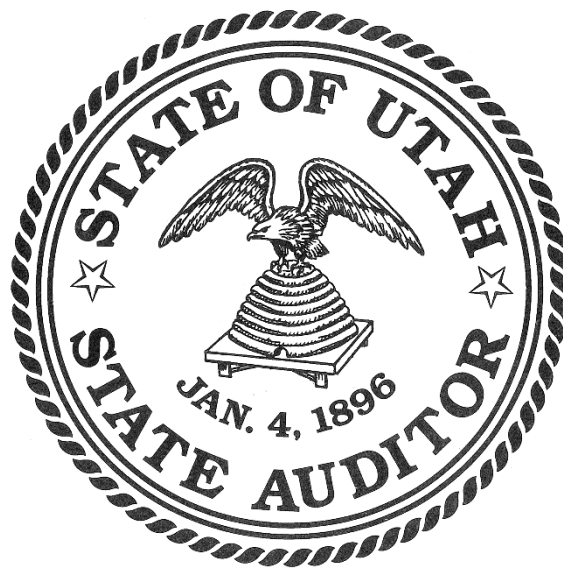


STATE COMPLIANCE AUDIT GUIDE

May 1, 2021



OFFICE OF THE
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(s)	CHANGE(S) MADE	DATE CHANGED

2021 Changes to the State Compliance Audit Guide

Chapter 1: AUDIT PROCEDURES TO BE PERFORMED ANNUALLY

1. Move OPMA section to chapter 2 section H to be tested once every three years.
2. Addition of Section G Government Fees

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

1. Addition of Section H – Open and Public Meetings Act (moved from Ch 1).

Chapter 3: AUDIT PROCEDURES FOR LOCAL EDUCATION AGENCIES

Chapter 4: REPORTING

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QUESTIONS AND COMMENTS

The Office of the Utah State Auditor welcomes questions, comments and suggestions on this *Guide*. Please submit them to Seth Oveson, Supervisor, Local Government, at soveson@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. A State Compliance Audit performed in accordance with this Guide 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 or those charged with governance, reading minutes, inspecting correspondence with regulatory agencies, 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*.) During the financial statement audit, the auditor should remain alert to the possibility of instances of noncompliance or suspected noncompliance with laws and regulations. If noncompliance is identified or suspected, the auditor should obtain and document an understanding and evaluation of the effect on the financial statements.

WHICH ENTITIES NEED A STATE COMPLIANCE AUDIT?

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

IN ADDITION, these entities are required to have a **state compliance audit** which should be 1) performed in accordance with *Government Auditing Standards* **as well as with** the *State Compliance Audit Guide (Guide)*, developed by the Office of the 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*.

- **Local Government Entities** with total annual revenues or expenses greater than or equal to \$1 million:
 - **Counties**
 - **Municipalities**
 - **Interlocal entities**
 - **Local and special service districts**
 - **Governmental nonprofit organizations**
- **Local Education Agencies (LEAs)**, *regardless of total annual revenues or expenses*:
 - **School districts**
 - **Operating Charter Schools (including charter schools organized as nonprofits)**.
- 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* does not apply 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** (see OSA's *Guide for AUP's for Local Governments* at resources.auditor.utah.gov)
- **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 for Local Governments* at resources.auditor.utah.gov).
- **Nonprofit Organizations** which are subject instead to reporting requirements under UCA 51-2a-201.5 (see resources.auditor.utah.gov for applicable reporting requirements)

**A COMPLETE LIST OF
ALL CURRENT REPORTING REQUIREMENTS BY ENTITY TYPE
CAN BE FOUND ON THE OSA WEBSITE AT:
resources.auditor.utah.gov**

CHAPTER 1: AUDIT PROCEDURES TO BE PERFORMED ANNUALLY

A. COMPLIANCE AUDIT PLANNING PROCEDURES

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		An example form for completing Section A is provided in Chapter 1 Appendix 1, Identification of Applicable Compliance Areas and Risk Assessment.		
AU-C 935.15 AU-C 315	ALL	<p>1. Obtain an understanding of the entity's internal control over each applicable compliance requirement identified in this Guide.</p> <p>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.</p> <p><i>The auditor should not focus solely on traditional control activities such as review, approval, reconciliation, etc. Other controls could be adequate (i.e. training, professional experience, or monitoring).</i></p> <p>b. Document the sources of information used and procedures performed to evaluate the design and implementation of controls.</p> <p><i>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.</i></p> <p>c. Determine whether controls are properly designed and implemented to achieve the control objectives (the auditor is not required to test the <i>effectiveness</i> of internal controls over compliance).</p> <p><i>Describe any deficiency of design or implementation and, if significant, report to those charged with governance.</i></p>		
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 <i>Guide</i> 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.		
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 <i>Guide</i> .		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts;
 IL=Interlocal Entity; GvtNPO=Governmental Nonprofit Organization;
 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
AU-C 935.17 AU-C 935.40		5. For each applicable compliance requirement identified in this <i>Guide</i> , document the assessed risk of material noncompliance, your response to the assessed risk, the procedures performed to test compliance, and the results of those procedures.		
AU-C 935.18-.20		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.	Applicable 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: 53G-7-302 thru 304 Interlocals & GvtNPOs: 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 except permanent trusts and fiduciary funds, be in tabular form, and contain the following information: <ul style="list-style-type: none"> • Actual revenues and expenditures from the last completed fiscal period. • Estimated total revenues and expenditures for the current fiscal period. • Estimates of revenues and expenditures for the budget year. 		
UCA Towns: 10-5-115 Cities: 10-6-123 Districts: 17B-1-619 Counties: 17-36-21 LEAs: 53G-7-307 Interlocals & GvtNPOs: 11-13-517	ALL	2. Examine the entity's records and financial reports and determine that total expenditures by fund or department did not exceed the amounts appropriated in the final adopted budget. (Note: This procedure should be applied to ALL funds required to adopt a budget, not just those required to present budgetary information in the financial reports).		

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-147 & 10-6-148 Towns: 10-5-129 Districts: 17B-1-638 Counties: 17-36-36 LEAs: 53G-7-309 Interlocals & GvtNPOs: 11-13-527	ALL	3. Determine that appropriate financial reports are prepared monthly or quarterly as required, and reviewed by the governing body. Select one monthly or one quarterly financial report, as applicable, and determine that it reconciles to the general ledger (revenues/expenditures) in total by fund. <ul style="list-style-type: none"> 1st & 2nd class cities, towns, districts, interlocal entities, governmental NPOs, and counties should prepare reports at least quarterly. 3rd – 5th class cities and LEA's (including charter schools) should prepare reports monthly. <p>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.</p>		

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

C. FUND BALANCE

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-117-(2) Towns: 10-5-114-(2) Districts: 17B-1-613-(2) LEA's: 53G-7-305 Interlocals & GvtNPOs: 11-13-513-(2)	ALL	1. <u>Deficit Fund Balances</u> <u>Municipalities, Districts, Interlocals, Governmental NPOs, and Counties:</u> 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. <u>LEA's</u> <ul style="list-style-type: none"> A governing body may not make an appropriation in excess of its estimated expendable revenues, including undistributed reserves, for the following fiscal year. School districts only: 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. 		

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 17-36-16-(2)	C	<p>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:</p> <p>1) a. for a county with a taxable value of \$750 million or more and a population of 100,000 or more – 25% of the total revenues of the general fund for the current fiscal period; or</p> <p>b. for any other county – 65% of the total revenues of the general fund for the current fiscal period.</p> <p style="text-align: center;">-AND-</p> <p>2) The estimated total revenues from property taxes for the current fiscal period.</p>		
UCA Cities: 10-6-116-(2) Towns: 10-5-113-(2)	M	<p>3. Municipalities: Determine that the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 35% for cities or 100% for towns of the total revenue of the general fund for the fiscal year under audit.</p>		
Interlocals & GvtNPOs: 11-13-512-(2)	IL, GvtNPO	<p>4. Interlocal Entities and Governmental Nonprofits: Determine that the maximum unrestricted (committed, assigned, and unassigned) general fund balance does not exceed the greater of:</p> <ul style="list-style-type: none"> • 100% of the current year's property tax; or • 35% of the total general fund revenues, if the annual general fund budget is greater than \$100,000; or • 65% of the total general fund revenues, if the annual general fund budget is equal to or less than \$100,000. 		
UCA Districts: 17B-1-612-(2)	D	<p>5. Special and Local Service Districts, Interlocal Entities, and Governmental Nonprofits: Determine that the maximum unrestricted (committed, assigned, and unassigned) general fund balance does not exceed the greater of:</p> <ul style="list-style-type: none"> • The most recently adopted General fund budget, plus • 100% of the current year's property tax. 		
UCA 53G-7-304	LEAs, except charter schools	<p>6. School Districts (excluding charter schools): Determine that the undistributed reserve (or resources committed to economic stabilization) does not exceed 5% of the maintenance and operation [general fund] expenditure budget (the higher of the budget for the year under audit or the subsequent budget year). (Note: The reserve should not be used in negotiation or settlement of contract salaries for district employees.) Refer to GASB 54 paragraphs 20-21 for proper classification of undistributed reserve in the fund balance.</p>		

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

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D. JUSTICE COURT

Information Contacts: Director of Internal Audit, Administrative Office of the Courts, (801) 578-3889
 Internal Auditor, Administrative Office of the Courts, (801) 578-3985
 Justice Court Administrator, (801) 578-3824

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. See chapter 1 appendix 3 for the separation of duties checklist used by Utah Courts Internal Audit. The appendix can be used to document the different roles court employees fill, any mitigating controls the court has put in place and improve the continuity of separation of duties testing between the AOC and the CPA community.		
	M, C	2. Review a sample of 'Court Cost Transactions' in CORIS to determine if they are being categorized correctly. Background: The AOC has issued guidance that 'court costs' should be restricted to investigator fees and specially incurred costs. To expedite the testing of court costs the CORIS Revenue Detail Listing Report can be ran to ensure no surchargeable revenue was recorded as court costs. The bullet points below are examples of items inappropriately categorized as court costs. <ul style="list-style-type: none"> • Late Fees – some Justice courts are imposing late fees. If a judge orders a payment for being late on payments, determine if the payment was meant to be a contempt sanction, if so it should be recorded at FC (Fine Contempt). If it is not a contempt fine the payment should be applied to any fines owing or refunded to the defendant as no statute supports a late fee. • Plea in Abeyance (PIA) – Some Justice courts are placing PIA fees into court costs in error. These amounts should be recorded in the PN (Plea in Abeyance) account. • Contempt fines – Contempt fines should be recorded as FC (fines contempt) and not as a court cost. • Attorney Fees – When a defendant is ordered to pay attorney fees a trust receivable should be created, attorney fees recorded as court costs are an error 		
CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):			Performed by and Date	Workpaper Index

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E. RESTRICTED TAXES AND OTHER RELATED RESTRICTED REVENUE

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	ALL, except LEAs	1. Determine the type and amount of restricted taxes and other related restricted revenue (i.e. B&C Road Funding) received by the entity. See Chapter 1 Appendix 2 for a listing of possible restricted tax types and other related restricted revenue.		
	ALL except LEAs	2. If the restricted taxes and other related restricted revenue (other than taxes tested in Chapter 1.G. and State Funding tested in Chapter 3) are material to the applicable opinion unit, perform the following: a. Determine that the various restricted taxes and other related restricted revenue are accounted for in separate restricted accounts.		
		b. Obtain sufficient appropriate audit evidence (i.e. sampling, high dollar selection, scanning object codes, etc.) that the expenditures made from restricted sources were made only for purposes authorized by law.		
		c. If restricted resources are received by a fund and then subsequently transferred to another fund, also test the final disposition of those resources.		
		d. If restricted resources are received by a fund and are unspent at year end, ensure unspent restricted amounts are carried forward to the subsequent year and are accounted for in separate restricted accounts.		

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

F. FRAUD RISK ASSESSMENT

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	ALL	1. Review copy of the required Fraud Risk Assessment prepared by the entity. Verify that the Assessment was approved by the CAO and CFO and presented in a board/council meeting.		

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

G. GOVERNMENTAL FEES

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	ALL	1. Test government fees to determine if they were adopted correctly. <ul style="list-style-type: none"> a. Obtain a schedule of government fees. b. Inquire if there are any fees that are not included in the schedule of fees. c. Review the minutes and verify that the entity’s fees were approved by the governing body. 2. Select 4 fees from the schedule of fees and perform the following tests (The selection of fees should exclude fees charged in an enterprise fund although the auditor should review transfers from the enterprise fund to ensure they comply with statute, see ch 2 B. <ul style="list-style-type: none"> a. Are the revenues and expenses tracked for each specific service or regulatory activity for which the fees are charged? b. If fee revenue is in excess of expenses does the entity track those excess revenues to only be used for the intended purpose of the fee in subsequent years? c. Was a reasonable methodology used to calculate the fee? 		

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

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Office of the State Auditor
 State Compliance Audit Guide
 May 1, 2021

Fiscal Year Ended June 30, 2021

Chapter 1
 Appendix 1
 Identification of Applicable Compliance Areas and Risk Assessment

State Guide	Applicable Compliance Requirements	Year Last Audited	Selected or Required? Y, N, or N/A	1.a.	1.b.	1.c.	2	3		4	5
				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)	Sources of info used & procedures performed	Are controls properly designed Y, N, or N/A	Prior Yr FRs implmnd? Y, N or N/A	Risks of Material Noncompliance (MN) Identified Fraud/Risks	Material NC? Y or N	Materiality Levels	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									Significantly over budget	
1.D.	Justice Court									Any instance of noncompliance	
1.E.	Restricted Taxes and Related Restricted Revenue									5% of restricted taxes and related restricted revenue	
1.F.	Fraud Risk Assessment									Failure to complete/present	
1.G.	Government Fees									Any instance of noncompliance	
Chapter 2: General Audit Procedures to be Performed at Least Every Third Year											
2.A.	Cash Management									5% of total bank balance	
2.B.	Enterprise Fund Transfers, Reimbursements, Loans, and Services									5% of expenses	
2.C.	Tax Levy Revenue Recognition									0.5% to 2% of property tax revenue	
2.D.	Impact Fees									5% of fees disbursed	
2.E.	Special and Local Service District Board Members									Any instance of noncompliance	
2.F.	Utah Retirement Systems									Any instance of noncompliance	
2.G.	Public Treasurer's Bond									Any instance of noncompliance	
2.G.	Open and Public Meetings Act									Any instance of noncompliance	
Chapter 3: Audit Procedures for Minimum School Program (MSP) Funds											
3.A.	USOE: Minimum School Program									5% of program expenditures	
	Allowability of Activities and Costs and Procurement										
	Matching, Level of Effort, and Earmarking										
	Reporting										
	Other										
	Special Education										
	Dual Language Immersion (DLI)										
	Teacher and Student Success Act (TSSA)										
3.B.	School district Tax Levies										
3.C.	School Fees										

Cell: Q5

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: U5

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: W5

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).

Cell: G7

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.

APPENDIX 2: RESTRICTED TAX TYPES AND OTHER RELATED RESTRICTED REVENUE

Sales and Use Taxes				
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 accommodations and services - i.e. hotels	59-12-301	Yes
Transient Room	Muni	Tax on charges for accommodations 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 1st class	Tax on charges for accommodations 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
Additional Transit	County	Additional sales tax to fund highways, public transit	59-12-2219	Yes
E-911	County & Muni	Taxes on local exchange services, radio communication lines, etc to fund Emergency Telephone Services	69-2-301	Yes
Municipal Energy	Muni	Tax on sale or use of energy	10-1-304	No
Municipal Telecom	Muni	Tax on sale of telecommunications services	10-1-403	No
Other Related Restricted Revenue				
Alcoholic Beverage Control **	County & Muni	This is NOT considered a tax collected by the entity, but instead revenue from the State of Utah.	32B-2-404	Yes
	LEA	10% of sales credited to Uniform School Fund to support school lunch program	32B-2-304	Yes
B&C Road Funds	County & Muni	Funding to assist entities with construction and maintenance of roads and streets. This is NOT considered a tax collected by the entity, but instead revenue from the State of Utah.	72-8-104; 72-2-202, 72-2-110	Yes
Automobile Driver Education Fee	LEA	Annual fee at registration credited to Uniform School Fund to support driver education program	41-1a-1204	Yes
Off-Highway Vehicle Fee	County & Muni	Annual fee to support off-highway vehicle facilities and related programs	41-22-19	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 UCA 32B-2-404. Includes distributions to school districts for the school lunch program.

APPENDIX 2: RESTRICTED TAX TYPES AND OTHER RESTRICTED REVENUE

(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 & 91	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-2a-1006 (3)	Yes
Special Service District Voted Rate	17D-1-105	Yes
County Service Area	17B-1-1002	Yes
Municipal Type Service Fund	17-34-3	Yes
Discharge of Judgment	59-2-1328 & 1330	Yes

SEPARATION OF CRITICAL DUTIES IN TRANSACTION CYCLES WITHIN A JUSTICE COURT USING CORIS

The purpose of “separation of duties” is to ensure that no single individual is placed in such a circumstance that (s)he can cause and conceal errors and/or irregularities (or be vulnerable to others doing so), while performing regularly assigned duties. Three fundamental categories of duties must be separated for ideal control:

1. Custody of assets
2. Authorization of transactions (including authorization to execute a transaction); and
3. Record keeping/accounting/reconciliation.

Critical duties are those duties, which should be divided among employees to establish accountability and to reduce opportunities for misuse of funds. Other *non-critical duties* may also occur in a given transaction cycle, but need not be addressed for the purpose of “separation of duties.”

Achieving a complete division of critical duties depends on the staff available in a court. A court with a small staff may have to allow some overlap of duties. In a larger court, overlap of duties may occur due to clerk absences. In each instance of overlap, court management needs to plan for an “External Review” of the documents and transactions that relate to that transaction cycle. The review needs to be done by an employee who is independent of that transaction cycle, at least quarterly, but monthly is preferred. Non-court employees (e.g., city or county employees) may be enlisted to perform the External Review duties.

Adequate separation of duties would exist if only one employee performs the set of critical duties for any one category within the three fundamental categories of a transaction cycle. No employee should have control over all three categories of duties for a transaction cycle, either formally or informally.

Following are charts, which outline and separate the critical duties in the court transaction cycles. The analysis is based on a court that has a sufficient number of staff to separate duties.(4/29/2019)

TRANSACTION CYCLE: CASH CHANGE FUND USE

DUTY 1: Custody of Asset	DUTY 2: Authorized to Use	DUTY 3: Record Keeping	Duty 4: Accounting
<p>Change Fund Custodian</p> <p>Assigns Change Fund(s) to Cashier Clerk(s) to use in the receipting process. Retains a portion to make change for Cashier Clerks who run short of change.</p> <p>The custodian is responsible for any shortages or irregularities in accounting for the Change Fund.</p> <p><u>MUST CHECK: Does change fund custodian retain a portion to make change?</u> <u>yes</u> <input type="checkbox"/> <u>no</u> <input type="checkbox"/></p>	<p>Cashier Clerk(s) assigned a Change Fund</p> <p>Clerks use assigned Change Fund to make change in the receipting process.</p> <p>The Cashier Clerk secures his/her assigned Change Fund in his/her locked device during the day. The fund is kept overnight in the court safe or vault in the clerk assigned locking device.</p> <p>Cashier Clerk(s) counts the change fund with all coin and currency recorded on the daily CORIS Cash Count Form,</p> <p>The Cashier's Change Fund amount needs to be entered in CORIS Personnel Maintenance for each cashier with a fund.</p>	<p>Deposit Verifier/Preparer</p> <p>During the daily close out, the Deposit Verifier/Preparer performs a verifying count of Cashier Clerk(s) and the assigned Change Fund and Revenue and Trust receipts, in the presence of each Cashier.</p> <p>When approved, the Cash Count Form is printed and signed by both the Cashier Clerk and Deposit Verifier/Preparer to document each Cashier Clerk's assigned Cash Change Fund is intact. The Cashier Clerk gives the original Cash Count Form to the Accounting Clerk.</p> <p>The Deposit Verifier/Preparer takes custody of the Cashiers' receipts and prepares the deposit.</p>	<p>Change Fund Verifier</p> <p>An unannounced count of the total Cash Change Fund is performed and documented at least three times a year by someone not assigned a Cash Change fund portion.</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: *MAIL PAYMENTS*

DUTY 1: Record Keeping	DUTY 2: Record Keeping	DUTY 3: Custody of Assets	DUTY 4: Authorization and Custody of Assets	DUTY 5: Record Keeping/Accounting
<p>Mail Log Preparer Records mail payments on the Daily Mail Log.</p>	<p>Mail Log Witness Witnesses that all payments received by mail are recorded on the log.</p>	<p>Cashier Clerk(s) Who Receipt Mail payments If both the Mail Log Preparer and Witness sign the Mail Log attesting to the accuracy of the payments listed, either clerk can receipt mail payments on the computer.</p>	<p>Deposit Verifier/Preparer The Deposit Verifier/Preparer performs a verifying count of Cashier Clerk(s) receipts, including mail payments, and the Cash Change Fund in the presence of each Cashier. Both the Cashier and the Verifier sign the Cash Count Form (which is prepared on CORIS) as accurate. Verifies that the Cashier Clerk(s) receipts, including mail payments, agree with the amounts received per the daily receipt records for each Cashier (Cashier Totals Report and Cash Count Forms). Prepares the deposit.</p>	<p>Accounting Clerk Reconciles the mail log to the CORIS Mail Log Report. Verifies that mail payments were receipted in CORIS within 3 days: 1) to the same case, 2) in the same cash/check composition as recorded on the mail log.</p>
<p>Individual(s) assigned:</p>	<p>Individual(s):</p>	<p>Individual(s) assigned:</p>	<p>Individual(s) assigned:</p>	<p>Individual(s):</p>

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: *REVENUE/TRUST FUNDS*

DUTY 1: Record Keeping	DUTY 2: Custody of Assets	DUTY 3: Authorization and Custody of Assets	DUTY 4: Record Keeping/Accounting
<p>Accounts Receivable Set Up Clerk</p> <p>Sets up amounts due from judicial order or citation.</p> <p>A clerk other than a clerk with access or custody to money should enter citations or set up Accounts Receivables</p>	<p>Cashier Clerk(s) receipting Revenue and Trust payments</p> <p>Receipts revenue and trust payments, and maintains funds in a secure device.</p>	<p>Deposit Verifier/Preparer</p> <p>The <i>Deposit Verifier/Preparer</i>: (1) Prints a Transaction Detail Report and Cashiers Total Report for each cashier. 2) Performs a verifying count of Cashier Clerk(s) receipts, including mail payments, and the Cash Change Fund in the presence of each Cashier. Both the Cashier and the Verifier sign the Cash Count Form (which is prepared on CORIS) as accurate.</p> <p>Verifies that the Cashier Clerk(s) receipts, including mail payments, agree with the amounts receipted per the daily receipt records for each Cashier (Cashier Totals Report and Cash Count Forms). Prepares the deposit.</p>	<p>Accounting Clerk</p> <p>Researches any deposit overages/shortages in cash and enters the O/S transaction to balance the journal. Reconciles Cash Count Forms (including cash/check composition) to receipt records and the verified deposit receipt. (CORIS Receipt records include: 1) Cashier Totals Report, Transaction Detail Report, and 2) yellow copy hand receipts, if any hand receipts were issued.</p> <p>Reviews CORIS daily journal End of Day reports to verify mail payments, credits, adjustments, and reversals (voided receipts) to supporting documentation, e.g. mail log, judicial order, or proof of compliance.</p>
Individual(s):	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: TRUST DISBURSEMENTS (this page if Trust Checks are issued by the Local Government)

DUTY 1:	DUTY 2:	DUTY 3:	DUTY 4:	DUTY 5:
Record Keeping	Authorization	Custody of Assets	Court Reconciliation	Local Govt Reconciliation
Disbursement Request Preparer	Disbursement Approval	Check Writer, Check Signer, and Check Mailer	CORIS Disbursement Reconciler	Reconciler
<p>Prepares disbursement request based on judicial order or other circumstances (e.g. refund of overpayment). Attaches supporting documentation (e.g. judicial order or case history sheet showing the overpayment) to show that the disbursement is valid.</p> <p>If court has activated the “Allow Bail Forfeiture Directly to Fine”, a disbursement is not processed for Cash Bail forfeiture and/or application to the fine.</p> <p>Records disbursement request on the Disbursements Journal.</p> <p>Presents disbursement request to a second person for review and authorization.</p> <p>Issues a “mock” check using CORIS Trust Check Processing using the check number (per the check copy provided by the local government) on the Disbursements Journal for each disbursement requested.</p>	<p>Disbursement is authorized by judicial order (e.g. cash bail refund or court-ordered restitution paid through the court), or by circumstances (e.g. refund of overpayment),</p> <p>A second person (one who did not prepare the disbursement request) reviews the disbursement request and supporting documentation (e.g. judicial order or case history sheet showing the overpayment) to verify the disbursement is proper and valid.</p> <p>The second-person reviewer signs the disbursement request to show that the request was reviewed and authorized.</p>	<p>Checks are prepared, signed, and mailed by the local government. A copy of the check is forwarded to the Disbursement Reconciler at the court.</p> <p>Note: If a check is returned to the court as undeliverable, and the payer cannot be located, the check should be forwarded to the local government to be remitted to Unclaimed Property Division after the statutory period. (Per UCA 67-4a, Unclaimed Property Act) If a check is returned: 1) the check needs to be safeguarded (recorded on a mail log to show receipt and stored in a locking cash bag), and 2) the events needs to be documented in the case history.</p>	<p>Monthly, reviews monies held in trust per the Trust Account Summary Report to ensure funds are held properly and applied or disbursed timely.</p>	<p>Local Government Auditor per UCA 17-19a-207). Monthly, reconciles disbursements per the Disbursements Journal to the court accounts in the general ledger (e.g. bail, restitution, overpayments, etc.) to the CORIS Trust Account Summary Report, and to the bank statement. Verifies that a check was issued for each disbursement requested. Also verifies that disbursements per the ledger accounts are valid and recorded on the disbursements journal.</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: TRUST DISBURSEMENTS

(Fill out this page Only if Trust Checks are *issued by the Court in CORIS*)

DUTY 1:	DUTY 2:	DUTY 3:	DUTY 4:	DUTY 5:
Custody of Assets	Record Keeping	Authorization	Reconciliation	Local Gov't Reconciliation
Trust Account Check Stock Custodian	Trust Account Check Writer	Trust Account Check Signers	Trust Account Reconciler	
<p>Secures the inventory of the blank check stock paper. Retrieves the check stock needed for the trust account check writer.</p>	<p>Requests blank check stock paper from custodian. Generates a Trust Checks Available to Write Report and reviews case events and judicial orders to determine disposition of funds. Preferably, uses CORIS to issue checks and update the CORIS Check Register simultaneously.</p> <p>Reviews trust funds held in the trust account quarterly to ensure funds are disbursed timely.</p> <p>An alternate check writer should be assigned who is not also a trust check signer or reconciler.</p>	<p>After review of supporting documentation, the two authorized signers approve each trust check by signing.</p> <p>The employee performing the second signature mails the checks and/or delivers the checks, payable to the court revenue account, to a cashier.</p>	<p>The employee reconciling the trust account should open the trust bank statement, access the reconciliation feature on CORIS, and prepare the monthly reconciliation.</p> <p>The reconciler must account for the numerical sequence of all trust checks, including voided and cancelled checks.</p> <p>Each cancelled check must be agreed to the CORIS Trust Check Register detail for the check. Differences must be resolved or reported to management.</p> <p>Only the employee performing the daily accounting (not the reconciler) is authorized to enter deposit/bank adjustments into CORIS.</p>	<p>Local Government Auditor per UCA 78A-7-121 and 17-19a-207. Monthly, reconciles disbursements per the Disbursements Journal to the court accounts in the general ledger (e.g. bail, restitution, overpayments, etc.) to the CORIS Trust Account Summary Report, and to the bank statement. Verifies that a check was issued for each disbursement requested. Also verifies that disbursements per the ledger accounts are valid and recorded on the disbursements journal.</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: TRUST

LOCAL GOVERNMENT

Duty 1:	DUTY 2:	DUTY 3:	DUTY 4:
Custody of Assets	Authorization	Check Writer	Record Keeping/Accounting
<p align="center">Juror/Witness Justice Court Judge/Local Government Disbursement Process</p>	<p align="center">Payment Approval</p>	<p>The certificate/juror summons/subpoena signed by the judge, clerk, and/or prosecutor is presented to the local government for the payment of services. The local government's disbursement process is followed per UCA 78B-1-122(2)</p>	<p align="center">Juror/Witness Payments Reconciler (Performed by the Local Government)</p>
<p>Per UCA 78B-1-122, the justice court shall follow the established disbursement process for juror and witness fees within the town, city, or county, or use the following procedure.</p> <p>Justice court judge provides a juror or witness on a criminal case a numbered certificate.</p>	<p>The prosecutor authorizes the payment of juror/witness fees per UCA 78B-1-122(2).</p> <p>The subpoena signed by the prosecutor serves as authorization for payment; juror service summons or clerk authorization (jury list).</p>		<p>County auditor/city recorder's office reconciles the monthly disbursements of juror and witness payments to the supporting documentation per UCA 78B-1-122(3)</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

CHAPTER 2: 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.

This chapter does not apply to nongovernmental 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.

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.

A. CASH MANAGEMENT

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

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 51-7-15(3)	ALL	1. Entities are required to electronically file a report with the Money Management Council (Council) on or before January 31 and July 31 of each year. This report, the "Deposit and Investment Report," (D&I) is accessed through the state reporting portal at reporting.auditor.utah.gov/UtahTreasuryLogin and 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 yearend 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.		
		2. As part of other testing or as a separate sample select a sample of receipts and verify that they were deposited within three days (See Money Management Act)		

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; GvtNPO=Governmental Nonprofit Organization;
 LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

B. ENTERPRISE FUND TRANSFERS, REIMBURSEMENTS, LOANS, AND SERVICES
 (See Auditor Alert 2014-01a for guidance)

Accounting Treatment

This *Guide* focuses on state compliance issues and generally does not include audit steps regarding appropriate accounting treatment. However, as concerns are raised about the appropriate accounting treatment for certain transactions, the OSA issues an auditor alert addressing the issue. Please review the applicable Auditor Alert 2014-01a at auditor.utah.gov/category/auditor-alerts/

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.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
GASB Codification 1800.102	C, M, D, IL	<p>1. <u>Services Provided by an Enterprise Fund to Other Funds</u></p> <p>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.</p> <p>b. Determine that the services provided by the enterprise fund to other funds were properly recorded as a:</p> <ul style="list-style-type: none"> • Nonreciprocal interfund transfer (see Auditor Alert 2014-1a for guidance) if no cash or goods were exchanged or are not expected to be exchanged, or • Reciprocal interfund services provided/used transaction (see Auditor Alert 2014-1a for guidance) if cash or goods were exchanged. 		
UCA Towns: 10-5-114 Cities: 10-6-117 Districts: 17B-1-613 Counties: 17-36-17 Interlocals & GvtNPOs: 11-13-513	C, M, D, IL	<p>2. <u>General Fund Overhead Allocations to Other Funds</u></p> <p>Determine that:</p> <p>a. General fund overhead costs (HR, accounting, legal services, etc.) allocated to other funds are based on a reasonable methodology.</p> <p>b. The overhead allocation amount was included in the original or amended budget of the other fund as an expenditure/expense.</p> <p>c. The allocation of the overhead was properly recorded as an interfund reimbursement transaction (see Auditor Alert 2014-1a for guidance) (reduction of general fund expenditures and increase of expenditures/expense) in the other fund.</p> <p>d. If no cash or goods were exchanged or expected to be exchanged, in addition to the reduction/increase in expenditure/expense in each fund, an interfund transfer (see Auditor Alert 2014-1a for guidance) was recorded ('transfer out' in the general fund and a 'transfer in' in the other fund).</p>		

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Towns: 10-5-107.5 Cities: 10-6-135.5 Districts: 17B-1-629 Counties: 17-36-32 Interlocals & GvtNPOs: 11-13-524 (3)(d)	C, M, D, IL	<p>3. <u>Interfund Transfers from an Enterprise Fund (subsidy transfers or services provided without payment) – Public Notice and Hearing Requirements</u></p> <p>a. <i>For counties:</i> 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 c.</p> <p>b. <i>For municipalities:</i> Determine that the governing body held an enterprise fund hearing and provided written notice of the:</p> <ul style="list-style-type: none"> • Date, time, and place of hearing. • Purpose of the hearing. • Explanation of intended transfer to another fund. • Specific enterprise fund information <ul style="list-style-type: none"> ○ The amount/value of cash or goods transferred. ○ The percentage of the total enterprise fund expenditures represented by each transfer. <p>Determine that the notice was:</p> <ul style="list-style-type: none"> • Mailed or transmitted to each enterprise fund customer. • Posted on the Utah Public Notice Website. • As applicable, posted on the municipality’s website. • As applicable, communicated through social media platform. • Distributed and posted at least 7 days before the hearing. <p>If budgeted transfer was approved, determine that the municipality:</p> <ul style="list-style-type: none"> • Mailed or transmitted a notice to each enterprise fund customer providing the specific enterprise fund information without 60 days of adoption. • As applicable, posted enterprise fund accounting data on the municipality’s website and published notice of the adoption of the budget containing the enterprise fund transfer using the municipality’s social media platform within 7 days of adoption. <p>c. <i>For all other local government entities or counties that did not appropriately include interfund transfers in budget or amendment:</i> Determine that the governing body held a public hearing and provided written notice of the:</p> <ul style="list-style-type: none"> • 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. 		

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		<p>Determine that the notice was:</p> <ul style="list-style-type: none"> • Mailed or transmitted to each enterprise fund customer. • Distributed at least seven days before the hearing. • A separate notification from the customers' utility bill. <p>Exception: <i>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 notice and hearing requirements would not be applicable. The entity should still, however, determine and record the flow of those resources.</i></p>		
<p>UCA Towns: 10-5-120 Cities: 10-6-132 Districts: 17B-1-626 Counties: 17-36-30 Interlocals & GvtNPOs: 11-13-523</p>	<p>C, M, D, IL</p>	<p>4. Interfund Loans – For enterprise funds loaned to another fund:</p> <p>[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.]</p> <p>a. Determine that the loan was in writing and contained the following terms and conditions:</p> <ul style="list-style-type: none"> • 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. <p>b. Determine that the governing body held a public hearing and provided written notice within at least 7 days of the hearing regarding the:</p> <ul style="list-style-type: none"> • Date, time, and place of the hearing, • Purpose of the hearing, and • The proposed terms and conditions of the interfund loan. <p>c. Determine that the governing body authorized the loan by ordinance or resolution at a public meeting.</p>		

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

C. 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.

Taxes Imposed by Local Governments and Passed Through (Contributed) to Other Governments

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 (i.e. contribution to other government) 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 tax revenue and expenditure (i.e. contribution to other government) on the financial statements of the entity that imposed the tax.

Charter School Levy

Utah Code 53F-2-703 (effective July 1, 2017 for tax years beginning January 1, 2017) requires a portion of a school district's board local levy to be paid to the statewide charter school levy account from which USBE will allocate to charter schools. A school district shall report this tax as tax revenue with an offsetting expenditure (i.e. contribution to other government) for its contribution to the statewide charter school account.

Basic Levy Recapture

Utah Code 53F-2-301 requires a school district to pay USBE any basic levy revenue received in excess of the amount generated by weighted pupil units. The payment should be reported as an expenditure by the school district.

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 IL=Interlocal Entity; GvtNPO=Governmental Nonprofit Organization;
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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
GASB Codification N50.125	ALL	<p>1. Identify all taxes imposed by the government and, if tax increment is provided to an RDA, determine whether the increment is included in the entity's property tax revenue contributed to other governments.</p> <p><u>For School Districts:</u> Ensure tax increment is recorded in Fund 26.</p> <p>See Auditor Alert 2020-04 and GASB 77 for guidance on footnote disclosure requirements for Tax Abatements.</p>		
GASB Codification N50.125	ALL	<p>2. Verify the government included pass-through taxes as revenue with related receivables and deferrals in its funds.</p>		

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

D. 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	<p>1. Determine that the entity prepared an impact fee schedule that shows:</p> <ol style="list-style-type: none"> The source and amount of all money collected, earned, and received during the fiscal year. Each expenditure from impact fee funds during the fiscal year. An accounting of impact fee funds on hand at the end of the fiscal year, including: <ol style="list-style-type: none"> The year in which the impact fee funds were received; The project from which the impact fees were collected; The project for which the impact fee funds are budgeted; and The projected schedule for expenditure. 		
UCA 11-36a-602 (1)	C, M, D, IL	<p>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.</p>		
UCA 11-36a-602 (2)	C, M, D, IL	<p>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.</p>		
UCA 11-36a-603	C, M, D, IL	<p>4. Determine that the entity has appropriately refunded any unused impact fees.</p>		

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

E. 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 or election to a new term, completed training developed by the Office of the State Auditor in cooperation with the Utah Association of Special Districts.		
UCA 17B-1-303(9)	D	3. Ensure that the name, phone number, and email address of each current board member has been posted on the Utah Public Notice Website at pmn.utah.gov		

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

F. 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 Chief Financial Officer, Robert Dolphin, at rob.dolphin@urs.org**

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 49-11-801 , also IRS Rev. Rul. 2006-43	ALL	<p>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.</p> <p>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.</p>		
See Suggested Audit Procedures	ALL	<p>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.</p> <p>Eligibility rules vary by retirement system:</p> <ul style="list-style-type: none"> • 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) 		
	ALL	<p>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.</p>		

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

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G. PUBLIC TREASURER'S BOND

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index																																	
UCA 51-7-15	ALL	<p>Determine if the treasurer is properly bonded or insured in accordance with Utah Administrative Code R628-4-4 for the Money Management Council.</p> <table border="1" data-bbox="339 604 1219 1018"> <thead> <tr> <th data-bbox="339 604 695 688">Budget</th> <th data-bbox="695 604 980 688">Percent For Bond</th> <th data-bbox="980 604 1219 688">Minimum Bond</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 688 695 730">0 to 10,000</td> <td data-bbox="695 688 980 730">N/A</td> <td data-bbox="980 688 1219 730">0</td> </tr> <tr> <td data-bbox="339 730 695 762">10,001 to 100,000</td> <td data-bbox="695 730 980 762">9% but not less than</td> <td data-bbox="980 730 1219 762">5,000</td> </tr> <tr> <td data-bbox="339 762 695 793">100,001 to 500,000</td> <td data-bbox="695 762 980 793">8% but not less than</td> <td data-bbox="980 762 1219 793">9,000</td> </tr> <tr> <td data-bbox="339 793 695 825">500,001 to 1,000,000</td> <td data-bbox="695 793 980 825">7% but not less than</td> <td data-bbox="980 793 1219 825">40,000</td> </tr> <tr> <td data-bbox="339 825 695 856">1,000,001 to 5,000,000</td> <td data-bbox="695 825 980 856">6% but not less than</td> <td data-bbox="980 825 1219 856">70,000</td> </tr> <tr> <td data-bbox="339 856 695 888">5,000,001 to 10,000,000</td> <td data-bbox="695 856 980 888">5% but not less than</td> <td data-bbox="980 856 1219 888">300,000</td> </tr> <tr> <td data-bbox="339 888 695 919">10,000,001 to 25,000,000</td> <td data-bbox="695 888 980 919">4% but not less than</td> <td data-bbox="980 888 1219 919">500,000</td> </tr> <tr> <td data-bbox="339 919 695 951">25,000,001 to 50,000,000</td> <td data-bbox="695 919 980 951">3% but not less than</td> <td data-bbox="980 919 1219 951">1,000,000</td> </tr> <tr> <td data-bbox="339 951 695 982">50,000,001 to 500,000,000</td> <td data-bbox="695 951 980 982">2% but not less than</td> <td data-bbox="980 951 1219 982">1,500,000</td> </tr> <tr> <td data-bbox="339 982 695 1018">over 500,000,000</td> <td data-bbox="695 982 980 1018"></td> <td data-bbox="980 982 1219 1018">10,000,000</td> </tr> </tbody> </table> <p>The basis used should be <u>all</u> budgeted gross revenue for the previous fiscal year (final budget). Budgeted gross revenue is further defined by the Money Management Council as also including proceeds from the sale of assets, borrowing proceeds, receipts into fiduciary funds and any other revenues collected or handled by the treasurer during the previous fiscal year.</p> <p>Bonds must be issued by a corporate surety licensed to do business in the State of Utah and rated "A" or better. Bonds should be effective as of the date the treasurer assumes the duties of the office or is sworn in.</p> <p>The entity may elect to satisfy this requirement through a general fidelity or public employee blanket bond or theft or crime insurance coverage.</p> <p>UCA 51-7-3(28) states that "A 'Public Treasurer' includes ... the official of any ... political subdivision, or other public body, who has the responsibility for the safekeeping and investment of any public funds."</p>	Budget	Percent For Bond	Minimum Bond	0 to 10,000	N/A	0	10,001 to 100,000	9% but not less than	5,000	100,001 to 500,000	8% but not less than	9,000	500,001 to 1,000,000	7% but not less than	40,000	1,000,001 to 5,000,000	6% but not less than	70,000	5,000,001 to 10,000,000	5% but not less than	300,000	10,000,001 to 25,000,000	4% but not less than	500,000	25,000,001 to 50,000,000	3% but not less than	1,000,000	50,000,001 to 500,000,000	2% but not less than	1,500,000	over 500,000,000		10,000,000		
Budget	Percent For Bond	Minimum Bond																																			
0 to 10,000	N/A	0																																			
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CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

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H. OPEN AND PUBLIC MEETINGS ACT

Legal Ref.	Applicable 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)(f)	C, M, and LEAs	d. Determine that within three days of the meeting minutes being approved, the minutes and any public materials distributed at the meeting were posted to the Utah Public Notice Website. (Exception: LEA's are required only to <u>make the meeting minutes available</u> to the public within three days of being approved.)		
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), (1)(f) or (2), view the sworn statement that the sole purpose of the closed meeting was to discuss those issues.		

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Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
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: 53G-7-302 Interlocals & GvtNPOs: 11-13-509	ALL	<p>3. Ensure the entity provided the required notice for its original and final budget adoption hearing by reviewing the certified copy of the notice.</p> <p>a. Municipalities, counties, districts, interlocal entities, and Governmental Nonprofits are required to provide a 7-day notice.</p> <p>b. LEAs (except charter schools) are required to provide a 10-day notice.</p> <p>Note on charter schools: While charter schools are required to prepare a budget in accordance with UCA 53G-7-303, they are still <u>not required</u> to publish notice.</p>		
UCA 52-4-201	ALL	<p>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.</p>		

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

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CHAPTER 3: AUDIT PROCEDURES FOR LOCAL EDUCATION AGENCIES

A. MINIMUM SCHOOL PROGRAM PROCEDURES (Report areas audited as an applicable compliance area in the Compliance Report)

This part of the *State Compliance Audit Guide* (Guide) identifies compliance testwork relating to State funds received from the Utah State Board of Education (USBE) for the Minimum School Program. This chapter outlines information to help auditors gain an understanding of the USBE's programs, objectives, procedures, and compliance requirements. It also identifies audit objectives and suggested audit procedures for determining compliance with these requirements. As used below, "LEA" means Local Education Agency and refers to school districts and charter schools.

IN DETERMINING HOW THE LEA ENSURES COMPLIANCE, CONSIDER THE FOLLOWING AREAS OF ACCOUNTABILITY:

DESIGN:

- Formal and comprehensive policies and procedures manuals (P&P), updated as necessary for changes in laws and regulations, and accessible to employees
- Use of the required chart of accounts when transactions occur and for adjusting journal entries, including: fund, function, program, object or revenue
- Accounting system capable of recording appropriations or budgets and comparing them to actual results

IMPLEMENTATION

- Knowledge, skills, and abilities of LEA personnel (direct hires and contractors)
- LEA use of service organizations/providers
- Management's communication with employees, including regarding changes to laws, regulations, and P&P
- Training employees on laws, regulations, P&P, including, reconciling appropriation or budget totals to totals recorded in the accounting system

MAINTENANCE OF INTERNAL CONTROLS

- LEA monitoring of programs
- Functioning LEA audit committee, and if applicable, internal audit function

The Minimum School Program (MSP) provides equitable educational funding for all public education students in Utah regardless of where they live or their economic status. This *Guide* applies to school year 2020-21 (fiscal year 2021).

MSP funds are allocated to LEAs by the USBE in accordance with formulas found in:

- Utah Code Annotated (UCA) 53F-2 (le.utah.gov/xcode/Title53F/Chapter2/53F-2.html); and
- Utah Administrative Code (i.e., Board Rule R277, schools.utah.gov/administrativerules).

The largest share of MSP funds is allocated based on average daily membership and fall enrollment. However, some allocations are based on fixed or competitive grant applications.

The MSP provides state funding for most educational activities.

Classification of MSP Programs:

For state compliance audit purposes, the school programs within the MSP are divided into two groups: Restricted and General.

“Restricted” school programs are to be used for specific purposes or populations as outlined in the statute or Board Rules. **These programs are tested based on risk as evaluated by the USBE and or the auditor.**

“General” school programs have few specific compliance requirements and are intended for general educational purposes.

In general, when performing testwork, the auditor should ensure that 1) transactions are properly recorded using the required USBE chart of accounts, 2) program accounting occurs **when** transactions occur and, if necessary, through adjusting journal entries, and 3) proper documentation is available to substantiate the transactions.

This *Guide* includes the following sections:

- Internal Controls
- Procedures for **all** MSP Programs
- Procedures for Restricted MSP Programs
- Procedures for Restricted MSP Programs identified for Testwork
- Procedures for Unrestricted MSP Programs

This *Guide* includes suggested audit procedures for areas the USBE deems most significant. The auditor should be aware of and utilize the legal references that have been provided, as well as other relevant resources, to understand the full context of education programs as this *Guide* does not include the entirety of regulations related to the Minimum School Program. During the audit, if the auditor becomes aware of non-compliance with program requirements, the auditor should use auditor judgment in determining other appropriate audit procedures and report any findings to the LEA.

Information contacts:

Patrick Lee, School Finance Director, USBE, 801-538-7667 patrick.lee@schools.utah.gov

Jacob Houtrouw, MSP Administrator, USBE, 801-538-7670 jacob.houtrouw@schools.utah.gov

USBE contact information for restricted programs is included in steps 6 – 8 below, contact information is available at: schools.utah.gov/departments. USBE Internal Audit is also available to facilitate provision of information, see contact information at schools.utah.gov/internalaudit/contact.

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	INTERNAL CONTROLS		
	1. Ensure Chapter 1, steps 1 – 6 of this <i>Guide</i> have been completed for each compliance requirement below that is tested. Of particular importance is documentation of the LEA’s internal controls over the compliance requirement, and the determination that the LEA’s internal controls were designed and implemented to achieve the control objectives.		
	2. Related to the overall control environment of the LEA, ensure:		
R277-113-4(1)-(2)	a. Members of the governing board received training as required in R277-113-4(1)-(2) on audit committees and internal audit functions.		
R277-113-4(3)	b. The LEA governing board designated board members to serve on an audit committee, consistent with Subsection 53G-7-401(1), and required		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	information regarding audit committee members, and if applicable the internal audit director and audit plan, is included on the LEAs website.		
R277-113-6(1)(a)	c. The LEA governing board approved written fiscal policies required by Section R277-113-5.		
R277-113-6(1)(b)	d. The LEA governing board ensures that LEA administration established, documented, and maintains an effective internal control system for the LEA.		
	3. If the LEA has an agreement with a service organization to provide services significant or material to the LEA's operations (e.g., payroll, IT, legal, business, educational) that is funded with MSP funds :		
	a. Obtain a copy of the agreement with the service organization and review it to gain an understanding of the scope of services the service organization is providing and consider related internal control risks.		
	b. If service organization control (SOC) reports are prepared, obtain a copy and determine if 1) there are significant internal control deficiencies at the service organization provider, and 2) if the LEA implemented the identified complimentary user entity controls. See AU-C 402 Audit Considerations Relating to an Entity Using a Service Organization for additional guidance.		
	c. As per R277-115 , ensure the LEA has a written monitoring plan to supervise the service organization (i.e., third party provider) and review documentation of supervisory activities sufficient to determine that the LEA is providing adequate supervision.		
	<p>3. Control Tests For Procurement</p> <p>a. Select a sample of procurement (non-payroll) transactions from the various programs of the LEA, including General Education programs and a minimum of Four transactions from each program identified for testwork by USBE. (See step 6 for specific requirements regarding Special Education: 1205, 1210, 1215, 1220, 1225, 1230 & 1278, step 7 for Dual Language Immersion 5637 and step 8 for Teacher and Student Success Act (TSSA) 5678). Determine if funds were:</p> <p>i. Procured for public education purpose and meeting the requirements of specific programs where applicable (e.g., no personal expenditures, such as funeral flowers or birthday gifts).</p> <p>ii. Procured in accordance with the LEA's policies and procedures as well as State Procurement* Guidelines.</p> <p>iii. Recorded when the transaction occurred and, if applicable, when a related adjusting journal entry was made, using proper coding, defined in R277-113-5(9)(b)(ii); and</p> <p>iv. Supported by available documentation sufficient and adequate to show compliance, including documentation which supports the classification of the transaction.</p>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	v. An allowable cost according to applicable statute, board rules, applications, plans, and/or budgets for each program.		
	* All LEAs must follow UCA 63G-6a Utah Procurement Code and Utah Admin Code R33 Purchasing and General Services; R123-5 must also be followed for procurement of Accounting Services. An LEA may choose to adopt more restrictive guidelines, approved by its board, but these guidelines must meet the minimum state requirements		
	PROCEDURES FOR <u>ALL</u> MSP PROGRAMS:		
	4. Trace the flow of funding for each individual Minimum School Program (MSP) to the final disposition as follows: a. Determine if the LEA is using the required chart of accounts established by the USBE for each program, including the appropriate fund, location, function, program, object, and revenue codes, or that the LEA's codes are accurate and are mapped to the appropriate USBE codes. See schools.utah.gov/financialoperations/reporting		
	b. Verify that the program revenue amounts recorded by the LEA match the program revenue amounts in the final recipient report or monthly allotment reports prepared by the USBE. Allotment memos are available at: schools.utah.gov/financialoperations/msp		
	c. Verify that unspent restricted program funds are maintained in the program for which they were appropriated from year to year by reviewing journal entries to ensure restricted funds are not unrestricted or moved to a different restricted program.		
	d. Review the status of prior year findings and document if corrective action was implemented, partially implemented, or if the LEA determined to accept the risk of not implementing corrective action.		
	PROCEDURES FOR <u>RESTRICTED</u> MSP PROGRAMS:		
	For fiscal year 2021, the following programs have been designated as high risk and identified for testwork by the USBE: i. Special Education Programs (as applicable to the LEA: 1205, 1210, 1215, 1220, 1225, 1230, 1278) ii. Dual Language Immersion (5637) iii. Teacher and Student Success Act Program (TSSA) (5678)		
	5. <u>For Restricted Programs Selected for Testwork:</u>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>a. Perform procedures to verify that indirect cost rates were applied in accordance with approved rate limitations and guidelines.</p> <p>NOTE: Indirect cost rates are published on the USBE website and are specific to each fiscal year and program. The USBE schedule indicates whether indirect costs are allowed or disallowed and whether the restricted or unrestricted rate is to be used. See schools.utah.gov/financialoperations/reporting</p>		
	<p>b. State-funded programs with matching or level-of-effort requirements are the State Special Education, Career and Technical Education, Early Literacy, School Nurse, and Transportation programs.</p> <p>Determine and document requirements for matching or level-of-effort:</p> <ol style="list-style-type: none"> i. Verify that the required matching contributions or level of effort were met. ii. Verify that matching contributions were from allowable sources. iii. Verify that amounts used in computations were derived from the books and records from which the audited financial statements and program reports were prepared. <p>NOTE: <i>Matching</i> 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. <i>Level-of-effort</i> 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/or (c) state funds to supplement and not supplant non-state funding of services.</p>		
	<p>PROCEDURES FOR <u>RESTRICTED SCHOOL PROGRAMS IDENTIFIED FOR TESTWORK</u>:</p>		
<p>UCA 53F-2-307 thru 310. R277-479 R277-319 R277-750 R277-751. and R277-752</p>	<p>6. Special Education – Contact: Leah Voorhies, Asst. Superintendent, Student Support leah.voorhies@schools.utah.gov</p> <p>Special Education Programs and Payroll Related Sample Sizes: 1205 Add-On – 20 Employees 1210 Self-Contained – 20 Employees 1215 Preschool – 10 Employees 1220 Extended Year Program for Severely Disabled – 10 Employees 1225 Impact Aid – 10 Employees 1278 Extended Year – Special Educators (Stipends) – 10 Employees <i>*For each program, if a 10% sample of the total program expenses will be less than the sample size identified above, a 10% sample may be used. After testing an employee 100% of their salary and benefits associated to that program may be used to calculate the 10% limit. If an error is found 100% of the salary and benefits of that employee attributed to that program would be considered a questioned cost and reported accordingly.</i></p> <p>Special Education References: Utah Administrative Rule (i.e., Board Rule) R277-750 to R277-752, R277-800 schools.utah.gov/administrativerules</p>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>Special Education Rules (SER) Manual (August 2020) https://schools.utah.gov/specialeducation/programs/rulespolicies 34 CFR 300 – Assistance to States for the Education of Children with Disabilities https://www.govinfo.gov/content/pkg/CFR-2019-title34-vol2/pdf/CFR-2019-title34-vol2.pdf)</p> <p>Special Education Use of Funds vs Program</p> <p>LEAs receive both federal and state special education dollars to administer their special education programs. These funds are in addition to the regular education funds an LEA receives for each student. While the program activities for federal and state are generally the same (see SER I.C.1&2), please be aware that the use of funds (fiscal) requirements for federal and state are different (SER X.).</p> <p>To audit use of funds for special education it is generally necessary to determine if either an <i>allowable good</i> was provided or used to provide special education services to a student with an IEP, or an <i>allowable service</i> was provided by a <i>qualified individual</i> to an <i>eligible student</i> as outlined in the IEP. Depending on the use of goods, audit evidence will vary. In the case of a good for an individual, the good must be supported within the IEP. For a general good, the good must be easily, obviously, and conveniently identified with a special education activity or program (SER X.A.1). Special education funds should not be used to supplant regular education costs.</p> <p>The majority of funds are typically used to compensate the educator or other individual providing services. Therefore, it is generally necessary to first identify funds paid to the educator or other individual providing the services, ensure the individual is a qualified individual and then ensure the services were provided to eligible students in accordance with their IEPs. An educator may be a contractor or an employee. A payment to a contractor would be considered a non-payroll transaction.</p> <p>Federal privacy guidelines (HIPAA/FERPA) allow for the disclosure of Personal Identifiable Information PII for an Audit or Evaluation of a federal or state program without consent (34 CFR §99.35(a) (3)). The following links are provided to clarify privacy concerns regarding the review of IEP’s by Audit staff: FERPA Exceptions Training (Audit or Evaluation), does-hipaa-apply-to-an-elementary-school, studentprivacy.ed.gov, and the Utah Student Data Privacy Guidebook at schools.utah.gov</p>		
	<p>a. Request and review USBE Monitoring Reports (if applicable): If the LEA special education program was monitored by the USBE Special Education Services Department (program or fiscal) in one of the two most recent fiscal years (i.e., fiscal year 2019 or 2020) request the monitoring report from the entity and/or USBE to be aware of program risks.</p>		
	<p>b. <u>How to select employees</u>: As noted above, to audit for appropriate use of funds it is generally necessary to identify the educator or other individual providing services. Therefore, to select employees for sampling the auditor should obtain a list of employees including salary and benefits charged to</p>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>each program. If the general ledger includes names, it can be used to select the sample. If the general ledger doesn't include employee names, reconcile the general ledger payroll amounts by program to a subsidiary ledger or payroll report that does include employee names. Once reconciled, select employees for sample testwork focusing on higher dollar amounts while including an element of unpredictability (lower paid employees).</p>		
	<p>c. For each employee selected verify that payroll transactions include the following elements from the Uniform Chart of Accounts as specified by USBE School Finance (see SER VIII.P.1.b(2)) and that coding of payroll expenses are consistent with R277-113-5(9)(b)(iv)(A-E):</p> <ul style="list-style-type: none"> i. Fund ii. Function iii. Location iv. Program v. Object <p>Transactions must be recorded in the proper program when they occur; adjusting entries during the year and at the end of the year recorded in the proper program and in accordance with GAAP are allowed.</p> <p>Also verify that supporting documentation for personnel services is sufficient (see SER X.T and X.V for requirements)</p>		
	<p>d. For selected employees verify that services were provided by Qualified Personnel (i.e., qualified is defined in SER I.E.39 as "met the USBE-approved or USBE-recognized certification, licensing, registration, paraeducator qualification standards, or other comparable requirements that apply to the area in which the individuals are providing special education or related services.") per SER VIII.K & 34 CFR 300.156 by selecting individuals paid to specific programs (see 6.b. above) and reviewing their credentials from their personnel file to ensure they meet the Qualified Personnel requirement.</p> <ul style="list-style-type: none"> a) Teachers per R277-520-4(7) b) Related service providers consistent with R277-506 & R277-520-4(10) may include the following and others outlined in regulation: <ul style="list-style-type: none"> i) School Psychologist – R277-506-3 ii) Social Worker – R277-506-4 iii) School Counselor – R277-506-5 iv) Audiologist/Communication Disorders – R277-506-6 v) Speech Language Pathologist – R277-506-7 vi) Speech Language Technician – R277-506-8 c) Paraprofessionals consistent with R277-524 and Utah Standards for Instructional Paraeducators <ul style="list-style-type: none"> i) Be trained before providing allowable services ii) Have knowledge and proficiency (as determined by the LEA) in assigned instructional areas. Standard 1 		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<ul style="list-style-type: none"> iii) Individual who works under the supervision of a teacher or other licensed professional who has identified responsibilities in the public-school classroom. R277-524-2(G) iv) Paraprofessionals may (R277-524-3(A-G): <ul style="list-style-type: none"> 1. Provide individual or small group assistance or tutoring to students under the direct supervision of a licensed teacher during times when students would not otherwise be receiving instruction from a teacher <ul style="list-style-type: none"> a. "Direct supervision of a licensed teacher" means: <ul style="list-style-type: none"> i. Teacher prepares lessons and plans that the paraprofessional carries out (teacher evaluates student achievement) ii. Works in close and frequent proximity with the teacher 2. Assist with classroom organization and management 3. Provide assistance in computer labs 4. Conduct parental involvement activities 5. Provide support in library or media centers 6. Act as translators (if they have translation specific training) 7. Provide supervision for students in non-instructional settings. 		
	<ul style="list-style-type: none"> e. Payroll expenditures were reviewed and approved according to the LEA's written policy consistent with (see R277-113-5(9)(d)) 		
	<ul style="list-style-type: none"> f. <u>Allowable Activities:</u> State special education costs were spent only for direct costs as per SER X.A.1, which states: Direct costs are those elements of cost which can be easily, obviously, and conveniently identified with specific special education activities or programs, as distinguished from those costs incurred for several different activities or programs and whose elements are not readily identifiable with specific special education activities. In general, the above means all expenditures must be traceable back to an allowable activity in an IEP or child find process (e.g., costs for goods or services are for items included in an IEP or child find/evaluation, are for providing professional learning (PL) for staff to implement IEPs or child find.) Therefore, it is necessary to review IEPs to determine if costs are allowable. 		
	<ul style="list-style-type: none"> g. Per a review of the IEP, goods or services procured for a specific student were provided consistent with the student(s) IEP (i.e., child with a disability or specified need - 34 CFR 300.8): <ul style="list-style-type: none"> i. Ages 3-21 (SER I.E.49 & R277-419-2(24)(b), effective 5/14/2019 UCA 53E-7-201(5) includes an exception related to a student that is 22) ii. Evaluated as having a disability (34 CFR 300.301 or SER II.D) <ul style="list-style-type: none"> a. Parental Consent for evaluation per 34 CFR 300.300 or SER II.C. b. IEP team established per 34 CFR 300.321 or SER III.E <ul style="list-style-type: none"> a. Parent of child b. Regular education teacher if student is participating in regular education c. Special education teacher d. LEA representative with expertise per 34 CFR 300.321(4) 		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<ul style="list-style-type: none"> i. Can be one of the LEA employees above if they meet the requirements of the regulations e. An individual who can interpret the instructional implications of evaluation results who may be a member of the team above f. At parent/agency discretion – other individuals with special expertise regarding the student (i.e., SLP) g. The child with a disability – if appropriate. c. Use a variety of tools and strategies to gather relevant info. (SER II.F.) d. Evaluation conducted by qualified personnel (EX: SER II.F.1.d.6 & SER II.F.1.e.3) iii. Re-evaluated per SER II.G or 34 CFR 300.303 iv. Due to the disability requires special education (SER I.E.49) 		
	<ul style="list-style-type: none"> h. Goods were procured OR services were provided consistent with an IEP(s) per 34 CFR 300.320 and SER III.I & J, including: <ul style="list-style-type: none"> i) Assistive technology per 34 CFR 300.105 <ul style="list-style-type: none"> 1. Assistive technology device means any item, piece of equipment, or product system, whether acquired commercially off the shelf, modified, or customized, that is used to increase, maintain, or improve the functional capabilities of a student with a disability. The term does not include a medical device that is surgically implanted, or the replacement of such a device. – SER I.E.4 2. Includes training 34 CFR 300.6 ii) Supplementary aids and services per 34 CFR 300.42, 107, 117, 208 <ul style="list-style-type: none"> 1. Aids, services, and other supports to enable children with disabilities to be educated with non-disabled children to the maximum extent appropriate. iii) Nonacademic services (i.e., supplementary aids and services for extracurricular and nonacademic) – 34 CFR 300.107 <ul style="list-style-type: none"> 1. Examples include <ul style="list-style-type: none"> a) Counseling services b) Athletics c) Transportation d) Health services e) Recreational services f) Special interest groups g) Sponsored clubs h) Referrals to agencies that provide services i) Employment of students iv) Physical education – 34 CFR 300.108 and SER III.L v) Program options (e.g., art, music, homemaking) – 34 CFR 300.110 		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<ul style="list-style-type: none"> vi) Placement (i.e., school of residency if possible, decided by IEP team, consistent with IEP – also see definition of Least Restrictive Environment below) – 34 CFR 300.116 vii) Routine checking of hearing aids and external components of surgically implanted devices – 34 CFR 300.113 viii) Speech-language pathology other related services if applicable. ix) Related Services include: (34 CFR 300.34) <ul style="list-style-type: none"> 1. “Required to assist a child with a disability to benefit from special education.” (34 CFR 300.34(a)) and includes, <ul style="list-style-type: none"> a) Speech language pathology b) Audiology c) Interpreting services d) Psychological services e) Physical Therapy f) Occupational Therapy g) Recreation h) Therapeutic recreation i) Early identification j) Counseling services k) Rehabilitation counseling l) Orientation and mobility services m) Medical services n) School health services o) School nurse services p) Social work services in schools q) Parent counseling and training. x) Travel training 34 CFR 300.39 (b)(4) - i.e., teach students with disabilities awareness of their environment and how to move safely within their environment (e.g., home, school, etc.) xi) Vocation education 34 CFR 300.39 (b)(5) – i.e., preparation for paid or unpaid employment. <p>NOTE: Goods and services for special education must be provided consistent with and in consideration of the following definitions:</p> <p>Special Education Rules Manual (SER) I.E.46 <i>Special education</i> means specially designed instruction, at no cost to the parent(s) or the adult student, to meet the unique needs of a student with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions, and in other settings; and instruction in physical education. The term includes speech-language pathology services and may include other related services, travel training, and applied technology education, if they meet the definition of special education. Special education services are services provided to the student, and do not include consultation between teachers or monitoring a student’s grades or work completion.</p>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>SER I.E.47 <i>Specially-designed instruction</i> means adapting, as appropriate to the needs of an eligible student under these Rules, the content, methodology, or delivery of grade-level core instruction in order to: a. Address the unique needs of the student that result from the student’s disability. b. Ensure access of the student to the grade-level general curriculum, so that he or she can meet the educational standards within the jurisdiction of the LEA that apply to all students. c. Students with disabilities access either the grade-level core standards or the alternate core standards (i.e., Essential Elements), based on IEP team decisions. Other alternate or modified academic achievement standards are prohibited.</p> <p>SER I.E.27 <i>Least restrictive environment (LRE)</i> means that, to the maximum extent appropriate, students with disabilities, including students in public or private institutions or other care facilities, are educated with students who are not disabled. Special classes, separate schooling, or other removal of students with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily. Also see 34 CFR 300.114-116.</p>		
	<p>i. Program Specific Allowable Costs and/or Activities (as applicable):</p> <p>1) 1205 Add-on (UCA 53F-2-307(2)): Add-on funds are restricted to the education of students with disabilities but may include expenditures for approved programs of services conducted for certified instructional personnel who have students with disabilities in their classes. Per UCA 53F-2-204 (1) “Funds appropriated under this chapter [which includes appropriations for special education funds as above] shall only be used for programs approved by the state board.”</p> <p>Note: Review of LEA policies and procedures related to special education programs that have been approved by the USBE may help determine which programs are approved.</p>		
	<p>2) 1210 Self-contained (UCA 53F-2-308 (3)(a)): Verify that funds were not used to supplement other school programs (i.e., that funds were used for self-contained students and not co-mingled with Add-on or other programs). “Self-contained” means a public-school student with an IEP or YIC who receives 180 minutes or more of special education or YIC services during a typical school day per R277-419-2(36).)</p>		
	<p>3) 1215 Preschool (UCA 53F-2-308 (1)(b)): Verify that funds were used to provide a free and appropriate public education to students in preschool with a disability, ages three through five.</p>		
	<p>4) 1220 Extended Year – Severely Disabled (UCA 53F-2-308 (2)): Verify that funds were used, during the extended school year, for students with severe disabilities with education program goals identifying significant regression and recoupment disability as approved by the state. Also see requirements in R277-751.</p>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>5) 1225 Impact Aid (Compendium of Budget Information (COBI) includes the intent language): Verify that funds were used for one of the following three purposes:</p> <ul style="list-style-type: none"> a) To pay for higher administrative costs associated with providing special education services to students, b) To pay special education costs for students in state custody (prisons, detention facilities, and the state hospital); and c) To provide additional funding for students with low-incidence disabilities. 		
	<p>6) 1230 Intensive Services (R277-752): Verify the accuracy of expenses and reimbursements from insurance providers as outlined in R277-752-3(1)(a) and (b) submitted to USBE.</p>		
	<p>7) 1278 Extended Year – Special Educators (EYSE) (UCA 53F-2-310 (3 - 5) & R277-525) Verify the following:</p> <ul style="list-style-type: none"> a) The special educator receiving the stipend is a licensed special education teacher or licensed speech language pathologist as defined in R277-525. b) The LEA had a contract with the special educator, that included a written request for: <ul style="list-style-type: none"> i) The number of days the special educator commits to work consistent with 53F-2-310(4)(b) ii) Whether the additional contract days will be worked before the school year begins or after the school year ends. c) The LEA reported the number of days worked by a special educator in UPIPS, no later than October 1 for a special educator working before the school year began; and no later than June 30 for a special educator who worked after the school year ended. The LEA cannot combine days worked at the end of one year with the days worked at the beginning of the next year; the days must be worked in the same fiscal year. d) The special educator was only compensated \$200/day plus the allowed employer paid benefits, for actual days worked, not to exceed the approved number of days for the year under review, and for work duties related to the IEP process as outlined in 53F-2-310(4)(c). e) The LEA issued payment to the Special Educator prior to submitting the final report to the USBE. f) The LEA submitted the final report to the USBE no later than June 30 and the report included items required in R277-525-3(6)(a)-(b). 		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
53F-2-502 R277-488	<p>7. Dual Language Immersion (DLI) Contact: Karl Bowman, Dual Language Immersion Program Specialist karl.bowman@schools.utah.gov</p> <p>a. Additional Information to be Considered when Testing Allowability:</p> <ul style="list-style-type: none"> i. Ensure use of funds is consistent with the school’s application, is for an approved world language (i.e., Chinese (Mandarin), French, German, Portuguese, Russian, Spanish), and is in accordance with Utah Code and Board Rule. ii. Ensure the LEA handled compensation payments appropriately (designation of person as an LEA employee with compensation through payroll) vs contractor (compensation through contract payment for doing work in addition to their normal job). If contract payments were made, ensure documentation of such was sufficient. LEA-level DLI teachers and administrators are not employees of the USBE. <ul style="list-style-type: none"> a) Note: Review of the Office of the State Auditor’s audit of the DLI program, particularly findings 4-6 – will help to better understand program risks (OOE-17-SP2) 		
	<p>b. Select a sample of DLI schools within the LEA and ensure:</p> <ul style="list-style-type: none"> i. The school hired qualified world language teachers who meet the criteria in R277-488-3(7)(a)–(b) or for international guest teachers the criteria outlined in R277-527. License and endorsement information is available at: cactus.schools.utah.gov/PersonSearch; LEA HR offices or personnel over CACTUS may also provide necessary documentation. ii. In accordance with R277-488-4, the DLI program administered the proficiency assessment selected by the USBE (for additional information see schools.utah.gov/assessment/assessments or contact the LEA Assessment Director; the assessment window was 11/4/2019 – 12/20/2019) iii. In accordance with R277-488-7, verify the school prepared annual evaluation report and submitted it to the USBE. 		
53F-2-416 , 53G-7-1304 , R277-927	<p>8. Teacher and Student Success Act Program (TSSA) Contact: Patrick Lee, School Finance Director patrick.lee@schools.utah.gov</p> <ul style="list-style-type: none"> iv. Verify that the LEA implemented its student success framework in accordance with the documented framework submitted to the USBE. 		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>a. Verify that LEA did not use the funds for unallowable purposes as described in R277-927-4, as follows:</p> <ul style="list-style-type: none"> i. for a purpose described in Subsection 53G-7-1304(1); ii. to support adult education; or iii. to pay for contracted services commonly performed by the following staff: <ul style="list-style-type: none"> 1) school level administration staff; 2) building and maintenance staff, including custodial staff; 3) transportation staff; 4) child nutrition services staff; 5) operational or facility support staff; or 6) district level staff. 		
53G-7-1304	<p>b. Verify that the governing board of an LEA complied with 53G-7-1304(2), which states:</p> <p>“(c) Except as provided in Subsection (2)(d), the LEA governing board of a school district may use up to 40% of an LEA distribution for the purposes described in Subsection (2)(a)(i), if: (i) the LEA governing board has: (A) approved a board local levy for the maximum amount allowed under Section 53F-8-302; or (B) after the LEA governing board has submitted an LEA governing board student success framework to the state board, increased the board local levy described in Section 53F-8-302 by at least .0001 per dollar of taxable value; and (ii) the school district's average teacher salary is below the state average teacher salary described in Subsection (2)(f).</p> <p>(d) The LEA governing board of a school district in a county of the fourth, fifth, or sixth class or the LEA governing board of a charter school may use up to 40% of an LEA distribution for the purposes described in Subsection (2)(a)(i), if the LEA's average teacher salary is below the state average teacher salary described in Subsection (2)(f).”</p>		
	<p>Ensure an LEA with two or more schools established a policy, as required in R277-927-5, defining how the LEA will calculate and distribute program allocations based on prior year average daily membership.</p>		
	PROCEDURES FOR GENERAL MINIMUM SCHOOL PROGRAMS		
	<p>9. Note any differences in internal controls from restricted vs general MSP expenditures based on the tests performed in step 3 Control Tests For Procurement. .</p>		
	<p>10. Select a sample of school personnel with salaries coded to General MSP and verify that payroll transactions include following elements from the Uniform Chart of Accounts as specified by USBE School Finance (see SER VIII.P.1.b(2)) and that coding of payroll expenses are consistent with R277-113-5(9)(b)(iv)(A-E):</p> <ul style="list-style-type: none"> i. Fund ii. Function iii. Location iv. Program v. Object 		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	Transactions must be recorded in the proper program when they occur; adjusting entries during the year and at the end of the year recorded in the proper program and in accordance with GAAP are allowed.		
	11. Review significant journal entries allocating or adjusting funds between programs. Verify that the entries have sufficient support documentation and follow the guidance provided in R277-113-5(9)(a)-(b).		
UCA 53F-2-704 (3)(a)	12. Charter School Local Replacement Funds – Verify that at least 10% of this program funding was used for facilities-related costs. (Note: the remaining 90% may be used for general education expenditures.) EXCEPTION: The requirement does not apply to online charter schools.		

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

B. SCHOOL DISTRICT TAX LEVIES

(Report as an applicable compliance area in the Compliance Report)

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 statute.

TYPES AND ALLOCATION OF TAX LEVIES: Districts may 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	Statutory Reference
Basic – the local-state shared portion	Required*	0.001568 (set by legislature)	General Fund	Unrestricted – To be used for each district's operation and maintenance of schools.	53F-2-301 ; 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.	53F-8-301 ; 53F-2-601 ; 59-2-904
Board Local – State and local funds received by a district under the Board Local Program	Optional (except for Charter School levy)	0.0018 or 0.0025	General Fund	Unrestricted – May be budgeted and expended with the general fund as authorized by the local school board.	53F-8-302 ; 53F-2-602 ; 59-2-904 53F-2-703
Charter School	Required	Set by legislature	General	The Charter School levy is an allocation of the board levy and should be recorded by the district as revenue and a contribution to other governments.	53F-2-703
Capital Local	Optional	0.003	Capital Projects Fund	Restricted – Used for capital or technology programs or projects.	53F-8-303
Debt Service	Required if General Obligation Bonds outstanding	Voter approval	Debt Service Fund	Restricted – used to satisfy debt service requirements of issued general obligation bonds.	11-14-310
Judgement Levy	Optional	Satisfy judgements	Use the fund where the judgement was paid	Restricted – see judgement order, should be the 'taxing entity's proportionate share of a payment to a taxpayer'.	R884-24P-57 , 59-2-918.5 & 924 , 59-2-1328 & 1330

Legal Ref.	Applicable 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 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 authorized purposes.		
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 or technology programs.		
See table above	LEAs, except charter schools	3. Debt Service: Ensure the debt service levy is generating revenue sufficient to retire the debt and not generating significant excess fund balances (i.e. more than what is necessary to pay the next debt service installment). 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. (see 53G-7-306(6))		
		4. Charter School: Ensure funds generated by the charter school levy were recorded in the LEA’s accounting system and presented on the financial statements as revenue and a contribution to other governments.		

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

C. SCHOOL FEES
(Report as an applicable compliance area in the Compliance Report)

The objective of these procedures is to ensure that fees in the public education system are not being charged to 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 if used in a manner consistent with their original design.

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
R277-407	LEA	<p>Contact: Tamra Dayley, School Fees Project Lead tamra.dayley@schools.utah.gov</p> <p>1. Gain an understanding of the LEAs school fees and fee waivers process through:</p> <ul style="list-style-type: none"> a. inquiry with the school fees contact; b. review of fee schedules, policies and procedures, and the LEAs website; and c. a comparison of the Certificate of Compliance submission in October/November 2019 with the submission in October/November 2020. 		
		<p>2. Document and test the internal controls developed and implemented to ensure compliance with requirements noted in steps 3-8 below.</p>		
R277-407-3(1) , R277-407-3(6) and UCA 53G-7-503-1-2	LEA	<p>3. <u>Elementary Schools</u> (if more than one elementary school in the LEA select a sample)</p> <p>For School Year 2020-2021 (July 1, 2020 – June 30, 2021) based on inquiry with the principal/teachers and review of school/class websites, accounting records, supply lists, etc. determine the following:</p> <ul style="list-style-type: none"> a. 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. b. 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. 		
		<p>4. Sample fees charged for secondary school and non-regular day elementary school activities during School Year 2020-2021 (July 1, 2020 – June 30, 2021) determine the following:</p> <ul style="list-style-type: none"> a. The fee was listed on the fee schedule approved by the local school board in a public meeting and was allowable by statute, and b. The fee was subject to waiver (see R277-407-5 and R277-407-8). <p>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.</p>		
R277-407-8(2)(a) and R277-407-13(2)(a)		<p>5. Sample fees on the approved fee schedule for School Year 2020-2021 review the spendplan, the associated accounting records, and related student participation records and ensure that the LEA did not use</p>		

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		revenue collected through fees to offset the cost of fee waivers (i.e., students paying fees were not charged an increased fee amount to cover students receiving fee waivers).		
R277-407-6(4)(b)		6. Sample students participating in activities with fees or that are subject to fee waivers, ensure the student: <ul style="list-style-type: none"> a. Was not charged more than the maximum fee established for the activity, and b. Was not charged more than the maximum total aggregate fee amount per student per school year established by the LEA. 		
R277-407-14(1)(a)		7. Verify the number of students receiving fee waivers as reported in the October/November Certificate of Compliance submission and determine if it is reasonable based on a comparison to the prior year submission.		
R277-407-13(2)(b) and (4)(b) and R277-407-8(2)(c)		8. (If more than one school in the LEA) Determine if the LEA developed a procedure to identify and address potential inequities due to the impact of the number of schools who receive fee waivers within each of the LEAs schools (i.e., revenue lost due to fee waivers was shared between schools, so no school carried a disproportionate share of the LEAs total fee waiver burden).		
		The USBE has guidance for school fees available on their website schools.utah.gov/schoolfees including guidance on the use of school fee revenue codes.		

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

APPENDIX 3-2:
STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAs

District/Charter: **[Name of LEA]**
Year End: **6/30/20xx**

General Notes:

- 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). 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.
- Include state and federal programs received from all sources.
- The 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.
- If used, this spreadsheet is retained by the district or charter school to support annual reports; it is not submitted to the USBE or the Office of the Utah State Auditor.

		Enter data in these fields as applicable (PY= Prior (fiscal) year, CY= Current (fiscal) year)										Enter Data		CY Balances	
Revenue Number	Program Number	PY Balances		USBE MSP Monthly Allotment Report						Basic Levy/		Amount Spent in 2021	CY Balances		
		Receivable 06/30/20	(Unspent) 06/30/20	PY July Current	CY July Current	CY July YTD	Requirement	Match/MOE	Adjustments / Other Receipts	Reclassify	Available		Receivable 6/30/21	(Unspent) 6/30/21	
		-	-	+	-	+	+	+	+	+	=				
State Programs															
State Appropriations															
3800	5380	SOEP Allocation from Home and Private Schools	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3800	5613	Corrections Education	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5618	Professional Development	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5660	General Financial Literacy	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5664	Anti Bullying	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5674	Suicide Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5676	Intergenerational Poverty	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5687	Low Performing Schools	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5699	CTE Online Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5846	CS Start Up Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	8070	State Liquor Control	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5610	State Driver Training	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5616	Federal Mineral Lease	-	-	-	-	-	-	-	-	-	-	-	-	-
1920	5601	Private Grant	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5680	Collections - Curriculum Administration	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5672	Substance Abuse - Fee on Fines	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-
Minimum School Program:															
3100	VAR	Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Grades 1-12	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Foreign Exchange Students	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5220	Necessarily Existent Small Schools	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5295	Professional Staff	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Administrative Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1205	Special Education - Add-on	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1210	Special Education - Self-contained	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1215	Special Education - Preschool	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1220	Special Education - Extended Year Program	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1225	Special Education - Impact Aid	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1230	Special Education - Intensive Services	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1278	Special Education - Extended Year for Special Educators (Stipends)	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Career and Technology Education (CTE) - ADM	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	6100	CTE - Summer Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5903	CTE - Comprehensive Counseling & Guide	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5902	CTE - Workbased Learning	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5901	CTE - College & Career Awareness	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	6000	CTE - Technical Student Orgs	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	6000	CTE - Skill Certification Competency	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5201	Class Size Reduction	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5315	Pupil Transportation - To and From School	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5371	Pupil Transportation - Guarantee Transportation Levy	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5318	Pupil Transportation - Rural Transportation Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5317	Pupil Transportation - Rural School Reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5310	Flexible Allocation - WPU Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5619	Charter School Local Replacement	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5625	Charter School Administrative Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5336	Enhancement for At-Risk Students	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5339	Enhancement for At-Risk Students - Gang Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5340	Youth In Custody	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	1609	Adult Education	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5613	Adult Education - Corrections Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5332	Advanced Placement	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5331	Gifted and Talented	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5612	International Baccalaureate	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5334	Centennial Scholarship Program	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5333	Concurrent Enrollment	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5685	Title I Schools in Improvement - Paraeducators	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5805	Early Literacy Program	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5641	Early Intervention	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5657	Early Graduation from Competency-Based Education	-	-	-	-	-	-	-	-	-	-	-	-	-
3400	5876	Educator Salary Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
3400	5807	Teacher Salary Supplements	-	-	-	-	-	-	-	-	-	-	-	-	-
3400	5607	National Board Certified Teacher Programs	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX 3-2:
STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAS

			-	-	+	-	+	+	+	+	=							
3400	5868	Teacher Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3400	5668	Effective Teachers in High Poverty Schools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3400	5324	Grants for Educators in High-need Schools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3400	5642	Elementary School Counselor Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5420	School LAND Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5678	Teacher and Student Success Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5679	Student Health and Counseling Support Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5810	School Library Books and Electronic Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5368	Matching Funds for School Nurses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5637	Dual Immersion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5881	Year-Round Math & Science (USTAR Centers)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5882	Beverly Taylor Sorenson Arts Learning Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5655	Digital Teaching and Learning Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3600	5455	Voted Local Levy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3600	5460	Board Local Levy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3600	5805	Board Local Levy - Early Literacy Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3700	5561	Capital Outlay Enrollment Growth Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3700	5550	Capital Outlay Foundation Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Less: Basic levy, matching, and MOE from local sources			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total State			\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

Federal Programs / CFDA Number (sorted by program number)																		
4538	7400	Career and Technical Education - Basic Grants to States 84.048	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
4700	7350	Temporary Assistance for Needy Families 93.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4300	7355	AmeriCorps 94.006	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4600	7508	Javits Gifted and Talented Students Education 84.206	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4522	7522	Special Education - Preschool Grants 84.173	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4524	7524	Special Education - Grants to States 84.027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4526	7526	Special Education - State Personnel Development 84.323	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7581	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7582	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7583	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7584	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4685	7685	SAMSHA Aware 93.243	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7801	Title I Grants to Local Education Agencies 84.010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7803	School Improvement Grants 84.377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7830	Migrant Education - State Grant Program 84.011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7840	Title I State Agency Program for Neglected and Delinquent Children and Youth 84.010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7860	Improving Teacher Quality State Grants 84.367	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7865	Mathematics and Science Partnerships 84.366	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7880	English Language Acquisition State Grants 84.365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7880	EIA Language Enhancement 84.365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7910	Twenty-First Century Community Learning Centers 84.287	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7950	Education for Homeless Children and Youth 84.196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program (Commodities) 10.555*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	Special Milk Program for Children 10.556	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	School Breakfast Program 10.553	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	Summer Food Service Program for Children 10.559	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	Farm to School Grant Program 10.575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Child and Adult Care Food Program 10.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Child and Adult Care Food Program 10.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Child and Adult Care Food Program 10.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		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

-	-	-
-	-	-
-	-	-

* USDA Commodities are recorded when received at acquisition value on the Schedule as an expenditure. The CFDA Number to assign is the program where the commodities are primarily used.

CHAPTER 4: 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 state 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 state compliance requirements as described in this *Guide*.
 - Significant deficiencies and material weaknesses in internal control over state 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 state 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 4.20, 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 state compliance requirements. As such, the entity is responsible for providing a corrective action plan for each audit finding.
- 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 state 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 state compliance requirements: <ul style="list-style-type: none"> • Those that have a material effect • Less than material but more than inconsequential ¹ • Those that are inconsequential (Other Matters) 	X	X	X
Deficiencies in internal control over state compliance requirements: <ul style="list-style-type: none"> • Material weakness • Significant deficiency • Deficiency in internal control 	X X		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) condition, (2) criteria, (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 the 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 'what is' and '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, approves 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 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 2018 through December 2018 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 errors 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 and Internal Control Over Compliance—(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 ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

To the *[Board of Trustees/City Council/County Commission]*, Audit Committee
and

[Chief Executive Officer]

[XYZ Entity]

Report On Compliance

We have audited *[insert full name of Entity]*'s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended *[Month, Day, 20XX]*.

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

Restricted Taxes and Related Revenues

Fraud Risk Assessment

Government Fees

Cash Management

Enterprise Fund Transfers, Reimbursements, Loans, and Services

Tax Levy Revenue Recognition

Impact Fees

Special and Local Service District Board Members

Utah Retirement Systems

Public Treasurer's Bond

Open and Public Meetings Act

Minimum School Program – Unrestricted Programs

Minimum School Program – Restricted Programs: Special Education, Teacher and Student

Success Act and Dual Immersion (if applicable)

School District Tax Levies

School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on **[the Entity]**'s compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of **[the Entity]**'s compliance with those requirements.

Opinion on Compliance

In our opinion, **[full name of Entity]** complied, in all material respects, with the state compliance requirements referred to above 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered **[the Entity]**'s internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 to detect and correct noncompliance with a state 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 state 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 state 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.

[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 ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

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

Report On Compliance

We have audited **[insert full name of Entity]**'s compliance with the following applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended **[Month, Day, 20XX]**.

[DELETE ANY AREAS NOT SUBJECT TO TESTWORK BY THE AUDITOR]

Budgetary Compliance
Fund Balance
Justice Courts
Restricted Taxes and Related Revenues
Fraud Risk Assessment
Government Fees
Cash Management
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Tax Levy Revenue Recognition
Impact Fees
Special and Local Service District Board Members
Utah Retirement Systems
Public Treasurer's Bond
Open and Public Meetings Act
Minimum School Program – Unrestricted Programs
Minimum School Program – Restricted Programs: Special Education, Teacher and Student Success Act and Dual Immersion (if applicable)
School District Tax Levies
School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on **[the Entity]**'s compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement reported above. However, our audit does not provide a legal determination of **[the Entity]**'s compliance with those requirements.

Opinion on Compliance

In our opinion, **[full name of Entity]** complied, in all material respects, with the state compliance requirements referred to above 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered **[the Entity]**'s internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 to detect and correct noncompliance with a state 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 state 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 state 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.

[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 ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE**

To the **[Board of Trustees/City Council/County Commission]**, Audit Committee
and

[Chief Executive Officer]

[XYZ Entity]

Report On Compliance

We have audited **[insert full name of Entity]**'s compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended **[Month, Day, 20XX]**.

[DELETE ANY AREAS NOT SUBJECT TO TESTWORK BY THE AUDITOR]

Budgetary Compliance

Fund Balance

Justice Courts

Restricted Taxes and Related Revenues

Fraud Risk Assessment

Government Fees

Cash Management

Enterprise Fund Transfers, Reimbursements, Loans, and Services

Tax Levy Revenue Recognition

Impact Fees

Special and Local Service District Board Members

Utah Retirement Systems

Public Treasurer's Bond

Open and Public Meetings Act

Minimum School Program – Unrestricted Programs

Minimum School Program – Restricted Programs: Special Education, Teacher and Student

Success Act and Dual Immersion (if applicable)

School District Tax Levies

School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on **[the Entity]**'s compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of **[the Entity]**'s compliance with those requirements.

Basis for Qualified Opinion on [Identify state compliance area]

As described in **[the accompanying schedule of findings and recommendations]**, **[the Entity]** did not comply with requirements regarding **[identify state compliance area and related state 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]**.

Qualified Opinion on [Identify state compliance area]

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, **[the Entity]** complied, in all material respects, with the state compliance requirements referred to above for the year ended **[Month, Day, 20XX]**.

Unmodified Opinion on Each of the Other State Compliance Areas

In our opinion, **[the Entity]** complied, in all material respects, with the other state compliance requirements referred to above 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered [the Entity]'s internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 to detect and correct noncompliance with a state 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 state 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 state 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 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.

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

CHAPTER 1: AUDIT PROCEDURES TO BE PERFORMED ANNUALLY

A. COMPLIANCE AUDIT PLANNING PROCEDURES

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		An example form for completing Section A is provided in Chapter 1 Appendix 1, Identification of Applicable Compliance Areas and Risk Assessment.		
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.		
		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. <i>The auditor should not focus solely on traditional control activities such as review, approval, reconciliation, etc. Other controls could be adequate (i.e. training, professional experience, or monitoring).</i>		
		b. Document the sources of information used and procedures performed to evaluate the design and implementation of controls. <i>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.</i>		
		c. Determine whether controls are properly designed and implemented to achieve the control objectives (the auditor is not required to test the <i>effectiveness</i> of internal controls over compliance). <i>Describe any deficiency of design or implementation and, if significant, report to those charged with governance.</i>		
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 <i>Guide</i> 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.		
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 <i>Guide</i> .		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts;
 IL=Interlocal Entity; GvtNPO=Governmental Nonprofit Organization;
 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
AU-C 935.17 AU-C 935.40		5. For each applicable compliance requirement identified in this <i>Guide</i> , document the assessed risk of material noncompliance, your response to the assessed risk, the procedures performed to test compliance, and the results of those procedures.		
AU-C 935.18-.20		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.	Applicable 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: 53G-7-302 thru 304 Interlocals & GvtNPOs: 11-13-507 & 11-13-514	ALL	<p>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.)</p> <p>A budget should be prepared for all funds except permanent trusts and fiduciary funds, be in tabular form, and contain the following information:</p> <ul style="list-style-type: none"> Actual revenues and expenditures from the last completed fiscal period. Estimated total revenues and expenditures for the current fiscal period. Estimates of revenues and expenditures for the budget year. 		
UCA Towns: 10-5-115 Cities: 10-6-123 Districts: 17B-1-619 Counties: 17-36-21 LEAs: 53G-7-307 Interlocals & GvtNPOs: 11-13-517	ALL	<p>2. Examine the entity's records and financial reports and determine that total expenditures by fund or department did not exceed the amounts appropriated in the final adopted budget.</p> <p>(Note: This procedure should be applied to ALL funds required to adopt a budget, not just those required to present budgetary information in the financial reports).</p>		

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-147 & 10-6-148 Towns: 10-5-129 Districts: 17B-1-638 Counties: 17-36-36 LEAs: 53G-7-309 Interlocals & GvtNPOs: 11-13-527	ALL	3. Determine that appropriate financial reports are prepared monthly or quarterly as required, and reviewed by the governing body. Select one monthly or one quarterly financial report, as applicable, and determine that it reconciles to the general ledger (revenues/expenditures) in total by fund. <ul style="list-style-type: none"> 1st & 2nd class cities, towns, districts, interlocal entities, governmental NPOs, and counties should prepare reports at least quarterly. 3rd – 5th class cities and LEA's (including charter schools) should prepare reports monthly. <p>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.</p>		

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

C. FUND BALANCE

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Cities: 10-6-117-(2) Towns: 10-5-114-(2) Districts: 17B-1-613-(2) LEA's: 53G-7-305 Interlocals & GvtNPOs: 11-13-513-(2)	ALL	1. <u>Deficit Fund Balances</u> <u>Municipalities, Districts, Interlocals, Governmental NPOs, and Counties:</u> 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. <u>LEA's</u> <ul style="list-style-type: none"> A governing body may not make an appropriation in excess of its estimated expendable revenues, including undistributed reserves, for the following fiscal year. <u>School districts only:</u> 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. 		

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 17-36-16-(2)	C	<p>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:</p> <p>1) a. for a county with a taxable value of \$750 million or more and a population of 100,000 or more – 25% of the total revenues of the general fund for the current fiscal period; or</p> <p>b. for any other county – 65% of the total revenues of the general fund for the current fiscal period.</p> <p style="text-align: center;">-AND-</p> <p>2) The estimated total revenues from property taxes for the current fiscal period.</p>		
UCA Cities: 10-6-116-(2) Towns: 10-5-113-(2)	M	<p>3. Municipalities: Determine that the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 35% for cities or 100% for towns of the total revenue of the general fund for the fiscal year under audit.</p>		
Interlocals & GvtNPOs: 11-13-512-(2)	IL, GvtNPO	<p>4. Interlocal Entities and Governmental Nonprofits: Determine that the maximum unrestricted (committed, assigned, and unassigned) general fund balance does not exceed the greater of:</p> <ul style="list-style-type: none"> • 100% of the current year's property tax; or • 35% of the total general fund revenues, if the annual general fund budget is greater than \$100,000; or • 65% of the total general fund revenues, if the annual general fund budget is equal to or less than \$100,000. 		
UCA Districts: 17B-1-612-(2)	D	<p>5. Special and Local Service Districts, Interlocal Entities, and Governmental Nonprofits: Determine that the maximum unrestricted (committed, assigned, and unassigned) general fund balance does not exceed the greater of:</p> <ul style="list-style-type: none"> • The most recently adopted General fund budget, plus • 100% of the current year's property tax. 		
UCA 53G-7-304	LEAs, except charter schools	<p>6. School Districts (excluding charter schools): Determine that the undistributed reserve (or resources committed to economic stabilization) does not exceed 5% of the maintenance and operation [general fund] expenditure budget (the higher of the budget for the year under audit or the subsequent budget year). (Note: The reserve should not be used in negotiation or settlement of contract salaries for district employees.) Refer to GASB 54 paragraphs 20-21 for proper classification of undistributed reserve in the fund balance.</p>		

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; GvtNPO=Governmental Nonprofit Organization;
 LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

D. JUSTICE COURT

Information Contacts: Director of Internal Audit, Administrative Office of the Courts, (801) 578-3889
 Internal Auditor, Administrative Office of the Courts, (801) 578-3985
 Justice Court Administrator, (801) 578-3824

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. See chapter 1 appendix 3 for the separation of duties checklist used by Utah Courts Internal Audit. The appendix can be used to document the different roles court employees fill, any mitigating controls the court has put in place and improve the continuity of separation of duties testing between the AOC and the CPA community.		
	M, C	2. Review a sample of 'Court Cost Transactions' in CORIS to determine if they are being categorized correctly. Background: The AOC has issued guidance that 'court costs' should be restricted to investigator fees and specially incurred costs. To expedite the testing of court costs the CORIS Revenue Detail Listing Report can be ran to ensure no surchargeable revenue was recorded as court costs. The bullet points below are examples of items inappropriately categorized as court costs. <ul style="list-style-type: none"> • Late Fees – some Justice courts are imposing late fees. If a judge orders a payment for being late on payments, determine if the payment was meant to be a contempt sanction, if so it should be recorded at FC (Fine Contempt). If it is not a contempt fine the payment should be applied to any fines owing or refunded to the defendant as no statute supports a late fee. • Plea in Abeyance (PIA) – Some Justice courts are placing PIA fees into court costs in error. These amounts should be recorded in the PN (Plea in Abeyance) account. • Contempt fines – Contempt fines should be recorded as FC (fines contempt) and not as a court cost. • Attorney Fees – When a defendant is ordered to pay attorney fees a trust receivable should be created, attorney fees recorded as court costs are an error 		
CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):			Performed by and Date	Workpaper Index

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E. RESTRICTED TAXES AND OTHER RELATED RESTRICTED REVENUE

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	ALL, except LEAs	1. Determine the type and amount of restricted taxes and other related restricted revenue (i.e. B&C Road Funding) received by the entity. See Chapter 1 Appendix 2 for a listing of possible restricted tax types and other related restricted revenue.		
	ALL except LEAs	2. If the restricted taxes and other related restricted revenue (other than taxes tested in Chapter 1.G. and State Funding tested in Chapter 3) are material to the applicable opinion unit, perform the following:		
		a. Determine that the various restricted taxes and other related restricted revenue are accounted for in separate restricted accounts.		
		b. Obtain sufficient appropriate audit evidence (i.e. sampling, high dollar selection, scanning object codes, etc.) that the expenditures made from restricted sources were made only for purposes authorized by law.		
		c. If restricted resources are received by a fund and then subsequently transferred to another fund, also test the final disposition of those resources.		
		d. If restricted resources are received by a fund and are unspent at year end, ensure unspent restricted amounts are carried forward to the subsequent year and are accounted for in separate restricted accounts.		

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

F. FRAUD RISK ASSESSMENT

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	ALL	1. Review copy of the required Fraud Risk Assessment prepared by the entity. Verify that the Assessment was approved by the CAO and CFO and presented in a board/council meeting.		

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 IL=Interlocal Entity; GvtNPO=Governmental Nonprofit Organization;
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CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

G. GOVERNMENTAL FEES

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	ALL	1. Test government fees to determine if they were adopted correctly. <ul style="list-style-type: none"> a. Obtain a schedule of government fees. b. Inquire if there are any fees that are not included in the schedule of fees. c. Review the minutes and verify that the entity’s fees were approved by the governing body. 2. Select 4 fees from the schedule of fees and perform the following tests (The selection of fees should exclude fees charged in an enterprise fund although the auditor should review transfers from the enterprise fund to ensure they comply with statute, see ch 2 B. <ul style="list-style-type: none"> a. Are the revenues and expenses tracked for each specific service or regulatory activity for which the fees are charged? b. If fee revenue is in excess of expenses does the entity track those excess revenues to only be used for the intended purpose of the fee in subsequent years? c. Was a reasonable methodology used to calculate the fee? 		

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; GvtNPO=Governmental Nonprofit Organization;
 LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

Office of the State Auditor
 State Compliance Audit Guide
 May 1, 2021
 Fiscal Year Ended June 30, 2021

Chapter 1
 Appendix 1
 Identification of Applicable Compliance Areas and Risk Assessment

State Guide	Applicable Compliance Requirements	Year Last Audited	Selected or Required? Y, N, or N/A	1.a.	1.b.	1.c.	2	3		4	5
				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)	Sources of info used & procedures performed	Are controls properly designed Y, N, or N/A	Prior Yr FRs implmtd? Y, N or N/A	Risks of Material Noncompliance (MN) Identified Fraud/Risks	Material NC? Y or N	Materiality Levels	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									Significantly over budget	
1.D.	Justice Court									Any instance of noncompliance	
1.E.	Restricted Taxes and Related Restricted Revenue									5% of restricted taxes and related restricted revenue	
1.F.	Fraud Risk Assessment									Failure to complete/present	
1.G.	Government Fees									Any instance of noncompliance	
Chapter 2: General Audit Procedures to be Performed at Least Every Third Year											
2.A.	Cash Management									5% of total bank balance	
2.B.	Enterprise Fund Transfers, Reimbursements, Loans, and Services									5% of expenses	
2.C.	Tax Levy Revenue Recognition									0.5% to 2% of property tax revenue	
2.D.	Impact Fees									5% of fees disbursed	
2.E.	Special and Local Service District Board Members									Any instance of noncompliance	
2.F.	Utah Retirement Systems									Any instance of noncompliance	
2.G.	Public Treasurer's Bond									Any instance of noncompliance	
2.G.	Open and Public Meetings Act									Any instance of noncompliance	
Chapter 3: Audit Procedures for Minimum School Program (MSP) Funds											
3.A.	USOE: Minimum School Program									5% of program expenditures	
	Allowability of Activities and Costs and Procurement										
	Matching, Level of Effort, and Earmarking										
	Reporting										
	Other										
	Special Education										
	Dual Language Immersion (DLI)										
	Teacher and Student Success Act (TSSA)										
3.B.	School district Tax Levies										
3.C.	School Fees										

Cell: Q5

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: U5

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: W5

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).

Cell: G7

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.

APPENDIX 2: RESTRICTED TAX TYPES AND OTHER RELATED RESTRICTED REVENUE

Sales and Use Taxes				
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 accommodations and services - i.e. hotels	59-12-301	Yes
Transient Room	Muni	Tax on charges for accommodations 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 1st class	Tax on charges for accommodations 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
Additional Transit	County	Additional sales tax to fund highways, public transit	59-12-2219	Yes
E-911	County & Muni	Taxes on local exchange services, radio communication lines, etc to fund Emergency Telephone Services	69-2-301	Yes
Municipal Energy	Muni	Tax on sale or use of energy	10-1-304	No
Municipal Telecom	Muni	Tax on sale of telecommunications services	10-1-403	No
Other Related Restricted Revenue				
Alcoholic Beverage Control **	County & Muni	This is NOT considered a tax collected by the entity, but instead revenue from the State of Utah.	32B-2-404	Yes
	LEA	10% of sales credited to Uniform School Fund to support school lunch program	32B-2-304	Yes
B&C Road Funds	County & Muni	Funding to assist entities with construction and maintenance of roads and streets. This is NOT considered a tax collected by the entity, but instead revenue from the State of Utah.	72-8-104; 72-2-202, 72-2-110	Yes
Automobile Driver Education Fee	LEA	Annual fee at registration credited to Uniform School Fund to support driver education program	41-1a-1204	Yes
Off-Highway Vehicle Fee	County & Muni	Annual fee to support off-highway vehicle facilities and related programs	41-22-19	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 UCA 32B-2-404. Includes distributions to school districts for the school lunch program.

APPENDIX 2: RESTRICTED TAX TYPES AND OTHER RESTRICTED REVENUE

(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 & 91	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-2a-1006 (3)	Yes
Special Service District Voted Rate	17D-1-105	Yes
County Service Area	17B-1-1002	Yes
Municipal Type Service Fund	17-34-3	Yes
Discharge of Judgment	59-2-1328 & 1330	Yes

SEPARATION OF CRITICAL DUTIES IN TRANSACTION CYCLES WITHIN A JUSTICE COURT USING CORIS

The purpose of “separation of duties” is to ensure that no single individual is placed in such a circumstance that (s)he can cause and conceal errors and/or irregularities (or be vulnerable to others doing so), while performing regularly assigned duties. Three fundamental categories of duties must be separated for ideal control:

1. Custody of assets
2. Authorization of transactions (including authorization to execute a transaction); and
3. Record keeping/accounting/reconciliation.

Critical duties are those duties, which should be divided among employees to establish accountability and to reduce opportunities for misuse of funds. Other *non-critical duties* may also occur in a given transaction cycle, but need not be addressed for the purpose of “separation of duties.”

Achieving a complete division of critical duties depends on the staff available in a court. A court with a small staff may have to allow some overlap of duties. In a larger court, overlap of duties may occur due to clerk absences. In each instance of overlap, court management needs to plan for an “External Review” of the documents and transactions that relate to that transaction cycle. The review needs to be done by an employee who is independent of that transaction cycle, at least quarterly, but monthly is preferred. Non-court employees (e.g., city or county employees) may be enlisted to perform the External Review duties.

Adequate separation of duties would exist if only one employee performs the set of critical duties for any one category within the three fundamental categories of a transaction cycle. No employee should have control over all three categories of duties for a transaction cycle, either formally or informally.

Following are charts, which outline and separate the critical duties in the court transaction cycles. The analysis is based on a court that has a sufficient number of staff to separate duties.(4/29/2019)

TRANSACTION CYCLE: CASH CHANGE FUND USE

DUTY 1: Custody of Asset	DUTY 2: Authorized to Use	DUTY 3: Record Keeping	Duty 4: Accounting
<p>Change Fund Custodian</p> <p>Assigns Change Fund(s) to Cashier Clerk(s) to use in the receipting process. Retains a portion to make change for Cashier Clerks who run short of change.</p> <p>The custodian is responsible for any shortages or irregularities in accounting for the Change Fund.</p> <p><u>MUST CHECK: Does change fund custodian retain a portion to make change?</u> <u>yes</u> <input type="checkbox"/> <u>no</u> <input type="checkbox"/></p>	<p>Cashier Clerk(s) assigned a Change Fund</p> <p>Clerks use assigned Change Fund to make change in the receipting process.</p> <p>The Cashier Clerk secures his/her assigned Change Fund in his/her locked device during the day. The fund is kept overnight in the court safe or vault in the clerk assigned locking device.</p> <p>Cashier Clerk(s) counts the change fund with all coin and currency recorded on the daily CORIS Cash Count Form,</p> <p>The Cashier's Change Fund amount needs to be entered in CORIS Personnel Maintenance for each cashier with a fund.</p>	<p>Deposit Verifier/Preparer</p> <p>During the daily close out, the Deposit Verifier/Preparer performs a verifying count of Cashier Clerk(s) and the assigned Change Fund and Revenue and Trust receipts, in the presence of each Cashier.</p> <p>When approved, the Cash Count Form is printed and signed by both the Cashier Clerk and Deposit Verifier/Preparer to document each Cashier Clerk's assigned Cash Change Fund is intact. The Cashier Clerk gives the original Cash Count Form to the Accounting Clerk.</p> <p>The Deposit Verifier/Preparer takes custody of the Cashiers' receipts and prepares the deposit.</p>	<p>Change Fund Verifier</p> <p>An unannounced count of the total Cash Change Fund is performed and documented at least three times a year by someone not assigned a Cash Change fund portion.</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: *MAIL PAYMENTS*

DUTY 1: Record Keeping	DUTY 2: Record Keeping	DUTY 3: Custody of Assets	DUTY 4: Authorization and Custody of Assets	DUTY 5: Record Keeping/Accounting
<p>Mail Log Preparer Records mail payments on the Daily Mail Log.</p>	<p>Mail Log Witness Witnesses that all payments received by mail are recorded on the log.</p>	<p>Cashier Clerk(s) Who Receipt Mail payments If both the Mail Log Preparer and Witness sign the Mail Log attesting to the accuracy of the payments listed, either clerk can receipt mail payments on the computer.</p>	<p>Deposit Verifier/Preparer The Deposit Verifier/Preparer performs a verifying count of Cashier Clerk(s) receipts, including mail payments, and the Cash Change Fund in the presence of each Cashier. Both the Cashier and the Verifier sign the Cash Count Form (which is prepared on CORIS) as accurate. Verifies that the Cashier Clerk(s) receipts, including mail payments, agree with the amounts received per the daily receipt records for each Cashier (Cashier Totals Report and Cash Count Forms). Prepares the deposit.</p>	<p>Accounting Clerk Reconciles the mail log to the CORIS Mail Log Report. Verifies that mail payments were receipted in CORIS within 3 days: 1) to the same case, 2) in the same cash/check composition as recorded on the mail log.</p>
Individual(s) assigned:	Individual(s):	Individual(s) assigned:	Individual(s) assigned:	Individual(s):

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: *REVENUE/TRUST FUNDS*

DUTY 1: Record Keeping	DUTY 2: Custody of Assets	DUTY 3: Authorization and Custody of Assets	DUTY 4: Record Keeping/Accounting
<p>Accounts Receivable Set Up Clerk</p> <p>Sets up amounts due from judicial order or citation.</p> <p>A clerk other than a clerk with access or custody to money should enter citations or set up Accounts Receivables</p>	<p>Cashier Clerk(s) receipting Revenue and Trust payments</p> <p>Receipts revenue and trust payments, and maintains funds in a secure device.</p>	<p>Deposit Verifier/Preparer</p> <p>The <i>Deposit Verifier/Preparer</i>: (1) Prints a Transaction Detail Report and Cashiers Total Report for each cashier. 2) Performs a verifying count of Cashier Clerk(s) receipts, including mail payments, and the Cash Change Fund in the presence of each Cashier. Both the Cashier and the Verifier sign the Cash Count Form (which is prepared on CORIS) as accurate.</p> <p>Verifies that the Cashier Clerk(s) receipts, including mail payments, agree with the amounts receipted per the daily receipt records for each Cashier (Cashier Totals Report and Cash Count Forms). Prepares the deposit.</p>	<p>Accounting Clerk</p> <p>Researches any deposit overages/shortages in cash and enters the O/S transaction to balance the journal. Reconciles Cash Count Forms (including cash/check composition) to receipt records and the verified deposit receipt. (CORIS Receipt records include: 1) Cashier Totals Report, Transaction Detail Report, and 2) yellow copy hand receipts, if any hand receipts were issued.</p> <p>Reviews CORIS daily journal End of Day reports to verify mail payments, credits, adjustments, and reversals (voided receipts) to supporting documentation, e.g. mail log, judicial order, or proof of compliance.</p>
Individual(s):	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: TRUST DISBURSEMENTS (this page if Trust Checks are issued by the Local Government)

DUTY 1:	DUTY 2:	DUTY 3:	DUTY 4:	DUTY 5:
Record Keeping	Authorization	Custody of Assets	Court Reconciliation	Local Govt Reconciliation
Disbursement Request Preparer	Disbursement Approval	Check Writer, Check Signer, and Check Mailer	CORIS Disbursement Reconciler	Reconciler
<p>Prepares disbursement request based on judicial order or other circumstances (e.g. refund of overpayment). Attaches supporting documentation (e.g. judicial order or case history sheet showing the overpayment) to show that the disbursement is valid.</p> <p>If court has activated the “Allow Bail Forfeiture Directly to Fine”, a disbursement is not processed for Cash Bail forfeiture and/or application to the fine.</p> <p>Records disbursement request on the Disbursements Journal.</p> <p>Presents disbursement request to a second person for review and authorization.</p> <p>Issues a “mock” check using CORIS Trust Check Processing using the check number (per the check copy provided by the local government) on the Disbursements Journal for each disbursement requested.</p>	<p>Disbursement is authorized by judicial order (e.g. cash bail refund or court-ordered restitution paid through the court), or by circumstances (e.g. refund of overpayment),</p> <p>A second person (one who did not prepare the disbursement request) reviews the disbursement request and supporting documentation (e.g. judicial order or case history sheet showing the overpayment) to verify the disbursement is proper and valid.</p> <p>The second-person reviewer signs the disbursement request to show that the request was reviewed and authorized.</p>	<p>Checks are prepared, signed, and mailed by the local government. A copy of the check is forwarded to the Disbursement Reconciler at the court.</p> <p>Note: If a check is returned to the court as undeliverable, and the payer cannot be located, the check should be forwarded to the local government to be remitted to Unclaimed Property Division after the statutory period. (Per UCA 67-4a, Unclaimed Property Act) If a check is returned: 1) the check needs to be safeguarded (recorded on a mail log to show receipt and stored in a locking cash bag), and 2) the events needs to be documented in the case history.</p>	<p>Monthly, reviews monies held in trust per the Trust Account Summary Report to ensure funds are held properly and applied or disbursed timely.</p>	<p>Local Government Auditor per UCA 17-19a-207). Monthly, reconciles disbursements per the Disbursements Journal to the court accounts in the general ledger (e.g. bail, restitution, overpayments, etc.) to the CORIS Trust Account Summary Report, and to the bank statement. Verifies that a check was issued for each disbursement requested. Also verifies that disbursements per the ledger accounts are valid and recorded on the disbursements journal.</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: TRUST DISBURSEMENTS

(Fill out this page Only if Trust Checks are *issued by the Court in CORIS*)

DUTY 1:	DUTY 2:	DUTY 3:	DUTY 4:	DUTY 5:
Custody of Assets	Record Keeping	Authorization	Reconciliation	Local Gov't Reconciliation
Trust Account Check Stock Custodian	Trust Account Check Writer	Trust Account Check Signers	Trust Account Reconciler	
<p>Secures the inventory of the blank check stock paper. Retrieves the check stock needed for the trust account check writer.</p>	<p>Requests blank check stock paper from custodian. Generates a Trust Checks Available to Write Report and reviews case events and judicial orders to determine disposition of funds. Preferably, uses CORIS to issue checks and update the CORIS Check Register simultaneously.</p> <p>Reviews trust funds held in the trust account quarterly to ensure funds are disbursed timely.</p> <p>An alternate check writer should be assigned who is not also a trust check signer or reconciler.</p>	<p>After review of supporting documentation, the two authorized signers approve each trust check by signing.</p> <p>The employee performing the second signature mails the checks and/or delivers the checks, payable to the court revenue account, to a cashier.</p>	<p>The employee reconciling the trust account should open the trust bank statement, access the reconciliation feature on CORIS, and prepare the monthly reconciliation.</p> <p>The reconciler must account for the numerical sequence of all trust checks, including voided and cancelled checks.</p> <p>Each cancelled check must be agreed to the CORIS Trust Check Register detail for the check. Differences must be resolved or reported to management.</p> <p>Only the employee performing the daily accounting (not the reconciler) is authorized to enter deposit/bank adjustments into CORIS.</p>	<p>Local Government Auditor per UCA 78A-7-121 and 17-19a-207. Monthly, reconciles disbursements per the Disbursements Journal to the court accounts in the general ledger (e.g. bail, restitution, overpayments, etc.) to the CORIS Trust Account Summary Report, and to the bank statement. Verifies that a check was issued for each disbursement requested. Also verifies that disbursements per the ledger accounts are valid and recorded on the disbursements journal.</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

TRANSACTION CYCLE: TRUST

LOCAL GOVERNMENT

Duty 1:	DUTY 2:	DUTY 3:	DUTY 4:
Custody of Assets	Authorization	Check Writer	Record Keeping/Accounting
<p>Juror/Witness Justice Court Judge/Local Government Disbursement Process</p>	<p>Payment Approval</p>	<p>The certificate/juror summons/subpoena signed by the judge, clerk, and/or prosecutor is presented to the local government for the payment of services. The local government's disbursement process is followed per UCA 78B-1-122(2)</p>	<p>Juror/Witness Payments Reconciler (Performed by the Local Government)</p>
<p>Per UCA 78B-1-122, the justice court shall follow the established disbursement process for juror and witness fees within the town, city, or county, or use the following procedure.</p> <p>Justice court judge provides a juror or witness on a criminal case a numbered certificate.</p>	<p>The prosecutor authorizes the payment of juror/witness fees per UCA 78B-1-122(2).</p> <p>The subpoena signed by the prosecutor serves as authorization for payment; juror service summons or clerk authorization (jury list).</p>		<p>County auditor/city recorder's office reconciles the monthly disbursements of juror and witness payments to the supporting documentation per UCA 78B-1-122(3)</p>
Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:	Individual(s) assigned:

IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: _____ Phone: _____ Court Location: _____

CHAPTER 2: 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.

This chapter does not apply to nongovernmental 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.

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.

A. CASH MANAGEMENT

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

Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 51-7-15(3)	ALL	<p>1. Entities are required to electronically file a report with the Money Management Council (Council) on or before January 31 and July 31 of each year. This report, the “Deposit and Investment Report,” (D&I) is accessed through the state reporting portal at reporting.auditor.utah.gov/UtahTreasuryLogin and 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.</p> <p>Review the entity's fiscal yearend 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.</p>		
		<p>2. As part of other testing or as a separate sample select a sample of receipts and verify that they were deposited within three days (See Money Management Act)</p>		

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; GvtNPO=Governmental Nonprofit Organization;
 LEA=Local Education Agency (School Districts and Operating Charter Schools, including charter schools organized as nonprofits)

B. ENTERPRISE FUND TRANSFERS, REIMBURSEMENTS, LOANS, AND SERVICES
 (See Auditor Alert 2014-01a for guidance)

Accounting Treatment

This *Guide* focuses on state compliance issues and generally does not include audit steps regarding appropriate accounting treatment. However, as concerns are raised about the appropriate accounting treatment for certain transactions, the OSA issues an auditor alert addressing the issue. Please review the applicable Auditor Alert 2014-01a at auditor.utah.gov/category/auditor-alerts/

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.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
GASB Codification 1800.102	C, M, D, IL	<p>1. Services Provided by an Enterprise Fund to Other Funds</p> <p>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.</p> <p>b. Determine that the services provided by the enterprise fund to other funds were properly recorded as a:</p> <ul style="list-style-type: none"> • Nonreciprocal interfund transfer (see Auditor Alert 2014-1a for guidance) if no cash or goods were exchanged or are not expected to be exchanged, or • Reciprocal interfund services provided/used transaction (see Auditor Alert 2014-1a for guidance) if cash or goods were exchanged. 		
UCA Towns: 10-5-114 Cities: 10-6-117 Districts: 17B-1-613 Counties: 17-36-17 Interlocals & GvtNPOs: 11-13-513	C, M, D, IL	<p>2. General Fund Overhead Allocations to Other Funds</p> <p>Determine that:</p> <p>a. General fund overhead costs (HR, accounting, legal services, etc.) allocated to other funds are based on a reasonable methodology.</p> <p>b. The overhead allocation amount was included in the original or amended budget of the other fund as an expenditure/expense.</p> <p>c. The allocation of the overhead was properly recorded as an interfund reimbursement transaction (see Auditor Alert 2014-1a for guidance) (reduction of general fund expenditures and increase of expenditures/expense) in the other fund.</p> <p>d. If no cash or goods were exchanged or expected to be exchanged, in addition to the reduction/increase in expenditure/expense in each fund, an interfund transfer (see Auditor Alert 2014-1a for guidance) was recorded ('transfer out' in the general fund and a 'transfer in' in the other fund).</p>		

* C=County; M=Municipality (City/Town); D=Special Service or Local Districts;
 IL=Interlocal Entity; GvtNPO=Governmental Nonprofit Organization;
 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 Towns: 10-5-107.5 Cities: 10-6-135.5 Districts: 17B-1-629 Counties: 17-36-32 Interlocals & GvtNPOs: 11-13-524 (3)(d)	C, M, D, IL	<p>3. <u>Interfund Transfers from an Enterprise Fund (subsidy transfers or services provided without payment) – Public Notice and Hearing Requirements</u></p> <p>a. <i>For counties:</i> 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 c.</p> <p>b. <i>For municipalities:</i> Determine that the governing body held an enterprise fund hearing and provided written notice of the:</p> <ul style="list-style-type: none"> • Date, time, and place of hearing. • Purpose of the hearing. • Explanation of intended transfer to another fund. • Specific enterprise fund information <ul style="list-style-type: none"> ○ The amount/value of cash or goods transferred. ○ The percentage of the total enterprise fund expenditures represented by each transfer. <p>Determine that the notice was:</p> <ul style="list-style-type: none"> • Mailed or transmitted to each enterprise fund customer. • Posted on the Utah Public Notice Website. • As applicable, posted on the municipality’s website. • As applicable, communicated through social media platform. • Distributed and posted at least 7 days before the hearing. <p>If budgeted transfer was approved, determine that the municipality:</p> <ul style="list-style-type: none"> • Mailed or transmitted a notice to each enterprise fund customer providing the specific enterprise fund information without 60 days of adoption. • As applicable, posted enterprise fund accounting data on the municipality’s website and published notice of the adoption of the budget containing the enterprise fund transfer using the municipality’s social media platform within 7 days of adoption. <p>c. <i>For all other local government entities or counties that did not appropriately include interfund transfers in budget or amendment:</i> Determine that the governing body held a public hearing and provided written notice of the:</p> <ul style="list-style-type: none"> • 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. 		

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		<p>Determine that the notice was:</p> <ul style="list-style-type: none"> • Mailed or transmitted to each enterprise fund customer. • Distributed at least seven days before the hearing. • A separate notification from the customers' utility bill. <p>Exception: <i>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 notice and hearing requirements would not be applicable. The entity should still, however, determine and record the flow of those resources.</i></p>		
<p>UCA Towns: 10-5-120 Cities: 10-6-132 Districts: 17B-1-626 Counties: 17-36-30 Interlocals & GvtNPOs: 11-13-523</p>	<p>C, M, D, IL</p>	<p>4. Interfund Loans – For enterprise funds loaned to another fund:</p> <p>[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.]</p> <p>a. Determine that the loan was in writing and contained the following terms and conditions:</p> <ul style="list-style-type: none"> • 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. <p>b. Determine that the governing body held a public hearing and provided written notice within at least 7 days of the hearing regarding the:</p> <ul style="list-style-type: none"> • Date, time, and place of the hearing, • Purpose of the hearing, and • The proposed terms and conditions of the interfund loan. <p>c. Determine that the governing body authorized the loan by ordinance or resolution at a public meeting.</p>		

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

C. 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.

Taxes Imposed by Local Governments and Passed Through (Contributed) to Other Governments

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 (i.e. contribution to other government) 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 tax revenue and expenditure (i.e. contribution to other government) on the financial statements of the entity that imposed the tax.

Charter School Levy

Utah Code 53F-2-703 (effective July 1, 2017 for tax years beginning January 1, 2017) requires a portion of a school district's board local levy to be paid to the statewide charter school levy account from which USBE will allocate to charter schools. A school district shall report this tax as tax revenue with an offsetting expenditure (i.e. contribution to other government) for its contribution to the statewide charter school account.

Basic Levy Recapture

Utah Code 53F-2-301 requires a school district to pay USBE any basic levy revenue received in excess of the amount generated by weighted pupil units. The payment should be reported as an expenditure by the school district.

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
GASB Codification N50.125	ALL	<p>1. Identify all taxes imposed by the government and, if tax increment is provided to an RDA, determine whether the increment is included in the entity's property tax revenue contributed to other governments.</p> <p><u>For School Districts:</u> Ensure tax increment is recorded in Fund 26.</p> <p>See Auditor Alert 2020-04 and GASB 77 for guidance on footnote disclosure requirements for Tax Abatements.</p>		
GASB Codification N50.125	ALL	<p>2. Verify the government included pass-through taxes as revenue with related receivables and deferrals in its funds.</p>		

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

D. 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	<p>1. Determine that the entity prepared an impact fee schedule that shows:</p> <ol style="list-style-type: none"> The source and amount of all money collected, earned, and received during the fiscal year. Each expenditure from impact fee funds during the fiscal year. An accounting of impact fee funds on hand at the end of the fiscal year, including: <ol style="list-style-type: none"> The year in which the impact fee funds were received; The project from which the impact fees were collected; The project for which the impact fee funds are budgeted; and The projected schedule for expenditure. 		
UCA 11-36a-602 (1)	C, M, D, IL	<p>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.</p>		
UCA 11-36a-602 (2)	C, M, D, IL	<p>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.</p>		
UCA 11-36a-603	C, M, D, IL	<p>4. Determine that the entity has appropriately refunded any unused impact fees.</p>		

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

E. 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 or election to a new term, completed training developed by the Office of the State Auditor in cooperation with the Utah Association of Special Districts.		
UCA 17B-1-303(9)	D	3. Ensure that the name, phone number, and email address of each current board member has been posted on the Utah Public Notice Website at pmn.utah.gov		

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

F. 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 Chief Financial Officer, Robert Dolphin, at rob.dolphin@urs.org**

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Legal Ref.	Applicable to: *	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA 49-11-801 , also IRS Rev. Rul. 2006-43	ALL	<p>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.</p> <p>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.</p>		
See Suggested Audit Procedures	ALL	<p>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.</p> <p>Eligibility rules vary by retirement system:</p> <ul style="list-style-type: none"> • 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) 		
	ALL	<p>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.</p>		

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

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G. PUBLIC TREASURER’S BOND

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index																																	
UCA 51-7-15	ALL	<p>Determine if the treasurer is properly bonded or insured in accordance with Utah Administrative Code R628-4-4 for the Money Management Council.</p> <table border="1" data-bbox="339 604 1219 1018"> <thead> <tr> <th data-bbox="339 604 695 688">Budget</th> <th data-bbox="695 604 980 688">Percent For Bond</th> <th data-bbox="980 604 1219 688">Minimum Bond</th> </tr> </thead> <tbody> <tr> <td data-bbox="339 688 695 730">0 to 10,000</td> <td data-bbox="695 688 980 730">N/A</td> <td data-bbox="980 688 1219 730">0</td> </tr> <tr> <td data-bbox="339 730 695 762">10,001 to 100,000</td> <td data-bbox="695 730 980 762">9% but not less than</td> <td data-bbox="980 730 1219 762">5,000</td> </tr> <tr> <td data-bbox="339 762 695 793">100,001 to 500,000</td> <td data-bbox="695 762 980 793">8% but not less than</td> <td data-bbox="980 762 1219 793">9,000</td> </tr> <tr> <td data-bbox="339 793 695 825">500,001 to 1,000,000</td> <td data-bbox="695 793 980 825">7% but not less than</td> <td data-bbox="980 793 1219 825">40,000</td> </tr> <tr> <td data-bbox="339 825 695 856">1,000,001 to 5,000,000</td> <td data-bbox="695 825 980 856">6% but not less than</td> <td data-bbox="980 825 1219 856">70,000</td> </tr> <tr> <td data-bbox="339 856 695 888">5,000,001 to 10,000,000</td> <td data-bbox="695 856 980 888">5% but not less than</td> <td data-bbox="980 856 1219 888">300,000</td> </tr> <tr> <td data-bbox="339 888 695 919">10,000,001 to 25,000,000</td> <td data-bbox="695 888 980 919">4% but not less than</td> <td data-bbox="980 888 1219 919">500,000</td> </tr> <tr> <td data-bbox="339 919 695 951">25,000,001 to 50,000,000</td> <td data-bbox="695 919 980 951">3% but not less than</td> <td data-bbox="980 919 1219 951">1,000,000</td> </tr> <tr> <td data-bbox="339 951 695 982">50,000,001 to 500,000,000</td> <td data-bbox="695 951 980 982">2% but not less than</td> <td data-bbox="980 951 1219 982">1,500,000</td> </tr> <tr> <td data-bbox="339 982 695 1018">over 500,000,000</td> <td data-bbox="695 982 980 1018"></td> <td data-bbox="980 982 1219 1018">10,000,000</td> </tr> </tbody> </table> <p>The basis used should be <u>all</u> budgeted gross revenue for the previous fiscal year (final budget). Budgeted gross revenue is further defined by the Money Management Council as also including proceeds from the sale of assets, borrowing proceeds, receipts into fiduciary funds and any other revenues collected or handled by the treasurer during the previous fiscal year.</p> <p>Bonds must be issued by a corporate surety licensed to do business in the State of Utah and rated “A” or better. Bonds should be effective as of the date the treasurer assumes the duties of the office or is sworn in.</p> <p>The entity may elect to satisfy this requirement through a general fidelity or public employee blanket bond or theft or crime insurance coverage.</p> <p>UCA 51-7-3(28) states that “A ‘Public Treasurer’ includes ... the official of any ... political subdivision, or other public body, who has the responsibility for the safekeeping and investment of any public funds.”</p>	Budget	Percent For Bond	Minimum Bond	0 to 10,000	N/A	0	10,001 to 100,000	9% but not less than	5,000	100,001 to 500,000	8% but not less than	9,000	500,001 to 1,000,000	7% but not less than	40,000	1,000,001 to 5,000,000	6% but not less than	70,000	5,000,001 to 10,000,000	5% but not less than	300,000	10,000,001 to 25,000,000	4% but not less than	500,000	25,000,001 to 50,000,000	3% but not less than	1,000,000	50,000,001 to 500,000,000	2% but not less than	1,500,000	over 500,000,000		10,000,000		
Budget	Percent For Bond	Minimum Bond																																			
0 to 10,000	N/A	0																																			
10,001 to 100,000	9% but not less than	5,000																																			
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5,000,001 to 10,000,000	5% but not less than	300,000																																			
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CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):	Performed by and Date	Workpaper Index

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H. OPEN AND PUBLIC MEETINGS ACT

Legal Ref.	Applicable 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)(f)	C, M, and LEAs	d. Determine that within three days of the meeting minutes being approved, the minutes and any public materials distributed at the meeting were posted to the Utah Public Notice Website. (Exception: LEA's are required only to <u>make the meeting minutes available</u> to the public within three days of being approved.)		
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), (1)(f) or (2), view the sworn statement that the sole purpose of the closed meeting was to discuss those issues.		

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Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
UCA Towns: 10-5-106 thru 108 Cities: 10-6-113 , 113 , 135 Districts: 17B-1-605 thru 607 , 609 Counties: 17-36-9 , 10.1 , 12 LEAs: 53G-7-302 Interlocals & GvtNPOs: 11-13-509	ALL	<p>3. Ensure the entity provided the required notice for its original and final budget adoption hearing by reviewing the Utah Public Notice Website.</p> <p>a. Municipalities, counties, districts, interlocal entities, and Governmental Nonprofits are required to provide a 7-day notice.</p> <p>b. LEAs (except charter schools) are required to provide a 10-day notice.</p> <p>Note on charter schools: While charter schools are required to prepare a budget in accordance with UCA 53G-7-303, they are still <u>not required</u> to publish notice.</p>		
UCA 52-4-201	ALL	<p>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.</p>		

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

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CHAPTER 3: AUDIT PROCEDURES FOR LOCAL EDUCATION AGENCIES

A. MINIMUM SCHOOL PROGRAM PROCEDURES (Report areas audited as an applicable compliance area in the Compliance Report)

This part of the *State Compliance Audit Guide* (Guide) identifies compliance testwork relating to State funds received from the Utah State Board of Education (USBE) for the Minimum School Program. This chapter outlines information to help auditors gain an understanding of the USBE's programs, objectives, procedures, and compliance requirements. It also identifies audit objectives and suggested audit procedures for determining compliance with these requirements. As used below, "LEA" means Local Education Agency and refers to school districts and charter schools.

IN DETERMINING HOW THE LEA ENSURES COMPLIANCE, CONSIDER THE FOLLOWING AREAS OF ACCOUNTABILITY:

DESIGN:

- Formal and comprehensive policies and procedures manuals (P&P), updated as necessary for changes in laws and regulations, and accessible to employees
- Use of the required chart of accounts when transactions occur and for adjusting journal entries, including: fund, function, program, object or revenue
- Accounting system capable of recording appropriations or budgets and comparing them to actual results

IMPLEMENTATION

- Knowledge, skills, and abilities of LEA personnel (direct hires and contractors)
- LEA use of service organizations/providers
- Management's communication with employees, including regarding changes to laws, regulations, and P&P
- Training employees on laws, regulations, P&P, including, reconciling appropriation or budget totals to totals recorded in the accounting system

MAINTENANCE OF INTERNAL CONTROLS

- LEA monitoring of programs
- Functioning LEA audit committee, and if applicable, internal audit function

The Minimum School Program (MSP) provides equitable educational funding for all public education students in Utah regardless of where they live or their economic status. This *Guide* applies to school year 2020-21 (fiscal year 2021).

MSP funds are allocated to LEAs by the USBE in accordance with formulas found in:

- Utah Code Annotated (UCA) 53F-2 (le.utah.gov/xcode/Title53F/Chapter2/53F-2.html); and
- Utah Administrative Code (i.e., Board Rule R277, schools.utah.gov/administrativerules).

The largest share of MSP funds is allocated based on average daily membership and fall enrollment. However, some allocations are based on fixed or competitive grant applications.

The MSP provides state funding for most educational activities.

Classification of MSP Programs:

For state compliance audit purposes, the school programs within the MSP are divided into two groups: Restricted and General.

“Restricted” school programs are to be used for specific purposes or populations as outlined in the statute or Board Rules. **These programs are tested based on risk as evaluated by the USBE and or the auditor.**

“General” school programs have few specific compliance requirements and are intended for general educational purposes.

In general, when performing testwork, the auditor should ensure that 1) transactions are properly recorded using the required USBE chart of accounts, 2) program accounting occurs **when** transactions occur and, if necessary, through adjusting journal entries, and 3) proper documentation is available to substantiate the transactions.

This *Guide* includes the following sections:

- Internal Controls
- Procedures for **all** MSP Programs
- Procedures for Restricted MSP Programs
- Procedures for Restricted MSP Programs identified for Testwork
- Procedures for Unrestricted MSP Programs

This *Guide* includes suggested audit procedures for areas the USBE deems most significant. The auditor should be aware of and utilize the legal references that have been provided, as well as other relevant resources, to understand the full context of education programs as this *Guide* does not include the entirety of regulations related to the Minimum School Program. During the audit, if the auditor becomes aware of non-compliance with program requirements, the auditor should use auditor judgment in determining other appropriate audit procedures and report any findings to the LEA.

Information contacts:

Patrick Lee, School Finance Director, USBE, 801-538-7667 patrick.lee@schools.utah.gov

Jacob Houtrouw, MSP Administrator, USBE, 801-538-7670 jacob.houtrouw@schools.utah.gov

USBE contact information for restricted programs is included in steps 6 – 8 below, contact information is available at: schools.utah.gov/departments. USBE Internal Audit is also available to facilitate provision of information, see contact information at schools.utah.gov/internalaudit/contact.

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	INTERNAL CONTROLS		
	1. Ensure Chapter 1, steps 1 – 6 of this <i>Guide</i> have been completed for each compliance requirement below that is tested. Of particular importance is documentation of the LEA’s internal controls over the compliance requirement, and the determination that the LEA’s internal controls were designed and implemented to achieve the control objectives.		
	2. Related to the overall control environment of the LEA, ensure:		
R277-113-4(1)-(2)	a. Members of the governing board received training as required in R277-113-4(1)-(2) on audit committees and internal audit functions.		
R277-113-4(3)	b. The LEA governing board designated board members to serve on an audit committee, consistent with Subsection 53G-7-401(1), and required		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	information regarding audit committee members, and if applicable the internal audit director and audit plan, is included on the LEAs website.		
R277-113-6(1)(a)	c. The LEA governing board approved written fiscal policies required by Section R277-113-5.		
R277-113-6(1)(b)	d. The LEA governing board ensures that LEA administration established, documented, and maintains an effective internal control system for the LEA.		
	3. If the LEA has an agreement with a service organization to provide services significant or material to the LEA's operations (e.g., payroll, IT, legal, business, educational) that is funded with MSP funds :		
	a. Obtain a copy of the agreement with the service organization and review it to gain an understanding of the scope of services the service organization is providing and consider related internal control risks.		
	b. If service organization control (SOC) reports are prepared, obtain a copy and determine if 1) there are significant internal control deficiencies at the service organization provider, and 2) if the LEA implemented the identified complimentary user entity controls. See AU-C 402 Audit Considerations Relating to an Entity Using a Service Organization for additional guidance.		
	c. As per R277-115 , ensure the LEA has a written monitoring plan to supervise the service organization (i.e., third party provider) and review documentation of supervisory activities sufficient to determine that the LEA is providing adequate supervision.		
	<p>3. Control Tests For Procurement</p> <p>a. Select a sample of procurement (non-payroll) transactions from the various programs of the LEA, including General Education programs and a minimum of Four transactions from each program identified for testwork by USBE. (See step 6 for specific requirements regarding Special Education: 1205, 1210, 1215, 1220, 1225, 1230 & 1278, step 7 for Dual Language Immersion 5637 and step 8 for Teacher and Student Success Act (TSSA) 5678). Determine if funds were:</p> <p>i. Procured for public education purpose and meeting the requirements of specific programs where applicable (e.g., no personal expenditures, such as funeral flowers or birthday gifts).</p> <p>ii. Procured in accordance with the LEA's policies and procedures as well as State Procurement* Guidelines.</p> <p>iii. Recorded when the transaction occurred and, if applicable, when a related adjusting journal entry was made, using proper coding, defined in R277-113-5(9)(b)(ii); and</p> <p>iv. Supported by available documentation sufficient and adequate to show compliance, including documentation which supports the classification of the transaction.</p>		

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	v. An allowable cost according to applicable statute, board rules, applications, plans, and/or budgets for each program.		
	* All LEAs must follow UCA 63G-6a Utah Procurement Code and Utah Admin Code R33 Purchasing and General Services; R123-5 must also be followed for procurement of Accounting Services. An LEA may choose to adopt more restrictive guidelines, approved by its board, but these guidelines must meet the minimum state requirements		
	PROCEDURES FOR <u>ALL</u> MSP PROGRAMS:		
	4. Trace the flow of funding for each individual Minimum School Program (MSP) to the final disposition as follows: a. Determine if the LEA is using the required chart of accounts established by the USBE for each program, including the appropriate fund, location, function, program, object, and revenue codes, or that the LEA's codes are accurate and are mapped to the appropriate USBE codes. See schools.utah.gov/financialoperations/reporting		
	b. Verify that the program revenue amounts recorded by the LEA match the program revenue amounts in the final recipient report or monthly allotment reports prepared by the USBE. Allotment memos are available at: schools.utah.gov/financialoperations/msp		
	c. Verify that unspent restricted program funds are maintained in the program for which they were appropriated from year to year by reviewing journal entries to ensure restricted funds are not unrestricted or moved to a different restricted program.		
	d. Review the status of prior year findings and document if corrective action was implemented, partially implemented, or if the LEA determined to accept the risk of not implementing corrective action.		
	PROCEDURES FOR <u>RESTRICTED</u> MSP PROGRAMS:		
	For fiscal year 2021, the following programs have been designated as high risk and identified for testwork by the USBE: i. Special Education Programs (as applicable to the LEA: 1205, 1210, 1215, 1220, 1225, 1230, 1278) ii. Dual Language Immersion (5637) iii. Teacher and Student Success Act Program (TSSA) (5678)		
	5. <u>For Restricted Programs Selected for Testwork:</u>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>a. Perform procedures to verify that indirect cost rates were applied in accordance with approved rate limitations and guidelines.</p> <p>NOTE: Indirect cost rates are published on the USBE website and are specific to each fiscal year and program. The USBE schedule indicates whether indirect costs are allowed or disallowed and whether the restricted or unrestricted rate is to be used. See schools.utah.gov/financialoperations/reporting</p>		
	<p>b. State-funded programs with matching or level-of-effort requirements are the State Special Education, Career and Technical Education, Early Literacy, School Nurse, and Transportation programs.</p> <p>Determine and document requirements for matching or level-of-effort:</p> <ol style="list-style-type: none"> i. Verify that the required matching contributions or level of effort were met. ii. Verify that matching contributions were from allowable sources. iii. Verify that amounts used in computations were derived from the books and records from which the audited financial statements and program reports were prepared. <p>NOTE: <i>Matching</i> 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. <i>Level-of-effort</i> 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/or (c) state funds to supplement and not supplant non-state funding of services.</p>		
	<p>PROCEDURES FOR <u>RESTRICTED SCHOOL PROGRAMS IDENTIFIED FOR TESTWORK</u>:</p>		
<p>UCA 53F-2-307 thru 310. R277-479 R277-319 R277-750 R277-751. and R277-752</p>	<p>6. Special Education – Contact: Leah Voorhies, Asst. Superintendent, Student Support leah.voorhies@schools.utah.gov</p> <p>Special Education Programs and Payroll Related Sample Sizes: 1205 Add-On – 20 Employees 1210 Self-Contained – 20 Employees 1215 Preschool – 10 Employees 1220 Extended Year Program for Severely Disabled – 10 Employees 1225 Impact Aid – 10 Employees 1278 Extended Year – Special Educators (Stipends) – 10 Employees <i>*For each program, if a 10% sample of the total program expenses will be less than the sample size identified above, a 10% sample may be used. After testing an employee 100% of their salary and benefits associated to that program may be used to calculate the 10% limit. If an error is found 100% of the salary and benefits of that employee attributed to that program would be considered a questioned cost and reported accordingly.</i></p> <p>Special Education References: Utah Administrative Rule (i.e., Board Rule) R277-750 to R277-752, R277-800 schools.utah.gov/administrativerules</p>		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>Special Education Rules (SER) Manual (August 2020) https://schools.utah.gov/specialeducation/programs/rulespolicies 34 CFR 300 – Assistance to States for the Education of Children with Disabilities https://www.govinfo.gov/content/pkg/CFR-2019-title34-vol2/pdf/CFR-2019-title34-vol2.pdf)</p> <p>Special Education Use of Funds vs Program</p> <p>LEAs receive both federal and state special education dollars to administer their special education programs. These funds are in addition to the regular education funds an LEA receives for each student. While the program activities for federal and state are generally the same (see SER I.C.1&2), please be aware that the use of funds (fiscal) requirements for federal and state are different (SER X.).</p> <p>To audit use of funds for special education it is generally necessary to determine if either an <i>allowable good</i> was provided or used to provide special education services to a student with an IEP, or an <i>allowable service</i> was provided by a <i>qualified individual</i> to an <i>eligible student</i> as outlined in the IEP. Depending on the use of goods, audit evidence will vary. In the case of a good for an individual, the good must be supported within the IEP. For a general good, the good must be easily, obviously, and conveniently identified with a special education activity or program (SER X.A.1). Special education funds should not be used to supplant regular education costs.</p> <p>The majority of funds are typically used to compensate the educator or other individual providing services. Therefore, it is generally necessary to first identify funds paid to the educator or other individual providing the services, ensure the individual is a qualified individual and then ensure the services were provided to eligible students in accordance with their IEPs. An educator may be a contractor or an employee. A payment to a contractor would be considered a non-payroll transaction.</p> <p>Federal privacy guidelines (HIPAA/FERPA) allow for the disclosure of Personal Identifiable Information PII for an Audit or Evaluation of a federal or state program without consent (34 CFR §99.35(a) (3)). The following links are provided to clarify privacy concerns regarding the review of IEP’s by Audit staff: FERPA Exceptions Training (Audit or Evaluation), does-hipaa-apply-to-an-elementary-school, studentprivacy.ed.gov, and the Utah Student Data Privacy Guidebook at schools.utah.gov</p>		
	<p>a. Request and review USBE Monitoring Reports (if applicable): If the LEA special education program was monitored by the USBE Special Education Services Department (program or fiscal) in one of the two most recent fiscal years (i.e., fiscal year 2019 or 2020) request the monitoring report from the entity and/or USBE to be aware of program risks.</p>		
	<p>b. <u>How to select employees</u>: As noted above, to audit for appropriate use of funds it is generally necessary to identify the educator or other individual providing services. Therefore, to select employees for sampling the auditor should obtain a list of employees including salary and benefits charged to</p>		

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	<p>each program. If the general ledger includes names, it can be used to select the sample. If the general ledger doesn't include employee names, reconcile the general ledger payroll amounts by program to a subsidiary ledger or payroll report that does include employee names. Once reconciled, select employees for sample testwork focusing on higher dollar amounts while including an element of unpredictability (lower paid employees).</p>		
	<p>c. For each employee selected verify that payroll transactions include the following elements from the Uniform Chart of Accounts as specified by USBE School Finance (see SER VIII.P.1.b(2)) and that coding of payroll expenses are consistent with R277-113-5(9)(b)(iv)(A-E):</p> <ul style="list-style-type: none"> i. Fund ii. Function iii. Location iv. Program v. Object <p>Transactions must be recorded in the proper program when they occur; adjusting entries during the year and at the end of the year recorded in the proper program and in accordance with GAAP are allowed.</p> <p>Also verify that supporting documentation for personnel services is sufficient (see SER X.T and X.V for requirements)</p>		
	<p>d. For selected employees verify that services were provided by Qualified Personnel (i.e., qualified is defined in SER I.E.39 as "met the USBE-approved or USBE-recognized certification, licensing, registration, paraeducator qualification standards, or other comparable requirements that apply to the area in which the individuals are providing special education or related services.") per SER VIII.K & 34 CFR 300.156 by selecting individuals paid to specific programs (see 6.b. above) and reviewing their credentials from their personnel file to ensure they meet the Qualified Personnel requirement.</p> <ul style="list-style-type: none"> a) Teachers per R277-520-4(7) b) Related service providers consistent with R277-506 & R277-520-4(10) may include the following and others outlined in regulation: <ul style="list-style-type: none"> i) School Psychologist – R277-506-3 ii) Social Worker – R277-506-4 iii) School Counselor – R277-506-5 iv) Audiologist/Communication Disorders – R277-506-6 v) Speech Language Pathologist – R277-506-7 vi) Speech Language Technician – R277-506-8 c) Paraprofessionals consistent with R277-524 and Utah Standards for Instructional Paraeducators <ul style="list-style-type: none"> i) Be trained before providing allowable services ii) Have knowledge and proficiency (as determined by the LEA) in assigned instructional areas. Standard 1 		

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	<ul style="list-style-type: none"> iii) Individual who works under the supervision of a teacher or other licensed professional who has identified responsibilities in the public-school classroom. R277-524-2(G) iv) Paraprofessionals may (R277-524-3(A-G): <ul style="list-style-type: none"> 1. Provide individual or small group assistance or tutoring to students under the direct supervision of a licensed teacher during times when students would not otherwise be receiving instruction from a teacher <ul style="list-style-type: none"> a. "Direct supervision of a licensed teacher" means: <ul style="list-style-type: none"> i. Teacher prepares lessons and plans that the paraprofessional carries out (teacher evaluates student achievement) ii. Works in close and frequent proximity with the teacher 2. Assist with classroom organization and management 3. Provide assistance in computer labs 4. Conduct parental involvement activities 5. Provide support in library or media centers 6. Act as translators (if they have translation specific training) 7. Provide supervision for students in non-instructional settings. 		
	<ul style="list-style-type: none"> e. Payroll expenditures were reviewed and approved according to the LEA's written policy consistent with (see R277-113-5(9)(d)) 		
	<ul style="list-style-type: none"> f. <u>Allowable Activities:</u> State special education costs were spent only for direct costs as per SER X.A.1, which states: Direct costs are those elements of cost which can be easily, obviously, and conveniently identified with specific special education activities or programs, as distinguished from those costs incurred for several different activities or programs and whose elements are not readily identifiable with specific special education activities. In general, the above means all expenditures must be traceable back to an allowable activity in an IEP or child find process (e.g., costs for goods or services are for items included in an IEP or child find/evaluation, are for providing professional learning (PL) for staff to implement IEPs or child find.) Therefore, it is necessary to review IEPs to determine if costs are allowable. 		
	<ul style="list-style-type: none"> g. Per a review of the IEP, goods or services procured for a specific student were provided consistent with the student(s) IEP (i.e., child with a disability or specified need - 34 CFR 300.8): <ul style="list-style-type: none"> i. Ages 3-21 (SER I.E.49 & R277-419-2(24)(b), effective 5/14/2019 UCA 53E-7-201(5) includes an exception related to a student that is 22) ii. Evaluated as having a disability (34 CFR 300.301 or SER II.D) <ul style="list-style-type: none"> a. Parental Consent for evaluation per 34 CFR 300.300 or SER II.C. b. IEP team established per 34 CFR 300.321 or SER III.E <ul style="list-style-type: none"> a. Parent of child b. Regular education teacher if student is participating in regular education c. Special education teacher d. LEA representative with expertise per 34 CFR 300.321(4) 		

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	<ul style="list-style-type: none"> i. Can be one of the LEA employees above if they meet the requirements of the regulations e. An individual who can interpret the instructional implications of evaluation results who may be a member of the team above f. At parent/agency discretion – other individuals with special expertise regarding the student (i.e., SLP) g. The child with a disability – if appropriate. c. Use a variety of tools and strategies to gather relevant info. (SER II.F.) d. Evaluation conducted by qualified personnel (EX: SER II.F.1.d.6 & SER II.F.1.e.3) iii. Re-evaluated per SER II.G or 34 CFR 300.303 iv. Due to the disability requires special education (SER I.E.49) 		
	<ul style="list-style-type: none"> h. Goods were procured OR services were provided consistent with an IEP(s) per 34 CFR 300.320 and SER III.I & J, including: <ul style="list-style-type: none"> i) Assistive technology per 34 CFR 300.105 <ul style="list-style-type: none"> 1. Assistive technology device means any item, piece of equipment, or product system, whether acquired commercially off the shelf, modified, or customized, that is used to increase, maintain, or improve the functional capabilities of a student with a disability. The term does not include a medical device that is surgically implanted, or the replacement of such a device. – SER I.E.4 2. Includes training 34 CFR 300.6 ii) Supplementary aids and services per 34 CFR 300.42, 107, 117, 208 <ul style="list-style-type: none"> 1. Aids, services, and other supports to enable children with disabilities to be educated with non-disabled children to the maximum extent appropriate. iii) Nonacademic services (i.e., supplementary aids and services for extracurricular and nonacademic) – 34 CFR 300.107 <ul style="list-style-type: none"> 1. Examples include <ul style="list-style-type: none"> a) Counseling services b) Athletics c) Transportation d) Health services e) Recreational services f) Special interest groups g) Sponsored clubs h) Referrals to agencies that provide services i) Employment of students iv) Physical education – 34 CFR 300.108 and SER III.L v) Program options (e.g., art, music, homemaking) – 34 CFR 300.110 		

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	<p>vi) Placement (i.e., school of residency if possible, decided by IEP team, consistent with IEP – also see definition of Least Restrictive Environment below) – 34 CFR 300.116</p> <p>vii) Routine checking of hearing aids and external components of surgically implanted devices – 34 CFR 300.113</p> <p>viii) Speech-language pathology other related services if applicable.</p> <p>ix) Related Services include: (34 CFR 300.34)</p> <ol style="list-style-type: none"> 1. “Required to assist a child with a disability to benefit from special education.” (34 CFR 300.34(a)) and includes, <ol style="list-style-type: none"> a) Speech language pathology b) Audiology c) Interpreting services d) Psychological services e) Physical Therapy f) Occupational Therapy g) Recreation h) Therapeutic recreation i) Early identification j) Counseling services k) Rehabilitation counseling l) Orientation and mobility services m) Medical services n) School health services o) School nurse services p) Social work services in schools q) Parent counseling and training. x) Travel training 34 CFR 300.39 (b)(4) - i.e., teach students with disabilities awareness of their environment and how to move safely within their environment (e.g., home, school, etc.) xi) Vocation education 34 CFR 300.39 (b)(5) – i.e., preparation for paid or unpaid employment. <p>NOTE: Goods and services for special education must be provided consistent with and in consideration of the following definitions:</p> <p>Special Education Rules Manual (SER) I.E.46 <i>Special education</i> means specially designed instruction, at no cost to the parent(s) or the adult student, to meet the unique needs of a student with a disability, including instruction conducted in the classroom, in the home, in hospitals and institutions, and in other settings; and instruction in physical education. The term includes speech-language pathology services and may include other related services, travel training, and applied technology education, if they meet the definition of special education. Special education services are services provided to the student, and do not include consultation between teachers or monitoring a student’s grades or work completion.</p>		

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	<p>SER I.E.47 <i>Specially-designed instruction</i> means adapting, as appropriate to the needs of an eligible student under these Rules, the content, methodology, or delivery of grade-level core instruction in order to: a. Address the unique needs of the student that result from the student’s disability. b. Ensure access of the student to the grade-level general curriculum, so that he or she can meet the educational standards within the jurisdiction of the LEA that apply to all students. c. Students with disabilities access either the grade-level core standards or the alternate core standards (i.e., Essential Elements), based on IEP team decisions. Other alternate or modified academic achievement standards are prohibited.</p> <p>SER I.E.27 <i>Least restrictive environment (LRE)</i> means that, to the maximum extent appropriate, students with disabilities, including students in public or private institutions or other care facilities, are educated with students who are not disabled. Special classes, separate schooling, or other removal of students with disabilities from the regular educational environment occurs only if the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily. Also see 34 CFR 300.114-116.</p>		
	<p>i. Program Specific Allowable Costs and/or Activities (as applicable):</p> <p>1) 1205 Add-on (UCA 53F-2-307(2)): Add-on funds are restricted to the education of students with disabilities but may include expenditures for approved programs of services conducted for certified instructional personnel who have students with disabilities in their classes. Per UCA 53F-2-204 (1) “Funds appropriated under this chapter [which includes appropriations for special education funds as above] shall only be used for programs approved by the state board.”</p> <p>Note: Review of LEA policies and procedures related to special education programs that have been approved by the USBE may help determine which programs are approved.</p>		
	<p>2) 1210 Self-contained (UCA 53F-2-308 (3)(a)): Verify that funds were not used to supplement other school programs (i.e., that funds were used for self-contained students and not co-mingled with Add-on or other programs). “Self-contained” means a public-school student with an IEP or YIC who receives 180 minutes or more of special education or YIC services during a typical school day per R277-419-2(36).)</p>		
	<p>3) 1215 Preschool (UCA 53F-2-308 (1)(b)): Verify that funds were used to provide a free and appropriate public education to students in preschool with a disability, ages three through five.</p>		
	<p>4) 1220 Extended Year – Severely Disabled (UCA 53F-2-308 (2)): Verify that funds were used, during the extended school year, for students with severe disabilities with education program goals identifying significant regression and recoupment disability as approved by the state. Also see requirements in R277-751.</p>		

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	<p>5) 1225 Impact Aid (Compendium of Budget Information (COBI) includes the intent language): Verify that funds were used for one of the following three purposes:</p> <ul style="list-style-type: none"> a) To pay for higher administrative costs associated with providing special education services to students, b) To pay special education costs for students in state custody (prisons, detention facilities, and the state hospital); and c) To provide additional funding for students with low-incidence disabilities. 		
	<p>6) 1230 Intensive Services (R277-752): Verify the accuracy of expenses and reimbursements from insurance providers as outlined in R277-752-3(1)(a) and (b) submitted to USBE.</p>		
	<p>7) 1278 Extended Year – Special Educators (EYSE) (UCA 53F-2-310 (3 - 5) & R277-525) Verify the following:</p> <ul style="list-style-type: none"> a) The special educator receiving the stipend is a licensed special education teacher or licensed speech language pathologist as defined in R277-525. b) The LEA had a contract with the special educator, that included a written request for: <ul style="list-style-type: none"> i) The number of days the special educator commits to work consistent with 53F-2-310(4)(b) ii) Whether the additional contract days will be worked before the school year begins or after the school year ends. c) The LEA reported the number of days worked by a special educator in UPIPS, no later than October 1 for a special educator working before the school year began; and no later than June 30 for a special educator who worked after the school year ended. The LEA cannot combine days worked at the end of one year with the days worked at the beginning of the next year; the days must be worked in the same fiscal year. d) The special educator was only compensated \$200/day plus the allowed employer paid benefits, for actual days worked, not to exceed the approved number of days for the year under review, and for work duties related to the IEP process as outlined in 53F-2-310(4)(c). e) The LEA issued payment to the Special Educator prior to submitting the final report to the USBE. f) The LEA submitted the final report to the USBE no later than June 30 and the report included items required in R277-525-3(6)(a)-(b). 		

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53F-2-502 R277-488	<p>7. Dual Language Immersion (DLI) Contact: Karl Bowman, Dual Language Immersion Program Specialist karl.bowman@schools.utah.gov</p> <p>a. Additional Information to be Considered when Testing Allowability:</p> <ul style="list-style-type: none"> i. Ensure use of funds is consistent with the school’s application, is for an approved world language (i.e., Chinese (Mandarin), French, German, Portuguese, Russian, Spanish), and is in accordance with Utah Code and Board Rule. ii. Ensure the LEA handled compensation payments appropriately (designation of person as an LEA employee with compensation through payroll) vs contractor (compensation through contract payment for doing work in addition to their normal job). If contract payments were made, ensure documentation of such was sufficient. LEA-level DLI teachers and administrators are not employees of the USBE. <ul style="list-style-type: none"> a) Note: Review of the Office of the State Auditor’s audit of the DLI program, particularly findings 4-6 – will help to better understand program risks (OOE-17-SP2) 		
	<p>b. Select a sample of DLI schools within the LEA and ensure:</p> <ul style="list-style-type: none"> i. The school hired qualified world language teachers who meet the criteria in R277-488-3(7)(a)–(b) or for international guest teachers the criteria outlined in R277-527. License and endorsement information is available at: cactus.schools.utah.gov/PersonSearch; LEA HR offices or personnel over CACTUS may also provide necessary documentation. ii. In accordance with R277-488-4, the DLI program administered the proficiency assessment selected by the USBE (for additional information see schools.utah.gov/assessment/assessments or contact the LEA Assessment Director; the assessment window was 11/4/2019 – 12/20/2019) iii. In accordance with R277-488-7, verify the school prepared annual evaluation report and submitted it to the USBE. 		
53F-2-416 , 53G-7-1304 , R277-927	<p>8. Teacher and Student Success Act Program (TSSA) Contact: Patrick Lee, School Finance Director patrick.lee@schools.utah.gov</p> <ul style="list-style-type: none"> iv. Verify that the LEA implemented its student success framework in accordance with the documented framework submitted to the USBE. 		

Legal Ref.	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
	<p>a. Verify that LEA did not use the funds for unallowable purposes as described in R277-927-4, as follows:</p> <ul style="list-style-type: none"> i. for a purpose described in Subsection 53G-7-1304(1); ii. to support adult education; or iii. to pay for contracted services commonly performed by the following staff: <ul style="list-style-type: none"> 1) school level administration staff; 2) building and maintenance staff, including custodial staff; 3) transportation staff; 4) child nutrition services staff; 5) operational or facility support staff; or 6) district level staff. 		
53G-7-1304	<p>b. Verify that the governing board of an LEA complied with 53G-7-1304(2), which states:</p> <p>“(c) Except as provided in Subsection (2)(d), the LEA governing board of a school district may use up to 40% of an LEA distribution for the purposes described in Subsection (2)(a)(i), if: (i) the LEA governing board has: (A) approved a board local levy for the maximum amount allowed under Section 53F-8-302; or (B) after the LEA governing board has submitted an LEA governing board student success framework to the state board, increased the board local levy described in Section 53F-8-302 by at least .0001 per dollar of taxable value; and (ii) the school district's average teacher salary is below the state average teacher salary described in Subsection (2)(f).</p> <p>(d) The LEA governing board of a school district in a county of the fourth, fifth, or sixth class or the LEA governing board of a charter school may use up to 40% of an LEA distribution for the purposes described in Subsection (2)(a)(i), if the LEA's average teacher salary is below the state average teacher salary described in Subsection (2)(f).”</p>		
	<p>Ensure an LEA with two or more schools established a policy, as required in R277-927-5, defining how the LEA will calculate and distribute program allocations based on prior year average daily membership.</p>		
	PROCEDURES FOR GENERAL MINIMUM SCHOOL PROGRAMS		
	<p>9. Note any differences in internal controls from restricted vs general MSP expenditures based on the tests performed in step 3 Control Tests For Procurement. .</p>		
	<p>10. Select a sample of school personnel with salaries coded to General MSP and verify that payroll transactions include following elements from the Uniform Chart of Accounts as specified by USBE School Finance (see SER VIII.P.1.b(2)) and that coding of payroll expenses are consistent with R277-113-5(9)(b)(iv)(A-E):</p> <ul style="list-style-type: none"> i. Fund ii. Function iii. Location iv. Program v. Object 		

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	Transactions must be recorded in the proper program when they occur; adjusting entries during the year and at the end of the year recorded in the proper program and in accordance with GAAP are allowed.		
	11. Review significant journal entries allocating or adjusting funds between programs. Verify that the entries have sufficient support documentation and follow the guidance provided in R277-113-5(9)(a)-(b).		
UCA 53F-2-704 (3)(a)	12. Charter School Local Replacement Funds – Verify that at least 10% of this program funding was used for facilities-related costs. (Note: the remaining 90% may be used for general education expenditures.) EXCEPTION: The requirement does not apply to online charter schools.		

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

B. SCHOOL DISTRICT TAX LEVIES

(Report as an applicable compliance area in the Compliance Report)

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 statute.

TYPES AND ALLOCATION OF TAX LEVIES: Districts may 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	Statutory Reference
Basic – the local-state shared portion	Required*	0.001568 (set by legislature)	General Fund	Unrestricted – To be used for each district's operation and maintenance of schools.	53F-2-301 ; 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.	53F-8-301 ; 53F-2-601 ; 59-2-904
Board Local – State and local funds received by a district under the Board Local Program	Optional (except for Charter School levy)	0.0018 or 0.0025	General Fund	Unrestricted – May be budgeted and expended with the general fund as authorized by the local school board.	53F-8-302 ; 53F-2-602 ; 59-2-904 53F-2-703
Charter School	Required	Set by legislature	General	The Charter School levy is an allocation of the board levy and should be recorded by the district as revenue and a contribution to other governments.	53F-2-703
Capital Local	Optional	0.003	Capital Projects Fund	Restricted – Used for capital or technology programs or projects.	53F-8-303
Debt Service	Required if General Obligation Bonds outstanding	Voter approval	Debt Service Fund	Restricted – used to satisfy debt service requirements of issued general obligation bonds.	11-14-310
Judgement Levy	Optional	Satisfy judgements	Use the fund where the judgement was paid	Restricted – see judgement order, should be the 'taxing entity's proportionate share of a payment to a taxpayer'.	R884-24P-57 , 59-2-918.5 & 924 , 59-2-1328 & 1330

Legal Ref.	Applicable 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 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 authorized purposes.		
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 or technology programs.		
See table above	LEAs, except charter schools	3. Debt Service: Ensure the debt service levy is generating revenue sufficient to retire the debt and not generating significant excess fund balances (i.e. more than what is necessary to pay the next debt service installment). 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. (see 53G-7-306(6))		
		4. Charter School: Ensure funds generated by the charter school levy were recorded in the LEA’s accounting system and presented on the financial statements as revenue and a contribution to other governments.		

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

C. SCHOOL FEES
(Report as an applicable compliance area in the Compliance Report)

The objective of these procedures is to ensure that fees in the public education system are not being charged to 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 if used in a manner consistent with their original design.

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
R277-407	LEA	<p>Contact: Tamra Dayley, School Fees Project Lead tamra.dayley@schools.utah.gov</p> <p>1. Gain an understanding of the LEAs school fees and fee waivers process through:</p> <ol style="list-style-type: none"> inquiry with the school fees contact; review of fee schedules, policies and procedures, and the LEAs website; and a comparison of the Certificate of Compliance submission in October/November 2019 with the submission in October/November 2020. 		
		<p>2. Document and test the internal controls developed and implemented to ensure compliance with requirements noted in steps 3-8 below.</p>		
R277-407-3(1) , R277-407-3(6) and UCA 53G-7-503-1-2	LEA	<p>3. <u>Elementary Schools</u> (if more than one elementary school in the LEA select a sample)</p> <p>For School Year 2020-2021 (July 1, 2020 – June 30, 2021) based on inquiry with the principal/teachers and review of school/class websites, accounting records, supply lists, etc. determine the following:</p> <ol style="list-style-type: none"> 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. 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. 		
		<p>4. Sample fees charged for secondary school and non-regular day elementary school activities during School Year 2020-2021 (July 1, 2020 – June 30, 2021) determine the following:</p> <ol style="list-style-type: none"> The fee was listed on the fee schedule approved by the local school board in a public meeting and was allowable by statute, and The fee was subject to waiver (see R277-407-5 and R277-407-8). <p>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.</p>		
R277-407-8(2)(a) and R277-407-13(2)(a)		<p>5. Sample fees on the approved fee schedule for School Year 2020-2021 review the spendplan, the associated accounting records, and related student participation records and ensure that the LEA did not use</p>		

Legal Ref.	Applicable to:	AUDIT PROCEDURES	Performed by and Date	Workpaper Index
		revenue collected through fees to offset the cost of fee waivers (i.e., students paying fees were not charged an increased fee amount to cover students receiving fee waivers).		
R277-407-6(4)(b)		6. Sample students participating in activities with fees or that are subject to fee waivers, ensure the student: <ul style="list-style-type: none"> a. Was not charged more than the maximum fee established for the activity, and b. Was not charged more than the maximum total aggregate fee amount per student per school year established by the LEA. 		
R277-407-14(1)(a)		7. Verify the number of students receiving fee waivers as reported in the October/November Certificate of Compliance submission and determine if it is reasonable based on a comparison to the prior year submission.		
R277-407-13(2)(b) and (4)(b) and R277-407-8(2)(c)		8. (If more than one school in the LEA) Determine if the LEA developed a procedure to identify and address potential inequities due to the impact of the number of schools who receive fee waivers within each of the LEAs schools (i.e., revenue lost due to fee waivers was shared between schools, so no school carried a disproportionate share of the LEAs total fee waiver burden).		
		The USBE has guidance for school fees available on their website schools.utah.gov/schoolfees including guidance on the use of school fee revenue codes.		

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

APPENDIX 3-2:
STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAs

District/Charter: **[Name of LEA]**
Year End: **6/30/20xx**

General Notes:

- 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). 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.
- Include state and federal programs received from all sources.
- The 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.
- If used, this spreadsheet is retained by the district or charter school to support annual reports; it is not submitted to the USBE or the Office of the Utah State Auditor.

		Enter data in these fields as applicable (PY= Prior (fiscal) year, CY= Current (fiscal) year)										Enter Data		CY Balances	
Revenue Number	Program Number	PY Balances		USBE MSP Monthly Allotment Report				Basic Levy/		Reclassify	Available	Amount Spent in 2021	CY Balances		
		Receivable 06/30/20	(Unspent) 06/30/20	PY July Current	CY July Current	CY July YTD	Requirement	Match/MOE	Adjustments / Other Receipts				Receivable 6/30/21	(Unspent) 6/30/21	
		-	-	+	-	+	+	+	+	+	=				
State Programs															
State Appropriations															
3800	5380	SOEP Allocation from Home and Private Schools	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3800	5613	Corrections Education	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5618	Professional Development	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5660	General Financial Literacy	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5664	Anti Bullying	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5674	Suicide Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5676	Intergenerational Poverty	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5687	Low Performing Schools	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5699	CTE Online Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5846	CS Start Up Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	8070	State Liquor Control	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5610	State Driver Training	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5616	Federal Mineral Lease	-	-	-	-	-	-	-	-	-	-	-	-	-
1920	5601	Private Grant	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5680	Collections - Curriculum Administration	-	-	-	-	-	-	-	-	-	-	-	-	-
3800	5672	Substance Abuse - Fee on Fines	-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-	-	-	-	-	-
Minimum School Program:															
3100	VAR	Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Grades 1-12	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Foreign Exchange Students	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5220	Necessarily Existent Small Schools	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5295	Professional Staff	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Administrative Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1205	Special Education - Add-on	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1210	Special Education - Self-contained	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1215	Special Education - Preschool	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1220	Special Education - Extended Year Program	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1225	Special Education - Impact Aid	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1230	Special Education - Intensive Services	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	1278	Special Education - Extended Year for Special Educators (Stipends)	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	VAR	Career and Technology Education (CTE) - ADM	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	6100	CTE - Summer Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5903	CTE - Comprehensive Counseling & Guide	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5902	CTE - Workbased Learning	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5901	CTE - College & Career Awareness	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	6000	CTE - Technical Student Orgs	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	6000	CTE - Skill Certification Competency	-	-	-	-	-	-	-	-	-	-	-	-	-
3100	5201	Class Size Reduction	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5315	Pupil Transportation - To and From School	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5371	Pupil Transportation - Guarantee Transportation Levy	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5318	Pupil Transportation - Rural Transportation Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5317	Pupil Transportation - Rural School Reimbursement	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5310	Flexible Allocation - WPU Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5619	Charter School Local Replacement	-	-	-	-	-	-	-	-	-	-	-	-	-
3200	5625	Charter School Administrative Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5336	Enhancement for At-Risk Students	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5339	Enhancement for At-Risk Students - Gang Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5340	Youth In Custody	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	1609	Adult Education	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5613	Adult Education - Corrections Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5332	Advanced Placement	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5331	Gifted and Talented	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5612	International Baccalaureate	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5334	Centennial Scholarship Program	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5333	Concurrent Enrollment	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5685	Title I Schools in Improvement - Paraeducators	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5805	Early Literacy Program	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5641	Early Intervention	-	-	-	-	-	-	-	-	-	-	-	-	-
3300	5657	Early Graduation from Competency-Based Education	-	-	-	-	-	-	-	-	-	-	-	-	-
3400	5876	Educator Salary Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
3400	5807	Teacher Salary Supplements	-	-	-	-	-	-	-	-	-	-	-	-	-
3400	5607	National Board Certified Teacher Programs	-	-	-	-	-	-	-	-	-	-	-	-	-

APPENDIX 3-2:
STATE AND FEDERAL REVENUE RECONCILIATION FOR LEAS

			-	-	+	-	+	+	+	+	=							
3400	5868	Teacher Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3400	5668	Effective Teachers in High Poverty Schools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3400	5324	Grants for Educators in High-need Schools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3400	5642	Elementary School Counselor Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5420	School LAND Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5678	Teacher and Student Success Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5679	Student Health and Counseling Support Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5810	School Library Books and Electronic Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5368	Matching Funds for School Nurses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5637	Dual Immersion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5881	Year-Round Math & Science (USTAR Centers)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5882	Beverly Taylor Sorenson Arts Learning Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3500	5655	Digital Teaching and Learning Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3600	5455	Voted Local Levy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3600	5460	Board Local Levy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3600	5805	Board Local Levy - Early Literacy Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3700	5561	Capital Outlay Enrollment Growth Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3700	5550	Capital Outlay Foundation Program	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Less: Basic levy, matching, and MOE from local sources			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total State			\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-

Federal Programs / CFDA Number (sorted by program number)																		
4538	7400	Career and Technical Education - Basic Grants to States 84.048	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
4700	7350	Temporary Assistance for Needy Families 93.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4300	7355	AmeriCorps 94.006	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4600	7508	Javits Gifted and Talented Students Education 84.206	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4522	7522	Special Education - Preschool Grants 84.173	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4524	7524	Special Education - Grants to States 84.027	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4526	7526	Special Education - State Personnel Development 84.323	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7581	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7582	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7583	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4580	7584	Adult Education - Basic Grants to States 84.002	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4685	7685	SAMSHA Aware 93.243	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7801	Title I Grants to Local Education Agencies 84.010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7803	School Improvement Grants 84.377	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7830	Migrant Education - State Grant Program 84.011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7840	Title I State Agency Program for Neglected and Delinquent Children and Youth 84.010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7860	Improving Teacher Quality State Grants 84.367	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7865	Mathematics and Science Partnerships 84.366	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7880	English Language Acquisition State Grants 84.365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7880	EIA Language Enhancement 84.365	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7910	Twenty-First Century Community Learning Centers 84.287	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4800	7950	Education for Homeless Children and Youth 84.196	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program (Commodities) 10.555*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	National School Lunch Program 10.555	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	Special Milk Program for Children 10.556	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	School Breakfast Program 10.553	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	Summer Food Service Program for Children 10.559	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8079	Farm to School Grant Program 10.575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Child and Adult Care Food Program 10.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Child and Adult Care Food Program 10.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Child and Adult Care Food Program 10.558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4560	8075	Fresh Fruit and Vegetable Program 10.582	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		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

-	-	-
-	-	-
-	-	-

* USDA Commodities are recorded when received at acquisition value on the Schedule as an expenditure. The CFDA Number to assign is the program where the commodities are primarily used.

CHAPTER 4: 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 state 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 state compliance requirements as described in this *Guide*.
 - Significant deficiencies and material weaknesses in internal control over state 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 state 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 4.20, 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 state compliance requirements. As such, the entity is responsible for providing a corrective action plan for each audit finding.
- 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 state 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 state compliance requirements: <ul style="list-style-type: none"> • Those that have a material effect • Less than material but more than inconsequential ¹ • Those that are inconsequential (Other Matters) 	X	X	X
Deficiencies in internal control over state compliance requirements: <ul style="list-style-type: none"> • Material weakness • Significant deficiency • Deficiency in internal control 	X X		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) condition, (2) criteria, (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 the 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 'what is' and '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, approves 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 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 2018 through December 2018 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 errors 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 and Internal Control Over Compliance—(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 ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

To the *[Board of Trustees/City Council/County Commission]*, Audit Committee
and

[Chief Executive Officer]

[XYZ Entity]

Report On Compliance

We have audited *[insert full name of Entity]*'s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended *[Month, Day, 20XX]*.

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

Restricted Taxes and Related Revenues

Fraud Risk Assessment

Government Fees

Cash Management

Enterprise Fund Transfers, Reimbursements, Loans, and Services

Tax Levy Revenue Recognition

Impact Fees

Special and Local Service District Board Members

Utah Retirement Systems

Public Treasurer's Bond

Open and Public Meetings Act

Minimum School Program – Unrestricted Programs

Minimum School Program – Restricted Programs: Special Education, Teacher and Student

Success Act and Dual Immersion (if applicable)

School District Tax Levies

School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on **[the Entity]**'s compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of **[the Entity]**'s compliance with those requirements.

Opinion on Compliance

In our opinion, **[full name of Entity]** complied, in all material respects, with the state compliance requirements referred to above 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered **[the Entity]**'s internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 to detect and correct noncompliance with a state 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 state 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 state 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.

[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 ON COMPLIANCE AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE

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

Report On Compliance

We have audited **[insert full name of Entity]**'s compliance with the following applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended **[Month, Day, 20XX]**.

[DELETE ANY AREAS NOT SUBJECT TO TESTWORK BY THE AUDITOR]

Budgetary Compliance
Fund Balance
Justice Courts
Restricted Taxes and Related Revenues
Fraud Risk Assessment
Government Fees
Cash Management
Enterprise Fund Transfers, Reimbursements, Loans, and Services
Tax Levy Revenue Recognition
Impact Fees
Special and Local Service District Board Members
Utah Retirement Systems
Public Treasurer's Bond
Open and Public Meetings Act
Minimum School Program – Unrestricted Programs
Minimum School Program – Restricted Programs: Special Education, Teacher and Student
Success Act and Dual Immersion (if applicable)
School District Tax Levies
School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on **[the Entity]**'s compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement reported above. However, our audit does not provide a legal determination of **[the Entity]**'s compliance with those requirements.

Opinion on Compliance

In our opinion, **[full name of Entity]** complied, in all material respects, with the state compliance requirements referred to above 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered **[the Entity]**'s internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 to detect and correct noncompliance with a state 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 state 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 state 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.

[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 ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE STATE COMPLIANCE AUDIT GUIDE**

To the **[Board of Trustees/City Council/County Commission]**, Audit Committee
and

[Chief Executive Officer]

[XYZ Entity]

Report On Compliance

We have audited **[insert full name of Entity]**'s compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended **[Month, Day, 20XX]**.

[DELETE ANY AREAS NOT SUBJECT TO TESTWORK BY THE AUDITOR]

Budgetary Compliance

Fund Balance

Justice Courts

Restricted Taxes and Related Revenues

Fraud Risk Assessment

Government Fees

Cash Management

Enterprise Fund Transfers, Reimbursements, Loans, and Services

Tax Levy Revenue Recognition

Impact Fees

Special and Local Service District Board Members

Utah Retirement Systems

Public Treasurer's Bond

Open and Public Meetings Act

Minimum School Program – Unrestricted Programs

Minimum School Program – Restricted Programs: Special Education, Teacher and Student

Success Act and Dual Immersion (if applicable)

School District Tax Levies

School Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on **[the Entity]**'s compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of **[the Entity]**'s compliance with those requirements.

Basis for Qualified Opinion on [Identify state compliance area]

As described in **[the accompanying schedule of findings and recommendations]**, **[the Entity]** did not comply with requirements regarding **[identify state compliance area and related state 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]**.

Qualified Opinion on [Identify state compliance area]

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, **[the Entity]** complied, in all material respects, with the state compliance requirements referred to above for the year ended **[Month, Day, 20XX]**.

Unmodified Opinion on Each of the Other State Compliance Areas

In our opinion, **[the Entity]** complied, in all material respects, with the other state compliance requirements referred to above 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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered [the Entity]'s internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 to detect and correct noncompliance with a state 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 state 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 state 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 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.

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