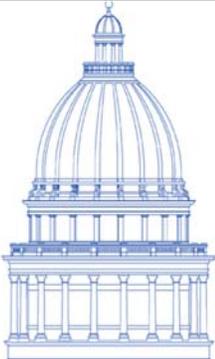




Forty-First Annual Report to the Utah State Legislature

**Sixty-First Legislature
2016 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?

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

Speaker Gregory H. Hughes, Co-Chair
Speaker of the House
R–Salt Lake County

Senator Gene Davis
Senate Minority Leader
D–Salt Lake County

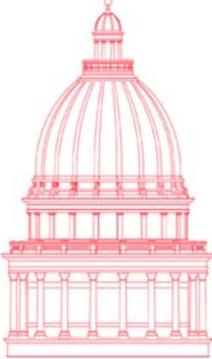
Representative Brian S. King
House Minority Leader
D–Salt Lake County

“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	Darin R. Underwood, CIA
Audit Managers	Tim Osterstock, CIA, CFE Kade Minchey, CIA, CFE Brian J. Dean, CIA, CFE
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Audit Technician	Lauri Felt



Based on issues addressed and recommendations made in our 2015 audits and the actions taken on 2014 audit recommendations, we believe the Legislature should consider the following items during the 2016 General Session. Whether the Legislature chooses to act on the following items depends on legislative policy decisions that are outside the audit arena.

■ ILR 2015-E: A Review of the Controlled Substance Database (CSD) by Law Enforcement

In the 2015 General Legislative Session, Senate Bill 119 was passed requiring law enforcement agencies to obtain a valid search warrant before reviewing information on prescription controlled substances. The audit reviewed the use of the CSD by law enforcement agencies for the one-year time period before the warrant requirement and the six-month period after the warrant requirement. We found that law enforcement's use of the CSD decreased by 95 percent in the first six months of the law change.

Action Needed: The Legislature should consider two options in response to the 95 percent decrease in law enforcement's use of the CSD: (1) retain the current law requiring a search warrant, or (2) allow an internal law enforcement agency process requiring internal oversight approval to control access to the CSD, but with a reduced standard of evidence than is needed for a warrant. In addition, if it is indeed Utah policy to consider prescription medical information held in the CSD as protected with the equivalent of HIPAA protection, it should be so established in *Utah Code*.

■ 2015-10: A Performance Audit of USOR's Budget and Governance

Since the 2008 recession, weak oversight and poor communication have created significant budget issues for the Utah State Office of Rehabilitation. These issues resulted in a 2014 deficit, the depletion of federal

funding reserves, need for a state supplemental appropriation, and a federal penalty.

Action Needed: The Legislature should consider: (1) establishing a statewide grant management system and assigning responsibility for the monitoring and enforcement of the Federal Funds Procedures Act; (2) moving USOR from the Utah State Office of Education to another state agency and creating a study group responsible for this transition; and (3) clarify in statute what the Visually Impaired Trust Fund categorization should be, and whether its recent use should be reimbursed.

■ 2015-01: A Performance Audit of Projections of Utah's Water Needs

Better water use data is needed to more accurately project Utah's future water needs. Specifically, we recommend that the Department of Natural Resources work with state water agencies to develop an efficient and effective system of collecting accurate water use data. We also made several recommendations to the Legislature to consider adopting policies that promote more efficient water use.

Action Needed: The Legislature should consider giving statutory authority to the Division of Water Resources to validate the annual water use reported by public water providers. The Legislature should also consider adopting water policies that: (1) require the phasing in of universal metering; (2) reduce water provider reliance on property taxes; (3) require water providers to create reserve funds to cover the cost of infrastructure repair and replacement; and (4) promote the use of conservation pricing structures.

■ 2015-12: A Performance Audit of Culinary Water Improvement Districts

Our site visits to several water districts revealed various administrative weaknesses. For example, municipal infringement into one district's service area has created inefficiencies in that district. Local district statute should be reviewed, and possibly revised, in order to help resolve this issue.

Action Needed: The Legislature should consider amending *Utah Code* 17B-1-103 to provide protections for local districts from encroaching municipalities.

■ 2015-08: A Performance Audit of the Utah Poison Control Center (UPCC)

The UPCC is the poison information authority for the state of Utah. Since the UPCC is not currently defined in *Utah Code*, it is not clear if the center is fulfilling its mission as intended by the Legislature. Furthermore, the UPCC's relationship with the University of Utah has not been legislatively defined.

Action Needed: The Legislature should consider statutorily defining the mission of the UPCC and its function within the state, and defining the UPCC's relationship with the University of Utah.

■ 2014-10: A Performance Audit of DSPD

In our audit of DSPD, we raised issues that may require legislative involvement. Specifically, we discussed Senate Bill 259 which was passed in the 2013 General Session. The bill enabled some individuals with less critical needs to be served before others with more critical needs. Further, the bill attempted to provide limited respite services to a targeted group, which is not permitted through Utah's federal waiver.

Action Needed: The Legislature should consider the following: (1) ensuring that the current law targets the desired DSPD population(s) for ongoing, respite-only appropriations; (2) assessing if the effect of SB259—allowing individuals with less critical needs to receive

services before those with more critical needs—satisfies the desired outcome; (3) enacting a state pilot program for targeted service; and (4) considering the use of limited support waiver(s) if the Legislature desires to deliver groups of services to targeted populations.

■ ILR 2015-A: A Limited Review of Provider Rates for DSPD

We conducted a limited review into the issue of sufficiency of DSPD service provider rates and found: virtually all funds appropriated for the waiting list have been allocated, service provider staff compensation is low compared to other states, service provider staff turnover is high compared to other states, and provider rate increases have not kept pace with inflation.

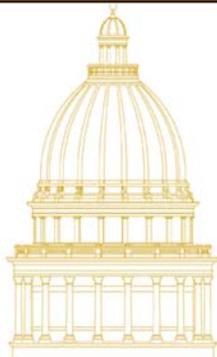
Action Needed: The Legislative Audit Subcommittee should consider prioritizing a full audit of DSPD direct provider services to determine the following: (1) level of contractual control exercised by the division over its contractors; (2) sufficiency of funding allowed by the division's service rates; (3) interplay between recipients' need and service-level provision.

■ Audit 2015-04 A Follow-Up of Higher Education O&M Funding Management Practices and ILR2014-E: A Follow-Up of Selected Legislative Recommendations for Higher Education O&M

Both these reports follow up on the implementation of recommendations made in Audit Report 2011-08: *A Performance Audit of Higher Education O&M Funding*.

Action Needed: The Legislature should consider reviewing *Utah Code* 53B-7-104 to determine if statute or policy should be modified in relation to the use of grant-reimbursed research overhead funds. The Legislature should also consider directing the State Board of Regents to maintain a record of all on-campus buildings that specifies whether the O&M funding source is the state or another entity. If the funding does not come from the state, the record should specify the source of the O&M funding.





In 2015, the Office of the Legislative Auditor General (OLAG) completed 17 audits (10 in-depth audits, 2 budget and appropriation audits, and 5 special projects). OLAG's 2015 audits are listed in the table below, and the audit follow-ups for 2014 and 2015 are listed on the next page. The remainder of the section summarizes each audit and its follow-up results. Full reports can be found on the legislative website located at: www.le.utah.gov/audit/olag.htm.

2015 Completed Audits

Audit Name	Audit Number	Agency Recommendations	Legislative Recommendations	Release Date
Culinary Water Improvement Districts	2015-12	18	1	December
CTE Completion and Job Placement Rates	2015-11	6	0	November
Ut. St. Office of Rehabilitation (USOR) Budget and Governance	2015-10	12	6	September
CTE Coordination & Duplication Between Public Ed. and UCAT	2015-09	4	0	September
Utah Poison Control Center	2015-08	4	2	July
Allegations Concerning DFCM Construction Contracting	2015-07	5	0	July
A Follow-Up of Higher Ed. O&M Funding Management Practices	2015-04	10	1	June
URS' Management and Investment Practices*	2015-03	7	0	May
DWS Customer Service and Follow-Up	2015-02	0	0	May
Projections of Utah's Water Needs	2015-01	8	2	May

2015 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 2014, the Audit Subcommittee prioritized these budget and appropriation audits:

An In-Depth Budget Review of the Office of the Attorney General	2015-06	3	5	June
A Performance Audit of the Office of the Utah Attorney General	2015-05	10	1	June

2015 Completed Special Projects

Use of Controlled Substance Database by Law Enforcement	ILR2015-E	0	2	December
A Follow-up Audit of the Division of Services for People with Disabilities' Response to Audit Report 2014-10	ILR2015-D	0	2	November
Allegations Regarding UDOT Noise Walls in Farr West	ILR2015-C	2	0	November
A Review of the Communication of the State's Liability Protection for School District Employees*	ILR2015-B	3	2	September
A Limited Review of Provider Rates for the Division of Services for People with Disabilities*	ILR2015-A	0	1	February

*Follow-ups were also completed on these audits, so the summaries appear in the "Completed Audits With Follow-Up" section beginning on Page 9.

For this annual report, we completed follow-up inquiries on 14 audits (3 audits from 2015 and 11 audits from 2014 shown below). The 14 audits with follow-ups contained 85 recommendations to audited agencies, only 3 of which (4 percent) were not implemented. There were also 13 legislative recommendations, of which 6 have yet to be implemented. (See “Legislative Action Items” on page 3.)

Audit Follow-Ups						
Audit Name	Number	Recommendations		Follow-Up Status		
		Agency	Legislature	Agency	Legislature	
URS Mgmt. and Investment Practices	2015-03	7	0	7 Implemented	—	
Communication of the State’s Liability Protection for School District Employees	ILR2015-B	3	2	2 Implemented; 1 Not Implemented	2 Implemented	
Provider Rates for DSPD	ILR2015-A	0	1	—	1 Not Yet Implemented*	
A Follow-Up Review of USTAR	2014-14	2	0	2 In Process	—	
Division of Drinking Water’s (DDW) Minimum Source Sizing Requirements	2014-13	6	0	4 Implemented; 2 In Process	—	
DTS’ Rates, Cust. Service, and Staffing	2014-12	9	0	6 Implemented; 3 In Process	—	
Utah’s Purchasing Interaction with WSCA-NASPO	2014-11	1	0	1 Implemented	—	
Div. of Svcs. for People With Disabilities	2014-10	6	4	1 Implemented; 5 In Process	4 Not Yet Implemented*	
An In-Depth Budget Review of the Department of Human Services (DHS)	2014-09	12	1	7 Implemented; 3 In Process; 2 Not Implemented	1 Implemented	
Interlocal Entities	2014-07	2	1	2 Implemented	1 Not Yet Implemented*	
Utah Transit Authority	2014-06	14	0	13 Implemented; 1 Partially Implemented	—	
Bureau of Emergency Medical Services and Preparedness	2014-04	14	1	11 Implemented; 3 In Process	1 Implemented	
Governance of Conservation Districts	2014-03	9	0	7 Implemented; 2 In Process	—	
Follow-Up of Selected Legislative Recommendations for Higher Ed. O & M	ILR2014-E	0	3	—	1 Implemented; 1 In Process; 1 Not Yet Implemented*	
98 Total Recommendations:		85	13			

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

■ Completed Audits

Audit 2015-12: A Performance Audit of Culinary Water Improvement Districts

A Performance Audit of Culinary Water Improvement Districts (2015-12) addresses the administrative functions of 16 culinary water improvement districts. We found that 10 of 16 districts could improve administrative functions in five areas: fiscal controls, strategic planning, procurement, policies and procedures, and conflict of interest issues. We also

reviewed four districts in depth and made recommendations to those districts to improve administrative functions. Districts need to take better advantage of available training opportunities to improve administrative functions and reduce risk.

Audit 2015-11: A Performance Audit of CTE Completion and Job Placement Rates

This audit focused on the key differences in completion and job placement rates reported by the Utah College of Applied Technology (UCAT) and the Utah System

of Higher Education (USHE). Three key system differences (completion outcomes, program lengths, and calculation methodologies) make system-wide completion rates not comparable. In addition, UCAT is increasingly recognizing smaller student achievements, while USHE does not report completions as a rate because of difficulties identifying which students intend to earn a CTE credential. Job placement rates were also found to be not comparable as the two providers rely on different methodologies. UCAT's job placement data lacks independence and rigorous validation, while USHE's system-wide rates include all jobs rather than those that are training-related.

Audit 2015-10: A Performance Audit of USOR's Budget and Governance

This report found that the Utah State Office of Rehabilitation mismanaged its budget through weak budget practices leading to a \$4.9 million deficit in 2014, a need for a \$6.3 million supplemental appropriation in 2015, a \$5 to 6 million penalty from the federal government, and reduced future spending abilities. Weak governance oversight by the Utah State Board of Education and the Utah State Office of Education prolonged and worsened these problems. We believe that USOR's mission would be better governed within another state agency, with DWS showing the most overlap of purpose. Finally, the use of the Visually Impaired Trust Fund to cover vocational rehabilitation expenses was imprudent. The current state superintendent, Utah State Board of Education, and USOR are currently working to address these issues.

Audit 2015-09: A Review of CTE Coordination and Program Duplication between Public Education and UCAT

This audit reviewed CTE coordination and program duplication between public education and UCAT. We found that the LEAs' Boards of Education, the State Board of Education, and the UCAT Board of Trustees can improve coordination by ensuring that state CTE directors continue to explore opportunities to increase secondary student utilization of ATCs by: (a) having ATC instructors in the secondary schools teaching programs that ATCs specialize in, (b) aligning

schedules where possible so that secondary students can better utilize the ATCs, and (c) providing distance learning to secondary schools. Furthermore, policies should be created for articulation agreements between secondary schools and ATCs. Policy is also needed to ensure that secondary students receive credit for classes taken at ATCs during evenings and summers. Lastly, the key stakeholders should identify and review existing duplication, and determine how to more effectively utilize all available resources.

Audit 2015-08: A Performance Audit of the Utah Poison Control Center

Since the Utah Poison Control Center (UPCC) is not currently defined in *Utah Code*, it is not clear if the center is fulfilling its mission as intended by the Legislature. Furthermore, the UPCC's relationship with the University of Utah (U of U) has not been legislatively defined. We found that a transfer of \$2.5 million for offices at the U of U was not documented in a written contract. Regarding operations, the cost of inbound calls to UPCC has increased over a five-year span, while inbound call volume has decreased. We found that pharmacist specialists are more cost efficient at answering inbound call than are nurse specialists. Finally, UPCC can use Poison Information Providers as low-cost alternatives to specialists in answering lower-risk exposure calls and informational calls.

Audit 2015-07: A Review of Allegations Concerning DFCM Construction Contracting

Based on our review, the Division of Facilities Construction and Management (DFCM) is properly enforcing E-Verify contractual obligations but not enforcing some health insurance and drug/alcohol testing requirements. We found that some allegations related to DFCM and contractor practices fall under the responsibility of the Utah Labor Commission. We also found DFCM follows accepted procurement and contract management practices such as change orders and warranties. However, administrative rule related to programming for construction projects needs clarification. Our review of the Utah State Building Board confirms the board fulfills a distinct, statutory

role in state building activities and contributes to building prioritization and oversight.

Audit 2015-06: An In-Depth Budget Review of the Office of the Attorney General (OAG)

The OAG lacks adequate processes to contract, fund, and track legal services to state agencies. Payments for services, a third of the OAG's budget, are appropriated as dedicated credits. The OAG's longstanding practice of using such payments as dedicated credits, inherited by the newly elected Attorney General, is inconsistent with statute and reduces transparency. Contracts with state agencies lack uniformity and consistency. The current process for providing legal services could place certain federal funds at risk and also makes it difficult to implement legislative compensation increases. Together with the Fiscal Analyst, we recommend an Internal Service Fund to address budgetary issues. Attorney compensation is on the low end of compensation of similar peers, but some recent legislative increases could not be included in our calculations. OAG's turnover rates compare favorably to peer groups.

Audit 2015-05: A Performance Audit of the Office of the Utah Attorney General

This report addresses numerous issues, many of which were areas of concern mutually agreed upon. We found that the Office of the Utah Attorney General (OAG) needs improved performance management for increased accountability, both internally and externally. While the OAG tracks many measures, they are not used to determine its divisions' success or track the agency's progress toward established priorities. The OAG also does not produce annual reports addressing performance as many of its peer offices do. We believe such reports should be required to increase the transparency of the office's performance management. Further, the OAG's current ethics policy lacks sufficient whistleblower provisions to adequately address internal employee misconduct. In addition, inconsistent implementation of the office's employee evaluation system needs to be addressed. Finally, the OAG would benefit from an office-wide electronic case management system. The newly elected AG has been working to address many of these concerns.

Audit 2015-04: A Follow-Up of Higher Education O&M Funding Management Practices

In 2011, we reported that the Utah System of Higher Education's (USHE) operation and maintenance (O&M) funding was at a crossroads for its source of funding. Much has been accomplished since then, but some key policy decisions remain. For example, the Legislature may want to consider reviewing the higher education O&M funding model. Besides some COLA and utility adjustments, higher education institutions do not generally receive an increase in O&M when costs increase, but rather additional O&M is funded when a new building is constructed. We also found that the state's and institutions' building inventory records still do not match. Effective management of buildings requires consistent, reliable data. We also found that some other states' higher education institutions have adopted specific formulas that direct the use of reimbursed research overhead funds. The Legislature may find such a system beneficial in Utah.

Audit 2015-02: A Performance Audit of DWS Customer Service and Follow Up

We were asked to conduct a follow up of the Department of Workforce Services' (DWS) responses to the 2013 audit *A Performance Audit of the Workforce Services Work Environment* (2013-13). In addition, we were asked to evaluate customer service efforts by the department. We found that DWS has implemented 13 of 14 audit recommendations and is in the process of implementing the final recommendation. We also found that DWS provides adequate customer service and continues to monitor and improve this service.

Audit 2015-01: A Performance Audit of Projections of Utah's Water Needs

We were asked to evaluate the accuracy of the state's projected demand and supply of water and to investigate options for extending Utah's currently developed water supply. We found that the Division of Water Resources does not have a reliable source of local water use data on which to base its projections. For this reason, we question the reliability of the division's 2000 water use study, which was used as a baseline for projecting Utah's future water needs. According to this

study, each Utah resident will use, on average, 220 gallons per day through the year 2060. Evidence suggests this number is overstated and that per capita consumption levels will likely decline below 220 gallons per day by 2060. Policy makers can further reduce water demand by requiring metering on all service connections and by promoting pricing structures that encourage conservation. Finally, we found the division's estimates of future water supply are understated.

ILR 2015-E: A Performance Audit of the Use of Controlled Substance Database by Law Enforcement

This report reviews the past and present use of the Controlled Substance Database (CSD) by law enforcement agencies (agencies). We reviewed agencies' use of the CSD for one year prior to a 2015 law change that required them to have a valid search warrant to access CSD information, and the number of warrants agencies sought after the law change. Agencies' use of the CSD decreased by 95 percent since the law change. On average, agencies used the CSD to search 238 cases per month before the warrant requirement. After the law change, on average, agencies sought 12 warrants per month. In the year prior to the law change, we found mixed results of both questionable use and use that appears to provide a direct value in investigating some cases. In 24 of 40 (60 percent) randomly selected cases, use of the CSD was questionable. In the remaining 16 cases, use of the CSD by law enforcement appeared to have added value to the investigations. Finally, we found that Utah is one of at least eight states that require a probable cause standard of proof and a court process for law enforcement to access CSD information.

ILR 2015-D: A Follow-Up Audit of the Division of Services for People with Disabilities' Response to Audit Report 2014-10

This audit addresses the Division of Services for People with Disabilities' (DSPD) response to a previous audit's recommendations to identify efficiency gains, possible savings, and effective implementation. We found that DSPD has implemented a process to review individuals' budgets. In its first year of implementation, the new

process has reduced inflated budgets by \$1.3 million. These reductions represent potential future savings. The process will be fully implemented in the next three fiscal years, with additional budget reductions expected. We also found that DSPD is in the process of creating policies and controls to better assess client service requests. The goal of these improvements is to provide a more standardized, criteria-driven service request process. DSPD has yet to complete these improvements, which prevented us from reviewing their effectiveness.

ILR 2015-C: A Limited Review of Allegations Regarding UDOT Noise Walls in Farr West

Our limited review of UDOT noise abatement issues surrounding the I-15 North Ogden Weber project found that UDOT had appropriate policies and followed them. Both the preconstruction and construction phases met all noise abatement requirements and followed the original plan specifications. We also found the balloting of affected parties followed UDOT policy. However, UDOT's noise abatement policy may benefit from the incorporation of some public involvement requirements found in other states and a standardized state wide noise-wall removal policy.

■ Completed Audits with Follow-Up

Audit 2015-03: A Performance Audit of URS' Management and Investment Practices

URS is transparent, but can take additional steps, such as disclosing individual employee compensation and better notifying the public of administrative board meetings, to improve transparency. URS' allocation of investments to alternative assets grew from 16 to 40 percent from 2005 to 2013. Our investment consultant recommended that URS should consider reducing its alternative asset allocation, primarily hedge funds, over time. The fees from alternative investments are driving total operating costs higher. URS board and staff are qualified to perform their fiduciary responsibilities, and the defined contribution investment manager selection and retention processes are satisfactory.

Results of Follow-up: Seven recommendations were made; all were implemented.

ILR 2015-B: A Review of the Communication of the State's Liability Protection for School District Employees

Of the state's 45 school districts and education service centers, 14 did not distribute the state's legal liability information as required by law. Risk Management is responsible for drafting and distributing the information to school districts. The division can promote greater compliance with the law by verifying that all districts have forwarded the information to their employees and by sending a follow-up notice if the information has not been sent. However, ultimately it is the school districts who are responsible for distributing the information to their employees. The Legislature can also promote greater compliance with the law by allowing school districts to include the legal liability information with district policies they distribute to employees at the beginning of each school year.

Results of Follow-Up: Three recommendations were made to agencies; two were implemented, and one was not implemented. Two recommendations made to the Legislature were implemented.

ILR 2015-A: A Limited Review of Provider Rates for DSPD

During the February 5, 2015 Legislative Executive Appropriation Committee meeting, concerns were raised regarding the sufficiency of the Division of Services for People with Disabilities' (DSPD) service provider rates. In response to legislative request, we conducted a limited review into the issue and found: virtually all funds appropriated for the waiting list have been allocated, service provider staff compensation is low compared to other states, service provider staff turnover is high compared to other states, and provider rate increases have not kept pace with inflation.

Results of Follow-Up: One recommendation was made to the Legislature which is not yet implemented.

Audit 2014-14: A Follow-Up Review of the Utah Science Technology and Research Initiative

We found that USTAR continues to work to implement all recommendations from our October 2013 audit. However, we found some issues with USTAR's key performance metrics, including: unavailable or changing data, inaccurate or inconsistent information, and a lack of clarity as to what should be included in metric reports. We believe the cause of the issues with USTAR's metrics is the lack of a rigorous data collection process. USTAR can improve the accuracy of its data by: clearly defining metric definitions and count methodologies, implementing required reports and timeframes, and requiring its partners to provide access to source documentation.

Results of Follow-up: Two recommendations were made; both are in process.

Audit 2014-13: A Performance Review of the Division of Drinking Water's (DDW) Minimum Source Sizing Requirements

We reviewed DDW's minimum source sizing requirements, which are designed to ensure safe and reliable public drinking water systems. Individuals from the residential development community have criticized the source sizing as excessive, resulting in unnecessary water-related costs. Although we found that the indoor requirements appear too high, the state's outdoor requirements appear too low. We also found steps for receiving a reduction to the source sizing requirements need additional clarification. Also, a formal review/update to the state source sizing requirements is needed to ensure that water systems are able to optimize resources as well as the adequacy of their water supply.

Results of Follow-Up: Six recommendations were made; four have been implemented and two are in process.

Audit 2014-12: A Performance Audit of DTS' Rates, Customer Service, and Staffing

We found that the Department of Technology Services can improve management of rates by (1) adopting new goals once prior ones are achieved, (2) ensuring each rate complies with statute by reflecting the full cost of

each service, and (3) implementing an equitable rate structure for application development that accounts for staff experience and cost. Customers also raised concerns about the untimely deployment of computers and accuracy of DTS invoices, which DTS is addressing. Lastly, DTS' staffing practices have generated savings relative to other state agencies.

Results of Follow-Up: Nine recommendations were made; six have been implemented and three are in process. Two of the in-process recommendations involve rate changes that are pending approval by the Governor's Office and the Legislature; the third involves implementing a new asset tracking system.

Audit 2014-11: A Review of Allegations Concerning Utah's Purchasing Interaction with WSCA-NASPO

Our review found that Utah Purchasing benefits from its participation with the WSCA-NASPO Cooperative Purchasing Organization (Co-op) and its use of co-op contracts. In addition, we found the creation of the co-op as a nonprofit organization was done appropriately and that the co-op is appropriately dealing with its high fund balances. We also have no evidence that the director of the Utah Division of Purchasing and General Services financially benefited from his position as the co-op management board chair. Finally, complaints about harm done to local vendors as a result of co-op participation appear to be unfounded as Utah facilitates appropriate participation by all vendors.

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

Audit 2014-10: A Performance Audit of the Division of Services for People with Disabilities

DSPD spends in excess of \$200 million of state and federal funds each year for client services. Services are intended to address actual client need, yet the division lacks the policies and standardized process necessary to appropriately address both actual need and allocation of funds to meet those needs. Additionally, in 2013, the passage of SB259 assigned funding to clients with less severe needs who desired respite care. This action does

not follow the required need prioritization and conflicts with Utah's federal waiver agreement. The Legislature could address this conflict by targeting this group of clients with a limited supports waiver that works within the federal system.

Results of Follow-Up: Six recommendations were made to the agency; one is implemented and five are in process. Four additional recommendations were made to the Legislature, which are not yet implemented. (Note: The Audit Subcommittee requested a detailed follow-up of the agency recommendations, which were addressed in Audit ILR 2015-D: *A Follow-up Audit of the DSPD's Response to Audit Report 2014-10.*)

Audit 2014-09: An In-Depth Budget Review of the Department of Human Services (DHS)

DHS can better control costs and increase effectiveness with the use of baseline metrics that can be compared over time and with other states. Specifically, we reviewed the Juvenile Justice Services (JJS) and found the recidivism rate is much higher—currently at 53 percent—when compared to other states. We also show that, if the recidivism rate is reduced to 34 percent, JJS can save up to \$6 million over time. Finally, the Utah State Hospital can reduce per-client costs and implement controls that would help manage risk. Some forensic patients are held for competency restoration longer than allowed by state statute.

Results of Follow-Up: Twelve recommendations were made to the agency; seven have been implemented, three are in process, and two are not implemented after further review by the agency. One recommendation to the Legislature has been implemented.

Audit 2014-07: A Performance Audit of Interlocal Entities

We reviewed interlocal entities' policies and procedures, board oversight, and oversight by the Lieutenant Governor's Office. While the entities reviewed were in compliance with statutory requirements, the Lieutenant Governor's processes could be improved. In addition, the Legislature should consider requiring interlocal entities to submit surveyor files (CAD files) with their

initial documentation to the Lieutenant Governor's Office.

Results of Follow-Up: Two recommendations were made to the agency; both were implemented. One recommendation to the Legislature has not yet been implemented.

Audit 2014-06: A Performance Audit of UTA

We reviewed two UTA development projects and found questionable decisions and the need for improved processes. First, UTA paid a developer \$10 million for a future parking structure before designs were in place, and then had difficulty recouping the funds. On a second project (with the same developer), UTA agreed to an operating agreement that an independent law firm said was "tipped significantly in favor" of the developer. We also found that UTA had not been benchmarking total compensation, leaving bonuses and special benefits unmeasured, as well as portions unreported on the transparent.utah.gov website. Further, financial constraints at UTA affect asset upkeep, bus service, and new projects. Lastly, subsidies vary widely by passenger type and mode, which raises questions of fare equity.

Results of Follow-Up: Ten recommendations were made to the UTA board of trustees; nine have been implemented; one is partially implemented. Four additional recommendations were made to UTA management; all four were implemented.

Audit 2014-04: A Performance Audit of the Bureau of Emergency Medical Services and Preparedness (BEMSP)

Bureau regulation of licensed ambulance providers can be made more effective through improved monitoring activities. In addition, the bureau's complaint process lacks adequate documentation and clear expectations for ambulance providers and needs to improve. Finally, the bureau has been slow to alleviate provider overlaps, which creates confusion and conflicts among ambulance providers. The bureau can improve by enforcing statutory requirements and providing service area maps.

Results of Follow-Up: Fourteen recommendations were made to the agency; eleven have been implemented and three are in process. One recommendation was made to the Legislature, which was also implemented.

Audit 2014-03: A Performance Audit of the Governance of Conservation Districts

Each year, the Utah Department of Agriculture and Food (UDAF) distributes funding for administration of resource conservation. This report found that the Utah Association of Conservation Districts (UACD) could have done more to develop conservation districts' (CDs) capacity with the funding UACD receives from UDAF. To fulfill statutory responsibilities, a greater emphasis should be placed on the Utah Conservation Commission's (UCC's) role in managing the state conservation funding. Conservation resources should be awarded from UDAF through the UCC to CDs for their proposed projects. The UCC also needs to improve its oversight of CDs' accountability reports.

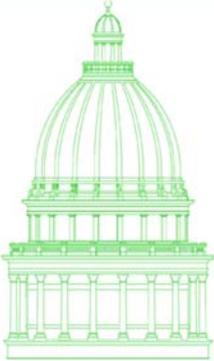
Results of Follow-Up: Nine recommendations were made; seven have been implemented and two are in process.

ILR 2014-E: A Follow-Up of Selected Legislative Recommendations for Higher Education O&M

This report follows up on the implementation of recommendations made in Audit 2011-08: *A Performance Audit of Higher Education O&M Funding*. That report reviewed legislatively appointed O&M funding of higher education facilities and found that inadequate funding information and weak record-keeping limited transparency and accountability of O&M funds. This report addresses the status of three legislative recommendations not yet implemented.

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





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:

- Although warned of potential financial risks, USOR used unsustainable budget practices to meet uncontrolled costs. This resulted in a \$4.9 M deficit in 2014, the elimination of \$17M in federal spending reserves, a \$6.3M state supplemental appropriation, and a \$5 to 6 M penalty from the federal government. The audit documented these failings, and current USOR and USOE management is in the process of implementing recommendations to fix the issue.
- Based on our recommendations, the Utah Conservation Commission (UCC) developed a QuickBooks template for conservation districts (CDs) and reimbursed all CDs for the purchase of QuickBooks. As a result, CDs are improving compliance with laws and UCC policies regarding personnel and purchasing; furthermore, CDs are submitting standardized reports to the UCC.
- In Governor Herbert's FY 2017 budget recommendations, it was recommended that the state of Utah allocate "very scarce General Fund resources to financing major water projects after all other alternatives are exhausted" due to the significant concerns raised in *A Performance Audit of Projections of Utah's Water Needs*.
- Our audit of Adult Probation and Parole (AP&P) has served as a frontrunner to more comprehensive justice reform efforts led by the Utah CCJJ. Analysis and findings from the audit are cited and corroborated in CCJJ's November 2014 Justice Reinvestment Report and the audit's recommendation to create a violation response matrix is directly reaffirmed by CCJJ. In addition, the AP&P director cites the audit as a key element in many significant division reform efforts.

■ 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:

- URS' allocation of investments to alternative assets grew from 16 to 40 percent from 2005 to 2013 and the fees from the alternative investments are driving total operating costs significantly higher. Our consultant's model showed that, theoretically, URS would have gained \$1.35 billion in additional assets by 2013 if URS had maintained its 2004 asset allocation with fewer alternative investments. Our consultant recommends that URS reduce its allocation to alternative investments, primarily hedge funds, over time. This action would lower operating costs and increase returns in strong equity markets.
- As a result of our audit of the Utah Department of Agriculture and Food's (UDAF) contracting with

the Utah Association of Conservation Districts (UACD), UDAF eliminated its contract with UACD. Less state funding is now being spent on administrative charges and more direct funding is reaching conservation districts for on-the-ground conservation initiatives.

■ Promoting Accountability

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

- During our review of Culinary Water Improvement Districts, we reported that 10 out of 16 districts can improve administrative functions, including fiscal controls, strategic planning, procurement, policies and procedures, and conflict-of-interest issues. As a result of our findings and recommendations, the Utah Association of Special Districts (UASD) has stated that it will discuss deficiencies identified in this audit in future trainings to help all local districts improve administrative processes. In addition, individual districts' boards have stated that they will be more accountable and address specific concerns presented in the audit
- URS has made considerable effort to be more transparent. However, URS can improve its transparency by disclosing individual employees' annual compensation on its transparency website, designating a records officer to manage information requests, and improving public notice of administrative board meetings.
- Operation and maintenance (O&M) funding of Higher Education facilities has been limited and not well maintained. Our recent audit resulted in tracking O&M funding as an appropriation unit, thus helping legislators and higher education officials better understand which funds were appropriated for which buildings. Additionally, the State Building Board (SBB) has adopted a process to annually track and report individual building O&M expenditures and to meter utilities. The SBB has asked applicable agencies and institutions to report facility expense data by end of calendar year 2015.
- An in-depth budget review of the Office of the Utah Attorney General (OAG) found that the OAG lacks adequate processes to contract, fund, and track legal services provided to state agencies. These legal services were being double counted through an appropriation of dedicated credits in the OAG budget, contrary to statute. We also found that improvement was needed in budgeting OAG legal services and accounting for them lacked adequate controls. An Internal Service Fund (ISF) has inherent budgeting processes and accounting controls in place that can rectify these issues. The OAG has acknowledged these findings and, after action taken by the Executive Offices and Criminal Justice Appropriations Subcommittee in October 2015, is working with the Office of the Legislative Fiscal Analyst to determine the best option for implementing an ISF for legal services in the OAG budget.

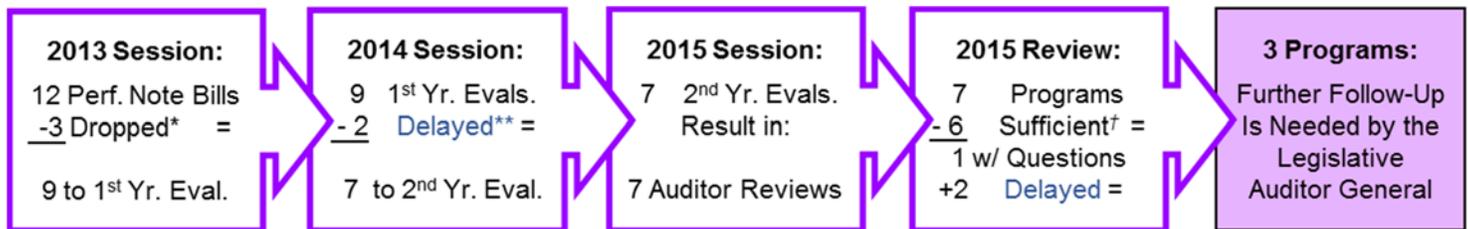


The Auditor General has statutory responsibility to review all new government programs (programs that have received a performance note required by legislative rule) and provide the new program (or agency) with information on management best practices. Since 2000, the Auditor General has published *Best Practices for Good Management* (found at www.le.utah.gov/audit/BP_2009.pdf) as a guide for new programs.

In 2011, the Legislature implemented a legislative rule requiring some bills to include performance notes that identify program goals, objectives, outcomes, and performance measures. The Auditor General is charged with reviewing such programs according to program self-evaluations and the performance note contents. The best practices and performance note processes mesh well and are pursued in tandem.

■ New Programs with Performance Notes Enter Two-Year Review Process

This is the second report on our review of programs that completed the two-year self-evaluation and performance note follow-up process. Last year's progress report indicated that we were following 12 new 2013 programs. The flowchart below summarizes the work conducted for the 2013 new programs, ending with three programs needing additional follow-up, as will be discussed in the two sections following the chart



* *Dropped: Not a program or insufficient risk level to merit further work*

** *Delayed: One program's self-evaluations are delayed a year because legislation provided for a one-year pilot program; One program's final review by OLAG delayed by a change in USOE's student assessment system*

† *Sufficient: Auditor opinion is there was sufficient program documentation/progress under Best Practices & Performance Note parameters*

■ One 2013 Program with Questions Is Recommended for Limited Scope Audit

After reviewing the evaluations submitted by program directors, OLAG will recommend that one program be referred to the Legislative Audit Subcommittee to consider for limited scope audit work.

- **House Bill 139: Science, Technology, Engineering, and Math Action Center** has been funded with \$30 million in state funds over two years, plus an estimated \$1.5 to \$2.6 million in private cash and in-kind contributions. In addition to the two self-evaluation surveys, we reviewed financial information and an external evaluator's reports as well as presentations to legislative committees. Of considerable import is the STEM Action Center's inability to provide meaningful outcome or effectiveness data for its various projects. The external evaluator's effectiveness analyses were inconclusive, citing late implementations, insufficient student assessment data (SAGE), and low usage or participation among obstacles to the analyses of all reviewed projects. In addition, incomplete data on FINET reports make it difficult to compare budgeted amounts with actual expenditures. A further concern is the lack of accountability for private donations, which are held by a private foundation. We believe a more detailed review can provide better information on STEM operations and output, increase overall accountability, and identify the program's level of effectiveness at this point in its operations.

■ Two 2013 Programs with Delays Need Further Follow-Up

OLAG believes two programs should be monitored for another year before reporting whether limited scope audits should be considered.

- **House Bill 276: Newborn Screening for Critical Congenital Heart Defects** is a program providing for screening newborns for critical heart defects using pulse oximetry; the bill provided for a one-year pilot to develop appropriate oxygen saturation levels that would indicate a need for further follow-up and to determine the best methods for implementing the screening in hospitals. With the one-year pilot program complete, full operations began in October 2014 as directed in the bill. The first-year evaluation has been submitted; the second-year evaluation will be conducted in June 2016. At this time, we have not identified any concerns.
- **Senate Bill 284: Educational Technology Amendments** amended 2012's Senate Bill 248, Smart School Technology, that initiated a pilot project for one-to-one whole school technology to assess whether technology-assisted instruction increases student achievement. Both first- and second-year evaluations have been completed. However, because of a change from USOE's previous student assessment system to the SAGE system, pre- and post-implementation student assessment data from SAGE will not be available until late fall 2015. We have requested that USOE staff provide the data as soon as it is compiled. We will make an assessment of the program created in 2012 and expanded in 2013 when data becomes available and the external evaluator completes a report.

■ 2014 and 2015 New Programs Now in the Follow-Up and Review Process

In 2014, 11 bills requiring performance notes passed. Of those, one bill did not appear to create a new program and was dropped from tracking. We sent out ten first-year evaluations and received eight completed evaluations. We are following up with the two program administrators who did not return the first-year survey. In addition, we will follow up with the two programs from the 2013 session (discussed above) that were delayed in the review process.

The 2015 Legislature passed 17 bills with performance notes. Of these, ten bills did not create new programs. In June 2015, we sent the seven new programs' administrators information about the best practices and performance note review processes. First-year self-evaluation surveys will be sent out in June 2016.

Going forward, we will continue to report on new programs' progress and any programs about which we have concerns.



Released Audits and Informal Reports • 2012 - 2014

2014

2014-14	Follow-Up of USTAR
2014-13	Div. of Drinking Water's Min. Source Sizing Reqs.
2014-12	Dept. of Technology Serv. Rates, Cust. Serv. & Staffing
2014-11	Utah's Purchasing Interaction with WSCA-NASPO
2014-10	Division of Services for People with Disabilities
2014-09	In-Depth Budget Review of Dept. of Human Services
2014-08	Utah Funds of Funds (UFOF)
2014-07	Interlocal Entities
2014-06	Utah Transit Authority
2014-05	Allegations Concerning the Math Textbook Procurement
2014-04	Bureau of Emergency Medical Serv. and Preparedness
2014-03	Governance of Conservation Districts
2014-02	Best Practices in Utah School Districts
2014-01	Utah High School Activities Association (UHSA)
ILR2014-E	Follow-up of Selected Legis. Rec. for Higher Ed. O&M
ILR2014-D	Risk Survey of the Office of the Attorney General
ILR2014-C	Follow-Up of the Utah Funds of Funds (UFOF)
ILR2014-B	DABC Warehouse and Retail Operations
ILR2014-A	Utah State Fairpark's Financial Oversight and Controls

2013

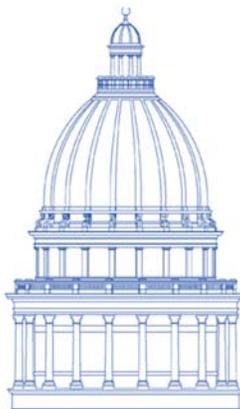
2013-13	Department of Workforce Services
2013-12	Utah Science Technology and Research (USTAR)
2013-11	Appropriated Wolf Management Funds
2013-10	Health Insurance Contracting in Higher Education
2013-09	In-Depth Budget Review of Utah Dept. of Corrections
2013-08	Division of Adult Probation and Parole
2013-07	Utah Insurance Department
2013-06	Fugitives and Inmates Inappropriately Receiving Public Assistance
2013-05	Higher Education's Competition with Private Sector
2013-04	Sand and Gravel Air Quality Permitting & Compliance

2013-03	The Labor Commission's Adjudication Division
2013-02	Utah College of Applied Tech. Programs and Funding
2013-01	Utah's Child Welfare System
ILR2013-F	PEHP's Reinsurance Practices
ILR2013-E	Retirement Pensions
ILR2013-D	Cemetery Maintenance District Operations
ILR2013-C	Electronic High School
ILR2013-B	Retirement Pensions of \$100,000 or More
ILR2013-A	Scholarships Named for Sitting Chairs at the U of U

2012

2012-15	Division of Occupational and Professional Licensing
2012-14	DABC Operations
2012-13	Medicaid Fraud Control Unit
2012-12	State Printing Costs and Practices
2012-11	Inmate High School Education
2012-10	Division of Radiation Control
2012-09	Utah's Radioactive Waste Facility Tax
2012-08	Utah Telecommunications Open Infrastructure Agency
2012-07	Medicaid Eligibility
2012-06	Division of Housing and Community Development
2012-05	In-Depth Follow-Up of PEHP's Business Practices
2012-04	DABC Oversight of Package Agencies
2012-03	In-Depth Follow-Up of Utah Medicaid's Implementation of Audit Recommendations
2012-02	School Community Council Election Practices
2012-01	Utah Transit Authority
ILR2012-F	Community Education Channel Agency's TV Production Truck
ILR2012-E	Revenue Bond Funding Sources
ILR2012-D	Informal Poll of the Utah Senate on the U.S. Senate Candidates
ILR2012-C	Survey of University of Utah Legal Counsel Staffing
ILR2012-B	In-Depth Follow-Up of Div. of Parks and Recreation
ILR2012-A	Salt Lake Community College Personnel Practices

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



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