

1 **AGENCY AUDITING PROCEDURES FOR EDUCATION**

2 2016 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Bruce R. Cutler**

5 Senate Sponsor: J. Stuart Adams

7 **LONG TITLE**

8 **General Description:**

9 This bill modifies provisions relating to the state agency internal audit program for the
10 education state agency.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ requires the State Board of Education to establish an internal audit program for
- 14 programs administered by the State Board of Education;
- 15 ▶ requires an audit committee to approve internal auditing policies proposed by an
- 16 agency internal audit director; and
- 17 ▶ makes technical changes.

18 **Money Appropriated in this Bill:**

19 None

20 **Other Special Clauses:**

21 None

22 **Utah Code Sections Affected:**

23 AMENDS:

24 **63I-5-102**, as last amended by Laws of Utah 2014, Chapter 433

25 **63I-5-201**, as repealed and reenacted by Laws of Utah 2014, Chapter 433

26 **63I-5-301**, as last amended by Laws of Utah 2014, Chapter 433

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

29 Section 1. Section **63I-5-102** is amended to read:

30 **63I-5-102. Definitions.**

31 As used in this chapter:

32 (1) "Agency governing board" is any board or commission that has policy making and
33 oversight responsibility over the agency, including the authority to appoint and remove the
34 agency director.

35 (2) "Agency head" means a cabinet officer, an elected official, an executive director, or
36 a board or commission vested with responsibility to administer or make policy for a state
37 agency.

38 (3) "Agency internal audit director" or "audit director" means the person who:

39 (a) directs the internal audit program for the state agency; and

40 (b) is appointed by the audit committee or, if no audit committee has been established,
41 by the agency head.

42 (4) "Appointing authority" means:

43 (a) the governor, for state agencies other than the State Tax Commission;

44 (b) the Judicial Council, for judicial branch agencies;

45 (c) the Board of Regents, for higher education entities;

46 (d) the State Board of Education, for ~~[the]~~ entities administered by the State ~~[Office]~~
47 Board of Education; ~~[and]~~ or

48 (e) the four tax commissioners, for the State Tax Commission.

49 (5) "Audit committee" means a standing committee composed of members who:

50 (a) are appointed by an appointing authority;

51 (b) (i) do not have administrative responsibilities within the agency; and

52 (ii) are not an agency contractor or other service provider; and

53 (c) have the expertise to provide effective oversight of and advice about internal audit
54 activities and services.

55 (6) "Audit plan" means a prioritized list of audits to be performed by an internal audit
56 program within a specified period of time.

57 (7) "Higher education entity" means the Board of Regents, the institutional councils of

58 each higher education institution, [~~and~~] or each higher education institution.

59 (8) "Internal audit" means an independent appraisal activity established within a state
60 agency as a control system to examine and evaluate the adequacy and effectiveness of other
61 internal control systems within the agency.

62 (9) "Internal audit program" means an audit function that:

63 (a) is conducted by an agency, division, bureau, or office, independent of the agency,
64 division, bureau, or office operations;

65 (b) objectively evaluates the effectiveness of agency, division, bureau, or office
66 governance, risk management, internal controls, and the efficiency of operations; and

67 (c) is conducted in accordance with the current:

68 (i) International Standards for the Professional Practice of Internal Auditing; or

69 (ii) The Government Auditing Standards, issued by the Comptroller General of the
70 United States.

71 (10) "Judicial branch agency" means each administrative entity of the judicial branch.

72 (11) (a) "State agency" means:

73 (i) each department, commission, board, council, agency, institution, officer,
74 corporation, fund, division, office, committee, authority, laboratory, library, unit, bureau, panel,
75 or other administrative unit of the state; [~~and~~] or

76 (ii) each state public education entity.

77 (b) "State agency" does not mean:

78 (i) a legislative branch agency;

79 (ii) an independent state agency as defined in Section [63E-1-102](#);

80 (iii) a county, municipality, school district, local district, or special service district; or

81 (iv) any administrative subdivision of a county, municipality, school district, local
82 district, or special service district.

83 Section 2. Section **63I-5-201** is amended to read:

84 **63I-5-201. Internal auditing programs -- State agencies.**

85 (1) (a) The departments of Administrative Services, Agriculture, Commerce, Heritage

86 and Arts, Corrections, Workforce Services, Environmental Quality, Health, Human Services,
87 Natural Resources, Public Safety, and Transportation, and the State Tax Commission shall
88 conduct various types of auditing procedures as determined by the agency head or governor.

89 (b) The governor may, by executive order, require a state agency not described in
90 Subsection (1)(a) to establish an internal audit program.

91 (c) The governor shall ensure that each state agency that reports to the governor has
92 adequate internal audit coverage.

93 (2) (a) The Office of the Court Administrator shall establish an internal audit program
94 under the direction of the Judicial Council, including auditing procedures for courts not of
95 record.

96 (b) The Judicial Council may, by rule, require other judicial agencies to establish an
97 internal audit program.

98 (3) (a) Dixie State University, the University of Utah, Utah State University, Salt Lake
99 Community College, Southern Utah University, Utah Valley University, Weber State
100 University, and Snow College shall establish an internal audit program under the direction of
101 the Board of Regents.

102 (b) The State Board of Regents may issue policies requiring other higher education
103 entities or programs to establish an internal audit program.

104 (4) The [~~State Office of Education shall establish under the direction of the~~] State
105 Board of Education shall establish an internal audit program that provides internal audit
106 services for each program administered by the State [~~Office~~] Board of Education.

107 (5) Subject to Section [32B-2-302.5](#), the internal audit division of the Department of
108 Alcoholic Beverage Control shall establish an internal audit program under the direction of the
109 Alcoholic Beverage Control Commission.

110 Section 3. Section **63I-5-301** is amended to read:

111 **63I-5-301. Audit committee -- Powers and duties.**

112 (1) (a) Each appointing authority may establish an audit committee to monitor the
113 activities of the agency internal audit program.

114 (b) An audit committee may serve more than one state agency internal audit program.

115 (2) The appointing authority shall ensure that audit committee members have the
116 expertise to provide effective oversight of and advice about internal audit activities and
117 services.

118 (3) If an audit committee has been established, the audit committee shall:

119 (a) appoint, evaluate, and, if necessary, remove the agency internal audit director;

120 (b) prepare and adopt formal policies that define:

121 (i) the purpose of the agency's internal audit program; and

122 (ii) the authority and responsibility of the agency's internal auditors;

123 (c) ensure that policies adopted under Subsection (3)(b):

124 (i) do not place limitations on the scope of the internal audit program's work; and

125 (ii) clarify that an auditor does not have authority or responsibility for an activity that
126 the auditor audits;

127 (d) ensure that:

128 (i) the audit director employs a sufficient number of professional and support staff to
129 implement an effective internal audit program;

130 (ii) compensation, training, job tenure, and advancement of internal auditing staff is
131 based upon job performance;

132 (iii) the audit director and staff collectively possess the knowledge, skills, and
133 experience essential to the practices of the profession and are proficient in applying internal
134 auditing standards, procedures, and techniques;

135 (iv) the internal audit program has [~~employees~~] staff who are qualified in disciplines
136 necessary to meet the audit responsibilities, including accounting, business management, public
137 administration, human resource management, economics, finance, statistics, electronic data
138 processing, or engineering;

139 (v) internal audit staff are free of operational and management responsibilities that
140 would impair their ability to make independent audits of any aspects of the agency's operations;

141 (vi) the audit director and the internal audit staff have access to all personnel and

142 records, data, and other agency information that the audit director or staff consider necessary to
143 carry out their assigned duties; and

144 (vii) ~~[that]~~ the audit director and ~~[the director's employees]~~ internal audit staff have the
145 necessary access to the agency head, agency management, and agency staff;

146 (e) ~~[consent to the]~~ approve internal auditing policies proposed by the agency head or
147 audit director;

148 (f) review and approve the annual internal audit plan, modifications to the internal
149 audit plan, risk assessment, and budget;

150 (g) review internal and external audit reports, follow-up reports, and quality assurance
151 reviews of the internal audit office; and

152 (h) periodically meet with the agency internal audit director to discuss pertinent
153 matters, including whether there are any restrictions on the scope of audits.