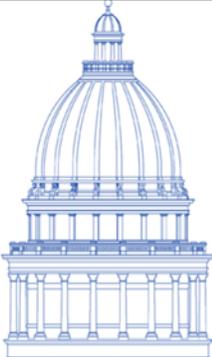




Thirty-Ninth Annual Report to the Utah State Legislature

**Sixtieth Legislature
2014 Session**



The Utah State Legislature created the Office of the Legislative Auditor General (OLAG) in 1975. OLAG has constitutional authority to audit any branch, department, agency, or political subdivision of the state.

The Legislative Auditor General is a constitutionally created position with a six-year term of appointment. The Auditor General reports directly to the Audit Subcommittee of the Legislative Management Committee. Traditionally, though not required, the committee has been composed of the President of the Senate, the Speaker of the House, the Senate Minority Leader, and the House Minority Leader.

■ What Does the Office of the Legislative Auditor General Do?

OLAG may audit or review the work of any state agency, local government entity, or any entity that receives state funds. State law authorizes OLAG to review all records, documents, and reports of any entity that it is authorized to audit, notwithstanding any other provision of law.

OLAG’s audits may have multiple objectives and many formats. OLAG publishes the findings of these audits in reports that are written for the Legislature but available to the public.

OLAG staff also provide assistance to the Legislature in the form of special projects. Examples of this type of service include studies of driving privilege cards and state entity prescription drug purchasing practices.

■ How Are Audits Initiated?

Any legislator can make an audit request simply by writing a letter to the Audit Subcommittee. This letter should identify specific issues of concern that should be addressed by the requested audit. While a letter of request can originate from one legislator, the request may have more influence if it is signed by a group of legislators or by the legislators on a committee.

Once the request is received, the Audit Subcommittee will prioritize it in the order that subcommittee members determine to be appropriate. Issues given high priority are those that will confront the Legislature in the next session or have the potential for a significant statewide impact.

■ What Is the Audit Process?

An audit will be staffed according to its priority assignment and staff availability. Once an audit is staffed, an auditor generally contacts the legislator(s) requesting the audit to discuss their concerns and identify when the audit results are needed.

If all the audit questions cannot be answered in the necessary time frame, the auditors will work with the legislator(s) to identify the most critical questions. Once the audit is complete, the report is presented to the Audit Subcommittee, which then releases it to the appropriate legislative committees and the public.

■ What Is the Purpose of This Annual Report?

This report fulfills requirements set forth in *Utah Code* 36-12-15(11), which states that “(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.”

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■ How Can I Obtain Audit Reports?

You can download a copy of most audit reports from the legislative website: www.le.utah.gov/audit/olag.htm.

■ Who Are the Members of the Audit Subcommittee?

Speaker Rebecca D. Lockhart, Co-Chair
Speaker of the House
R-Utah County

President Wayne L. Niederhauser, Co-Chair
President of the Senate
R-Salt Lake County

Representative Jennifer M. Seelig
House Minority Leader
D-Salt Lake County

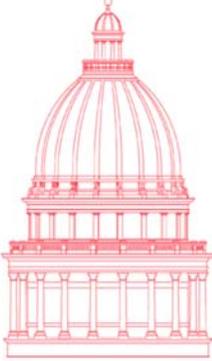
Senator Gene Davis
Senate Minority Leader
D-Salt Lake County

“The legislative auditor shall have authority to conduct audits of any funds, functions, and accounts in any branch, department, agency or political subdivision of this state and shall perform such other related duties as may be prescribed by the Legislature. He shall report to and be answerable only to the Legislature.”

- Article VI, Section 33 of
the *Utah Constitution*

■ Who Are the Auditor General Staff?

Auditor General	John M. Schaff, CIA
Deputy Auditor General	Richard D. Coleman, CIA, CPA
Audit Managers	Tim Osterstock, CIA, CFE Darin R. Underwood, CIA
Audit Supervisors	James Behunin, CIA Tim Bereece Leah Blevins Brian J. Dean, CIA, CFE Deanna L. Herring, JD Wayne Kidd, CIA Kade Minchey, CIA
Audit Staff	Michael Allred Matthias Boone Karleen Capell Jake Dinsdale Hillary Galvin Matthew Harvey August Lehman Jesse Martinson Christopher McClelland, CIA Derek Olson Anndrea Parrish Candace Ware
IT Auditor/ Systems Analyst	David Gibson, CISA
Quality Control/ Report Editor	Leslie Marks, CFE
Administrative Assistant	Lynda Maynard



Based on issues addressed and recommendations made in our 2013 audits and the actions taken on 2012 audit recommendations, we believe the Legislature should consider the following items during the 2014 General Session. Whether the Legislature chooses to act on the following items depends on legislative policy decisions that are outside the audit arena.

■ **2013-08 A Performance Audit of the Division of Adult Probation and Parole**

Measuring program effectiveness is a critical aspect of administering correctional programs. Other states have realized improved program outcomes and cost savings through successful measurement of correctional programs. Utah's Commission on Criminal and Juvenile Justice (CCJJ) has begun measuring programs in Utah, but better information and reporting is needed.

Action Needed: The Legislature should consider requiring CCJJ to annually provide them with a report that establishes the return on investment for all correctional programs.

■ **2013-05 A Performance Audit of Higher Education's Competition with the Private Sector**

The University of Utah has three off-campus retail stores that compete with the private sector in violation of University of Utah and Board of Regents policy. However, those policies have not been enforced, and there is no statutory guidance concerning higher education competition with the private sector. Additionally, the tax code may be interpreted that it is permissible for campus bookstores to sell most items tax free to their students, faculty, and employees.

Action Needed: The Legislature should consider providing statutory policy guidance that addresses higher education competition with the private sector. Additionally, the Legislature should consider

clarifying sales tax policy related to sales by higher education institutions.

■ **2013-02 A Performance Audit of Utah College of Applied Technology Programs and Funding**

Utah College of Applied Technology (UCAT) campuses have been enrolling secondary students in computer literacy. Despite being a career and technical education core course, a Utah State Office of Education (USOE) rule change no longer allows these core courses to qualify for public education funding.

Action Needed: The Legislature should consider clarifying whether UCAT's role in career and technical education for secondary students should include courses identified as a core high school graduation requirement.

■ **2013-01 A Performance Audit of Utah's Child Welfare System**

When in-home cases and all foster care cases are brought before Juvenile Court, the Attorney General represents the Division of Child and Family Services, and Guardian ad Litem attorneys represent the best interest of the child. Indigent parents are represented by a parental defense attorney. *Utah Code* 78A-6-1111 requires the appointment of legal counsel for indigent parents ". . . at every stage of the proceedings." We reviewed cases in each of the eight judicial districts and found that parental defense counsel are not always present at the initial shelter hearings and, in one court district, are not often present for the second or pre-trial hearings. This absence occurs because the initial shelter

hearing and pre-trial hearing are combined. As a result, parental defense is delayed.

Action Needed: The Legislature should consider adopting the American Bar Association's practice standards to enhance parity and minimum standards for parental representation in all counties.

■ 2013-D A Limited Review of Cemetery Maintenance District Operations

Records integrity and sound policies and procedures underlie the value of cemetery services. Our limited review found that cemeteries are not complying with the statutory recording requirements for plot burial rights ownership. For many other cemetery recordkeeping functions, municipal cemeteries lack formal standards, and the level of detail and security of their records greatly varies. Related to burial rights access, cemeteries appear to handle sales of such rights consistently: on a first-come, first-served basis.

Action Needed: The Legislature should consider establishing minimum requirements for operations policies and procedures and the integrity of cemetery records. Included in these minimum standards should be compliance with statutory reporting requirements by the cemeteries to the county recorder.

■ 2012-09 A Performance Audit of Utah's Radioactive Waste Facility Tax

The current radioactive waste tax structure is susceptible to control that can affect the amount of tax the state

receives. Specifically, EnergySolutions (the major source of this tax revenue) has the ability to control portions of the tax through vertical integration.

Action Needed: The Legislature should consider a new tax structure that is more straightforward and reduces the risk to the state that some tax dollars may not be collected. Specifically, we recommend that the Legislature consider moving away from a tax based on gross receipts to a tax structure based on the radioactive intensity of the waste (millicurie) or a combination of radioactive intensity and volume (cubic feet).

■ 2012-06 A Performance Audit of the Division of Housing and Community Development

Housing and Community Development has been holding some land in reserve. The funds invested in the property are considered to be land-banked. Land-banking is an unusual practice with a low-income (HOME) fund, but is a common practice of other federal housing funds, educational institutions, and private developers. *Utah Code* does not appear to forbid the practice for low-income housing, but is ambiguous on the matter. Land-banking delays funds from use and leveraging, while still retaining the value of the asset.

Action Needed: The Legislature should consider whether land-banking is consistent with legislative intent to leverage state monies for low-income housing.





In 2013, the Office of the Legislative Auditor General (OLAG) completed 19 audits (11 in-depth audits, 2 budget and appropriation audits, and 6 special projects, shown below). OLAG's 2013 audits are listed in the table below, and the 2013 audit follow-ups are listed on the next page. The remainder of the section summarizes each audit and follow-up results. Full reports can be found on the legislative website located at: www.le.utah.gov/audit/olag.htm.

2013 Completed Audits

Audit Name	Audit Number	Agency Recommendations	Legislative Recommendations	Release Date
Department of Workforce Services	2013-13	13	0	November
Utah Science Technology and Research (USTAR)	2013-12	15	0	October
Appropriated Wolf Management Funds	2013-11	2	0	October
Health Insurance Contracting in Higher Education	2013-10	2	1	September
Utah Insurance Department	2013-07	10	0	July
Fugitives & Inmates Inappropriately Receiving Public Assistance	2013-06	3	0	July
Higher Education's Competition with the Private Sector	2013-05	3	2	July
Sand and Gravel Air Quality Permitting and Compliance	2013-04	3	0	July
The Labor Commission's Adjudication Division	2013-03	8	1	February
Utah College of Applied Technology Programs and Funding	2013-02	8	1	February
Utah's Child Welfare System	2013-01	5	6	February

2013 Completed Budget and Appropriation Audits

Utah Code 36-12-15.1 provides for special audits that focus on the extent to which the entity has efficiently and effectively used its appropriation; whether the entity's size and operation are commensurate with its spending history; and whether the entity is diligent in its stewardship of state resources. For 2013, the Audit Subcommittee prioritized these budget and appropriation audits:

In-Depth Budget Review of the Utah Department of Corrections	2013-09	12	0	September
Division of Adult Probation and Parole	2013-08	11	1	September

2013 Completed Special Projects

PEHP's Reinsurance Practices	ILR2013-F	1	0	March
Retirement Pensions	ILR2013-E	0	0	February
Cemetery Maintenance District Operations	ILR2013-D	0	1	February
Electronic High School	ILR2013-C	4	0	February
Retirement Pensions of \$100,000 or More	ILR2013-B	0	0	February
Scholarships Named for Sitting Chairs at the University of Utah	ILR2013-A	3	0	January

Best Practices and Performance Notes

The Auditor General also has the statutory responsibility of reviewing all new government programs (programs that have received a Performance Note required by legislative rule) and providing the new program or agency with a list of best practices to use in setting up the new program or agency. Since 2000, the Auditor General has published *Best Practices for Good Management* as a guide for new programs.

You can view a copy of this publication at www.le.utah.gov/audit/BP_2009.pdf.

For this annual report, we completed follow-up inquiries on 17 audits (7 audits from 2013 and 10 audits from 2012 shown below). The 17 audits with follow-ups contained 97 recommendations to audited agencies, only 2 of which (2 percent) were not implemented. There were also 16 legislative recommendations, of which 6 have yet to be implemented. (See “Legislative Action” on page 3.)

Audit Follow-Ups						
Audit Name	Number	Recommendations		Follow-Up Status		
		Agency	Legislature	Agency	Legislature	
The Labor Commission's Adjudication Division	2013-03	8	1	4 Implemented, 4 In Process	1 Implemented	
Utah College of Applied Technology Programs and Funding	2013-02	8	1	4 Implemented, 3 In Process, 1 Not Implemented	1 Not Yet Implemented*	
Utah's Child Welfare System	2013-01	5	6	2 Implemented, 3 In Process	5 Implemented, 1 Not Yet Implemented*	
PEHP's Reinsurance Practices	ILR2013-F	1	0	1 Implemented	—	
Cemetery Maintenance District Operations	ILR2013-D	0	1	—	1 In Process*	
Electronic High School	ILR2013-C	4	0	2 Implemented, 2 Partially Implemented	—	
Scholarships Named for Sitting Chairs at the University of Utah	ILR2013-A	3	0	3 Implemented	—	
Division of Occupational and Professional Licensing (DOPL)	2012-15	19	0	16 Implemented, 2 Partially Implemented, 1 Not Implemented	—	
DABC Operations	2012-14	22	2	21 Implemented, 1 In Process	2 Implemented	
Medicaid Fraud Control Unit	2012-13	3	0	2 Implemented, 1 Partially Implemented	—	
State Printing Costs and Practices	2012-12	2	0	2 Implemented	—	
Inmate High School Education	2012-11	6	0	5 Implemented, 1 Partially Implemented	—	
Division of Radiation Control	2012-10	6	2	5 Implemented, 1 In Process	1 Implemented, 1 Not Yet Implemented*	
Utah's Radioactive Waste Facility Tax	2012-09	1	2	1 In Process	2 Not Yet Implemented*	
Utah Telecommunications Open Infrastructure Agency (UTOPIA)	2012-08	4	0	3 Implemented, 1 Partially Implemented	—	
Medicaid Eligibility	2012-07	4	0	2 Implemented, 1 Partially Implemented, 1 In Process	—	
Community Education Channel Agency's TV Production Truck	ILR2012-F	1	1	1 In Process	1 Implemented	
113 Total Recommendations:		97	16			

* Most recommendations to the Legislature which are not yet implemented are addressed in the “Legislative Action” section on page 3.

■ Completed Audits

Audit 2013-13 A Performance Audit of the Department of Workforce Services' Work Environment

Changes at the Department of Workforce Services (DWS) have contributed to an atmosphere of frustration and unrest among past and present employees. The lack of program baseline measurements has been detrimental to the design and implementation of programs, including: an incentive program which inappropriately benefits managers and supervisors in the program; a review process that is inconsistent and at times biased; and additional changes in structure and management, which have contributed to unrest within the department.

Audit 2013-12 A Performance Audit of the Utah Science Technology and Research Initiative (USTAR)

We found that USTAR's reported return on investment (ROI) was inaccurate and flawed. Over half of the reported revenue was unrealized, invalid, or overreported. Jobs created were also inflated and USTAR's reported ROI was not reflective of an expansion of tax revenue to the state. Also, USTAR has inadequately supervised research team funding, insufficiently overseen its research facilities, and has not effectively managed its outreach programs. Lastly, USTAR needs to improve the administration and governance of its operations. Since fiscal year 2007, public investment of almost \$334 million in USTAR to support new university research teams, construct research facilities, and establish technology outreach programs across the state has not been adequately controlled.

Audit 2013-11 A Review of Appropriated Wolf Management Funds

In the last four years, the State of Utah has given \$800,000 to private organizations to pursue bringing wolf management authority to the state level. Although there is evidence that the funds were spent

appropriately, the contract lacked sufficient safeguards to track and assure they followed state requirements.

Audit 2013-10 A Performance Audit of Health Insurance Contracting in Higher Education

We were asked to review whether pooling employee health insurance for all institutions of higher education and applied technology colleges as a single entity would lead to cost savings for the state. Our review found that 59 percent of institutions pool their employees' health insurance benefits with other groups' plans. However, most of the larger institutions, which employ the greatest number of staff, create their own separate pools and insurance programs. We believe a full compensation study is needed to truly compare the value of the institutions' health insurance packages, which can then be used to determine if overall savings are possible through pooling. We also reviewed the effect that a new law has on these institutions' current practices when conducting a request for proposal process (RFP) for health insurance. We found that policies addressing the frequency of conducting an RFP could help institutions comply with the new law concerning contract term limits.

Audit 2013-09 An In-Depth Budget Review of the Utah Department of Corrections

The Utah Department of Corrections (UDC) can improve efficiency in several budget areas. For example, the Draper prison can save about \$1.2 million annually through better food management. Additionally, there are approximately \$560,000 in potential annual savings through better contracting, oversight, and claim payment automation in the clinical services area of UDC. We also report the need for a better cost comparison with county jails in the jail contracting program, as well as the need for performance measures at UDC's Utah Correctional Industries. Finally, the report also comments on the need for UDC to be more transparent with the Legislature when presenting budgetary information, specifically regarding recent staff pay increases.

**Audit 2013-08 A Performance Audit of the
Division of Adult Probation and Parole**

Our audit of AP&P found a lack of violation response guidelines and significantly different rates of offender incarceration among offices throughout Utah. If AP&P can more consistently and effectively supervise offenders in the community, it could result in reduced offender recidivism and savings to the state of up to \$2.6 million per year. However, we caution that these numbers are estimates and generally realized through cost savings in the form of avoiding new prison space, rather than operational savings from AP&P. We believe most improvements can be made within AP&P but many other agencies and stakeholders must participate to achieve successful community supervision of offenders.

**Audit 2013-07 A Performance Audit of the Utah
Insurance Department**

Surveyed resident producers (agents) responded favorably regarding the department's activities. However, a quarter of licensees feel the department does not provide easy access to information regarding law and rule changes. A second survey sent to individuals who have been investigated by the Market Conduct Division showed that the division could improve its communication with respondents. Our review of division investigation cases found that 88 percent of the monetary penalties were consistent with the guidelines, but 12 percent needed additional documentation. In addition, the division needs policies to guide case management practices.

**Audit 2013-06 A Limited Review of Fugitives and
Inmates Inappropriately Receiving Public
Assistance**

Some fugitives and inmates are inappropriately receiving public assistance benefits. Although our review was limited to a one-month time period, we found 414 public assistance benefits were active for 281 fugitives and 209 public assistance benefits were active for 179 inmates. These results represent about 2 percent of the incarcerated population and 25 percent of the fugitive population supervised or under the jurisdiction of the Utah Department of Corrections (UDC).

Concerns raised in this report would likely be much greater if a public assistance match was performed on all inmates and fugitives in the state.

**Audit Report 2013-05 A Performance Audit of
Higher Education's Competition with the Private
Sector**

Our review indicates that higher education business enterprises are increasingly encroaching on the private sector. The University of Utah's off-campus Red Zone stores are in violation of policy by both advertising and providing services to the general public that are not incidental to normal operations. Business enterprises on other Utah campuses also appear to be in violation. In addition, we reviewed a sales tax issue at the Weber State University bookstore. The Tax Commission confirmed that WSU does not need to charge sales tax on computer-related products sold to students. However, the Legislature should consider clarifying state tax policy on sales by universities and colleges.

**Audit Report: 2013-04 A Performance Audit of
Sand and Gravel Air Quality Permitting and
Compliance**

Selective enforcement of air quality permit conditions raises concern. The Minor Source Compliance Section, which oversees sand and gravel compliance, should fully enforce approved permits. In addition, case management within DAQ permitting provides little assurance that permits are handled in a timely fashion. The timeliness of air quality permits is an important question that DAQ needs to address. To do this, DAQ's permitting branch needs to improve its case management and improve permit file documentation, then use that documentation to analyze permit timeliness.

**ILR 2013-E: A Limited Review of Retirement
Pensions**

Within the Utah Retirement System (URS), 50,900 retirees receive pensions less than \$100,000 as of February 2013. In fact, 49,693 retirees (97.6 percent) receive an annual pension less than \$50,000. These retirement pensions are understandable given the

average years of service and final average salaries of the current retirees.

ILR 2013-B A Review of Retirement Pensions of \$100,000 or More

Twenty-one current retirees (.044 percent of all current retirees) were identified as receiving an annual retirement pension from the Utah Retirement System (URS) equaling or exceeding \$100,000. Of these, the retirement pension appeared reasonable given the retiree's years of service, job title, and final average salary. Consequently, we do not believe that further audit work is necessary.

■ Completed Audits with Follow-Up

Audit 2013-03 A Performance Audit of the Labor Commission's Adjudication Division

While the majority of the Utah Labor Commission's adjudicated worker compensation claims are resolved within the required timeframe, about 25 percent of claims are not. Additionally, no direct evidence of bias was found, but some actions by administrative law judges and medical panel members have led to a perception of bias, which can damage public confidence in the adjudication system. The report also raises concerns regarding the medical panels, which are often asked to examine an injured worker's medical condition. Giving medical panels additional training and providing oversight may help reduce the time needed to process claims and avoid the perception that the adjudication process is biased.

Results of Follow-Up: Eight recommendations were made to the agency; four have been implemented, four are in process. One recommendation to the Legislature has been implemented.

Audit 2013-02 A Performance Audit of Utah College of Applied Technology Programs and Funding

This audit verified positive improvements in student completion and placement rates resulting from outcome standards for individual Utah College of Applied

Technology (UCAT) programs. Since a low tuition rate shifted student costs toward fees, additional oversight and monitoring by the UCAT board is needed. Also, UCAT's Custom Fit program lacks the program objectives and measures necessary to effectively target economic development. Lastly, UCAT's role in secondary education that satisfies core high school graduation requirements should be clarified.

Results of Follow-Up: Eight recommendations were made to the agency; four have been implemented, three are in process, and one was not implemented. One recommendation to the Legislature has not been implemented.

Audit 2013-01 A Performance Audit of Utah's Child Welfare System

Utah's \$172 million child welfare system annually receives about 37,000 referrals of child abuse and neglect. Statutory revisions on the handling of referrals have reduced some unnecessary system intervention that, without negative effect, resulted in about 1,800 fewer children entering the system. As a result, for fiscal year 2012, 2,360 new children received in-home services and 2,004 new children were placed in foster care. Once a child is placed in the system, Utah's work to keep children with families has had mixed results. DCFS performs better than the national reunification average, reuniting 41 percent of children with their parents, while kinship placement, at 24 percent, continues to be lower than the national average. Long-term foster care continues to be a significant permanency concern as 23 percent of these children remain in care longer than 24 months and are more vulnerable to undesirable outcomes.

Results of Follow-Up: Eleven recommendations were made; six have been implemented, four are in process, and one has not yet been implemented by the Legislature.

Audit ILR 2013-F: A Review of PEHP's Reinsurance Practices

The Public Employees' Health Program (PEHP) has improved its reinsurance practices. PEHP now manages

the reinsurance program on a prospective basis and rates are determined independently for each participating risk pool. Specific stop-loss coverage levels are now actuarially determined. Also, reinsurance reserves are within the recommended guidelines.

Results of Follow-Up: One recommendation was made, which was implemented.

Audit ILR 2013-D A Limited Review of Cemetery Maintenance District Operations

Our limited review found that cemeteries are not complying with the statutory recording requirements for plot burial rights ownership. For many other cemetery recordkeeping functions, municipal cemeteries lack formal standards, and the level of detail and security of their records greatly varies. Related to burial rights access, cemeteries appear to handle sales of such rights consistently on a first-come, first-served basis.

Results of Follow-Up: One legislative recommendation was made, which is in process and will be considered in the 2014 General Session.

Audit ILR 2013-C A Limited Review of the Electronic High School

In fiscal years 2011 and 2012, over 36,000 Utah students enrolled in online classes at the Electronic High School. Our review of performance metrics for 2012 showed that about 60 percent of the classes were successfully completed, for a total of 5,690 full credits earned, and the average cost per credit was \$454. Our review of school operations showed serious oversight weaknesses that need to be fixed. EHS lacks internal controls for purchases made through their fiscal agent and some purchases violated administrative rules. Other concerns include the amount of Driver Education Tax funds used, the lack of policy and procedures, and the lack of communication with other schools' counselors.

Results of Follow-Up: Four recommendations were made; 2 have been implemented, 2 were partially implemented, but should be finalized by June 30, 2014.

ILR 2013-A Scholarships Named for Sitting Chairs at the University of Utah

There appear to be few scholarships named for sitting department chairs at the University of Utah (the U of U). Further, a survey of comparable institutions revealed that few institutions have any policies prohibiting or even addressing scholarships named for sitting chairs. Nonetheless, the U of U's Development Office may want to increase oversight if the situation of an unrestricted donation being placed in a sitting chair's named scholarship fund arises again.

Results of Follow-Up: Three recommendations were made; all were implemented.

Audit 2012-15 A Performance Audit of the Division of Occupational and Professional Licensing (DOPL)

Though DOPL license application processing and the majority of investigations appeared efficient and effective, additional controls were recommended to better manage investigations, probationers, and diversion program participants. Specifically, some DOPL investigations lacked adequate supervisor review and exceeded policy time limits. Additionally, probationers and diversion participants were allowed to accumulate numerous violations before DOPL made an appropriate response.

Results of Follow-Up: Nineteen recommendations were made; 16 have been implemented, 2 were partially implemented, and 1 was not implemented because new DOPL software no longer supports the process in question.

Audit 2012-14 A Performance Audit of DABC Operations

The Department of Alcoholic Beverage Control (DABC) needs to improve accounting of inventory and oversight of warehouse and store operations. DABC has been relying on inaccurate reports to enter physical inventory adjustments. DABC should continue to address system problems to ensure inventory accuracy. Also, state resources have not been protected because of

poor oversight of a service contract; enhanced employee ethics training is needed. Finally, DABC has inappropriately covered operating expenses with unappropriated monies from the liquor control fund.

Results of Follow-Up: Twenty-four recommendations were made, twenty-two to the DABC and two to the Legislature. Twenty-three of the recommendations have been implemented and one recommendation to the DABC is currently in process.

Audit 2012-13 A Performance Audit of the Medicaid Fraud Control Unit

The Utah Medicaid Fraud Control Unit's (MFCU's) overall recoveries of inappropriately paid out Medicaid funds are comparatively strong. These fraud recoveries are primarily due to successful litigation involving drug manufacturers. However, outcomes of criminal fraud cases involving local providers appear comparatively less substantial. These less substantial outcomes may be indicative of historically insubstantial case referrals that likely reduced the MFCU's effect on provider fraud. Related to the need for improved and increased referrals is a need to strengthen MFCU's case management system. Case files show significant gaps of time between basic case activities and some cases that were not completed within the statute of limitations timeframe.

Results of Follow-Up: Three recommendations were made; two were implemented and one was partially implemented.

Audit 2012-12 A Performance Audit of State Printing Costs and Practices

Since 2007, statewide printing volumes have declined about 23 percent, with accompanying cost reductions of about 43 percent. This reduction includes all three branches of government and follows national trends. To continue reductions in costs, state agencies and institutions of higher education should implement printing policy based on best practices outlined in this report. Printing costs for higher education have also declined, but at the slower rate of 5 percent over the last three fiscal years.

Results of Follow-Up: Two recommendations were made; both have been implemented.

Audit 2012-11 A Performance Audit of Inmate High School Education

In 2011, school districts provided educational services to 5,268 inmate students at a cost of about \$5.4 million. USOE needs to remedy funding inequities, which include providing fewer funds for inmate students on jail contract. Our audit also showed that, while inmates are achieving academic benefits, the impact of high school education on employment is unclear and should be addressed. Finally, some inmate high school education programs used an excessive amount of contact hours to educate inmates, including providing services to many inmate students who already had diplomas. USOE should establish guidelines for the number of contact hours, and place contact hour limits on inmate students who already have diplomas.

Results of Follow-Up: Six recommendations were made; five have been implemented; one partially implemented.

Audit 2012-10 A Performance Audit of the Division of Radiation Control (DRC)

This audit reviewed the oversight role of the DRC regarding the receipt and disposal of radioactive waste at the Clive, Utah facility, which is privately owned and operated by EnergySolutions. The report concludes that the DRC is not providing adequate independent oversight of incoming waste. The DRC's position is that they work under a common and recognized regulatory framework that relies on the regulated entity to self-police compliance and report any violations. However, Utah has unique waste prohibitions and is the only state with a business privately owning a radioactive waste disposal site. Consequently, we are concerned that the DRC is not providing adequate independent oversight of incoming waste because of the self-policing model.

Results of Follow-Up: Eight recommendations were made (six to the agency and two to the Legislature). Five to the agency were implemented and one is in

process. One to the Legislature was implemented and one was not.

Audit 2012-09 A Performance Audit of Utah's Radioactive Waste Facility Tax

The report concludes that there are concerns with the Radioactive Waste Facility Tax structure. Specifically, EnergySolutions has the ability to control portions of the tax through vertical integration. This means the company can accept waste and earn revenue outside the state for disposal of waste inside the state. This practice can affect taxes paid in Utah. While EnergySolutions has not violated the law or acted with the intent to avoid taxes, we believe the Legislature should consider a new tax structure that is more straightforward and reduces the risk to the state that some tax dollars may not be collected. Specifically, we recommend that the Legislature consider moving away from a tax based on gross receipts to a tax structure based on the radioactive intensity of the waste (millicurie) or a combination of radioactive intensity and volume (cubic feet). This recommendation is designed to be revenue neutral.

Results of Follow-Up: Three recommendations were made, one is in process; two to the Legislature have not yet been implemented.

2012-08 A Performance Audit of the Utah Telecommunications Open Infrastructure Agency (UTOPIA)

UTOPIA has been unable to complete its advanced fiber optic network as quickly as planned. As a result, revenues have not been sufficient to cover agency costs and the agency is in a difficult financial situation. The report concludes that poor planning, mismanagement, and unreliable business partners have contributed to the agency's financial difficulties. A lack of subscribers has also contributed to the agency's poor financial condition. Eight UTOPIA member cities have developed a new construction plan aimed at addressing past mistakes and completing the network. In order to increase the likelihood of success, the report suggests the UTOPIA board and management team adopt a

number of management and financial controls aimed at strengthening their oversight of the agency and holding people accountable for results.

Results of Follow-Up: Four recommendations were made to the agency, three were implemented and one was partially implemented.

Audit 2012-07 A Performance Audit of Medicaid Eligibility

Most recipients were accurately assessed for eligibility. Eligibility was incorrect for only one case, affecting five recipients' benefits. Of greater concern, about 2,300 recipients of public assistance programs, including Medicaid, have been issued multiple unique identification numbers. Agency errors represent about one-third of medical overpayments, and accounted for nearly \$1 million for fiscal year 2011. The Department of Workforce Services began conducting case reviews prior to benefit issuance to help reduce overpayments. Finally, issuing one-time identification cards to Medicaid recipients could provide savings to the state.

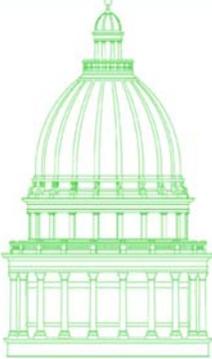
Results of Follow-Up: Four recommendations were made; two have been implemented, one partially implemented, and one is in process.

ILR 2012-F Community Education Channel Agency's TV Production Truck

We found that there have been significant oversight concerns with the Community Education Channel Agency (CECA), an interlocal agreement in Washington County. For example, the CECA purchased a full-size TV production truck that, over time, was seldom used for local mission-supported broadcasting. Instead, the CECA leased the vehicle on the open market, an action which reportedly competed with private business. We recommend the Legislature consider amending *Utah Code* to clarify oversight requirements of interlocal entities like the CECA.

Results of Follow-Up: Two recommendations were made; one has been implemented and one is in process.





It is the mission of the Office of the Legislative Auditor General to serve the citizens of Utah by providing objective information, in-depth analyses, and useful recommendations that help legislators and other decision makers:

- **Improve Programs**
- **Reduce Costs**
- **Promote Accountability**

To achieve this mission, the office completes in-depth audits and special projects requested by the Legislature. Listed below are examples of recent audit contributions to each mission objective.

■ Improving Programs

We identify changes in statute or agency policies and practices that can help programs more effectively achieve their purposes. For example:

- Our most recent audit of the Department of Alcoholic Beverage Control (DABC) resulted in legislation that strengthened controls over the Liquor Control Fund. Specifically, the legislation helped ensure that the DABC could not use unappropriated monies from the Liquor Control Fund to cover operating expenses. Additional recommendations from the audit further helped the DABC provide greater accountability over inventory.
- Based on our recommendations to the Electronic High School (EHS) program, the State Office of Education (USOE) has terminated the use of all fiscal agents to process education funds. Now, all EHS funds go through the accounting controls at the USOE. In addition, the EHS was receiving driver education funds in violation of statute. In response, the USOE has changed the dispersal of and accounting for the driver's education program funds.
- Our Insurance Department audit found that some cases had penalties that deviated from the guidelines without adequate documentation. Since the audit was released in July 2013, the Market Conduct Division has been developing policies to

guide the post-investigation process and formalizing their case management tools. These changes will help the division manage its investigations more effectively.

■ Reducing Costs

We find savings for Utah taxpayers by identifying ways to run programs more efficiently or collect revenues that agencies are failing to collect. For example:

- An in-depth budget review of the Utah Department of Corrections (UDC) found several areas where UDC can improve efficiency and save state funds. For example, the Draper prison facility spends more to feed inmates than the Gunnison facility spends. UDC could save about \$1 million annually by improving culinary services at the Draper prison. Annual savings as high as \$560,000 in UDC's Division of Clinical Services are possible with better outside medical contract rates, savings on certain prescription drugs, and automation of claims processing.
- Utah has one of the highest parole revocation rates in the country. The Division of Adult Probation and Parole (AP&P) lacks guidelines for violation response, including when to recommend revocation of community supervision. We also found significantly different rates of revocation among AP&P offices. This variation results in disparate treatment of offenders in the state. If AP&P could achieve more effective community supervision

outcomes and a lower recidivism rate, it could result in savings of \$2.6 million per year or more.

(However, we caution that these numbers are estimates and generally realized through cost savings in the form of avoiding new prison space, rather than operational savings from AP&P.) The division has begun implementing the recommendations in the report by working on revocation guidelines and setting a goal to reduce recidivism by 25 percent.

■ Promoting Accountability

We provide information that helps decision makers address important issues, including the adequacy of governance structures. For example:

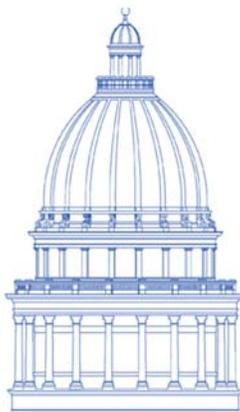
- Since 2007, the public has invested almost \$334 million in USTAR to support new university research teams, construct research facilities, and establish technology outreach programs across the state in order to enhance economic development. Our audit found that USTAR's reported return on investment numbers were inaccurate and flawed. We also found that USTAR has inadequately supervised research team funding, insufficiently overseen its research facilities, and ineffectively managed its outreach programs. Based on our recommendations, USTAR will work to report accurate information to the Legislature in the future and implement needed changes to ensure adequate oversight and management of operations.
- Based on our recommendations, the Board of Regents is revising its policy addressing higher education institutions' competition with the private sector. The proposed policy limits institutions' advertisement of services to the general public, unless the Board has authorized an exception. The proposed policy directs institutions to monitor services that may compete with private enterprise and establishes a grievance process for resolution of complaints filed by businesses regarding perceived competition.
- We found some fugitives and inmates were inappropriately receiving public assistance benefits. For a one-month time period, we found 414 public assistance benefits were active for 281 fugitives and 209 public assistance benefits were active for 179 inmates. These results represent about 2 percent of the incarcerated population and 25 percent of the fugitive population supervised by the Utah Department of Corrections (UDC). We recommended that the Department of Workforce Services (DWS) work with UDC to improve the accountability of public funds by implementing new oversight measures that will adequately detect and control improper use of the public assistance funds. DWS reports that these measures are in the process of being implemented.
- During our review, UTA was in the midst of a major expansion of its rail system. We found that UTA's revenue projections were optimistic and expense projections were understated. Thus, it is uncertain whether UTA will have the revenue to satisfactorily operate the costly systems being built. Based on our recommendations, UTA will identify reliable revenue sources for future transit projects before construction, utilize sales tax revenue models from other planning entities to establish sales tax revenue projections, and reevaluate boarding projections as updated data becomes available.
- We found that the Division of Radiation Control (DRC), the oversight arm for radioactive waste disposal in Utah, is not exercising sufficient independent controls to detect radioactive waste banned by Utah statute. The DRC is now in the process of implementing our recommendations, which will strengthen oversight and improve accountability to independently ensure that only approved waste is being disposed of at the Clive radioactive waste site.



Released Audits and Informal Reports, 2010 - 2012

2012		2011-06	
2012-15	Division of Occupational and Professional Licensing	2011-05	Public Education Cosmetology Programs
2012-14	DABC Operations	2011-04	DABC Actions Regarding a \$300,000 Loss from a Package Agency
2012-13	Medicaid Fraud Control Unit	2011-03	Division of Parks and Recreation
2012-12	State Printing Costs and Practices	2011-02	Division of Child and Family Services
2012-11	Inmate High School Education	2011-01	PEHP's Business Practices
2012-10	Division of Radiation Control	ILR2011-B	Competitive Business Practices of the Utah Local Government Trust
2012-09	Utah's Radioactive Waste Facility Tax	—	Information Regarding Disability Law Center Performance Audit Request
2012-08	Utah Telecommunications Open Infrastructure Agency (UTOPIA)	2010	
2012-07	Medicaid Eligibility	2010-17	Conflict of Interest Allegations at the UTA Board
2012-06	Division of Housing and Community Development	2010-16	Utah Medicaid Provider Cost Controls
2012-05	In-Depth Follow-Up of PEHP's Business Practices	2010-15	County and Municipal TDR Use in Utah
2012-04	DABC Oversight of Package Agencies	2010-14	Utah Medicaid's Implementation of Audit Recommendations
2012-03	In-Depth Follow-Up of Utah Medicaid's Implementation of Audit Recommendations	2010-13	Charter School Oversight
2012-02	School Community Council Election Practices	2010-12	School District Travel Accountability
2012-01	Utah Transit Authority	2010-11	Department of Alcoholic Beverage Control (DABC)
ILR2012-F	Community Education Channel Agency's TV Production Truck	2010-10	Working 4 Utah Initiative
ILR2012-E	Revenue Bond Funding Sources	2010-09	State-Funded Business Programs and Initiatives
ILR2012-D	Informal Poll of the Utah Senate on the U.S. Senate Candidates	2010-08	State's Career Service System
ILR2012-C	Survey of University of Utah Legal Counsel Staffing	2010-07	Use and Accountability of RAP Tax Funds Statewide
ILR2012-B	In-Depth Follow-Up of Div. of Parks and Recreation	2010-06	Driver License Division
ILR2012-A	Salt Lake Community College Personnel Practices	2010-05	Workload in Second District Court and Fifth District Juvenile Court
2011		2010-04	State Agency Regulatory Fees
2011-15	Higher Education Graduation Rates & Excess Hours	2010-03	Counties' Municipal Services
2011-14	Division of Wildlife Resources	2010-02	Utah Antidiscrimination and Labor Division
2011-13	Allegations Regarding Management of the DABC	2010-01	Utah Medicaid Managed Care
2011-12	Mandatory Student Fees at the University of Utah	ILR2010-F	Fund Balances Maintained in School Districts
2011-11	Operating Efficiency of the Utah State Court System	ILR2010-E	Revenues and Costs of the DABC
2011-10	IT Security at Universities and Quasi-Gov't Agencies	ILR2010-D	UDOT's Controls Over Right-of-Way Property Mgt.
2011-09	Higher Ed. Institutions' Residency Determination	ILR2010-C	Review of HOV Lanes
2011-08	Higher Ed. Operating and Maintenance Funding	ILR2010-B	Effects of DABC Budget Cuts on State Revenue
2011-07	School Districts' Health Insurance	ILR2010-A	Jordan School District's FY 2009 Purchases

Full Reports are available online at www.le.utah.gov/audit/olag.htm



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