

1 **R277. Education, Administration.**

2 **R277 113. LEA Fiscal and Auditing Policies.**

3 **R277-113-1. Authority and Purpose.**

4 (1) This rule is authorized by:

5 (a) Utah Constitution Article X, Section 3, which vests general control and
6 supervision over public education in the Board;

7 (b) Subsection 53E-3-401(4), which allows the Board to make rules to execute the
8 Board's duties and responsibilities under the Utah Constitution and state law;

9 (c) Subsection 53E-3-501(1)(e)(i), which directs the Board to establish rules and
10 minimum standards for school productivity and cost effectiveness measures;

11 (d) Subsection 53E-3-501(1)(e)(iv), which allows the Board to adopt rules regarding
12 financial, statistical, and student accounting requirements;

13 (e) Section 53E-3-602, which allows the Board to approve auditing standards for
14 ~~[school]~~ LEA governing boards; ~~[and]~~

15 (f) Section 53E-3-603, which requires the Board to verify accounting procedures of
16 ~~[school]~~ LEA governing boards for the purpose of determining the allocation of Uniform
17 School Funds[-];

18 (g) Section 53E-5-202, which directs the Board to adopt rules to implement a
19 statewide accountability system; ~~[and]~~

20 (h) Subsection 53G-5-404(4), which requires charter schools to make the same
21 annual reports required of other public schools, including an annual financial audit report;
22 and

23 ([h]i) ESSA, which requires states to revise and redesign school accountability
24 systems.

25 (2) The purpose of this rule is to:

26 (a) require LEAs to formally adopt and implement policies regarding the
27 management and use of public funds;

28 (b) provide minimum standards, procedures and definitions for LEA policies;

29 (c) direct that LEAs make policies, procedures and training materials available to the

- 30 public and readily accessible on LEA or public school websites, to the extent of resources
31 available;
- 32 (d) require LEAs to train employees in:
- 33 (i) appropriate financial practices;
- 34 (ii) necessary accounting procedures; and
- 35 (iii) ethical financial practices; ~~[and]~~
- 36 (e) specify uniform budgeting, accounting, and auditing procedures for LEAs
37 consistent with GAAP, ~~[and]~~ GAAS, and GAGAS[-]; and
- 38 (f) establish reporting and accounting requirements for LEAs to enable the Board
39 to comply with ESSA.

40 **R277-113-2. Definitions.**

- 41 (1) "Accrual basis of accounting" means a basis of accounting that records:
- 42 (a) revenue when earned and expenses when incurred; and
- 43 (b) transactions irrespective of the dates on which any associated cash flows occur.
- 44 (2) "Administration" means:
- 45 (a) an LEA superintendent or director;
- 46 (b) a deputy or associate superintendent or director;
- 47 (c) a business administrator or manager; or
- 48 (d) another LEA educational administrator, designated staff, or a designated
49 educational service provider.
- 50 ~~[(2)]~~ (3) "Arm's length transaction" means a transaction between two unrelated,
51 independent, and unaffiliated parties or a transaction between two parties acting in their
52 own self interest that is conducted as if the parties were strangers so that no conflict of
53 interest exists.
- 54 (3) "Exclusive contract or arrangement" means an agreement requiring a buyer to
55 purchase or exchange all needed goods or services from one seller.
- 56 (4) "FASB" means the Financial Accounting Standards Board whose purpose is to
57 establish GAAP for nongovernmental entities within the United States.

58 (5) "GAAP" means Generally Accepted Accounting Principles or a common
59 framework of accounting rules and standards for financial reporting promulgated by either
60 FASB or GASB, as applicable to the reporting entity.

61 (6) "GAAS" means Generally Accepted Auditing Standards or a set of auditing
62 standards and guidelines promulgated by the Auditing Standards Board of the American
63 Institute of Certified Public Accountants.

64 (7) "GAGAS" means Generally Accepted Government Auditing Standards or a set
65 of auditing standards and guidelines promulgated by the Government Accountability Office.

66 ~~(7) "GASB" means the Governmental Accounting Standards Board whose~~
67 ~~purpose is to establish GAAP for state and local governments within the United States.~~

68 ~~(8) "Internal controls" means a process, implemented by an entity's governing~~
69 ~~body, management administration, or other personnel, designed to:~~

70 ~~(a) provide reasonable assurance regarding the achievement of objectives in the~~
71 ~~following categories:~~

72 ~~(a)i) Effectiveness and efficiency of operations;~~

73 ~~(b)ii) Reliability of reporting for internal and external use; and~~

74 ~~(c)iii) Compliance with applicable laws and regulations~~;~~;~~

75 ~~(b) provide reasonable assurance regarding the achievement of the following~~
76 ~~objectives over state and federal awards:~~

77 ~~(i) proper recording and accounting for transactions, in order to:~~

78 ~~(A) permit the preparation of reliable financial statements and state and federal~~
79 ~~reports;~~

80 ~~(B) maintain accountability over assets; and~~

81 ~~(C) demonstrate compliance with state and federal statutes, regulations, and the~~
82 ~~terms and conditions of state and federal awards; and~~

83 ~~(ii) execution of transactions in compliance with:~~

84 ~~(A) all state and federal statutes and regulations; and~~

85 ~~(B) the terms and conditions of state or federal awards; and~~

86 ~~(c) safeguard funds, property, and other against loss from unauthorized use or~~

87 disposition.

88 ~~[(d) maintain compliance with guidance in “Standards for Internal Control in the~~
89 ~~Federal Government,” issued by the Comptroller General of the United States or the~~
90 ~~“Internal Control Integrated Framework,” issued by the Committee of Sponsoring~~
91 ~~Organizations of the Treadway Commission.]~~

92 [(9)10] "LEA" includes, for purposes of this rule, the Utah Schools for the Deaf and
93 the Blind.

94 [(10) "Management" means:

95 ~~——(a) an LEA superintendent or director;~~

96 ~~——(b) a deputy or associate;~~

97 ~~——(c) a business administrator or manager; [or]~~

98 ~~——(d) other educational administrator or designated staff[.]; or~~

99 ~~——(e) an educational service provider that performs the functions listed in Subsections~~
100 ~~(a) through (d).]~~

101 (1[1]2) "Modified accrual basis of accounting" means a basis of accounting,
102 commonly used by government agencies, that recognizes revenues when they become
103 available and measurable and recognizes expenditures when liabilities are incurred.

104 (1[2]3) "Non-operating LEA" means an LEA that has not received minimum school
105 program funds or federal funds and is not providing educational services during a fiscal
106 year, such as an LEA in a start-up period.

107 (14) “N-size” means the minimum size necessary to disclose or display data to
108 ensure maximum student group visibility while protecting student privacy.

109 (1[3]5) "Operating LEA" means an LEA that has received state minimum school
110 program funds or federal funds and is providing educational services during a fiscal year.

111 (16)(a) "Provided, sponsored, or supported by a school" has the same meaning as
112 defined in Section R277-407-2.

113 (b) "Provided, sponsored, or supported by a school" does not apply to non-curricular
114 clubs specifically authorized and meeting all criteria of Sections 53G-7-704 through 53G-7-
115 707.

116 (1~~[4]~~⁷) "Public funds" has the same meaning as that terms is defined in Subsection
117 51-7-3(26).

118 ~~[(15) "School sponsored" means an activity, fundraising event, club, camp, clinic,~~
119 ~~or other event or activity that is authorized by a specific LEA or public school, according~~
120 ~~to local board policy, and satisfies at least one of the following conditions:~~

121 ~~—— (a) the activity is managed or supervised by an LEA or public school, or LEA or~~
122 ~~public school employee;~~

123 ~~—— (b) the activity uses the LEA or public school's facilities, equipment, or other school~~
124 ~~resources; or~~

125 ~~—— (c) the activity is supported or subsidized, more than inconsequentially, by public~~
126 ~~funds, including the public school's activity funds or minimum school program dollars.]~~

127 (1~~[6]~~⁸) "Title IX" refers to that portion of the United States Education Amendments
128 of 1972 codified as 20 U.S.C. 1681 through 20 U.S.C. 1688.

129 (1~~[7]~~⁹) "Utah Public Officers' and Employees' Ethics Act," means Title 67, Chapter
130 16, which provides standards of conduct for officers and employees of the state of Utah
131 and its political subdivisions in areas where there are actual or potential conflicts of interest
132 between public duties and private interests.

133 **R277-113-3. Superintendent Responsibilities.**

134 (1) The Superintendent shall provide training, informational materials, and model
135 policies for use by LEAs in developing LEA and public school-specific financial policies.

136 (2) The Superintendent shall provide online training and resources for LEAs
137 regarding the use and management of public funds and ethical practices for licensed Utah
138 educators who manage, control, participate in fundraising, or expend public funds.

139 (3) The Superintendent shall provide training and informational materials for use by
140 LEA governing boards in establishing their audit committees and internal audit programs
141 in compliance with Section 53G-7-402.

142 (~~[3]~~⁴) The Superintendent shall provide and establish a cycle for state review of LEA
143 fiscal policies and standards.

144 ~~([4]5)~~ The Superintendent shall work with and provide information upon request to
145 the Utah State Auditor’s Office, the Legislative Fiscal Auditors, and other state agencies
146 with the right to information from the Board.

147 **~~[R277-113-4. LEA Fiscal Responsibilities.~~**

148 ~~—— (1)(a) An LEA shall develop and implement written fiscal policies, subject to~~
149 ~~approval by the LEA’s board, as required by R277-113-5.~~

150 ~~—— (b) An LEA shall review the LEA’s fiscal policies annually.~~

151 ~~—— (2) An LEA shall develop a plan for annual training of LEA and public school~~
152 ~~employees on policies enacted by the LEA specific to job function.~~

153 ~~—— (3) LEA policies shall be available at each LEA main office, at individual public~~
154 ~~schools, and on the LEA’s website.~~

155 ~~—— (4) LEA fiscal policies and training may have different components, specificity, and~~
156 ~~levels of complexity for public elementary and secondary schools.~~

157 ~~—— (5) An LEA may have one or more policies to satisfy the minimum requirements of~~
158 ~~this R277-113.~~

159 ~~—— (6) An LEA policy may reference specific training manuals or other resources that~~
160 ~~provide detailed descriptions of business practices which are too lengthy or detailed to~~
161 ~~include in the LEA policy.~~

162 ~~—— (7) An LEA governing board shall have the following responsibilities:~~

163 ~~—— (a) ensure that LEA management properly develops and adheres to a sound system~~
164 ~~of documented internal controls consistent with R277-113-6.~~

165 ~~—— (b) develop a process to regularly review:~~

166 ~~—— (i) LEA management’s budget and financial reporting practices;~~

167 ~~—— (ii) financial statements;~~

168 ~~—— (iii) LEA financial position; and~~

169 ~~—— (iv) LEA and individuals school records;~~

170 ~~—— (c) make monthly reports on the fiscal position of the LEA to the LEA board;~~

171 ~~—— (d) monitor LEA contract services by:~~

- 172 ~~—— (i) determining the appropriate scope of contracts with management companies that~~
173 ~~provide business services and student services;~~
- 174 ~~—— (ii) managing the procurement process in compliance with Title 63G, Chapter 6a;~~
175 ~~—— (iii) making recommendations to the LEA board on the results of the procurement~~
176 ~~process;~~
- 177 ~~—— (iv) assessing the performance of management companies; and~~
178 ~~—— (v) ensuring management implements sufficient internal controls over the functions~~
179 ~~of management companies;~~
- 180 ~~—— (e) monitor procurement and use of systems and software applications for~~
181 ~~compliance with financial and student privacy laws; and~~
- 182 ~~—— (f) monitor LEA expenditure of restricted funds to ensure compliance with applicable~~
183 ~~laws and grant terms and conditions.~~
- 184 ~~—— (8) A public education foundation established by an LEA shall follow the~~
185 ~~requirements set forth in Section 53E-3-403.]~~

186 **R277-113-~~[5]~~4. LEA Audit Responsibilities.**

187 (1) The presiding officer of an LEA governing board shall ensure that the members
188 of the governing board [and audit committee](#) are provided with training on the requirements
189 of Title 53G, Chapter 7, Part 4, Internal Audits, and this ~~[rule]~~ [Section R277-113-4](#) as part
190 of the member on-boarding process.

191 (2) The training described in Subsection (1) shall:

192 (a) comply with Title 63G, Chapter 22, State Training and Certification
193 Requirements; and

194 (b) use the online training and informational materials provided by the
195 Superintendent in accordance with Subsection R277-113-3(3).

196 (3) An LEA governing board shall:

197 (a) designate board members to serve on an audit committee, consistent with
198 Subsection [53G-7-401\(1\)](#)~~[-];~~ and

199 (b) maintain the following information on the LEA's website:

- 200 (i) names of the ~~[voting members of]~~ governing board members who serve on the
201 audit committee; and
- 202 (ii) if required by Subsection 53G-7-402(2);
203 (A) the name and contact information of the internal audit director; and
204 (B) a copy of the LEA’s annual audit plan.
205 ~~[(C) completed internal audit reports for the previous two years.]~~
- 206 (4) An LEA audit committee shall:
- 207 (a) ensure the LEA obtains all audits, agreed-upon procedures, engagements, and
208 financial reports required by Section 51-2a-201 and Subsection 53G-5-404(4);
- 209 (b) provide an independent forum for internal auditors, internal audit contractors,
210 and other regulatory bodies to report findings of fraud, waste, abuse, non-compliance, or
211 control weaknesses, particularly if LEA ~~[management]~~ administration is involved;
- 212 (c) ensure that corrective action on findings, concerns, issues and exceptions
213 reported by independent external auditors, internal auditors, or other regulatory bodies are
214 resolved in a timely manner by LEA ~~[management]~~ administration;
- 215 (d) present, as appropriate, information and reports from the audit committee’s
216 meetings to the LEA board; and
- 217 (e) receive, as appropriate, reports of reviews, monitoring, or investigations
218 conducted by LEA ~~[management]~~ administration and ensure appropriate corrective action
219 is taken in a timely manner.
- 220 (5) With regards to ~~[audits or agreed-upon procedures]~~ engagements completed by
221 an independent external auditor, an LEA audit committee shall:
- 222 (a) manage the audit procurement and quality process in compliance with Title 63G,
223 Chapter 6a, State Procurement Code and Rule R123-5;
- 224 (b) ensure that the independent external auditor has access to directly communicate
225 with the audit committee;
- 226 (c) review disagreements between independent external auditors and LEA
227 ~~[management]~~ administration;
- 228 (d) consider LEA responses to audits or agreed-upon procedures; and

- 229 (e) determine the scope and objectives of other non-audit services, as necessary.
- 230 ([2]6) An LEA audit committee shall[:
- 231 ~~— (a)] if required by Section 53G-7-402[;];~~
- 232 (a) establish an internal audit program that provides internal audit services for the
- 233 programs administered by the LEA;
- 234 ~~[(b) receive a report of the risk assessment process undertaken by the LEA~~
- 235 ~~management in collaboration with the internal audit department;~~
- 236 ~~— (c) monitor the internal and external audit process by:~~
- 237 ~~— (i) determining the appropriate scope of the independent external audit;~~
- 238 ~~— (ii) determining the appropriate scope of non-audit services to be performed by the~~
- 239 ~~independent auditor;~~
- 240 ~~— (iii) managing the audit procurement process in compliance with Title 63G, Chapter~~
- 241 ~~6a, State Procurement Code;~~
- 242 ~~— (iv) making recommendations to the LEA board on the results of the procurement~~
- 243 ~~process;~~
- 244 ~~— (v) facilitating regular direct communication with independent external auditors;~~
- 245 ~~— (vi) receiving independent external audit report and financial statements;~~
- 246 ~~— (vii) ensuring management implements corrective actions;~~
- 247 ~~— (viii) assessing performance of the independent auditors;~~
- 248 ~~— (ix) reviewing disagreements between independent auditors and management;~~
- 249 ~~— (x) prioritizing the internal audit plan based on risk;~~
- 250 ~~— (xi) receiving audit reports from internal auditors, contractors providing internal audit~~
- 251 ~~services, and other regulatory bodies; and~~
- 252 ~~— (xii) providing an independent forum for internal auditors, internal audit contractors,~~
- 253 ~~and other regulatory bodies to report findings of fraud, waste, abuse, non-compliance, or~~
- 254 ~~control weaknesses, particularly if management is involved;~~
- 255 ~~— (d) conduct or advise the LEA board in an annual evaluation of internal audit~~
- 256 ~~personnel or contractors providing internal audit services;~~
- 257 ~~— (e) ensure that issues and exceptions reported by internal auditors, or other~~

258 ~~regulatory bodies are resolved in a timely manner;~~
259 ~~—— (f) present the audit reports of external auditors, internal auditors or other regulatory~~
260 ~~bodies to the LEA board;~~
261 ~~—— (g) receive reports of reviews or audits conducted by the Superintendent and ensure~~
262 ~~appropriate corrective actions is taken in a timely manner; and~~
263 ~~—— (h) advise the local LEA board in the appointment of an audit director or in~~
264 ~~contracting services for internal audit services in accordance with Subsection 53G-7-~~
265 ~~402(3).~~
266 ~~—— (3)(a) An LEA shall follow the internal auditing requirements of Title 53G, Chapter~~
267 ~~7, Part 4, Internal Audits.~~
268 ~~—— (b) An LEA internal audit director may not have responsibilities for management or~~
269 ~~operations of the LEA.~~
270 ~~—— (c) If an LEA internal audit director contracts with a consultant, any contractual~~
271 ~~agreement with the consultant shall comply with the LEA's procurement policy.~~
272 ~~—— (4) An LEA shall obtain all audits and financial reports required by Section 51-2a-~~
273 ~~204.]~~
274 (b) advise the LEA board in the appointment of an audit director or in contracting for
275 internal audit services in accordance with Subsection 53G-7-402(3);
276 (c) conduct or advise the LEA board in an annual evaluation of the internal audit
277 director or contractors providing internal audit services;
278 (d) prioritize the internal audit plan based on risk;
279 (e) receive regular updates on the internal audit plan and internal audit project
280 progress; and
281 (f) receive final internal audit reports from internal auditors or contractors providing
282 internal audit services.

283 **R277-113-[6]5. LEA Fiscal Responsibilities and Required [LEA] Fiscal Policies.**

284 (1) An LEA shall review the LEA's fiscal policies and procedures [annually] regularly.
285 (2) An LEA shall develop a plan for annual training of LEA and public school

286 employees on policies and procedures enacted by the LEA specific to job function.

287 (3) LEA fiscal policies and procedures shall be available at each LEA main office,
288 at individual public schools, and be publicly available on the LEA's website.

289 (4) LEA fiscal policies, procedures, and training may have different components,
290 specificity, and levels of complexity for public elementary and secondary schools.

291 (5) An LEA may have one or more policies to satisfy the minimum requirements of
292 this R277-113.

293 (6) An LEA fiscal policy may reference specific training manuals or other resources
294 that provide detailed descriptions of business practices which are too lengthy or detailed
295 to include in the LEA policy.

296 (7) A public education foundation established by an LEA shall follow the
297 requirements set forth in Section 53E-3-403.

298 ([4]8)(a) An LEA shall ensure that the LEA's written fiscal policies and procedures
299 address all applicable [~~Utah Code references or Board Rules~~] state and federal statutes
300 and regulations.

301 (b) The requirements set forth in this Section R277-113-[6]5 are minimum
302 requirements.

303 (c) An LEA may include other related items, provide LEA specific policy and
304 guidance, and set polices that are more restrictive and inclusive than the minimum
305 provisions established by Board rule.

306 ([2]9) LEA fiscal policies shall include the following:

307 (a) a program accounting policy that establishes internal controls and procedures
308 to record program [~~and activity~~] revenues and expenditures in accordance with:

309 (i) GAAP; and

310 (ii) the school fee provisions in Section R277-407-13;

311 (b) a program accounting policy that:

312 (i) accurately reflects the use of funds for allowable costs and activities;

313 (ii) requires that [~~program activity expenditures~~] transactions be recorded when they
314 occur;

315 (iii) allows adjusting journal entries [mid] during the year [or] and at the end of the
316 year, in accordance with GAAP[; to accurately reflect allowable use of funds]; and
317 (iv) requires that initial transactions, and adjusting entries if applicable, be recorded
318 in the proper program[; and activity if applicable], utilizing the following codes as
319 established by the Board approved chart of accounts:

320 (A) fund;

321 (B) function;

322 (C) program;

323 ~~[(D) activity; and]~~

324 (D) location; and

325 (E) object or revenue code, as applicable;

326 (a)c) a cash handling policy, which shall address cash receipts (cash, checks, credit
327 cards, and other items) collected at the LEA and individual public schools and shall include:

328 (i) establishment of internal controls and procedures over the collection, deposit, and
329 reconciliation of cash receipts received; and

330 (ii) compliance with Utah Code 51-4-2(2) regarding deposits.

331 (b)d) an expenditure policy, which shall address all expenditures made by the LEA
332 and individual public schools and shall include:

333 (i) establishment of internal controls and procedures over the initiation, approval and
334 monitoring of expenditures, including:

335 (A) credit, debit, or purchase card transactions;

336 (B) employee reimbursements;

337 (C) travel; and

338 (D) payroll;

339 ~~[(ii) establishment of internal controls and procedures to record transactions when~~
340 ~~they occur in the proper program utilizing the following codes as established by the Board~~
341 ~~approved chart of accounts:~~

342 ~~——(A) fund;~~

343 ~~——(B) function;~~

- 344 ~~—— (C) location;~~
345 ~~—— (D) program; and~~
346 ~~—— (E) object or revenue code as applicable;]~~
347 (ii)[f]) directives regarding the appropriate use of the LEA’s tax exempt status
348 number;
349 ([iv]iii) compliance with Section 63G-6a-1204 regarding length of multi-year
350 contracts;
351 (iv) compliance with:
352 (A) Title 63G, Chapter 6a;
353 (B) Board rule regarding construction and improvements; and
354 (C) Title IX;
355 (v)[f]) requirements for LEA contracts, including:
356 (A) inclusion of specific scope of work language;
357 (B) inclusion of federal requirements;
358 (C) inclusion of language regarding data privacy and use, where appropriate; and
359 (D) legal review prior to LEA approval; and
360 (vi)[f]) procedures and documentation maintained by the LEA if the LEA chooses to
361 enter into exclusive contracts or arrangements consistent with state procurement law and
362 the LEA procurement policy[-]; and
363 (vii) procedures for determining allowability of costs in accordance with relevant
364 regulations and terms and conditions of awards;
365 ([e]e) a fundraising policy that:
366 (i) establishes procedures for LEA and public school fundraising in general;
367 (ii) establishes an approval process for fundraising activities for school sponsored
368 activities;
369 (iii) provides for compliance with school fee and fee waiver provisions outlined in
370 Rule R277-407; and
371 (iv) includes:
372 (A) specific designation of employees by title or job description who are authorized

373 to approve fundraising, school sponsored activities, and grant fee waivers with appropriate
374 attention to student and family confidentiality;

375 (B) establishment of internal controls and procedures over the approval of
376 fundraising and school sponsored activities and compliance with associated cash handling
377 and expenditure policies;

378 (C) directives regarding the appropriate use of the LEA's tax exempt status number
379 and issuance of charitable donation ~~[receipts]~~ written disclosure in accordance with IRS
380 regulations;

381 (D) procedures governing LEA or public school employee interaction with parents,
382 donors, and ~~[nonschool-sponsored]~~ organizations doing fundraisers not provided,
383 supported or sponsored, by a school or LEA;

384 (E) disclosure requirements for LEA and public school employees approving,
385 managing, or overseeing fundraising activities, who also have a financial or controlling
386 interest or access to bank accounts in the fundraising organization or company;

387 (F) Provisions establishing compliance with:

388 (I) Utah Constitution, Article X, Section 2, establishing a free public education
389 system;

390 (II) R277-407; and

391 (III) Title IX;

392 (v) ~~[An LEA]~~ may include procedures governing:

393 (A) student participation and incentives offered to students;

394 (B) allowable types of individual or group fundraising activities; and

395 (C) participation in school sponsored activities by volunteer or outside organizations;

396 ~~[e]f~~ an LEA donation and gift policy that includes:

397 (i) an acceptance and approval process for:

398 (A) monetary donations;

399 (B) donations and gifts with donor restrictions;

400 (C) donations of gifts, goods, materials, or equipment; and

401 (D) donation of funds or items designated for construction or improvements of

- 402 facilities;
- 403 (ii) establishment of internal controls and procedures over the acceptance and
404 approval of donations and gifts and compliance with associated cash handling and
405 expenditure policies;
- 406 (iii) directives regarding the appropriate use of the LEA's tax exempt status number,
407 and issuance of charitable donation ~~[receipts]~~ written disclosure in accordance with IRS
408 regulations;
- 409 (iv) procedures regarding the objective valuation of donations or gifts if advertising
410 or other services are offered to the donor in exchange for a donation or gift;
- 411 (v) procedures governing LEA or public school employee conduct with parents,
412 donors, and nonschool sponsored organizations;
- 413 (vi) procedures establishing provisions for direct donations or gifts to the LEA or LEA
414 programs, individual public school or public school programs;
- 415 (vii) provisions restricting donations from being directed at specific LEA employees,
416 individual students, vendors, or brand name goods or services;
- 417 (viii) compliance with:
- 418 (A) Title 63G, Chapter 6a;
- 419 (B) state law and Board rule regarding construction and improvements;
- 420 (C) IRS regulations and tax deductible directives; and
- 421 (D) Title IX;
- 422 (ix) procedures for:
- 423 (A) accepting donations and gifts through an LEA's legally organized foundation, if
424 applicable;
- 425 (B) recognition of donors; or
- 426 (C) granting naming rights; and
- 427 (e) an LEA Financial Reporting policy, which shall include the following:
- 428 (i) a requirement that the LEA shall ensure ~~[financial reporting in accordance with~~
429 ~~GAAP and]~~ external audits of LEA financial reporting, compliance, and performance, in
430 accordance with GAAS and GAGAS;

431 (ii)(A) a requirement that the LEA shall provide financial reporting in a manner
432 consistent with the basis of accounting as required by GAAP, as applicable to the entity;
433 ~~[and]~~

434 (B) for state fiscal year 2020, if an LEA follows FASB standards, a requirement that
435 the LEA shall provide reconciliation between the accrual basis of accounting and modified
436 accrual basis of accounting; and

437 (C) beginning with state fiscal year 2021, a requirement that the basis of accounting
438 will be GASB; and

439 (iii) a requirement that the LEA shall provide data and information consistent with
440 budgeting, accounting, including the uniform chart of accounts for LEAs, and auditing
441 standards for Utah LEAs provided online annually by the Superintendent.

442 ~~([3]10)~~ The Superintendent shall maintain a School Finance website with applicable
443 Utah statutes, Board rules, and uniform rules for:

- 444 (a) budgeting;
- 445 (b) financial accounting, including a chart of accounts required for an LEA;
- 446 (c) student membership and attendance accounting;
- 447 (d) indirect costs and proration;
- 448 (e) financial audits;
- 449 (f) statistical audits; and
- 450 (g) compliance and performance audits.

451 **R277-113-6. LEA Governing Board Fiscal Responsibilities.**

452 (1) An LEA governing board shall have the following responsibilities:

453 (a) approve written fiscal policies and procedures required by Section R277-113-5;

454 (b) ensure, [considering guidance in “Standards for Internal Control in the Federal](#)
455 [Government,” issued by the Comptroller General of the United States or the “Internal](#)
456 [Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of](#)
457 [the Treadway Commission](#), that LEA ~~[management]~~ administration establish, document,
458 and maintain an effective internal control system for the LEA;

- 459 (c) develop a process to regularly discuss and review LEA:
460 (i) budget and financial reporting practices;
461 (ii) financial statements and annual financial and program reports;
462 (iii) financial position;
463 (iv) expenditure of restricted funds to ensure [management] administration is
464 complying with applicable laws, regulations, and award terms and conditions; and
465 (v) systems and software applications for compliance with financial and student
466 privacy laws;
467 ~~(d) make regular reports on the fiscal position of the LEA during a board meeting;~~
468 (d) receive the results of required annual audits from the external auditor in
469 accordance with Section R123-5-5;
470 (e) oversee procurement processes in compliance with Title 63G, Chapter 6a, Utah
471 Procurement Code, and Rule R277-115, including:
472 (i) ~~[determining the appropriate]~~ reviewing the scope and objectives of LEA contracts
473 or subawards with entities that provide business or educational services; and
474 (ii) [assessing] receiving reports regarding the compliance and performance of
475 entities with contracts or subawards;
476 (f) ensure the procurement process for an external auditor is in compliance with
477 Section R123-5-4;
478 (g) ensure LEA [management] administration implements sufficient internal controls
479 over the functions of entities with contracts or subawards to perform services on behalf of
480 the LEA;
481 (2) An LEA governing board shall:
482 (a)(i) provide a hotline independent from [management] administration for
483 stakeholders to report concerns of fraud, waste, abuse, or non-compliance; and
484 (ii) post on the school's website in a readily accessible location:
485 (A) a hotline phone number;
486 (B) a hotline email; or
487 (C) an online complaint form; or

488 (b) post a link on the school's website in a readily accessible location with contact
489 information for the Board's hotline.

490 **R277-113-7. Reporting of School Level Expenditures.**

491 (1) In accordance with ESSA, the Superintendent shall make public [required
492 expenditure reporting elements, including school level expenditures.

493 ~~—— (a) The Superintendent shall calculate school level expenditures for all schools, by~~
494 ~~LEA.~~

495 ~~—— (b) The Superintendent shall calculate expenditures for the prior fiscal year.]~~
496 the per pupil expenditures of federal, state, and local funds, for each LEA and each school
497 in the state.

498 (a) The Superintendent shall exclude expenditures that:

499 (i) are non-current;

500 (ii) do not reflect the day-to-day operations of an LEA or school;

501 (iii) do not contribute to k-12 education; or

502 (iv) are significant, unique expenditures that may skew data in certain years and
503 thwart year-to-year comparison.

504 (b) The Superintendent shall publish and make available a comprehensive list of
505 expenditures that are excluded from per pupil expenditure information.

506 (2) The Superintendent's school level report for each school shall include:

507 (a) average daily membership for the fiscal year covered by the report;

508 (b) an indicator if the school is:

509 (i) a Title I School; or

510 (ii) a Necessarily Existent Small School;

511 (c) grade levels served by each school;

512 (d) student demographics;

513 (e) expenditures recorded at the school level and central expenditures allocated to
514 each school by:

515 (i) federal program expenditures; and

- 516 (ii) state and local combined expenditures;
517 (f) calculated per pupil expenditures; and
518 (g) average teacher salary.
519 ~~[(3) The Superintendent shall exclude the following expenditures from per pupil~~
520 ~~school expenditure calculations and present them in total for each LEA:~~
521 ~~—— (a) capital acquisitions;~~
522 ~~—— (b) debt service; and~~
523 ~~—— (c) internal service funds.]~~
524 (3) The Superintendent may not report expenditure data for a school with an n-size
525 of less than 10.

526 **R277-113-8. LEA Accounting Requirements.**

- 527 (1) Each LEA shall:
528 (a) record revenues and expenditures in compliance with the Board approved chart
529 of accounts;
530 (b) record expenditures using school location codes that can be mapped to official
531 school location codes used in the Board system of record;
532 (c) record expenditures using approved district and school codes in the Board
533 system of record;
534 (d) submit expenditures using location codes in the UPEFS system; and
535 (e) perform program accounting in accordance with GAAP and this rule.
536 (2) Each LEA shall record and report the following expenditures for each school
537 annually:
538 (a) salaries;
539 (b) benefits;
540 (c) supplies;
541 (d) contracted services; and
542 (e) equipment.

543 (3) If an LEA pays for contracted services that occur at the school level, the LEA
544 shall record the payments to the contractors in the appropriate function and object codes
545 established under Subsection (2) at the school level.

546 (4)(a) An LEA shall record centralized administrative costs to the administrative
547 location code.

548 (b) The Superintendent shall allocate such costs to each school based on school
549 enrollment.

550 ~~[(5)(a) An LEA shall report transportation costs by function at the LEA level.]~~

551 ~~——(b) The Superintendent shall allocate transportation costs to individual school based~~
552 ~~on the enrollment of each school.]~~

553 ~~——(6)(a) An LEA shall report child nutrition costs by function at the LEA level.]~~

554 ~~——(b) The Superintendent shall allocate child nutrition costs to individual school based~~
555 ~~on enrollment of each school.]~~

556 (7) The Superintendent shall present one expenditure report for a school receiving
557 more than one report card under Subsection R277-497-4(8).

558 (8) If an LEA reports expenditures in programs, the LEA shall report the
559 expenditures to one or more schools.

560 **R277-113-[7]9. [School Sponsored] Activities Provided, Sponsored, or Supported by**
561 **a School.**

562 ~~[(1)(a) If an activity, fundraising event, clinic, club, camp, or activity does not meet~~
563 ~~the definition of school sponsored and is organized by a third party, then the requirements~~
564 ~~of S[ubs]ection R277-113-4(11) do not apply.]~~

565 ~~——(b) All transactions pertaining to nonschool sponsored events shall be conducted~~
566 ~~at arm's length.]~~

567 ~~——(c) Revenues and expenditures from nonschool sponsored events may not be~~
568 ~~commingled with public funds.]~~

569 ~~——(2) For nonschool sponsored events, funds may only be managed or held by a~~
570 ~~public school employee consistent with Rule R277-107.]~~

571 ~~—— (3) The definition of school [sponsored] and requirements of Section R277-113-~~
572 ~~4(11) do not apply to non-curricular clubs specifically authorized and meeting all criteria of~~
573 ~~Sections 53G-7-704 through 53G-7-707.~~

574 ~~—— (4) An LEA or individual public school shall comply with the following regarding~~
575 ~~school and nonschool sponsored activities:~~

576 ~~—— (a) An LEA may establish LEA specific rules or polices designating categories of~~
577 ~~school sponsored activities or groups and establishing LEA policy regarding use of facilities~~
578 ~~or LEA resources.~~

579 ~~—— (b) An LEA may enter into contractual agreements to allow for fundraising and use~~
580 ~~of LEA facilities.~~

581 ~~—— (i) An agreement under Subsection (4)(a) shall take into consideration the LEA's~~
582 ~~fiduciary responsibility for the management and use of public funds.~~

583 ~~—— (ii) An LEA should consult with the LEA's insurer or legal counsel, or both, to ensure~~
584 ~~risks are adequately considered and managed;~~

585 ~~—— (c) An LEA shall annually review fundraising activities that support or subsidize LEA~~
586 ~~or public school authorized clubs, activities, sports, classes or programs to determine if the~~
587 ~~activities are school sponsored;~~

588 ~~—— (d) An LEA shall ensure that revenues raised from school sponsored activities and~~
589 ~~funds expended from the proceeds are classified and processed as public funds;~~

590 ~~—— (e) An LEA shall maintain adequate records to verify that funds collected from or~~
591 ~~during school sponsored activities are in compliance with LEA cash handling policies as~~
592 ~~required by Section R277-113-5;~~

593 ~~—— (f) An LEA shall maintain adequate records to show that expenditures made to~~
594 ~~support activities from LEA or public school funds are in compliance with LEA expenditure~~
595 ~~of funds policies as required by Section R277-113-5; and~~

596 ~~—— (g) An LEA shall:~~

597 ~~—— (i) make records of activities available to parents, students, and donors;~~

598 ~~—— (ii) maintain records in sufficient detail to track individual contributions and~~
599 ~~expenditures, as well as overall financial outcome.~~

- 600 ~~_____ (iii) restrict access to records as required by state or federal law.]~~
- 601 (1) An LEA or school shall comply with this Section R277-113-9 for all activities
- 602 provided, sponsored, or supported by a school.
- 603 (2) An LEA shall ensure that revenues raised from or during activities provided,
- 604 sponsored, or supported by a school are classified, recorded, and deposited as public
- 605 funds in compliance with LEA cash handling, program accounting, and expenditure of
- 606 funds policies as required by Section R277-113-5.
- 607 (3) An LEA shall:
- 608 (a) maintain records in sufficient detail to:
- 609 (i) track individual contributions and expenditures;
- 610 (ii) track overall financial outcomes; and
- 611 (iii) verify compliance with relevant regulations; and
- 612 (b) make records of activities available to parents, students, and donors, except as
- 613 restricted by state or federal law;
- 614 (4) An LEA may establish LEA-specific rules or policies:
- 615 (a) designating categories of activities or groups as provided, sponsored, or
- 616 supported by the school; and
- 617 (b) regarding use of facilities or LEA resources.
- 618 (5) An LEA shall document their annual review of fundraising activities that support
- 619 or subsidize LEA or public school-authorized clubs, activities, sports, classes, or programs
- 620 to determine if the activities are provided, sponsored, or supported by a school.
- 621 (6)(a) An LEA may enter into contractual agreements to allow for fundraising and
- 622 use of LEA facilities.
- 623 (b) An agreement under Subsection (6)(a) shall take into consideration the LEA's
- 624 fiduciary responsibility for the management and use of public funds, resources, and assets.
- 625 (c) An LEA shall review an agreement under Subsection (6)(a) with the LEA's
- 626 insurer or legal counsel to consider risk to the LEA.
- 627 (7) An LEA shall comply with this Subsection (7) for any activity not provided,
- 628 sponsored, or supported by a school:

- 629 (a) An LEA shall conduct all transactions at arm’s length;
630 (b) An LEA may not co-mingle revenue and expenditures with public funds; and
631 (c) A public school employee may only manage or hold funds consistent with Rule
632 R277-107.

633 **R277-113-~~[8]~~10. LEA Policies and Compliance with State and Federal Law.**

634 (1) An LEA is responsible to ensure that its policies comply with the following [~~state~~
635 ~~laws and Board Rules~~]:

- 636 (a) Utah Constitution Article X, Section 3;
637 (b) Title 63G, Chapter 6a, Utah Procurement Code;
638 (c) Title 51, Chapter 4, Deposit of Funds Due State;
639 (d) Title 67, Chapter 16, Utah Public Officers' and Employees' Ethics Act;
640 (e) Family Educational Rights and Privacy Act, 20 U.S.C. 1232g;
641 (f) Title 63G, Chapter 2, Government Records Access and Management Act;
642 (g) Title 53G, Chapter 5, Student Fees; [~~and~~]
643 (h) Title 53G, Chapter 6, Textbook[s] Fees;
644 (~~[h]~~i) Section 53E-3-403, Establishment of Public Education Foundations;
645 (~~[i]~~j) Title 53G, Chapter 7, Part 7, Student Clubs Act;
646 (~~[j]~~k) Title 51, Chapter 2a, Accounting Reports from Political Subdivisions, Interlocal
647 Organizations, and Other Local Entities Act;
648 (~~[k]~~l) Additional state legal compliance guides for operating LEAs and non-operating
649 LEAs as published by the office of the state Auditor;
650 (~~[l]~~m) Subsection 51-7-3(26), Definition of Public Funds;
651 (~~[m]~~n) Title 53G, Chapter 7, Part 4, Internal Audits;
652 (~~[n]~~o) Rule R277-407, School Fees;
653 (~~[o]~~p) Rule R277-107, Educational Services Outside of Educator's Regular
654 Employment;
655 (~~[p]~~q) Rule R277-~~[515]~~217, Utah Educator Standards;
656 (~~[q]~~r) Rule R277-605, Coaching Standards and Athletic Clinics[.];

657 (s) Rule R123-5, Audit Requirements for Audits of Political Subdivisions and
658 Governmental Nonprofit Corporations; and
659 (t) 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit
660 Requirements for Federal Awards.

661 (2) An LEA shall include the following requirements of Title IX in LEA policies:

662 (a) Fundraising shall equitably benefit males and females;

663 (b) Males and females shall have reasonably equal access to facilities, fields, and
664 equipment;

665 (c) School sponsored activities shall be reasonably equal for males and females.

666

667 **KEY: school sponsored activities, public funds, fiscal policies and procedures, audit**
668 **committee**

669 **Date of Enactment or Last Substantive Amendment: April 12, 2018**

670 **Authorizing, and Implemented, or Interpreted Law: Art X, Sec 3; 53E-3-401(4); 53E-3-**
671 **501(1)(e)**