Act.

Standards for organizing and maintaining a student accounting system and for reporting pertinent to these agreed-upon procedures are found principally in two documents:

- State Board of Education Rule R277-419 on "Pupil Accounting" contains the legal standards and is found at:
<http://www.rules.utah.gov/publicat/code/r277/r277-419.htm>.
- The USOE 2012-2013 UTREx Clearinghouse File Specification contains the technical standards and is found at:
<http://www.schools.utah.gov/computerservices/Data-Clearinghouse.aspx>.

The following parts of the UTREx Clearinghouse document are the most relevant to the purposes of these agreed-upon procedures:

- Student Record (S1) Exit Code field — this is the reason why the student left school before the end of the school year
- Student Record (S1) School Membership field — this is "regular" membership
- SCRAM (S2) Membership field — this is special education membership
- SCRAM (S2) Time field — note the distinction between "self contained" and "resource" types of special education students
- YIC (S3) Record — this is youth in custody membership

- State Board of Education Rule R277-726 on "Statewide Online Education Program" provides a legal definition and standards for the Course Credit Acknowledgement (CCA) signatures and process and is found at

<http://www.rules.utah.gov/publicat/code/r277/r277-726.htm>.

Additional information that may be helpful can be found on the SOEP website at

<http://schools.utah.gov/edonline>.

- In addition to reading the above mentioned documentation, the independent accountant should also become familiar with the LEA's data management policies and practices, especially as these impact the LEA's production and submission of the Year End and Fall UTREx files to the USOE.

For example, it is important to understand that when a high volume of students change their course loads from full-time to part-time in the middle of a term, it is a common practice and more efficient for the LEAs to exit these students from full-time and re-enroll as part-time at the nearest term end and to adjust for membership at that time.

Information Contact: Jennifer Yates-Givens (801 538-7674, jennifer.yates-givens@schools.utah.gov)

A. AGGREGATE STUDENT MEMBERSHIP

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index														
	1. Select schools in the LEA such that each school is selected at least once every five years; if feasible, a shorter cycle, such as once every three years, would be preferable. Be sure to include virtual schools in the selection. Please obtain a CACTUS School Directory from Jennifer Yates-Givens for an official list of schools from which to make the selection.																
	2. Select students from the schools selected in 1. above such that the total number of students selected is equal to or greater than the amounts in the following table according to the enrollment of the LEA on the previous October 1: <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Enrollment</th> <th># of Students Selected</th> </tr> </thead> <tbody> <tr> <td>40,000 or greater</td> <td>70</td> </tr> <tr> <td>20,000 to 39,999</td> <td>50</td> </tr> <tr> <td>10,000 to 19,999</td> <td>40</td> </tr> <tr> <td>1,000 to 9,999</td> <td>30</td> </tr> <tr> <td>250 to 1,000</td> <td>25</td> </tr> <tr> <td>under 250</td> <td>10% of enrollment</td> </tr> </tbody> </table>	Enrollment	# of Students Selected	40,000 or greater	70	20,000 to 39,999	50	10,000 to 19,999	40	1,000 to 9,999	30	250 to 1,000	25	under 250	10% of enrollment		
Enrollment	# of Students Selected																
40,000 or greater	70																
20,000 to 39,999	50																
10,000 to 19,999	40																
1,000 to 9,999	30																
250 to 1,000	25																
under 250	10% of enrollment																
R277-419	3. For each student selected, study the official student records and supporting documentation (such as registration cards, withdrawal forms, memos, letters and emails, CCAs, etc. that validate entry and exit dates). This may require visiting each school selected in 1 above; it is also acceptable to visit the LEA office as long as the school-level records can be reviewed. Compare the student records with the Year-End Detail Report in UTREx. Identify the student's aggregate membership as recorded in the records, and determine whether the following rules from R277-419 were properly applied in calculating the student's aggregate membership:																

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
R277-419-5(A)(1)(c)	<p>a. <u>Ten Day Rule</u> If the student had 10 consecutive school days of unexcused absences, the student's exit date is not later than the school day after the 10th day of such absences and, consequently, the student did not generate membership from that day on. An "unexcused absence" means an absence charged to a student when the student was not physically present at school at any of the times attendance checks were made during the day in accordance with R277-419-4(B), and the student's absence could not be accounted for by evidence of a legitimate excuse in accordance with the local board of education policy on truancy as defined in Utah Code 53A-11-101.</p> <p>If the school is a virtual school, or the class is online, a student should be counted as "in the class" if (1) the student is on the class roll and has logged in that day, or (2) the student has logged in at least once during the ten school days before the agreed-upon procedures date.</p> <p>b. <u>School Days Standard Rule</u> This comprises three related equations: 1) the sum of <i>regular</i> membership plus <i>self-contained special education</i> membership and <i>self-contained YIC</i> membership days may not exceed 180 days; 2) the sum of <i>regular</i> membership and <i>resource special education</i> membership days may not exceed 360 days; and 3) the sum of <i>regular</i>, <i>ISI-1</i> and <i>ISI-2 YIC</i> membership days may not exceed 360 days.</p> <p>c. <u>Part Time Proration Rule</u> [R277-419-5(C)] If the student was enrolled for only part of the school day and/or only part of the school year, the student's membership was prorated according to the number of hours or periods the student was actually enrolled in relation to the number of hours or periods the student could have been enrolled.</p> <p>As one example, if the student was in membership 4 periods each day in a 7-period school day for all 180 school days, the student's aggregate membership is 103 days; as another example, if the student was in membership for 7 periods each day in a 7-period day for 103 school days, the student's membership is 103 days.</p>		
R277-419-4(1); R277-419-5(D)	<p>In addition if the student is enrolled for part of the day and/or part of the school year in online courses through the Statewide Online Education Program the student's membership for these courses should not be prorated. If the student is enrolled for part of the day and/or part of the school year in another LEA and outside of the Statewide Education Online Program, the LEA should keep record of where that student is being taught.</p>		

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	4. AGREED-UPON PROCEDURES REPORT – a. Use the appropriate illustrative report for Aggregate Student Membership in Part C of this Appendix 3-1 as a model for preparing an Independent Accountant’s Report on Applying Agreed-upon Procedures. NOTE: If local records are not in a condition to support application of the agreed-upon procedures, proceed to step 5.		
	b. Using the example in Part D of this Appendix 3-1, complete the Aggregate Membership Agreed-Upon Procedures Schedule containing results on each case in the sample.		
	c. Consider including additional written findings and recommendations related to improving weaknesses in LEA data management or noncompliance with reporting standards or with the procedures themselves. Also consider the communication requirements for agreed-upon procedures engagements found in <i>Government Auditing Standards</i> (see paragraph 5.59).		
	d. If the independent accountant’s report includes findings or recommendations, obtain a response from the LEA. The response can either be included within the independent accountant’s report or as a brief attachment to the report.		
	e. Submit the agreed-upon procedures report and spreadsheet of results to USOE by September 15th at 5:00 p.m. MST (if the date falls on a weekend, the deadline shifts to the next workday). NOTE: If a report is not received by the specified time, the USOE will begin the process of withholding the LEA’s allotted monthly funds consistent with the authority granted to the State Board of Education under <i>Utah Code</i> 53A-1-403(B). Reports may be submitted via post, fax or email: <u>POST</u> Attn: Jennifer Yates-Givens Finance and Statistics Section Business Services Division Utah State Office of Education 250 East 500 South P O Box 144200 Salt Lake City, Utah 84114-4200 <u>FAX</u> To the attention of Jennifer Yates-Givens at 801-538-7674 <u>EMAIL</u> To Jennifer Yates-Givens at jennifer.yates-givens@schools.utah.gov . <u>Conditions for Reporting:</u> <ul style="list-style-type: none"> • If a report does not conform to the procedures specified in this guide it may be rejected. 		

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	<ul style="list-style-type: none"> This report shall become part of the permanent records of both the LEA and the USOE. 		
	5. If local records are not in a condition to support application of the agreed-upon procedures, in lieu of the aforementioned report, submit a statement on firm letterhead describing the reason(s) why the procedures could not be performed.		

B. FALL ENROLLMENT COUNT AND TRANSFER STUDENT DOCUMENTATION

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	FALL ENROLLMENT COUNT:		
	1. Select schools in the LEA such that each secondary school is selected at least once every four years and each elementary school is selected at least once every nine years; if feasible, a shorter cycle, such as once every three years, would be preferable. Be sure to include virtual schools in the selection cycle.		
	2. Visit each school selected on the first school day of October. Although the visit may not take place on October 1, the Fall UTREx Report should still be as of October 1.		
	<p>3. On the day of your visit, select three to five classes in each school (include at least one online class for LEAs that offer online courses) and for each class selected on that day conduct a roll call by asking each student in the class to state his or her name and check to make sure that student is on the roll.</p> <p>NOTE: Count the students who actually are <i>in</i> the class. A student should be counted as "in the class" if: (a) the student is on the class roll and (b) is either physically present that day and states their name during roll call or (c) if absent, is legitimately enrolled in the class according to the Ten Day Rule.</p> <p>If the school is a virtual school, or the class is online, a student should be counted as "in the class" if (a) the student is on the class roll and has logged in that day, or (b) the student has logged in at least once during the ten school days before the agreed-upon procedures date.</p>		
	<p>4. <u>For each school selected in 1. above:</u></p> <p>a. Verify the mathematical accuracy of the school's enrollment total in its own records.</p>		

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	b. As soon as possible after the October 15 deadline for submitting Fall UTREx files, obtain a copy of the LEA's final <i>Fall UTREx Report</i> , which includes a summary of enrollment on October 1 as reported to the USOE by the LEA for each school as well as for the LEA as a whole. (This report should be available from the LEA, if it is not, contact Jennifer Yates-Givens at jennifer.yates-givens@schools.utah.gov or 801-538-7674 for a copy.)		
	c. Compare the verified school enrollment total to the reported enrollment total in the <i>Fall UTREx Report</i> .		
	d. Give a brief explanation of any significant difference found between the verified school enrollment total and the reported enrollment total.		
	e. Verify that the school calendar (the time school was in session) meets the minimum instructional standard of 990 hours and 180 days according to R277-419-4(A) and R277-419-8(C). NOTE: Do not estimate enrollment for any class or school or for the LEA as a whole. Any adjustments to enrollment in light of the compliance findings for the purpose of allocating funds will be made at the discretion of the USOE in response to a formal request for consideration by the LEA.		
	TRANSFER STUDENT DOCUMENTATION:		
	5. Select secondary schools that offer any Grades 9-12 such that each school is selected at least once every four years; if feasible, a shorter cycle, such as once every three years, would be preferable.		
	6. Obtain a copy of the <i>Transfer Students List</i> (from the prior Year End UTREx Report), which contains students, organized by school, who were: <ul style="list-style-type: none"> (a) enrolled in grades 9 through 12; but (b) not enrolled on the last day of the school year; and (c) classified by the LEA as: <ul style="list-style-type: none"> • TC – transferred out of the country; • TH – transferred to home schooling; • TO – transferred out of the state; or • TP – transferred to a private school • DE – death • FE – foreign exchange student <p>Be sure to review the full list of exit codes on pages 12-13 of the 2012-2013 UTREx Clearinghouse File Specification for additional information in determining correct exit codes. This document is available online at http://www.schools.utah.gov/computerservices/Data-</p>		

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	<p>Clearinghouse.aspx.</p> <p>(If this report is not available from the LEA, contact Jennifer Yates-Givens at jennifer.yates-givens@schools.utah.gov or 801-538-7674 for a copy.)</p>		
	<p>7. From the <i>Transfer Students List</i>, <u>select 20% of transfer students</u> meeting the criteria in Procedure 6. above across all secondary schools selected in Procedure 5. above.</p>		
<p>Federal Register, October 29, 2008, p. 64452</p>	<p>8. For each transfer student selected, determine whether official written documentation exists to support the LEA's recorded exit code.</p> <p><u>Criteria for Official Written Documentation:</u> Official written documentation that a student transferred out may include several different types of documentation, such as a request for records from the receiving high school; an approved application for home schooling or distance education; evidence of a transfer that is recorded in a State's data system; or a letter from an official in the receiving school acknowledging the student's enrollment. Documentation must be in writing rather than a telephone conversation or other verbal communication with a parent, relative, or neighbor so that the transfer can be verified through audits or monitoring.</p> <p>Unless a school or LEA can confirm in writing that a student has transferred out, emigrated to another country, or is deceased, the school or LEA must consider that student to be in the originating school's population.</p> <p><u>Compliance with GRAMA and Public Record Management Act:</u> Official documentation, regardless of format, should be maintained in accordance with the standards and guidelines set forth by the Government Access and Management Act (GRAMA) and Public Records Management Act.</p> <p><u>Students Out of Country:</u> "With respect to students who ... have emigrated to another country, the ... LEA also must confirm this fact in writing but need not obtain official documentation. For example, written confirmation of a student who has emigrated might include a school administrator's memo to the student's file, based on a phone conversation with a parent, stating that the student is leaving the country." Students who have moved to another country either temporarily (such as a foreign exchange student) or permanently must have written documentation.</p> <p><u>Deceased Students:</u> "A school or LEA must have written confirmation that a student is deceased before removing the student from the school. A letter from a parent or an obituary is sufficient documentation. Official written documentation of a student's death, such as a death certificate, is not necessary."</p> <p><u>Home Schooling:</u> Normally, a situation in which a student leaves a charter school for home schooling should be handled in this way: The charter school exits the student as a transfer to another LEA within the state (TS), notifies</p>		

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	<p>the other LEA in which the student resides of the student's change in enrollment status, provides the other LEA with the student's records and parental contact information, and urges the parent to submit to the other LEA the "signed affidavit" required by Utah Code 53A-11-102. In turn, the other LEA enrolls the student, follows up with the parent to obtain the affidavit, and, finally exits the student to home schooling (TH). In this case, the independent accountant engaged by the charter school should contact the other LEA to verify that a signed affidavit is on file.</p> <p>In cases where an affidavit is not on file, the charter school may have exited the student directly to home schooling, and beginning with the 2012-2013 school year, charter schools may choose to use the transfer code 'CH' for transferred from Charter to Home School. Charters must verify the student has registered as a home school student with their district of residence and should be able to produce written evidence of a good faith effort to do its part in properly accounting for the student.</p> <p><u>Reference to Other LEA.</u> As the independent accountant was not engaged by the other LEA in question, in no case should the agreed-upon procedures report include any statement regarding compliance by the other LEA.</p>		
	<p>9. AGREED-UPON PROCEDURES REPORT –</p> <p>a. Use the appropriate illustrative report for Fall Enrollment Count in Part C of this Appendix 3-1 as a model for preparing an Independent Accountant's Report on Applying Agreed-upon Procedures. NOTE: If local records are not in a condition to support application of the agreed-upon procedures, proceed to Procedure 10.</p>		
	<p>b. Using the example in Section D. of this Appendix 3-1, complete the Fall Enrollment Count Agreed-Upon Procedures Schedule and the Transfer Student Documentation Agreed-Upon Procedures Schedule containing results on each case in the sample.</p>		
	<p>c. Consider including additional written findings and recommendations related to improving weaknesses in LEA data management or noncompliance with reporting standards or with the procedures themselves. Also consider the communication requirements for agreed-upon procedures engagements found in <i>Government Auditing Standards</i> (see paragraph 5.59).</p>		
	<p>d. If the independent accountant's report includes findings or recommendations, obtain a response from the LEA. The response can either be included within the independent accountant's report or as a brief attachment to the report.</p>		
	<p>e. Submit the agreed-upon procedures report and spreadsheet of results to USOE by November 1st at 5:00 p.m. MST (if the date falls on a weekend, the deadline shifts to the next workday). NOTE: If a report is not received by the specified time, the USOE will begin the process of</p>		

Legal Ref.	AGREED-UPON PROCEDURES	Performed by and Date	Workpaper Index
	<p>withholding the LEA's allotted monthly funds consistent with the authority granted to the State Board of Education under Utah Code 53A-1-403(B). Reports may be submitted via post, fax or email:</p> <p><u>POST</u> Attn: Jennifer Yates-Givens Finance and Statistics Section Business Services Division Utah State Office of Education 250 East 500 South P O Box 144200 Salt Lake City, Utah 84114-4200</p> <p><u>FAX</u> To the attention of Jennifer Yates-Givens at 801-538-7674</p> <p><u>EMAIL</u> To Jennifer Yates-Givens at jennifer.yates-givens@schools.utah.gov.</p> <p><u>Conditions for Reporting:</u></p> <ul style="list-style-type: none"> • If a report does not conform to the procedures specified in this guide it may be rejected. • This report shall become part of the permanent records of both the LEA and the USOE. 		
	<p>10. If local records are not in a condition to support application of the agreed-upon procedures, in lieu of the aforementioned report, submit a statement on firm letterhead describing the reason(s) why the procedures could not be performed.</p>		

C. EXAMPLES OF AGREED-UPON PROCEDURES REPORTS

Illustrative Independent Accountant's Report on Applying Agreed-Upon Procedures Regarding Compliance with Pupil Accounting Rules for Aggregate Student Membership¹

[Insert name of body or individuals charged with governance]

[Insert name of LEA]

[Insert address]

In accordance with the *State of Utah Legal Compliance Audit Guide, Appendix 3-1*, we have performed the procedures enumerated below, which were agreed to by [insert name of LEA] and the Utah State Office of Education, solely to assist them in evaluating [insert name of LEA]'s compliance with the Utah State Board of Education's rules for pupil accounting for aggregate student membership for the year ended June 30, 20XX. Management is responsible for [insert name of LEA]'s compliance with those requirements.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are summarized as follows:

1. We familiarized ourselves with the standards established by the Utah State Board of Education and the Utah State Office of Education for recording and reporting student membership data and [insert name of LEA]'s data management policies and practices.
2. We selected [insert number selected] students from selected schools. Our selection is reported in the attached schedule.
3. For each student selected, we studied the official student records and supporting documentation, compared the student records with the Year-End Detail Report in UTREx, identified the student aggregate membership as recorded in the records, and determined whether the rules from R277-419 were properly applied in calculating the student's aggregate membership. See attached schedule for any exceptions.²
4. For any student selected whose reported aggregate membership is based on any violation of R277-419, we recalculated aggregate membership to determine the correct figure. See attached schedule for any exceptions.²

We were not engaged to, and did not, conduct an audit of [insert name of LEA]'s compliance with R277-419, the objectives of which would be the expression of an opinion or limited assurance on compliance. Accordingly, we do not express such an opinion or limited assurance on compliance. Had we performed

additional procedures, other matters might have come to our attention that would have been reported to you.

When any of the matters set forth in Paragraph 5.59 of Government Auditing Standards have been identified in conjunction with this agreed-upon procedures engagement, the following paragraph is required:

[In accordance with Government Auditing Standards, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that come to our attention during our agreed-upon procedures that warrant the attention of those charged with governance. Our agreed-upon procedures disclosed the following matters that warrant the attention of [insert name of LEA] officials:]

[Describe matters that were identified.]

This report is intended solely for the information and use of the Utah State Office of Education, [insert name of those charged with governance], and management of [insert name of LEA], and is not intended to be and should not be used by anyone other than these specified parties.

[Firm's Signature]
[Firm's City, State]
[Report Date]

¹ See AICPA, AT Section 201, *Agreed-Upon Procedures Engagements* (paragraph .31), AT Section 601, *Compliance Attestation* (paragraph .24), and *GAO Government Auditing Standards* (chapter 5) for reporting requirements.

² If exceptions are noted, describe the findings here or refer to where the findings are reported. The LEA's response can be included here.

**Illustrative Independent Accountant's Report
on Applying Agreed-Upon Procedures
Regarding Compliance with Pupil Accounting Rules
for Fall Enrollment Count and Transfer Student Documentation¹**

[Insert name of body or individuals charged with governance]

[Insert name of LEA]

[Insert address]

In accordance with the *State of Utah Legal Compliance Audit Guide, Appendix 3-1*, we have performed the procedures enumerated below, which were agreed to by [insert name of LEA] and the Utah State Office of Education, solely to assist them in evaluating [insert name of LEA]'s compliance with the Utah State Board of Education's rules for pupil accounting for fall enrollment count as of October 1, 20XX and transfer student documentation for the year ended June 30, 20XX. Management is responsible for [insert name of LEA]'s compliance with those requirements.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are summarized as follows:

Fall Enrollment Count

1. We visited [insert number of classes visited] classes in [insert name of entity] on the first school day of October 20XX. Our sample is reported in the attached schedule.
2. We conducted a roll call in each class visited and compared our counts to the class rolls for that day and verified that students who were not present for the count were appropriately enrolled in the class. For virtual schools and online classes selected, we obtained class rolls and verified each student logged in on the first day of October 20XX or logged in at least once during the ten school days before that date. See attached schedule for any exceptions.²
3. For each school selected on that day—
 - a. We verified the mathematical accuracy of each school's enrollment total in its own records.
 - b. We compared the verified school enrollment total to the reported enrollment total in the *Fall UTREx Report*.
 - c. We verified that the school calendar meets the minimum instructional standard of 990 hours and 180 days according to R277-419-4(A) and R277-419-8(C).

See attached schedule for any exceptions.²

Transfer Student Documentation

1. From the *Transfer Student List*, we selected [insert number of transfer students selected] students

who were enrolled in grades 9 through 12, but not enrolled on the last day of the school year, and classified by *[insert name of LEA]* as TC, TH, TO, TP, DE, or FE.

2. For each student sampled, we determined whether official documentation exists to support *[insert name of LEA]*'s recorded exit code. See attached schedule for any exceptions.²

We were not engaged to, and did not, conduct an audit of *[insert name of LEA]*'s compliance with R277-419, the objectives of which would be the expression of an opinion or limited assurance on compliance. Accordingly, we do not express such an opinion or limited assurance on compliance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

When any of the matters set forth in Paragraph 5.59 of Government Auditing Standards have been identified in conjunction with this agreed-upon procedures engagement, the following paragraph is required:

[In accordance with Government Auditing Standards, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that come to our attention during our agreed-upon procedures that warrant the attention of those charged with governance. Our agreed-upon procedures disclosed the following matters that warrant the attention of *[insert name of LEA]* officials:]

[Describe matters that were identified.]

This report is intended solely for the information and use of the Utah State Office of Education, *[insert name of those charged with governance]*, and management of *[insert name of LEA]*, and is not intended to be and should not be used by anyone other than these specified parties.

[Firm's Signature]

[Firm's City, State]

[Report Date]

¹ See AICPA, AT Section 201, *Agreed-Upon Procedures for Engagements* (paragraph .31), AT Section 601, *Compliance Attestation* (paragraph .24), and GAO *Government Auditing Standards* (chapter 5) for reporting requirements.

² If exceptions are noted, describe the findings here or refer to where the findings are reported. The LEA's response can be included here.

D. STUDENT MEMBERSHIP AND FALL ENROLLMENT SCHEDULES

AGGREGATE MEMBERSHIP AGREED UPON PROCEDURES SCHEDULE

FISCAL YEAR: ended June 30, 2013

AGENCY: Enter the name of the local education agency

ENROLLMENT: Enter the agency's enrollment on October 1, 2012

FIRM: Enter the name of the firm which conducted the agreed upon procedures

CPA: Enter the name and phone number of the accountant principally responsible for the engagement

DATE: Enter the date this schedule was completed

SELECTED MEMBER				REPORTED AGGR. MEMBERSHIP			ARE ENTRY & EXIT DATES CORRECT?		IS REPORTED AGGREGATE MEMBERSHIP IN COMPLIANCE WITH THESE RULES?:			RECALCULATED AGGR. MEMBERSHIP		
3-Digit School number Assigned by USOE	School Name	Statewide Student ID (SSID)	Local Student ID	Regular	Special Education		Entry Date Correct	Exit Date Correct	4.4 (a)	4.4 (b)	4.4 (c)	Regular	Special Education	
					Self Contained	Resource							School Days Standards	Part Day Proration

Enter one row for each student selected.
 Please identify online / virtual schools.

Record membership in whole days as found in local records.

For each rule, record one of the following values:
 Y = Yes, in compliance
 N = No, not in compliance
 X = Not applicable to this student

Record recalculated membership only if there is an "N" indicating an incorrect entry or exit date or noncompliance with at least one of the rules.

D. STUDENT MEMBERSHIP AND FALL ENROLLMENT SCHEDULES

FALL ENROLLMENT COUNT AGREED UPON PROCEDURES SCHEDULE

DATE: October 1, 2013

AGENCY: Enter the name of the local education agency

FIRM: Enter the name of the firm which conducted the agreed upon procedures

CPA: Enter the name and phone number of the accountant principally responsible for the engagement

DATE: Enter the date this report was completed

	INDIVIDUAL CLASS ENROLLMENT	
	5.4	5.5
Class Description	Count of Students on Class Roll (Expected)	Count of Students in the Class (Actual)

Enter one row for each class selected.
 Please identify which classes are virtual / online.

SCHOOL	TOTAL ENROLLMENT				SCHOOL CALENDAR	
	5.6	5.7	5.8	5.9	5.10	5.10
School Name	Enrollment as Recorded by School in Own Records (Actual)	School's Enrollment as reported by LEA via UTREx (Expected)	Difference Between School's Actual Enrollment and Expected Enrollment	Explanation of the Difference Noted in 5.8	Does the school calendar meet the minimum instructional standard of 990 hours? Y/N	Does the school calendar meet the minimum instructional standard of 180 days? Y/N

Enter one row for each school selected.

D. STUDENT MEMBERSHIP AND FALL ENROLLMENT SCHEDULES

TRANSFER STUDENT DOCUMENTATION AGREED UPON PROCEDURES SCHEDULE

FISCAL YEAR: ended June 30, 2013

AGENCY: Enter the name of the local education agency

POPULATION: Enter the total number of students on the Transfer Students List that meet the criteria in 6.2.

FIRM: Enter the name of the firm which conducted the agreed upon procedures

CPA: Enter the name and phone number of the accountant principally responsible for the engagement

DATE: Enter the date this report was completed

[1]	[2]	[3]	[4]	[5]	[6]	[7]
			6.4			
School Name	Statewide Student ID (SSID)	Reported Year End Exit Code	Is there adequate documentation to support the reported exit code? Y = yes, N = no	Is the exit code correct according to the available documentation? Y = yes, N = no	If [5] is "no" enter the correct exit code	... and write a brief supporting explanation:

Enter one row for each student selected.

Enter the exit code from the Transfer Students List.

APPENDIX 3-2: ADULT EDUCATION AGREED-UPON PROCEDURES ENGAGEMENT for Local Education Agencies (LEAs)

To ensure that information found in the student files maintained by the Adult Education program agrees/supports student data maintained in UTopia (described below) and that the records from Local Education Agencies (LEAs) for Adult Education meet the requirements of Rule R277-733, *Adult Education Program* and the *Utah Adult Education Policies and Procedures Guide*, the Utah State Office of Education (USOE) requires all LEAs to contract with an independent accountant to perform certain agreed-upon procedures. The procedures to be performed, as determined by the USOE, are described in this Appendix 3-2 of the *Legal Compliance Audit Guide (Guide)*, and basically require the accountant to agree the hard copy of information in the student files with the UTopia reports created by the USOE from the data entered by the LEAs. **The contract between the LEA and the independent accountant should clearly identify the agreed-upon procedures to be performed, and those procedures should be consistent with the guidance in this Appendix 3-2.**

Attestation Standards

The procedures performed and reports issued by the independent accountant should also meet the attestation engagements established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* (July 2011 Revision), issued by the Comptroller General of the United States. The relationship of these standards is described in paragraph 2.09 of *Government Auditing Standards*:

"Attestation engagements can cover a broad range of financial and nonfinancial objectives about the subject matter or assertion depending on the users' needs. GAGAS [generally accepted government auditing standards] incorporates by reference the AICPA's Statements on Standards for Attestation Engagements (SSAE) Additional requirements for performing attestation engagements in accordance with GAGAS are contained in chapter 5."

Chapters 1 through 3 and 5 of *Government Auditing Standards* apply to attestation engagements.

Agreed-upon procedures should be performed after the close of the school year ending June 30. The independent accountant's agreed-upon procedures report is due to the USOE – Adult Education Services coordinator no later than September 15. This report will be used in the determination of funding for the second following fiscal year. (For example, the agreed-upon procedures engagement of school year 2011-2012 data determines school year 2013-2014 funding.)

Background

Minimum School Program (MSP) funds are allocated to LEAs by the School Finance and Statistics Section of the USOE. Compliance requirements related to the Minimum School Program funds allocated to LEAs are addressed in section Chapter 3, Section A of this *Guide*. The Minimum School Program allocations are based on formulas provided by the Minimum School Program Finance Act and Utah State Board of Education Rule R277-733.

The *Utah Adult Education Policies and Procedures Guide* is updated annually and provides definitions and guidance for Adult Education programs. This guide can be found at the following website:

<http://www.schools.utah.gov/adulted/DOCS/Directors/Policy/PolicyProcedures.aspx>.

UTopia

Each LEA is required to maintain hard-copy documentation on each adult education student. In addition, the LEAs must enter the information into The Utah Online Performance Information for Adult Education (UTopia), a database which stores all students' demographic, SEOP, assessment and outcome information in a standardized format on a statewide basis. The USOE creates many UTopia reports from this data. These reports detail student activity in adult education

programs for each fiscal year which are used for determining state and federal funding. *The necessary data for each school year is to be finalized by the LEAs and entered into UTopia by July 15.*

NOTE: Access to UTopia will require the Adult Education program director and the UTopia Administrator to be present during the performance of the agreed-upon procedures, as the system is password protected.

DEFINITIONS

Definitions for terms found in this Appendix can be found in Section C. of this Appendix 3-2 and in Rule R277-733.

INFORMATION CONTACT: Marty Kelly (801-538-7824)
 marty.kelly@schools.utah.gov

A. ADULT EDUCATION

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>1. Using the Program Outcome Measure (POM) report, select a sample of “Enrollee Status” students from the UTopia database to test in each of the categories noted in procedure No. 2 below.</p> <p>Each selection should be at least 5% (but need not exceed 20 students) of the program’s total “Enrollee Status” enrollment reflective of students from all of the program’s sites (including both physical locations and on-line sites of the LEA). One selection may be used for multiple categories. For example, the students selected in performing procedures related to “contact hours” might also be the same students selected in performing procedures related to “credits earned.”</p> <p>NOTES: The student files selected should be representative of the students enrolled in the LEA's Adult Education program during the year.</p> <p>The POM (Program Outcome Measure) report is ONLY used to select the test sample of enrollees. The POM is not to be used for any tests.</p>		
	<p>2. For each student file selected in 1 above, verify through a review of student files that the student information entered into UTopia is valid and complete as indicated below for each of the following areas:</p> <p>a. Contact hours: For each “Enrollee Status” student selected:</p> <p>1) Obtain the student’s attendance record i.e. the original documentation maintained by teachers, counselors, registrars, etc., for both instructional and non-instructional contact hours.</p> <ul style="list-style-type: none"> • For instructional contact hours, this includes classroom “roll books”, teacher maintained attendance sheets, etc., • For non-instructional contact hours, this includes documentation (student logs) noting content/purposes of contact. 		
	<p>2) Validate that the original documentation record of <i>non-instructional</i> contact was a) maintained by teachers, counselors, registrars, etc., for assessments, Student Education Occupation Plan (SEOP) development, and counseling activities, b) reflects the date the contact was made, the</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>type of activity, the amount of time spent, and by whom the contact was made, and c) agrees to the UTopia Student Total Contact Hour Detail Report.</p>		
	<p>3) Recalculate the number of instructional and non-instructional contact hours for the student and verify that the contact hours agree with the hours as reported in the UTopia Student Total Contact Hour Detail Report.</p> <p>Note: Contact hour data entered in UTopia is automatically rounded up to the nearest quarter hour).</p>		
	<p>b. Diplomas (Carnegie units): For each “Enrollee Status” student file selected:</p> <p>1) Verify that the student’s file has the required original documentation record of course credit earned while enrolled in the program (including Official GED® Report if the GED® was used for credit) and that the information agrees to the credit entered into the UTopia Student Official Transcript Report and Student Transcript Workup Report.</p>		
	<p>2) Verify that documentation from outside entities (school districts, employer verification, military, etc.) used by the program to award credit towards diplomas agrees to the information entered in the UTopia Student Official Transcript Report and Student Transcript Workup Report.</p>		
	<p>3) Verify that the above stated credit information (both earned from within the program and awarded from other sources) meets the LEA’s required number of units of credit for graduation and that the total number of units of credit agree to those recorded in the UTopia Student Official Transcript Report and the Student Transcript Workup Report</p>		
	<p>4) Utilize the separation feature on UTopia’s home page to verify that the student was separated (if student’s name does not appear, then he/she has been separated).</p> <p>– or –</p> <p>If the student continued to receive instruction, verify that the last funding code reported on the student’s Demographic Screen was changed to 7 and the student was enrolled in non-credit bearing ABE or ESOL courses only.</p>		
	<p>c. General Education Development (GED®) diploma – For each “Enrollee Status” student file selected:</p> <p>1) Verify that the GED® cited on the Student’s “SEOP Student Goals and Statuses” Screen reflected GED® obtainment.</p>		
	<p>2) Utilize the separation feature on UTopia’s home page to verify that after attainment of the GED® the student was separated (if student’s name</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>does not appear, then he/she has been separated).</p> <p>– or –</p> <p>If the student continued to receive instruction, verify that the last funding code reported on the student’s Demographic Screen was changed to 7 and the student was enrolled in non-credit bearing ABE or ESOL courses only.</p>		
	<p><u>General Note:</u> When reviewing the UTopia Student Transcript Workup for the selected student, successful passing of the GED® may be used as a replacement for credit up to 5.0 units if the GED® Tests were successfully passed and transcribed (in UTopia or as a “hard copy” prior to July 1, 2009). Distribution of credit may only be used as follows: Language Arts = 1.0 if test was taken in English, (if taken in Spanish no credit may be awarded; if the test was taken in English and Spanish then 0.5 credit may be awarded); Math = 1.0; Science = 1.0; Social Studies = 1.0 (geography and world civilization instructional areas only); and elective 1.0 to 5.0 units of credit depending on whether or not the previously mentioned subject areas were already filled by other credit entries. NOTE: if the test was taken in Spanish, the maximum amount of credit that may be awarded is 4.0. If the test was taken in both English and Spanish, then the maximum amount of credit that can be awarded is 4.5.</p>		
	<p>d. Level Gains – For each “Enrollee Status” student file selected:</p> <p>1) Verify that the enrollee had a pre- and post-test(s), as noted in the UTopia Complete Test History report.</p>		
	<p>2) Verify that each test protocol includes the student’s name, date of birth, date of test, name of assessor, and the scores obtained, and that this information matches what was entered in the Utopia on the Complete Test History report).</p>		
	<p>e. Credits earned – For each “Enrollee Status” student file selected:</p> <p>1) Verify that the original record of total course credits <u>earned</u> while enrolled in the Adult Education program agrees with the credit <u>entered</u> on the UTopia Student’s Credit Screen.</p>		
	<p>2) Verify that the student’s file contains transcripts from other institutions, GED, and other sources of credit validating both earned and awarded credits as listed on the UTopia Student Official Transcript and Student Transcript Workup reports.</p>		
	<p>f. Proof of Residency – For each “Enrollee Status” student file selected:</p> <p>1) Verify that the required documentation for proof of Utah residency is contained in the student’s file and that it agrees to what is stated on the student’s UTopia Demographic Screen. Note: this procedure is utilized only when the program is the initial program the student was enrolled in as noted on the student’s Demographic Screen – “Student Program</p>		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	History”.		
	3. Fees and Tuition Collected in Support of Adult Education Program –		
	a. Obtain an understanding of procedures and controls over receipts.		
	b. Obtain a copy of the most recent “Fees and Tuition Collected in Support of Adult Education Program” report available at the following website: http://www.schools.utah.gov/adulted/DOCS/Directors/Policy/TabN.aspx		
	c. Determine whether the report accounts for all collections from the LEA and whether the report agrees with information recorded in the accounting system.		
	d. Determine whether fees and tuition collected were used only in the Adult Education program.		
	e. Compare actual amounts collected to budgeted and prior-year amounts. Investigate any unexpected results (that is, ratios or variations different from what would be expected considering known changes in program activities, number of participants, and tuition and fee rates).		
	4. Agreed-Upon Procedures Report –		
	a. Complete an agreed-upon procedures report, including written findings describing exceptions, errors, or discrepancies, if any. A sample agreed-upon procedures report has been included with Section B of this Appendix 3-2. You are encouraged to include in the report other findings related to improving weaknesses in LEA data management or noncompliance with reporting standards or with the procedures themselves. Also consider the communication requirements for agreed-upon procedures engagements found in <i>Government Auditing Standards</i> (see paragraph 5.59).		
	b. If the independent accountant's report includes findings that require corrective action, obtain a response from the LEA addressed to the USOE in a separate letter. The response can describe what the LEA has already done or what it will do to correct the situation.		
	c. A copy of the agreed-upon procedures report and the LEA's written response, as applicable, must be received by the USOE Adult Education coordinator no later than 5:00 p.m. MST on September 15th (if the date falls on a weekend, the deadline shifts to the next workday). NOTE: If a report is not received by the specified time, the USOE will begin the process of withholding the LEA's allotted monthly funds consistent with the authority granted to the State Board of Education under Utah Code 53A-1-403(B). Reports may be submitted via post, fax or email:		

Legal Ref.	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p><u>POST</u> Attn: Marty Kelly Adult Education and GED Services Utah State Office of Education 250 East 500 South P O Box 144200 Salt Lake City, Utah 84114-4200</p> <p><u>FAX</u> (801) 538-7882</p> <p><u>EMAIL</u> To Marty Kelley at marty.kelly@schools.utah.gov</p> <p><u>Conditions for Reporting:</u></p> <ul style="list-style-type: none"> • If a report does not conform to the procedures specified in this Compliance Guide it may be rejected. • This report shall become part of the permanent records of both the LEA and the USOE. 		

B. EXAMPLE AGREED-UPON PROCEDURES REPORT

Illustrative Independent Accountant's Report on Applying Agreed-upon Procedures for Adult Education¹

[Insert name of body or individuals charged with governance]
[Insert name of LEA]
[Insert address]

In accordance with the *State of Utah Legal Compliance Audit Guide, Appendix 3-2*, we have performed the procedures enumerated below, which were agreed to by [insert name of LEA] and the Utah State Office of Education, solely to assist them in evaluating [insert name of LEA]'s (Acronym for LEA) compliance with the Utah State Board of Education's Rule R277-733, *Adult Education Programs* and the *Utah Adult Education Policies and Procedures Guide* for the school year ended June 30, 20XX. Management is responsible for [insert name of LEA]'s compliance with those requirements.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are summarized as follows:

1. Contact hours: **Sample size:** _____

For each "Enrollee Student" student file selected, we obtained the student's original attendance record, recalculated the number of instructional and non-instructional contact hours for the student, and verified that the instructional and non-instructional contact hours agree with the hours reported in the UTopia match.

We matched the total instructional and non-instructional contact hours reported in UTopia for each student selected.

No exceptions were found as a result of applying these procedures.²

2. Diplomas (Carnegie units): **Sample size:** _____

For each "Enrollee Status" student file selected, we verified that diploma outcomes were properly reported by the number of credits, as required by the diploma issuing program, and that earned and awarded (from sources outside of the adult education program) credits were entered into UTopia.

We matched the total number of diplomas reported in UTopia.

No exceptions were found as a result of applying these procedures.²

3. General Education Development (GED[®]): **Sample size:** _____

For each “Enrollee Status” student file selected, we verified that the student who received a GED® was either separated or their funding code was changed to funding code 7 if they remained in an adult education program for basic literacy instruction as an ABE or ESOL student.

No exceptions were found as a result of applying these procedures. ²

4. Level gains: **Sample size:** _____

For each “Enrollee Status” student file selected, we (a) verified that the enrollee has a pre- and post-test, as noted in UTopia.

No exceptions were found as a result of applying these procedures. ²

5. Credits earned: **Sample size:** _____

For each “Enrollee Status” student selected, we verified that the total number of credits earned in the Adult Education program was properly noted in the student’s file and awarded/reported on the student’s UTopia Student Official Transcript report and Student Transcript Workup report

We matched the number of earned credits reported in UTopia.

No exceptions were found as a result of applying these procedures. ²

6. Proof of Utah Residency: **Sample size:** _____

For each “Enrollee Status” student selected, we verified that proof of Utah residency was properly documented in the student’s file and matched what was reported on the student’s UTopia Student Demographic screen.

We matched the proof of residency documentation with what was reported in UTopia.

No exceptions were found as a result of these procedures. ²

7. Fees and Tuition Collected in Support of Adult Education Program Report and Controls Over Collections:

We obtained the most recent “Fees and Tuition Collected in Support of Adult Education Program” report. We determined that the report accounts for all Adult Education fees collected and that the report agrees to the accounting system. We ensured that fees collected are used only in the Adult Education program.

For the Adult Education program, we obtained an understanding of controls over cash receipts and assessed the effectiveness of those controls.

We compared actual amounts collected to budgeted and prior-year amounts. We investigated any unexpected results.

No exceptions were found as a result of these procedures. ²

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance and the data reported in UTopia of *[insert name of LEA]* for the year ended June 30, 20XX. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

When any of the matters set forth in Paragraph 5.59 of Government Auditing Standards have been identified in conjunction with this agreed-upon procedures engagement, the following paragraph is required:

[In accordance with Government Auditing Standards, we are required to report significant deficiencies, material weaknesses, instances of fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse that come to our attention during our agreed-upon procedures that warrant the attention of those charged with governance. Our agreed-upon procedures disclosed the following matters that warrant the attention of *[insert name of LEA]* officials:]

[Describe matters that were identified.]

This report is intended solely for the information and use of the Utah State Board of Education, management of the *[insert name of LEA]*, the *[insert name of LEA]* *[insert name of LEA's governing board]* and is not intended to be and should not be used by anyone other than these specified parties.

[Firm's Signature]

[Report Date]

¹ See AICPA, AT Section 201, *Agreed-Upon Procedures for Engagements* (paragraph .31), AT Section 601, *Compliance Attestation* (paragraph .24), and GAO *Government Auditing Standards* (chapter 5) for reporting requirements.

² If exceptions are noted, replace this sentence and describe the findings here or refer to where the findings are reported. The LEA's response can be included here or refer to where the response is reported. See Section A. Procedure 4 of this Appendix for further guidance on reporting exceptions, errors, or discrepancies.

C. DEFINITIONS FOR ADULT EDUCATION PROGRAM

Adult Basic Education (ABE): instruction designed specifically for an native English speaking adult who 1) has minimal competence and basic skills in reading, writing, speaking, problem solving, or computation 2) is not sufficiently competent to meet the educational requirements of adult life in the United States; or 3) is not sufficiently competent to speak, read or write the English language to allow employment commensurate with the adult's real ability. Includes grade levels 0 – 8.9.

ABE includes the following:

- **ABE 1 (Beginning ABE Literacy):** Grade level 0-1.9. Student has no or minimal reading and writing skills, may have little or no comprehension or how print corresponds to spoken language and may have difficulty using a writing instrument, may have little or no recognition of numbers or simple counting skills, may have little or no ability to read basic signs or maps and can provide limited personal information on simple forms, can write a limited number of basic sight words and familiar words and phrases. Student can handle simple routine entry level jobs that require little or no basic written communication or computational skills. No knowledge of computers or technology.
- **ABE 2 (Beginning Basic Education):** Grade level 2.0-3.9. Student can read simple **material** on familiar subjects; can write simple notes and messages on familiar situations. Student can count, add and subtract three digit numbers, can perform multiplication through 12, can identify simple fractions, and perform other simple mathematical operations; is able to read simple directions, signs and maps, fill out simple forms requiring basic personal information, write phone messages and make simple changes. The student can handle basic entry level jobs that require minimal literacy skills, can read want ads and complete simple job applications.
- **ABE 3 (Low Intermediate Basic Education):** Grade level 4.0-5.9. Student can read text on familiar subjects that have a simple and clear underlying structure, can use context to determine meaning; can write simple paragraphs with a main idea and supporting details on familiar topics. Student can perform with high accuracy all four basic math operations using whole numbers up to three digits and can identify and use all basic mathematical symbols. Student is able to handle basic reading, writing and computational tasks related to life roles such as completing medical forms, order forms, employment applications. Student can qualify for entry level jobs that require following basic written instructions and diagrams with assistance. Can use simple computer programs and perform a sequence of routine tasks given directions in using technology.
- **ABE 4 (High Intermediate Basic Education):** Grade level 6.0-8.9. Student is able to read simple descriptions and narratives on familiar subjects or from which new vocabulary can be determined by context and can make minimal inferences. The student is able to write simple narrative descriptions and short essays on familiar topics and can use punctuation consistently. The student can perform all four basic math operations with whole numbers and fractions; can determine correct math operations for solving story problems. Student is able to handle basic life skills tasks such as graphs and charts. The student can read materials on familiar topics such as simple employee handbooks and payroll stubs, can complete simple forms and reconcile a bank statement. Can learn and work with most basic computer software such as using a word processor and can follow simple instructions for using technology.

Adult Secondary Education (ASE or AHSC or HSC): instruction designed for the adult who 1) has basic skills and competence levels in reading, writing, speaking, problem solving and computation; 2) may or may not have a certificate of graduation (or its equivalent) from a school providing secondary education. Includes grades 9.0 through 12.9.

High School completion includes the following:

- **AHSC 1 (Low Adult Secondary Education):** Grade level 9.0 10.9. This student can be considered as a “high school diploma seeking student”. The student can comprehend expository writing and identify spelling, punctuation and grammatical errors. Writing is organized and cohesive, can write and reflect thoughts. The student can perform all four basic math functions with whole numbers, decimals and fractions; can interpret and solve simple algebraic equations, tables, graphs; can use math in business transactions. The student is able or

can learn to follow simple multi-step directions and read common legal forms and manuals. Student is proficient in using computers and can use most common computer applications.

AHSC 2 (High Adult Secondary Education): Grade level 11.0-12.0. Student can comprehend, explain and analyze information from a variety of literacy works, can use higher order processes to interpret meaning of written material. Writing is cohesive and clearly expressed. Student can make mathematical estimates of time and space and can apply principles of geometry to measure angles, lines and surfaces. Student is able to read technical information and complex manuals, can comprehend some college level books and apprenticeship manuals; can function in most job situations involving higher order thinking. Student can work productively in groups. Can use and adapt common software and select appropriate technology to new situations.

Completing a Level. Progressing from one educational functioning level to the next higher educational functioning level. Evidence of completing a level is determined as student's post-test score exceeds their Entering Functioning Level (EFL). The National Reporting System (NRS) Functioning Level descriptors are used to determine a student's Functioning Level. If a student's post-test score exceeds the NRS descriptors range of scores for his/her EFL the student may have met their goal. The student may exit the program or they may remain enrolled and move towards advancing additional levels as their future assessments indicate. Advancement or completing a level can only be determined by the student's post-test scores.

Completing a Level and Advancing One or More Levels. Includes completing a level (see Entering Functioning Level for the baseline to gauge advancement). After a level is completed, a continuing student may advance multiple levels. It is necessary to remember that Completing a Level is based on the student's lowest level for reporting purposes. If a student's post-test score (using a different form of the same standardized test used for the pre-test to establish the EFL and after an additional 60 - 100 hours of instruction) exceed the NRS descriptors range of scores the student has then completed another level.

Concurrent Program: this occurs when a student is enrolled in more than one program at any point in time. The concurrent program can only manage credits and contact hours earned in that program.

Contact Hour. Hours of non-instruction include: counseling SEOP development hours and assessment time. Instructional contact hours include tutoring/teaching under the supervision of a school district employee or community-based organization employee designed to promote student learning in the program curriculum. Contact hours are reported in the learners entering functioning level regardless of area of instruction.

Hours that CAN be counted:

- * Instructional hours in all ABE.
- * AHSC and ESOL classes designed to advance a student's functioning level.
- * Program-sponsored tutoring or participation in a learning lab.
- * Distance Learning courses-contact hours reported based upon program's grant (distance learning) narrative.

Hours that CANNOT be counted:

- * Homework completed outside of class.
- * Community education classes such as parenting and computer literacy.
- * Time spent in GED® examinations.
- * Distance learning including: electronic high school courses or other courses not taken under the direct supervision of an adult education instructor.

English for Speakers of Other Languages (ESOL): non-English speakers who lack competence and language acquisition in any one of the following: reading, writing, speaking, problem solving or listening.

ESOL includes the following:

- **ESOL 1 (Beginning ESOL Literacy):** student who cannot speak or understand English, has no or **minimal** reading or writing skills in any language. Student functions minimally or not at all in English and communicates only through gestures or a few isolated words. Student may have no knowledge or use of computers.

- **ESOL 2 (Low Beginning ESOL):** student can understand basic greetings, simple phrases and commands. Student can understand simple questions related to personal information, read numbers, letters and some common sight words, can read and write some familiar words and phrases, can write basic personal information. Student can function with difficulty in social situations and situations related to immediate needs. Student may have limited knowledge and experience with computers.
- **ESOL 3 (High Beginning ESOL):** student can understand common words, simple phrases and sentences containing familiar vocabulary, can read most sight words and many other common words, can read familiar phrases and simple sentences. Student can function in some situations related to immediate needs and in familiar social situations. Student may have limited knowledge and experience with computers.
- **ESOL 4 (Low Intermediate ESOL):** student expresses basic survival needs and with some difficulty participates in some routine social conversations, reads simple material on familiar subjects, can write simple notes and messages on familiar situations, can interpret **simple** directions, schedules, signs, maps etc, and can complete simple forms. Student may be able to use computer programs and can perform a sequence of routine tasks given directions.
- **ESOL 5 (High Intermediate ESOL):** student can participate in conversations in familiar social **situations** but may need some assistance in clarifying, can read text on familiar subjects that have a simple and clear underlying structure, can write simple paragraphs, can meet basic survival and social demands and can follow simple oral and written instructions, has some ability to communicate on the telephone on familiar subjects. Student can work with or learn basic computer software.

ESOL 6 (Advanced ESOL): student can understand and communicate in a variety of contexts related to daily life and work, can understand and participate in conversations on a variety of everyday subjects including some unfamiliar vocabulary, can read moderately complex text related to life roles and descriptions and narratives from authentic materials on familiar subjects, can function independently to meet most survival needs and to use English in routine social and work situations. Student can use common software, learn new basic applications and select correct basic technology in familiar situations.

Enrollee Status: an adult education student who completes twelve or more contact hours (inclusive of instructional and non-instructional), has a pre-test that establishes an Entering Functioning Level and a Student Education Occupation Plan (SEOP) that includes a defined core goal and a defined funding code for the fiscal year.

Entering Functioning Levels (or Functioning Level) – per NRS guidelines (EFL). Student is assigned an EFL for reporting purposes during a fiscal year. An EFL is determined by scale scores obtained from a standardized test. A student's scale score in their lowest area of instruction i.e. math, writing, reading determines a student's EFL for Utah reporting purposes and is the baseline upon which advancement to higher NRS levels is used. (See NRS functioning levels for ESOL, ABE, and AHSC).

Exiting the Program/Exit Date/Separation Date. Date when the student last attends a program through 'drop out' and/or completion of goal(s) and has not received instruction for 90 days.

Federal Funding: Adult Education and Family Literacy Act and/or Department of Workforce Services Refugee funds awarded to a school district, governmental entity, or non-profit community-based organization as a result of a competitive application.

Funding Formula: Adult education funds are distributed to school districts according to the state approved funding formula based on student outcomes.

Level Gain. When a student enters the program for the first time in a fiscal year he is assessed and receives a pre-test score. The student's lowest "academic" level is his entering functioning level for the fiscal year. The student must be post-tested to determine a level gain. Post-testing may occur after 60 hours of instructional contact hours or after a minimum of 40 instructional contact hours if the student is known to be exiting the program.

Managing Program. Program in control of all of the student's data and outcomes associated with the student.

Participant. A student who has less than twelve total contact hours in a fiscal/program year, does not have a pre-test, or does not have a completed SEOP that includes the establishment of at least one core goal in the managing program.

Proof of Utah Residency. (Note: documentation must be maintained by the program that is/was the original manager of the student's data. See R277-733-6.) Adult Education Program Student Eligibility.

A. An individual is eligible to be a Utah adult education student if:

(1) the prospective adult education student is at least 16 years of age and the student's class has not graduated; or

(2) a prospective adult education student who is otherwise eligible provides one of the following to establish Utah residency:

(a) valid state of Utah driver license;

(b) valid state of Utah driver privilege card;

(c) valid state of Utah identification card; or

(d) valid state of Utah resident fishing or hunting license.

(3) a prospective adult education student provides one of the following in the prospective student's name with the home mailing address (no post office boxes); documentation shall have been received no more than 12 months prior to the individual's registration request:

(a) mail from an in-state or out-of-state business;

(b) utility bill or work order;

(c) cell phone or telephone bill;

(d) employee pay stub;

(e) written statement on an employer's letterhead defining a job commitment;

(f) current year automobile registration;

(g) Utah state government agency form letter;

(h) Utah public library card;

(i) rent or mortgage payment statement;

(j) Utah voter registration card;

(k) Utah high school/college transcript or report card;

(l) tribal correspondence;

(m) approved or denied free or reduced lunch application from the individual's children's school that includes the individual's name on the application;

(n) daycare or nursery school record of the individual's children that includes the individual's name on the record;

(o) K-12 registration demographic card of children enrolled in a Utah school that includes the individual's name on the card.

(p) Consular ID card – issued by the SLC Mexican Consulate.

B. The following does not establish residency for purposes of adult education programs:

(1) mail addressed to occupant or resident;

(2) letters from friends or relatives;

(3) power of attorney documents;

(4) personal correspondence addressed to a post office box.

C. To be eligible for participation in an adult education program, a Utah resident shall be:

(1) an individual 17 years of age or older whose high school class/cohort has graduated; or

(2) an individual emancipated under Section 78-3a-1005; or

(3) an individual emancipated by marriage; or

(4) an individual who is at least 16 years of age who has not graduated from high school and who is no longer enrolled in a K-12 program of instruction; or

(5) a student 16 to 19 years of age whose class has not graduated and who is attending adult education classes as an alternative to a traditional public education program.

D. Non-Utah residents from states bordering Utah seeking enrollment into an adult education program in Utah shall be considered resident Utah students consistent with individual agreements between the Utah Adult Education Program and the individual states bordering Utah.

SEOP. Student Education Occupation Plan. A student focused personal plan generated by programs for each student inclusive of student demographics and the establishment of at least one core goal, objective(s), records of prior educational achievements, in addition to other statuses and a signed waiver release.

State Funding: Minimum School Program (MSP) funds awarded to school districts. Percentage awarded is based on annual legislative allocation and program performance outcomes.

Transfer Student: Student who has exited one program and is now enrolled in another program.

UTopia: Utah Online Performance Information for Adult Education. A database containing all students' demographic, SEOP, assessment and outcome information is stored statewide ensuring accurate student information sharing and reporting between programs, the state and/or the federal government.

Appendix 3-3. MINIMUM SCHOOL PROGRAM SCHEDULE

Utah State Office of Education
Minimum School Program (MSP) Schedule
Revised 7/1/2013

Instructions

This schedule identifies the classification of school programs within the Minimum School Program (MSP), significant restricted programs that were selected by the independent auditor for testing for compliance in the current year and prior two years, and the percent of restricted school programs tested in each of those years.

School programs within the MSP are classified into two groups:

- General
- Restricted

A *cluster of programs* is a grouping of closely related restricted programs that share common compliance requirements. A cluster should be treated as one program.

Include only state-source revenue for school programs within the MSP on the schedule. These programs are listed as Revenue 99 programs on the MSP Monthly Allotment. Non-MSP programs (such as State Liquor Control Tax, State Driver's Education, or other state appropriations) should not be included on this schedule. Also, local matching funds and maintenance of effort requirements (although reported with restricted programs by the LEA) are not be included on this schedule.

The capital outlay and enrollment growth foundation, although listed within the MSP (Revenue 99) on the Monthly Allotment, are considered separate state programs and should be designated as major programs when their expenditures exceed \$500,000 in the current year (see Chapter 3 Section B); these programs should not be included on this schedule.

Program revenue on the schedule should match amounts reported on the APR.

Audit Requirements

The independent auditor of the LEA should use this schedule for planning and documentation of school programs selected for compliance testing. Please refer to guidance provided in Chapter 3 of the *State of Utah Legal Compliance Audit Guide*.

General school programs have few compliance requirements or are not structured for specific program testing. Each year, the auditor should consider applying suggested general audit procedures to general school program funds spent by the LEA.

A significant restricted program (a restricted program with expenditures totaling 3% or more of total restricted programs) should be selected for testing at least once every three years. Also, a restricted program that has reached the 3% threshold for the first time or has not been selected in one of the prior two years must be selected for testing in the current year. Also, restricted programs designated as high risk by USOE or for which there were reportable audit findings in either of the preceding two years must be selected in the current year for testing. The combined amount of restricted program expenditures selected for testwork must be equal to or greater than 25% of the total of all restricted programs for MSP.

This schedule is to be submitted to Von Hortin [Von.Hortin@schools.utah.gov] at the USOE by Nov 30.

District / Charter: **Sample District**
 Current Year Ended June 30, 2013
Minimum School Program Schedule
 Prepared By:
 Date Prepared:

School Program	2013 Expenditures	Group	3%	Cluster *	Significant Restricted Programs		
					PY 2011	PY 2012	CY 2013
General Programs:							
K-12	129,267,169	G					
Public Education Online Offset	(5,700)	G					
Foreign Exchange Students	87,618	G					
Necessarily Existent Small Schools	-	G					
Professional Staff	12,016,760	G					
Administrative Costs	-	G					
District's Contributions to Local Replacement Funds	(891,142)	G					
Flexible Allocation - WPU Distribution	18,317,748	G					
Voted Leeway	5,219,378	G					
Restricted Programs:							
<i>Special Education Cluster:</i>							
			Yes				
Special Education - Add-On	15,253,804	R		SpEd	X		
Special Education - Self Contained	3,221,809	R		SpEd	X		
Special Education - Preschool	2,543,284	R		SpEd	X		
Extended Year/Severely Disabled	106,270	R		SpEd	X		
Special Education - Stipends Extended Year	579	R		SpEd			
Special Education - State Programs	313,781	R		SpEd	X		
<i>CTE Cluster:</i>							
			Yes				
Career and Technology Education - Add-On	6,862,303	R		CTE		X	
<i>Enhancement for Accelerated Students Cluster:</i>							
Gifted and Talented	218,525	R		Accel			
Advanced Placement	231,718	R		Accel			
International Baccalaureate		R					
Educator Salary Adjustments	14,568,795	R					
Adult Education	391,358	R					
Beverly Taylor Sorensen Elementary Arts	118,350	R					
Board Leeway	1,304,845	R					
Class Size Reduction	10,417,578	R	Yes				X
Classroom Supplies and Materials	1,004,705	R					
Concurrent Enrollment	477,053	R					
Critical Languages and Dual Immersion	50,600	R					
Early Intervention	499,389	R					
Enhancement for At-Risk Students	1,419,521	R					
Gang Prevention		R					
Library Books and Electronic Resources	50,792	R					
Pupil Transportation/Guarantee on Transportation Levy	7,137,506	R	Yes				X
Reading Improvement	1,497,680	R					
School LAND Trust	2,490,706	R	Yes			X	
School Nurses	94,072	R					
USTAR Centers	300,000	R					
Youth-In-Custody	1,162,997	R				X	
Total Minimum School Program	235,749,851						
General Programs	(164,011,831)						
Restricted Programs	71,738,020				21,674,318	16,733,707	17,555,084
3% of restricted programs	2,152,141						
25% required annual minimum coverage	17,934,505				33.6%	26.3%	24.5%

G General program; general audit procedures considered annually
 R Restricted program
 Yes Meets 3% rule; significant restricted program
 SpEd Special Education cluster
 CTE Career and Technology Education cluster
 Accel Enhancement for Accelerated Students cluster
 X Selected for specific audit procedures in year indicated
 * All programs within a cluster should be treated as one program

District / Charter: **Sample Charter**
 Current Year Ended June 30, 2013
Minimum School Program Schedule
 Prepared By:
 Date Prepared:

School Program	2013				Significant Restricted Programs		
	Expenditures	Group	3%	Cluster *	PY 2011	PY 2012	CY 2013
General Programs:							
K-12	1,337,512	G					
Public Education Online Offset	(727)	G					
Professional Staff	61,527	G					
Flexible Allocation - WPU Distribution	18,495	G					
Charter School Local Replacement	882,301	G					
Charter School Administrative Costs	52,300	G					
Restricted Programs:							
<i>Special Education Cluster:</i>							
Special Education - Add-On	186,338	R	Yes	SpEd		X	
Special Education - Self Contained	18,836	R		SpEd		X	
Extended Year/Severely Disabled	2,343	R		SpEd		X	
Special Education - Stipends Extended Year	579	R		SpEd			
Special Education - State Programs	181	R		SpEd		X	
<i>CTE Cluster:</i>							
Career and Technology Education - Add-On	24,538	R	Yes	CTE	X		X
<i>Enhancement for Accelerated Students Cluster:</i>							
Gifted and Talented	2,088	R		Accel			
Advanced Placement	3,475	R		Accel			
International Baccalaureate		R					
Educator Salary Adjustments	130,279	R					
Class Size Reduction	119,111	R	Yes		X		X
Classroom Supplies and Materials	4,544	R					
Concurrent Enrollment	2,846	R					
Critical Languages and Dual Immersion	-	R					
Early Intervention	28,031	R	Yes				X
Enhancement for At-Risk Students	12,779	R					
Library Books and Electronic Resources	444	R					
Reading Improvement	22,374	R	Yes		X		
School LAND Trust	21,527	R	Yes		X		
School Nurses	-	R					
Total Minimum School Program	2,931,721						
General Programs	(2,351,408)						
Restricted Programs	580,313				190,855	209,500	171,680
3% of restricted programs	17,409						
25% required annual minimum coverage	145,078				42.4%	46.6%	29.6%

- G General program; general audit procedures considered annually
- R Restricted program
- Yes Meets 3% rule; significant restricted program
- SpEd Special Education cluster
- CTE Career and Technology Education cluster
- Accel Enhancement for Accelerated Students cluster
- X Selected for specific audit procedures in year indicated
- * All programs within a cluster should be treated as one program

**APPENDIX 3-4.
SAMPLE STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAs**

District/Charter: **Sample School District**
CY End: **6/30/20XX**

Revenue Code	Program Number	Revenue Number	Program	PY Balances		USOE Allotment Memo			Adjustments / Other Receipts	Available	Amount Spent in 2012	CY Balances	
				Receivable	(Unspent)	"Old"	"New"	CY July YTD				Receivable	(Unspent)
				June 30, 2011	June 30, 2011	PY July Current	CY July Current						
State Programs													
SA	5672	3772	Substance Abuse	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
01	5603	3703	Core Assessment	-	-	-	-	-	-	-	-	-	-
01	5408	3521	Electronic High School	-	-	-	-	-	-	-	-	-	-
01	5618	3718	Professional Development	-	-	-	-	-	-	-	-	-	-
01	5699	3799	State Appropriation - Prostart and Online Testing	-	-	-	-	-	-	-	-	-	-
01	5699	3799	State Appropriation - UPASS	-	-	-	-	-	-	-	-	-	-
02	8070	3770	School Lunch (State Liquor Control Tax)	-	-	-	-	-	-	-	-	-	-
03	5610	3710	Driver Training Tax	-	-	-	-	-	-	-	-	-	-
04	5616	3716	Federal Mineral Lease	-	-	-	-	-	-	-	-	-	-
98	5613	3713	Corrections Education (USOR)	-	-	-	-	-	-	-	-	-	-
Minimum School Program (sorted alphabetically):													
99	VAR	3025	Administrative Costs	-	-	-	-	-	-	-	-	-	-
99	1609	3209	Adult Education	-	-	-	-	-	-	-	-	-	-
99	5882	3882	Beverly Taylor Sorenson Elementary Arts	-	-	-	-	-	-	-	-	-	-
99	5460	3560	Board Leeway	-	-	-	-	-	-	-	-	-	-
99	5550	3650	Capital Outlay Foundation	-	-	-	-	-	-	-	-	-	-
99	5625	3725	Charter School Administrative Costs	-	-	-	-	-	-	-	-	-	-
99	5619	3719	Charter School Local Replacement	-	-	-	-	-	-	-	-	-	-
99	5201	3230	Class Size Reduction	-	-	-	-	-	-	-	-	-	-
99	5333	3213	Concurrent Enrollment	-	-	-	-	-	-	-	-	-	-
99	5635	3635	Critical Languages and Dual Immersion	-	-	-	-	-	-	-	-	-	-
99	VAR	3155	CTE - Add-On	-	-	-	-	-	-	-	-	-	-
			CTE - Maintenance of Effort	-	-	-	-	-	-	-	-	-	-
99	5641	3641	Early Intervention	-	-	-	-	-	-	-	-	-	-
99	5876	3876	Educator Salary Adjustments	-	-	-	-	-	-	-	-	-	-
99	5332	3212	EAS - Advanced Placement	-	-	-	-	-	-	-	-	-	-
99	5331	3211	EAS - Gifted & Talented	-	-	-	-	-	-	-	-	-	-
99	5335	3215	Enhancement for At-Risk Students	-	-	-	-	-	-	-	-	-	-
99	5561	3661	Enrollment Growth Program	-	-	-	-	-	-	-	-	-	-
99	5878	3878	Extended Year for Special Educators	-	-	-	-	-	-	-	-	-	-
99	5310	3405	Flexible Allocation	-	-	-	-	-	-	-	-	-	-
99	VAR	3010	Foreign Exchange Students	-	-	-	-	-	-	-	-	-	-
99	5371	3471	Guarantee on Transportation Levy	-	-	-	-	-	-	-	-	-	-
99	5612	3612	International Baccalaureate Program	-	-	-	-	-	-	-	-	-	-
99	VAR	3010	K-12	-	-	-	-	-	-	-	-	-	-
99	5810	3810	Library Books and Electronic Resource	-	-	-	-	-	-	-	-	-	-
99	VAR	3015	Necessarily Existent Small Schools	-	-	-	-	-	-	-	-	-	-
99	5646	3646	Pilot Assessment Project - Large Districts	-	-	-	-	-	-	-	-	-	-
99	VAR	3020	Professional Staff	-	-	-	-	-	-	-	-	-	-
99	VAR	3010	Public Education Online Offset	-	-	-	-	-	-	-	-	-	-
99	5315	3415	Pupil Transportation	-	-	-	-	-	-	-	-	-	-
99	5805	3805	Reading Achievement	-	-	-	-	-	-	-	-	-	-
99	5368	3468	School Nurses	-	-	-	-	-	-	-	-	-	-
99	5420	3520	School Trust Land	-	-	-	-	-	-	-	-	-	-
99	1205	3105	Special Education - Add-on	-	-	-	-	-	-	-	-	-	-
99	1220	3120	Special Education - Extended Year/Severely Disabled	-	-	-	-	-	-	-	-	-	-
			Special Education - Maintenance of Effort	-	-	-	-	-	-	-	-	-	-
99	1215	3115	Special Education - Preschool	-	-	-	-	-	-	-	-	-	-
99	1210	3110	Special Education - Self Contained	-	-	-	-	-	-	-	-	-	-
99	1225	3125	Special Education - State Programs	-	-	-	-	-	-	-	-	-	-
99	1278	3178	Special Education - Stipends Extended Year	-	-	-	-	-	-	-	-	-	-
99	5882	3882	Teachers Materials and Supplies	-	-	-	-	-	-	-	-	-	-
99	5881	3881	USTAR Centers	-	-	-	-	-	-	-	-	-	-
99	5455	3555	Voted Leeway	-	-	-	-	-	-	-	-	-	-
99	5340	3221	Youth-In-Custody	-	-	-	-	-	-	-	-	-	-
Less: Basic levy and MOE from local sources				-	-	-	-	-	-	-	-	-	-
Total State				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**APPENDIX 3-4.
SAMPLE STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAs**

District/Charter: **Sample School District**
CY End: **6/30/20XX**

Revenue Code	Program Number	Revenue Number	Program	PY Balances		USOE Allotment Memo			Adjustments / Other Receipts	Available	Amount Spent in 2012	CY Balances	
				Receivable	(Unspent)	"Old"	"New"	CY July YTD				Receivable	(Unspent)
				June 30, 2011	June 30, 2011	PY July Current	CY July Current						
				-	-	+	-	+	+	=			
Federal Programs													
06	7862	4862	Math Science PHP 84.366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
07	7870	4870	Tech Literacy Challenge 84.318	-	-	-	-	-	-	-	-	-	-
08	7801	4801	Title I 84.010	-	-	-	-	-	-	-	-	-	-
09	7890	4890	Safe and Drug Free Schools 84.186	-	-	-	-	-	-	-	-	-	-
10	7323	4323	STARTALK 12.901	-	-	-	-	-	-	-	-	-	-
12	7801	4801	School Improvement Grants 84.377	-	-	-	-	-	-	-	-	-	-
13	7840	4840	Title I - Neglected & Delinquent 84.013	-	-	-	-	-	-	-	-	-	-
15	7830	4830	Ch 1 - Child Migrant Work 84.011	-	-	-	-	-	-	-	-	-	-
19	7524	4524	IDEA-B-Disabled 84.027	-	-	-	-	-	-	-	-	-	-
21	6043	4538	CTE Formula Allocation 84.048	-	-	-	-	-	-	-	-	-	-
21	6047	4546	CTE Leadership 84.048	-	-	-	-	-	-	-	-	-	-
21	6046	4537	CTE Corrections 84.048	-	-	-	-	-	-	-	-	-	-
21	VAR	4530	CTE Non Traditional Training 84.048	-	-	-	-	-	-	-	-	-	-
28	7950	4950	Homeless Child Education Grant 84.196	-	-	-	-	-	-	-	-	-	-
33	7581	4581	Adult Education Act - Prisons/Institutions 84.002	-	-	-	-	-	-	-	-	-	-
33	7583	4583	Adult Education Act - ABE 84.002	-	-	-	-	-	-	-	-	-	-
33	7584	4584	Adult Education Act - EL/Civics 84.002	-	-	-	-	-	-	-	-	-	-
40	8079	4579	Nutrition Act - Administration 10.560	-	-	-	-	-	-	-	-	-	-
41	8073	4573	Special Milk Program 10.556	-	-	-	-	-	-	-	-	-	-
42	8071	4571	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-
			National School Lunch Program - Commodities 10.555	-	-	-	-	-	-	-	-	-	-
43	8072	4572	Special Assistance Program 10.555	-	-	-	-	-	-	-	-	-	-
44	8074	4574	School Breakfast 10.553	-	-	-	-	-	-	-	-	-	-
47	8075	4575	CACFP Food Service 10.558	-	-	-	-	-	-	-	-	-	-
48	8077	4577	Summer Food Service 10.559	-	-	-	-	-	-	-	-	-	-
51	8079	4579	Fresh Fruit and Vegetables 10.582	-	-	-	-	-	-	-	-	-	-
52	7522	4522	IDEA-B-Preschool Disabled 84.173	-	-	-	-	-	-	-	-	-	-
53	7603	4603	Serve America 94.004	-	-	-	-	-	-	-	-	-	-
54	7625	4625	Charter Schools 84.282	-	-	-	-	-	-	-	-	-	-
60	7910	4910	After School/Community Learning Center 84.287	-	-	-	-	-	-	-	-	-	-
72	7810	4810	Reading First 84.357	-	-	-	-	-	-	-	-	-	-
73	7880	4880	Title III - English Language Acquisition 84.365	-	-	-	-	-	-	-	-	-	-
74	7860	4860	Title II A - Improving Teacher Quality 84.367	-	-	-	-	-	-	-	-	-	-
81	7870	4870	Teacher Tech Training	-	-	-	-	-	-	-	-	-	-
90	7920	4920	Title VI - Admin 84.298	-	-	-	-	-	-	-	-	-	-
9A	7664	4664	ARRA IDEA 84.391	-	-	-	-	-	-	-	-	-	-
9B	7667	4664	ARRA IDEA Pre-School 84.392	-	-	-	-	-	-	-	-	-	-
9C	8080	4661	ARRA Child Nutrition Equipment 10.579	-	-	-	-	-	-	-	-	-	-
9E	7662	4662	ARRA Title I - Grants to Schools 84.389	-	-	-	-	-	-	-	-	-	-
9F	7665	4662	ARRA School Improvement 84.388	-	-	-	-	-	-	-	-	-	-
9G	7650	4650	ARRA McKinney Vento Homeless 84.387	-	-	-	-	-	-	-	-	-	-
9M	7661	4661	ARRA MSP Stabilization Funds 84.394	-	-	-	-	-	-	-	-	-	-
9N	7669	4661	Educaton Jobs Fund 84.410	-	-	-	-	-	-	-	-	-	-
9T	7670	4662	ARRA Tech Literacy Challenge 84.386	-	-	-	-	-	-	-	-	-	-
			Less: Basic Levy and MOE from local sources	-	-	-	-	-	-	-	-	-	-
Total Federal				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
			Total State and Federal										
			Recipient totals from MSP Monthly Allotment reports										
			Proof - should be zero										

Include state and federal programs received from all sources.

This spreadsheet can be used reconcile state and federal revenue and year-end balances with a district's or charter's books, audited financial statements, monthly allotment reports, annual summaries, the annual financial report (AFR), and annual program report (APR).

If used, this spreadsheet is retained by the district or charter to support annual reports; is not submitted to USOE or the Office of the Utah State Auditor.

Unspent balance is either recorded as deferred revenue (a liability) or fund balance using the modified accrual basis of accounting. Deferred revenue is defined in AICPA Audit and Accounting Guide, *State and Local Governments*, paragraphs 6.13 through 6.19.

An objective of reconciling each state and federal program is to help demonstrate that each award is used as intended.

**CHAPTER 4:
AUDIT PROCEDURES FOR
OTHER STATE GRANTS, CONTRACTS AND LOANS**

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CHAPTER 4: AUDIT PROCEDURES FOR OTHER STATE GRANTS, CONTRACTS, AND LOANS

This chapter of the *Legal Compliance Audit Guide (Guide)* identifies compliance testwork relating to State Grant Programs, State Contracts, and State loans received by local governments and nonprofits other than State funds received from the Utah State Office of Education covered in Chapter 3. **This chapter does not apply if the entity under audit received less than \$500,000 in total revenue from State sources.** For the remaining State funded programs, this section provides a source of information for auditors to understand and document the State programs' objectives, procedures, and compliance requirements relevant to the audit, as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

Section A of this Chapter outlines the general suggested audit procedures that assist the auditor in identifying, selecting and testing State grants, contracts or loan issuances. Section B of this Chapter identifies specific suggested audit procedures for B & C Road funds, which is anticipated to be a common major grant. In future years, as more common major grants are identified, guidance will be added to this *Guide*.

STATE MATCHING FUNDS FOR FEDERAL GRANTS: In many instances local governments and nonprofit organizations receive state money in the form of matching funds for federal grants. In many cases the state agency providing the funds does not specify a breakdown between the usage of state and federal funds. Auditors are not required to test state matching funds of federal grants for state compliance issues. It is assumed that these funds will be audited for compliance as part of the federal grant when required by and in accordance with the Single Audit Act and OMB Circular A-133.

IN DETERMINING HOW THE GOVERNMENT ENSURES COMPLIANCE, CONSIDER THE FOLLOWING:

- Accounting system capable of recording appropriations and budgets and comparing them to actual results
- Reconciling appropriation or budget totals to totals recorded in the accounting system
- Policies and Procedures Manuals
- Knowledge and Training of personnel
- Legislative and Management Monitoring
- Management's identification of changes in laws and regulations
- Management's communication of changes in laws and regulations to employees

A. GENERAL COMPLIANCE REQUIREMENTS

SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
1. Have the client prepare a Schedule of Expenditures of State Grants, Contracts, or Loan Funds for the period that identifies all expenditures funded by State sources of revenue; including new loans issued using State funds. The schedule should list (1) the State agency, (2) the name of the grant, contract or loan funding source, (3) total expended, and (4) the year the grant, contract, or loan funds were subject to audit by this <i>Guide</i> . This schedule should be emailed to OSA at sao@utah.gov as part of the audit report submission. Determine that the schedule is fairly presented by agreeing the total to the		

SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
entity's accounting records. An example of this schedule can be found in Appendix 4-1 of this chapter.		
<p>2. Determine and document which grants, contracts, or new loan issuances to test.</p> <p>The OSA requires testing for compliance of at least:</p> <ul style="list-style-type: none"> • One State grant program or contract or new loan issuance with expenditures equal to or in excess of \$500,000 for the period under audit, and • One State grant program or contract or new loan issuance with expenditures totaling less than \$500,000 but more than \$100,000 for the period under audit. <p>Further, testwork must cover at least 25% of the total State funded expenditures of the entity being audited. Therefore, testwork of additional State programs may be necessary to provide audit coverage of at least 25% of the auditee's total State funded expenditures.</p> <p>All grants/contracts/loan programs selected for testwork are considered 'major' for reporting purposes.</p>		
<p>3. Determine and document which grants, contracts, or new loan issuances are considered "low risk" and consider a three-year rotation for testing of these grants, contracts, or new loans.</p> <p>The OSA requires that all State grants, contracts, or new loan issuances greater than \$500,000 be:</p> <ol style="list-style-type: none"> a. Tested at least once in a three-year period. b. Tested each year if they are considered "non-low risk" <p>NOTE: A grant is considered "low risk" if it has been audited as a major state program in at least one of the three most recent audit periods and, if in the most recent audit it had no reportable audit findings.</p>		
<p>4. Determine the program objectives, program procedures, and compliance requirements for each program being testing by:</p> <ul style="list-style-type: none"> • Reviewing the contract and grant agreements and referenced laws and regulations applicable to the program. • Discussing the program with the State awarding agency. 		
<p>5. Determine and document which compliance requirements could have a direct and material effect on the program.</p> <p>NOTE: In assessing materiality, the auditor should consider that materiality is based on qualitative as well as quantitative aspects. Examples of characteristics indicative of compliance requirements that could have a direct and material effect on a major program include:</p> <ul style="list-style-type: none"> • Noncompliance could likely result in questioned costs. • The requirement affects a large part of the State program (e.g., a material amount of program dollars). • Noncompliance could cause the State agency to take action, such as seeking reimbursement of all or a part of the award and suspending the recipient's or subrecipient's participation in the program. 		

SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
Possible compliance requirements are listed in a., b., and c. below. Add additional steps for any other significant requirements.		
a. Services and Costs Allowed or Disallowed -- Review the program requirements and State awarding documents to determine what constitutes allowable or disallowable services and costs.		
b. Eligibility – applies to most State programs which make subawards or provide benefits to individuals or groups of individuals. For programs with eligibility requirements, review the program laws, regulations, and provisions of contract or grant agreements to determine the specific eligibility requirements, including eligibility involving not only individuals but also groups of individuals, geographical areas, or subrecipients, if applicable. Additionally, consider whether continuing, as well as initial, eligibility requirements apply.		
c. Financial Reporting – Determine the financial reports which the entity was required to submit for State programs. The auditor should be aware that reporting may include electronic submissions for which there may be no physical document.		
6. Document the control procedures over each of the significant compliance requirements documented in 5 above.		
<p>7. Determine and document which of the compliance requirements are susceptible to testing by the auditor.</p> <p>NOTE: The requirements should be evaluated against objective criteria, and the auditor should have a sufficient basis for recognizing noncompliance.</p> <p>Auditors are not expected to test compliance requirements if the State awarding agency otherwise verifies compliance. This would apply only if the State awarding agency performs a detailed review of individual transactions at the local government level. The auditor must still identify the compliance requirement and document the review procedures of the State awarding agency specifying how those procedures adequately verify compliance.</p>		
<p>8. Determine whether the entity complied with each of the requirements being tested.</p> <p>NOTE: Example procedures for determining compliance are listed below. Add additional steps for other requirements being tested.</p>		
a. Services and Costs Allowed or Disallowed – Determine whether funds received under State awards were expended only for allowable activities and costs by selecting a sample of transactions and performing procedures to verify that the transaction was for an allowable activity.		
b. Eligibility – Select a sample of individuals, groups, or subrecipients receiving benefits and perform tests to determine whether only eligible individuals or groups of individuals participated in the program, subawards (if any) were made only to eligible subrecipients, and amounts provided to or on behalf of eligible participants were calculated in accordance with program requirements.		

SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
<p>c. Reporting – Select a sample of reports and determine whether the reports included all activity of the reporting period, were supported by applicable accounting records, and were fairly presented in accordance with program requirements.</p>		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

B. B&C ROAD FUNDS

INFORMATION CONTACT: UDOT - Local Government Programs Engineer, A. Matthew Swapp, 801-965-4366 or Kevin Anderson 801-964-4542; Fax 801-965-4551

PROGRAM OBJECTIVES:

To provide funding as a means for assisting counties and incorporated municipalities with the construction and maintenance of county roads and city and town streets throughout the State.

Document below the control procedures which address the compliance requirements:	Performed by and Date	Workpaper Index

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	C, M	1. Confirm the amount of B&C road funds received by the entity with the Utah Department of Transportation's website at: http://www.udot.utah.gov/main/f?p=100:pg:0:::1:T,V:134 .		
	C, M	2. Determine whether current year allowable B&C road fund expenditures exceeded available B&C revenue (available revenue = current year revenue + prior year's fund balances). If allowable expenditures do not exceed available revenue, verify that remaining balances are properly recorded as restricted funds in the general ledger.		
UCA 72-3-103-104 UCA 72-8-104 UCA 72-2-202 UCA 72-5-110,114 72-2-110	C, M	3. Select a sample of B&C road fund disbursements and determine whether the costs were allowable. Permissible Uses Include, but are not limited to: <ol style="list-style-type: none"> a. All construction and maintenance on eligible Class B & C roads. b. Sidewalks, curb and gutter (on all eligible roads and state highways), safety features, traffic signals, traffic signs, and bicycle paths (in B&C Roads). c. Investments for interest purposes (interest to be kept in the fund). d. Equipment purchases or equipment leases and rentals . e. Engineering and administration. f. Future reimbursement of other funds for large construction projects. g. Rights of way acquisition, fencing, and cattle guards. h. Matching federal funds. i. Equipment purchased with B and C funds may be leased from the road department to another department or agency using the rental rate established by the Federal Emergency Management Agency (FEMA) schedule of equipment rates. 		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
72-2-110 More information about fund uses can also be found in the <i>Governing of Class B&C Road Fund Guide</i> , issued by the Utah Department of Transportation. 2011 Edition, Section IV Guide Found Here		<p>j. Construction of road maintenance buildings, storage sheds, and yards. Multiple use facilities may be constructed by mixing funds on a proportional basis.</p> <p>k. Litigation of RS-2477 issues (see 2009 regulations and HB 278). (B&C roads are defined in Sections 72-3-103 and 104; maintenance and construction are defined in Section 72-6-109.)</p> <p>Non-Permissible Uses Include:</p> <p>a. Non-road uses</p> <p>b. Police Costs</p> <p>c. To pay for rental on equipment which was previously purchased with B&C road funds</p> <p>d. Alleys</p> <p>e. Roads or streets with locked gates or restrictive signing will not be included as eligible roads. (Utah Code, Section 72-7-106)</p>		
UCA 72-2-108	C, M	4. If B&C funds are used to pay for bonds, select a sample of related bonds and determine that the bond proceeds were used for allowable costs.		
UCA 72-6-108,109	C, M	5. Review project files to verify that the appropriate documents (plans, specifications, and estimates) were prepared prior to the construction of any improvement project on a Class B or C road having an estimated cost exceeding \$167,990 in 2013 + 3% per year increase for labor, equipment, and materials.		
UCA 72-6-110	C, M	6. Review the entity's files to determine that all construction work was prepared and performed under the direction of a registered professional engineer, and that the engineer has provided the required certification to the governing officials.		
UCA 72-6-108	C, M	7. Review selected files to determine that projects in excess of \$167,990 in 2013 + 3% per year increase for labor, equipment, and materials were performed under contract let to the lowest responsible bidder. Whenever the estimated cost of the construction exceeded the sum of \$167,990 for labor, equipment, and materials, determine that the project was not divided as to permit the construction in several parts, except by contract.		
UCA 72-6-109 FEMA Equipment Rate Schedule Here	C, M	8. Review the supporting documents for projects estimated to cost more than \$167,990 in 2013 + 3% per year increase for each subsequent year where the work was performed by force account. Determine that proper procedures were followed. Equipment costs are to be determined using the Federal Emergency Management Agency schedule of equipment rates.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

Legal Ref.	Applicable to:	SUGGESTED AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 72-6-108 Specific Requirements UCA 63G-Ga-406 and 1402	C, M	9. Review the entity's project files to verify that the advertising requirements were followed. NOTE: The advertisement for bids on B&C roads shall be published in a newspaper of general circulation in the county in which such work is to be performed at least once a week for three consecutive weeks, or if there is no such newspaper, then after posting such notice for at least twenty days in at least five public places in the county. Sealed bids shall be received by the governing officials and opened at the time and place designated in the advertisement, and the contract awarded (provided that the governing officials shall have the right to reject any and all bids and provided that the person, firm, or corporation to whom any such contract is awarded) shall be subject to all provisions of the Utah Procurement Code (UCA 63G-6a).		
UCA 72-6-108(6)	C, M	10. Review contractor payments and verify that any withholdings from the payments have been deposited in an interest bearing account and that the interest accrues to the benefit of the contractors.		
<i>Governing of Class B&C Road Fund Guide</i> Guide Found Here	C, M	11. If the local authority is allowing its Class B and C road funds to accumulate until such time as sufficient funds are available for more extensive road projects, verify that the funds have been invested in government offerings or time certificates of deposit for interest earning purposes and that the interest has been credited to the entity's B&C road fund account.		
UCA 17-16-18	C	12. Verify that Class B road funds are not being used to reimburse the General Fund for the cost of county officers during the current year or for previous years.		

CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; LEA=Local Education Agency

State of Utah
Schedule of Expenditures of State Grants, Contracts, and Loan Funds
For the Year Ended June 30, 20xx

Grant Name	Award/Contract # (if applicable)	Year of Last Audit	Expenditures
<u>[INSERT NAME OF STATE AGENCY]</u>			
[name of grant, contract, or loan funding source]			\$ -
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
Subtotal – [Name of State Agency]			\$ -
<u>[INSERT NAME OF STATE AGENCY]</u>			
[name of grant, contract, or loan funding source]			\$ -
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
Subtotal – [Name of State Agency]			\$ -
<u>[INSERT NAME OF STATE AGENCY]</u>			
[name of grant, contract, or loan funding source]			\$ -
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
[name of grant, contract, or loan funding source]			
Subtotal – [Name of State Agency]			\$ -
TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES			\$ -

CHAPTER 5: COMBINED REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE

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Elements to be included in Auditor's Combined Report on Compliance and Internal Control Over Compliance	5-1
Example 1 Unqualified Opinion on Compliance with: <ul style="list-style-type: none">• Immaterial Instances of Noncompliance Noted• <u>No</u> Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified• Other Internal Control Deficiencies noted	5-3
Example 2 Unqualified Opinion on Compliance with: <ul style="list-style-type: none">• Immaterial Instances of Noncompliance Noted• Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified	5-6
Example 3 Qualified Opinion on Compliance with: <ul style="list-style-type: none">• Material Instances of Noncompliance Noted• Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance identified	5-9
Changes to Examples for Reports on Nonprofit Entities Not Subject to General Compliance Sections	5-13

CHAPTER 5: COMBINED REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS AND INTERNAL CONTROL OVER COMPLIANCE (Based on AICPA AU-C 935)

The auditor's combined report on compliance and internal control over compliance should include the following elements:

1. A title that includes the word *independent*.
2. An addressee appropriate for the circumstances of the engagement.
3. An introductory paragraph that includes the following:
 - a. For applicable entities, identification of each general compliance requirement covered by the compliance audit.
 - b. Identification of each major state program covered by the compliance audit (or a statement that the entity had no major state programs for the period).
 - c. Identification of the applicable compliance requirements described in the *Legal Compliance Audit Guide*.
 - d. Identification of the period covered by the report.
4. A section with the heading "Management's Responsibility" that includes a statement that compliance with the applicable compliance requirements is the responsibility of the entity's management.
5. A section with the heading "Auditor's Responsibility" that includes the following statements:
 - a. A statement that the auditor's responsibility is to express an opinion on the entity's compliance with the applicable compliance requirements based on the compliance audit.
 - b. A statement that the compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and the *State of Utah Legal Compliance Audit Guide*.
 - c. A statement that the compliance audit included examining, on a test basis, evidence about the entity's compliance with applicable compliance requirements and performing such other procedures as the auditor considered necessary in the circumstances.
 - d. A statement that the auditor believes the compliance audit provides a reasonable basis for the auditor's opinion.
 - e. A statement that the compliance audit does not provide a legal determination of the entity's compliance.
6. If noncompliance results in a modified opinion, a section with an appropriate heading, indicating the basis for the modified opinion that includes a description of such noncompliance.
7. A section with the heading "Opinion" that includes the auditor's opinion, at the general compliance level and at the major state program level specified by the *Compliance Audit Guide*, on whether the entity complied, in all material respects, with the applicable compliance requirements.
8. If other noncompliance that is required to be reported by the *Guide* is identified (that is, noncompliance that does not result in a modified opinion), an other-matter paragraph that includes a description of such noncompliance.
9. A section heading "Internal Control Over Compliance."
10. A statement that management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to government programs.

11. A statement that in planning and performing the compliance audit, the auditor considered the entity's internal control over compliance with the applicable compliance requirements to determine the auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.
12. A statement that the auditor is not expressing an opinion on internal control over compliance.
13. A statement that the auditor's consideration of the entity's internal control over compliance was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance.
14. The definition of deficiency in internal control over compliance and material weakness in internal control over compliance.
15. A description of any identified material weaknesses in internal control over compliance or a reference to an accompanying schedule containing such a description.
16. If significant deficiencies in internal control over compliance were identified, the definition of significant deficiency in internal control over compliance and a description of the deficiencies or a reference to an accompanying schedule containing such a description.
17. If no material weaknesses in internal control over compliance were identified, a statement to that effect.
18. If the criteria used to evaluate compliance are
 - established or determined by contractual agreement or regulatory provisions that are developed solely for the parties to the agreement or regulatory agency responsible for the provisions or
 - available only to the specified parties,an alert describing the purpose of the auditor's report and that the report is not suitable for any other purpose, as required by section 905, Alert That Restricts the Use of the Auditor's Written Communication
19. If noncompliance is reported, a response from responsible officials concerning their views on the auditor's findings, conclusions, and recommendations.
20. When a response from responsible officials is included in the report, the auditor may add a paragraph to the report disclaiming an opinion on such information.
21. The manual or printed signature of the auditor's firm.
22. The city and state where the auditor practices.
23. The date of the auditor's report.

The following pages contain examples of Combined Reports on Compliance with Applicable Requirements and Internal Control Over Compliance.

Example 1

Illustrative Combined Report on Compliance with Applicable Requirements and Internal Control Over Compliance—(Unqualified Opinion on Compliance with:

- *Immaterial Instances of Noncompliance noted;*
- *No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified;*
- *Other Internal Control Deficiencies noted)*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

To the [Board of Trustees/City Council/County Commission], Audit Committee
and

[Chief Executive Officer]

[XYZ Entity]

REPORT ON COMPLIANCE

We have audited the [insert full name of Entity]'s compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended [Month, Day, 20XX].

The general compliance requirements applicable to [the Entity] are identified as follows:

[DELETE ANY AREAS NOT APPLICABLE TO THE ENTITY]

Cash Management
Budgetary Compliance
Fund Balance
Justice Courts
Statement of Taxes Charged, Collected & Disbursed
Assessing & Collecting Property Taxes
Transient Room Tax and Tourism, Recreation, Culture, Convention, and Airport Facilities Tax
Impact Fees
Utah Retirement Systems Compliance
Transfers from Utility Enterprise Funds
Locally Generated Taxes and Fees
School Fees
Government Records Access Management Act
Conflicts of Interest
Nepotism
Utah Public Finance Website
Open and Public Meetings Act
Special & Local Service District Board Members

[The Entity] received the following major assistance programs from the State of Utah:

[LIST APPLICABLE PROGRAMS HERE]

– OR –

[The Entity] did not receive any major assistance programs from the State of Utah during the year ended June 30, 20XX.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of [the Entity]'s management.

Auditor's Responsibility

Our responsibility is to express an opinion on [the Entity]'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on [the Entity] and its major programs occurred. An audit includes examining, on a test basis, evidence about [the Entity]'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of [the Entity]'s compliance with those requirements.

Opinion

In our opinion, [full name of Entity], complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended [Month, Day, 20XX].

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in [the accompanying schedule of findings and recommendations as items [20XX-2 and 20XX-3] –or– [our letter to management dated [Date] as items [20XX-2 and 20XX-3].

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of [the Entity] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered [the Entity]'s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [the Entity]'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

We did note a matter involving internal control over compliance –or– certain deficiencies which we are submitting for your consideration. This matter is described in the accompanying letter to management.

[Entity]'s Response to Findings

[The Entity]'s response to the findings identified in our audit are described in the accompanying letter to management. *[The Entity]*'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Auditor's Signature]

[Auditor's City, State]

[Date of Auditor's Report]

Example 2

Illustrative Combined Report on Compliance with Applicable Requirements and Internal Control Over Compliance—(Unqualified Opinion on Compliance with:

- *Immaterial Instances of Noncompliance Noted;*
- *Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified)*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

To the *[Board of Trustees/City Council/County Commission]*, Audit Committee
and
[Chief Executive Officer]
[XYZ Entity]

REPORT ON COMPLIANCE

We have audited the *[insert full name of Entity]*'s compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended *[Month, Day, 20XX]*.

The general compliance requirements applicable to *[the Entity]* are identified as follows:

[DELETE ANY AREAS NOT APPLICABLE TO THE ENTITY]

Cash Management
Budgetary Compliance
Fund Balance
Justice Courts
Statement of Taxes Charged, Collected & Disbursed
Assessing & Collecting Property Taxes
Transient Room Tax and Tourism, Recreation, Culture, Convention, and Airport Facilities Tax
Impact Fees
Utah Retirement Systems Compliance
Transfers from Utility Enterprise Funds
Locally Generated Taxes and Fees
School Fees
Government Records Access Management Act
Conflicts of Interest
Nepotism
Utah Public Finance Website
Open and Public Meetings Act
Special & Local Service District Board Members

[The Entity] received the following major assistance programs from the State of Utah:

[LIST APPLICABLE PROGRAMS HERE]

– OR –

[The Entity] did not receive any major assistance programs from the State of Utah during the year ended June 30, 20XX.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of [the Entity]'s management.

Auditor's Responsibility

Our responsibility is to express an opinion on [the Entity]'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on [the Entity] and its major programs occurred. An audit includes examining, on a test basis, evidence about [the Entity]'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of [the Entity]'s compliance with those requirements.

Opinion

In our opinion, [full name of Entity], complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended [Month, Day, 20XX].

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in [the accompanying schedule of findings and recommendations as items [20XX-2 and 20XX-3]] ~~–or–~~ [our letter to management dated [Date] as items [20XX-2 and 20XX-3].]

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of [the Entity] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered [the Entity]'s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [the Entity]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and/or significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in [the accompanying schedule of findings and recommendations as items [20XX-2 and 20XX-3]] to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in [the accompanying schedule of findings and recommendations as items [20XX-2 and 20XX-3]] to be significant deficiencies.

[Entity]'s Response to Findings

[The Entity]'s response to the findings identified in our audit are described in the accompanying letter to management. [The Entity]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Auditor's Signature]

[Auditor's City, State]

[Date of Auditor's Report]

Example 3

Illustrative Combined Report on Compliance with Applicable Requirements and Internal Control Over Compliance—(Qualified Opinion on Compliance with:

- *Material Instances of Noncompliance noted;*
- *Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance identified)*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROLS OVER COMPLIANCE
IN ACCORDANCE WITH THE STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE**

To the *[Board of Trustees/City Council/County Commission]*, Audit Committee
and
[Chief Executive Officer]
[XYZ Entity]

REPORT ON COMPLIANCE

We have audited the *[Full name of Entity]*'s compliance with the general and major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended *[Month, Day, 20XX]*.

The general compliance requirements applicable to *[the Entity]* are identified as follows:

[DELETE ANY AREAS NOT APPLICABLE TO THE ENTITY]

Cash Management
Budgetary Compliance
Fund Balance
Justice Courts
Statement of Taxes Charged, Collected & Disbursed
Assessing & Collecting Property Taxes
Transient Room Tax and Tourism, Recreation, Culture, Convention, and Airport Facilities Tax
Impact Fees
Utah Retirement Systems Compliance
Transfers from Utility Enterprise Funds
Locally Generated Taxes and Fees
School Fees
Government Records Access Management Act
Conflicts of Interest
Nepotism
Utah Public Finance Website
Open and Public Meetings Act
Special & Local Service District Board Members

[The Entity] received the following major assistance programs from the State of Utah:

[LIST APPLICABLE PROGRAMS HERE]

– OR –

[The Entity] did not receive any major assistance programs from the State of Utah during the year ended June 30, 20XX.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of [the Entity]'s management.

Auditor's Responsibility

Our responsibility is to express an opinion on [the Entity]'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on [the Entity] and its major programs occurred. An audit includes examining, on a test basis, evidence about [the Entity]'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of [the Entity]'s compliance with those requirements.

Basis for Qualified Opinion on [Identify General Compliance area or State Program]

As described in [the accompanying schedule of findings and recommendations], [the Entity] did not comply with requirements regarding [identify general compliance area or state program and related compliance requirements] (see item [20XX-1]). Compliance with such requirements is necessary, in our opinion, for [the Entity] to comply with the requirements applicable to that [area/program].

Qualified Opinion on [Identify General Compliance area or State Program]

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, [the Entity] complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on [identify general compliance area or state program] for the year ended [Month, Day, 20XX].

Unmodified Opinion on Each of the Other General Compliance Areas and Major State Programs

In our opinion, [the Entity] complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other General Compliance Areas and Major State Programs for the year ended [Month, Day, 20XX].

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in [the accompanying schedule of findings and recommendations as items [20XX-2 and 20XX-3]] –or– [our letter to management dated [Date] as items [20XX-2 and 20XX-3]].

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of [the Entity] is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered [the Entity]'s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [the Entity]'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and/or significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in [the accompanying schedule of findings and recommendations as items [20XX-2 and 20XX-3]] to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in [the accompanying schedule of findings and recommendations as items [20XX-2 and 20XX-3]] to be significant deficiencies.

[Entity]'s Response to Findings

[The Entity]'s response to the findings identified in our audit are described in the accompanying letter to management. [The Entity]'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Auditor's Signature]

[Auditor's City, State]

[Date of Auditor's Report]

Changes to Examples for Reports on Nonprofit Entities Not Subject to General Compliance Sections

If reporting on a Nonprofit Entity not subject to the general compliance sections of the *Legal Compliance Audit Guide*, the "**Report on Compliance**" section should be modified as follows:

REPORT ON COMPLIANCE

We have audited the *[Full name of Entity]*'s compliance with major state program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended *[Month, Day, 20XX]*. *[The Entity]* received the following major assistance programs from the State of Utah:

[LIST APPLICABLE PROGRAMS HERE]