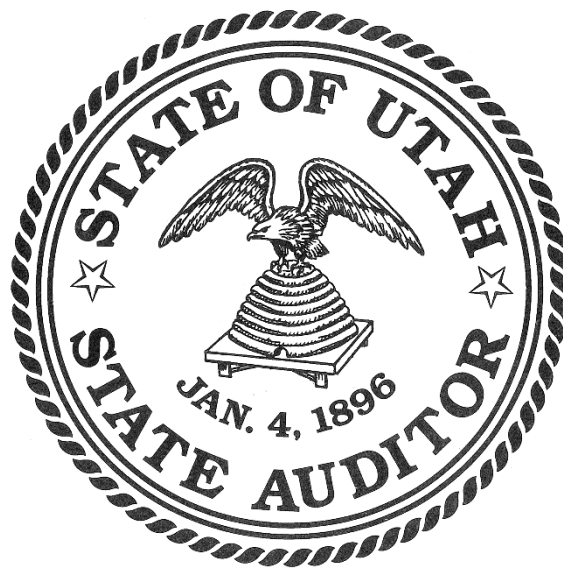


# STATE COMPLIANCE AUDIT GUIDE

April 1, 2022



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 |
|---------|---------|---------|----------------|--------------|
|         |         |         |                |              |
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### 2022 Changes to the State Compliance Audit Guide

#### **Chapter 1: AUDIT PROCEDURES TO BE PERFORMED ANNUALLY**

1. Modification of Section G Government Fees

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

1. No change

#### **Chapter 3: AUDIT PROCEDURES FOR LOCAL EDUCATION AGENCIES**

1. Chapter 3 has been re-written, in addition to the changes to chapter 3 – the Student measurement Agreed-Upon Procedures will not be required.

#### **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](mailto: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](https://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](https://resources.auditor.utah.gov)).
- **Nonprofit Organizations** which are subject instead to reporting requirements under UCA 51-2a-201.5 (see [resources.auditor.utah.gov](https://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](https://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 |
|-------------------------|------------------|--|-----------------------|-----------------|
|                         |                  | <b>An example form for completing Section A is provided in Chapter 1 Appendix 1, Identification of Applicable Compliance Areas and Risk Assessment.</b>  |                       |                 |
| AU-C 935.15<br>AU-C 315 | ALL              | 1. Obtain an understanding of the entity's internal control over <b>each</b> 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.<br><br><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.<br><br><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).<br><br><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 <b>each</b> 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<br>AU-C 935.40 |                  | 5. For <b>each</b> 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<br>Towns:<br><a href="#">10-5-109</a><br>Cities:<br><a href="#">10-6-118</a><br>Districts:<br><a href="#">17B-1-614</a><br>Counties:<br><a href="#">17-36-15</a><br>LEAs:<br><a href="#">53G-7-302</a><br><a href="#">thru 304</a><br>Interlocals &<br>GvtNPOs:<br><a href="#">11-13-507</a> &<br><a href="#">11-13-514</a> | 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"> <li>Actual revenues and expenditures from the last completed fiscal period.</li> <li>Estimated total revenues and expenditures for the current fiscal period.</li> <li>Estimates of revenues and expenditures for the budget year.</li> </ul> |                       |                 |
| UCA<br>Towns:<br><a href="#">10-5-115</a><br>Cities:<br><a href="#">10-6-123</a><br>Districts:<br><a href="#">17B-1-619</a><br>Counties:<br><a href="#">17-36-21</a><br>LEAs:<br><a href="#">53G-7-307</a><br>Interlocals &<br>GvtNPOs:<br><a href="#">11-13-517</a>  | 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<br>Cities:<br><a href="#">10-6-147</a> &<br><a href="#">10-6-148</a><br>Towns:<br><a href="#">10-5-129</a><br>Districts:<br><a href="#">17B-1-638</a><br>Counties:<br><a href="#">17-36-36</a><br>LEAs:<br><a href="#">53G-7-309</a><br>Interlocals &<br>GvtNPOs:<br><a href="#">11-13-527</a> | 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"> <li>1<sup>st</sup> &amp; 2<sup>nd</sup> class cities, towns, districts, interlocal entities, governmental NPOs, and counties should prepare reports at least quarterly.</li> <li>3<sup>rd</sup> – 5<sup>th</sup> class cities and LEA's (including charter schools) should prepare reports monthly.</li> </ul> <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 <a href="#">17-36-36</a>.</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<br>Cities:<br><a href="#">10-6-117-</a><br><a href="#">(2)</a><br>Towns:<br><a href="#">10-5-114-</a><br><a href="#">(2)</a><br>Districts:<br><a href="#">17B-1-</a><br><a href="#">613-(2)</a><br>LEA's:<br><a href="#">53G-7-305</a><br>Interlocals &<br>GvtNPOs:<br><a href="#">11-13-513-(2)</a> | ALL              | 1. <b><u>Deficit Fund Balances</u></b> <p><u>Municipalities, Districts, Interlocals, Governmental NPOs, and Counties:</u><br/>                     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.</p> <p><u>LEA's</u></p> <ul style="list-style-type: none"> <li>A governing body may not make an appropriation in excess of its estimated expendable revenues, including undistributed reserves, for the following fiscal year.</li> <li><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.</li> </ul> |                       |                 |

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| Legal Ref.   | Applicable to: *                      | AUDIT PROCEDURES   | Performed by and Date | Workpaper Index |
|--|---------------------------------------|--|-----------------------|-----------------|
| UCA<br><a href="#">17-36-16-(2)</a>  | C                                     | <p>2. <b>Counties:</b> 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;"><b>-AND-</b></p> <p>2) The estimated total revenues from property taxes for the current fiscal period.</p> |                       |                 |
| UCA<br>Cities:<br><a href="#">10-6-116-(2)</a><br>Towns:<br><a href="#">10-5-113-(2)</a> | M                                     | <p>3. <b>Municipalities:</b> 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:<br><a href="#">11-13-512-(2)</a>                                  | IL,<br>GvtNPO                         | <p>4. <b>Interlocal Entities and Governmental Nonprofits:</b> 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"> <li>• 100% of the current year's property tax; <b>or</b></li> <li>• 35% of the total general fund revenues, if the annual general fund budget is greater than \$100,000; <b>or</b></li> <li>• 65% of the total general fund revenues, if the annual general fund budget is equal to or less than \$100,000.</li> </ul>   |                       |                 |
| UCA<br>Districts:<br><a href="#">17B-1-612-(2)</a>                                       | D                                     | <p>5. <b>Special and Local Service Districts, Interlocal Entities, and Governmental Nonprofits:</b> 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"> <li>• The most recently adopted General fund budget, <b>plus</b></li> <li>• 100% of the current year's property tax.</li> </ul>  |                       |                 |
| UCA<br><a href="#">53G-7-304</a>   | LEAs,<br>except<br>charter<br>schools | <p>6. <b>School Districts</b> (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.<br><br><b>Background:</b> 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"> <li>• 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.</li> <li>• 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.</li> <li>• Contempt fines – Contempt fines should be recorded as FC (fines contempt) and not as a court cost.</li> <li>• 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</li> </ul> |                              |                        |
| <b>CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):</b> |                  |  | <b>Performed by and Date</b> | <b>Workpaper Index</b> |
|   |                  |  |                              |                        |

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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.<br><br><b>See Chapter 1 Appendix 2 for a listing of possible restricted tax types and other related restricted revenue.</b>   |                       |                 |
|            | 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:<br><br>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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|   |                              |                        |
|---|------------------------------|------------------------|
| <b>CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):</b> | <b>Performed by and Date</b> | <b>Workpaper Index</b> |
|   |                              |                        |

**G. GOVERNMENTAL FEES**

| Legal Ref.  | Applicable to: | AUDIT PROCEDURES  | Performed by and Date | Workpaper Index |
|---|----------------|---|-----------------------|-----------------|
| Cities:<br><a href="#">10-9a-510</a><br>Counties:<br><a href="#">17-27a-509</a> | ALL            | <ol style="list-style-type: none"> <li>1. Test government fees to determine if they were adopted correctly.                             <ol style="list-style-type: none"> <li>a. Obtain a schedule of government fees.</li> <li>b. Inquire if there are any fees that are not included in the schedule of fees.</li> <li>c. Review the minutes and verify that the entity's fees were approved by the governing body.</li> </ol> </li> <li>2. Sample 4 fees from the schedule of fees and perform the following tests (the purpose of this test is to identify deficiencies in how an entity establishes and tracks fee revenue and expense. A particular concern are inappropriately implemented taxes that an entity calls a fee – see <a href="#">Auditor Alert 2018-03</a> and V1 Oil v Utah State Tax Commission (1997).                             <ol style="list-style-type: none"> <li>a. Are the revenues and expenses tracked for each specific service or regulatory activity for which the fees are charged?</li> <li>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?</li> <li>c. Was a reasonable methodology used to calculate the fee?</li> </ol> </li> <li>3. For Municipalities and Counties, review the entity's compliance with building permit and plan review fee limitations.                             <ol style="list-style-type: none"> <li>a. An entity may not impose or collect a fee that exceeds the reasonable cost of processing the application or issuing the permit (See Auditor Alert 2022-01).</li> <li>b. When considering fee revenue vs expenditures if indirect costs were included, did the entity 1) provide reasonably documentation for allocation methods?</li> <li>c. Did the entity use a proper function code for transparency (101300 or 101701)?</li> </ol> </li> </ol> |                       |                 |

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

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Office of the State Auditor  
 State Compliance Audit Guide  
 April 1, 2022  
 Fiscal Year Ended June 30, 2022

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)<br>Material NC?<br>Identified Fraud/Risks Y or N |  | Materiality Levels                                    | Risk Assessment H, M, L |
| <b>Chapter 1: General Audit Procedures to be Performed Annually</b>                  |  |                   |                                    |   |   |   |                                   |   |  |   |                         |
| 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  |                   |                                    |   |   |   |                                   |   |  | Any instance of noncompliance                         |                         |
| 1.G.   | Governmental Fees  |                   |                                    |   |   |   |                                   |   |  | Failure to complete/present                           |                         |
| <b>Chapter 2: General Audit Procedures to be Performed at Least Every Third Year</b> |  |                   |                                    |   |   |   |                                   |   |  |   |                         |
| 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.H.   | Open and Public Meetings Act                                   |                   |                                    |   |   |   |                                   |   |  | Any instance of noncompliance                         |                         |
| <b>Chapter 3: Audit Procedures for Minimum School Program (MSP) Funds</b>            |  |                   |                                    |   |   |   |                                   |   |  |   |                         |
| 3.A.   | Internal Control Systems                                       |                   |                                    |   |   |   |                                   |   |  | 5% of program expenditures                            |                         |
| 3.C.   | Public Education Program - Financial and Program Compliance    |                   |                                    |   |   |   |                                   |   |  |   |                         |

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**

| <b>Sales and Use Taxes</b>              |                         |  |  |                         |
|---|-------------------------|--|--|-------------------------|
| <b>Tax</b>                              | <b>Entity Type</b>      | <b>Short Description</b>   | <b>Utah Code</b>                       | <b>Use Restrictions</b> |
| 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                      |
| <b>Other Related Restricted Revenue</b> |                         |  |  |                         |
| 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**

| <b>County</b>                   |                       |                        |
|---------------------------------|-----------------------|------------------------|
| <b>Property Tax Description</b> | <b>Code Reference</b> | <b>Use Restriction</b> |
| 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                    |

| <b>City &amp; Town Property Taxes</b> |                       |                        |
|---------------------------------------|-----------------------|------------------------|
| <b>Property Tax Description</b>       | <b>Code Reference</b> | <b>Use Restriction</b> |
| 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                    |

| <b>Local Districts, Specialized Local District, &amp; Special Service Districts Property Tax</b> |                       |                        |
|--|-----------------------|------------------------|
| <b>Property Tax Description</b>  | <b>Code Reference</b> | <b>Use Restriction</b> |
| 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:<br>Custody of Asset  | DUTY 2:<br>Authorized to Use  | DUTY 3:<br>Record Keeping  | Duty 4:<br>Accounting  |
|--|---|--|--|
| <p><b>Change Fund Custodian</b></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><b><u>MUST CHECK: Does change fund custodian retain a portion to make change?</u></b><br/> <u>yes</u> <input type="checkbox"/> <u>no</u> <input type="checkbox"/></p> | <p><b>Cashier Clerk(s) assigned a Change Fund</b></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><b>Deposit Verifier/Preparer</b></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><b>Change Fund Verifier</b></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> |
| <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>   |
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IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

**TRANSACTION CYCLE: *MAIL PAYMENTS***

| <b>DUTY 1:<br/>Record Keeping</b>  | <b>DUTY 2:<br/>Record Keeping</b>  | <b>DUTY 3:<br/>Custody of Assets</b>   | <b>DUTY 4:<br/>Authorization and Custody of<br/>Assets</b>  | <b>DUTY 5:<br/>Record<br/>Keeping/Accounting</b>   |
|--|--|--|---|--|
| <p><b>Mail Log Preparer</b><br/>Records mail payments on the Daily Mail Log.</p> | <p><b>Mail Log Witness</b><br/>Witnesses that all payments received by mail are recorded on the log.</p> | <p><b>Cashier Clerk(s) Who Receipt Mail payments</b><br/>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><b>Deposit Verifier/Preparer</b><br/>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.<br/><br/>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).<br/><br/>Prepares the deposit.</p> | <p><b>Accounting Clerk</b><br/>Reconciles the mail log to the CORIS Mail Log Report.<br/><br/>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> |
| <b>Individual(s) assigned:</b>   | <b>Individual(s):</b>  | <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>  | <b>Individual(s):</b>  |
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IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

**TRANSACTION CYCLE: *REVENUE/TRUST FUNDS***

| <b>DUTY 1:<br/>Record Keeping</b>  | <b>DUTY 2:<br/>Custody of Assets</b>   | <b>DUTY 3:<br/>Authorization and<br/>Custody of Assets</b>  | <b>DUTY 4:<br/>Record Keeping/Accounting</b>   |
|--|--|---|--|
| <p><b>Accounts Receivable Set Up Clerk</b></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><b>Cashier Clerk(s) receipting Revenue and Trust payments</b></p> <p>Receipts revenue and trust payments, and maintains funds in a secure device.</p> | <p><b>Deposit Verifier/Preparer</b></p> <p>The <b><i>Deposit Verifier/Preparer</i></b>: (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><b>Accounting Clerk</b></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> |
| <b>Individual(s):</b>  | <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>   |
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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)

| <b>DUTY 1:</b>  | <b>DUTY 2:</b>  | <b>DUTY 3:</b>  | <b>DUTY 4:</b>   | <b>DUTY 5:</b>  |
|---|---|---|--|---|
| <b>Record Keeping</b>   | <b>Authorization</b>  | <b>Custody of Assets</b>  | <b>Court Reconciliation</b>  | <b>Local Govt Reconciliation</b>  |
| <b>Disbursement Request Preparer</b>  | <b>Disbursement Approval</b>  | <b>Check Writer, Check Signer, and Check Mailer</b>   | <b>CORIS Disbursement Reconciler</b>   | <b>Reconciler</b>   |
| <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> |
| <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>  |
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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*)

| <b>DUTY 1:</b>  | <b>DUTY 2:</b>  | <b>DUTY 3:</b>  | <b>DUTY 4:</b>   | <b>DUTY 5:</b>   |
|---|---|---|--|--|
| <b>Custody of Assets</b>  | <b>Record Keeping</b>   | <b>Authorization</b>  | <b>Reconciliation</b>  | <b>Local Gov't Reconciliation</b>  |
| <b>Trust Account Check Stock Custodian</b>  | <b>Trust Account Check Writer</b>   | <b>Trust Account Check Signers</b>  | <b>Trust Account Reconciler</b>  |  |
| <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> |
| <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>  | <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>   |
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IF NEEDED, EXTERNAL REVIEW PERFORMED BY: Name: \_\_\_\_\_ Phone: \_\_\_\_\_ Court Location: \_\_\_\_\_

**TRANSACTION CYCLE: TRUST**

**LOCAL GOVERNMENT**

| Duty 1:  | DUTY 2:  | DUTY 3:  | DUTY 4:  |
|--|--|--|--|
| <b>Custody of Assets</b>   | <b>Authorization</b>   | <b>Check Writer</b>  | <b>Record Keeping/Accounting</b>   |
| <p align="center"><b>Juror/Witness Justice Court<br/>Judge/Local Government<br/>Disbursement Process</b></p>   | <p align="center"><b>Payment Approval</b></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"><b>Juror/Witness Payments Reconciler<br/>(Performed by the Local Government)</b></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> |
| <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>   | <b>Individual(s) assigned:</b>   |
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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<br><a href="#">51-7-15(3)</a> | 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&amp;I) is accessed through the state reporting portal at <a href="http://reporting.auditor.utah.gov/UtahTreasuryLogin">reporting.auditor.utah.gov/UtahTreasuryLogin</a> 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/](http://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. <b><u>Services Provided by an Enterprise Fund to Other Funds</u></b></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"> <li>• <b>Nonreciprocal interfund transfer</b> (see Auditor Alert 2014-1a for guidance) if no cash or goods were exchanged or are not expected to be exchanged, or</li> <li>• <b>Reciprocal interfund services provided/used transaction</b> (see Auditor Alert 2014-1a for guidance) if cash or goods were exchanged.</li> </ul>   |                       |                 |
| UCA<br>Towns: <a href="#">10-5-114</a><br>Cities: <a href="#">10-6-117</a><br>Districts: <a href="#">17B-1-613</a><br>Counties: <a href="#">17-36-17</a><br>Interlocals & GvtNPOs: <a href="#">11-13-513</a> | C, M, D, IL      | <p>2. <b><u>General Fund Overhead Allocations to Other Funds</u></b></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 <b>interfund reimbursement transaction</b> (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 <b>interfund transfer</b> (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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 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<br>Towns: <a href="#">10-5-107.5</a><br>Cities: <a href="#">10-6-135.5</a><br>Districts: <a href="#">17B-1-629</a><br>Counties: <a href="#">17-36-32</a><br>Interlocals & GvtNPOs: <a href="#">11-13-524 (3)(d)</a> | C, M, D, IL      | <p>3. <b><u>Interfund Transfers from an Enterprise Fund (subsidy transfers or services provided without payment) – Public Notice and Hearing Requirements</u></b></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"> <li>• Date, time, and place of hearing.</li> <li>• Purpose of the hearing.</li> <li>• Explanation of intended transfer to another fund.</li> <li>• Specific enterprise fund information                             <ul style="list-style-type: none"> <li>○ The amount/value of cash or goods transferred.</li> <li>○ The percentage of the total enterprise fund expenditures represented by each transfer.</li> </ul> </li> </ul> <p>Determine that the notice was:</p> <ul style="list-style-type: none"> <li>• Mailed or transmitted to each enterprise fund customer.</li> <li>• Posted on the Utah Public Notice Website.</li> <li>• As applicable, posted on the municipality’s website.</li> <li>• As applicable, communicated through social media platform.</li> <li>• Distributed and posted at least 7 days before the hearing.</li> </ul> <p>If budgeted transfer was approved, determine that the municipality:</p> <ul style="list-style-type: none"> <li>• Mailed or transmitted a notice to each enterprise fund customer providing the specific enterprise fund information without 60 days of adoption.</li> <li>• 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.</li> </ul> <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"> <li>• Date, time, and place of hearing.</li> <li>• Purpose of the hearing.</li> <li>• The enterprise fund from which the cash or goods would be transferred.</li> <li>• The fund to which the cash or goods would be transferred.</li> <li>• The amount/value of cash or goods transferred.</li> </ul> |                       |                 |

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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"> <li>• Mailed or transmitted to each enterprise fund customer.</li> <li>• Distributed at least seven days before the hearing.</li> <li>• A separate notification from the customers' utility bill.</li> </ul> <p><b>Exception:</b> <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<br/>                     Towns: <a href="#">10-5-120</a><br/>                     Cities: <a href="#">10-6-132</a><br/>                     Districts: <a href="#">17B-1-626</a><br/>                     Counties: <a href="#">17-36-30</a><br/>                     Interlocals &amp; GvtNPOs: <a href="#">11-13-523</a></p> | <p>C, M, D, IL</p> | <p>4. <b>Interfund Loans</b> – For enterprise funds loaned to another fund:</p> <p><b>[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.]</b></p> <p>a. Determine that the loan was in writing and contained the following terms and conditions:</p> <ul style="list-style-type: none"> <li>• Effective date of the loan.</li> <li>• Name of the fund loaning the money.</li> <li>• Name of the fund receiving the money.</li> <li>• Amount of the loan.</li> <li>• Term of and repayment schedule of the loan (not to exceed 10 years).</li> <li>• 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).</li> <li>• Method of calculating interest applicable to the loan.</li> <li>• Procedures for applying interest and paying interest.</li> </ul> <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"> <li>• Date, time, and place of the hearing,</li> <li>• Purpose of the hearing, and</li> <li>• The proposed terms and conditions of the interfund loan.</li> </ul> <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              | 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.<br><br><u>For School Districts:</u> Ensure tax increment is recorded in Fund 26.<br><br>See Auditor Alert 2020-04 and GASB 77 for guidance on footnote disclosure requirements for Tax Abatements. |                       |                 |
| GASB Codification N50.125 | ALL              | 2. Verify the government included pass-through taxes as revenue with related receivables and deferrals in its funds.   |                       |                 |

| 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 |
|------------------------------------|------------------|--|-----------------------|-----------------|
| <a href="#">UCA 11-36a-601</a>     | C, M, D, IL      | 1. Determine that the entity prepared an impact fee schedule that shows: <ol style="list-style-type: none"> <li>The source and amount of all money collected, earned, and received during the fiscal year.</li> <li>Each expenditure from impact fee funds during the fiscal year.</li> <li>An accounting of impact fee funds on hand at the end of the fiscal year, including:                             <ol style="list-style-type: none"> <li>The year in which the impact fee funds were received;</li> <li>The project from which the impact fees were collected;</li> <li>The project for which the impact fee funds are budgeted; and</li> <li>The projected schedule for expenditure.</li> </ol> </li> </ol> |                       |                 |
| <a href="#">UCA 11-36a-602 (1)</a> | C, M, D, IL      | 2. Determine that impact fee proceeds disbursed in the current year were used only for public facilities identified in the capital facilities plan and for the specific public facility type for which the fee was collected.  |                       |                 |
| <a href="#">UCA 11-36a-602 (2)</a> | C, M, D, IL      | 3. Determine that the impact fee proceeds were used in a timely manner and that reasons for holding fees longer than six years were appropriate and documented.  |                       |                 |
| <a href="#">UCA 11-36a-603</a>     | C, M, D, IL      | 4. Determine that the entity has appropriately refunded any unused impact fees.  |                       |                 |

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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<br><a href="#">17B-1-311</a>    | 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<br><a href="#">17B-1-312</a>    | 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<br><a href="#">17B-1-303(9)</a> | 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 |
|--|-----------------------|-----------------|
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### 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](mailto:rob.dolphin@urs.org)**

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|---|
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|---|

| Legal Ref.   | Applicable to: * | AUDIT PROCEDURES   | Performed by and Date | Workpaper Index |
|--|------------------|--|-----------------------|-----------------|
| UCA <a href="#">49-11-801</a> , also <a href="#">IRS Rev. Rul. 2006-43</a> | 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"> <li>• Tier 1 Public Employees Noncontributory Retirement System (<a href="#">UCA 49-13-201</a>)</li> <li>• Tier 1 Public Employees Contributory Retirement System (<a href="#">UCA 49-12-201</a>)</li> <li>• Tier 1 Public Safety Noncontributory Retirement System (<a href="#">UCA 49-15-201</a>)</li> <li>• Tier 1 Public Safety Contributory Retirement System (<a href="#">UCA 49-14-201</a>)</li> <li>• Tier 1 Firefighters Retirement System (<a href="#">UCA 49-16-201</a>)</li> <li>• Tier 2 Public Employees Contributory Retirement System (<a href="#">UCA 49-22-201</a>)</li> <li>• Tier 2 Public Safety and Firefighter Contributory Retirement System (<a href="#">UCA 49-23-201</a>)</li> </ul> |                       |                 |
|  | 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 <a href="#">51-7-15</a> | ALL                  | <p>Determine if the treasurer is properly bonded or insured in accordance with Utah Administrative Code <a href="#">R628-4-4</a> for the Money Management Council.</p> <table border="1" data-bbox="339 604 1219 1018"> <thead> <tr> <th>Budget</th> <th>Percent For Bond</th> <th>Minimum Bond</th> </tr> </thead> <tbody> <tr> <td>0 to 10,000</td> <td>N/A</td> <td>0</td> </tr> <tr> <td>10,001 to 100,000</td> <td>9% but not less than</td> <td>5,000</td> </tr> <tr> <td>100,001 to 500,000</td> <td>8% but not less than</td> <td>9,000</td> </tr> <tr> <td>500,001 to 1,000,000</td> <td>7% but not less than</td> <td>40,000</td> </tr> <tr> <td>1,000,001 to 5,000,000</td> <td>6% but not less than</td> <td>70,000</td> </tr> <tr> <td>5,000,001 to 10,000,000</td> <td>5% but not less than</td> <td>300,000</td> </tr> <tr> <td>10,000,001 to 25,000,000</td> <td>4% but not less than</td> <td>500,000</td> </tr> <tr> <td>25,000,001 to 50,000,000</td> <td>3% but not less than</td> <td>1,000,000</td> </tr> <tr> <td>50,000,001 to 500,000,000</td> <td>2% but not less than</td> <td>1,500,000</td> </tr> <tr> <td>over 500,000,000</td> <td></td> <td>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   |                       |                  |              |             |     |   |                   |                      |       |                    |                      |       |                      |                      |        |                        |                      |        |                         |                      |         |                          |                      |         |                          |                      |           |                           |                      |           |                  |  |            |  |  |
| 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  |                       |                  |              |             |     |   |                   |                      |       |                    |                      |       |                      |                      |        |                        |                      |        |                         |                      |         |                          |                      |         |                          |                      |           |                           |                      |           |                  |  |            |  |  |

| <b>CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):</b> | 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)

### H. OPEN AND PUBLIC MEETINGS ACT

| Legal Ref.                               | Applicable to: | AUDIT PROCEDURES  | Performed by and Date | Workpaper Index |
|--|----------------|---|-----------------------|-----------------|
| UCA <a href="#">52-4-104</a>             | 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 <a href="#">52-4-202 (1)&amp;(3)</a> | 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 <a href="#">52-4-202 (6)(a)</a>      | ALL            | b. Determine that the agenda was reasonably specific to enable lay persons to understand the topics to be discussed.  |                       |                 |
| UCA <a href="#">52-4-202 (6)(c)</a>      | 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 <a href="#">52-4-203 (4)(f)</a>      | 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 <a href="#">52-4-204(2)-(4)</a>      | 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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 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<br>Towns:<br><a href="#">10-5-106</a><br>thru <a href="#">108</a><br>Cities:<br><a href="#">10-6-110</a> ,<br><a href="#">113</a> , <a href="#">135</a><br>Districts:<br><a href="#">17B-1-605</a><br>thru <a href="#">607</a> , <a href="#">609</a><br>Counties:<br><a href="#">17-36-9</a> ,<br><a href="#">10.1</a> , <a href="#">12</a><br>LEAs:<br><a href="#">53G-7-302</a><br>Interlocals &<br>GvtNPOs:<br><a href="#">11-13-509</a> | 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><b>Note on charter schools:</b> 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<br><a href="#">52-4-201</a>   | 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 |
|--|-----------------------|-----------------|
|  |                       |                 |

\* 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)

## CHAPTER 3: AUDIT PROCEDURES FOR LOCAL EDUCATION AGENCIES

This part of the *State Compliance Audit Guide* (Guide) provides general information designed to help the auditor gain an understanding of the governance structure of public education and identifies compliance testwork relating specifically to requirements for local education agencies (LEAs, i.e., school districts and charter schools).

This *Guide* includes suggested audit procedures for areas the USBE has identified as high risk or 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. This *Guide* does not include the entirety of regulations. During the audit, if the auditor becomes aware of non-compliance with requirements, the auditor should use auditor judgment in determining other appropriate audit procedures; findings should be reported as outlined in Chapter 4.

This *Guide* includes the following sections:

- LEA Internal Control Systems
- Public Education Program Financial and Program Compliance

### General Information:

Article X of the Constitution of the State of Utah vests “the general control and supervision of the public education system” with the Utah State Board of Education (Board), a 15-member elected board. Local Education Agencies (LEAs or school districts and charter schools) manage and operate schools and programs. School districts also have elected boards, while charter schools must have a charter agreement with an authorizer (Utah Code 53G-5) and are subject to the requirements of non-profit corporations (i.e., their board is established according to its bylaws, and possibly the charter agreement). Compliance requirements for LEAs are established by the Legislature in Utah Code (<https://le.utah.gov/xcode/code.html>) and by the Board in Utah Administrative Code (<https://schools.utah.gov/administrativerules>), otherwise known as Administrative or Board Rules.

Federal and state regulations (2 CFR 200.302 and R277-113-6(1)(b)) require LEAs to have an internal control system to provide reasonable assurance of compliance. Best practice internal control systems should follow guidance in either “Standards for Internal Control in the Federal Government (i.e., the Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations (COSO). Both the Green Book and COSO outline that an effective internal control system has 5 components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

### Contact Information:

USBE by Department is available at: [schools.utah.gov/departments](https://schools.utah.gov/departments)

USBE Internal Audit is available at: [schools.utah.gov/internalaudit/contact](https://schools.utah.gov/internalaudit/contact)

USBE role specific contact information is also listed in the steps below, as applicable.

**A. LEA Internal Control Systems**  
**(Report as an applicable compliance area in the Compliance Report)**

General Note: Chapter 4: Reporting defines materiality for compliance; in the case of the steps below, any noncompliance should be considered material.

| Legal Ref.                              | AUDIT PROCEDURES  | Performed by and Date | Workpaper Index |
|---|---|-----------------------|-----------------|
|   | 1. Related to the overall internal control system of the LEA:   |                       |                 |
| <a href="#">R277-113-4(1)-(2)</a>       | a. Verify that the presiding officer of the board ensured that members of the governing board received training on audit committees and internal audit functions as required by R277-113-4(1)-(2).  |                       |                 |
| <a href="#">R277-113-4(3)</a>           | b. Verify that the LEA governing board: <ul style="list-style-type: none"> <li>i. designated board members to serve on an audit committee, consistent with Subsection 53G-7-401(1), and</li> <li>ii. included governing board audit committee members names, and if applicable the internal audit director name and contact information and audit plan, on the LEAs website.</li> </ul> |                       |                 |
| <a href="#">R277-113-4(4)</a>           | c. Verify that the LEA Audit Committee ensured LEA administration resolved corrective action on findings, concerns, issues, and exceptions reported by independent external auditors, internal auditors, or other regulatory bodies and that the resolution was in a timely manner.   |                       |                 |
| <a href="#">R277-113-6(1)(a)</a>        | d. Verify that the LEA governing board approved written fiscal policies required by Section R277-113-5.   |                       |                 |
| <a href="#">R277-113-5(2)</a>           | e. Verify that the LEA has a plan for annual training of LEA and public-school employees on policies and procedures enacted by the LEA specific to job function. Also review documentation to ensure the training was implemented as planned, specific to job function.   |                       |                 |
| <a href="#">R277-113-6(2)(i&amp;ii)</a> | f. Verify that the LEA governing board has implemented a hotline independent from administration for stakeholders to report concerns of fraud, waste, abuse, or non-compliance or posted a link to the USBE Board's hotline, and the hotline is posted on the LEA's website in a readily accessible location.   |                       |                 |

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

**B. Public Education Program - Financial and Program Compliance**  
**(Report as an applicable compliance area in the Compliance Report)**

This *Guide* applies to fiscal year 2022, which is equivalent to school year 2021-2022.

The Utah Constitution, Article X, requires that the public education system “be open to all children of the state”. The Legislature appropriates both one-time and on-going state funds to public education. The majority of state funding for public education activities is appropriated to the Minimum School Program (MSP). 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](http://le.utah.gov/xcode/Title53F/Chapter2/53F-2.html)); and
- Utah Administrative Code (i.e., Board Rule R277, [schools.utah.gov/administrativerules](http://schools.utah.gov/administrativerules)).

The majority of MSP funds are allocated to LEAs based on average daily membership and fall enrollment. However, some allocations are based on fixed or competitive grant applications. For state compliance audit purposes, the school programs within the MSP are divided into two groups:

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

“**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.**

**School Fees**

The Utah Constitution, Article X, requires that the public education system to “be free, except the Legislature may authorize the imposition of fees in the secondary schools.” The objective of the procedures for school fees 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. and that secondary schools (grades 7-12) are only imposing fees as authorized by the Legislature and approved by local boards, consistent with local board policies and state law. Fees should also be used in a manner consistent with their original design (i.e., for the activity they were charged for).

**Procurement**

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

| Legal Ref. | AUDIT PROCEDURES  | Performed by and Date | Workpaper Index |
|------------|---|-----------------------|-----------------|
|            | <p><b>Contact(s):</b><br/>                     Sam Urie, School Finance Director, 801-538-7667, <a href="mailto:sam.urie@schools.utah.gov">sam.urie@schools.utah.gov</a><br/>                     Dale Frost, MSP Administrator, 801-538-7606, <a href="mailto:dale.frost@schools.utah.gov">dale.frost@schools.utah.gov</a><br/>                     Brett Baltazar, School Finance Manager, 801-538-7802, <a href="mailto:brett.baltazar@schools.utah.gov">brett.baltazar@schools.utah.gov</a></p> |                       |                 |
|            | <p><b>Minimum School Program</b><br/>                     1. Trace the flow of funding for each individual Minimum School Program (MSP) to the final disposition as follows:</p>  |                       |                 |

|  |   |  |  |
|--|---|--|--|
| <a href="#">R277-113-5(9)(b)(iv)</a>                               | <p>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 <a href="https://schools.utah.gov/financialoperations/reporting">schools.utah.gov/financialoperations/reporting</a></p>   |  |  |
|  | <p>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: <a href="https://schools.utah.gov/financialoperations/msp">schools.utah.gov/financialoperations/msp</a></p>  |  |  |
|  | <p>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.</p>  |  |  |
|  | <p>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.</p>   |  |  |
|  | <p>2. To achieve a low level of assessed risk, select a sample of school personnel with salaries coded to General MSP and verify that payroll transactions include the following elements from the Uniform Chart of Accounts as specified by USBE School Finance:</p> <ul style="list-style-type: none"> <li>i. Fund</li> <li>ii. Function</li> <li>iii. Location</li> <li>iv. Program</li> <li>v. Object</li> </ul> <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>3. 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).</p>  |  |  |
|  | <p><b>Contact(s):</b><br/>                 Tamra Dayley, School Fees Project Lead, 801-538-7718, <a href="mailto:tamra.dayley@schools.utah.gov">tamra.dayley@schools.utah.gov</a><br/>                 Cole Shakespear, Fiscal Monitor Manager, 801-538-7576, <a href="mailto:cole.shakespear@schools.utah.gov">cole.shakespear@schools.utah.gov</a></p>  |  |  |
|  | <p><b>School Fees</b></p> <p>1. Consistent with the test of School Fees as government fees in Chapter 1 section G:</p>  |  |  |
| <a href="#">R277-113-8(f)</a>                                      | <p>a. Verify that all school fees from each school are properly recorded in the LEA's general ledger per the specified school fees revenue and school fee waiver contra-revenue accounts.</p>   |  |  |
| <a href="#">R277-407-14</a>  | <p>b. Confirm that school fee revenues and fee waiver contra-revenue in the general ledger, and fee waiver student counts, reconcile with school fee revenue, fee waiver contra-revenue, and fee waiver student counts reported to USBE during the annual School Fees Certificate of Compliance and Statistical Data reporting.</p>   |  |  |
| <a href="#">R277-407-13(3)</a><br><a href="#">R277-407-8(2)(a)</a> | <p>c. To achieve a low level of assessed risk, take a sample of fees on the approved fee schedule for the current school year, stratifying the sample between those for elementary and those for secondary. Review the spend plan, the associated accounting records and related student</p>  |  |  |

|  |   |  |  |
|--|---|--|--|
| <p><a href="#">R277-407-2(24)</a><br/> <a href="#">UCA 53G-7-601(5)</a><br/> <a href="#">UCA 53G-7-602</a></p> | <p>participation records and ensure that the LEA used revenue collected through fees for allowable costs that:</p> <ul style="list-style-type: none"> <li>i. Are only associated with each student's participation.</li> <li>ii. Are not fee waivers (i.e., students paying fees were not charged an increase fee amount to cover students receiving fees waivers or to cover general program costs).</li> <li>iii. Are not textbooks, instructional material, consumable workbooks, computer hardware, software or digital content, school equipment, or maintenance of school equipment associated</li> </ul> |  |  |
| <p><a href="#">R277-407-13(4)</a></p>  | <p>d. If the LEA has more than one school serving the same grade(s) do the following:</p> <ul style="list-style-type: none"> <li>i. Review the LEAs procedure to identify and address potential financial inequities due to school fee waivers.</li> <li>ii. Determine if the LEA identified financial inequities between schools due to fee waivers.</li> <li>iii. If inequities were identified, determine if they were properly addressed to resolve the inequity. Unless proven otherwise, the LEA funding an equal portion of fee waivers at the schools does not address financial in equity.</li> </ul>  |  |  |
|  | <p><b>Contact(s):</b><br/>                 Zac Christensen, Director of Purchasing and Contracts, 801-538-7538<br/> <a href="mailto:zac.christensen@schools.utah.gov">zac.christensen@schools.utah.gov</a></p>  |  |  |
|  | <p><b>Procurement</b></p> <p>1. To achieve a low level of assessed risk, select a sample of non-payroll transactions from the various state programs (inclusive of MSP and others) of the LEA. Determine if funds were:</p>   |  |  |
|  | <p>a. Procured either for 1) a public education purpose if the funding is a general program or 2) an allowable activity according to the requirements of the restricted programs. A non-public education purpose includes but is not limited to personal expenditures, funeral flowers, birthday gifts, etc.</p>  |  |  |
|  | <p>b. Procured in accordance with the LEA's policies and procedures as well as State Procurement Guidelines.</p>  |  |  |
|  | <p>c. Recorded when the transaction occurred and, if applicable, when a related adjusting journal entry was made, using proper coding, defined in <a href="#">R277-113-5(9)(b)(ii)</a>; and</p>   |  |  |
|  | <p>d. Supported by available documentation sufficient and adequate to show compliance, including documentation which supports the classification of the transaction.</p>  |  |  |
|  | <p>e. An allowable cost according to applicable statute, board rules, applications, plans, and/or budgets for each program.</p>   |  |  |





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 |  |
|                                |                | -   | -                  | +                                 | -               | +           | +           | +         | +                            | +           | =         |                      |                    |                   |  |
| <b>State Programs</b>          |                |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| <b>State Appropriations</b>    |                |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5380           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5613           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5618           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5660           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5664           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5674           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5676           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5687           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5699           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5846           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 8070           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5610           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5616           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 1920                           | 5601           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5680           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3800                           | 5672           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| <b>Minimum School Program:</b> |                |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | VAR            |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | VAR            |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | VAR            |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 5220           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 5295           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | VAR            |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 1205           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 1210           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 1215           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 1220           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 1225           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 1230           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 1278           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | VAR            |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 6100           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 5903           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 5902           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 5901           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 6000           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 6000           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3100                           | 5201           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3200                           | 5315           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3200                           | 5371           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3200                           | 5318           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3200                           | 5317           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3200                           | 5310           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3200                           | 5619           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3200                           | 5625           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5336           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5339           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5340           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 1609           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5613           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5332           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5331           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5612           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5334           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5333           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5685           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5805           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5641           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3300                           | 5657           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3400                           | 5876           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3400                           | 5807           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |
| 3400                           | 5607           |   |                    |                                   |                 |             |             |           |                              |             |           |                      |                    |                   |  |

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 |      |   | -  | - | -  | - | -  | - | -  | - | -  | - | -  | - | -  | - | -  |   |
| <b>Total State</b>                                     |      |   | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |

| 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               |      |   | -  | - | -  | - | -  | - | -  | - | -  | - | -  | - | -  | - | -  | - |
| <b>Total Federal</b>                                      |      |   | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - |

**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"> <li>• Those that have a material effect</li> <li>• Less than material but more than inconsequential <sup>1</sup></li> <li>• Those that are inconsequential (Other Matters)</li> </ul> | X   | X                      | X   |
| Deficiencies in internal control over state compliance requirements: <ul style="list-style-type: none"> <li>• Material weakness</li> <li>• Significant deficiency</li> <li>• Deficiency in internal control</li> </ul>  | X<br>X  |                        | X   |
| <sup>1</sup> 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  
Internal Control Systems  
Public Education Programs

#### *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  
Internal Control Systems  
Public Education Programs

#### ***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  
Internal Control Systems  
Public Education Programs

#### ***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]