



OFFICE OF THE
UTAH STATE AUDITOR

News Release
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**Office of the Utah State Auditor Completes *A Performance Audit of
State Agency Internal Audit Services***

*State Agencies Lack Proactive and Independent Controls to
Deter Fraud, Waste, Abuse, and Mismanagement*

Salt Lake City, UTAH –

The Office of the Utah State Auditor has recently completed *A Performance Audit of State Agency Internal Audit Services*. Internal auditors, when used effectively, can provide great value to state agencies and taxpayers by proactively evaluating risk areas within the agency, ensuring proper use and accounting of state resources, assessing the efficiency of agency operations, and determining the effectiveness of agency programs. Eleven State agencies which collectively spend \$430 million do not currently have Internal Audit staff. Some of these agencies are required by statute to have Internal Audit programs and are not in compliance. In addition, failure to implement this proactive measure limits internal controls for the other agencies without Internal Audit staff.

An effective internal audit program is one of the most impactful management tools available to control risks, improve overall agency performance, and ensure that agency objectives are met. By contrast, agencies with low-functioning or non-existent internal audit programs may overlook agency risk areas, thus allowing fraud, waste, abuse, or mismanagement to perpetuate. Rather than addressing risk areas internally, unchecked concerns can escalate into larger problems that may require more drastic measures to correct.

Past performance audits of the Department of Alcohol and Beverage Control, the state's Medicaid program, and the Department of Corrections demonstrate management concerns that likely would have been addressed proactively by agency internal auditors. The external audit reports for these three state agencies each state that the non-existence of a functioning or independent internal audit program contributed to the perpetuated level of agency mismanagement addressed by those audits. Each of these three agencies has since corrected concerns with their internal audit programs. However, eleven state agencies currently face similar risks by not having internal audit staff. Many other state agencies with internal audit programs limit internal audit effectiveness by exerting management influence over the programs.



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This audit report addresses several ways that the state agency internal audit programs could improve to better utilize this valuable management tool. The audit report recommends an economical means by which the 11 agencies without internal audit staff could establish this valuable internal control through a shared internal audit group. In addition to serving the needs of these 11 state agencies, this group could also address risk areas identified by the Governor, Lieutenant Governor, and their staffs.

In addition, best practices and internal audit standards recommend a functional reporting relationship to an audit committee in order to limit management influence over audit findings and increase internal audit independence. State agencies are the only state entities that do not report to audit committees. Internal auditors in the judicial branch, Office of Education, colleges and universities, and the legislative branch all report functionally to audit committees.

A copy of the report can be found at: <http://financialreports.utah.gov/saoreports/2013/13-02-PAStateAgencyInternalAuditServicesStateofUtah.pdf>

About the Office of the Utah State Auditor

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

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

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

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