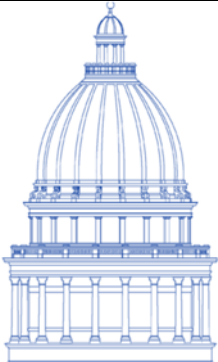




Forty-Fourth Annual Report to the Utah State Legislature

**Sixty-Third Legislature
2019 General 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 Legislative 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 provides 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 Legislative 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 Legislative 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 Legislative 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: le.utah.gov/audit/olag.htm.

■ Who Are the Members of the Audit Subcommittee?

President J. Stuart Adams, Co-Chair
President of the Senate
R–Davis County

Speaker Brad R. Wilson, Co-Chair
Speaker of the House
R–Davis County

Senator Evan J. Vickers
Senate Majority Leader
R–Beaver, Iron and Washington Counties

Representative Francis D. Gibson
House Majority Leader
R–Utah County

Senator Karen Mayne
Senate Minority Leader
D–Salt Lake County

Representative Brian S. King
House Minority Leader
D–Salt Lake and Summit Counties

“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 Kade R. Minchey, CIA, CFE

Deputy Auditor General Darin R. Underwood, CIA
Brian J. Dean, CIA, CFE

Audit Manager Benn Buys, CPA

Audit Supervisors James Behunin, CIA
Leah Blevins, CIA
Jake Dinsdale, CIA
Matthew Harvey, CFE
Wayne Kidd, CIA
August Lehman, CFE
Jesse Martinson, CIA
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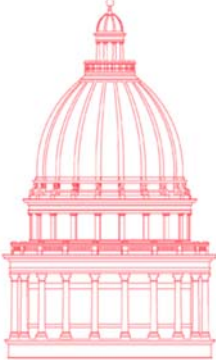
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Brent Packer
Matthew Taylor
Ryan Thelin

Executive Assistant Julia Conner

Audit Technician Lauri Felt



Based on issues addressed and recommendations made in our 2017 and 2018 audits, we believe the Legislature should consider the following items during the 2019 General Session. Whether the Legislature chooses to act on the following items depends on legislative policy decisions that are outside the audit arena.

■ **2018-09: A Performance Audit of Secondary School Fees**

See page 7 for audit summary.

Action Needed: Because the law is not clear on how specific a locally-adopted school fee schedule should be, the Legislature should consider requiring that the schedules include reasonably specific dollar amounts. Of the 16 total recommendations in this report, the majority involve rulemaking by the Utah State Board of Education. However, the Legislature could consider if any of those recommendations would be better addressed in statute as opposed to administrative rule.

■ **2018-06: A Performance Audit of Selected Public Education Initiative Programs**

See page 8 for audit summary.

Action Needed: The Legislature should consider reviewing the level of funding for the ProStart Initiative (culinary arts). The Legislature should also consider reviewing UPSTART and determine whether the program's focus should be on low-income families. If so, the Legislature may consider having the Department of Workforce Services (DWS) verify family income for the low-income requirement.

■ **2018-04: A Review of Best Practices for Internal Control of Nonprofits Associated with Government**

See page 9 for audit summary.

Action Needed: The Legislature should consider further clarifying what qualifies as financial support and governmental control for a nonprofit entity. The Legislature should also consider affording the same protections from public disclosure under the Open and Public Meetings Act as it now provides to recorded data under the Government Records Access and Management Act.

■ **2018-03: A Performance Audit of the Inspector General of Medicaid Services**

See page 9 for audit summary.

Action Needed: The Legislature should consider one of the following options to strengthen the accountability and productivity of the Office of the Inspector General (OIG):

- Require a more formalized reporting relationship to the Executive Appropriations Committee, with committee hearings on OIG progress, cost reductions achieved, and performance metrics;
- Establish an oversight board which meets with the OIG quarterly to review operations, examine audit results, and provide direction; or
- Relocate the OIG within the Office of the State Auditor.

The Legislative Audit Subcommittee should consider prioritizing an in-depth follow up audit of the OIG to measure the office's progress toward implementing the audit recommendations.

■ 2017-17: An In-depth Follow-up of Projections of Utah's Water Needs

One portion of our audit reported that local water systems have expressed growing interest to improve their efficiency. One way to accomplish this goal is to identify and address the system leaks and other unaccounted uses. With the assistance of government agencies, some water systems have utilized a water audit to identify the chief sources of unaccounted water use, especially leaks, and have taken steps to reduce unaccounted flows. This water audit could benefit all municipal systems.

Action Needed: The Legislature should consider prioritizing an interim study evaluating the benefit of mandatory water audits of unaccounted for water use in municipal water systems. Unaccounted for uses include leaks within a municipality's system and addressing these issues can make systems more efficient stewards of the water resources they oversee.

■ 2017-13: A Performance Audit of the Division of Family Health and Preparedness

One portion of this audit found that the Baby Watch Early Intervention Program can improve both monitoring and data utilization.

Action Needed: The Legislature should consider statutory changes to require background checks for Baby Watch Early Intervention providers.

■ 2017-12: A Performance Audit of the History of Selected Public Education Programs

One part of this audit found that after the Utah State Board of Education used combined appropriations

entirely for language Dual Immersion, the funds for the Critical Languages program were depleted and ceased operations in 2014. However, Critical Languages still exists in statute, without funding.

Action Needed: The Legislature should review the intent of the Critical Languages Program and determine whether to terminate the program or keep it in statute.

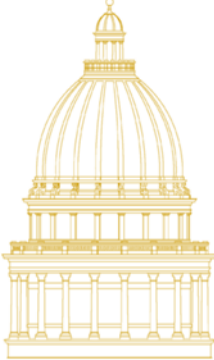
■ 2017-01: A Performance Audit of Utah's Monetary Bail System

Our audit found that pretrial release decisions are made without adequate information, such as defendant risk. We recommended that the Administrative Office of the Courts work towards the adoption of an evidence-based risk assessment instrument. We also reviewed the surety bond forfeiture process and found opportunities for improvement. Specifically, the forfeiture process could be shortened and streamlined to better promote court appearances.

Action Needed: The Legislature should consider changes to the surety bond forfeiture process found in Chapter IV:

- Reducing the statutory timeframes for processing forfeitures;
- Requiring all forfeiture notifications to be processed via certified electronic mail; and
- Working with the Courts to design a forfeiture process that improves court appearances and reduces automatic bond exonerations.





In 2018, the Office of the Legislative Auditor General (OLAG) completed 18 audits (13 full audits and 5 special projects). OLAG’s 2018 audits are listed in the table below, and the audit follow-ups for 2017 and 2018 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: le.utah.gov/audit/olag.htm.

2018 Completed Audits

Audit Name	Audit Number	Agency Recommendations	Legislative Recommendations	Release Date
A Performance Audit of Employee Evaluation Processes in Higher Education	2018-13	5	0	December
A Performance Audit of Utah’s Homeless Services	2018-12	6	4	December
A Performance Audit of the Utah Board of Regents	2018-11	10	0	October
A Performance Audit of Utah’s Temporary Assistance for Needy Families Program	2018-10	10	0	October
A Performance Audit of Secondary School Fees	2018-09	15	1	September
A Performance Audit of the Utah State Tax Commission	2018-07	5	5	July
A Performance Audit of Selected Public Education Initiative Programs	2018-06	10	2	July
A Performance Audit of Inventory and Security Controls at Institutions of Higher Education	2018-05	19	0	July
A Review of Best Practices for Internal Control of Nonprofits Associated with Government*	2018-04	2	2	May
A Performance Audit of the Inspector General of Medicaid Services*	2018-03	6	2	February
A Performance Audit of the Division of Juvenile Justice Services*	2018-01	10	1	January

2018 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.

An In-depth Budget Review of the Utah State Tax Commission	2018-08	16	3	September
An In-depth Budget Review of the Utah Department of Health*	2018-02	7	0	February

2018 Completed Special Projects

Initial Survey of Dixie State University Faculty Terminations	ILR2018-E	0	0	December
Higher Education Governance by the Board of Regents and the Boards of Trustees Needs Reexamination	ILR2018-D	0	5	October
Full Audit of Tourism Promotion Funding Recommended	ILR2018-C	0	1	September
Informal Poll of Utah Senate on United States Senate Candidates	ILR2018-B	0	0	April
A Limited Review of Three Facilities Operated by The Road Home*	ILR2018-A	3	0	May

*Follow-ups were 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 17 audits (5 audits from 2018 and 12 audits from 2017 shown below). The 17 audits with follow-ups contained 102 recommendations to audited agencies; all but two of these recommendations are at some level of implementation. There were also 22 legislative recommendations, of which only 4 have yet to be implemented. (See the companion section: “**Legislative Action Items**” on page 3.)

Audit Follow-ups					
Audit Name	Number	Recommendations		Follow-up Status	
		Agency	Legislature	Agency	Legislature
A Review of Best Practices for Internal Control of Nonprofits Associated w/ Gov't	2018-04	2	2	2 In Process	2 Not Yet Implemented*
A Performance Audit of the Inspector General of Medicaid Services	2018-03	7	2	3 Implemented; 4 In Process	1 In Process 1 Not Yet Implemented*
An In-depth Budget Review of the Utah Department of Health	2018-02	7	0	1 Implemented; 6 In Process	—
A Performance Audit of Juvenile Justice Services	2018-01	10	1	7 Implemented; 3 In Process	1 In Process
A Limited Review of Three Facilities Operated by The Road Home	ILR2018-A	4	0	3 Implemented; 1 In Process	—
An In-depth Follow-up of Projections of Utah's Water Needs	2017-17	10	3	4 Implemented; 6 In Process	1 Implemented 1 Not Yet Implemented*
An In-depth Follow-up of the Division of Drinking Water's Minimum Source Sizing Requirements	2017-16	2	1	2 Implemented	1 Implemented
A Performance Audit of State Energy Incentives	2017-14	1	3	1 In Process	3 Implemented
A Performance Audit of the Division of Family Health and Preparedness	2017-13	20	1	13 Implemented; 7 In Process	1 Implemented
A Performance Audit of the History of Selected Public Education Programs	2017-12	6	1	6 In Process	1 Implemented
A Limited Review of Sources of Funding and Expenditures for Homeless Initiatives	2017-11	2	1	2 Implemented	1 Implemented
A Performance Audit of Beaver Valley Hospital's Medicaid Upper Payment Limit Program	2017-10	11	0	8 Implemented; 1 Partially Implemented; 2 Not Implemented	—
A Review of the Procurement Process for the U of U's Heritage 1K Project	2017-09	3	0	3 Implemented	—
A Performance Audit of the Utah Olympic Legacy Foundation	2017-08	4	1	4 In Process	1 Implemented
A Performance Audit of Public Entities' Oversight of Qualified Health Ins Statute	2017-07	5	1	5 Implemented	1 Implemented
A Performance Audit of Statewide Investigative Functions	2017-06	6	1	5 Implemented; 1 Partially Implemented	1 Implemented
A Review of Best Practices for Internal Control of Limited Purpose Entities	2017-05	2	4	2 In Process	4 Implemented
124 Total Recommendations:		102	22		

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

■ Completed Audits

Audit 2018-13: A Performance Audit of Employee Evaluation Processes in Higher Education

This audit looked at the employee evaluation processes in higher education in the state of Utah. While most institutions have a policy in place requiring at least a yearly performance review, the percentage of staff evaluated could be improved at most institutions. Faculty evaluations could be improved by ensuring they are comprehensive of the faculty member's performance and behavior.

Audit 2018-12: A Performance Audit of Utah's Homeless Services

We were asked to identify the efficiency and effectiveness of services for the homeless. However, due to problems with the data in the Homeless Management Information System, we were unable to produce reliable performance measures of individual service programs. We also found that the Division of Housing and Community Development does not consistently utilize performance measures to evaluate contract outcomes. The division erroneously reported that chronic homelessness had declined by 91 percent over a ten-year period ending in 2015. To create a more data-driven, results-oriented homeless services system, we recommend that the State Homeless Coordinating Committee adopt a plan for statewide homelessness.

Audit 2018-11: A Performance Audit of the Utah Board of Regents

The Board of Regents (the board) is statutorily established to govern the Utah System of Higher Education (USHE), but it does not provide adequate oversight of tuition increases. We found the Commissioner's processes inflate tuition increases with little analysis to support the rising tuition costs being proposed to the board. In the last five years, tuition increased \$131.7 million; almost three times what was needed to meet the legislative compensation match of \$35.6 million. The board can improve its oversight of USHE by bolstering the independence of the audit

function through following generally accepted audit standards.

Audit 2018-10: A Performance Audit of Utah's Temporary Assistance for Needy Families Program

We reviewed Utah's Temporary Assistance for Needy Families (TANF) program, a federal block grant administered by the Department of Workforce Services (DWS). While DWS invests significantly in case management, it is not tracking whether participating families are gaining self-sufficiency. Instead, DWS tracks the number of positive case closures. Better performance metrics that track family outcomes are needed, as well as better contract oversight. Finally, the process for selecting TANF program contracts and allocating resources is informal and not driven by existing data. Using data about TANF recipient needs, and identifying TANF program contracts with proven efficacy, will enable DWS to improve family outcomes.

Audit 2018-09: A Performance Audit of Secondary School Fees

This audit examined the school fee practices in secondary schools in both school districts and charter schools. We found widespread violations of law throughout the education system involving a general lack of control and oversight from both the Utah State Board of Education and local school boards. Specifically, Utah students have been charged many fees without proper approval. Also, low-income students who qualify for fee waivers have nevertheless been required to pay to participate in school-sponsored activities. In addition to fees, students have been asked to fundraise substantial amounts of money without clear legal guidelines. We recommend many policy changes to address our findings.

Audit 2018-08: An In-depth Budget Review of the Utah State Tax Commission

As part of our in-depth budget review of the Tax Commission, we found that improvements have been made to collect delinquent taxes. However, additional options are available, which could assist the Taxpayer

Services Division to increase collections of a greater portion of the \$552 million in delinquent taxes. We also reviewed metrics for several divisions and found improved overall performance, as well as areas where the divisions can continue to improve. We found that the options for license plates in Utah are in line with other states but that the management of license plates could benefit from the establishment of a General Fund restricted account for more transparent costs. We report that the Tax Commission does well in managing data technology and management and credit card processing costs. Finally, a long-term tax system modernization project was partially funded with nonlapsing balances, which is not ideal, as transparency is lost.

Audit 2018-07: A Performance Audit of the Utah State Tax Commission

This audit examined the Tax Commission's oversight of income tax credits and property tax administration by county assessors. First, Utah's income tax credits for research activities lack a control form, while Utah's other large tax credits and research activities credits offered in other states require either a form, schedule, or certificate that provide valuable use data. Next, residential real property assessments by some county assessors are consistently low, which shifts some of the Basic School Levy's tax burden to other property assessed at fair market value. Finally, business personal property audits are productive; however, their use by counties has been inconsistent and can improve.

Audit 2018-06: A Performance Audit of Selected Public Education Initiative Programs

We conducted a performance audit of three public education initiative programs funded through USBE. First, the Carson Smith Scholarship Program needs to strengthen the eligibility determination process, scholarships need to be awarded according to the program's guidelines, and the parent verification process needs to be followed. Second, the level of initiative funding for ProStart needs to be reviewed by the Legislature because in recent years the funding has increased, but student enrollment has decreased. Also, USBE needs to improve controls for ProStart's

reimbursement process. Lastly, while meeting the low-income requirement, the UPSTART program's population is shifting to students in families with no restriction of income. The Legislature should review this initiative and determine whether the program's focus should be on students in low-income families.

Audit 2018-05: A Performance Audit of Inventory and Security Controls at Institutions of Higher Ed.

This report found that seven of eight institutions of higher education are not consistently tagging or tracking highly pilferable noncapital assets, despite many institution policies requiring it. Examples of noncapital assets that have not been tagged or tracked include projectors, desktops, laptops, microscopes and TVs. Auditors found these assets are vulnerable by successfully entering institutions' buildings after nightly lockup procedures. Within those buildings, 150 rooms with valuable assets were not secured. Furthermore, many master keys have been lost or remain unaccounted for, which may further compromise building security and the assets stored within.

ILR 2018-E: Initial Survey of Dixie State University Faculty Terminations

We conducted an initial survey of Dixie State University tenured faculty termination policy and recent faculty terminations.

ILR 2018-D: Higher Education Governance by the Board of Regents and the Boards of Trustees Needs Reexamination

This audit looked at higher education governance in Utah. While the Board of Regents is statutorily the governing board for higher education, we found that governance is shared between the Board of Regents and the Boards of Trustees, and the Trustees' duties have increased due to recent legislation. We recommend the Legislature review the governance duties of the Board of Regents and the Boards of Trustees to determine the appropriate balance of power between statewide and institutional control. Additional trustee training should

also be considered to ensure Trustees understand their role and responsibilities.

ILR2018-C: Full Audit of Tourism Promotion Funding Recommended

Initial risk analysis of tourism promotion funding showed enough questions to recommend a full audit to answer lingering questions about the ways counties have chosen to use their tourism promotion funds.

ILR2018-B: Informal Poll of Utah Senate on United States Senate Candidates

A poll (Senate Rule SR1-9-101) of Utah State Senators, with 18 of 29 participating, showed the majority of Senators support Mitt Romney as their preferred U.S. Senate candidate for the 2018 election.

■ Completed Audits with Follow-up

Audit 2018-04: A Review of Best Practices for Internal Control of Nonprofits Associated w/ Gov't.

This audit surveyed nonprofit entities associated with government and found a high percentage were missing financial controls and/or key policies. Governmental entities have sufficient influence over associated nonprofits to ensure controls are in place, but the lack of financial controls at some nonprofits suggest that these entities are not exercising their influence. While statute defines a governmental nonprofit, there is still ambiguity about what is meant by financial support and government control that we recommend the Legislature consider clarifying.

Results of Follow-up: Two recommendations were made to agencies; both are in process. Two recommendations were also made to the Legislature which have not yet been implemented.

Audit 2018-03: A Performance Audit of the Inspector General of Medicaid Services

We found that the Office of the Inspector General of Medicaid Services (OIG) neglected independent

oversight of Accountable Care Organizations (which were responsible for 38 percent of Medicaid expenditures in 2017). We also found that some OIG reporting and audit practices needed improvement. We recommend the Legislature consider restructuring the OIG to increase its accountability and productivity.

Results of Follow-up: Seven recommendations were made to the agency, three were implemented and four are in-process. Two recommendations were made to the Legislature; one in-process and the other has not been implemented because it entails a future follow-up audit.

Audit 2018-02: An In-depth Budget Review of the Utah Department of Health

This report found, through contracting with Milliman actuaries, that \$74.6 million could have been saved from 2014-2016 if each plan had achieved the most efficient price. We also found that in 2014, the Department of Health (DOH) randomly assigned over 23,000 members (18 percent of the Accountable Care Organizations (ACO) population) to plans, with approximately \$50 million in total annual costs. DOH should consider assigning recipients who do not self-select a plan to a more efficient plan, as well as provide a stronger control environment for the ACOs. Finally, DOH should improve budget controls and reporting.

Results of Follow-up: Seven recommendations were made to the agency; one has been implemented and six are in-process.

Audit 2018-01: A Performance Audit of the Division of Juvenile Justice Services

This audit reviewed the efficiency and effectiveness of the Division of Juvenile Justice Services (JJS). We found that despite decreasing juveniles served, the cost per juvenile has increased and this metric has not been tracked or reported by the division. JJS management functions needs to improve in that significant decisions have been made with regards to facilities and programming without conducting a cost-benefit analysis. We also found that JJS needs to improve transparency in the information that they present to the

Legislature. Finally, JJS should improve partnerships with private providers to help improve programming at a potential cost savings to the state.

Results of Follow-up: Ten recommendations were made to the agency; seven have been implemented and three are in process. One recommendation was made to the Legislature and has been implemented.

ILR2018-A: A Limited Review of Three Facilities Operated by The Road Home

This audit reviewed concerns regarding health and safety at facilities operated by The Road Home. We found that drug use and safety concerns are serious problems faced by many residents at The Road Home facilities. This is largely due to lax enforcement of rules and procedures designed to prevent drug use and to provide a secure facility environment. Concerns can be addressed through improved management oversight and more effective board governance.

Results of Follow-up: Four recommendations were made to agencies; three have been implemented and one is in process.

Audit 2017-17: An In-depth Follow-up of Projections of Utah's Water Needs

Our in-depth follow-up concludes the latest water use data is much improved. However, the Division of Water Resources can do more trend analysis and validation of water use data. Progress has also been made toward water conservation. Still, only a few cities with secondary systems have installed meters. Also, many, but not all water systems, have complied with the new law requiring a tiered pricing structure. We recommend the Legislature consider leak detection as another strategy for reducing water consumption.

Results of Follow-up: Ten recommendations were made to water agencies; four have been implemented and six are in process. Three recommendations were made to the Legislature; two have been implemented and one is not yet implemented.

Audit 2017-16: An In-depth Follow-up of the Division of Drinking Water's Minimum Source Sizing Requirements

The Division of Drinking Water (DDW) has made progress towards implementing the recommendations of our December 2014 audit. Our prior report concluded that DDW's source sizing standards appear too high and that its outdoor standards appear too low. Recent data gathered from four large water districts confirms the earlier findings. What is unclear, is the effect that unaccounted for water has on such comparisons. The division is now proposing that each public water system identify the source capacity that best meets its own local demand for water.

Results of Follow-up: Two recommendations were made to the agency, which have been implemented. One recommendation to the Legislature, which has been implemented.

Audit 2017-14: A Performance Audit of State Energy Incentives

This audit found that state funds and state-regulated funds provided energy incentives from many different programs and are not centrally tracked. These energy incentives constituted \$566 million in the last five years. Specifically, energy incentives through state tax credits exceed \$74 million, while energy-incentivizing state tax exemptions and deductions are not quantified. In addition, state grant and loan programs provided over \$49 million in energy incentives, with most coming from programs that are not specifically focused on incentivizing energy activities. Other state programs (including administrative costs of state energy incentives) and state-regulated utility programs spent over \$442 million on energy incentive programs. Monitoring the effectiveness of state energy incentives needs more guidance.

Results of Follow-up: One recommendation was made to the Tax Commission, which is in process. Three recommendations were made to the Legislature, which have been implemented.

Audit 2017-13: A Performance Audit of the Division of Family Health and Preparedness

This report found that Child Care Licensing needs clear policies regarding sanctions and appeals. Second, Health Facility Licensing needs shorter timeframes between reviews of facilities, as well as improved processes to reduce risk to facility residents. Third, the Baby Watch Early Intervention Program can improve both monitoring and data utilization, and consider funding sources such as private insurance. Finally, the division can improve performance management.

Results of Follow-up: Twenty recommendations were made to the agency and one to the Legislature. However, the agency was able to implement the legislative recommendation without statutory changes. Thus, fourteen recommendations have been implemented by DOH and seven are in-process.

Audit 2017-12: A Performance Audit of the History of Selected Public Education Programs

We conducted a performance history review of five education programs (K-3 Reading Improvement, Critical Languages, Dual Immersion, Student Leadership Skills, and Digital Teaching and Learning) and the school grading accountability system. Based on this review, USBE's strategic plan can be enhanced with the addition of guiding oversight and accountability principles at the state level. We believe that these guiding principles will help USBE to effectively implement and operate education programs and help improve the policy-making process.

Results of Follow-up: Six recommendations were made to the agency; all six are in process. One recommendation was made to the Legislature, which has been implemented.

Audit 2017-11: A Limited Review of Sources of Funding and Expenditures for Homeless Initiatives

This audit examined the various funding streams for homeless services. We found that the federal government is the largest funder of homeless services in Utah, followed by the state. Salt Lake County and Salt

Lake City are heavily involved in funding associated costs of homelessness such as police, fire, and the county jail. We found that county spending on homelessness could be more transparent, and recent efforts to increase coordination of homeless funding and services should continue to increase the efficiency of homeless funding.

Results of Follow-up: Two recommendations were made to agencies, which have been implemented. One recommendation was made to the Legislature, which has been implemented.

Audit 2017-10: A Performance Audit of the Beaver Valley Hospital's Medicaid Upper Payment Limit Program (For Nursing Facilities)

Adequate controls have not been implemented by Beaver Valley Hospital (BVH) throughout the 40 nursing facilities they operate. Money used to receive federal funds, known as seeding, requires greater oversight by the Department of Health to minimize the risk of a disallowance repayment of over \$20 million. This potential repayment could result in the reimbursement of the \$20 million by BVH, who may not have the ability to repay, and could fall on the state. Federal funds, called the Upper Payment Limit (UPL), are to be used to improve member care; however, evidence of adequate oversight could not be found to ensure that these funds were used for this purpose.

Results of Follow-up: Eleven recommendations were made to the agencies; eight were implemented, one was partially implemented and two were not implemented.

Audit 2017-09: A Review of the Procurement Process for the U of U's Heritage 1K Project

This audit found that the U of U did not follow appropriate procurement processes when awarding a contract to a company owned by the person who donated the \$12 million for the Heritage 1K Project. Request for sole source status and approval of that request were done too late in the process to follow state code. If the University had competitively bid the project, they could have gotten the same services for

half the price. This would have allowed them to sequence twice the number of genomes. Despite these concerns, valuable scientific information was gathered using the donated funds.

Results of Follow-up: Three recommendations were made to the agency; all have been implemented.

Audit 2017-08: A Performance Audit of the Utah Olympic Legacy Foundation (UOLF)

Olympic assets are beginning to reach the end of their life expectancies and need major repairs and replacement. Over the next ten years, \$39.3 million in capital improvement costs will be needed to bring assets up to standards. However, UOLF's Legacy Fund is insufficient to cover these costs. The Legislature should consider funding options outlined in this report because updating these assets is crucial for another Olympic bid, which the Legislature supports, and for the foundation's ability to host premier sporting events. Overall, UOLF has been meeting goals set by the Legislature and has been fostering an Olympic legacy.

Results of Follow-up: Four recommendations were made to the agency, which are in process. One recommendation was made to the Legislature, which has been implemented.

Audit 2017-07: A Performance Audit of Public Entities' Oversight of the Qualified Health Insurance Statute

This audit examined public entities that are statutorily required to oversee whether their construction contractors with large contracts offer qualified health insurance (QHI) to applicable employees. Four public entities had applicable contracts. However, from 2009 through 2015, only one collected their contractors' compliance documentation. Overseeing subcontractor compliance remains a concern as a public entity relied on inaccurate prime contractor attestation rather than reviewing subcontractor documentation. In addition, validating that employer premium contributions meet actuarial requirements did not always occur. Lastly, two contract types used by the Division of Facilities

Construction and Management were circumventing the QHI process.

Results of Follow-up: Five recommendations were made to agencies; all have been implemented. One recommendation was made to the Legislature, which has been implemented.

Audit 2017-06: A Performance Audit of Statewide Investigative Functions

The Department of Public Safety's State Bureau of Investigation and the Office of the Attorney General's Investigations Division are authorized to investigate criminal activity throughout Utah. In recent years, disagreements over programs and funding have created tension between the two offices and led some to question their roles and functions. However, our review of case files found no wasteful redundancy in the areas each office is legally mandated to investigate. We also compared the offices to those in other states and found no clear reason to change current structure.

Results of Follow-up: Six recommendations were made to the Legislature; five were implemented; one was partially implemented. One recommendation to the Legislature has been implemented.

Audit 2017-05: A Review of Best Practices for Internal Control of Limited Purpose Entities

There has been growing concern for frequent reports of fraud, waste and abuse among Utah's limited purpose governmental entities. We surveyed 27 limited purpose entities and found poor governance and weak oversight are common. To reduce the risk of fraud, waste and abuse, we recommend that the governing board of each limited purpose entity in Utah consider the best practices for internal control described in this report. The Legislature should also consider adopting several controls aimed at strengthening state level oversight.

Results of Follow-up: Two recommendations were made to agencies, which are in process. Four recommendations were made to the Legislature, which have 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:

- Our audit of three facilities operated by The Road Home found that drug use and safety concerns are serious problems faced by residents at the facilities. This was largely due to lax enforcement of rules and lack of written procedures at The Road Home. As a result, The Road Home and Shelter the Homeless have taken steps to adopt and clarify policy at their facilities. In addition, they have taken steps to improve safety and security by adding new security procedures.
- Our audit of the Department of Health's Division of Family Health and Preparedness improved oversight of child care providers and health facilities. Child Care Licensing revised their policies to impose stronger sanctions on providers who repeatedly violate rules intended to protect the health and safety of children or who commit an egregious violation for the first time. Health Facility Licensing developed a policy for imposing civil money penalties to ensure consistent application of sanctions and improved tracking of chronic and continuous non-compliance.
- As a result of our audit, the Utah Office of Inspector General of Medicaid Services (OIG) is improving its oversight of Medicaid claims, specifically claims made through Accountable Care

Organizations (ACOs). The OIG is also committed to setting annual targets for Medicaid claims to promote improved accountability from the Department of Health and ACOs. Finally, the OIG has improved its performance reporting practices so that its impact may be better measured.

- Our audit of the institutions of higher education found that seven of the eight institutions were not consistently tagging or tracking highly pilferable noncapital assets, despite many institution policies requiring it. We also found that these assets are vulnerable by successfully entering institutions' buildings after nightly lockup procedures. Because of the audit, the Utah State Board of Regents is creating a policy to standardize the treatment of noncapital assets, and institutions report actively working to secure doors.

■ 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:

- Our audit of the Division of Juvenile Justice Services (JJS) found that the cost per juvenile has been increasing over the past years, and that this was not a metric that the division was tracking or reporting. In addition, we found that JJS did not complete comprehensive cost benefit analysis for capital projects. Lastly, JJS lacked a written strategic plan that could provide the Legislature and the public with vital information concerning

their goals and objectives. We recommended the Legislature consider taking steps to control the increasing costs. During the 2018 General Session, JJS's budget was reduced by \$2.2 million dollars.

- Our audit of the Carson Smith Scholarship Program found three areas for cost reductions. First, inappropriate scholarship payments totaling \$94,489. Scholarship awards need to follow program guidelines. Second, after reviewing files of 97 students receiving Level 2 scholarships, a consulting psychologist questioned if 76 students should be eligible for Level 2 scholarships. An in-depth review of 24 student assessments found that only five students should be receiving a Level 2 scholarship. If these results hold true for the 76 students questioned, scholarship payments should have been \$200,000 less in fiscal year 2017. Third, we reviewed a sample of student files and found that 17 percent of parent verification forms and scholarship checks had unauthorized or missing signatures. We projected that about \$387,000 was deposited in fiscal year 2017 without proper verification.

■ Promoting Accountability

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

- Our audit of the ProStart initiative funding found a need for better accountability. Recommendations were made to better justify expenses invoiced to USBE from the private vendor. USBE was asked to better monitor expenses by consistently applying financial controls, obtaining necessary documentation, and requiring justification and approval for expenses.
- Our follow-up audit on the projections of Utah's water needs promoted the accountability of municipal water systems to implement the Legislature's requirement that they adopt a tiered pricing structure for water services. This audit found that many cities still had flat rate structures despite the new tiered pricing requirement. The Rural Water Association of Utah has surveyed its members and reported in November 2018 that 64 percent reported an "increasing rate structure." This feedback from the Association can help insure implementation of the tiered pricing requirement.
- Our audit of the Qualified Health Insurance (QHI) statute recommends increased oversight of qualifying contractors and overall oversight of the QHI statute. In the 2018 General Session, the Legislature addressed the issue of complex contracts and overall QHI compliance with the introduction of House Bill 428. New legislation and increased compliance with the QHI statute will result in qualifying contractors offering better healthcare packages to their employees.
- Our audit of secondary school fees found widespread violations of state law by the Utah State Board of Education (USBE), school districts, high schools, and charter schools. We made several specific recommendations to clarify policy and increase compliance with law that have informed proposed USBE policy actions and started an important discussion about this topic leading into the 2019 General Session.
- Our audit on the best practices for internal control of local entities is helping to improve local oversight and control of Utah's special districts and other local entities. Our report led to the passage of S.B. 28 which requires these limited purpose entities to register with the Lt. Governor and to comply with the state's financial reporting and transparency requirements. The Utah Association of Special Districts reports that our audit and the legislation have helped local board members become more aware of their responsibility to provide effective oversight and financial control of the entities they serve.

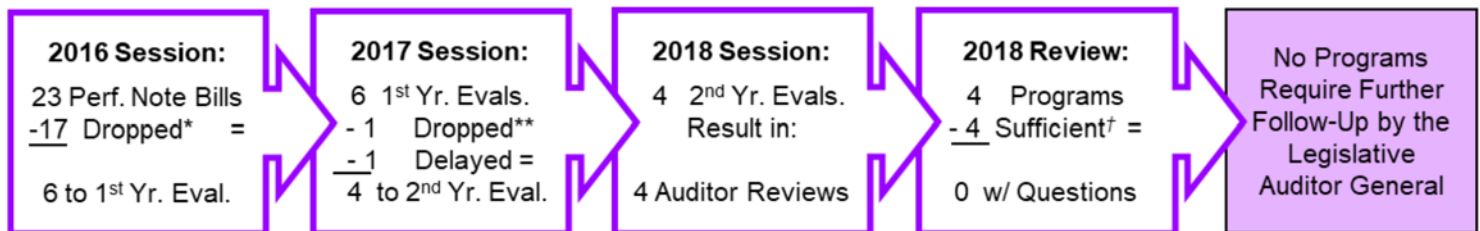


The Auditor General has statutory responsibility to review all new government programs (programs that have received a performance note required by legislative rule) and provide the new program (or agency) with information on management best practices. Since 2000, the Auditor General has published *Best Practices for Good Management* (found at lc.utah.gov/audit/00_2001rpt.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 fifth report on our review of programs that completed the two-year self-evaluation and performance note follow-up process. The flowchart below summarizes the work conducted for the 2016 new programs, ending with no new programs needing additional follow-up, as will be discussed in the section following the chart:



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

** *Dropped due to an ongoing audit*

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

■ Additional Year Follow-up from 2017 Review

In 2017 we recommended an additional year follow-up for **House Bill 199: Pilot Program For Assistance for Children with Disabilities and Complex Medical Conditions**. After further review we found no need to take further action in reviewing this program.

■ 2017 and 2018 New Programs Now in the Follow-up and Review Process

In 2017, 12 bills requiring performance notes passed. Of those, 7 were not new programs or did not meet OLAG requirements for follow-up. Four first-year evaluations were sent out and one follow-up was dropped due to the completion of a legislative audit. **House Bill 239: Juvenile Justice Amendments** was dropped due to the completion a legislative audit in January 2018 which covered the salient topics. In lieu of the self-evaluation survey, an annual audit follow-up was completed with the division's implementation status of recommendations from the audit. Finally, two programs delayed in 2016 were sent first-year evaluations.

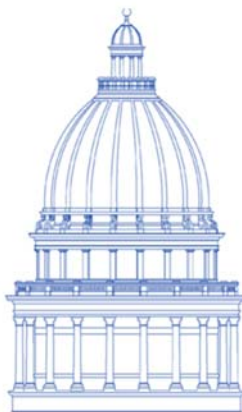
The 2018 Legislature passed 26 bills with performance notes. Of these, 11 bills did not create new programs or did not meet OLAG requirement for follow-up. We sent the 15 new programs' administrators information about the best practices and performance note review processes. First-year self-evaluation surveys will be sent in June 2019.



Released Audits and Informal Reports • 2015 - 2017

————— 2017 —————		2016-03	State Office of Rehabilitation’s Case Mgt Controls
2017-17	Follow-up: Projection of Utah’s Water Needs	2016-02	Administration of 911 Surcharges
2017-16	Follow-up: Division of Drinking Water’s Minimum Source Sizing Requirements	2016-01	Utah Board of Pardons and Parole
2017-14	State Energy Incentives	ILR2016-G	Allegations Involving USU’s Anthropology Program
2017-13	Division of Family Health and Preparedness	ILR2016-F	UCA Improving Controls After Fraud Discovered
2017-12	History of Selected Public Education Programs	ILR2016-E	Division of Risk Management
2017-11	Sources of Funding and Expenditures for Homeless Initiatives	ILR2016-D	State Building Management Practices and Cost of Investment Methodologies
2017-10	Beaver Valley Hosp. Medicaid Upper Payment Limit	ILR2016-C	Timely Issuance of Warrants
2017-09	Procurement Process for U of U’s Heritage 1K Project	ILR2016-B	Use of Cash Bail in Utah District Courts
2017-08	Utah Olympic Legacy Foundation	ILR2016-A	USTAR Annual Report: Performance Outcome Reporting Remains Under Development
2017-07	Public Entities’ Oversight of Qual. Health Ins. Statute	————— 2015 —————	
2017-06	Statewide Investigative Functions	2015-12	Culinary Water Improvement Districts
2017-05	Best Practices for Internal Control of Limited Purpose Entities	2015-11	CTE Completion and Job Placement Rates
2017-04	Sex Offender Treatment Program	2015-10	Utah State Office of Rehab Budget and Governance
2017-03	USBE’s “Aspire” Student Information System	2015-09	CTE Coordination & Duplication: Public Ed. & UCAT
2017-02	UALD’s Employment Discrimination Unit	2015-08	Utah Poison Control Center
2017-01	Utah’s Monetary Bail System	2015-07	Allegations Concerning DFCM Construction Mgt.
ILR2017-C	Limited Review of the STEM Action Center	2016-06	In-depth Budget Review of Office of Attorney Gen.
ILR2017-B	Survey of P-Card Controls In Higher Education	2016-05	Performance Audit of Office of the Attorney Gen.
ILR2017-A	Limited Review of Public Education Federal Grants	2015-04	Follow-up: Higher Ed. O&M Funding Mgt. Practices
————— 2016 —————		2015-03	URS’ Management and Investment Practices
2016-10	University of Utah Athletics Department	2015-02	DWS Customer Service and Follow-up
2016-09	DHRM’s Field Service Operations	2015-01	Projections of Utah’s Water Needs
2016-08	Distribution and Use of Local 911 Surcharge	ILR2015-E	Use of Controlled Substance Database by Law Enforcement
2016-07	Economic Development Corporation of Utah	ILR2015-D	Follow-up: DSPD Response to Audit 2014-10
2016-06	Utah Department of Transportation (UDOT)	ILR2015-C	Allegations Regarding UDOT Noise Walls, Farr West
2016-05	In-depth Budget Review of UDOT	ILR2015-B	Review of Communication of the State’s Liability Protection for School District Employees
2016-04	Department of Financial Institution’s Regulation of the Payday Loan Industry	ILR2015-A	Provider Rates for DSPD

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



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