



OFFICE OF THE
UTAH STATE AUDITOR

**State Compliance Audit Guide
Significant Changes for 2015**

Now applicable only to local governments with revenues or expenditures **greater than \$750,000** and nonprofits that expend more than \$750,000 in combined federal, state, and local funding.

CHAPTER 1: GENERAL AUDIT PROCEDURES TO BE PERFORMED ANNUALLY

1. A section for **“Planning Procedures”** has been added to assist the auditor in properly considering internal controls and performing risk assessments in accordance with AU-C 935. The corresponding steps were deleted from each compliance section. In addition, appendix 1-1 was added to assist the auditor in this documentation.
2. Testing of the **budget** for approval and proper form was moved into the “Budgetary Compliance” section to be tested each year. This moved from the prior year “Budget Notices and Format” section in Chapter 2.
3. A requirement that **charter schools** should also have **quarterly reports** was added to “Budgetary Compliance.”
4. **“Deficit Fund Balance”** testwork was modified as follows:
 - **Municipalities, Districts, Interloals, & Counties:** For any fund that has a deficit fund balance in the year under audit, determine whether the entity included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 5% of the total actual revenue of the year under audit for the fund. (Note: Although the laws relating to towns are silent on the matter, the OSA requires the same appropriation procedures for towns as a good business practice.)
 - **LEA’s (except charter schools):** For any deficit district balances in the year under audit, determine whether the district included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 10% of the total actual tax revenue of the year under audit for the district.
5. Clarification was added to the **“Utah Retirement Systems”** step regarding the ‘pick up’ option.
6. Testwork on **enterprise fund transfers** was changed significantly to clarify the difference between interfund reimbursements and interfund transfers testwork.
7. Testwork was added regarding the proper accounting for **tax increment**.
8. A step was added directing the auditor to consider and test significant **“Restricted Taxes.”** In addition, appendix 1-3 was added detailing individual Sales and Use Taxes and Property Taxes and their applicable restrictions.
9. Testwork related to “Locally Generated Taxes” for LEAs to determine if the tax rates/levies were approved/certified by USTC, interest earnings, and financial reporting were deleted.
10. The section on “Interlocal Agreement Entities” was deleted.
11. The testwork on the **“Open and Public Meetings Act”** was moved to Chapter 1 to be tested each year. In addition, steps were added regarding compliance with the following:
 - 24 hour notice of meetings posted on the Utah Public Notice Website.
 - Governing board “work meetings.”
 - Original and final budget adoption (moved from the prior year “Budget Notices and Format” section)

Our office is also requesting the CPA report any noncompliance with the Open and Public Meetings Act directly to the OSA at stateauditor@utah.gov.

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

1. The “Assessing and Collecting Property Taxes” section was deleted.
2. A step to determine if **Impact Fees Reports** were submitted to the Office of the State Auditor was added.
3. The “School Building Program” section was moved to grants testwork in Chapter 3 (State Grants) and the “Charter School Revolving Account” section was deleted.
4. The “Government Records Access Management Act (GRAMA)” steps were modified to include wording that the policies should be written and approved by the governing board.
5. The “Conflicts of Interest” and “Nepotism” section steps were modified to include wording that the policy should be written.
6. The **“Utah Public Finance Website”** section was deleted.
7. The “Open and Public Meetings Act” section was moved to Chapter 1 to be tested each year.
8. The testing of original and final budget adoption in the prior year “Budget Notices and Format” section was moved to the Open and Public Meeting Action section now in Chapter 1.
9. The “Uniform Chart of Accounts for Local Education Agencies” section was deleted.

CHAPTER 3: AUDIT PROCEDURES FOR OTHER STATE GRANTS, CONTRACTS AND LOANS

(previously Chapter 4)

1. This chapter is now applicable to LEA’s.
2. The threshold for type A grants increased to \$750,000 and to \$350,000 for type B grants.
3. The minimum coverage for testing of state grants was increased from 20% to 25%.
4. Procurement Contracts were defined and directed to be excluded from the Schedule of Expenditures of State Awards.
5. The “School Building Program” requirements and “Drivers Education Program” requirements previously in MSP testwork were moved into this chapter to be tested as a state grant as applicable.

CHAPTER 4: AUDIT PROCEDURES FOR MINIMUM SCHOOL PROGRAM (MSP) FUNDS RECEIVED THROUGH THE UTAH STATE OFFICE OF EDUCATION (previously Chapter 3)

1. The “Driver Education Program” was moved to grant testwork in Chapter 3.

CHAPTER 5: REPORTING - No significant changes