STATE COMPLIANCE AUDIT GUIDE

(Revised May 2015)

OFFICE OF THE

UTAH STATE AUDITOR

REVISION HISTORY

As revisions are made to this *State Compliance Audit Guide*, they will be noted in the table below. Please refer back to the online version often to check for changes.

CHAPTER	SECTION	PAGE	CHANGE(S) MADE	DATE CHANGED

TABLE OF CONTENTS

	Page
APPLICABILITY:	
IDENTIFYING COMPLIANCE REQUIREMENTS TO BE TESTED	i
WHICH ENTITIES NEED A STATE COMPLIANCE AUDIT?	ii
DECISION TREE: Determining Whether an Entity Needs a Financial Audit and a State Compliance Audit, or an Agreed-Upon Procedures Engagement	iii
REPORTING REQUIREMENTS FOR NONPROFIT ORGANIZATIONS	iv
COMPONENTS OF THE AUDIT REPORTING PACKAGE	v
CHAPTER 1: GENERAL AUDIT PROCEDURES TO BE PERFORMED ANNUALLY	
A. Compliance Audit Planning Procedures	1-1
B. Budgetary Compliance	1-2
C. Fund Balance	1-4
D. Justice Courts	1-5
E. Utah Retirement Systems	1-8
F. Enterprise Fund Transfers, Reimbursements, Loans, and Services	1-9
G. Tax Levy Revenue Recognition	1-14
H. Restricted Taxes	1-15
I. Transient Room Tax and Tourism Taxes	1-15
J. School District Tax Levies	1-19
K. Open and Public Meetings Act	1-21
Appendix 1-1 Identification of Applicable Compliance Areas and Risk Assessment	1-1-1
Appendix 1-2 Disposition of Justice Court Fines, Fees, and Forfeitures	1-2-1
Appendix 1-3 Restricted Tax Types	1-3-1
CHAPTER 2: GENERAL AUDIT PROCEDURES TO BE PERFORMED AT LEAST EVERY THIRD YEAR	
A. Cash Management	2-1
B. Statement of Taxes Charged, Collected and Disbursed – Current and Prior Years	2-2
C. Impact Fees	2-2
D. School Fees	2-3
E. Government Records Access Management Act (GRAMA)	2-4
F. Conflicts of Interest	2-5
G. Nepotism	2-6
H. Special and Local Service District Board Members	2-6
CHAPTER 3: AUDIT PROCEDURES FOR STATE GRANTS, CONTRACTS, AND LOANS	
A. General Compliance Requirements	3-2
B. B&C Road Funds	3-5
C. School Building Program	3-8
D. Driver Education Program	3-9
Appendix 3-1 Example Schedule of Expenditures of State Awards	3-1-1
Appendix 3-2 Major Grant Decision Trees	
• Determining Major Grant Classification	3-2-1
• Determining the Number of Major Grants to Test	3-2-2

TABLE OF CONTENTS

Page

CHAPTER 4: AUDIT PROCEDURES FOR MINIMUM SCHOOL PROGRAM (MSP) FUNDS RECEIVED THROUGH THE UTAH STATE OFFICE OF EDUCATION (Local Education Agencies)

A. Minimum School Program 4-1

Appendix 4-1 Sample Minimum School Program Schedule

A. Instructions for 2015 4-1-1

B. Sample Schedules 4-1-2

Appendix 4-2 Sample State and Federal Revenue Reconciliation for LEAs 4-2-1

CHAPTER 5: REPORTING

REPORTING REQUIREMENTS, including determination of materiality 5-1

DEVELOPMENT OF FINDINGS 5-3

EXAMPLES of Auditor's Reports on Compliance:

Example 1 Unmodified Opinion on Compliance with:
- No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified
- Other Noncompliance Noted
- Other Internal Control Deficiencies Noted 5-4

Example 2 Unmodified Opinion on Compliance with:
- Immaterial Instances of Noncompliance Noted
- Significant Deficiencies in Internal Control Over Compliance Identified
- No Material Weaknesses Identified 5-8

Example 3 Qualified Opinion on Compliance with:
- Material Instances of Noncompliance Noted
- Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified 5-12

QUESTIONS AND COMMENTS

The Office of the Utah State Auditor welcomes questions, comments and suggestions on this *Guide*. Please submit them to Patricia Nelson, Audit Supervisor, Local Government, at patricianelson@utah.gov.

IDENTIFYING COMPLIANCE REQUIREMENTS TO BE TESTED

NOTE: **This *Guide* is not intended to identify compliance requirements that could be direct and material to the financial statements.** This State Compliance Audit does not replace testing of compliance in a financial statement audit. Financial statement compliance requirements not in this guide may include, but not be limited to, compliance with the Utah Money Management Act, compliance with debt or bond requirements, or debt limitations. Therefore, the auditor 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 the financial audit. (See AU-C 250, *Consideration of Laws and Regulations in an Audit of Financial Statements.*)

WHICH ENTITIES NEED A STATE COMPLIANCE AUDIT?

Utah Code Annotated (UCA) 51-2a-202 requires the local government entities or nonprofit organizations listed below to receive **a financial audit** in accordance with *Government Auditing Standards (GAS).*

IN ADDITION, these entities are required to have **a state compliance audit** which should be 1) performed in accordance with the *State Compliance Audit Guide (Guide),* developed by the Office of the Utah State Auditor (OSA) as directed by UCA 51-2a-301, and 2) completed using the guidance in the AICPA's Clarified Statements on Auditing Standards, AU-C section 935, *Compliance Audits*.

- **Counties** with total annual revenues or expenses greater than or equal to $750,000.
- **Municipalities** with total annual revenues or expenses greater than or equal to $750,000.
- **Interlocal entities** with total annual revenues or expenses greater than or equal to $750,000.
- **Local and special service districts** with total annual revenues or expenses greater than or equal to $750,000.
- **Local Education Agencies** (LEAs), *regardless of total annual revenues or expenses*:
    - **School districts**
    - ***Operating* Charter Schools (<u>including</u> charter schools organized as nonprofits).**
- **Nonprofit organizations** (excluding charter schools organized as nonprofits) that expend $750,000 or more in combined federal, state, and local funding (excluding procurement contracts – see Chapter 3 for a definition) are subject to Chapter 3 **only** of this Guide. However, the entity must also receive a financial audit in accordance with generally accepted auditing standards and must submit their audit reporting package to the OSA via the OSA's Online Reporting System. (NOTE: A Yellow Book Report is not required.)
- Other local government **entities that are not required to have a financial audit under state law, but choose to have a financial audit.**

This *Guide* <u>does not apply</u> to:

- **State departments or agencies**
- Local government entities that are **allowed by statute and choose to receive an Agreed-Upon Procedures engagement instead of an audit**.
- ***Nonoperating* Charter Schools** (Charter schools that have not received MSP funds or federal funds and are not providing educational services during a fiscal year). *Nonoperating Charter schools are required to have an Agreed-Upon Procedures engagement (See OSA's guide for AUP's).*

DECISION TREE:

DETERMINING WHETHER AN ENTITY NEEDS A FINANCIAL AUDIT AND A STATE COMPLIANCE AUDIT, OR AN AGREED-UPON PROCEDURES ENGAGEMENT

1. Is the entity a county, a municipality, a local or special service district, or an interlocal agreement entity?

   ☐ Yes – Continue to #3 below

   ☐ No – Nonprofit organizations (other than charter schools) continue to table on next page. Nonoperating charter schools continue to #5 below. All others continue to #2 below.

2. Is the entity a school district or an operating charter school (including those organized as nonprofits)?

   ☐ Yes – Stop! Both a financial audit and a state compliance audit are required to be performed and submitted to the Office of the Utah State Auditor (OSA).

   ☐ No – Neither an agreed-upon procedures engagement, a financial audit, nor a state compliance audit are required by the State of Utah.*

3. Are total annual revenues or expenditures of all funds less than $750,000?

   ☐ Yes – Continue

   ☐ No – Stop! Both a financial audit and a state compliance audit are required to be performed and submitted to the OSA.

4. Are total annual revenues or expenditures of all funds greater than $350,000?

   ☐ Yes – Continue

   ☐ No – Stop! Neither an agreed-upon procedures engagement, a financial audit, nor a state compliance audit are required by the State of Utah.*

   However, the entity must complete:
   - OSA Self-Evaluation Form (option 1), and
   - OSA Online Financial Survey (option 2)

   at reporting.auditor.utah.gov

5. Are either a financial audit or a state compliance audit required by an external party (i.e. bond/debt covenants)?

   ☐ Yes – Stop! Both a financial audit and a state compliance audit are required to be performed and submitted to the OSA.

   ☐ No – Stop! An agreed-upon procedures engagement is required.* Also, the entity must complete the OSA Online Financial Survey (option 2) at reporting.auditor.utah.gov.
   NOTE: A non-operating charter school may submit an AFR in place of the OSA Online Financial Survey.

* An entity may decide to have a financial audit and a state compliance audit even if not required as outlined above. If an audit is performed, the *State Compliance Audit* is also required.

A COMPLETE LIST OF THE CURRENT REPORTING REQUIREMENTS CAN BE FOUND ON THE OSA WEBSITE AT: http://auditor.utah.gov/local-government-2/publications/reporting-requirements/

REPORTING REQUIREMENTS FOR NONPROFIT ORGANIZATIONS

Reporting requirements for Nonprofit organizations are based on the total amount of federal, state, or local awards received or expended, rather than on annual revenues and expenditures as are local government entities. Nonprofit organizations have the reporting requirements listed in the following table.

Total amount of federal, state, or local awards received or expended	Document Required to be Submitted
Less than $25,000	No reporting requirements
Between $25,000 and $100,000	**IRS Form 990 or Online Financial Survey *** *The financial survey serves as the required financial report of the entity.*
Between $100,000 and $350,000	**Financial Report Compilation *** *Completed by an independent CPA firm.*
Between $350,000 and $750,000	**Financial Statement Review *** *Completed by an independent CPA firm.*
Greater than $750,000	**Financial Audit and Chapter 3 of State Compliance Audit Guide**

All reports are due 180 days after year end.
Reports are to be submitted to the Office of the State Auditor website at reporting.auditor.utah.gov, Option 1 or 2.

* A nonprofit organization may decide to have a financial audit and a state compliance audit even if not required as outlined above. If an audit is performed, Chapter 3 of the *State Compliance Audit Guide* should be followed.

Components of the AUDIT REPORTING PACKAGE:

Financial Statement Report:

- Audited Financial Statements that include the Independent Auditor's Report
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (also known as a Yellow Book report). (NOTE: This report is not required for nonprofits other than charter schools.)

State Compliance Audit Report:

- Schedule of Expenditures of State Awards *(if greater than $750,000 of state awards was expended)*
- Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* on:
  - Compliance with General State Compliance Requirements
  - Compliance for Each Major State Program
  - Internal Control over Compliance
  - Schedule of Expenditures of State Awards

OMB Circular A-133 Audit Report *(If greater than $500,000 (or $750,000 for periods beginning on or after December 26, 2014) of federal awards was expended):*

- Schedule of Expenditures of Federal Awards and accompanying notes
- Independent Auditors Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133
- Independent Auditors Report on the Schedule of Expenditures of Federal Awards

Report on Findings and Recommendations:

The auditor may include the findings and recommendations with the above reports or issue them in a separate management letter which should then be referenced in the above reports. The report should include:

- Written findings and recommendations relative to the internal control over financial reporting, compliance with laws and regulations, as applicable, adherence to generally accepted accounting principles, and efficiency of operations.
- Management's Response

Reports prepared by entity:

- ***Financial Certification*** *(not required for nonprofits other than charter schools)*
- ***Impact Fee Report,*** if applicable

All the above reports should be submitted to
the Office of the Utah State Auditor website at:

reporting.auditor.utah.gov

In addition, all entities, except LEAs, must submit the following:

- Financial data, including year-end balance sheet information, mapped to the OSA's Uniform Chart of Accounts to **transparent.utah.gov**

Reports are due 180 days after the entity's year end.

CHAPTER 1:
GENERAL AUDIT PROCEDURES TO BE PERFORMED ANNUALLY

This chapter does not apply to nonprofit organizations EXCEPT FOR **charter schools structured as nonprofit organizations,** which are considered public schools and are, therefore, subject to this chapter, similar to school districts.

A. COMPLIANCE AUDIT PLANNING PROCEDURES

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
AU-C 935.15 AU-C 315	ALL	1. Obtain an understanding of the entity's internal control over **each** applicable compliance requirement identified in this Guide. (An example form for completing Section A is provided in Appendix 1-1, *Identification of Applicable Compliance Areas and Risk Assessment*.)		
		a. Document the entity's controls over each applicable compliance requirement, including the person or department performing the control and how the control is documented by the entity. *The auditor should not focus solely on traditional control activities such as review, approval, reconciliation, etc. Other controls could be adequate training or professional experience.*		
		b. Document the sources of information used and procedures performed to evaluate the design and implementation of controls. *AU-C 315.13-.14, .A42-.A70 requires the auditor to obtain an understanding of internal controls by performing other procedures in addition to inquiry of the entity's personnel.*		
		c. Determine whether controls are properly designed and implemented to achieve the control objectives (the auditor is not required to test the *effectiveness* of internal controls over compliance). *Describe any deficiency of design or implementation and, if significant, report to those charged with governance.*		
AU-C 935.16		2. Inquire of management about whether there were findings and recommendations from previous audits, attestation engagements, internal or external monitoring, or other studies that directly relate to the compliance requirements in this Guide and whether the recommendations have been implemented.		
		3. Identify relevant fraud and other risk factors and assess whether the risk factors, individually or in combination, present a risk of material noncompliance with compliance requirements.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
AU-C 935.13		4. Determine and document a materiality level (including the basis on which it was determined) for **each** applicable compliance requirement identified in this Guide.		
AU-C 935.17		5. Document the assessed risk of material noncompliance for **each** applicable compliance requirement identified in this Guide.		
AU-C 935.18-.19		6. If risks of material noncompliance are identified, design and perform further audit procedures in response to the assessed risks of material noncompliance.		

B. BUDGETARY COMPLIANCE

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Towns: 10-5-109 Cities: 10-6-118 Districts: 17B-1-614 Counties: 17-36-15 LEAs: 53A-19-102 Interlocal: 11-13-507 & 11-13-514	ALL	1. Determine that a budget was approved before the start of the budget year and that the budget presented to the public and governing body contained the required financial information. (EXCEPTION – When the entity is proposing a property tax increase, the budget may be approved subsequent to the start of the budget year. See applicable law.) A budget should be prepared for all funds, be in tabular form, and contain the following information: • Actual revenues and expenditures from the last completed fiscal period. • Budget estimates for the current fiscal period. • Estimated total revenues and expenditures for the current fiscal period.		
UCA Towns: 10-5-115 Cities: 10-6-123 Districts: 17B-1-619 Counties: 17-36-21 LEAs: 53A-19-106 Interlocals: 11-13-517	ALL	2. Examine the entity's records and financial reports and determine that total expenditures by fund did not exceed the amounts appropriated in the final adopted budget. (Note: Although various statutes prohibit entities from exceeding budget on a department level, testwork on the fund level is considered adequate. However, if the auditor notes significant budget overages on a department level, this should be reported).		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-147&148 Districts: 17B-1-638 Counties: 17-36-36 LEAs: 53A-19-108 Interlocals: 11-13-537	ALL	3. Determine that appropriate financial reports are prepared monthly or quarterly as required, and reviewed by the governing body. Select one month or one quarterly financial report, as applicable, and determine that it reconciles to the general ledger (revenues/expenditures) in total by fund. • 1st & 2nd class cities, districts, interlocal entities, and counties should prepare reports at least quarterly. • 3rd – 5th class cities and LEA's should prepare reports monthly. • Towns and charter schools should, as a good business practice, prepare reports at least quarterly; however, there is no specific requirement related to towns and charter schools in statute. The auditor should consider the size of the entity when determining if the reports provided to the governing board are appropriate. For example, small entities with limited separation of duties may need to provide their board detailed transactions for review and approval, while for larger entities reporting by account or department level may be adequate. The reports should be detailed enough for the governing board to make adequate decisions regarding financial matters and should include all funds unless the fund is inactive (which the auditor should verify). County financial reports should include additional specific information – see UCA 17-36-36.		

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; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

C. FUND BALANCE

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-117 Districts: 17B-1-613 LEA's: 53A-19-104 Interlocals: 11-13-513(3)	ALL	1. **Deficit Fund Balances** Municipalities, Districts, Interlocals, & Counties: For any fund that has a deficit unassigned/unrestricted 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 fund's total actual revenue of the year under audit. (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 district deficit unassigned/unrestricted 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 fund's total actual tax revenue of the year under audit for the district.		
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: a. 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 b. for any other county, 50% of the total revenues of the general fund and the total revenues from property taxes 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 revenue of the general fund for the fiscal year under audit.		
UCA Districts: 17B-1-612 Interlocals: 11-13-512(2)	D, IL	4. **Special and Local Service Districts and Interlocal Entities:** Determine that the maximum unrestricted (committed, assigned, and unassigned) general fund balance does not exceed the greater of: • 100% of the current year's property tax; ***or*** • 25% of the total general fund revenues, if the annual general fund budget is greater than $100,000; ***or*** • 50% of the total general fund revenues, if the annual general fund budget is equal to or less than $100,000.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 53A-19-103	LEAs, except charter schools	5. **School Districts** (excluding charter schools)**:** Determine that the undistributed reserve does not exceed 5% of the maintenance and operation expenditure budget (the higher of the budget for the year under audit or the subsequent budget year). An undistributed reserve consists of funds set aside for unexpected and unspecified contingencies and should be part of the committed fund balances. (Note that for the amount to be classified as committed, the school board must commit the funds by resolution.) The reserve should not be used in negotiation or settlement of contract salaries for district employees.		

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

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

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	M, C	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 1-2, Disposition of Justice Court Fines, Fees, and Forfeitures).		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
See Chapter 1 Appendix 1-2	M, C	3. Credits: Select a sample of credits issued (CORIS credit detail report) during the audit period. Verify that each credit was authorized by the bail schedule (as specified in the Uniform Fine/Bail Forfeiture Schedule) or ordered by the judge (as 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/		
See Chapter 1 Appendix 1-2	M, C	4. A/R Adjustments: Select a sample of accounts 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).		
See Chapter 1 Appendix 1-2	M, C	5. Dismissed Offenses/Amounts: 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. Verify that 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. 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.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
See Chapter 1 Appendix 1-2	M, C	6. Voided Receipts: Select a sample of transaction reversals (CORIS transaction reversals report) during the audit period. 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.		

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; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

E. UTAH RETIREMENT SYSTEMS

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

- Noncontributory Retirement System
- Contributory Retirement System
- Public Safety Retirement System
- Firefighters' Retirement System
- Tier 2 Public Employees Contributory Retirement System
- Tier 2 Public Safety and Firefighters Contributory Retirement System

This testwork is performed to support the annual financial statement audit of URS. **Any errors or noncompliance noted should also be reported to the URS Director of Finance, Kim Kellersberger, at Kim.Kellersberger@urs.org**

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 49-11-801, also IRS Rev. Rul. 2006-43	ALL	1. For entities participating in a URS Contributory System where the entity is paying any portion of the member (employee) required contribution, determine whether the entity's governing board authorized the payment of that portion through a formal action of the board. (Note: This action could have occurred in previous years.) Ensure that the authorization covers the year under audit. Example: The member/employee contribution rate in the URS Contributory System is 6%, so if an employer is paying 4.5% of the 6% required contribution for its employees, IRS rules require the governing body to approve the payment of the 4.5% through a formal action.		
See Suggested Audit Procedures	ALL	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: • Tier 1 Public Employees Noncontributory Retirement System (UCA 49-13-201) • Tier 1 Public Employees Contributory Retirement System (UCA 49-12-201) • Tier 1 Public Safety Noncontributory Retirement System (UCA 49-15-201) • Tier 1 Public Safety Contributory Retirement System (UCA 49-14-201) • Tier 1 Firefighters Retirement System (UCA 49-16-201) • Tier 2 Public Employees Contributory Retirement System (UCA 49-22-201) • Tier 2 Public Safety and Firefighter Contributory Retirement System (UCA 49-23-201)		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	ALL	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

F. ENTERPRISE FUND TRANSFERS, REIMBURSEMENTS, LOANS, AND SERVICES

Background

The treatment of enterprise fund transfers, reimbursements, loans, and services is subject to the following two provisions: ***(1) Utah Code Annotated (UCA) and (2) Accounting standards.*** Therefore, requirements not specifically stated in UCA but required by accounting standards must be followed.

Unlike a private business, which is accounted for as a single entity and has an accounting system designed to measure profitability, governmental accounting systems are designed to measure ***accountability***. To measure accountability, a governmental unit is accounted for through several separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities for attaining certain objectives in accordance with ***regulations, restrictions, or limitations***. Therefore, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently. (GASB Codification 1300.101)

An enterprise fund is a separate distinct fiscal entity designed to account for the restricted activity of the fund. The restriction imposed on enterprise fund proceeds is created through an implied agreement with rate payers when the government imposes a fee. The implied agreement is that the government will use the fee for enterprise fund activities and nothing else.

This guide focuses on state compliance issues and generally does not include audit steps regarding appropriate accounting treatment. However, when concerns are raised about the appropriate accounting treatment for certain transactions, the OSA will include the treatment in this guide. The auditor should consider this guidance when conducting an audit of governmental entities.

Public Notice and Hearing Requirements

State laws for local governments require that when there are "…allocations or transfers from an enterprise fund to another fund that are not reasonable allocations of costs between the enterprise fund and the other fund, the governing body shall:…" publish public notice and hold a public hearing to disclose the transfer. Essentially, if resources (cash, goods, or services) are transferred out of an enterprise fund and equivalent resources are not received in return (meaning no cash is exchanged or no overhead is allocated), the entity must publish notice and hold a public hearing regarding the transaction. For counties, the original or subsequently amended budget hearings and notices are sufficient to comply with this requirement. **For all other local governments, information specific to the transfer and the budget public hearing must be mailed or transmitted separately to each enterprise fund customer.**

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Accounting Treatment

In order to complete accounting entries for interfund transfers, reimbursements, loans, or services, the amount/value of the goods or services provided to another fund must be determined. The value of the services provided by a utility enterprise fund to another fund should be estimated or calculated at the same rate as other similar customers of the fund. Conversely, the amount of services provided by the general fund to oversee the utility enterprise funds (HR functions, accounting, legal, etc.), should also be based on reasonable estimates/allocations of those costs. Both the costs of the services provided by the utility enterprise fund to other funds as well as the overhead type costs incurred to oversee the utility enterprise fund should be recorded, even if cash was not exchanged between funds.

Nonreciprocal interfund activity is the internal counterpart to nonexchange transactions and includes interfund transfers and interfund reimbursements. (GASB Codification 1800.102)

- ***Interfund transfers*** -- flows of assets (such as cash, goods or services) without equivalent flows of assets in return and without a requirement for repayment.

  Example 1: A transfer of cash from a utility enterprise fund to the general fund or other funds for **activities unrelated** to the utility enterprise fund. Sometimes these transfers are referred to as **subsidy transfers**.

General Fund		
Cash	$xx,xxx	
Other Financing Sources – Transfer In		$xx,xxx
Enterprise Fund		
Nonoperating Expenses - Transfer Out	$xx,xxx	
Cash		$xx,xxx

  Example 2: Services provided by a utility enterprise fund (water, electricity, or garbage) for general government fund activities **without payment of cash or a requirement for payment.**

General Fund		
Utilities Expenditures	$xx,xxx	
Other Financing Sources – Transfer In		$xx,xxx
Enterprise Fund		
Nonoperating Expenses - Transfer Out	$xx,xxx	
Charges for Services		$xx,xxx

  (NOTE: For both examples above, local governments other than counties are required by statute to perform additional public notice procedures of the transfer.)

- ***Interfund reimbursements*** – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. For example, the general fund may pay a bill for an enterprise fund for which the enterprise fund then reimburses the general fund. Also, **allocations of overhead** (e.g. accounting, payroll, and human resource services) **are properly treated as an interfund reimbursement** rather than as interfund services. Note that for interfund reimbursements, neither fund recognizes revenue.

General Fund		
Cash or Due from Other Funds – Enterprise Fund	$xx,xxx	
Expenditure		$xx,xxx
Enterprise Fund		
Expense	$xx,xxx	
Cash or Due to Other Funds – General Fund		$xx,xxx

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Reciprocal interfund activity is the internal counterpart to exchange and exchange-like transactions and includes interfund loans and interfund services provided and used (GASB Codification 1800.102.a).

- ***Interfund services provided and used –*** sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchaser funds. For example, the enterprise fund may provide water, electricity, or garbage services for city offices or parks accounted for in the general fund.

General Fund		
Utilities Expenditure	$xx,xxx	
Cash or Due to Enterprise fund		$xx,xxx
Enterprise Fund		
Cash or Due from General Fund	$xx,xxx	
Charges for Services		$xx,xxx

- ***Interfund loans –*** amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds.

Materiality

All accounting standards are subject to the principle of materiality. Therefore, if a government determines that amounts related to financial reporting requirements are not material, then the requirement is not applicable. However, the determination of materiality must be based upon an evaluation/estimate of relevant factors. A simple guess or "gut feeling" is not a sufficient evaluation.

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
GASB Codification 1800.102	C, M, D, IL	1. **Services Provided by an Enterprise Fund to Other Funds** a. Determine that services provided by an enterprise fund (water, electricity, etc.) to the general fund or other funds have been quantified or estimated and that the rates used are the same as those charged to other customers of the fund. b. Determine that the services provided by the enterprise fund to other funds were properly recorded as a: • **Reciprocal interfund services provided/used transaction** if cash was exchanged; or • **Nonreciprocal interfund transfer** if no cash was exchanged or is not expected to be exchanged.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Towns: 10-5-114 Cities: 10-6-117 Districts: 17B-1-638 Counties: 17-36-36 Interlocals: 11-13-524	C, M, D, IL	2. **General Fund Overhead Allocations to Other Funds** Determine that: a. General fund overhead costs (HR, accounting, legal services, etc.) allocated to other funds are based on a reasonable methodology. b. The overhead allocation amount was included in the original or amended budget of the other fund as an expenditure/expense. c. The allocation of the overhead was properly recorded as an **interfund reimbursement transaction** (reduction of general fund expenditures and increase of expenditures/expense in the other fund). d. If no cash was exchanged or expected to be exchanged, in addition to the reduction/increase in expenditure/expense in each fund, an **interfund transfer** was recorded ('transfer out' in the general fund and a 'transfer in' the other fund).		
UCA Towns: 10-5-107 Cities: 10-6-135 Districts: 17B-1-629 Counties: 17-36-32 Interlocals: 11-13-524 (3)(d)	C, M, D, IL	3. **Interfund Transfers from an Enterprise Fund (subsidy transfers or services provided without payment)** – ***Public Notice and Hearing Requirements*** a. *For counties:* Determine whether the county included the interfund transfers in an original budget or in a subsequent budget amendment approved by the governing body for the fiscal year under audit. If the county did not, proceed to step b. *For all other local government entities,* proceed to step b: b. For the applicable entities noted in a. above, determine that the governing body held a public hearing and provided written notice of the: • Date, time, and place of hearing. • Purpose of the hearing. • The enterprise fund from which the cash or goods would be transferred. • The fund to which the cash or goods would be transferred. • The amount/value of cash or goods transferred. Determine that the notice was: • Mailed or transmitted to each enterprise fund customer. • Distributed at least seven days before the hearing. • A separate notification from the customers' utility bill. ***Exception:*** *An entity may determine that the amount of the services provided without payment by the enterprise fund to the general fund is less than or equal to the amount of general fund overhead to be allocated to the enterprise fund. In this case, there would be an equivalent flow of resources between funds and the additional public*		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		notice and hearing requirements would not be applicable. The entity should still, however, determine and record the flow of those resources.		
UCA Towns: 10-5-120 Cities: 10-6-132 Districts: 17B-1-626 Counties: 17-36-30 Interlocals: 11-13-523	C, M, D, IL	4. **Interfund Loans** – For enterprise funds loaned to another fund: **[Note – not applicable to loans from the general fund to any other fund or short-term advances from a cash and investment pool to individual funds that are repaid by the end of the fiscal year.]** a. Determine that the loan was in writing and contained the following terms and conditions: • Effective date of the loan. • Name of the fund loaning the money. • Name of the fund receiving the money. • Amount of the loan. • Term of and repayment schedule of the loan (not to exceed 10 years). • Interest rate of the loan (if less than one year, the interest rate cannot be less than the rate offered by the PTIF, if greater than one year the rate cannot be less than the greater of the PTIF rate or the rate of a US Treasury note of a comparable term). • Method of calculating interest applicable to the loan. • Procedures for applying interest and paying interest. b. Determine that the governing body held a public hearing and provided written notice within at least 7 days of the hearing regarding the: • Date, time, and place of the hearing, • Purpose of the hearing, and • The proposed terms and conditions of the interfund loan. ***Notice and hearing requirements outlined in b. above are satisfied if the loan is included in an original or subsequently amended budget.*** c. Determine that the governing body authorized the loan by ordinance or resolution at a public meeting.		

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; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

G. TAX LEVY REVENUE RECOGNITION

Background

We have noted instances where governmental entities do not recognize revenue for taxes imposed by the government because the funds do not flow through the entity. GASB 36, paragraph 2, requires that the entity that imposes a tax recognize the tax revenue.

Common Revenue Recognition Errors

Redevelopment Agencies (RDA)

When a county collects tax increment it distributes the increment directly to an RDA. However, the RDA is not the taxing entity; rather, the taxing entity is the public entity (school district, local or special district, municipality, county, etc.) that authorized the RDA to receive the increment. Therefore, that public entity should record the property tax revenue and a corresponding expenditure to the RDA.

If the RDA is a blended component unit and reported as a special revenue fund of the primary government, GASB 54, paragraph 30, requires the proceeds to be reported as revenue in the RDA special revenue fund.

Local Option Sales Taxes for Transportation

Utah Code 59-12-2208 allows a county, city, or town legislative body to impose a sales tax for transportation. One of the allowable uses of the tax is for a "system of public transit." Some local governments have elected to have the State Treasurer directly deposit these funds with the local transit authority rather than having the funds flow through the county, city, or town and then to the transit authority. Regardless of the flow of funds, because the tax is imposed by the county, city, or town, these funds should be recognized as a revenue and expenditure on the financial statements of the entity that imposed the tax.

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
GASB Codification N50.125	ALL	1. Determine whether the entity shares a portion of their property tax revenue (tax increment) with an RDA. If tax increment is provided to an RDA, determine whether the increment is included in the entity's property tax revenue.		
GASB Codification N50.125	ALL	2. Determine whether the entity imposes a local option sales tax for a "system of public transit." If the tax is imposed, determine whether the amount is included in the entity's sales tax revenue.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

H. RESTRICTED TAXES

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	C, M, D, IL	1. Determine the type and amount of restricted taxes received by the entity. **See appendix 1-3 for a listing of possible restricted tax types.** *Notes: Transient room/Tourism taxes are required by statute to be tested annually. See testwork in Part H. of this chapter of the Guide.* *Liquor funds distributed by the State Tax Commission are not taxes, but rather, revenue from the State and should be included/considered in Chapter 3 testwork.*		
	C, M, D, IL	2. If the total of all restricted taxes (excluding Transient room/tourism taxes) is significant to the entity (materiality should be determined by the auditor and documented here), perform the following: a. Determine that the various restricted taxes are accounted for in separate restricted accounts. b. Select a representative sample of expenditures made from restricted tax sources and determine whether the expenditures were made only for purposes authorized by law.		

I. TRANSIENT ROOM TAX AND TOURISM TAXES

UCA 17-31-5.5 states that each county "shall annually engage an independent auditor to perform an audit to verify that transient room tax funds are used only as authorized . . . and to report the findings of the audit to the county legislative body." Subsection 2 of that statute goes on to say that tourism taxes are also subject to an annual independent audit.

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 59-12-301 and 59-12-603	C	1. Obtain from the county a schedule detailing the amount of (1) transient room tax and (2) tourism taxes collected by the county during the fiscal year. Determine that the taxes were separately accounted for in restricted accounts NOTE: Tourism taxes are comprised of three separate taxes/rates (see UCA 19-12-603): • Motor Vehicle / Short Term Leasing tax • Restaurant Sales Tax • Additional .5% Transient Room Tax (assessed by Salt Lake County only)		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 17-31-5.5(3)	C	2. Obtain from the county a report detailing the expenditures made from Transient Room Tax and Tourism Taxes. Per statute, the schedule must contain the following categories: TRANSIENT ROOM TAX Expenditures: 1. Establishing and promoting: a. Recreation b. Tourism c. Film production d. Conventions 2. Acquiring, leasing, constructing, furnishing, or operating: 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: 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 TOURISM TAXES Expenditures: 1. Financing tourism promotion 2. Development, operation, and maintenance of: 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	3. Determine that the breakdown of expenditures into categories on the schedule prepared by the county was proper and accurate and the schedule agrees to the underlying accounting records.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 17-31-2 (1),(2) & (3)	C	4. Select a representative sample of expenditures made from transient room tax and determine whether the expenditures were made only for purposes and in the proportions authorized by law, as follows: 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: 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; 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; 3) To make the annual payment of principle, interest, premiums, and necessary reserves for bonds related to the activities listed in 1) and 2) above. (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 UCA 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.)		
UCA 17-31-5.5 and 59-12-603	C	5. Select a representative sample of expenditures made from tourism taxes and determine whether the expenditures were made only for purposes and in the proportions authorized by law, as follows: a. For financing tourism promotion b. For the development, operation, and maintenance of: 1) an airport facility; 2) a convention facility; 3) a cultural facility; 4) a recreation facility; or 5) a tourist facility.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		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 1) promote tourism in ski areas within the county by persons that do not reside within the state, and 2) combine the sale of ski lift tickets, and accommodations and services. 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.		
UCA 17-31-3	C	6. Transit Room Tax: If the collections exceeded the expenditures during the fiscal year, determine that the remainder was reserved and retained in a separate fund and did not revert to the general fund.		

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; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

J. SCHOOL DISTRICT TAX LEVIES

The objective of this testwork is to ensure property tax and related fee revenue are allocated to the appropriate school district fund and expended as allowed by state law.

TYPES AND ALLOCATION OF TAX LEVIES:

Districts can levy taxes based on 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.

Available Tax Levy	Required vs. Optional	Ceiling Rate	District Fund to Which Funds s/b Allocated	Allowable Expenditures	UCA Reference
Basic – the local-state shared portion	Required	0.001477 (Minimum)	General Fund	Unrestricted – To be used for each district's operation and maintenance of schools.	53A-17a-135; 59-2-902, 905, 906 & 924
Voted Local – State and local funds received by a district under the Voted Local Program	Optional	0.002	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	0.0018, 0.0025	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)	0.003	Capital Projects Fund	Restricted – Used for capital outlay and debt service. A portion of this levy may be used for Capital Operation and Maintenance. Subject to enrollment (0.0024 < 2,500, or 0.0002 > 2,500 enrolled).	53A-16-113 & 53A-16-107
Debt Service	Required if General Obligation Bonds outstanding	Voter approval	Debt Service Fund	Restricted -- 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 General Obligation 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	Restricted -- 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.	59-2-918.5, 59-2-924(3)(f), 59-2-1328 & 59-2-1330

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
See table above	LEAs, except charter schools	1. Determine that property taxes and related fees were calculated and allocated to the proper levy/fund based on the current-year tax rate and that the various restricted taxes are accounted for in separate restricted accounts.		
See table above	LEAs, except charter schools	2. **ALLOWABILITY** – Select a representative sample of expenditures made from restricted tax and related fee sources and determine whether the expenditures were made only for purposes authorized.		
See table above	LEAs, except charter schools	a. **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.		
See table above	LEAs, except charter schools	b. **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. A local school board with an enrollment of 2,500 or more may 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. Maintenance of Effort: 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). 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 for expenditures made within the accounting function classification, Operation and Maintenance of Plant Services, excluding expenditures for mobile phone service and vehicle operation and maintenance. In either case, the local 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	LEAs, except charter schools	c. **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.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
See table above	LEAs, except charter schools	3. **Debt Service Levy:** If the revenues from the debt service levy exceeded the expenses of the debt service fund, ensure the excess remains in the fund and is available for future debt service. EXCEPTION: If the general obligation bond debt was fully retired during the year, any excess may be transferred to the capital projects fund.		

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

K. OPEN AND PUBLIC MEETINGS ACT

Legal Ref.	Appli-cable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 52-4-104	ALL	1. 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.		
		2. Select and obtain the agenda and meeting minutes for two public meetings held during the year under audit and perform the following:		
UCA 52-4-202 (1)&(3)	ALL	a. Determine that the entity gave proper notice of the meeting at least 24 hours before each meeting by posting the notice on the Utah Public Notice Website.		
UCA 52-4-202 (6)(a)	ALL	b. Determine that the agenda was reasonably specific to enable lay persons to understand the topics to be discussed.		
UCA 52-4-202 (6)(c)	ALL	c. Determine that the public body did not take any final actions on a topic in the meeting unless the topic was listed under an agenda item.		
UCA 52-4-203 (4)(e)	C, M, and LEAs	d. Determine that within three days of the meeting minutes being approved, the minutes were posted to the Utah Public Notice Website. (Exceptions: 5th class cities and towns are encouraged but not required to comply until January 2015).		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 52-4-204(2)-(4)	ALL	e. If a portion of the meeting was closed to the public, determine that 1) before the meeting was closed, the reason for holding the closed meeting was documented in the meeting minutes and a roll call vote was taken, 2) the reason for closing the meeting was permitted under UCA 52-4-205, and 3) an audio recording of the closed meeting was made, or in the case of meetings closed to discuss issues noted in UCA 52-4-205(1)(a)(i)(f) or (2), the presiding person had executed a sworn statement that the sole purpose of the closed meeting was to discuss those issues.		
UCA Towns: 10-5-106 thru 108 Cities: 10-6-110, 113, 135 Districts: 17B-1-605 thru 607, 609 Counties: 17-36-9, 10.1, 12 LEAs: 53A-19-101 thru 102 Interlocals: 11-13-509	ALL (except charter schools)	3. Ensure that the entity provided the required notice for its original and final budget adoption hearing by reviewing the certified copy of the notice. a. Municipalities, counties, 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 52-4-201		4. Determine if the governing board regularly holds "work meetings" before its regularly scheduled board meetings. If so, select two meetings and determine that notice and minutes requirements in step 2 were met if a quorum was present.		
		5. Report any noncompliance with the Open and Public Meetings Act directly to the Office of the Utah State Auditor at stateauditor@utah.gov.		

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; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

State Compliance Audit
Identification of Applicable Compliance Areas and Risk Assessment
[Updated May 2015]

June 30, 2015

State Guide	Applicable Compliance Requirements	Year Last Audited	1 Selected or Required? Y, N, or N/A	2 Materiality Levels	Describe Control(s) (or refer to other permanent file documentation), including person or department performing the control and how the control is documented (AU-C 935.15)	3 Risks of Material Noncompliance Identified Risks	S = Significant F = Fraud	4 Risk Assessment H, M, L
Chapter 1: General Audit Procedures to be Performed Annually								
1.B.	Budgetary Compliance			5% of budgeted fund expenditures				
1.C.	Fund Balance			Not significantly over budget				
1.D.	Justice Courts			*[complete]*				
1.E.	Utah Retirement Systems			*[complete]*				
1.F.	Enterprise Fund Transfers, Reimbursements, Loans, and Services			*[complete]*				
1.G.	Tax Levy Revenue Recognition			*[complete]*				
1.H.	Restricted Taxes			*[complete]*				
1.I.	Transient Room Tax and Tourism Taxes			5% of tax; within limitations				
1.J.	School District Tax Levies			0.5% to 2% of property tax revenue				
1.K.	Open and Public Meetings Act			*[complete]*				
Chapter 2: General Audit Procedures to be Performed at Least Every Third Year								
2.A.	Cash Management			5% of total bank balance				
2.B.	Statement of Taxes Charged, Collected and Disbursed - Current and Prior Years			5% of property taxes collected				
2.C.	Impact Fees			5% of fees disbursed				
2.D.	School Fees			*[complete]*				
2.E.	Government Records Access Management Act (GRAMA)			*[complete]*				
2.F.	Conflicts of Interest			*[complete]*				
2.G.	Nepotism			*[complete]*				
2.H.	Special and Local Service District Board Members			*[complete]*				

State Compliance Audit
Identification of Applicable Compliance Areas and Risk Assessment
[Updated May 2015]

June 30, 2015

State Guide	Applicable Compliance Requirements	Year Last Audited	1 Selected or Required? Y, N, or N/A	2 Materiality Levels	Describe Control(s) (or refer to other permanent file documentation), including person or department performing the control and how the control is documented (AU-C 935.15)	3 Risks of Material Noncompliance Identified Risks	S = Significant F = Fraud	4 Risk Assessment H, M, L
Chapter 3: Audit Procedures for Other State Grants, Contracts, and Loans								
3.B.	UDOT: B&C Road Funds			5% of program expenditures				
	Allowability of Activities and Costs							
	Reporting							
	Other							
3.C.	School Building Program			5% of program expenditures				
3.D.	Driver Education Program			5% of program expenditures				
	Reimbursements and fees							
	Eligibility							
	Reporting							
	Special Test							
	[Other State Award (Major Program)]			5% of program expenditures				
	[list compliance requirement type]							
	[list compliance requirement type]							
	[Other State Award ($100,000 or more)]			5% of program expenditures				
	[list compliance requirement type]							
	[list compliance requirement type]							
Chapter 4: Audit Procedures for Minimum School Program (MSP) Funds								
4.A.	USOE: Minimum School Program			5% of program expenditures				
	Allowability of Activities and Costs and Procurement							
	Matching, Level of Effort, and Earmarking							
	Reporting							
	Other							

Cell: G5
Comment: Identify government programs and compliance requirements to test (AU-C 935.14)

Y = The applicable compliance requirement is selected for testing in this year's compliance audit.

N = The applicable compliance requirement was not selected for testing in this year's compliance audit.

N/A = The compliance requirement is not applicable to this entity.

Cell: I5
Comment: Establish and apply materiality levels for each selected applicable compliance requirement (AU-C 935.13).

Document materiality levels and the basis on which they were determined.

Cell: M5
Comment: For each selected applicable compliance requirement, perform risk assessment procedures to obtain a sufficient understanding of the applicable compliance requirements and the entity's internal control over compliance with the applicable compliance requirements (AU-C 935.15).

Inquire of management about whether there are findings and recommendations from previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit.

Understand management's response and corrective action (AU-C 935.16).

Cell: Q5
Comment: Assess the risk of material noncompliance whether due to fraud or error for each applicable compliance requirement.

Consider whether any of those risks are pervasive to the entity's compliance because they may affect the entity's compliance with many compliance requirements (AU-C 935.17).

APPENDIX 1-2: 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 or 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 or Town; County
Contempt fine	UCA 78B-6-308 Fine not to exceed $500	City or 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 or Town; County

Receipt	Type of Ordinance	Disposition
Exemplified Copies	UCA 78A-2-301.5(8) The fee for an exemplified copy of a document is $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) *Mailing.* 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	*Fax.* 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

Appendix 1-3. RESTRICTED TAX TYPES

Sales and Use Tax Distributions & Other Distributions				
Tax	**Entity type**	**Short Description**	**Utah Code**	**Use Restrictions**
Sales	County & Muni	Local option sales & use tax	59-12-204	No
Transient Room	County	Tax on charges for accommadations and services - i.e. hotels	59-12-301	Yes
Transient Room	Muni	Tax on charges for accommadations and services - i.e. hotels	59-12-352 & 353	No
Resort	Muni	Additional sales tax for resort communities	59-12-401 & 402	No
Short-term Leasing - Tourism Tax	County	Tax on short-term leases and rentals of motor vehicles	59-12-603	Yes
Restaurant - Tourism Tax	County	Additional sales tax on restaurant sales	59-12-603	Yes
Transient Room - Tourism Tax	County of the first class	Tax on charges for accommadations and services - i.e. hotels	59-12-603	Yes
Arts & Zoo	County & Muni	Additional sales tax to support parks, recreational facilities, and to provide grants to arts and cultural organizations.	59-12-703 (county) & 59-12-1402 (muni)	Yes
Rural Hospital	County & Muni	Additional sales tax to support rural health care facilities	59-12-802 (county) & 59-12-804 (muni)	Yes
County Option	County	Optional sales tax	59-12-1102	No
Town Option	Muni	Optional sales tax	59-12-1302	No
State Mass transit	State*	Additional sales tax to support public transit	59-12-2003	Yes
City or Town Option	Muni	Optional sales tax	59-12-2103	No
Mass Transit	County & Muni	Additional sales tax to fund a system of public transit or airport facility.	59-12-2213, 2214	Yes
Highway Option	Muni	Additional sales tax to fund public transit, highway construction & maintenance	59-12-2215	Yes
Fixed Guideway	County	Additional sales tax to fund public transit, highways, fixed guideway	59-12-2216	Yes
Transportation	County	Additional sales tax to fund transportation	59-12-2217	Yes
Highway Projects	County & Muni	Additional sales tax to fund public transit, highways, airports	59-12-2218	Yes
E-911	County & Muni	Taxes on local exchange services, radio communication lines, etc to fund Emergency Telephone Services	69-2-5	Yes
Municipal Energy	Muni	Tax on sale or use of energy	10-1-304	No
Muni Telecom	Muni	Tax on sale of telecommunications services	10-1-403	No
Liquor**	Muni	This is NOT considered a tax collected by the entity, but instead revenue from the State of Utah. It should be included/considered on the entity's Schedule of Expenditures State Awards and subject to testwork in Chapter 3.	32B-2-404	Yes

*Tax is imposed by the state in certain counties, and distributed to the county in which the taxes are collected.

** Not a tax imposed by the locality. Monies appropriated by the Legislature are distributed to localities based on the formula in 32B-2-404.

Appendix 1-3. RESTRICTED TAX TYPES
(continued)

Property Tax Levies

County		
Property Tax Description	**Code Reference**	**Use Restriction**
County General	59-2-908	No
County Library	9-7-501	Yes
Flood Control	17-8-6	Yes
Tort Liability	63G-7-704	Yes
Discharge of Judgment	59-2-1328 & 1330	Yes
County Health	26A-1-117	Yes
Municipal/Paramedic Services	17-34-3	Yes
Assessing & Collecting	59-2-1602	Yes

City & Town Property Taxes		
Property Tax Description	**Code Reference**	**Use Restriction**
City General	10-6-133	No
Town General	10-5-112	No
City Library	9-7-404	Yes
Hospitals	10-8-90	Yes
Recreation	11-2-7	Yes
Water, Light, Power	10-7-14.2	Yes
Special Improvement Guaranty	11-42-701	Yes
Tort Liability	63G-7-704	Yes
Discharge of Judgment	59-2-1328 & 1330	Yes

Local Districts, Specialized Local District, & Special Service Districts Property Tax		
Property Tax Description	**Code Reference**	**Use Restriction**
Basic Local District	17B-1-1002	No
Water Conservancy District - Bonds/Debt	17B-1-1006 (3)	Yes
Special Service District Voted Rate	17D-1-105	Yes
County Service Area	17B-1-1002	Yes
Municipal Type Service Fund	17-34	Yes
Discharge of Judgment	59-2-1328 & 1330	Yes

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

This chapter of the *State Compliance Audit Guide* identifies compliance testwork that auditors can generally rotate. (Not all of the compliance requirements 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 unless the risk of noncompliance warrants testing of these requirements every year.

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 EXCEPT FOR **charter schools structured as nonprofit organizations,** which are considered public schools and are, therefore, subject to this chapter, similar to school districts.

A. CASH MANAGEMENT

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

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 51-7-15(3)	ALL	1. Entities 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 entity 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. 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) and includes all accounts (both deposit and investment) held by the entity.		

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; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

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

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

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 59-2-913	C	1. 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 and is complete.		

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

C. 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.

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 11-36A-601	C, M, D, IL	1. Determine that the entity prepared a schedule identifying impact fee funds and that: 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, IL	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, IL	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, IL	4. Determine that the entity has appropriately refunded any unused impact fees.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 11-36A-601(5)(d)	C, M, D, IL	5. Determine that the entity submitted the impact fee schedule to the Office of the State Auditor. See reporting.auditor.utah.gov, option #8.		

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

D. 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.

Legal Ref.	Appli-cable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
R277-407	LEA	1. For schools selected for testwork for the LEA's agreed-upon procedures engagement for aggregate student membership (see the *Guide for Agreed-Upon Procedures Engagements for Local Education Agencies and Community-Based Organizations*, issued by the Office of the Utah State Auditor), 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. Select a representative sample of fees/charges collected, focusing on months during the beginning of a school year when fees are more likely to be collected. Determine whether the fees collected complied with the following:		
R277-407 and UCA 53A-12-102 (1-2)	LEA	a. **Fees for Regular School Day Activities**: Elementary Schools – 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, 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.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		Secondary Schools – Fees charged for secondary school activities were 1) approved by the local school board in a public meeting and were allowable by statute, 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.		
R277-407	LEA	b. **Fees for Activities Occurring Outside of Regular School Day** – Participation was voluntary and 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	c. **Donations or Contributions** – Donations or contributions were solicited and accepted in accordance with LEA policies and IRS regulations, and 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

E. GOVERNMENT RECORDS ACCESS MANAGEMENT ACT (GRAMA)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 63A-12-103	ALL	1. Verify that the entity has a written policy defining how to respond to a GRAMA request.		
UCA 63G-2-203(2)(c)	ALL	2. If fees are charged for GRAMA requests, verify that the entity has adopted a uniform fee schedule and that the schedule was formally approved by the entity's governing board.		
UCA 63G-2-103 (25)	ALL	3. Determine whether the entity has appointed a records officer to work with State Archives.		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
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

F. CONFLICTS OF INTEREST

Legal Ref.	Appli-cable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 67-16-7 Charter Schools: 53A-1a-518	ALL	1. Determine that the entity has a written policy and procedure to disclose conflicts of interest and that it has been effectively communicated to public officers and employees of the entity.		
UCA 67-16-7 & 67-16-4 Cities/Towns: 10-3-1304 Counties: 17-16a-4 Charter Schools: 53A-1a-518	ALL	2. Inquire of those charged with governance and management whether they are aware of any conflicts of interest. If conflicts of interest are identified, ensure documentation disclosing the conflict was maintained. 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 and Date	Workpaper Index

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

G. NEPOTISM

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 52-3 Charter Schools: 53A-1a-518	ALL	1. Determine that the entity has a written 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 employees being directly supervised by a relative.		

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

H. SPECIAL AND LOCAL SERVICE DISTRICT BOARD MEMBERS

Legal Ref.	Applicable to:	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, completed training developed by the Office of the Utah State Auditor in cooperation with the Utah Association of Special Districts.		

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; IL=Interlocal Entity; LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

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

This chapter of the *State Compliance Audit Guide (Guide)* identifies compliance testwork relating to State Grant Programs, State Contracts, and State Loans expended by nonprofit organizations, local governments, and LEAs (except for the Minimum School Program which is included in Chapter 4 testwork). **This chapter does not apply if the entity under audit expended less than $750,000 from State sources**. 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 common major grants. In future years, as more common major grants are identified, guidance will be added to this *Guide*. The Minimum School Program (funding from the State of Utah Office of Education to LEAs) is classified as a major program; audit procedures for this program are provided in Chapter 4 of this *Guide*.

PROCUREMEMT CONTRACTS are not subject to this Chapter and should be **excluded** on the Schedule of State Expenditures. A procurement contract occurs when the principal purpose of the contract is for the State to acquire property or services for the direct use of the State, **but not to carry out a program for a public purpose.** Further, the recipient/vendor provides similar goods or services to other different purchasers.

PASS THROUGH GRANTS: Grants that are received by the entity but then passed through to other entities for expenditure (pass through grants) should be **excluded** on the entity's Schedule of Expenditures of State Awards and **excluded from this testwork**. Instead the entity that actually incurred the expenditure should report the expenditure on their Schedule of Expenditures of State Awards. Including pass through information on the schedule is not considered necessary since the objective of this testwork is to first, determine which local government entities are spending State funds and second, design a compliance supplement for those grants.

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

AUDIT PROCEDURES	Performed by and Date	Workpaper Index
1. Obtain the client-prepared Schedule of Expenditures of State Awards (SESA) 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 *Guide*. Determine that the schedule is complete and accurate by agreeing the total and a sample of line items to the entity's accounting records. An example of this schedule can be found in Appendix 3-1 of this chapter. **NOTE: The auditor is required to issue an in relation to opinion on the SESA.** See report examples in Chapter 5 of this Guide. This schedule should also be uploaded by the entity to the OSA website at http://reporting.auditor.utah.gov/ as part of the audit report submission.		
2. Determine and document which grants, contracts or new loan issues are considered Type A or Type B and "non-low risk." Programs with expenditures greater than $750,000 are considered Type A. Programs with expenditures greater than $350,000 and less than $750,000 are considered Type B. A program is considered "non-low risk" if it has not been audited as a major state program in at least one of the three most recent audit periods OR if in the most recent audit it had reportable audit findings. See Appendix 3-2 of this chapter for a Decision Tree regarding major grant determination.		
3. Determine and document which grants, contracts, or new loan issuances to test as major programs. a. All "non-low risk" Type A programs must be tested as major programs. b. Select one "non-low risk" Type B program to test as a major program for each Type A program that will not be tested as a major program. c. If expenditures for all major programs tested are less than 25% of the entity's total state grants, contracts or new loans expended then select additional "non-low risk" programs to test as major programs until this threshold is met. If there are no more "non-low risk" programs then meeting the 25% minimum threshold is not required. See Appendix 3-2 of this chapter for a Decision Tree regarding how to determine the number of major grants to test. **All programs selected for testwork are considered 'major' for reporting purposes and should be individually listed in the auditor's report.**		
4. Determine the program objectives, program procedures, and compliance requirements for each program being tested by: • Reviewing the contract and grant agreements and referenced laws and regulations applicable to the program. • Discussing the program with the State awarding agency.		
5. Determine and document which compliance requirements could have a direct and material effect on the program. NOTE: In assessing materiality, the auditor should consider that materiality is based on qualitative as well as quantitative aspects. Examples of characteristics indicative of		

AUDIT PROCEDURES	Performed by and Date	Workpaper Index
compliance requirements that could have a direct and material effect on a major program include: • 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. 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, State awarding documents, and the entity's procurement policies 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.		
7. Determine and document which of the compliance requirements are susceptible to testing by the auditor. NOTE: The requirements should be evaluated against objective criteria, and the auditor should have a sufficient basis for recognizing noncompliance. 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.		
8. Determine whether the entity complied with each of the requirements being tested. NOTE: Example procedures for determining compliance are listed below. Add additional steps for other requirements being tested.		
a. **Services and Costs Allowed or Disallowed –** Determine whether funds received under State awards were expended only for allowable activities and costs by		

AUDIT PROCEDURES	Performed by and Date	Workpaper Index
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 subreceipients 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.		
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.		

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, Chris Potter, 801-633-6255
Jeff Ericson, 801-965-4352

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.

Testwork here related to B&C Road funding is only to be performed if identified as a major grant in step A.2. above.

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

Legal Ref.	Appli-cable to:	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 restricted 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	C, M	3. Select a representative sample of B&C road fund disbursements and determine whether the costs were allowable. **Permissible Uses Include, but are not limited to:** 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.		

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

Legal Ref.	Appli-cable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
72-2-110 72-2-110 More information about fund uses can also be found in the *Governing of Class B&C Road Fund Guide*, issued by the Utah Department of Transportation. August 13, 2013 Edition, Section IV UDOT Guide Found Here		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. j. Construction of road maintenance buildings, storage sheds, and yards. Multiple use facilities may be constructed by mixing funds on a proportional basis. k. Up to 30% of funds for litigation of RS-2477 issues. (B&C roads are defined in UCA 72-3-103 and 104; maintenance and construction are defined in UCA 72-6-109.) **Non-Permissible Uses Include:** a. Non-road uses b. Police Costs c. To pay for rental on equipment which was previously purchased with B&C road funds d. Alleys e. Roads or streets with locked gates or restrictive signing will not be included as eligible roads. (UCA 72-7-106)		
UCA 72-2-108	C, M	4. If B&C funds are used/pledged 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,thru 110	C, M	5. Obtain a list of all approved construction improvement projects on a Class B or C road that have an estimated cost for labor, equipment, and materials exceeding $159,545 for FY 2014, $161,882 for FY 2015, and $164,508 for FY 2016. Select a representable sample of these projects and determine that: a. The advertisement for bids was published in a newspaper of general circulation in the county in which the work was to be performed for at least once a week for three consecutive weeks, or if there is no such newspaper, posting notice for at least twenty days in at least five public places in the county. b. The contract was awarded to the lowest responsible bidder (except as allowed by statue). c. The appropriate documents (plans, specifications, and estimates) were prepared prior to construction. d. The project was not divided as to permit the construction in several parts, except by contract. e. Construction work was prepared and performed under the direction of a registered professional engineer, and that the engineer provided the required certification to the governing officials. f. If the project was performed by force account, material, labor, and direct equipment costs are calculated using the Cost		

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

Legal Ref.	Appli-cable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		Reference Guide for Construction Equipment by Dataquest Inc. or the Federal Emergency Management Agency schedule of equipment rates which can be found at http://www.fema.gov/schedule-equipment-rateshttp://www.fema.gov/schedule-equipment-rates.		
UCA 72-6-108(6)	C, M	6. 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.		
Governing of Class B&C Road Fund Guide Guide Found Here	C, M	7. 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 accordance with the Utah State Money Management Act (UCA 51-7) and that the interest has been credited to the entity's B&C road fund account.		

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. SCHOOL BUILDING PROGRAM

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 (UCA 53A-21-102(1) and 401(1)(a)).

Legal Ref.	Appli-cable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 53A-21-102 and 401	LEA	1. **School Districts –** Select a sample of expenditures from the School Building Program funding and ensure the school district used the money provided only for school district capital outlay, debt service, construction and renovation purposes.		

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. 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 the compliance requirements:	**Performed by and Date**	**Workpaper Index**

Legal Ref.	**AUDIT PROCEDURES**	**Performed by and Date**	**Workpaper Index**
	1. Determine if the LEA has policies and procedures to ensure they claim reimbursement from the USOE only for driver education program costs for students in grades 10 through 12 who are at least 15 years of age before beginning behind-the-wheel instruction.		
	2. Select a sample of Driver Education Program student fees for which the LEA claimed reimbursement from the USOE and determine the following: a. Fees charged to students were properly recorded. b. Reimbursements did not exceed the following: • $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 local on-line 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. NOTE: 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. c. Costs claimed for reimbursement were for persons meeting the eligibility requirements noted in step 1. above.		
	3. Review Driver Education Program student fees to ensure that (1) the fees are reasonably associated with the costs of driver education not otherwise covered by the reimbursements and allocations from USOE and (2) the LEA has not subsidized its driver education program from any sources other than USOE reimbursements and student fees.		

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

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
R277-746	4. Determine if the LEA has policies which (1) allow private school students to participate in driver education classes under the same terms and conditions as applied to students in public schools, and (2) 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.		
	5. 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.		
	6. **SPECIAL TEST** – Examine the LEA's records to determine if the LEA has properly retained records of its driver education program for five years.		

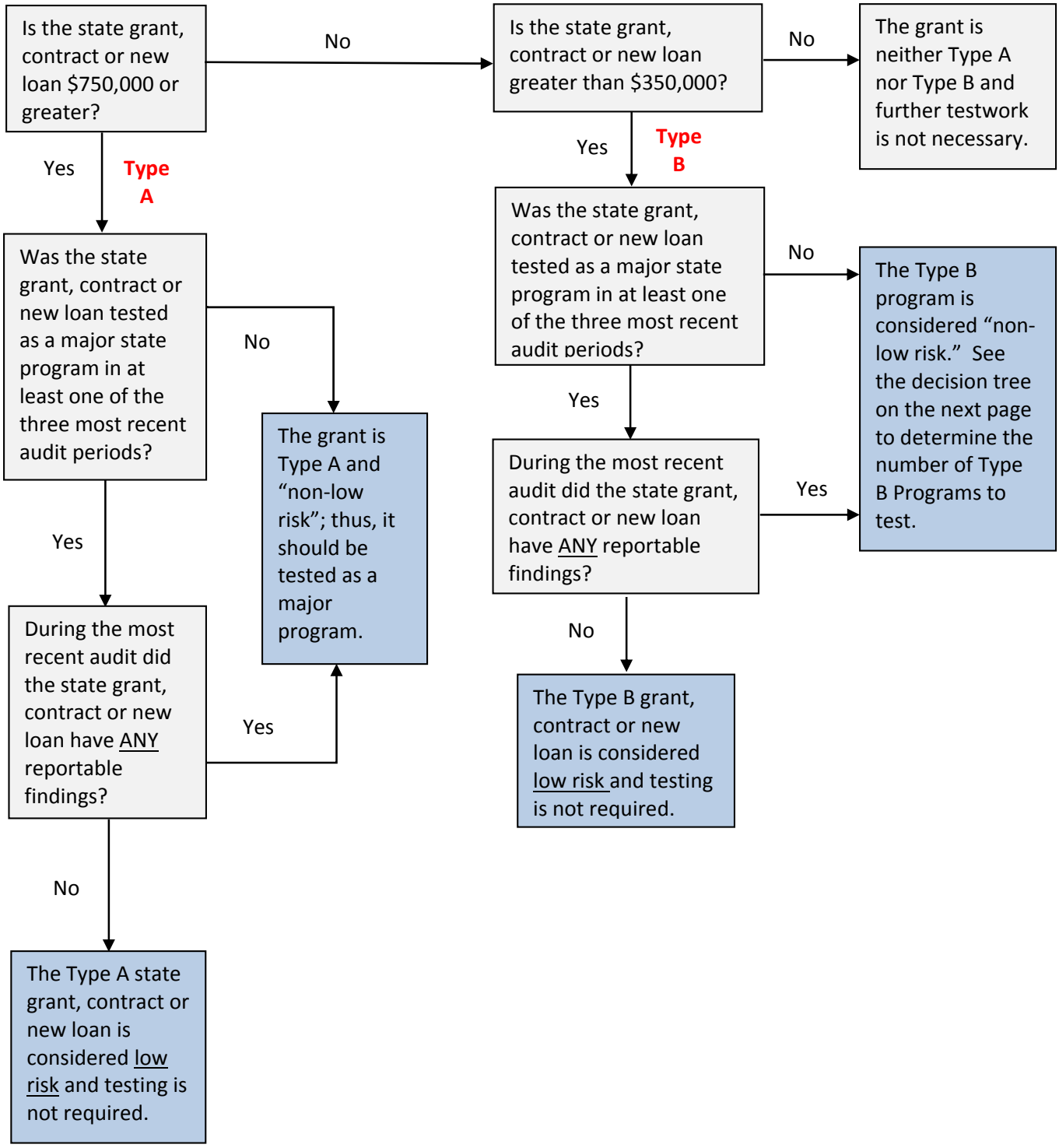
CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

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

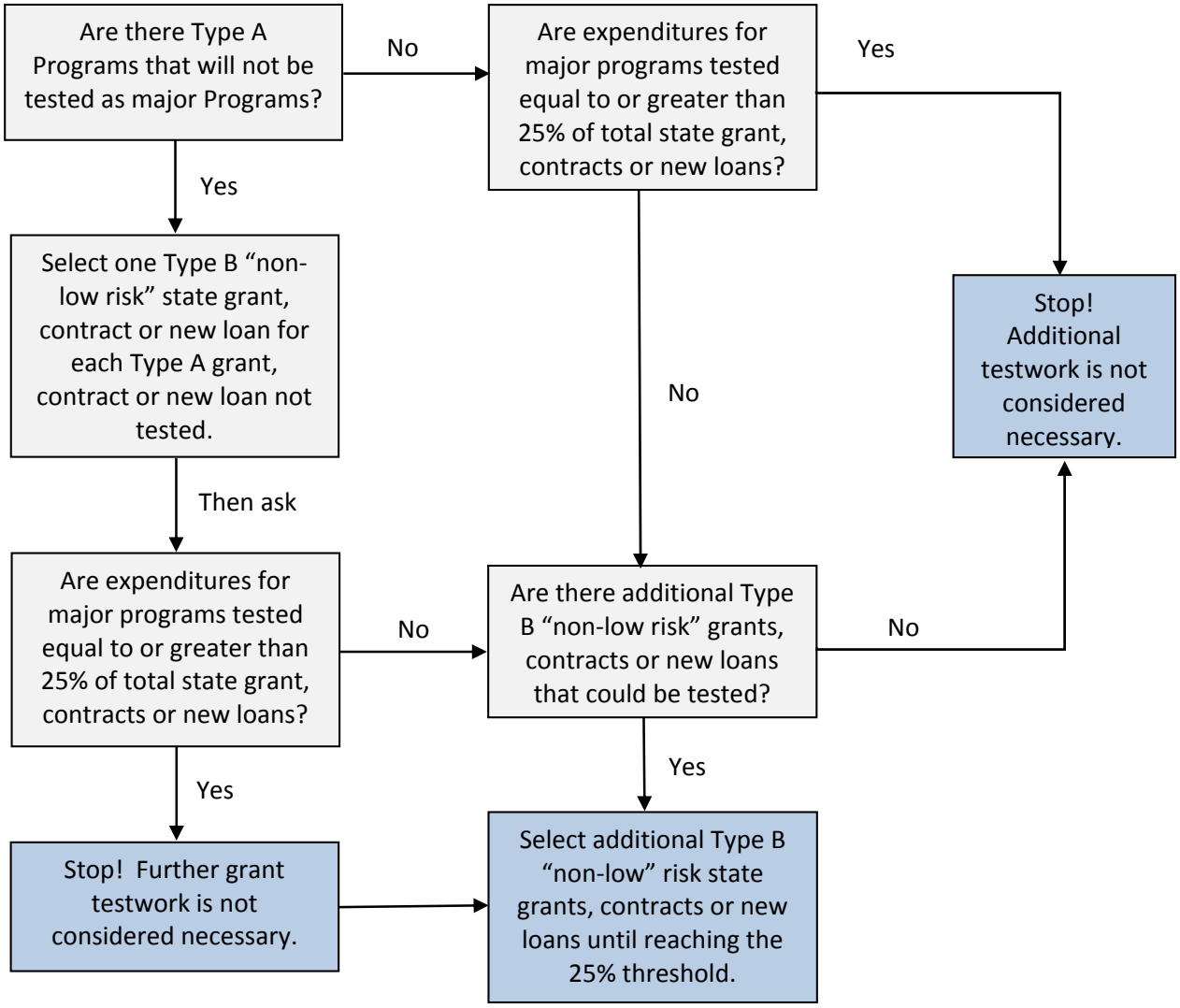
[Name of Entity]
Schedule of Expenditures of State Awards
For the Year Ended June 30, 20xx

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

Determining Major Grant Classification



Determining the Number of Major Grants to Test



CHAPTER 4:
AUDIT PROCEDURES FOR MINIMUM SCHOOL PROGRAM (MSP) FUNDS RECEIVED THROUGH THE UTAH STATE OFFICE OF EDUCATION (Local Education Agencies)

This part of the *State Compliance Audit Guide* identifies compliance testwork relating to State funds received from the Utah State Office of Education (USOE) for the Minimum School Program (MSP). This chapter 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, including charter schools organized as nonprofits.

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. MINIMUM SCHOOL PROGRAM (MSP) PROCEDURES
(Report as a "Major Program" in the Compliance Report)

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 2014-2015.

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 in which LEAs most commonly participated. 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:

For state compliance audit purposes, 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.
- District Administrative Costs – To support districts – especially districts with small enrollments – in maintaining administrative resources.
- Flexible Allocation – WPU Distribution – A flexible source of funding for LEAs to assist in managing budget reductions. 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.
- Local Levy Programs – The funds received for these programs are based on specific levy formulas. Voted and Board Local Levy 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 $19,683 per K-12 student or $14,762 per pre-K 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 grades K 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, Concurrent Enrollment, and Title I Schools in Improvement Paraeducators.

- **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, K-3 Reading Improvement, Educator Salary Adjustments, Library Books and Electronic Resources, School Nurses, Critical Languages and Dual Immersion, USTAR Centers, Early Intervention, etc.

- **One-Time Programs** – These funds are to finance programs such as Classroom Supplies and Materials, and Beverley Taylor Sorenson Elementary Arts Learning.

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 contacts: Jaime Barrett, USOE School Finance Section, 801-538-7667
Von Hortin, USOE School Finance Section, 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.	**AUDIT PROCEDURES**	**Performed by and Date**	**Workpaper Index**
UCA 53A	1. **Minimum School Program (MSP) Schedule –** Complete the MSP Schedule in the format provided in Chapter 4, Appendix 4-1 of this *Guide.* 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. (NOTE: This schedule is also required to be submitted to the USOE by November 30, in the Excel format outlined in Appendix 4-1).		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	2. **For each program (general and restricted) selected for testwork,** trace the flow of funding for each individual program to the final disposition as follows: 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).		
	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 unearned revenue balance, receipts, expenditures, adjustments, and ending receivable or unspent program balance.) The Illustrative State and Federal Revenue Reconciliation worksheet could be used. (See Appendix 4-2)		
	3. **General School Programs –** 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. 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. 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.		
UCA 53A-1a-513 (4)(e)	4. **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.)		
UCA 53A-17a-153 and Admin Rule R277-110	5. **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. 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. 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		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	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 – 5/2/2014 at the following site: http://www.schools.utah.gov/CURR/main/Codes-Approval.aspx 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.		
	6. **Determine Which Restricted Programs to Test:** 1) *Significant restricted programs* (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. 2) Restricted programs designated as high risk by the USOE or for which there were audit findings in either of the preceding two years must be selected in the current year. 3) A *cluster of programs* is a grouping of closely related restricted programs that share common compliance requirements. Two clusters (Special Education and Enhancement for Accelerated Students) have been identified. A cluster of restricted programs should be treated as one program when determining which programs to select. **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.		
	7. **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.		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	8. **Document control procedures over each compliance requirement identified in Procedure 7 above.**		
	9. **For Each Restricted School Program Selected for Testing** – verify that funds were expended appropriately by performing the following steps: a. Identify the allowable activities and costs for each selected program.		
	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: • 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. (See OMB Circular A-87 for governments or OMB Circular A-122 for nonprofit organizations for guidance on cost principles.)		
	c. Perform procedures and tests to verify that **indirect cost rates were applied** in accordance with approved rate limitations and guidelines.		
	d. Determine and document requirements for **matching, level of effort, and earmarking**: • 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. NOTE: *Matching* includes requirements to provide unrestricted contributions of a specified amount or percentage to match state program funding. Matching usually is in the form of allowable costs incurred. *Level of effort* 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. *Earmarking* 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.		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	State-funded programs with MOE requirements are the State Special Education Programs, and the Career and Technical Education, Reading Improvement, and Transportation programs.		
UCA 53A-17a-111, 112, and 158 R277-479 R277-525 R277-750 and 751	**COMMON RESTRICTED SCHOOL PROGRAMS THAT MAY BE SELECTED FOR TESTWORK:** 10. **Special Education Cluster –** a. Verify that special education programs were only used to provide additional or *special* 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.		
	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. 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.		
	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 191 of the PDF version located at http://www.schools.utah.gov/sars/DOCS/law/utspedrules010614.aspx Ensure that costs for regular classroom instruction have not been included with or allocated to state special education programs. 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 special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	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, pages 189-190, 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.		
	11. **Transportation –** Select a sample of expenditures charged to the student transportation program and test the sampled items for allowability (see also UCA 53A-17a-127). a. Compare total costs recorded for student transportation as reported on the AFR for function 2700 with the APR for the transportation program. Only costs for transporting students are allowable. Transportation and maintenance costs for administrative, LEA fleet, maintenance, or other purposes should not be charged to these funding sources.		
	b. **State Guarantee on Transportation Levy:** To fully participate in the State Guarantee on Transportation Levy program, 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. Determine that the LEA allocated to the program the value of .000200 from unrestricted state and local sources.		
R277-733-5	12. **Adult Education –** 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.		
R277-733-9 and UCA 53A-17a-119	b. Ensure that tuition and fees charged to a student for Adult Basic Education (ABE), GED preparation, Adult Secondary Education (ASE or AHSC or HSC), or English for Speakers of Other Languages (ESOL) 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.		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 53A-17a-113	13. **Career and Technical Education (CTE) – Add-On** – 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.		
R277-911	b. Verify that CTE funding was used only for students 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 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/AllocationMOE14.pdf) must be added to the program. The CTE maintenance of effort can be from unrestricted local or state sources.		
UCA 53A-17a-124.5	14. **Class Size Reduction** – 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.		
	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).		
	c. Verify that funding is used to supplement other class size reduction programs. 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. It is recommended the LEA maintain a list of educators and related benefits paid from this funding.		
R277-459	15. **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.)		
R277-713	16. **Concurrent Enrollment – Perform the following procedures:** a. Ensure reports submitted to USOE agree with supporting documentation.		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
R277-713-8(E)	b. Test program expenditures for allowability.		
R277-713-6	c. Review fees and tuition collected for compliance with R277-713-6.		
UCA 53A-17a-167 and R277-489	17. **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.		
UCA 53A-17a-166 and R277-708	18. **Enhancement for At-Risk Students** – Select a sample of expenditures charged to the program and test the sampled items for allowability. (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.)		
UCA 53A-17a-150	19. **Reading Improvement** – a. Review the LEA's State board approved plan and test related expenditures for allowability and compliance with the plan.		
	b. To fully participate in the Guarantee Program of the Reading Improvement program, 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 4, Section A of this *Guide* 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.		
	c. Determine that the LEA allocated to the program the amounts specified above, depending on the program or programs in which the LEA participated.		
UCA 53A-16-101.5 (5) R277-477	20. **School LAND Trust** – Board-approved plans can be viewed at http://www.schoollandtrust.org/schools/program-plans. 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.		
	21. **USTAR Centers (Year-Round Math & Science) –** 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.		
	b. Test program expenditures for allowability.		
	c. Review program results and ensure no more than 5% of program expenditures were used for math and science field trips, textbooks, and supplies.		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	22. **Youth-In-Custody** – From the LEA's funding application, obtain an understanding of allowable expenditures. Test expenditures for allowability in accordance with that application.		
R277-419-3(D)	**REPORTING REQUIREMENTS RELATED TO MINIMUM SCHOOL PROGRAM –** Determine that the LEA submitted the following reports to the State Office of Education timely. 23. **Aggregate Membership Agreed-Upon Procedures Report** (due September 15) – Prepared by an independent accountant (see the *Guide for Agreed-Upon Procedures Engagements for Local Education Agencies and Community-Based Organizations* which can on the Office of the State Auditor's website at http://auditor.utah.gov/local-government/for-cpas-and-practitioners/.		
	24. **Adult Education Agreed-Upon Procedures Report** (due September 15) – Prepared by an independent accountant (see the *Guide for Agreed-Upon Procedures Engagements for Local Education Agencies and Community-Based Organizations* which can be found on the Office of the State Auditor's website at http://auditor.utah.gov/local-government/for-cpas-and-practitioners/.		
UCA 63A-3-406 and R277-425-3	25. **LEA Annual Financial Report (AFR) and Annual Program Report (APR)** (due to the USOE by October 1)		
	26. **UTREx Update as of October 1** (due October 15) – Tested through agreed-upon procedures noted in procedure 27 below.		
	27. **Fall Enrollment Count Agreed-Upon Procedures Report and Transfer Student Documentation Agreed-Upon Procedures Report** (due November 1) – prepared by an independent accountant (see the *Guide for Agreed-Upon Procedures Engagements for Local Education Agencies* which can be found at http://auditor.utah.gov/local-government/for-cpas-and-practitioners/.		
	28. **Audited Financial Statements** (due to USOE by November 30) – performed by an independent auditor separately from the requirements of this *Guide.* A certification of the financial statements and the Audited Financial Statements are to be uploaded to the Office of the State Auditor's Online Reporting System by December 31 (see reporting.auditor.utah.gov).		

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

Appendix 4-1. MINIMUM SCHOOL PROGRAM SCHEDULE

Utah State Office of Education
Minimum School Program (MSP) Schedule
For the Year Ended June 30, 2015

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 Foundation and Enrollment Growth Program, although listed within the MSP (Revenue 99) on the Monthly Allotment, are considered separate state programs. 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 4 of the *State 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) must 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 programs selected for testwork must be equal to or greater than 25% of the total of all restricted programs for MSP.

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

[*Name of School District*]
Year Ended June 30, 2015
Minimum School Program Schedule
Prepared By: [*Name of Firm*]
Date Prepared:

School Program (Program Number)	2015 Expenditures	Group	3%	High Risk /USOE	PY F/Rs	Cluster *	Year (yyyy) Last Audited
General School Programs:							
Kindergarten and Grades 1-12 (var)	185,077,000	G					
Administrative Costs (var)	-	G					
Board Local Levy (5460)	4,141,000	G					
Charter School Levy Offset (var)	(1,253,000)	G					
Educator Salary Adjustments (5876)	16,647,000	G					
Flexible Allocation - WPU Distribution (5310)	2,638,000	G					
Foreign Exchange Students (var)	125,000	G					
Necessarily Existent Small Schools (var)	-	G					
Professional Staff (var)	17,317,000	G					
Public Education Online Offset (var)	(70,000)	G					
Voted Local Levy (5455)	20,399,000	G					
Restricted School Programs:							
Enhancement for Accelerated Students Cluster:			--				
Gifted and Talented (5331)	312,000	R				Accel	
Advanced Placement (5332)	234,000	R				Accel	
International Baccalaureate (5612)	-	R				Accel	
Special Education Cluster:			Yes				
Special Education - Add-on (1205)	21,300,000	R				SpEd	2014
Special Education - Self-contained (1210)	4,503,000	R				SpEd	2014
Special Education - Preschool (1215)	3,512,000	R				SpEd	2014
Special Education - Extended School Year (1220)	113,000	R				SpEd	2014
Special Education - State Programs (1225)	489,000	R				SpEd	2014
Special Education - State Programs - Extended School Year (1278/5878)	266,000	R				SpEd	2014
Adult Education (1609)	255,000	R	--				2015
Beverley Taylor Sorensen Elementary Arts (5882)	240,000	R	--				
Career and Technology Education - Add-on (6000)	8,573,000	R	Yes				2013
Class Size Reduction (5201)	13,609,000	R	Yes				2013
Concurrent Enrollment (5333)	481,000	R	--				
Critical Languages (5635)	130,000	R	--				
Early Intervention (5641)	559,000	R	--				
Enhancement for At-Risk Students (5336)	1,618,000	R	--				2015
Enhancement for At-Risk Students – Gang Prevention (5339/5608)	-	R	--				
Library Books and Electronic Resources (5810)	60,000	R	--				
Matching Funds for School Nurses (5368)	92,000	R	--				
Pupil Transportation and Guarantee on Transportation (5315/5371)	8,394,000	R	Yes				2015
Reading Improvement (5805)	1,663,000	R	--				
School LAND Trust (5420)	4,213,000	R	Yes				2013
Teacher Supplies and Materials (5868)	512,000	R	--				
Title I Schools Paraeducators Program (5685)	-	R	--				
USFR Teacher Salary Supplement (5807)	-	R	--				
USTAR Centers (5881)	736,000	R	--				
Youth In Custody (5340)	1,889,000	R	--				
Total Minimum School Program	318,774,000						
General Programs	(245,021,000)						
Restricted Programs	73,753,000						
3% of restricted programs (significant restricted program threshold)	2,212,590						
Percentage of coverage attained in current year (25% required minimum)	13.9%	NOTE: Select add'l programs to test until this is ≥ 25%					

G General program; general audit procedures considered annually
R Restricted program
Yes Meets 3% rule = significant restricted program; Meets prior year finding rule; meets USOE high risk rule
Accel Enhancement for Accelerated Students cluster
SpEd Special Education cluster
* All programs within a cluster should be treated as one program when testing compliance

[*Name of Charter School*]
Year Ended June 30, 2015
Minimum School Program Schedule
Prepared By: [*Name of Firm*]
Date Prepared:

School Program (Program Number)	2015 Expenditures	Group	3%	High Risk /USOE	PY F/Rs	Cluster *	Year (yyyy) Last Audited
General School Programs:							
Kindergarten and Grades 1-12 (var)	9,725,000	G					
Charter School Administrative Costs (5625)	350,000	G					
Charter School Local Replacement (5619)	5,808,000	G					
Educator Salary Adjustments (5876)	896,000	G					
Flexible Allocation - WPU Distribution (5310)	121,000	G					
Foreign Exchange Students (var)	-	G					
Professional Staff (var)	383,000	G					
Public Education Online Offset (var)	(1,000)	G					
Restricted School Programs:							
Enhancement for Accelerated Students Cluster:			--				
Gifted and Talented (5331)	15,000	R				Accel	
Advanced Placement (5332)	6,000	R				Accel	
International Baccalaureate (5612)	-	R				Accel	
Special Education Cluster:			Yes				
Special Education - Add-on (1205)	1,613,000	R				SpEd	2014
Special Education - Self-contained (1210)	6,000	R				SpEd	2014
Special Education - Extended School Year (1220)	2,000	R				SpEd	2014
Special Education - State Programs (1225)	19,000	R				SpEd	2014
Special Education - State Programs - Extended School Year (1278/5878)	5,000	R				SpEd	2014
Beverley Taylor Sorensen Elementary Arts (5882)	-	R	--				
Career and Technology Education - Add-on (6000)	-	R	--				
Class Size Reduction (5201)	763,000	R	Yes				2015
Concurrent Enrollment (5333)	-	R	--				
Critical Languages (5635)	-	R	--				
Early Intervention (5641)	134,000	R	Yes				2013
Enhancement for At-Risk Students (5336/5608)	161,000	R	Yes				2013
Library Books and Electronic Resources (5810)	3,000	R	--				
Matching Funds for School Nurses (5368)	32,000	R	--				
Reading Improvement (5805)	132,000	R	Yes				2013
School LAND Trust (5420)	246,000	R	Yes				2013
Teacher Supplies and Materials (5868)	28,000	R	--				
Title I Schools Paraeducators Program (5685)	-	R	--				
USFR Teacher Salary Supplement (5807)	-	R	--				
USTAR Centers (5881)	86,000	R	--				
Total Minimum School Program	20,533,000						
General Programs	(17,282,000)						
Restricted Programs	3,251,000						
3% of restricted programs (significant restricted program threshold)	97,530						
Percentage of coverage attained in current year (25% required minimum)	23.5%	NOTE: Select add'l programs to test until this is ≥ 25%					

G General program; general audit procedures considered annually
R Restricted program
Yes Meets 3% rule = significant restricted program; Meets prior year finding rule; meets USOE high risk rule
Accel Enhancement for Accelerated Students cluster
SpEd Special Education cluster
* All programs within a cluster should be treated as one program when testing compliance

APPENDIX 4-2
SAMPLE STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAs

District/Charter: [*Insert name of LEA*]
Year End: June 30, 2015

Revenue Code	Program Number	Revenue Number		PY Balances Receivable 06/30/14	PY Balances (Unspent) 06/30/14	USOE MSP Monthly Allotment Report PY July Current	CY July Current	CY July YTD	Match or MOE Requirement	Adjustments / Other Receipts	Available	Amount Spent in 2015	CY Balances Receivable 06/30/15	CY Balances (Unspent) 6/30/2015
				-	-	+	-	+	+	+	=			
			State Programs											
01	5380	3480	SOEP Allocation from Home and Private Schools	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
01	5618	3718	Professional Development	-	-	-	-	-	-	-	-	-	-	-
01	5674	3774	CTE Suicide Prevention	-	-	-	-	-	-	-	-	-	-	-
01	5676	3676	Intergenerational Poverty	-	-	-	-	-	-	-	-	-	-	-
01	5699	3799	Utah Performance Assessment System for Students (UPASS)	-	-	-	-	-	-	-	-	-	-	-
01	5816	3816	Student Leadership Development	-	-	-	-	-	-	-	-	-	-	-
01	5846	3866	CS Start Up Funds	-	-	-	-	-	-	-	-	-	-	-
02	8070	3770	State Liquor Control Tax	-	-	-	-	-	-	-	-	-	-	-
03	5610	3710	State Driver Training Tax	-	-	-	-	-	-	-	-	-	-	-
04	5616	3716	Federal Mineral Lease - School Trust Lands	-	-	-	-	-	-	-	-	-	-	-
80	7324	4324	Collections - Chinese Flagship	-	-	-	-	-	-	-	-	-	-	-
80	1609	3209	Collections - Planning and Project Services	-	-	-	-	-	-	-	-	-	-	-
80	5601	3701	Collections - Discretionary	-	-	-	-	-	-	-	-	-	-	-
81	5601	3701	Collections - Teacher Tech Training	-	-	-	-	-	-	-	-	-	-	-
97	5816	3816	Student Leadership One-Time	-	-	-	-	-	-	-	-	-	-	-
SA	5672	3772	Substance Abuse - Fee on Fines	-	-	-	-	-	-	-	-	-	-	-
Minimum School Program (sorted by program number):				-	-	-	-	-	-	-	-	-	-	-
99	1205	3105	Special Education - Add-on	-	-	-	-	-	-	-	-	-	-	-
99	1210	3110	Special Education - Self-contained	-	-	-	-	-	-	-	-	-	-	-
99	1215	3115	Special Education - Preschool	-	-	-	-	-	-	-	-	-	-	-
99	1220	3120	Special Education - State Programs - Extended School Year	-	-	-	-	-	-	-	-	-	-	-
99	1225	3125	Special Education - State Programs	-	-	-	-	-	-	-	-	-	-	-
99	1278	3120	Special Education - Extended School Year	-	-	-	-	-	-	-	-	-	-	-
99	1609	3209	Adult Education	-	-	-	-	-	-	-	-	-	-	-
99	5201	3230	Class Size Reduction	-	-	-	-	-	-	-	-	-	-	-
99	5310	3410	Flexible Allocation - WPU Distribution	-	-	-	-	-	-	-	-	-	-	-
99	5315	3415	To and From School - Pupil Transportation	-	-	-	-	-	-	-	-	-	-	-
99	5331	3211	Enhancement for Accelerated Students - Gifted and Talented	-	-	-	-	-	-	-	-	-	-	-
99	5332	3212	Enhancement for Accelerated Students - Advanced Placement	-	-	-	-	-	-	-	-	-	-	-
99	5333	3213	Concurrent Enrollment	-	-	-	-	-	-	-	-	-	-	-
99	5336	3336	Enhancement for At-Risk Students	-	-	-	-	-	-	-	-	-	-	-
99	5339	3220	Enhancement for At-Risk Students - Gang Prevention	-	-	-	-	-	-	-	-	-	-	-
99	5340	3221	Youth In Custody	-	-	-	-	-	-	-	-	-	-	-
99	5368	3468	Matching Funds for School Nurses	-	-	-	-	-	-	-	-	-	-	-
99	5371	3471	Guarantee Transportation Program	-	-	-	-	-	-	-	-	-	-	-
99	5420	3520	School LAND Trust Program	-	-	-	-	-	-	-	-	-	-	-
99	5455	3555	Voted Local Levy Program	-	-	-	-	-	-	-	-	-	-	-
99	5460	3560	Board Local Levy Program	-	-	-	-	-	-	-	-	-	-	-
99	5550	3650	Capital Outlay Foundation Program	-	-	-	-	-	-	-	-	-	-	-
99	5561	3661	Capital Outlay Enrollment Growth Program	-	-	-	-	-	-	-	-	-	-	-
99	5608	3708	Enhancement for At-Risk Students - Gang Prevention	-	-	-	-	-	-	-	-	-	-	-
99	5612	3612	Enhancement for Accelerated Students - International Baccalaureate	-	-	-	-	-	-	-	-	-	-	-
99	5619	3719	Charter School Local Replacement	-	-	-	-	-	-	-	-	-	-	-
99	5625	3725	Charter School Administrative Costs	-	-	-	-	-	-	-	-	-	-	-
99	5635	3635	Critical Languages	-	-	-	-	-	-	-	-	-	-	-
99	5641	3641	Early Intervention	-	-	-	-	-	-	-	-	-	-	-
99	5685	3785	Title I Schools Paraeducators Program	-	-	-	-	-	-	-	-	-	-	-
99	5805	3805	K-3 Reading Improvement (Board Local Levy Program - Reading Improvement)	-	-	-	-	-	-	-	-	-	-	-
	5807		USFR Teacher Salary Supplement Program	-	-	-	-	-	-	-	-	-	-	-
99	5810	3810	Library Books and Electronic Resources	-	-	-	-	-	-	-	-	-	-	-
99	5868	3868	Teacher Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-
99	5876	3876	Educator Salary Adjustments	-	-	-	-	-	-	-	-	-	-	-
99	5878	3878	Special Education - Extended School Year	-	-	-	-	-	-	-	-	-	-	-
99	5881	3881	USTAR Centers (Year-Round Math and Science)	-	-	-	-	-	-	-	-	-	-	-
99	5882	3882	Beverley Taylor Sorenson Elementary Arts	-	-	-	-	-	-	-	-	-	-	-
99	6000	3155	Career and Technical Education - Add-on	-	-	-	-	-	-	-	-	-	-	-
99	VAR	3025	Administrative Costs	-	-	-	-	-	-	-	-	-	-	-
99	VAR	3010	Charter School Levy Offset	-	-	-	-	-	-	-	-	-	-	-
99	VAR	3010	Foreign Exchange Students	-	-	-	-	-	-	-	-	-	-	-
99	VAR	3010	Kindergarten and Grades 1-12	-	-	-	-	-	-	-	-	-	-	-
99	VAR	3015	Necessarily Existent Small Schools	-	-	-	-	-	-	-	-	-	-	-
99	VAR	3020	Professional Staff	-	-	-	-	-	-	-	-	-	-	-
99	VAR	3010	Public Education Online Offset	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
			Less: Basic levy, matching, and MOE from local sources	-	-	-	-	-	-	-	-	-	-	-
Total State				$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
			Federal Programs / CFDA No.											

APPENDIX 4-2
SAMPLE STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAs

				-	-	+	-	+	+	+	=			
21	6043	4538	Career and Technical Education - Basic Grants to States 84.048	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	7323	4323	Grants for Enhanced Assessment Instruments 84.368	-	-	-	-	-	-	-	-	-	-	-
52	7522	4522	Special Education - Preschool Grants 84.173	-	-	-	-	-	-	-	-	-	-	-
19	7524	4524	Special Education - Grants to States 84.027	-	-	-	-	-	-	-	-	-	-	-
29	7526	4526	Special Education - State Personnel Development (84.323)	-	-	-	-	-	-	-	-	-	-	-
33	7581	4581	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-
33	7582	4582	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-
33	7583	4583	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-
33	7584	4584	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-
06	7614	4614	Mathematics and Science Partnerships 84.366	-	-	-	-	-	-	-	-	-	-	-
08	7801	4801	Title I Grants to Local Education Agencies 84.010	-	-	-	-	-	-	-	-	-	-	-
12	7801	4801	School Improvement Grants 84.377	-	-	-	-	-	-	-	-	-	-	-
15	7830	4830	Migrant Education - State Grant Program 84.011	-	-	-	-	-	-	-	-	-	-	-
13	7840	4840	Title I State Agency Program for Neglected and Delinquent Children and Youth 84.013	-	-	-	-	-	-	-	-	-	-	-
74	7860	4860	Improving Teacher Quality State Grants 84.367	-	-	-	-	-	-	-	-	-	-	-
73	7880	4880	English Language Acquisition State Grants 84.365	-	-	-	-	-	-	-	-	-	-	-
60	7910	4910	Twenty-First Century Community Learning Centers 84.287	-	-	-	-	-	-	-	-	-	-	-
28	7950	4950	Education for Homeless Children and Youth 84.196	-	-	-	-	-	-	-	-	-	-	-
46	8071	4571	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-
	8071		National School Lunch Program (Commodities) 10.555	-	-	-	-	-	-	-	-	-	-	-
46	8072	4572	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-
46	8073	4573	Special Milk Program for Children 10.556	-	-	-	-	-	-	-	-	-	-	-
43	8074	4574	School Breakfast Program 10.553	-	-	-	-	-	-	-	-	-	-	-
46	8074	4574	School Breakfast Program 10.553	-	-	-	-	-	-	-	-	-	-	-
46	8075	4575	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-
49	8076	4576	Child and Adult Care Food Program (10.558)	-	-	-	-	-	-	-	-	-	-	-
46	8077	4577	Summer Food Service Program for Children 10.559	-	-	-	-	-	-	-	-	-	-	-
48	8079	4579	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-
50	8079	4579	State Administrative Expenses for Child Nutrition (10.560)	-	-	-	-	-	-	-	-	-	-	-
51	8079	4579	Child Nutrition Discretionary Grants Limited Availability 10.579	-	-	-	-	-	-	-	-	-	-	-
			Medical Assistance Program 93.778	-	-	-	-	-	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-
			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 to reconcile state and federal revenue and year-end balances with the LEA'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 school to support annual reports; it is not submitted to the USOE or the Office of the Utah State Auditor.
Unspent balance is either recorded as unearned revenue (a liability) for expenditure-driven programs or as a classification of fund balance using the modified accrual basis of accounting.
The objective of reconciling each state and federal program is to help demonstrate that each award is used as intended and revenue is recorded in the proper period.

CHAPTER 5: REPORTING

REPORTING REQUIREMENTS

A. A Report on Compliance (with the requirements described in this Guide) as well as a **Report on Internal Controls Over Compliance** are required. These two reports can be combined. The following pages contain examples of combined Reports on Compliance with Applicable Requirements and Internal Control Over Compliance (based on AICPA AU-C 935 and this Guide).

Certain elements are required to be included in these reports, and have been indicated in the examples (for a list of all elements required, go to AU-C 935.30–.32). One of those main elements is the Opinion.

- **Opinion.** 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.

B. Material and Significant Findings. 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.

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.

C. Audit Response and Planned Corrective Actions. Utah Code 51-2a-102(3)(c), Utah Administrative 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.

D. Immaterial findings. 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 separate letter to management and those charged with governance (i.e. management letter) or with the report.

E. Inconsequential findings. 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.

F. Management Letter (optional). When a management letter is used to communicate other instances of noncompliance (immaterial or inconsequential findings), the state 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 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.

State 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:			
• Those that have a material effect	X		
• Less than material but more than inconsequential [1]		X	
• Those that are inconsequential (Other Matters)			X
Deficiencies in internal control over general or state major program compliance requirements:			
• Material weakness	X		
• Significant deficiency	X		
• Deficiency in internal control			X

[1] Communication can be in the report or in a letter to management.

DEVELOPMENT OF FINDINGS

Clearly developed findings assist management, oversight officials, and other interested parties in understanding the need to take corrective action. Per GAS, findings should contain the following elements: (1) criteria, (2) condition, (3) cause and (4) the effect or potential effect. These are defined below:

- Condition: "What is?" This describes the situation that exists.
- Criteria: "What should be?" This identifies the required or desired state of expectation and provides a context for evaluating evidence and understanding the finding. Examples of criteria would be he laws, regulations, contracts, grant agreements, standards, measures, etc., against which performance/compliance is compared or evaluated.
- Cause: "Why the condition happened?" This identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the criteria and condition.
- Effect: "What is the difference between the what is and the what should be?" The effect or potential effect is a clear, logical consequence demonstrating the impact or potential impact of the difference between the condition and the criteria.

When writing findings, auditors should understand the four elements above and how they relate. Findings should let the reader know the severity of the problem and how to correct the problem. For example, stating only that the entity has inadequate separation of duties is not specific enough for management and the reader to understand the significance of the problem and how that might affect compliance or their decision making process Stating that the financial manager has the ability to record transactions in the general ledger, approve checks, and performs the bank reconciliations without any independent review and that this could cause misappropriations of funds to occur without detection would enable both management and the reader to make decisions regarding the severity of the problem and how to resolve the situation. Further, stating only that the auditor found 'some' problems while testing compliance also would not adequately detail the severity of the issue. Instead the auditor should detail the tests performed and quantify the errors noted -- for example, 'we tested 40 B & C road funding expenditure transactions from July 2013 through December 2013 for compliance with state law restrictions (see UCA 72-2-202) and noted 5 transactions that were for unallowable expenditures.' The finding should go on to explain what type of expenditures are allowable, what type of unallowable expenditures were noted, and why the errors occurred. Quantifying the error gives significance and perspective to the errors for both management and the reader of the report.

Example 1

Illustrative Combined Report on Compliance with Applicable Requirements; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Awards Required by the State Compliance Audit Guide

(Unmodified Opinion on Compliance with:

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

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON:

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS** [Note: Nonprofits, except charter schools, should modify the report to exclude verbiage related to General State Compliance Requirements]
- **COMPLIANCE FOR EACH MAJOR STATE PROGRAM** [Note: If the entity did not receive state funding classified as a major program, modify report accordingly]
- **INTERNAL CONTROL OVER COMPLIANCE**
- **SCHEDULE OF EXPENDITURES OF STATE AWARDS**

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

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited *[insert full name of Entity]*'s compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on *[the Entity]* or each of its major state programs for the year ended *[Month, Day, 20XX]*.

General state compliance requirements were tested for the year ended *[Month, Day, 20XX]* in the following areas:

[DELETE ANY AREAS NOT SUBJECT TO TESTWORK BY THE AUDITOR]
Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Tax Levy Revenue Recognition
Restricted Taxes
Transient Room Tax and Tourism Taxes
School District Tax Levies
Open and Public Meetings Act
Cash Management

Statement of Taxes Charged, Collected & Disbursed
Impact Fees
School Fees
Government Records Access Management Act (GRAMA)
Conflicts of Interest
Nepotism
Special and Local Service District Board Members

[The Entity] received state funding from the following programs classified as major programs for the year ended *[Month, Day, 20XX]*:

Minimum School Program (if received by the entity)
[*LIST OTHER MAJOR STATE PROGRAMS TESTED HERE*]

– OR –

[The Entity] did not have any state funding classified as a major program during the year ended *[Month, Day, 20XX]*.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on *[the Entity]*'s compliance based on our audit of the compliance requirements referred to above. 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 Compliance Audit Guide*. Those standards and the *State 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 direct and material effect on *[the Entity]* or its major state 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of *[the Entity]*'s compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, *[full name of Entity]* complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *[the Entity]* or on 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 Compliance Audit Guide* and which are described [in the accompanying schedule of findings and recommendations as items *[20XX-2 and 20XX-3*] –or– [in our

letter to management dated *[Date]* as items *[20XX-2 and 20XX-3]* –or– [below]. Our opinion on compliance is not modified with respect to these matters. [Insert views/responses of/from responsible officials after findings.]

[The Entity]'s response to the noncompliance findings identified in our audit is described in the accompanying *[insert name of document containing responses]*. *[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.

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 of compliance, we considered *[the Entity]*'s internal control over compliance with the compliance requirements that could have a direct and material effect on *[the Entity]* or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement 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 general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described [in the accompanying schedule of findings and recommendations as item *[20XX-2*] –or– [in our letter to management dated *[Date]* as item *[20XX-2]* –or– [below]. [Insert views/responses of/from responsible officials after findings.]

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide*

We have audited the financial statements of the governmental activities, *[the business-type activities, the aggregate discretely presented component units,]* each major fund, and the aggregate remaining fund information of *[the Entity]* as of and for the year ended *[Month, Day, 20XX]*, and the related notes to the financial statements, which collectively comprise *[the Entity]*'s basic financial statements. We issued our report thereon dated *[Month, Day, 20XX]*, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

[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—(Unmodified Opinion on Compliance with:

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

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON:

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS** [Note: Nonprofits, except charter schools, should modify the report to exclude verbiage related to General State Compliance Requirements]
- **COMPLIANCE FOR EACH MAJOR STATE PROGRAM** [Note: If the entity did not receive state funding classified as a major program, modify report accordingly]
- **INTERNAL CONTROL OVER COMPLIANCE**
- **SCHEDULE OF EXPENDITURES OF STATE AWARDS**

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

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited *[insert full name of Entity]*'s compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on *[the Entity]* or each of its major state programs for the year ended *[Month, Day, 20XX]*.

General state compliance requirements were tested for the year ended *[Month, Day, 20XX]* in the following areas:

[DELETE ANY AREAS NOT SUBJECT TO TESTWORK BY THE AUDITOR]
Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Tax Levy Revenue Recognition
Restricted Taxes
Transient Room Tax and Tourism Taxes
School District Tax Levies
Open and Public Meetings Act
Cash Management
Statement of Taxes Charged, Collected & Disbursed
Impact Fees
School Fees
Government Records Access Management Act (GRAMA)

Conflicts of Interest
Nepotism
Special and Local Service District Board Members

[The Entity] received state funding from the following programs classified as major programs for the year ended *[Month, Day, 20XX]*:

Minimum School Program (if received by the entity)
[*LIST OTHER MAJOR STATE PROGRAMS TESTED HERE*]

– OR –

[The Entity] did not have any state funding classified as a major program during the year ended *[Month, Day, 20XX]*.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on *[the Entity]*'s compliance based on our audit of the compliance requirements referred to above. 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 Compliance Audit Guide*. Those standards and the *State 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 direct and material effect on *[the Entity]* or its major state 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of *[the Entity]*'s compliance.

Opinion on General State Compliance Requirements and Each Major State Program

In our opinion, *[full name of Entity]* complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *[the Entity]* or on 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 Compliance Audit Guide* and which are described [in the accompanying schedule of findings and recommendations as items *[20XX-2 and 20XX-3]* –or– [in our letter to management dated *[Date]* as items *[20XX-2 and 20XX-3]* –or– [below]. Our opinion on compliance is not modified with respect to these matters. [Insert views/responses of/from responsible officials after findings.]

[The Entity]'s response to the noncompliance findings identified in our audit is described in the accompanying *[insert name of document containing responses]*. *[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.

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 of compliance, we considered *[the Entity]*'s internal control over compliance with the compliance requirements that could have a direct and material effect on *[the Entity]* or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement 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 general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described [in the accompanying schedule of findings and recommendations as items *[20XX-2 and 20XX-3]* –or– [in our letter to management dated *[Date]* as items *[20XX-2 and 20XX-3]* –or– [below] that we consider to be significant deficiencies. [Insert views/responses of/from responsible officials after findings.]

[The Entity]'s response to the internal control over compliance findings identified in our audit is described in the accompanying *[insert name of document containing responses]*. *[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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide*

We have audited the financial statements of the governmental activities, *[the business-type activities, the aggregate discretely presented component units,]* each major fund, and the aggregate remaining fund information of *[the Entity]* as of and for the year ended *[Month, Day, 20XX]*, and the related notes to the financial statements, which collectively comprise *[the Entity]*'s basic financial statements. We issued our report thereon dated *[Month, Day, 20XX]*, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

[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 IN ACCORDANCE WITH THE *STATE COMPLIANCE AUDIT GUIDE* ON:

- **COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS** [Note: Nonprofits, except charter schools, should modify the report to exclude verbiage related to General State Compliance Requirements]
- **COMPLIANCE FOR EACH MAJOR STATE PROGRAM** [Note: If the entity did not receive state funding classified as a major program, modify report accordingly]
- **INTERNAL CONTROL OVER COMPLIANCE**
- **SCHEDULE OF EXPENDITURES OF STATE AWARDS**

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

Report On Compliance with General State Compliance Requirements and for Each Major State Program

We have audited *[insert full name of Entity]*'s compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on *[the Entity]* or each of its major state programs for the year ended *[Month, Day, 20XX]*.

General state compliance requirements were tested for the year ended *[Month, Day, 20XX]* in the following areas:

[DELETE ANY AREAS NOT SUBJECT TO TESTWORK BY THE AUDITOR]
Budgetary Compliance
Fund Balance
Justice Courts
Utah Retirement Systems
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Tax Levy Revenue Recognition
Restricted Taxes
Transient Room Tax and Tourism Taxes
School District Tax Levies
Open and Public Meetings Act
Cash Management
Statement of Taxes Charged, Collected & Disbursed
Impact Fees
School Fees

Government Records Access Management Act (GRAMA)
Conflicts of Interest
Nepotism
Special and Local Service District Board Members

[The Entity] received state funding from the following programs classified as major programs for the year ended *[Month, Day, 20XX]*:

Minimum School Program (if received by the entity)
[*LIST OTHER MAJOR STATE PROGRAMS TESTED HERE*]

– OR –

[The Entity] did not have any state funding classified as a major program during the year ended *[Month, Day, 20XX]*.

Management's Responsibility

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on *[the Entity]*'s compliance based on our audit of the compliance requirements referred to above. 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 Compliance Audit Guide*. Those standards and the *State 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 direct and material effect on *[the Entity]* or its major state 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 on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of *[the Entity]*'s compliance.

Basis for Qualified Opinion on [Identify General State Compliance area or Major 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 State 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 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 State Compliance Areas and Major State Programs
In our opinion, *[the Entity]* complied, in all material respects, with the 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 Compliance Audit Guide* and which are described [in the accompanying schedule of findings and recommendations as items *[20XX-2 and 20XX-3*] –or– [in our letter to management dated *[Date]* as items *[20XX-2 and 20XX-3]* –or– [below]. Our opinion on compliance is not modified with respect to these matters. [Insert views/responses of/from responsible officials after findings.]

[The Entity]'s response to the noncompliance findings identified in our audit is described in the accompanying *[insert name of document containing responses]*. *[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.

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 of compliance, we considered *[the Entity]*'s internal control over compliance with the compliance requirements that could have a direct and material effect on *[the Entity]* or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement 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 general state or major state program 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*] –or– [in our letter to management dated *[Date]* as items *[20XX-2 and 20XX-3]* –or– [below] to be material weaknesses. [Insert views/responses of/from responsible officials after findings.]

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement 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*] –or– [in our letter to management dated *[Date]* as items *[20XX-2 and 20XX-3]* –or– [below] to be significant deficienes. [Insert views/responses of/from responsible officials after findings.]

[The Entity]'s response to the internal control over compliance findings identified in our audit is described in the accompanying *[insert name of document containing responses]*. *[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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide*

We have audited the financial statements of the governmental activities, *[the business-type activities, the aggregate discretely presented component units,]* each major fund, and the aggregate remaining fund information of *[the Entity]* as of and for the year ended *[Month, Day, 20XX]*, and the related notes to the financial statements, which collectively comprise *[the Entity]*'s basic financial statements. We issued our report thereon dated *[Month, Day, 20XX]*, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

[Auditor's Signature]
[Auditor's City, State]
[Date of Auditor's Report]