

R277-116 received final approval by the Utah State Board of Education on September 2, 2021. R277-116 will be published in the October 1, 2021, Utah State Bulletin, subject to a 30-day comment period, with a first possible effective date of November 8, 2021.

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  
6 supervision of public education in the Board;

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

10 (c) Subsection [53E-3-401](#)(4), which allows the Board to make rules to execute  
11 the Boards duties and responsibilities under the Utah Constitution and state law ;

12 (d) Subsection [53E-3-501](#)(1)(e), which directs the Board to develop rules and  
13 minimum standards regarding school productivity and cost effectiveness measures,  
14 school budget formats, and financial, statistical, and student accounting requirements  
15 for the local school districts;

16 ~~[(e) Section [53E-3-602](#), which allows the Board to approve auditing standards  
17 for school boards;~~

18 ~~—(f) Section [53E-3-603](#), which makes the Board responsible for verifying audits of  
19 local school districts;]~~

20 ~~[(g)e) Subsection [53F-2-204](#)(2), which directs the Board to assess the progress  
21 and effectiveness of all programs funded under the State System of Public Education;  
22 and~~

23 ~~[(h)f) Subsection [53E-3-401](#)(9), which gives the Board authority to audit the use  
24 of state funds by an education entity that receives state funds as a distribution from the  
25 Board.~~

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

27 (a) outline the role of the Chief Audit Executive~~[-Superintendent,]~~ and ~~[agency]~~

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28 audit client in the audit process; and

29 (b) outline the Board's procedures for audits of ~~[agencies]~~ audit clients.

30 **R277-116-2. Definitions.**

31 (1) "Audit client" means an agency or an education entity.

32 ~~[(4)2]~~ "Audit committee" means the same as that term is defined in Subsection  
33 63I-5-102(5).

34 ~~[(2)3]~~ "Audit plan" means a prioritized list of audits with associated resource  
35 requirements to be performed by the audit program that is reviewed, approved, and  
36 adopted at least annually by the Board.

37 ~~[(3)4]~~ "Audit program" means ~~[a]~~ the department that provides internal audit  
38 services for the Board that is directed by the Chief Audit Executive.

39 ~~[(4)5]~~ "Chief Audit Executive" means the person who ~~[(a)]~~ directs the audit  
40 program of the Board or the Chief Audit Executive's designee. ~~[in accordance with Title~~  
41 ~~63I, Chapter 5, the Utah Internal Audit Act and Board policies;~~

42 ~~—(b) is appointed by and reports to the audit committee; and~~

43 ~~—(c) is independent of the agencies subject to Board audit.]~~

44 ~~[(5)6]~~ "Draft audit report" means ~~[a draft]~~ an unfinalized audit report compiled by  
45 the Chief Audit Executive that is classified as protected under Subsection 63G-2-  
46 305(10).

47 ~~[(6)7]~~ "Education entity" means the same as that term is defined in Section 53E-  
48 3-401.

49 ~~[(7)8]~~ "Final audit report" means a draft audit report, accepted by the audit  
50 committee and the Board, ~~[that is approved by the audit committee and the Board as a~~  
51 ~~final audit report]~~ that is generally classified as public under Subsection 63G-2-  
52 301(3)(q).

53 (9) "Improper payment" means:

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54 \_\_\_\_\_ (a) a payment that should not have been made or that was made in an incorrect  
55 amount under statutory, contractual, administrative, or other legally applicable  
56 requirements;

57 \_\_\_\_\_ (b) an overpayment or underpayment to an eligible recipient;

58 \_\_\_\_\_ (c) a payment to an ineligible recipient;

59 \_\_\_\_\_ (d) a payment for an ineligible good or service;

60 \_\_\_\_\_ (e) a payment for a good or service not received; or

61 \_\_\_\_\_ (f) a payment that cannot be appropriately classified through an audit or review  
62 as a result of insufficient documentation.

63 \_\_\_\_\_ ([8]10) "Local administrator" means the [district] superintendent or [charter  
64 school] director of an audit client.

65 \_\_\_\_\_ [~~9~~] "Sub-recipient" means any entity that receives funds from an entity governed  
66 by the Board.]

67 \_\_\_\_\_ (11)(a) "Questioned cost" means a cost that is questioned by the auditor because  
68 of an audit finding:

69 \_\_\_\_\_ (i) which resulted from a violation or possible violation of a statute, regulation, or  
70 the terms and conditions of an award;

71 \_\_\_\_\_ (ii) where the costs, at the time of the audit, are not supported by adequate  
72 documentation; or

73 \_\_\_\_\_ (iii) where the costs incurred appear unreasonable and do not reflect the actions  
74 a prudent person would take in the circumstances.

75 \_\_\_\_\_ (b) A "questioned cost" is not an improper payment unless confirmed to be  
76 improper by the Board.

77 **R277-116-3. Chief Audit Executive Authority and Responsibilities.**

78 \_\_\_\_\_ (1) The Chief Audit Executive shall[:] direct the audit program in accordance  
79 with:

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- 80       (a) Title 63I, Chapter 5, Utah Internal Audit Act;  
81       (b) applicable Board bylaws and Board policies; and  
82       (c) the USBE Internal Audit Policy and Procedures Manual.  
83       ~~[(a) manage the audit program and facilitate the audit process:~~  
84       ~~—— (i) as approved and directed by the Board and audit committee;~~  
85       ~~—— (ii) in accordance with the current International Standards for the Professional~~  
86       ~~Practice of Internal Auditing; and~~  
87       ~~—— (iii) in accordance with the USBE Internal Audit Department Policy and~~  
88       ~~Procedure Manual.~~  
89       ~~—— (b) act as the liaison for external audits of the Board;~~  
90       ~~—— (c) maintain the classification of any public record consistent with GRAMA;~~  
91       ~~—— (d) be subject to the same penalties under GRAMA as the custodian of a public~~  
92       ~~record;~~  
93       ~~—— (e) publish final reports on the Internal Audit department website if appropriate;~~  
94       ~~and]~~

95       [(f)2] The Chief Audit Executive shall make a copy of the USBE Internal Audit  
96       Department Policy and Procedure Manual available to the general public upon request.

97       [(2)3] The Chief Audit Executive may contract with an LEA or other education  
98       entity to provide internal audit services [to the LEA or other education entity] if the  
99       contract is approved by the audit committee in accordance with Board contract policies.

100       **~~[R277-116-4. Superintendent Authority and Responsibilities:~~**

- 101       ~~—— The Superintendent shall:~~  
102       ~~—— (1) provide resources necessary to conduct the audit program including~~  
103       ~~adequate funds, staff, tools, and space to support the audit program;~~  
104       ~~—— (2) facilitate communications with those charged with governance, management,~~  
105       ~~and staff as requested by the Chief Audit Executive or the audit committee to ensure the~~

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- 106 ~~access necessary to perform an audit;~~
- 107 ~~—— (3) ensure access to all personnel, records, data, and other agency information~~
- 108 ~~that the Chief Audit Executive or staff consider necessary to carry out their assigned~~
- 109 ~~duties;~~
- 110 ~~—— (4) notify the Chief Audit Executive of external audits of entities governed by the~~
- 111 ~~Board;~~
- 112 ~~—— (5) notify the agency that the Chief Audit Executive shall be the liaison for an~~
- 113 ~~external audit;~~
- 114 ~~—— (6) support the audit program as otherwise requested by the audit committee or~~
- 115 ~~Chief Audit Executive; and~~
- 116 ~~—— (7) facilitate appropriate action by the Board on issues identified in audits by:~~
- 117 ~~—— (a) sending the final management response letter and form to the governing~~
- 118 ~~board and local administrator of an audited agency in response to the final audit report;~~
- 119 ~~—— (b) following up on final management response forms sent to the governing~~
- 120 ~~board and local administrator of an audited agency in accordance with timelines outlined~~
- 121 ~~in the management response letter, as monitored by the Chief Audit Executive, to~~
- 122 ~~ensure either:~~
- 123 ~~—— (i) the audited agency took appropriate action;~~
- 124 ~~—— (ii) the audited agency's lack of action is acceptable; or~~
- 125 ~~—— (iii) implementation of a corrective action plan in accordance with Rule [R277-](#)~~
- 126 ~~[114](#); and~~
- 127 ~~—— (c) sending the closure letter to the governing board and local administrator of~~
- 128 ~~an audited agency when the Board accepts the audited agency's management~~
- 129 ~~response.]~~

130 **R277-116-[5]4. ~~[Agency Authority and] Audit Client Responsibilities.~~**

131 ~~(1) The [agency] audit client shall [wholly] fully cooperate and provide the Chief~~

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132 Audit Executive ~~[and the internal audit staff all:]~~ items, information, and access in  
133 accordance with Title 63I, Chapter 5, Utah Internal Audit Act.

134 ~~[(1) necessary access to those charged with governance, management, and~~  
135 ~~staff; and~~

136 ~~— (2) personnel, records, data, and other agency information that the Chief Audit~~  
137 ~~Executive or staff consider necessary to carry out assigned duties in a timely manner.]~~

138 (2) If an audit client does not fully cooperate, the Chief Audit Executive shall  
139 require the audit client to appear before the Audit Committee to discuss the non-  
140 compliance.

141 (3) If an audit client continues to be non-compliant after appearing before the  
142 Audit Committee, the Superintendent may place the audit client on a corrective action  
143 plan in accordance with Rule R277-114.

144 **R277-116-[6]5. Audit Process.**

145 ~~[(1) The Chief Audit Executive shall develop and recommend an audit plan to the~~  
146 ~~Board and the audit committee based on the results of periodic risk assessments and~~  
147 ~~audits.~~

148 ~~— (2) Once approved and adopted by the Board, the Chief Audit Executive shall~~  
149 ~~implement the audit plan.~~

150 ~~— (3) At the initiation of an audit, the Chief Audit Executive shall, as necessary:~~

151 ~~— (a) send an engagement letter to the governing board and local administrator of~~  
152 ~~the agency subject to the audit; and~~

153 ~~— (b) hold an entrance conference with the agency's governing board.~~

154 ~~— (4) After conducting an audit, the Chief Audit Executive shall:~~

155 ~~— (a) submit a preliminary draft audit report directly to:~~

156 ~~— (i) the audit committee; and~~

157 ~~— (ii) the Superintendent;~~

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- 158 ~~—— (b) after complying with Subsection (4)(a), submit a preliminary draft audit report~~  
159 ~~to the audited agency's governing board leadership, audit committee, and school~~  
160 ~~administrators, as appropriate, and hold an exit conference, if necessary, to discuss the~~  
161 ~~preliminary draft audit report; and~~
- 162 ~~—— (c) edit the preliminary draft audit report, as appropriate, based on feedback~~  
163 ~~received.~~
- 164 ~~—— (5) The Chief Audit Executive shall submit a revised draft audit report directly to:~~
- 165 ~~—— (a) the audit committee;~~  
166 ~~—— (b) the Board;~~  
167 ~~—— (c) the governing board and local administrator of the audited agency; and~~  
168 ~~—— (d) the Superintendent.~~
- 169 ~~—— (6) Within fourteen days of the Chief Audit Executive's submission of the revised~~  
170 ~~draft audit report to the audited agency governing board, and after the exit conference, if~~  
171 ~~applicable, the audited agency's governing board shall:~~
- 172 ~~—— (a) provide a written response or comment on the draft audit report to the Chief~~  
173 ~~Audit Executive and audit committee; or~~
- 174 ~~—— (b) file a written request for an extension with the Chief Audit Executive setting~~  
175 ~~forth:~~
- 176 ~~—— (i) the justification for the extension request; and~~  
177 ~~—— (ii) the extension time necessary to provide the response;~~
- 178 ~~—— (7) If the a request for an extension is filed in accordance with Subsection (6)(b),~~  
179 ~~the Chief Audit Executive shall respond after consulting with the Audit Committee Chair.~~
- 180 ~~—— (8) Upon receiving written response and comment from the audited agency~~  
181 ~~governing board, the Chief Audit Executive shall:~~
- 182 ~~—— (a) incorporate the written response, if any, received from the audited agency~~  
183 ~~governing board into the draft audit report;~~
- 184 ~~—— (b) prepare Auditor concluding remarks, if appropriate; and~~

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185 ~~\_\_\_\_\_ (c) submit the revised draft audit report to the audit committee for~~  
186 ~~recommendation to the Board.~~

187 ~~\_\_\_\_\_ (9) The audit committee may:~~

188 ~~\_\_\_\_\_ (a) recommend an amended draft audit report for approval and adoption; or~~

189 ~~\_\_\_\_\_ (b) send the amended draft audit report back to the Chief Audit Executive with~~  
190 ~~instructions for additional review.~~

191 ~~\_\_\_\_\_ (10) Upon recommendation from the audit committee on the amended draft audit~~  
192 ~~report, the Board may:~~

193 ~~\_\_\_\_\_ (a) approve and adopt an amended draft audit report as the final audit report; or~~

194 ~~\_\_\_\_\_ (b) send the amended draft audit report back to the audit committee with~~  
195 ~~instructions for additional review.]~~

196       (1) At the initiation of an audit, the Chief Audit Executive shall:

197       (a) send an engagement letter to the local administrator, and if applicable, the  
198 audit committee chair of the audit client; and

199       (b) hold an entrance conference with the individuals specified in Subsection  
200 (1)(a).

201       (2) The Chief Audit Executive shall conduct the audit in conformance with  
202 International Standards for the Professional Practice of Internal Auditing, inclusive of:

203       (a) inquiring with the audit client to gain an understanding of the area being  
204 audited; and

205       (b) requesting and obtaining evidence throughout the audit to perform necessary  
206 analyses to meet the scope and objectives of the audit.

207       (3) After conducting an audit, the Chief Audit Executive shall submit the draft  
208 audit report directly to the audit committee.

209       (4), After complying with Subsection (3), the Chief Audit Executive shall provide  
210 the individuals identified in Subsection (1)(a) with notice, which shall include:

211       (a) the draft audit report;



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212 (b) a cover letter outlining the classification of the draft audit report in accordance  
213 with Title 63G, Chapter 2, Government Records Access and Management Act, including  
214 any limitations regarding the sharing or dissemination of the audit report;

215 (c) an opportunity to request an exit conference within seven days of the date the  
216 draft report was provided, with the exit conference being held no later than 14 days from  
217 the date the draft report was provided; and

218 (d) an explanation outlining the process to submit a response to the audit, as  
219 applicable in accordance with Subsection (7).

220 (5) If appropriate, and at the discretion of the Chief Audit Executive, the Chief  
221 Audit Executive may edit the draft audit report based on feedback and information  
222 received pursuant to Subsections (3) and (4).

223 (6) After finalizing the draft audit report, the Chief Audit Executive shall:

224 (a) if necessary, submit the draft audit report directly to:

225 (i) the audit committee;

226 (ii) the Superintendent; and

227 (iii) additional individuals and entities, as appropriate; and

228 (b) provide notice to the individuals identified in Subsection (1)(a), which shall  
229 include the same information required for notice under Subsection (4).

230 (7) Within 14 days of the Chief Audit Executive's notice to the individuals  
231 identified in Subsection (1)(a), the audit client may:

232 (a) provide a written response to the draft audit report to the Chief Audit  
233 Executive; or

234 (b) file a written request for an extension of time with the Chief Audit Executive  
235 setting forth:

236 (i) the justification for the extension request; and

237 (ii) the extension time necessary to provide the response.

238 (8) If a request for extension is filed in accordance with Subsection (7)(b), the

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239 Chief Audit Executive shall respond after consulting with the Audit Committee chair.  
240 (9) Upon receiving a written response in accordance with Subsection (7)(a) or if  
241 no response to request for extension is received, the Chief Audit Executive shall:  
242 (a) incorporate the written response, if any, into the draft audit report;  
243 (b) prepare Chief Audit Executive concluding remarks, if appropriate; and  
244 (c) submit the draft audit report to the audit committee and Superintendent.  
245 (10) Upon receiving the draft audit report, consistent with Board bylaws, the audit  
246 committee shall provide direction to staff or propose recommendations to the Board  
247 regarding release of the audit or corrective action, including recommendations to  
248 confirm questioned costs as improper payments.

249 **R277-116-6. Due Process.**

250 (1) An audit client who wishes to appeal Board action in response to an audit,  
251 shall follow the process outlined in Rule [277-102](#).  
252 (2) An audit client who wishes to appeal a corrective action plan established by  
253 the Superintendent based on Board action in response to an audit, shall follow the  
254 process outlined in Section [R277-114-5](#).

255 **[R277-116-7. Audit Reports:**

256 ~~—— (1) An audit report prepared by the Chief Audit Executive and staff shall be~~  
257 ~~based upon audits of agency programs, activities, and functions.~~  
258 ~~—— (2) An audit report prepared by the Chief Audit Executive shall include~~  
259 ~~identification of any information required by Subsection [631-5-401\(1\)\(l\)](#) related to the~~  
260 ~~scope and objectives of the audit.~~  
261 ~~—— (3) The Chief Audit Executive shall provide, upon written request, a copy of a~~  
262 ~~final audit report to the Office of Legislative Auditor General or the Office of the State~~  
263 ~~Auditor.~~

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264 ~~—— (4) The Chief Audit Executive shall ensure that public release of a final audit~~  
265 ~~report complies with the conditions specified by the state laws and rules governing the~~  
266 ~~audited agency.]~~

267 **KEY: educational administration**

268 **Date of Enactment or Last Substantive Amendment: February 9, 2021**

269 **Notice of Continuation: September 15, 2016**

270 **Authorizing, and Implemented or Interpreted Law: Art X Sec 3; [53E-3-401](#); [53E-3-](#)**  
271 **[501\(1\)\(e\)](#); [53E-3-602](#); [53E-3-603](#); [53F-2-204](#)**