

THE AUDIT SPOT

USBE Internal Audit Newsletter **Vol. 3**
AUG 2020

WHAT DOES INTERNAL AUDIT (IA) DO?

(<https://schools.utah.gov/internalaudit/>)

Mission and Vision: **AEIOU** and **Y** (Why)

The Internal Audit Department's mission is:

Analyzing Education Independently and **Objectively** for **Utah**.

Why (Internal Audit's Vision): To ensure the achievement of the Board's strategic mission.

Operational
Excellence

Cultural
Excellence

Internal Audit
Leadership

AUDITS & CONSULTATIONS IN PROCESS

IA REPORTING STRUCTURE



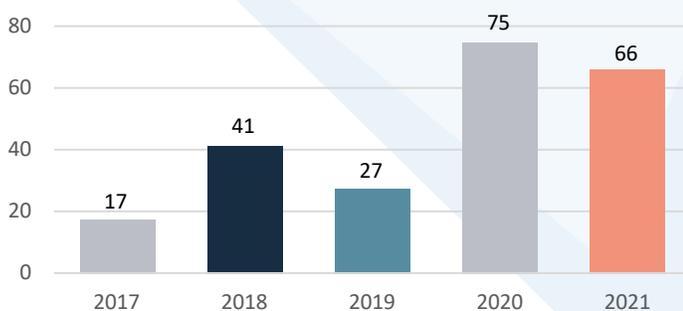
Professional standards define **independence** as "the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner."

As required by the Utah Internal Audit Act, IA is **independent** of daily operations and reports directly to the Board, through the Audit Committee.

Additional information about audits and consultations can be found at <https://www.schools.utah.gov/internalaudit?mid=892&tid=1>.

HOTLINE INFORMATION

Total # of Public Education Concerns Received during the First Quarter of the State Fiscal Year
(2021 as of 08/20/20)



As the graph shows, IA has received 66 concerns from July 1, 2020 - August 20, 2020 (i.e., FY2021); 57 concerns have been referred to other USBE sections or entities to address them.

An underlying theme in many of the concerns received, is lack of communication (e.g., verbal, written, information on the website). An emphasis on improving communication may save an LEA time and money down the road.



Restricted Funds

On October 9, 2019, the Office of the State Auditor issued Auditor Alert 2019-02 on Use of Restricted Funds. The Alert states: "Restricted funds should be used as specified by statute, rule, contract, or agreement."

The [State Compliance Audit Guide](#) for fiscal year 2020, includes audit procedures related to this requirement. In addition to ensuring that the LEA is using restricted funds as specified, the LEA should also ensure that restricted funds, such as special education funds, are not being included in financial ratios and calculations used for debt covenants.

Rules On Your Radar

[R277-113 LEA Fiscal and Auditing Policies](#) (effective 08/12/2020)

This rule was recently updated. Thank you for providing input!

The majority of changes were simply a reorganization of content to make it easier to understand the roles and responsibilities of boards, audit committees and administration.

New requirements, however, include:

- ▶ Mandatory training for **all** LEA board members on audit services. Training materials are being developed by the USBE and will be available soon.
- ▶ Placing contact information for audit committee members, and if applicable the internal audit plan, on the LEA website.
- ▶ Providing an LEA hotline independent of administration and posting information about the hotline on the LEA website. There is an option to use the USBE's Public Education Hotline.
 - The total USBE hotline referral rate as of 6/30/2020 was 81%. See our [Start Local](#) document for more information about getting concerns to the right people for resolution.
- ▶ Clarification regarding program accounting requirements, including use of adjusting journal entries.

RESTRICTED



UNRESTRICTED



[R123-5 Requirements for Accounting Services of Political Subdivisions and Governmental Nonprofit Corporations](#) (effective 11/7/2019)

This rule is from the Office of the State Auditor (OSA) and is applicable to all LEAs.

Some important points to be aware of:

- ▶ Definition of Accounting Services: "a financial audit, a state compliance audit, or an agreed-upon procedures engagement provided by an auditor"
- ▶ An LEA "must competitively procure accounting services ... **every five years**"
- ▶ "The request for proposal shall contain the following..." (all items must be included)
- ▶ "If the [LEA] fails to receive three qualified proposals, prior to awarding the contract the entity shall notify the [OSA]..."
- ▶ "**Management of the [LEA] may not participate in the evaluation of proposals for accounting services**" (i.e., audits)
- ▶ **The governing body shall "make the selection of the auditor"**
- ▶ The auditor "must meet the peer review and continuing education requirements of Government Auditing Standards..."

IA recommends each LEA subscribe to receive Auditor Alerts from the OSA by sending a request to stateauditor@utah.gov.