



# **Forty-Second Annual Report to the Utah State Legislature**

**Sixty-Second Legislature  
2017 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. Legislation which passed in 2016 added the House and Senate Majority Leaders as new members of the committee, making it a six-member committee.

■ 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.”

Inside the Annual Report

Legislative Action.....	3
Completed Audits and Follow-Ups.....	5
Office Impact.....	13
Best Practices & Performance Notes.....	15
Released Audits, 2013 to 2015.....	17

### ■ 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](http://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 Ralph Okerlund**  
Senate Majority Leader  
R–Beaver, Garfield, Juab, Kane, Millard, Piute,  
Sanpete, Sevier, Utah, Wayne Counties

**Representative Brad R. Wilson**  
House Majority Leader  
R–Davis 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?

<b>Auditor General</b>	John M. Schaff, CIA
<b>Deputy Auditor General</b>	Darin R. Underwood, CIA
<b>Audit Managers</b>	Tim Osterstock, CIA, CFE Kade Minchey, CIA, CFE Brian J. Dean, CIA, CFE
<b>Audit Supervisors</b>	James Behunin, CIA Tim Bereece, CFE Leah Blevins, CIA Deanna L. Herring, JD Wayne Kidd, CIA Jesse Martinson, CIA Anndrea Parrish
<b>Lead Auditors</b>	Jake Dinsdale, CIA Matthew Harvey, CFE August Lehman, CFE
<b>IT Audit Supvr./ Systems Analyst</b>	David Gibson, CISA
<b>Audit Staff</b>	Michael Allred Matthias Boone, CFE Tyson Cabulagan Lane Farr Sarah Flanigan Hillary Galvin Zack King, CFE Nicole Luscher Christopher McClelland, CIA, CFE Matthew Taylor Ryan Thelin
<b>Administrative Assistant</b>	Lynda Maynard
<b>Audit Technician</b>	Lauri Felt



Based on issues addressed and recommendations made in our 2016 audits and the actions taken on 2015 audit recommendations, we believe the Legislature should consider the following items during the 2017 General Session. Whether the Legislature chooses to act on the following items depends on legislative policy decisions that are outside the audit arena.

■ **2016-04: A Performance Audit of the Department of Financial Institution's Regulation of the Payday Loan Industry**

The Department of Financial Institutions (DFI) oversees the payday lending industry. We found state limits may not effectively prevent overuse of payday loans and that DFI can take a stronger approach to regulating the payday lending industry. Since better data could help DFI strengthen its oversight of the industry, the Legislature could authorize DFI to gather more industry data.

*Action Needed:* The Legislature should consider adding the following information to the industry measures gathered by DFI each year from registered payday lenders:

- total number of deferred deposit loans made
- total dollar amount of deferred deposit loans made
- total number of individuals to whom deferred deposit loans were made
- total fees paid
- percent of payday loans in default

■ **2016-08: A Review of the Distribution and Use of Local 911 Surcharge Funds**

We reviewed the local 911 taxes collected by the telcos and found that the taxes only receive intermittent attention from the Tax Commission. We also reviewed the Department of Public Safety's (DPS) involvement with five consolidated Public Safety Answering Points (PSAPs) and looked at the state's portion of the expenses. Finally, we reviewed DPS's dispatching rate to local PSAPs and DPS' need to create contracts with the local PSAPs.

*Action Needed:* The Legislature should consider: (1) changing statute to allow telcos to file one statewide return for each filing period; (2) providing a definition of a secondary PSAP in statute.

■ **2016-09: A Performance Audit of the Department of Human Resource Management's Field Service Operations**

We reviewed DRHM's service fees and found that they are in the process of addressing concerns regarding their legal services fee. Specifically, the Office of the Attorney General's new ISF authority allows the AG rather than DHRM to bill user agencies for hearing costs.

*Action Needed:* We recommend that the Legislature consider transferring the legal services internal service fund to the Office of the Attorney General.

■ **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) assigning responsibility for the Federal Funds Procedures Act in *Utah Code* and a penalty for its violation; (2) clarify in statute what the Visually Impaired Trust Fund categorization should be, and how it can be used.

### ■ 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.

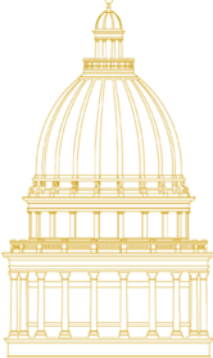
*Action Needed:* The Legislature should consider: (1) statutorily defining the mission of the UPCC and its function within the state, and (2) defining the UPCC's relationship with the University of Utah.

### ■ 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.





In 2016, the Office of the Legislative Auditor General (OLAG) completed 17 audits (8 in-depth audits, 2 in-depth budget and appropriation audits, and 7 special projects). OLAG's 2016 audits are listed in the table below, and the audit follow-ups for 2015 and 2016 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](http://www.le.utah.gov/audit/olag.htm).

**2016 Completed Audits**

Audit Name	Audit Number	Agency Recommendations	Legislative Recommendations	Release Date
A Performance Audit of the University of Utah Athletics Dept.	2016-10	18	0	November
A Performance Audit of the DHRM's Field Service Operations	2016-09	6	1	November
A Review of the Distribution and Use of Local 911 Surcharge	2016-08	7	2	October
A Performance Audit of the Economic Development Corp of Utah	2016-07	6	0	October
A Performance Audit of the Department of Financial Institution's Regulation of the Payday Loan Industry	2016-04	6	5	August
A Performance Audit of USOR's Case Management Controls	2016-03	8	0	May
A Review of the Administration of 911 Surcharges*	2016-02	7	6	February
A Performance Audit of the Utah Board of Pardons and Parole*	2016-01	12	1	February

**2016 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. In 2015, the Audit Subcommittee prioritized these budget and appropriation audits:

An In-Depth Budget Review of the Utah Department of Transportation (UDOT)*	2016-05	12	1	August
A Performance Audit of the Utah Department of Transportation (UDOT)*	2016-06	13	2	August

**2016 Completed Special Projects**

A Survey of Allegations Involving Utah State University's Anthropology Program	ILR2016-G	4	0	December
UCA Improving Controls after Fraud Discovered	ILR2016-F	2	0	August
A Limited Review of the Division of Risk Management	ILR2016-E	4	1	August
A Survey of State Building Management Practices and Cost of Investment Methodologies*	ILR2016-D	0	1	May
A Limited Review of the Timely Issuance of Warrants*	ILR2016-C	1	0	February
A Limited Review of the Use of Cash Bail in Utah District Courts*	ILR2016-B	0	1	February
USTAR Annual Report: Performance Outcome Reporting Remains Under Development*	ILR2016-A	6	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 8.

For this annual report, we completed follow-up inquiries on 20 audits (8 audits from 2016 and 12 audits from 2015 shown below). The 20 audits with follow-ups contained 122 recommendations to audited agencies, only 1 of which (1 percent) was not implemented. There were also 36 legislative recommendations, of which 4 have yet to be implemented. (See “Legislative Action Items” on page 3.)

<b>Audit Follow-Ups</b>					
Audit Name	Number	Recommendations		Follow-Up Status	
		Agency	Legislature	Agency	Legislature
A Performance Audit of UDOT	2016-06	12	1	8 Implemented; 4 In Process	1 In Process
In-Depth Budget Review of UDOT	2016-05	11	4	2 Implemented; 8 In Process; 1 Partially Implemented	4 In Process
A Review of the Administration of 911 Surcharges	2016-02	7	6	1 Implemented; 6 In Process	2 Implemented; 4 In Process
Utah Board of Pardons and Parole	2016-01	12	1	1 Implemented; 11 In Process	1 Implemented
State Building Management Practices and Cost of Investment Methodologies	ILR2016-D	0	1	————	1 Implemented
Review of Timely Issuance of Warrants	ILR2016-C	1	0	1 In Process	————
A Limited Review of the Use of Cash Bail in Utah District Courts	ILR2016-B	0	1	————	1 Implemented
USTAR: Performance Outcome Reporting Remains Under Development	ILR2016-A	6	1	6 Implemented	1 Implemented
Culinary Water Improvement Districts	2015-12	18	1	10 Implemented; 7 In Process; 1 Not Implemented	1 In Process
CTE Completion & Job Placement Rates	2015-11	6	0	5 Implemented; 1 In Process	————
Utah State Office of Rehabilitation Budget and Governance	2015-10	12	6	11 Implemented; 1 In Process;	3 Implemented; 1 In Process; 2 Not Implemented*
CTE Coordination & Duplication Between Public Education and UCAT	2015-09	4	0	3 Implemented; 1 In Process	————
Utah Poison Control Center	2015-08	4	2	4 Implemented	2 Not Implemented*
DFCM Construction Contracting	2015-07	5	0	5 Implemented	————
An In Depth Budget Review of the Office of the Utah Attorney General	2015-06	3	5	3 Implemented	4 Implemented; 1 In Process
A Performance Audit of the Office of the Utah Attorney General	2015-05	10	1	5 Implemented; 4 In Process; 1 Partially Implemented	1 Implemented
Follow-up of Higher Education’s Management Practices for O&M Funding	2015-04	9	2	7 Implemented; 1 In Process; 1 Partially Implemented	2 Implemented
DWS Customer Service and Follow-Up	2015-02	0	0	Review of 2013-13 audit; no new recommendations	
A Performance Audit of Projections of Utah’s Water Needs	2015-01	<i>Note: The Natural Resources, Agriculture and Environmental Quality Appropriations Subcommittee has asked for an in-depth follow-up audit prior to the 2018 Legislative General Session. Results will be in the 2018 Annual Report.</i>			
A Review of the Use of the Controlled Substance Database by Law Enforcement	ILR2015-E	0	2	————	2 Implemented
A Follow-up of the DSPD’s Response to Audit Report 2014-10	ILR2015-D	0	2	————	2 In Process (another audit in Nov. 2019)
UDOT Noise Walls in Farr West	ILR2015-C	2	0	2 Implemented	————
<b>158 Total Recommendations:</b>		<b>122</b>	<b>36</b>		

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

## ■ Completed Audits

### **Audit 2016-10: A Performance Audit of the University of Utah Athletics Department**

We found the University of Utah Athletics Department (Athletics) needs to fully report the total costs of its operations to policy makers and stakeholders, implement a strategic plan to strengthen financial management and control, and improve the measuring the performance of sports teams and the financial rewarding of coaches. We also found that Athletics has not sufficiently accounted for costly assets, or properly accounting for many missing keys to restricted areas throughout various athletic facilities. Finally, Athletics needs to actively adhere to university human resource policy, as well as correctly compensate nonexempt hourly employees for working overtime.

### **Audit 2016-09: A Performance Audit of the DHRM's Field Service Operations**

We found the Department of Human Resource Management (DHRM) needs improved workload measures to ensure fair and adequate support to state agencies. In addition, we found that DHRM is consistent with discipline but should improve its discipline process. Finally, we reviewed DRHM's service fees and found that they are in the process of addressing concerns regarding their legal services fee.

### **Audit 2016-08: A Review of the Distribution and Use of Local 911 Surcharge**

We reviewed the local 911 taxes and found that they only receive intermittent attention from the Tax Commission. We also reviewed the Department of Public Safety's (DPS) involvement with five consolidated Public Safety Answering Points (PSAPs) and looked at the state's portion of the expenses. We make recommendations to ensure there is equitable cost sharing. Finally, we reviewed DPS's dispatching rate to local PSAPs and make recommendations including the need for DPS to create contracts with the local PSAPs.

### **Audit 2016-07: A Performance Audit of the Economic Development Corporation of Utah**

Economic Development Corporation of Utah (EDCU) is a contractor for the Governor's Office of Economic

Development (GOED) that provides business recruitment services. EDCU receives the majority of its funding from state and local sources. We identified improper personal purchases, missing computer hardware, and questionable purchases that lacked receipts and documentation of legitimate business purposes. In addition, we question the appropriateness of providing meals and gifts to GOED staff. EDCU also failed to file its 2010 through 2013 tax returns, thus losing its tax-exempt status. EDCU is addressing the poor financial management that allowed problems to occur by making organizational changes.

### **Audit 2016-04: A Performance Audit of the Department of Financial Institution's Regulation of the Payday Loan Industry**

The Department of Financial Institutions (DFI) oversees the payday lending industry. We found state limits may not effectively prevent overuse of payday loans and that DFI can take a stronger approach to regulating the payday lending industry. Furthermore, better data can help DFI strengthen its oversight of the industry. To enhance understanding of the payday lending industry and to improve compliance with state regulations, the Legislature should consider implementing a loan tracking system for payday loans. The Legislature may also consider placing additional limits on payday lending, and authorizing DFI to gather more industry data.

### **Audit 2016-03: A Performance Audit of USOR's Case Management Controls**

We found the Utah State Office of Rehabilitation (USOR) has weak case control and poor adherence to policy. Weak case controls stem from management neglect allowing for weak internal controls, a weak case review system, and policies that are insufficient to provide control and consistency. In addition, poor Pell Grant documentation allows for the potential waste of funds. We believe USOR should improve its search for comparable benefits and financial needs assessments.

### **ILR 2016-G: A Survey of Allegations Involving Utah State University's Anthropology Program**

We found that conflicts of interest existed and persist between USU faculty and a Logan-based cultural



resource management firm called Utah State University Archaeology Services (USUAS), and that USU managed those conflicts poorly. Those conflicts raise concerns about universities statewide and whether their procurement processes are in-line with state statute. USU also did not adequately ensure compliance with its licensing agreement with USUAS. Finally, USU failed to adequately document the extent to which the arrangement met the anthropology program's goals.

#### **ILR 2016-F: UCA Improving Controls after Fraud Discovered**

We found that while the financial statement audit showing missing credit card receipts was conducted according to generally accepted standards, the Office of the State Auditor should have conducted a more thorough review, given its broader responsibilities. Although the Utah Communications Authority (UCA) management and Board were ultimately responsible for not detecting and preventing the fraud, they have taken quick action to resolve the control weaknesses.

#### **ILR 2016-E: A Limited Review of the Division of Risk Management (DRM)**

Our review of DRM's claims program shows that it appears to be well managed for the risk areas we examined. However, we found that formal inspection schedules are needed for DRM-insured properties. Policies are also needed to provide structure to recording loss prevention activities in DRM's case management system for useful analytical purposes. In addition, DRM's self-inspection program policies need to include special exemptions and formal recordkeeping on why exemptions are granted. Finally, a shortfall in ISF funding for FY 2017 may require a supplemental appropriation from the Legislature to cover insureds' DRM premium costs for FY 2017 and ensure the Risk Fund does not become actuarially unsound.

### **■ Completed Audits with Follow-Up**

#### **Audit 2016-06: A Performance Audit of the Utah Department of Transportation (UDOT)**

We found the following key findings:

- UDOT can improve project quality incentives in their bidding practices.

- UDOT and the Utah Transportation Commission needs to hire two performance auditors.
- Existing UDOT audit functions could be improved through better audit planning and greater resources.
- UDOT performance reports can be improved to increase accountability to the public.
- UDOT's Motor Carrier Division's practices lack transparency and administrative rule.
- Aeronautics subsidizes travel on state planes that primarily benefit out-of-state entities.
- State planes and pilots appear to be underutilized.

**Results of Follow-up:** Twelve recommendations were made to the agency; eight were implemented and four are in process. One recommendation was made to the Legislature which is in process.

#### **Audit 2016-05: An In-depth Budget Review of the Utah Department of Transportation (UDOT)**

We found that a number of longstanding budgetary and accounting practices do not fully comply with statute and/or create transparency and oversight issues. We also found that UDOT has not adequately evaluated the cost and benefits of outsourcing formerly in-house positions and maintenance work. In addition, contract oversight needs to be strengthened to better ensure contract compliance with quality and safety. Finally, our review of corridor preservation shows UDOT needs to be more proactive in working with municipalities to ensure the efficient use of corridor preservation funds.

**Results of Follow-up:** Eleven recommendations were made to the agency; two are implemented; one is partially implemented; eight are in process. Four recommendations to the Legislature are in process.

#### **Audit 2016-02: A Review of the Administration of 911 Surcharges**

We were asked to review the distribution, use, and underlying statutory intent of three distinct streams of 911 surcharge revenue. The Legislature should consider some statutory changes to improve the 911 system as well as provide criteria for creating and maintaining a Public Safety Answering Point (PSAP). Because *Administrative Rule* R174 is outdated and a statewide 911 strategic plan and standards are lacking, the Utah

Communications Authority has been inconsistently approving 911 grants.

**Results of Follow-up:** Seven recommendations were made to the agency; one was implemented and six are in process, contingent on the January 2017 completion of a strategic plan. Six recommendations were made to the Legislature; two were implemented; four are in process.

#### **Audit 2016-01: A Performance Audit of the Utah Board of Pardons and Parole (BOPP)**

We were asked to evaluate whether Utah's BOPP appropriately uses its authority. Specifically, we found that the board needs to improve its planning, oversight, and structure to ensure desirable public safety and criminal justice outcomes are achieved. In addition, the board needs to more fully adopt proven practices that will bolster decision consistency and improve outcomes. The board also needs to implement an electronic file management system to reduce errors, improve data tracking abilities, and enhance operational efficiencies. Lastly, we identified several process inefficiencies and recommend options for reducing these inefficiencies. The board agrees with the audit findings and is working towards fully implementing all recommendations.

**Results of Follow-up:** Twelve recommendations were made to the agency; one has been implemented and eleven are in process. One recommendation to the Legislature has been implemented.

#### **ILR 2016-D: A Survey of State Building Management Practices and Cost of Investment Methodologies**

We found that other governmental entities have tools to analyze certain stages of facility costs, but not a comprehensive methodology that the state could adopt. To continue with this assignment, a consultant with relevant expertise would be needed to develop a comprehensive methodology to determine the total cost of investment for Utah's state-owned and higher education buildings.

**Results of Follow-up:** One recommendation was made to the Legislative Audit Subcommittee to consider having the State Building Board—in conjunction with

DFCM—hire a consultant to develop a methodology; this recommendation was implemented.

#### **ILR 2016-C: A Limited Review of the Timely Issuance of Warrants**

We conducted a limited review of the Administrative Office of the Court's (AOC's) warrant system, because of a concern that a backlog may exist in processing warrant requests. While we found no evidence that early release was caused by a processing backlog, we had other concerns with sampled cases. Overall, the AOC has improved its processes to reduce the likelihood of delays in warrant processing and has been working with the Salt Lake County District Attorney's Office to address concerns. Specifically, a technical change now allows the court clerk to sort warrants that are closer to the deadline and require immediate attention. We also spoke to other counties' district attorneys to ascertain if they had issues similar to Salt Lake County's; however, only one county had an issue, which has been remedied.

**Results of Follow-up:** One recommendation was made to the agency, which is in process.

#### **ILR 2016-B: A Limited Review of the Use of Cash Bail in Utah District Courts**

In response to concerns from some stakeholders, we found that the Fourth District Court collection of cash bail from defendants was not misused, but was returned to the defendants in full. However, we did not find any instances where cash bail was applied to victim restitution. Statute does allow judges to use cash bail and apply it as they see fit. Because of the limited nature of our review, we were not able to definitively determine a larger scope question: whether cash bail is more cost effective when compared to bonding.

**Results of Follow-up:** One recommendation was made to the Legislative Audit Subcommittee to consider prioritizing a full audit to address the question of cash bail effectiveness compared to bonding. This recommendation was implemented. The audit of Utah's Monetary Bail system will be released in January 2017.

**ILR 2016-A: USTAR Annual Report: Performance Outcome Reporting Remains Under Development**

In accordance with statutory requirements, we conducted a review of the FY 2015 annual report of the Utah Science Technology and Research Initiative (USTAR). We found that while some progress has been made over the past year to improve performance outcome reporting, USTAR still needs to strengthen its outcome collection and reporting process. Also, USTAR's reporting of key commercialization and economic impact metrics remains either incomplete or unavailable. USTAR did report economic impact estimates for its outreach program, which were derived from a new survey methodology.

*Results of Follow-up:* Six recommendations were made to USTAR and one recommendation was made to the Legislature. All were implemented as a result of the passage of SB 166 (2016 GS) and USTAR actions.

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

We examined the administrative functions of 16 culinary water improvement districts. We found that 10 of 16 districts could improve 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 improve administrative functions.

*Results of Follow-up:* Eighteen recommendations were made to agencies; ten were implemented; seven are in process; and one has not been implemented. The one recommendation to the Legislature is in process.

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

The career and technical education (CTE) completion and placement rates reported by the Utah College of Applied Technology (UCAT) and the Utah System of Higher Education (USHE) are not comparable and rely on different methodologies. Specifically, 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.

*Results of Follow-up:* Six recommendations were made; five have been implemented and one is in process.

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

We found 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 state supplemental appropriation in 2015, a \$5 to 6 million penalty from the federal government, and reduced future spending abilities. Weak governance oversight by the USBE and staff prolonged and worsened these problems. Finally, the use of the Visually Impaired Trust Fund to cover vocational rehabilitation expenses was imprudent. In the 2016 General Session, the Legislature passed a bill moving USOR to DWS.

*Results of Follow-up:* Twelve recommendations were made to the agency; nine are implemented; one is in process; and two recommendations are no longer applicable since the move of USOR to DWS. Six recommendations were made to the Legislature; three are implemented; one is in process; and two have not yet been implemented.

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

We 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.

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

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

Because the Utah Poison Control Center (UPCC) is not currently defined in *Utah Code*, it is not clear if it 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 better utilize low-cost alternatives in answering lower-risk exposure and informational calls.

**Results of Follow-up:** Four recommendations were made to the UPCC; all were implemented. Two recommendations for the Legislature are not yet implemented.

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

We found that DFCM is properly enforcing E-Verify contractual obligations but not enforcing some health insurance and drug/alcohol testing requirements. Our review of the State Building Board confirms it fulfills a distinct, statutory role in state building activities and contributes to building prioritization and oversight.

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

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

The OAG lacks adequate and consistent processes to contract, fund, and track legal services to state agencies. Further, the current process could place certain federal funds at risk and makes it difficult to implement legislative compensation increases. Together with the Fiscal Analyst, we recommend an Internal Service Fund to address budgetary issues. Finally, attorney compensation is on the low end of compensation of similar peers. OAG's turnover rates compare favorably to peer groups.

**Results of Follow-up:** Three recommendations were made to the agency; all were implemented. Five recommendations were made to the Legislature; four were implemented and one is in process.

**Audit 2015-05: A Performance Audit of the Office of the Utah Attorney General (OAG)**

We found the OAG needs improved performance management and should be required by the Legislature to produce annual reports addressing performance as many of its peer offices do. The agency also needs to address its current ethics policy which lacks sufficient whistleblower provisions to adequately address internal employee misconduct. The OAG's 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 AG has been working to address many of these concerns.

**Results of Follow-up:** Ten recommendations were made to the agency; five were implemented; four are in process and one is partially implemented. One recommendation to the Legislature was implemented.

**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. The Legislature may want to consider reviewing the higher education O&M funding model. We found that the state's and institutions' building inventory records still do not match. 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.

**Results of Follow-up:** Nine recommendations were made to the agencies; seven were implemented, one is in process, one is partially implemented pending legislative funding. The two legislative recommendations are implemented.

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

We conducted 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) to ensure implementation.

**Results of Follow-up:** DWS has implemented thirteen of fourteen recommendations and is in the process of implementing the final one. Thus, no recommendations were made in this 2015-02 audit.

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

We found that the Division of Water Resources does not have a reliable source of local water use data on which to base its demand and supply of water 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. 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.

**Results of Follow-up:** The Natural Resources, Agriculture and Environmental Quality Appropriations Subcommittee has asked for an in-depth follow-up audit prior to the 2018 Legislative General Session. Results will be in the 2018 Annual Report.

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

We reviewed 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. 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.

**Results of Follow-up:** Two recommendations were made to the Legislature; both were implemented.

**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 DSPD's 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. We also found that DSPD is in the process of creating policies and controls to better assess client service requests. DSPD has yet to complete these improvements, which prevented us from reviewing their effectiveness.

**Results of Follow-up:** Two recommendations were made to the Legislative Audit Subcommittee, which are in process.

**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. 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.

**Results of Follow-up:** Two recommendations were made to the agency both of which are 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:

- As a result of the audit on the Board of Pardons and Parole (BOP), the BOP has engaged in a multi-faceted reform effort, including broad implementation of evidence based release practices through using a structured decision tool, reforming its rationale sheet, engaging in strategic planning, and improving the transparency of its information and processes. The BOP is also responding to our recommendation to implement an electronic file management system that can reduce errors and improve data tracking. Lastly, the audit identified a series of process inefficiencies that the board is actively working to overcome and improve.
- In the Athletics Department at the University of Utah, we found that coaching staff in the majority of sports received significant pay increases over the past five years, despite most teams not fully meeting performance expectations. We also found coaching staffs not involved with the setting of expectations. Based on our recommendations, the department is now annually evaluating the goals set for each coach to assure that those goals provide appropriate incentives and are fair and achievable. Also, the department will involve coaches to set realistic and appropriate goals and ensure that compensation increases are tied to performance.
- Although warned of potential financial risks, USOR used unsustainable budget practices to meet uncontrolled costs. This resulted in a \$4.9 million deficit in 2014, the elimination of \$17 million in federal spending reserves, a \$6.3 million state supplemental appropriation, and a \$5 to 6 million 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.

### ■ 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:

- The UPCC has reduced cost by allowing limited phone coverage to be provided by students who work as Poison Information Providers (PIPs), as opposed to most costly full-time employees. PIPs now provide five hours of phone coverage during the evening, seven days a week. This has allowed the UPCC to utilize the staff efficiently and provide for greater phone coverage.
- 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:

- Following major budget problems at the Utah State Office of Rehabilitation (USOR), our audit recommended that the agency be moved from the Utah State Board of Education (USBE) to the Department of Workforce Services. The goal was to give USOR the proper governance, financial management, and alignment of missions that it had lacked under the USBE. House Bill 325, passed during the 2016 General Session, made the recommended governance change.
- During our review of the University of Utah Athletics Department (Athletics), we found that stronger controls over inventory and building access are required to protect university assets. For example, Athletics has purchased about \$2 million in non-capital assets (items valued between \$1,000 and \$4,999) over the last five years, but failed to adequately tag, inventory and audit those assets. We also found that several Athletic buildings were not fully secure because of missing keys. Further, Athletics had bypassed some university human resource (HR) policies, such as not providing sufficient oversight of staff's compensatory time accrual. Consistent with recommendations in the audit, Athletics is now working with university internal auditors to correctly account for assets. They are also rekeying locks for which keys have gone missing, and are moving to an electronic key card system. Finally, the department is working collaboratively with HR to ensure all policies are being followed and applied.
- Our in-depth budget review of the Utah Department of Transportation showed that several budgeting and accounting practices did not fully comply with statute and created transparency and oversight issues. First, labeling UDOT's \$30 million Equipment Management line item charge in rents and usage fees to regions as dedicated credits does not comply with statute, creating double-counting issues and resulting in unauthorized money transfers between line items. Second, \$93 million in cooperative agreements, which are locally funded projects which UDOT administers, are rolled up in UDOT's operational budget, making it appear UDOT spends more than it actually does. UDOT has been working with the Legislative Fiscal Analyst and the Legislature to correct these budgeting concerns.
- Our audit of career and technical education (CTE) completion and job placement rates led to improvement of the outcomes that are reported to the Legislature. Specifically, the Utah College of Applied Technology (UCAT) now reports stratified certificate counts according to their duration. In addition, the Utah System of Higher Education (USHE) now reports separate job placement date for students who earn a CTE credential.
- The UPCC did not have a contract with the University of Utah allowing it to be housed rent free as a result of a \$2.5 million transfer from the UPCC to the University of Utah. A contract was entered into that allows the UPCC to be housed within the University of Utah for a period of at least 40 years at no additional cost.

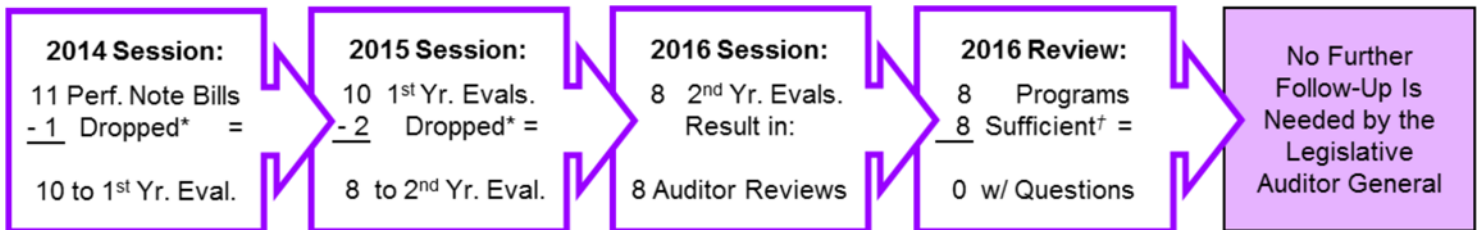


The Auditor General has statutory responsibility to review all new government programs (programs that have received a performance note required by legislative rule) and provide the new program (or agency) with information on management best practices. Since 2000, the Auditor General has published *Best Practices for Good Management* (found at [www.le.utah.gov/audit/BP\\_2009.pdf](http://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.

### ■ OLAG Found All 2014 Programs Have Sufficient Management Practices

This is the third annual report on our review of programs that completed the two-year self-evaluation and performance note follow-up process. Last year's report indicated that we were following 10 new 2014 programs. The flowchart below summarizes the work conducted for the 2014 new programs, ending with no programs needing additional follow-up. Specifically, after initial internal sifting, we reviewed the self-evaluations submitted by program directors over two years, and found these programs to have sufficient management practices in place.



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

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

### ■ One Limited Review Began After OLAG Follow-up of Programs from 2013

As recommended in the 2016 Annual Report, we began limited scope audit work of HB 139: Science, Technology, Engineering, and Math (STEM) Action Center, and will make recommendations to the Audit Subcommittee. We also reviewed the additional year of information submitted for HB 276, Newborn Screening for Critical Congenital Heart Defects, and SB 284, Educational Technology Amendment. After our review, we determined there were sufficient management practices in place and therefore no need for further follow-up for these two programs.

### ■ 2015 and 2016 New Programs Now in the Follow-Up and Review Process

In the 2015 General Session there were 39 bills with performance notes attached, 17 of which passed. Of those, 10 bills did not appear to create a new program and were dropped from our internal tracking. In July of 2016, we sent out seven first-year evaluations and since determined that one program should be dropped from tracking. We received six completed first-year evaluations and will follow up with these programs in July 2017, and have administrators complete a second-year evaluation.



In the 2016 Legislative General Session there were 37 bills with performance notes attached, 23 of which passed. Of the 23 passed bills, 16 bills are not new programs or did not meet OLAG requirements for follow up, leaving seven for follow up. In July 2016, we sent six new programs' administrators information and expectations about the best practices and performance note review processes. First-year self-evaluation surveys will be sent out to these programs in July 2017. Regarding the seventh program, the office will delay the follow-up process for one year since it is a pilot program. Then, if the Legislature decides to continue the program, we will include it in the follow-up and review process.

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



# Released Audits and Informal Reports • 2013 - 2015

## 2015

2015-12	Culinary Water Improvement Districts
2015-11	CTE Completion and Job Placement Rates
2015-10	Utah State Office of Rehab Budget and Governance
2015-09	CTE Coordination & Duplication: Public Ed. & UCAT
2015-08	Utah Poison Control Center
2015-07	Allegations Concerning DFCM Construction Mgt.
2016-06	In-Depth Budget Review of Office of Attorney Gen.
2016-05	Performance Audit of Office of the Attorney Gen.
2015-04	Follow-up: Higher Ed. O&M Funding Mgt. Practices
2015-03	URS' Management and Investment Practices
2015-02	DWS Customer Service and Follow-up
2015-01	Projections of Utah's Water Needs
ILR2015-E	Use of Controlled Substance Database by Law Enforcement
ILR2015-D	Follow-Up: DSPD Response to Audit 2014-10
ILR2015-C	Allegations Regarding UDOT Noise Walls, Farr West
ILR2015-B	Review of Communication of the State's Liability Protection for School District Employees
ILR2015-A	Provider Rates for DSPD

## 2014

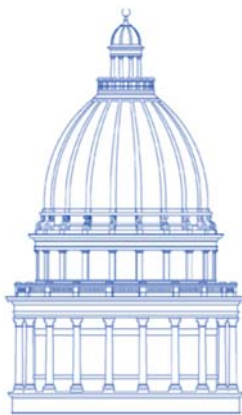
2014-14	Follow-Up of USTAR
2014-13	Div. of Drinking Water's Min. Source Sizing Reqs.
2014-12	Dept. of Technology Serv. Rates, Cust. Serv. & Staffing
2014-11	Utah's Purchasing Interaction with WSCA-NASPO
2014-10	Division of Services for People with Disabilities
2014-09	In-Depth Budget Review of Dept. 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 Legislative Recommendations for Higher Education 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

Full Reports are available online at [www.le.utah.gov/audit/olag.htm](http://www.le.utah.gov/audit/olag.htm)



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