



OFFICE OF THE
UTAH STATE AUDITOR

News Release

For Immediate Release

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Office of the Utah State Auditor Completes Audit of Federal Funds Received by State

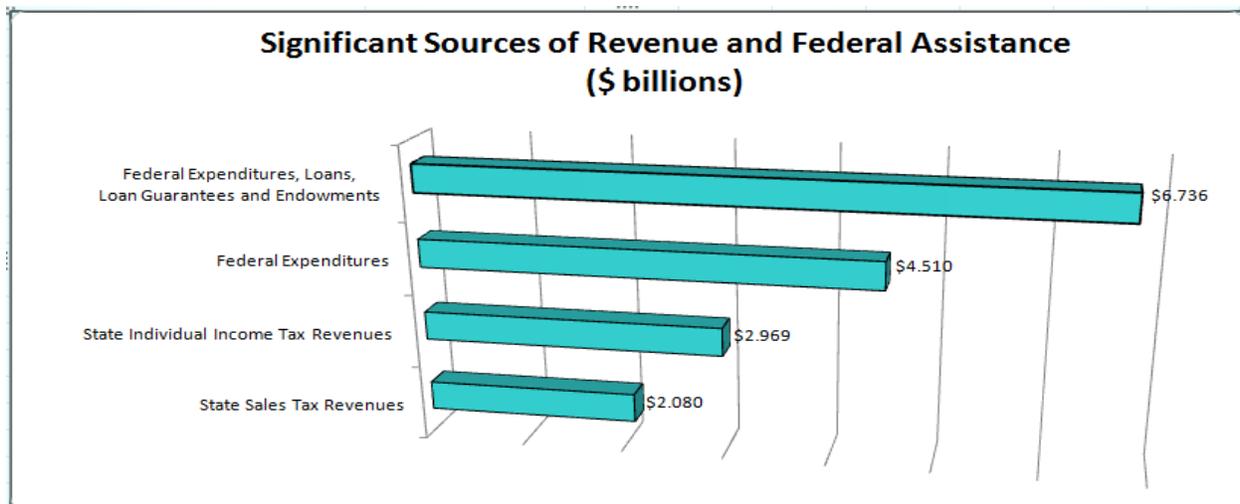
\$4.510 Billion in Federal Funds Expended during Fiscal Year 2013 Reviewed for Proper Use and Appropriate Internal Controls

Salt Lake City, UTAH –

The Office of the Utah State Auditor today released its Single Audit of the State's expenditures of federal funds. The audit report covers the State's compliance with federal laws and regulations governing the use of federal funds. The \$4.510 billion in federal funds spent in fiscal year 2013 represents 26% of the State's total fiscal year 2013 expenditures of \$17.381 billion.

Federal funds are a major source of funding for the State of Utah and are the State's largest single revenue source. For the fiscal year ended June 30, 2013, Utah received \$4.510 billion in federal funds compared to \$2.969 billion in individual income tax and \$2.080 billion in sales tax. In addition, the State relied on another \$2.226 billion in loans, endowments and loan guarantees for total federal assistance of \$6.736 billion. The large federal programs are extremely complex to administer, with extensive "red tape" and detailed rules and reporting requirements.

Mr. John Dougall, Utah State Auditor states, "Given the recent partial federal shutdown and the continual budget turmoil in Congress, Utahns should consider the concerns raised by such a significant amount of funding dependent on a single source with such fiscal dysfunction."

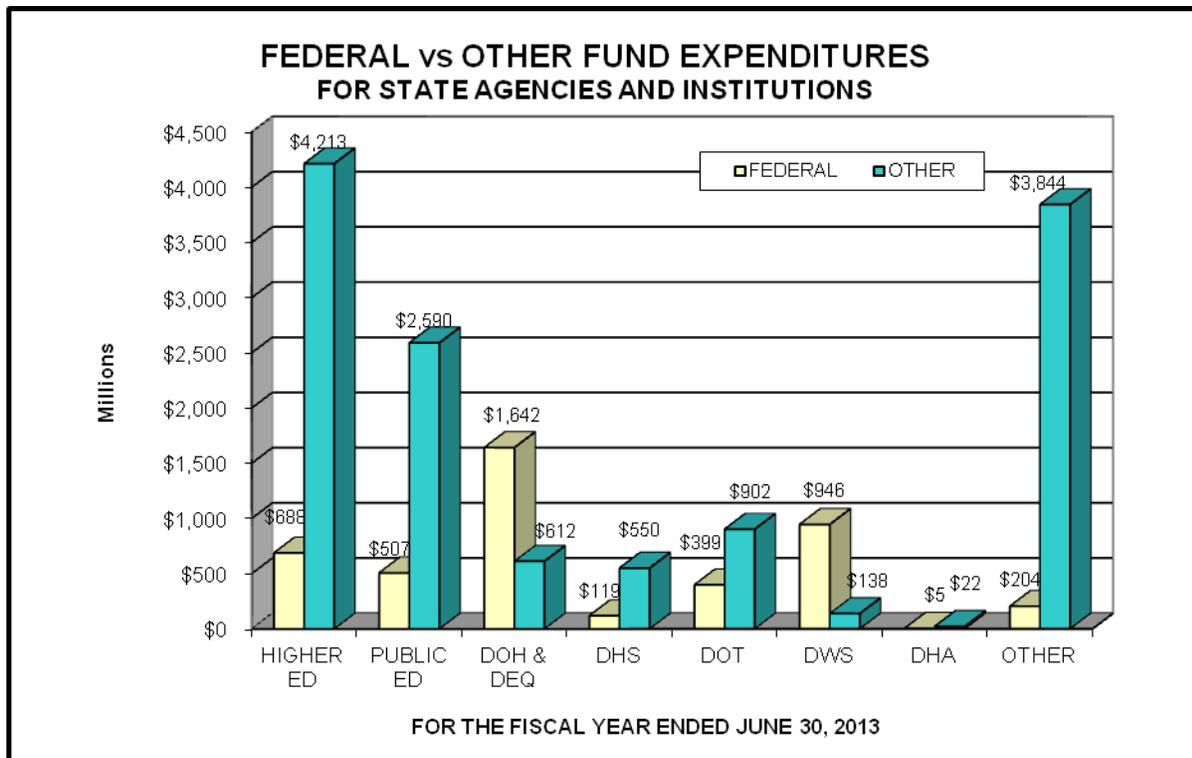




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Of this \$4.510 billion in expenditures, nearly \$4.182 billion was expended in five main areas. The comparison of federal expenditures vs. state expenditures in these areas is listed below:

1. Health (including Medicaid) and Environmental Quality \$1.642 billion federal vs. \$612 million state
2. Workforce Services \$946 million federal vs. \$138 million state
3. Higher Education \$688 million federal vs. \$4.213 billion state
4. Public Education \$507 million federal vs. \$2.590 billion state
5. Transportation \$399 million federal vs. \$902 million state



HIGHER ED – Colleges and Universities
 PUBLIC ED – Office of Education
 DOH & DEQ – Dept. of Health and
 Dept. of Environmental Quality
 DHS – Dept. of Human Services

DOT – Dept. of Transportation
 DWS – Dept. of Workforce Services
 DHA – Dept. of Heritage and Arts
 OTHER – Other state agencies

Overall, the Office found that the State expends federal funds in most respects in compliance with federal regulations. The report presents 49 audit findings, or problems, and recommendations related to the State's noncompliance with federal laws and regulations and related internal controls. The majority of these findings are modest in scope or impact and are in the process of being corrected by agency leadership. Many of these issues are due to the overwhelming size and bureaucratic complexity of federal programs and extensive regulations that can lead to errors.



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Of most significant concern this year is that material weaknesses in internal controls were reported for 6 federal programs. In addition, 1 of the 29 federal programs audited received a qualified audit opinion because of material noncompliance with federal program requirements. This program is the Low Income Home Energy Assistance Program. Department of Workforce Services' management is aware of the issues and is taking steps to bring the program into compliance.

In compliance with federal requirements, the report includes a detailed listing of expenditures for each of the federal programs, as well as a list of disbursements sorted by State program and a list of findings found during the audit.

BACKGROUND:

Of the \$4.510 billion in federal revenues, \$3.821 billion was received by the State's governmental and business type activities, representing approximately 31% of the State's total revenues for governmental and business type activities, and \$688 million was received by the State's colleges and universities, representing approximately 13% of the colleges and universities' total revenues.

Both federal and state laws require the State to have an annual audit of all federal funds expended to determine whether the funds were spent in accordance with federal laws and regulations. Any funds that appear to have not been spent in accordance with federal laws and regulations are questioned by the Office of the State Auditor. The Federal Government will work with each State agency and each college and university where costs have been questioned to determine if the costs need to be paid back. The Federal Government may also expand the audit of problem areas identified to increase the amount of disallowed costs if they choose.

Federal audit standards require the Office of the State Auditor to audit the State's federally funded programs and give an opinion on the State's compliance with federal laws and regulations. Federal audit standards require a risk-based approach which focuses auditing effort on the largest federal programs and those programs with higher risk. The Office of the State Auditor audited 29 programs in fiscal year 2013. The programs audited represent approximately 80% of the federal financial assistance received by the State of Utah.

A copy of this report can be viewed on our website at auditor.utah.gov and specifically at financialreports.utah.gov/saoreports/2013/2013SingleAuditReportStateofUtah.pdf.



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About the Office of the Utah State Auditor

The Office of the Utah State Auditor provides Utah taxpayers and government officials with an independent assessment of financial operation, statutory compliance, and performance management for state and local government.

Specific activities of the Office include performing financial audits, conducting federal funds compliance audits, providing local government oversight, conducting agency and program performance audits, performing fraud and compliance audits, and operating the State Auditor Hotline for citizens to report suspected financial issues or improprieties. These capabilities strengthen Utah State Government and help taxpayers have confidence in the integrity of Utah's government agencies.

The Utah State Auditor is a Constitutional Officer of the State of Utah, elected directly by the state's citizens every 4 years. The role of the Utah State Auditor is authorized in Article VII, Section 15 of the Utah Constitution.

Auditor.Utah.gov

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