

R277. Education, Administration.

R277-116. Audit Procedure.

R277-116-1. Authority and Purpose.

(1) This rule is authorized by:

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

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

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

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

(e) Subsection 53F-2-204(2), which directs the Board to assess the progress and effectiveness of any programs funded under the State System of Public Education; and

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

(2) The purpose of this rule is to:

(a) outline the role of the Chief Audit Executive and audit client in the audit process; and

(b) outline the Board's procedures for audits of audit clients.

R277-116-2. Definitions.

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

(2) "Audit committee" means the same as that term is defined in Subsection 63I-5-102(5).

29 (3) "Audit plan" means a prioritized list of audits with associated resource
30 requirements to be performed by the audit program that is reviewed, approved, and
31 adopted at least annually by the Board.

32 (4) "Audit program" means the department that provides internal audit services for
33 the Board that is directed by the Chief Audit Executive.

34 (5) "Chief Audit Executive" means the person who directs the audit program of the
35 Board or the Chief Audit Executive's designee.

36 (6) "Draft audit report" means an unfinalized audit report compiled by the Chief
37 Audit Executive that is classified as protected under Subsection 63G-2-305(10).

38 (7) "Education entity" means the same as that term is defined in Section 53E-3-
39 401.

40 (8) "Final audit report" means a draft audit report, accepted by the audit committee
41 and the Board, that is generally classified as public under Subsection 63G-2-301(3)(q).

42 (9) "Improper payment" means:

43 (a) a payment that should not have been made or that was made in an incorrect
44 amount under statutory, contractual, administrative, or other legally applicable
45 requirements;

46 (b) an overpayment or underpayment to an eligible recipient;

47 (c) a payment to an ineligible recipient;

48 (d) a payment for an ineligible good or service;

49 (e) a payment for a good or service not received; or

50 (f) a payment that cannot be appropriately classified through an audit or review as
51 a result of insufficient documentation.

52 (10) "Local administrator" means the superintendent or director of an audit client.

53 (11)(a) "Questioned cost" means a cost that is questioned by the auditor because
54 of an audit finding:

55 (i) which resulted from a violation or possible violation of a statute, regulation, or
56 the terms and conditions of an award;

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

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

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

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

(1) The Chief Audit Executive shall direct the audit program in accordance with:

(a) Title 63I, Chapter 5, Utah Internal Audit Act;

(b) applicable Board bylaws and Board policies; and

(c) the USBE Internal Audit Policy and Procedures Manual.

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

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

R277-116-4. Audit Client Responsibilities.

(1) The audit client shall fully cooperate and provide the Chief Audit Executive items, information, and access in accordance with Title 63I, Chapter 5, Utah Internal Audit Act.

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

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

R277-116-5. Audit Process.

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

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

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

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

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

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

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

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

(a) the draft audit report;

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

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

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

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

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

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

115 (i) the audit committee;
116 (ii) the Superintendent; and
117 (iii) additional individuals and entities, as appropriate; and
118 (b) provide notice to the individuals identified in Subsection (1)(a), which shall
119 include the same information required for notice under Subsection (4).

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

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

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

126 (i) the justification for the extension request; and
127 (ii) the extension time necessary to provide the response.

128 (8) If a request for extension is filed in accordance with Subsection (7)(b), the
129 Chief Audit Executive shall respond after consulting with the Audit Committee chair.

130 (9) Upon receiving a written response in accordance with Subsection (7)(a) or if
131 no response to request for extension is received, the Chief Audit Executive shall:

132 (a) incorporate the written response, if any, into the draft audit report;
133 (b) prepare Chief Audit Executive concluding remarks, if appropriate; and
134 (c) submit the draft audit report to the audit committee and Superintendent.

135 (10) Upon receiving the draft audit report, consistent with Board bylaws, the audit
136 committee shall provide direction to staff or propose recommendations to the Board
137 regarding release of the audit or corrective action, including recommendations to confirm
138 questioned costs as improper payments.

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

141 (1) An audit client who wishes to appeal Board action in response to an audit, shall
142 follow the process outlined in Rule 277-102.

(2) An audit client who wishes to appeal a corrective action plan established by the Superintendent based on Board action in response to an audit, shall follow the process outlined in Section R277-114-5.

KEY: educational administration

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Authorizing, and Implemented or Interpreted Law: Art X Sec 3; 53E-3-401; 53E-3-501(1)(e); 53E-3-602; 53E-3-603; 53F-2-204