

Brady Brammer proposes the following substitute bill:

Legislative Audit Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Brady Brammer

House Sponsor: Jordan D. Teuscher

LONG TITLE

General Description:

This bill enacts provisions related to certain information provided to the legislative auditor general.

Highlighted Provisions:

This bill:

- restates the authority of the legislative auditor general;
- excludes certain information provided to the legislative auditor general from the definition of "record";
- permits an entity to provide certain privileged items to the legislative auditor general;
- requires an entity that withholds certain privileged items from the legislative auditor general to expressly assert a privilege;
- permits the legislative auditor general to contest privilege claim;
- requires, in certain circumstances, an entity to submit privileged items to an arbitrator to determine a privilege claim;
- coordinates enactment of provisions with S.J.R. 4, Joint Resolution Amending Court Rules on Attorney Confidentiality; and
- makes technical corrections.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a coordination clause.

Utah Code Sections Affected:

AMENDS:

36-12-15, as last amended by Laws of Utah 2024, Third Special Session, Chapter 3

Utah Code Sections affected by Coordination Clause:

29 **36-12-15**, as last amended by Laws of Utah 2024, Third Special Session, Chapter 3

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

32 *The following section is affected by a coordination clause at the end of this bill.*

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

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

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-- Powers, functions, and duties -- Reporting -- Criminal penalty -- Employment.

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(1) As used in this section:

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(a) "Audit action" means an audit, examination, investigation, or review of an entity conducted by the office.

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(b) "Entity" means:

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(i) a government organization; or

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(ii) a receiving organization.

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(c) "Government organization" means:

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(i) a state branch, department, or agency; or

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(ii) a political subdivision, including a county, municipality, special district, special service district, school district, interlocal entity as defined in Section 11-13-103, or any other local government unit.

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(d) "Office" means the Office of the Legislative Auditor General.

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(e) "Receiving organization" means an organization that receives public funds that is not a government organization.

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

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(b) The authority of the legislative auditor general is:

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(i) established in Utah Constitution, Article VI, Section 33; and

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(ii) an extension of the Legislature's inherent inquiry and investigatory power.

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

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

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(5) The office shall exercise the constitutional authority provided in Utah Constitution, Article VI, Section 33.

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

- 63 (a) conduct comprehensive and special purpose audits, examinations, investigations, or
64 reviews of entity funds, functions, and accounts;
- 65 (b) prepare and submit a written report on each audit action to the Audit Subcommittee
66 created in Section 36-12-8 and make the report available to all members of the
67 Legislature within 75 days after the audit action is completed;
- 68 (c) monitor, conduct a risk assessment of, or audit any efficiency evaluations that the
69 legislative auditor general determines necessary, in accordance with Title 63J,
70 Chapter 1, Part 9, Government Performance Reporting and Efficiency Process, and
71 legislative rule;
- 72 (d) create, manage, and report to the Audit Subcommittee a list of high risk programs
73 and operations that:
- 74 (i) threaten public funds or programs;
- 75 (ii) are vulnerable to inefficiency, waste, fraud, abuse, or mismanagement; or
76 (iii) require transformation;
- 77 (e) monitor and report to the Audit Subcommittee the health of a government
78 organization's internal audit functions;
- 79 (f) make recommendations to increase the independence and value added of internal
80 audit functions throughout the state;
- 81 (g) implement a process to track, monitor, and report whether the subject of an audit has
82 implemented recommendations made in the audit report;
- 83 (h) establish, train, and maintain individuals within the office to conduct investigations
84 and represent themselves as lawful investigators on behalf of the office;
- 85 (i) establish policies, procedures, methods, and standards of audit work and
86 investigations for the office and staff;
- 87 (j) prepare and submit each audit and investigative report independent of any influence
88 external of the office, including the content of the report, the conclusions reached in
89 the report, and the manner of disclosing the legislative auditor general's findings;
- 90 (k) prepare and submit the annual budget request for the office; and
- 91 (l) perform other duties as prescribed by the Legislature.
- 92 (7) In conducting an audit action of an entity, the office may include a determination of any
93 or all of the following:
- 94 (a) the honesty and integrity of any of the entity's fiscal affairs;
- 95 (b) the accuracy and reliability of the entity's internal control systems and specific
96 financial statements and reports;

- 97 (c) whether or not the entity's financial controls are adequate and effective to properly
98 record and safeguard the entity's acquisition, custody, use, and accounting of public
99 funds;
- 100 (d) whether the entity's administrators have complied with legislative intent;
- 101 (e) whether the entity's operations have been conducted in an efficient, effective, and
102 cost efficient manner;
- 103 (f) whether the entity's programs have been effective in accomplishing intended
104 objectives; and
- 105 (g) whether the entity's management control and information systems are adequate and
106 effective.
- 107 (8)(a) If requested by the office, each entity that the legislative auditor general is
108 authorized to audit under Utah Constitution, Article VI, Section 33, or this section
109 shall, notwithstanding any other provision of law except as provided in Subsection
110 (8)(b), provide the office with access to information, materials, or resources the office
111 determines are necessary to conduct an audit, examination, investigation, or review,
112 including:
- 113 (i) the following in the possession or custody of the entity in the format identified by
114 the office:
- 115 (A) a record, document, and report; and
116 (B) films, tapes, recordings, and electronically stored information;
- 117 (ii) entity personnel; and
- 118 (iii) each official or unofficial recording of formal or informal meetings or
119 conversations to which the entity has access.
- 120 (b) To the extent compliance would violate federal law, the requirements of Subsection
121 (8)(a) do not apply.
- 122 (9)(a) In carrying out the duties provided for in this section and under Utah Constitution,
123 Article VI, Section 33, the legislative auditor general may issue a subpoena to access
124 information, materials, or resources in accordance with Chapter 14, Legislative
125 Subpoena Powers.
- 126 (b) The legislative auditor general may issue a subpoena, as described in Subsection
127 (9)(a), to a financial institution or any other entity to obtain information as part of an
128 investigation of fraud, waste, or abuse, including any suspected malfeasance,
129 misfeasance, or nonfeasance involving public funds.
- 130 (10)(a) As used in this Subsection (10), "privileged item" means an attorney-client

- 131 communication, attorney work product, or information relating to representation of
 132 the entity, governed by:
- 133 (i) Utah Rules of Professional Conduct, Rule 1.6;
 134 (ii) Utah Rules of Evidence, Rule 504; or
 135 (iii) Utah Rules of ~~§~~ → [Professional Conduct, Rule 1.6] Civil
 135a Procedure, Rule 26 ← ~~§~~ .
- 136 (b) ~~§~~ → [A lawyer is expressly authorized to provide confidential information on the
 136a entity] ← ~~§~~
 137 ~~§~~ → [client's behalf under] If an entity discloses information to the
 137a legislative auditor general that is confidential under ← ~~§~~ Utah Rules of
 137b Professional Conduct, Rule 1.6 ~~§~~ → [(b)(6)] , the disclosure is
 137c authorized in accordance with Utah Rules of Professional Conduct, Rule 1.6(6)(b),
 137d and does not make the information discoverable or prevent the entity from claiming
 137e that the information is privileged in another proceeding ← ~~§~~ .
- 138 (c) If requested by the legislative auditor general for an audit action, an entity may
 139 provide a privileged item.
- 140 (d) If an entity withholds a privileged item after a request by the legislative auditor
 141 general for an audit action, the entity shall, for each instance in which the entity
 142 asserts privilege, submit to the legislative auditor general a written statement:
 143 (i) expressly asserting the privilege and the authority for the privilege claim; and
 144 (ii) for each privilege claim, describing the nature of the privileged item in a manner
 145 that, without revealing the attorney-client communication, attorney work product,
 146 or information itself, will enable the legislative auditor general to evaluate the
 147 privilege claim.
- 148 (e)(i) The legislative auditor general may contest a privilege claim asserted under
 149 Subsection (10)(d) by submitting the privilege claim to an arbitrator, selected by
 150 the office, for review.
- 150a ~~§~~ → (ii) The office shall select as the arbitrator an individual who:
 150b (A) is licensed to practice law in the state of Utah; and
 150c (B) does not have a known, direct, or material interest in the outcome of the
 150d arbitration proceeding or a known, existing, or substantial relationship with the
 150e entity or, except for selection by the office for the arbitration, the office.
- 151 ~~[(ii)] (iii) ← ~~§~~ The legislative auditor general shall provide to the entity:~~

- 152 (A) notification in writing of each contested privilege claim; and
 153 (B) the arbitrator's information.
- 154 ~~§~~→ [(iii)] (iv) ←~~§~~ The entity:
- 155 (A) shall provide to the arbitrator the privileged item described in the contested
 156 privilege claim no later than seven business days after receiving the written
 157 notification described in Subsection ~~§~~→ [(10)(e)(ii)] (10)(e)(iii) ←~~§~~
 157a ; and
- 158 (B) may provide supplemental information in support of a privilege claim.
- 159 ~~§~~→ [(iv)] (v) ←~~§~~ No later than seven business days after the arbitrator receives
 159a the privileged item
 160 under Subsection ~~§~~→ [(10)(e)(iii)] (10)(e)(iv) ←~~§~~ , the
 160a arbitrator shall:
- 161 (A) conduct an in camera review of the privileged item and authority for the
 162 relevant privilege claim;
- 163 (B) review supplemental information submitted under Subsection ~~§~~→ [
 163a (10)(e)(iii)(B)] (10)(e)(iv)(B) ←~~§~~
 164 and any supplemental information provided by the legislative auditor general;
 165 and
- 166 (C) issue a determination as to whether the entity has a valid claim of privilege,
 167 favoring access to the legislative auditor general ~~§~~→ **of material that is not**
 167a **privileged** ←~~§~~ .
- 168 ~~§~~→ [(v)] (vi) ←~~§~~ If the arbitrator determines that an entity does not have a valid
 168a privilege claim, the
 169 entity shall:
- 170 (A) provide the withheld information, material, resource, or communication to the
 171 legislative auditor general; and
- 172 (B) reimburse the legislative auditor general for compensation of the arbitrator.
- 173 (f) The arbitrator may not disclose:
- 174 (i) a privileged item; or
- 175 (ii) supplemental information described in Subsection ~~§~~→ [(10)(e)(iii)(B)]
 175a (10)(e)(iv)(B) ←~~§~~ .
- 176 (g) Provisions of Subsection (10)(e) are not subject to Title 78B, Chapter 11, Utah
 177 Uniform Arbitration Act.

- 178 ~~[(10)]~~ (11) To preserve the professional integrity and independence of the office:
- 179 (a) no legislator or public official may urge the appointment of any person to the office;
- 180 and
- 181 (b) the legislative auditor general may not be appointed to serve on any board, authority,
- 182 commission, or other agency of the state during the legislative auditor general's term
- 183 as legislative auditor general.
- 184 ~~[(11)]~~ (12)(a) The following records in the custody or control of the legislative auditor
- 185 general are protected records under Title 63G, Chapter 2, Government Records
- 186 Access and Management Act:
- 187 (i) records and audit work papers that would disclose information relating to
- 188 allegations of personal misconduct, gross mismanagement, or illegal activity of a
- 189 past or present governmental employee if the information or allegation cannot be
- 190 corroborated by the legislative auditor general through other documents or
- 191 evidence, and the records relating to the allegation are not relied upon by the
- 192 legislative auditor general in preparing a final audit report;
- 193 (ii) records and audit workpapers that would disclose the identity of a person who,
- 194 during the course of a legislative audit, communicated the existence of:
- 195 (A) unethical behavior;
- 196 (B) waste of public funds, property, or personnel; or
- 197 (C) a violation or suspected violation of a United States, Utah state, or political
- 198 subdivision law, rule, ordinance, or regulation, if the person disclosed on the
- 199 condition that the identity of the person be protected;
- 200 (iii) before an audit is completed and the final audit report is released, records or
- 201 drafts circulated to a person who is not an employee or head of an entity for
- 202 review, response, or information;
- 203 (iv) records that would disclose:
- 204 (A) an outline;
- 205 (B) all or part of an audit survey, audit risk assessment plan, or audit program; or
- 206 (C) other procedural documents necessary to fulfill the duties of the office; and
- 207 (v) requests for audits, if disclosure would risk circumvention of an audit.
- 208 (b) The provisions of Subsection (11)(a) do not prohibit the disclosure of records or
- 209 information to a government prosecutor or peace officer if those records or
- 210 information relate to a violation of the law by an entity or entity employee.
- 211 (c) A record, as defined in Section 63G-2-103, created by the office in a closed meeting

- 212 held in accordance with Section 52-4-205:
- 213 (i) is a protected record, as defined in Section 63G-2-103;
- 214 (ii) to the extent the record contains information:
- 215 (A) described in Section 63G-2-302, is a private record; or
- 216 (B) described in Section 63G-2-304, is a controlled record; and
- 217 (iii) may not be reclassified by the office.
- 218 (d) The provisions of this section do not limit the authority otherwise given to the
- 219 legislative auditor general to maintain the private, controlled, or protected record
- 220 status of a shared record in the legislative auditor general's possession or classify a
- 221 document as public, private, controlled, or protected under Title 63G, Chapter 2,
- 222 Government Records Access and Management Act.
- 223 (e) If provided to the legislative auditor general, the following are not a record, as
- 224 defined in Section 63G-2-103:
- 225 (i) a privileged item, as defined in Subsection (10)(a); and
- 226 (ii) supplemental information described in Subsection ~~§~~ → [(10)(e)(iii)(B)]
- 226a (10)(e)(iv)(B) ← ~~§~~ .
- 227 [(12)] (13) The legislative auditor general shall:
- 228 (a) be available to the Legislature and to the Legislature's committees for consultation on
- 229 matters relevant to areas of the legislative auditor general's professional competence;
- 230 (b) conduct special audits as requested by the Audit Subcommittee;
- 231 (c) report immediately to the Audit Subcommittee any apparent violation of penal
- 232 statutes disclosed by the audit of an entity and furnish to the Audit Subcommittee all
- 233 information relative to the apparent violation;
- 234 (d) report immediately to the Audit Subcommittee any apparent instances of
- 235 malfeasance or nonfeasance by an entity officer or employee disclosed by the audit of
- 236 an entity; and
- 237 (e) make any recommendations to the Audit Subcommittee with respect to the alteration
- 238 or improvement of the accounting system used by an entity.
- 239 [(13)] (14) If the legislative auditor general conducts an audit of an entity that has
- 240 previously been audited and finds that the entity has not implemented a recommendation
- 241 made by the legislative auditor general in a previous audit report, the legislative auditor
- 242 general shall report to the Audit Subcommittee that the entity has not implemented the
- 243 recommendation.
- 244 [(14)] (15) Before each annual general session, the legislative auditor general shall:

- 245 (a) prepare an annual report that:
- 246 (i) summarizes the audits, examinations, investigations, and reviews conducted by the
- 247 office since the last annual report; and
- 248 (ii) evaluate and report the degree to which an entity that has been the subject of an
- 249 audit has implemented the audit recommendations;
- 250 (b) include in the report any items and recommendations that the legislative auditor
- 251 general believes the Legislature should consider in the annual general session; and
- 252 (c) deliver the report to the Legislature and to the appropriate committees of the
- 253 Legislature.

254 ~~[(15)]~~ (16)(a) If the chief officer of an entity has actual knowledge or reasonable cause to

255 believe that there is misappropriation of the entity's public funds or assets, or another

256 entity officer has actual knowledge or reasonable cause to believe that the chief

257 officer is misappropriating the entity's public funds or assets, the chief officer or,

258 alternatively, the other entity officer, shall immediately notify, in writing:

- 259 (i) the office;
- 260 (ii) the attorney general, county attorney, or district attorney; and
- 261 (iii)(A) for a state government organization, the chief executive officer;
- 262 (B) for a political subdivision government organization, the legislative body or
- 263 governing board; or
- 264 (C) for a receiving organization, the governing board or chief executive officer
- 265 unless the chief executive officer is believed to be misappropriating the funds
- 266 or assets, in which case the next highest officer of the receiving organization.

267 (b) As described in Subsection ~~[(15)(a)]~~ (16)(a), the entity chief officer or, if applicable,

268 another entity officer, is subject to the protections of Title 67, Chapter 21, Utah

269 Protection of Public Employees Act.

270 (c) If the Office of the Legislative Auditor General receives a notification under

271 Subsection ~~[(15)(a)]~~ (16)(a) or other information of misappropriation of public funds

272 or assets of an entity, the office shall inform the Audit Subcommittee.

273 (d) The attorney general, county attorney, or district attorney shall notify, in writing, the

274 Office of the Legislative Auditor General whether the attorney general, county

275 attorney, or district attorney pursued criminal or civil sanctions in the matter.

276 ~~[(16)]~~ (17)(a) An actor commits interference with a legislative audit if the actor uses

277 force, violence, intimidation, or engages in any other unlawful act with a purpose to

278 interfere with:

- 279 (i) a legislative audit action; or
- 280 (ii) the office's decisions relating to:
 - 281 (A) the content of the office's report;
 - 282 (B) the conclusions reached in the office's report; or
 - 283 (C) the manner of disclosing the results and findings of the office.
- 284 (b) A violation of Subsection [~~(16)~~(a)] (17)(a) is a class B misdemeanor.
- 285 [~~(17)~~] (18)(a) The office may require any current employee, or any applicant for
- 286 employment, to submit to a fingerprint-based local, regional, and criminal history
- 287 background check as an ongoing condition of employment.
- 288 (b) An employee or applicant for employment shall provide a completed fingerprint card
- 289 to the office upon request.
- 290 (c) The office shall require that an individual required to submit to a background check
- 291 under this Subsection [~~(17)~~] (18) also provide a signed waiver on a form provided by
- 292 the office that meets the requirements of Subsection 53-10-108(4).
- 293 (d) For a noncriminal justice background search and registration in accordance with
- 294 Subsection 53-10-108(13), the office shall submit to the Bureau of Criminal
- 295 Identification:
 - 296 (i) the employee's or applicant's personal identifying information and fingerprints for
 - 297 a criminal history search of applicable local, regional, and national databases; and
 - 298 (ii) a request for all information received as a result of the local, regional, and
 - 299 nationwide background check.
- 300 [~~(18)~~] (19) Subject to prioritization of the Legislative Audit Subcommittee, the Office of the
- 301 Legislative Auditor General shall conduct a feasibility study under Section 53G-3-301.1,
- 302 53G-3-301.3, or 53G-3-301.4.

303 Section 2. **Effective Date.**

304 This bill takes effect on May 7, 2025.

305 Section 3. **Coordinating S.B. 154 with S.J.R. 4 if S.J.R. 4 does not pass.**

306 If S.J.R. 4, Joint Resolution Amending Court Rules on Attorney Confidentiality, does
307 not pass, the Legislature intends that S.B. 154, Legislative Audit Amendments, not be enrolled
308 and not become law.