A Key Pillar of State Government

OFFICE OF THE UTAH STATE AUDITOR

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Presentation Overview

- Current Issues
  - Uniform Accounting Manual
  - Interlocal Entities
  - Conflicts of Interest
  - Quarterly Reports
- Audit Alerts
- Governing Body Oversight
- Audit Quality

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Interlocal Entities

- What are they?
- HB 251– Clarified
  - Fiscal Procedures
  - GRAMA
  - OPMA
  - Etc.

Conflicts of Interest

- Common complaint received
  - Examples:
    - County Employee
    - District
- Awareness
- Fraud Inquiries

Conflicts of Interest

- Applicable laws have variations
  - Counties 17-16a-4
  - Municipalities 10-3-1304
  - All others – 67-16-4 and 67-16-4
- Generally, disclosure is required; abstaining from voting is not required.

Quarterly Reports

- Effective Governing Body Oversight
  - Information provided to the board is accurate.
  - Teach – What should the governing body look for?
    - Routine expenditures expected, large purchases already discussed.
    - Look for the strange, odd, or curious.
    - Simply asking "What is this?" and reviewing support is an effective deterrent to inappropriate activity.

AUDIT ALERTS

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Proposed Alerts

1. Charter School – FASB vs. GASB
2. PILT vs. Mineral Lease
3. OPMA
4. Conflict of Interest
   - Metropolitan Water District
   - County Employee

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Proposed Alerts

5. Cost Allocation Methodology
6. Auditor Independence
7. Discrete Component Unit Reporting
8. Governing Body Oversight and Internal Controls

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GOVERNING BODY OVERSIGHT

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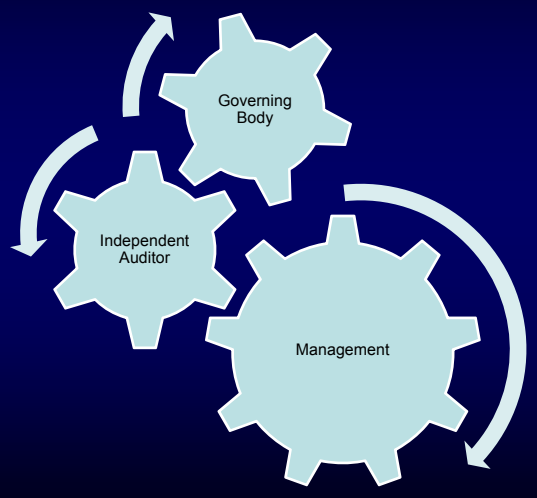
Understanding Role



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Responsibilities

- Governing Body
  - Set policies and procedures
  - Direct & oversee management
  - Utilize auditors to provide independent feedback
- Management
  - Oversee operations, financial reporting, internal control, & compliance
- Auditor
  - Provide an independent assessment of operations
  - Attest to the reliability of management assertions

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Audit Committee Key Activities

- Set audit plans and priorities.
- Closely evaluate operations (performance, compliance, finance).
- Follow up on corrective action plan.
- Regularly report audit committee activities to the governing board.
- Assess the performance of the auditors.

Audit Quality

Audit Quality

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Private Audit Committee Meetings

- Auditors
  - To ensure a full and frank exchange of views on operations and reporting
  - Discuss risk assessment
- Management
  - To ensure that management is free to express its true assessment of the degree of coordination and cooperation achieved between the government's staff and the staff of the independent auditors
- Committee Members
  - To facilitate a full and free discussion of its audit priorities and recommendations
- Others as necessary, such as outside advisors

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AUDIT QUALITY

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Safeguards

- Peer Review
- AICPA Ethics Standards
- State Auditor Workpaper Reviews
- Federal Workaper Reviews
- Audit Committees

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State Auditor Workpaper Reviews

- Responsiblity
- Rotation
- Rating
- Corrective Action

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Responsiblity

- *Utah Code* 51-2a
  - "…the state auditor shall adopt guidelines, qualifications criteria, and procurement procedures for the use in procurement of audit services for all entities that are required by Section 51-2a-201 to cause an accounting report to be made."
  - "The state auditor shall have access to all accounting report work papers..."

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Rotation

- All firms that perform governmental audits will be reviewed at least once every three years.

Rating

- Three possible ratings:
  - Pass
  - Needs improvement
  - Fail
- Reports will not be accepted by a firm that has a current rating of "fail".

Pass

- Overall performance of the audit engagement was satisfactory or better.

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Needs Improvement

- Critical performance deficiencies were noted.
- Without corrective action, these deficiencies could result in a significant failure to meet professional standards.

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Fail

- Significant and pervasive performance deficiencies were noted
- Firm has failed to correct
- Insufficient and inadequate evidence to support the auditor's opinion

Fail

These deficiencies may include:

- Material line items or footnotes that were not adequately tested
- Insufficient evidence to support significant audit requirements
- Failure to communicate significant matters

Contact Information

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