

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) Subsection 53~~[A-1-401(4)(a)]~~E-3-401(4), which allows the Board to make rules
10 to execute the Boards duties and responsibilities under the Utah Constitution and state law;

11 (d) Subsection 53~~[A-1-402]~~E-3-501(1)(e), which directs the Board to develop rules
12 and minimum standards regarding school productivity and cost effectiveness measures,
13 school budget formats, and financial, statistical, and student accounting requirements for
14 the local school districts;

15 (e) Section 53~~[A-1-404]~~E-3-602, which allows the Board to approve auditing
16 standards for school boards;

17 (f) Section 53~~[A-1-405]~~E-3-603, which makes the Board responsible for verifying
18 audits of local school districts;

19 (g) Subsection 53~~[A-17a-147]~~ F-2-204(2), which directs the Board to assess the
20 progress and effectiveness of all programs funded under the State System of Public
21 Education; and

22 (h) Subsection 53~~[A-1]~~E-3-401(9), which gives the Board authority to audit the use
23 of state funds by an education entity that receives state funds as a distribution from the
24 Board.

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

26 (a) outline the role of the Chief Audit [Director] Executive, Superintendent, and
27 agency in the audit process; and

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

29 **R277-116-2. Definitions.**

30 [(1) “Agency” means:

31 ~~—— (a) an entity governed by the Board;~~

32 ~~—— (b) an LEA; or~~

33 ~~—— (c) a sub-recipient.]~~

34 ([2]1) “Audit committee” means ~~[a standing committee of members appointed by the~~
35 ~~Board in accordance with Board bylaws]~~ the same as that term is defined in Subsection
36 63I-5-102(5).

37 [(3) “Audit Director” means the person who:

38 ~~—— (a) directs the audit program of the Board in accordance with Title 63I, Chapter 5,~~
39 ~~the Utah Internal Audit Act and Board policies;~~

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

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

42 ([4]2) “Audit plan” means a prioritized list of audits with associated resource
43 requirements to be performed by the audit program that is reviewed, approved, and
44 adopted at least annually by the Board.

45 ([5]3) “Audit program” means a department that provides internal audit services for
46 the Board that is directed by the Chief Audit [Director] Executive.

47 (4) “Chief Audit Executive” means the person who:

48 (a) directs the audit program of the Board in accordance with Title 63I, Chapter 5,
49 the Utah Internal Audit Act and Board policies;

50 (b) is appointed by and reports to the audit committee; and

51 (c) is independent of the agencies subject to Board audit.

52 ([6]5) “Draft audit report” means a draft audit report compiled by the Chief Audit
53 [Director] Executive that is classified as protected under ~~[Title 63G, Chapter 2, Part 3,~~
54 ~~Section 305, Protected records]~~ Subsection 63G-2-305(10).

55 ([7]6) “Education entity” means the same as that term is defined in Section 53[A-1]E-
56 3-401.

57 ([8]7) “Final audit report” means a draft audit report that is approved by the audit
58 committee and the Board as a final audit report that is classified as public under ~~[Title 63G,~~
59 ~~Chapter 2, Part 3, Section 301, Public records]~~ Subsection 63G-2-301(3)(g).

60 ([9]8) “Local administrator” means the district superintendent or charter school
61 director.

62 ([10]9) “Sub-recipient” means any entity that receives funds from an entity governed
63 by the Board.

64 **R277-116-3. Chief Audit [Director] Executive Authority and Responsibilities.**

65 (1) The Chief Audit [Director] Executive shall:

66 (a) manage the audit program and facilitate the audit process:

67 (i) as approved and directed by the Board and audit committee;

68 (ii) in accordance with the current International Standards for the Professional
69 Practice of Internal Auditing; and

70 (iii) in accordance with the USBE Internal Audit Department Policy and Procedure
71 Manual.

72 (b) act as the liaison for external audits of the Board;

73 (c) maintain the classification of any public record consistent with GRAMA;

74 (d) be subject to the same penalties under GRAMA as the custodian of a public
75 record;

76 (e) publish final reports on the Internal Audit department web[page]site if
77 appropriate; and

78 (f) make a copy of the USBE Internal Audit Department Policy and Procedure
79 Manual to the general public upon request.

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

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

84 The Superintendent shall:

85 (1) provide resources necessary to conduct the audit program including adequate
86 funds, staff, tools, and space to support the audit program;

87 (2) facilitate communications with those charged with governance, management, and

88 staff as requested by the Chief Audit [Director] Executive or the audit committee to ensure
89 the access necessary to perform an audit;

90 (3) ensure access to all personnel, records, data, and other agency information that
91 the Chief Audit [Director] Executive or staff consider necessary to carry out their assigned
92 duties;

93 (4) notify the Chief Audit [Director] Executive of external audits of entities governed
94 by the Board;

95 (5) notify the agency that the Chief Audit [Director] Executive shall be the liaison for
96 an external audit;

97 (6) support the audit program as otherwise requested by the audit committee or
98 Chief Audit [Director] Executive; and

99 (7) facilitate appropriate action by the Board on issues identified in audits by:

100 (a) sending the final management response letter and form to the governing board
101 and local administrator of an audited agency in response to the final audit report;

102 (b) following up on final management response forms sent to the governing board
103 and local administrator of an audited agency in accordance with timelines outlined in the
104 management response letter, as monitored by the Chief Audit [Director] Executive, to
105 ensure either:

106 (i) the audited agency took appropriate action;

107 (ii) the audited agency's lack of action is acceptable; or

108 (iii) implementation of a corrective action plan in accordance with Rule R277-114;

109 and

110 (c) sending the closure letter to the governing board and local administrator of an
111 audited agency when the Board accepts the audited agency's management response.

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

113 The agency shall wholly cooperate and provide the Chief Audit [Director] Executive
114 and the internal audit staff all:

115 (1) necessary access to those charged with governance, management, and staff;

116 and

117 (2) personnel, records, data, and other agency information that the Chief Audit
118 ~~[Director]~~ Executive or staff consider necessary to carry out ~~[their]~~ assigned duties in a
119 timely manner.

120 **R277-116-6. Audit Process.**

121 (1) The Chief Audit ~~[Director]~~ Executive shall develop and recommend an audit plan
122 to the Board and the audit committee based on the results of periodic risk assessments and
123 audits.

124 (2) Once approved and adopted by the Board, the Chief Audit ~~[Director]~~ Executive
125 shall implement the audit plan.

126 (3) At the initiation of an audit, the Chief Audit ~~[Director]~~ Executive shall, as
127 necessary:

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

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

131 (4) After conducting an audit, the Chief Audit ~~[Director]~~ Executive shall:

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

133 (i) the audit committee; and

134 (ii) the Superintendent; ~~[and]~~

135 ~~[(iii) the governing board of the audited agency;]~~

136 (b) after complying with Subsection (4)(a), submit a preliminary draft audit report to
137 the audited agency's governing board leadership, audit committee, and school
138 administrators, as appropriate, and hold an exit conference, if necessary, ~~[with the~~
139 ~~governing board and local administrator of the audited agency and administration]~~ to
140 discuss the preliminary draft audit report; and

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

143 (5) The Chief Audit ~~[Director]~~ Executive shall submit a revised draft audit report
144 directly to:

145 (a) the audit committee;

- 146 (b) the Board;
- 147 (c) the governing board and local administrator of the audited agency; and
- 148 (d) the Superintendent.
- 149 (6) Within fourteen days of the ~~[Audit Director's]~~ Chief Audit Executive's submission
- 150 of the revised draft audit report to the audited agency governing board, and after the exit
- 151 conference, if applicable, the ~~[auditing]~~ audited agency's governing board shall:
- 152 (a) provide a written response or comment on the draft audit report to the Chief Audit
- 153 ~~[Director]~~ Executive and audit committee; or
- 154 (b) file a written request for an extension ~~[to the audit committee]~~ with the Chief Audit
- 155 Executive setting forth:
- 156 (i) the justification for the extension request; and
- 157 (ii) the extension time necessary to provide the response;
- 158 (7) If the a request for an extension is filed in accordance with Subsection (6)(b), the
- 159 Chief Audit Executive shall respond after consulting with the Audit Committee Chair.
- 160 (7) Upon receiving written response and comment from the audited agency
- 161 governing board, the Chief Audit ~~[Director]~~ Executive shall:
- 162 (a) incorporate ~~[into the draft audit report]~~ the written response, if any, received from
- 163 the audited agency governing board into the draft audit report;
- 164 (b) prepare Auditor concluding remarks, if appropriate; and
- 165 (c) submit the ~~[amended]~~ revised draft audit report to the audit committee for
- 166 recommendation to the Board.
- 167 (8) The audit committee may:
- 168 (a) recommend an amended draft audit report for approval and adoption; or
- 169 (b) send the amended draft audit report back to the Chief Audit ~~[Director]~~ Executive
- 170 with instructions for additional review.
- 171 (9) Upon recommendation from the audit committee on the amended draft audit
- 172 report, the Board may:
- 173 (a) approve and adopt an amended draft audit report as the final audit report; or
- 174 (b) send the amended draft audit report back to the audit committee with instructions
- 175 for additional review.

176 **R277-116-7. Audit Reports.**

177 (1) An audit report prepared by the Chief Audit [Director] Executive and staff shall
178 be based upon audits of agency programs, activities, and functions.

179 (2) An audit report prepared by the Chief Audit [Director] Executive shall include
180 identification of any information required by Subsection 63I-5-401(1)(I) related to the scope
181 and objectives of the audit.]:

182 ~~—(a) abuse;~~

183 ~~—(b) illegal acts;~~

184 ~~—(c) errors;~~

185 ~~—(d) omissions; or~~

186 ~~—(e) conflicts of interest.]~~

187 (3) The Chief Audit [Director] Executive shall provide, upon written request, a copy
188 of ~~[an]~~ a final audit report to the Office of Legislative Auditor General or the Office of the
189 State Auditor.

190 (4) The Chief Audit [Director] Executive shall ensure that public release of a final
191 audit report complies with the conditions specified by the state laws and rules governing
192 the audited agency.

193 **KEY: educational administration**

194 **Date of Enactment or Last Substantive Amendment:**

195 **Notice of Continuation:**

196 **Authorizing, and Implemented, or Interpreted Law: Art X Sec 3; ~~[53A-1-401; 53A-1-~~**
197 **~~402(1)(e); 53A-1-405; 53A-17a-147(2); 63I-5-101 through 401] 53E-3-401, 53E-3-501,~~**
198 **53E-3-602, 53E-3-603, 53F-2-204**