

1 **R277. Education, Administration.**

2 **R277-116. Audit Procedure.**

3 **R277-116-1. Authority and Purpose.**

4 (1) This rule is authorized by:

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

7 (b) Subsection 63I-5-201(4) which requires the Board to direct the establishment of
8 an internal audit department for programs administered by the entities it governs;

9 (c) Section 53A-1-401(4)(a), which allows the Board to make rules to execute the
10 Boards duties and responsibilities under the Utah Constitution and state law;

11 (d) Subsection 53A-1-402(1)(e) which directs the Board to develop rules and
12 minimum standards regarding school productivity and cost effectiveness measures, school
13 budget formats, and financial, statistical, and student accounting requirements for the local
14 school districts;

15 (e) Section 53A-1-404 which allows the Board to approve auditing standards for
16 school boards;

17 (f) Section 53A-1-405 which makes the Board responsible for verifying audits of local
18 school districts;

19 (g) Subsection 53A-17a-147(2) which directs the Board to assess the progress and
20 effectiveness of all programs funded under the State System of Public Education; and

21 (h) Section 53A-1-401(9), which gives the Board authority to audit the use of state
22 funds by an education entity that receives state funds as a distribution from the Board.

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

24 (a) outline the role of the Audit Director, Superintendent, and agency in the audit
25 process; and

26 (b) outline the Board's procedures for audits of agencies.

27 **R277-116-2. Definitions.**

28 (1) "Agency" means:

29 (a) an entity governed by the Board;

- 30 (b) an LEA; or
31 (c) a sub-recipient.
32 (2) “Audit committee” means a standing committee of members appointed by the
33 Board in accordance with Board bylaws.
34 (3) “Audit Director” means the person who:
35 (a) directs the audit program of the Board in accordance with Title 63I, Chapter 5,
36 the Utah Internal Audit Act and Board policies;
37 (b) is appointed by and reports to the audit committee; and
38 (c) is independent of the agencies subject to Board audit.
39 (4) “Audit plan” means a prioritized list of audits with associated resource
40 requirements to be performed by the audit program ~~[in the audit program within a specified~~
41 ~~period of time]~~ that is reviewed, approved, and adopted at least annually by the Board.
42 (5) “Audit program” means a department that provides internal audit services for the
43 Board that is directed by the Audit Director.
44 ~~[(6) “An entity governed by the Board” means the Board, SCSB, or USDB.]~~
45 ~~[(7)6]~~ “Draft audit report” means a draft audit report compiled by the Audit Director
46 that is classified as protected under Title 63G, Chapter 2, Part 3, Section 305, Protected
47 records.
48 ~~[(8)7]~~ “Education entity” means the same as that term is defined in Section 53A-1-
49 401.
50 ~~[(9)8]~~ “Final audit report” means a draft audit report that is approved by the audit
51 committee and the Board as a final audit report that is classified as public under Title 63G,
52 Chapter 2, Part 3, Section 301, Public records.
53 (9) “Local administrator” means the district superintendent or charter school director.
54 (10) “Sub-recipient” means any entity that receives funds from an entity governed
55 by the Board.

56 **R277-116-3. Audit Director Authority and Responsibilities.**

- 57 (1) The Audit Director shall:
58 (a) ~~[direct]~~ manage the audit program and facilitate the audit process:

- 59 (i) as approved and directed by the Board and audit committee ~~[by objectively~~
60 ~~evaluating the effectiveness and efficiency of the operations of the agency being audited];~~
- 61 (ii) in accordance with the current International Standards for the Professional
62 Practice of Internal Auditing; and
- 63 (iii) ~~[as otherwise required by the Board;]~~ in accordance with the USBE Internal Audit
64 Department Policy and Procedure Manual.
- 65 ~~[(b) ensure that collectively the audit department possesses the knowledge, skills,~~
66 ~~and experience essential to the practices of the profession and are proficient in applying~~
67 ~~internal auditing standards, procedures, and techniques;~~
- 68 ~~——(c) employ:~~
- 69 ~~——(i) a sufficient number of professional and support staff to implement an effective~~
70 ~~internal audit program; and~~
- 71 ~~——(ii) audit staff who are qualified in disciplines that include:~~
- 72 ~~——(A) accounting;~~
- 73 ~~——(B) business management;~~
- 74 ~~——(C) public administration;~~
- 75 ~~——(D) human resource management;~~
- 76 ~~——(E) economics;~~
- 77 ~~——(F) finance;~~
- 78 ~~——(G) statistics;~~
- 79 ~~——(H) electronic data processing; or~~
- 80 ~~——(i) engineering;~~
- 81 ~~——(d) inform the audit committee if additional professional and support staff are~~
82 ~~necessary to implement an effective internal audit program;~~
- 83 ~~——(e) base compensation, training, job tenure, and advancement of internal auditing~~
84 ~~staff on job performance;~~
- 85 ~~——(f) propose audit rules, policies, and amendments, for approval and adoption by the~~
86 ~~Board that maintain staff independence from operational and management responsibilities~~
87 ~~that would impair staff's ability to make independent audits of an agency;~~
- 88 ~~——(g) develop and recommend an audit plan to the Board and the audit committee~~

89 based on the findings of periodic risk assessments, audits, and budget;
90 ~~—— (h) perform an audit of a special program, activity, function, or organizational unit of~~
91 ~~an agency at the direction of the Board or the audit committee with one or more objectives,~~
92 ~~including:~~
93 ~~—— (i) to verify the accuracy and reliability of agency records;~~
94 ~~—— (ii) to assess compliance with management policies, plans, procedures, and~~
95 ~~regulations;~~
96 ~~—— (iii) to assess compliance with applicable laws, rules, and regulations;~~
97 ~~—— (iv) to evaluate the efficient and effective use of agency resources;~~
98 ~~—— (v) to verify the appropriate protection of agency assets; and~~
99 ~~—— (vi) review and evaluate internal controls over the agency's accounting systems,~~
100 ~~administrative systems, electronic data processing systems, and all other major systems~~
101 ~~necessary to ensure the fiscal and administrative accountability of the state agency;~~
102 ~~—— (i) determine the assignment and scope of the audits;~~
103 ~~—— (j) periodically discuss relevant matters with the audit committee including whether~~
104 ~~there are any restrictions on the scope of the audits;~~
105 ~~—— (k) submit draft audit reports directly to the Board and to the audit committee;~~
106 ~~—— (l) receive comments from the Board and responses from the Superintendent on the~~
107 ~~draft audit report;~~
108 ~~—— (m) edit draft audit report based upon the comments and responses received;~~
109 ~~—— (n) resubmit a draft audit report to the Board and audit committee:~~
110 ~~—— (i) after receipt of comments from the Board and responses from the Superintendent;~~
111 ~~and~~
112 ~~—— (ii) until a draft audit report is approved and adopted as a final audit report by the~~
113 ~~Board;~~
114 ~~—— (o) report monthly to the audit committee, or as otherwise directed by the audit~~
115 ~~committee, including:~~
116 ~~—— (i) reviewing current audits being performed both internally and externally;~~
117 ~~—— (ii) the scope of the internal and external audits;~~
118 ~~—— (iii) status of internal and external audits;~~

- 119 ~~—— (iv) follow up draft audit reports; and~~
120 ~~—— (v) draft audit reports for final review and recommendation;~~
121 ~~—— (p) conduct an annual quality assurance review of the audit program with the audit~~
122 ~~committee;~~
123 ~~—— (q) personally or through a designee, report quarterly to the Board, or as otherwise~~
124 ~~directed by the Board;~~
125 ~~—— (r) personally or through a designee, attend all Board meetings;~~
126 ~~—— (s) report to the Board, within a reasonable time of discovering, issues that have the~~
127 ~~potential of exposing the Board, Superintendent, or an agency to liability or litigation;]~~
128 (b) act as the liaison for external audits of the Board;
129 ([f]c) maintain the classification of any public record consistent with GRAMA;
130 ([t]d) be subject to the same penalties under GRAMA as the custodian of a public
131 record; ~~and~~
132 ~~[(v) ensure that significant audit matters that cannot be appropriately addressed by~~
133 ~~the audit program are referred to either the Office of Legislative Auditor General or the~~
134 ~~Office of the State Auditor.]~~
135 (e) publish final reports on the Internal Audit department webpage if appropriate; and
136 (f) make a copy of the USBE Internal Audit Department Policy and Procedure
137 Manual to the general public upon request.
138 (2) The Audit Director may contract with an LEA or other education entity to provide
139 internal audit services to the LEA or other education entity if the contract is approved by the
140 audit committee in accordance with Board contract policies.

141 **R277-116-4. Superintendent Authority and Responsibilities.**

142 The Superintendent shall:

- 143 (1) provide resources necessary to conduct the audit program including adequate
144 funds, staff, tools, and space to support the audit program;
145 (2) facilitate communications with those charged with governance, management, and
146 staff as requested by the Audit Director or the audit committee to ensure the access
147 necessary to perform an audit;

- 148 (3) ensure access to all personnel, records, data, and other agency information that
149 the Audit Director or staff consider necessary to carry out their assigned duties;
- 150 (4) notify the Audit Director of external audits of entities governed by the Board;
- 151 (5) notify the agency that the Audit Director shall be the liaison for an external audit;
- 152 ~~and~~
- 153 (6) support the audit program as otherwise requested by the audit committee or
154 Audit Director~~[-]; and~~
- 155 (7) facilitate appropriate action by the Board on issues identified in audits by:
- 156 (a) sending the final management response letter and form to the governing board
157 and local administrator of an audited agency in response to the final audit report;
- 158 (b) following up on final management response forms sent to the governing board
159 and local administrator of an audited agency in accordance with timelines outlined in the
160 management response letter, as monitored by the Audit Director, to ensure either:
- 161 (i) the audited agency took appropriate action;
- 162 (ii) the audited agency's lack of action is acceptable; or
- 163 (iii) implementation of a corrective action plan in accordance with R277-114; and
- 164 (c) sending the closure letter to the governing board and local administrator of an
165 audited agency when the Board accepts the audited agency's management response.

166 **R277-116-5. Agency Authority and Responsibilities.**

167 The agency shall wholly cooperate and provide the Audit Director and the internal
168 audit staff all:

- 169 (1) necessary access to those charged with governance, management, and staff;
- 170 and
- 171 (2) personnel, records, data, and other agency information that the Audit Director
172 or staff consider necessary to carry out their assigned duties in a timely manner.

173 ~~**R277-116-6. Audit Plans.**~~

- 174 ~~— (1) The audit plan prepared by the Audit Director shall:~~
- 175 ~~— (a) identify the individual audits to be conducted during each year;~~

- 176 ~~_____ (b) identify the related resources to be devoted to each of the respective audits;~~
177 ~~_____ (c) ensure that internal controls are reviewed periodically as determined by the~~
178 ~~Board or by the audit committee; and~~
179 ~~_____ (d) ensure that audits that evaluate the efficient and effective use of agency~~
180 ~~resources are adequately represented in the audit plan.~~
181 ~~_____ (2) Upon request, the Audit Director shall make a copy of the approved and adopted~~
182 ~~audit plan available to the state auditor, legislative auditor, or other appropriate external~~
183 ~~auditors to assist in planning and coordination of any external financial, compliance,~~
184 ~~electronic data processing, or performance audit.]~~

185 **R277-116-[7]6. Audit Process.**

186 (1) The Audit Director shall develop and recommend an audit plan to the Board and
187 the audit committee based on the [findings] results of periodic risk assessments and audits.

188 (2) Once approved and adopted by the Board, the Audit Director shall implement the
189 audit plan.

190 (3) At the initiation of an audit, the Audit Director shall, as necessary:

191 (a) send an engagement letter to the governing board and local administrator of the
192 agency subject to the audit; and

193 (b) hold an entrance conference with the agency's governing board.

194 ~~[(3) As requested by the audit committee or Audit Director, the Superintendent shall~~
195 ~~establish the audit program:~~

196 ~~_____ (4) The agency shall provide all information to the Audit Director and audit staff for~~
197 ~~the audit to be timely conducted.]~~

198 ~~[(5)4] After conducting an audit, the Audit Director shall:~~

199 (a) submit a preliminary draft audit report directly to:

200 ~~[(a)]i) the audit committee;~~

201 ~~[(b) the Board; and]~~

202 ~~[(c)]ii) the Superintendent; and [for response or comment:]~~

203 (iii) the governing board of the audited agency;

204 (b) hold an exit conference, if necessary, with the governing board and local

205 administrator of the audited agency and administration to discuss the preliminary draft audit
206 report; and

207 (c) edit the preliminary draft audit report, as appropriate, based on feedback
208 received.

209 (5) The Audit Director shall submit a revised draft audit report directly to:

210 (a) the audit committee;

211 (b) the Board;

212 (c) the governing board and local administrator of the audited agency; and

213 (d) the Superintendent.

214 (6) Within fourteen days of the Audit Director's submission of the revised draft audit
215 report to the [Board and audit committee, the Superintendent] audited agency governing
216 board, and after the exit conference, if applicable, the auditing agency's governing board
217 shall [either]:

218 (a) provide a written response or comment [to] on the [Board, audit committee, and
219 Audit Director to the] draft audit report to the Audit Director and audit committee; or

220 (b) file a written request for an extension to the audit committee setting forth:

221 (i) the [steps necessary to investigate and prepare a response to the draft audit
222 report] justification for the extension request; and

223 (ii) the extension time necessary to provide the response [perform each step]; [and

224 ——(iii) the latest date that the Superintendent's written response or comment will be
225 given to the Board, audit committee and Audit Director.]

226 (7) Upon receiving written response and comment from the [Superintendent] audited
227 agency governing board, the Audit Director shall:

228 (a) incorporate into the draft audit report the written response[s and comments], if
229 any, received from the [Board, the audit committee, and the Superintendent] audited
230 agency governing board; [and]

231 (b) prepare Audit concluding remarks, if appropriate; and

232 ([b]c) submit the amended draft audit report to the audit committee for
233 recommendation.

234 (8) The audit committee may:

235 (a) recommend an amended draft audit report for approval and adoption; or
236 (b) send the amended draft audit report back to the Audit Director with instructions
237 for additional review.

238 (9) Upon recommendation from the audit committee on the amended draft audit
239 report, the Board may:

240 (a) approve and adopt an amended draft audit report as the final audit report; or
241 (b) send the amended draft audit report back to the audit committee with instructions
242 for additional review.

243 **R277-116-[8]7. Audit Reports.**

244 (1) An audit report prepared by the Audit Director and staff shall be based upon
245 audits of agency programs, activities, and functions. ~~[that include:~~

246 ~~——(a) findings based upon the audit scope; and~~

247 ~~——(b) one or more of the following objectives:~~

248 ~~——(i) verification of the accuracy and reliability of agency records;~~

249 ~~——(ii) assessment of an agency's compliance with management policies, plans,~~
250 ~~procedures, and regulations;~~

251 ~~——(iii) assessment of an agency's compliance with applicable laws, rules, and~~
252 ~~regulations;~~

253 ~~——(iv) evaluation of the efficient and effective use of agency resources;~~

254 ~~——(v) verification of the appropriate protection of agency assets;~~

255 ~~——(vi) furnishing independent analyses, appraisals, and recommendations that may,~~
256 ~~depending upon the audit scope, identify:~~

257 ~~——(A) the adequacy of an agency's systems of internal control;~~

258 ~~——(B) the efficiency and effectiveness of agency management in carrying out assigned~~
259 ~~responsibilities; and~~

260 ~~——(C) the agency's compliance with applicable laws, rules, and regulations;~~

261 ~~——(vii) review and evaluation of internal controls over the agency's accounting systems,~~
262 ~~administrative systems, electronic data processing systems, and all other major systems~~
263 ~~necessary to ensure the fiscal and administrative accountability of the agency; and~~

- 264 ~~_____ (viii) identification of abuse, illegal acts, errors, omissions, or conflicts of interest.]~~
265 (2) An audit report prepared by the Audit Director shall include identification of any:
266 (a) abuse;
267 (b) illegal acts;
268 (c) errors;
269 (d) omissions; or
270 (e) conflicts of interest.
271 ~~[(2) An audit report prepared by the Audit Director and staff shall include a statement~~
272 ~~that the audit was conducted according to International Standards for the Professional~~
273 ~~Practice of Internal Auditing.]~~
274 (3) The Audit Director shall provide, upon written request, a copy of an audit report
275 to the Office of Legislative Auditor General or the Office of the State Auditor.
276 (4) The Audit Director shall ensure that public release of a final audit report complies
277 with the conditions specified by the state laws and rules governing the audited agency.

278 **KEY: educational administration**
279 **Date of Enactment or Last Substantive Amendment: ~~[November 7, 2016]~~2018**
280 **Notice of Continuation: September 15, 2016**
281 **Authorizing, and Implemented, or Interpreted Law: Art X Sec 3; 53A-1-401; 53A-1-**
282 **402(1)(e); 53A-1-405; 53A-17a-147(2); 63I-5-101 through 401**