

**IMPLEMENTATION AND AUDIT OF BEST PRACTICES
IN NEW PROGRAMS AND AGENCIES**

2000 GENERAL SESSION

STATE OF UTAH

Sponsor: Lloyd W. Frandsen

AN ACT RELATING TO THE LEGISLATURE; AMENDING THE RESPONSIBILITIES OF THE LEGISLATIVE AUDITOR GENERAL; REQUIRING A REPORT TO THE APPROPRIATE LEGISLATIVE INTERIM COMMITTEE AND LEGISLATIVE APPROPRIATION SUBCOMMITTEE; PROVIDING OVERSIGHT DUTIES TO THOSE COMMITTEES; AND PROVIDING AN EFFECTIVE DATE.

This act affects sections of Utah Code Annotated 1953 as follows:

AMENDS:

36-12-15, as last amended by Chapter 228, Laws of Utah 1992

ENACTS:

36-24-101, Utah Code Annotated 1953

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **36-12-15** is amended to read:

36-12-15. Office of Legislative Auditor General established -- Qualifications --

Powers, functions, and duties.

(1) There is created an Office of Legislative Auditor General as a permanent staff office for the Legislature.

(2) The legislative auditor general shall be a licensed certified public accountant or certified internal auditor with at least five years experience in the auditing or public accounting profession, or the equivalent, prior to appointment.

(3) The legislative auditor general shall appoint and develop a professional staff within budget limitations.

(4) (a) The Office of the Legislative Auditor General shall exercise the constitutional authority provided in Article VI, Sec. 33, Utah Constitution.

(b) Under the direction of the legislative auditor general, the office shall:

(i) conduct comprehensive and special purpose audits, examinations, and reviews of any entity that receives public funds; ~~and~~

(ii) prepare and submit a written report on each audit, examination, or review to the Legislative Management Committee, the audit subcommittee, and to all members of the Legislature within 75 days after the audit or examination is completed[-]; and

(iii) as provided in Section 36-24-101:

(A) monitor all new programs and agencies created during each Annual General Session or Special Session of the Legislature;

(B) provide each new program and agency created with a list of best practices in setting up their program or agency, including:

(I) policies;

(II) performance measures; and

(III) data collection;

(C) send each new program and agency:

(I) within one year after its creation, a survey instrument requesting a self evaluation that includes policies, performance measures, and data collection;

(II) within two years after its creation, a survey instrument requesting a self evaluation that includes policies, performance measures, and data collection; and

(D) (I) using the new program or agency's response to the self evaluation survey instruments, recommend to the legislative audit subcommittee that the office conduct an audit of those new programs and agencies created on which questions have arisen as a result of the response to the survey instrument and provide a limited scope audit report on those new programs or agencies on which it receives direction to audit to the legislative interim committee and to the legislative appropriations subcommittee with oversight responsibility for that program or agency on or before the November interim meeting; and

(II) include within this limited scope audit report a recommendation as to whether the program or agency is fulfilling its statutory guidelines and directives.

(5) The audit, examination, or review of any entity that receives public funds may include a

determination of any or all of the following:

- (a) the honesty and integrity of all its fiscal affairs;
- (b) the accuracy and reliability of its financial statements and reports;
- (c) whether or not its financial controls are adequate and effective to properly record and safeguard its acquisition, custody, use, and accounting of public funds;
- (d) whether or not its administrators have faithfully adhered to legislative intent;
- (e) whether or not its operations have been conducted in an efficient, effective, and cost efficient manner;
- (f) whether or not its programs have been effective in accomplishing intended objectives; and
- (g) whether or not its management control and information systems are adequate and effective.

(6) The Office of Legislative Auditor General may:

(a) obtain access to all records, documents, and reports of any entity that receives public funds necessary to the scope of its duties, according to the procedures contained in Title 36, Chapter 14, Legislative Subpoena Powers;

(b) establish policies, procedures, methods, and standards of audit work for the office and staff;

(c) prepare and submit each audit report without interference from any source relative to the content of the report, the conclusions reached in the report, or the manner of disclosing the results of his findings; and

(d) prepare and submit the annual budget request for the office.

(7) To preserve the professional integrity and independence of the office:

(a) no legislator or public official may urge the appointment of any person to the office; and

(b) the legislative auditor general may not be appointed to serve on any board, authority, commission, or other agency of the state during his term as legislative auditor general.

(8) The following records in the custody or control of the legislative auditor general shall be protected records under Title 63, Chapter 2, Government Records Access and Management Act:

(a) Records that would disclose information relating to allegations of personal misconduct,

gross mismanagement, or illegal activity of a past or present governmental employee if the information or allegation cannot be corroborated by the legislative auditor general through other documents or evidence, and the records relating to the allegation are not relied upon by the legislative auditor general in preparing a final audit report.

(b) Records and audit workpapers to the extent they would disclose the identity of a person who during the course of a legislative audit, communicated the existence of any waste of public funds, property, or manpower, or a violation or suspected violation of a law, rule, or regulation adopted under the laws of this state, a political subdivision of the state, or any recognized entity of the United States, if the information was disclosed on the condition that the identity of the person be protected.

(c) Prior to the time that an audit is completed and the final audit report is released, records or drafts circulated to a person who is not an employee or head of a governmental entity for their response or information.

(d) Records that would disclose an outline or part of any audit survey plans or audit program.

(e) Requests for audits, if disclosure would risk circumvention of an audit.

(f) The provisions of Subsections (8)(a), (b), and (c) do not prohibit the disclosure of records or information that relate to a violation of the law by a governmental entity or employee to a government prosecutor or peace officer.

(g) The provisions of this section do not limit the authority otherwise given to the legislative auditor general to classify a document as public, private, controlled, or protected under Title 63, Chapter 2, Government Records Access and Management Act.

(9) The legislative auditor general shall:

(a) be available to the Legislature and to its committees for consultation on matters relevant to areas of his professional competence;

(b) conduct special audits as requested by the Legislative Management Committee;

(c) report immediately in writing to the Legislative Management Committee through its audit subcommittee any apparent violation of penal statutes disclosed by the audit of a state agency and furnish to the Legislative Management Committee all information relative to the apparent violation;

(d) report immediately in writing to the Legislative Management Committee through its audit

subcommittee any apparent instances of malfeasance or nonfeasance by a state officer or employee disclosed by the audit of a state agency; and

(e) make any recommendations to the Legislative Management Committee through its audit subcommittee with respect to the alteration or improvement of the accounting system used by any entity that receives public funds.

(10) (a) Prior to each annual general session, the legislative auditor general shall prepare a summary of the audits conducted and of actions taken based upon them during the preceding year.

(b) This report shall also set forth any items and recommendations that are important for consideration in the forthcoming session, together with a brief statement or rationale for each item or recommendation.

(c) The legislative auditor general shall deliver the report to the Legislature and to the appropriate committees of the Legislature.

(11) (a) No person or entity may:

(i) interfere with a legislative audit, examination, or review of any entity conducted by the office; or

(ii) interfere with the office relative to the content of the report, the conclusions reached in the report, or the manner of disclosing the results and findings of the office.

(b) Any person or entity that violates the provisions of this Subsection (11) is guilty of a class B misdemeanor.

Section 2. Section **36-24-101** is enacted to read:

CHAPTER 24. LEGISLATIVE REVIEW OF NEW PROGRAMS OR AGENCIES

36-24-101. Review of new programs and agencies.

(1) When legislation is passed that creates a new program or agency, the legislative sponsor shall consider providing that the funding for the first fiscal year should be nonlapsing, with the option of continuing those nonlapsing monies for an additional year.

(2) The legislative interim committee with oversight responsibility for the new program or agency:

(a) shall hear the limited scope audit report prepared by the Office of Legislative Auditor

General as provided in Section 36-12-15 on or before the committee's November meeting;

(b) shall review each new program or agency on which it receives a report to assure that it is being implemented in a manner consistent with its statutory directive;

(c) shall determine whether the statutory directive is being followed and whether any change in law is necessary and if a change in law is necessary, make that recommendation to the Legislature; and

(d) may request the Office of Legislative Auditor General to conduct a more in-depth review of the program or agency.

(3) The legislative appropriations subcommittee with oversight responsibility for the new program or agency:

(a) shall hear the limited scope audit report prepared by the Office of Legislative Auditor General as provided in Section 36-12-15 on or before the committee's November meeting;

(b) shall review each new program or agency on which it receives a report to determine whether the agency is appropriately using the funds provided; and

(c) may request the Office of Legislative Auditor General to conduct a more in-depth review of the program or agency.

Section 3. Effective date.

This act takes effect on July 1, 2000.