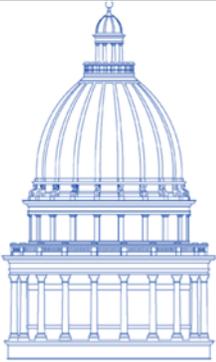




Forty-Fifth Annual Report to the Utah State Legislature

**Sixty-Third Legislature
2020 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.

The committee is composed of the President of the Senate, the Speaker of the House, the Senate Majority and Minority Leaders, and the House Majority and Minority Leaders, 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.”

Inside the Annual Report

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■ How Can I Obtain Audit Reports?

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

■ 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 Brian J. Dean, CIA, CFE
Darin R. Underwood, CIA

Audit Manager Benn Buys, CPA

Audit Supervisors James Behunin, CIA
Leah Blevins, CIA
Jake Dinsdale, CIA
David Gibson, CISA
Matthew Harvey, CFE
Wayne Kidd, CIA
August Lehman, CFE
Jesse Martinson, CIA
Anndrea Parrish

Lead Auditors Michael Allred
Matthias Boone, CFE
Christopher McClelland, CIA, CFE

Audit Staff Lane Farr
Sarah Flanigan
Hillary Galvin
Jentrie Glines
Zack King, CFE
Nicole Luscher
Brent Packer
Ryan Thelin

Methodologist Tim Bereece, CFE

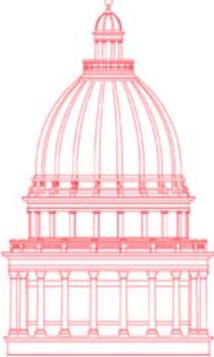
Data Analysts Tyson Cabulagan
Wei Li

Software Engineer Chad Smith

Audit Technician Lauri Felt

Executive Assistant Julia Conner

Administrative Assistant Debbie Clawson



Based on issues addressed and recommendations made in our 2018 and 2019 audits, we believe the Legislature should consider the following items during the 2020 General Session. Whether the Legislature chooses to act on the following items depends on legislative policy decisions that are outside the audit arena.

■ **2019-15: A Performance Audit of the UCA and Statewide 911 Operations**

See page 9 for audit summary.

Action Needed: The Legislature could consider:

- Clarifying two similar sections of statute that both require the UCA to create minimum standards for 911 operations.
- Related to that, how to strengthen and/or clarify the direction given to UCA for how to leverage those standards to improve Utah's 911 system.
- Whether to reduce restrictions on how UCA can partner with public and private entities to build and maintain communications infrastructure.

■ **2019-13: A Performance Audit of PEHP's Pharmacy Benefit Manager**

See page 9 for audit summary.

Action Needed: The Legislature could consider requiring manufacturers to share the wholesale acquisition cost for drugs on a quarterly basis with them. The Legislature should also consider requiring pharmacy benefit managers to provide their clients access to detailed, claim-level rebate information.

■ **2019-12: A Performance Audit of Public Education Assessment Data**

See page 9 for audit summary.

Action Needed: If the Utah Legislature is concerned about the potential impacts of disengagement on data validity, it could consider requiring the Utah State Board of Education to implement the following audit recommendations:

- Determine the feasibility of collecting and analyzing item response data and elapsed time-per-item data from statewide standards assessments.
- If the USBE determines collecting item response and elapsed time-per-item data is feasible, it should: (1) collect the data for analysis, (2) use the data to evaluate the extent and impact of test-taker disengagement on statewide standards assessments, and (3) consider developing and integrating its own engagement metrics into statewide standards assessments.

■ **2019-10: An In-depth Budget Review of the Department of Natural Resources**

See page 9 for audit summary.

Action Needed: The Legislature could consider codifying the mission and oversight structure for the Watershed Restoration Initiative. The Legislature should also consider having the Division of Wildlife Resources work towards becoming more self-funded.

■ **2019-07: A Performance Audit of State and Higher Education Building Costs**

See page 10 for audit summary.

Action Needed: The Legislature could consider:

- Requiring some form of planning, programming, or predesign analysis for all building proposals.
- Clarifying in statute how the State Building Board and the Board of Regents should coordinate similar efforts during the building proposal review process.
- Drafting statutory language to provide an approval process for changes to the size and budget of building projects and determine which entity should be authorized to grant such approval.
- Identifying buildings' square footage, budget, and O&M funding at the time legislative appropriations are awarded.

■ 2019-05: A Performance Audit of the Repayment Feasibility of the Lake Powell Pipeline

See page 10 for audit summary.

Action Needed: The Legislature could consider clarifying in statute:

- The terms for repayment including state bond interest costs for the Lake Powell Pipeline.
- How repayment costs can be divided among and within repayment contracts.
- Final repayment time frames for outstanding pipeline reimbursable costs.

The Legislature should further consider whether multiple sources of funding for the Lake Powell Pipeline would be in the best interests of the state.

■ 2019-03: A Performance Audit of Counties' Use of Tourism Promotion Funding

See page 10 for audit summary.

Action Needed: The Legislature could consider:

- Whether it would like to increase flexibility in county use of the Transient Room Tax for promotion vs. project spending.
- Whether to further detail the definition of county tourism promotion to add spending requirements on in-state vs. out-of-state promotion.
- Designating the Utah Office of Tourism (UOT) as the primary oversight entity and the principal recipient of county tourism revenue usage reports.
- Modifying statute to require UOT to follow up, educate, and enforce compliance with submission of county tourism reports.
- Adding and clarifying additional report oversight to bolster revenue usage compliance.
- Adding reporting metrics that clearly disclose specific types of tourism promotion spending, such as in-state and out-of-state promotion efforts.

■ ILR2019-B: A Limited Follow Up of Audit 2016-04 - A Performance Audit of the Department of Financial Institution's Regulation of the Payday Loan Industry

See page 11 for audit summary.

Action Items: The Legislature could consider adding the following items to the list of industry measures that lenders must report each year:

- 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 loans in default

The Legislature could further consider adopting, in statute, a definition of "chronic user" of pay day loans. The definition of chronic user might include anyone using payday loans for six months in a year or those who take out ten or more payday loans a year. Finally, the Legislature should then consider requiring DFI to use the data they receive from lenders to identify the number of chronic users by lender.

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

See page 13 for audit summary.

Action Needed: In response to this audit, the Legislature made significant changes to law by passing HB 250 in the 2019 General Legislative Session. However, our one-year audit follow-up found that the Utah State Board of Education, despite its many other positive changes, failed to establish limits on the maximum amount that a student or family can be charged for school fees. The board also failed to complete an internal study or audit of school-sponsored fundraising activities. The Legislature could consider whether action is needed related to either or both of those items.

■ **2018-08: In-depth Budget Review of the Utah State Tax Commission**

See page 13 for audit summary.

Action Items: The Legislature could consider:

- Studying the contradiction between the law requiring that all license plates be fully reflective and the law authorizing the new black-and-white historical license plates, which cannot be reflective, to determine which should take precedence.
- Create a new restricted account to capture license plate revenue fees.



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

See page 14 for audit summary.

Action Items: The Legislature could consider:

- Amending statute to allow counties to perform on-site audits under the oversight of the Property Tax Division.
- Promoting consistency by requiring a minimum number of audits annually for counties of similar size.

■ **ILR2018-D: Higher Education Governance by Board of Regents and Board of Trustees Needs Reexamination**

See page 14 for audit summary.

Action Items: The Legislature could consider:

- The need for Boards of Trustees to have staff help in fulfilling their oversight roles.
- Whether the Board of Regents should be more involved with appointing Trustees.
- Formalizing the relationship between presidents and Trustees through statute.



The mission of the Office of the Legislative Auditor General is to serve the Utah Legislature and the citizens of Utah by providing objective and credible information, in-depth analysis, findings, and conclusions 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 just three of many 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 University of Utah laboratory safety practices found that known deficiencies regarding chemical hazards, bloodborne pathogens, and animal handling were not being addressed. The broken system for lab safety risks is being remedied via our recommended changes. Specifically, while the university president has prioritized and is enforcing a goal of no repeat safety deficiencies, lab safety self-inspections are being increasingly utilized by lab personnel. In addition, the Executive Director of the Environmental Health and Safety Department has the authority to shut down non-compliant labs. An example of the University's renewed commitment to lab safety was the unprecedented suspension of all research activities in the Chemistry Department on June 16, 2019. Labs could only resume operations after an inspection and corrective action was implemented.

■ 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:

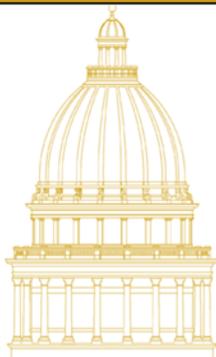
- Our recent audit on Utah's Oil and Gas program contained 14 recommendations that addressed several areas of improvement including regulatory

responsibility and program oversight. As a result of the audit, DOGM has reduced the backlog of unresolved noncompliant issues from 105 to 22 and updated their internal database to better track noncompliant operators. These preemptive actions could reduce costs in the long run, as the audit identified six problem operators that are expected to cost taxpayers nearly \$1 million.

■ Promoting Accountability

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

- Our audit of Tooele County's Sale of the Utah Motorsports Campus identified concerns regarding the compliance with open meeting and records retention requirements. Additionally, internal control issues related to ensuring accurate financial statements and proper budgetary oversight were identified. These issues are being addressed by the Tooele County Commission through new ordinances related to records retention, more openness of administrative meetings, and updated internal control policies and practices. Tooele County also underwent an external audit of internal controls and management practices in response to a recommendation in our audit. We also identified best practices in the selling of public property that could be used by any governmental entity to ensure the sales process is fair and in the best interests of the entity.



In 2019, the Office of the Legislative Auditor General (OLAG) completed 18 audits (15 full audits and 3 special projects). OLAG’s 2019 audits are listed in the table below, and the audit follow-ups for 2018 and 2019 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: olag.utah.gov.

2019 Completed Audits

| Audit Name | Audit Number | Agency Recommendations | Legislative Recommendations | Release Date |
|--|--------------|------------------------|-----------------------------|--------------|
| A Performance Audit of Utah Communications Authority and 911 Operations | 2019-15 | 14 | 5 | December |
| A Performance Audit of Public Education Reporting Requirements | 2019-14 | 9 | 0 | December |
| A Performance Audit of PEHP's Pharmacy Benefit Manager | 2019-13 | 2 | 2 | December |
| A Performance Audit of Public Education Assessment Data | 2019-12 | 2 | 1 | November |
| A Performance Audit of Utah's Oil and Gas Program | 2019-11 | 14 | 0 | November |
| A Limited Review of RISE Testing Issues | ILR2019-C | 1 | 0 | September |
| In-Depth Budget Review of the Department of Natural Resources* | 2019-10 | 11 | 2 | September |
| A Performance Audit of Same Day Voter Registration Control | 2019-09 | 0 | 0 | September |
| A Performance Audit of Child Welfare During Divorce Proceedings | 2019-08 | 7 | 0 | August |
| A Performance Audit of State and Higher Education Building Costs | 2019-07 | 15 | 4 | August |
| A Performance Audit of the Repayment Feasibility of the Lake Powell Pipeline | 2019-05 | 3 | 4 | August |
| Limited Follow Up of Audit 2016-04 - Performance Audit of the Dept of Financial Institution's Regulation of Payday Loan Industry | ILR2019-B | 1 | 3 | August |
| A Performance Audit of the University of Utah's Laboratory Safety Practices** | 2019-06 | 13 | 0 | May |
| A Performance Audit of Tooele County's Sale of the Utah Motorsports Campus** | 2019-04 | 5 | 0 | May |
| A Performance Audit of Counties' Use of Tourism Promotion Funding | 2019-03 | 1 | 6 | April |
| A Performance Audit of the University Neuropsychiatric Institute and Crisis Services** | 2019-02 | 14 | 0 | April |
| A Limited Review of Allegations Regarding UDOT Noise Barrier in Summit County** | ILR2019-A | 3 | 0 | January |
| A Performance Audit of the Waste Tire Recycling Fund** | 2019-01 | 10 | 2 | January |

*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.

**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 16 audits (5 audits from 2019 and 11 audits from 2018 shown below). The 16 audits with follow-ups contained 141 recommendations to audited agencies; all but two of these recommendations are at some level of implementation. There were also 21 legislative recommendations, all of which have been 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 Performance Audit of the University of Utah’s Laboratory Safety Practices | 2019-06 | 13 | 0 | 2 Implemented; 11 In Process | — | |
| A Performance Audit of Tooele County’s Sale of the Utah Motor Sports Campus | 2019-04 | 5 | 0 | 3 Implemented; 2 In Process | — | |
| A Performance Audit of the University Neuropsychiatric Inst. & Crisis Services | 2019-02 | 14 | 0 | 13 Implemented; 1 In Process | — | |
| A Performance Audit of the Waste Tire Recycling Fund | 2019-01 | 10 | 2 | 6 Implemented; 4 In Process | 2 Implemented | |
| A Limited Review of Allegations Regarding UDOT Noise Barrier in Summit County | ILR2019-A | 3 | 0 | 3 In Process | — | |
| A Performance Audit of Employee Evaluation Processes in Higher Education | 2018-13 | 5 | 0 | 4 Implemented (2 of 8 Higher Ed institutions still In Process) | — | |
| A Performance Audit of Homeless Services | 2018-12 | 6 | 4 | 5 Implemented; 1 In Process | 4 Implemented | |
| A Performance Audit of the Utah Board of Regents | 2018-11 | 10 | 0 | 8 Implemented; 2 In Process | — | |
| A Performance Audit of Utah’s Temporary Assistance for Needy Families Program | 2018-10 | 10 | 0 | 8 Implemented; 2 In Process | — | |
| A Performance Audit of Secondary School Fees | 2018-09 | 15 | 1 | 12 Implemented; 1 Partially Implemented; 2 Not Implemented | 1 Implemented | |
| An In-depth Budget Review of the Utah State Tax Commission | 2018-08 | 16 | 3 | 13 Implemented; 3 In Process | 3 Implemented | |
| A Performance Audit of the Utah State Tax Commission | 2018-07 | 6 | 4 | 4 Implemented; 2 In Process | 3 Implemented; 1 In Process | |
| A Performance Audit of Selected Public Education Initiative Programs | 2018-06 | 8 | 2 | 8 Implemented | 2 Implemented | |
| A Performance Audit of Inventory and Security Controls at Institutions of Hi Ed | 2018-05 | 19 | 0 | 4 Implemented; 15 In Process (some inst have full impl) | — | |
| Higher Ed Governance by Bd of Regents and the Bd of Trustees Need Examination | ILR2018-D | 1 | 4 | 1 Implemented | 3 Implemented 1 Partially Implemented | |
| Full Audit of Tourism Promotion Funding Recommended | ILR2018-C | 0 | 1 | — | 1 Implemented | |
| 162 Total Recommendations: | | 141 | 21 | | | |

■ Completed Audits

Audit 2019-15: A Performance Audit of Utah Communications Authority and 911 Operations

We examined whether the Utah Communications Authority (UCA) is fulfilling statutory responsibilities. We found that 911 call taking can be improved by reducing 911 call transfers and that UCA should use its restricted 911 funding to encourage this. We also found that UCA is addressing past procurement concerns and that concerns about wasteful procurement practices are largely unfounded. Finally, the UCA Board is generally effective but needs to formalize certain policies and procedures. Because the UCA Board is providing adequate oversight, we identified no clear advantage to moving UCA to an executive branch agency.

Audit 2019-14: A Performance Audit of Public Education Reporting Requirements

This audit reviewed the local education agency (LEAs) reporting requirements and determined whether greater efficiency can be achieved. First, we identified several reporting lists, but a comprehensive list of all LEA reporting requirements does not exist. A comprehensive list would be useful to better communicate and understand information available for all stakeholders. Second, we found LEAs can benefit from consolidating action plans for different programs, since overlap exists among the planning requirements. Lastly, we examined the different sources of funding that LEAs can use to pay for administrative functions, including reporting.

Audit 2019-13: A Performance Audit of PEHP's Pharmacy Benefit Manager

We were asked to review the relationship between the Public Employees Health Program (PEHP) and Express Scripts, Inc. (ESI), its pharmacy benefit manager (PBM). We focused on the pricing structure of the PBM contract as well as PEHP's oversight of ESI. We found that spread pricing is one way PBMs earn profit and is often misunderstood. ESI rebates are not keeping pace with manufacturers' price increases. PEHP uses a competitive bid process to select the most

favorable PBM contract. And, pharmacy costs are increasing despite PEHP's proactive efforts.

Audit 2019-12: A Performance Audit of Public Education Assessment Data

Our audit of public education assessment data found that the statewide standards assessment data is sufficiently accurate for use in school system accountability and policy decisions. We also found that parental exclusion provisions (opt out) did not negatively impact the accuracy of the data, although more work is needed to fully satisfy accuracy questions.

Audit 2019-11: A Performance Audit of Utah's Oil and Gas Program

We found that the Oil and Gas Program needs to improve its regulatory responsibilities of the oil and gas industry in Utah. We found the following issues: The Oil and Gas program has 105 unresolved noncompliance issues; inspections have not been prioritized according to policy; management chose to save funds for reserves to the detriment of the Oil and Gas inspection program; the Oil and Gas program lacks adequate performance metrics for employees and for the program; administrative rules regarding bonding are out of date and need to be revisited; the report makes recommendations to address the issues found in the Oil and Gas program.

Audit 2019-10: An In-Depth Budget Review of the Department of Natural Resources

We conducted an in-depth budget review of the Utah Department of Natural Resources (DNR). We found that the Watershed Restoration Initiative (WRI) program oversight needs to be formalized and the program's performance metrics can be improved. We also found that DNR's internal audit function lacks sufficient independence in order to be effective. In addition, DNR could increase some nonresident fees to become even more self-funded and charge nonresidents a fee to help pay for program costs of the AIS program similar to many other western states. Finally, DNR needs to improve its oversight of their assets.

Audit 2019-09: A Performance Audit of Same Day Voter Registration Control

This audit found that because individuals who register and vote on Election Day are required by state law to cast provisional ballots, there is very little risk for fraudulent voting. The statewide voter database also provides controls by updating in real time on Election Day and disallowing multiple votes to be recorded for the same voter. Our examination showed that of the small number of double votes attempted to be cast, none were counted twice, and most were the result of confusion rather than intentional voter fraud.

Audit 2019-08: A Performance Audit of Child Welfare During Divorce Proceedings

We examined the processes for protecting children whose parents are undergoing a divorce in district court. We found that while high-conflict, child-welfare-involved divorce cases are infrequent, statute requires child protections. Our review of cases and discussions with child welfare stakeholders revealed that the existing system has sufficient controls in place to protect children during divorce. Although, we found cases involving conflict over children extend divorce time frames significantly. We recommend the courts study and expand triage (a form of assigning cases to different tracks based on case complexity) to additional judicial districts. We also reviewed court personnel training and found variation in training requirements based on the child welfare expert. We recommend additional court oversight of special masters, custody evaluators, parenting coordinators, and visitation supervisors given that they receive less oversight than Guardians ad Litem and mediators.

Audit 2019-07: A Performance Audit of State and Higher Education Building Costs

We reviewed the oversight and control of state building costs with a primary focus on higher education. First, we examined the process by which buildings are proposed, reviewed, and funded. We found that the State Building Board (SBB) and Board of Regents for Higher Education (Regents) should improve their

information collection efforts and coordinate together to reduce duplication of effort. Second, we found that the SBB and Regents should revise their building review and scoring methodologies to better assess the need for and size of proposed buildings. To this end, the Regents should adjust their building need assessment to avoid inflating higher education space needs. And finally, some buildings have grown in size after receiving Legislative funding, which may dilute operations and maintenance (O&M) funding.

Audit 2019-05: A Performance Audit of the Repayment Feasibility of the Lake Powell Pipeline

This audit found that Washington County Water Conservancy District has the potential to generate sufficient revenue to repay the cost of the Lake Powell Pipeline. However, the ability to generate this revenue growth is dependent on planned rate and fee increases occurring coupled with the realization of estimated population growth projected by the Kem C. Gardner Policy Institute. We also found that pipeline payback requirements are not fully defined in statute. Uncertainties in the act's repayment requirements could impact the revenues received by the state and the district's ability to pay. Clarifying these uncertainties in statute would give the Legislature more financial control over large amounts of state funds and facilitate repayment planning.

Audit 2019-03: A Performance Audit of Counties' Use of Tourism Promotion Funding

This report found that the eight selected counties were compliant with the requirements of the Transient Room Tax (TRT) code. Counties are spending money only where allowed, and they are spending the required amount on tourism promotion. Two policy questions are presented for the Legislature's determination: Should counties have more flexibility in how TRT funds can be spent, and should counties be required to spend tourism promotion dollars outside the state, or should the definition of tourism promotion remain broad? No matter how these policy questions are decided, TRT reporting requirements can be adjusted to make the Utah Office of Tourism the single entity

for oversight and make the content more useful to decision makers.

ILR2019-C: A Limited Review of RISE Testing Issues

Failures by Utah's statewide RISE testing system caused disruptions that negatively impacted schools across the state and raised questions about the accuracy and reliability of the statewide assessment data. The impacts of these disruptions on data reliability and accuracy are still unknown. Moving forward, USBE should use past data on the costs of switching assessment platform vendors to inform future procurements for assessment delivery services.

ILR2019-B: A Limited Follow Up of Audit 2016-04 — A Performance Audit of the DFI's Regulation of the Payday Loan Industry

In its regulation of the payday lending industry, the Department of Financial Institutions (DFI) has improved many aspects of its examination process. However, new regulations have not been preventing overuse of pay day loans, and data from the industry still needs to improve. Finally, we believe DFI has the data it needs to conduct a study of chronic users. Our follow-up contains DFI's formal response to eight questions we asked during the original audit in 2016.

■ Completed Audits with Follow-up

Audit 2019-06: A Performance Audit of the University of Utah's Laboratory Safety Practices

The University of Utah's risk management system for lab safety is broken based on the extent of repeat deficiencies observed—49 percent for the three major deficiencies we tracked. Poor management practices for the department of Occupational and Environmental Health and Safety (OEHS) prevented the organization from reporting the extent of safety issues that persisted. In addition, university administrators need to more accurately assess the performance of safety programs and ensure compliance when safety deficiencies are identified. In general, lab personnel need to take greater

ownership of lab safety by understanding what their individual responsibilities are.

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

Audit 2019-04: A Performance Audit of Tooele County's Sale of the Utah Motor Sports Campus

We examined Tooele County's efforts to sell the Utah Motorsports Campus and the oversight it provided during the three years the county owned the facility. Initially, the county agreed to sell the property to Mitime Inc. for \$20 million. However, the county mishandled the sale by not following the best practices that public entities normally use when selling significant public property. After the sale to Mitime was successfully challenged in court, Tooele County hired a subsidiary of Mitime to operate the park. Three years later, the county finally sold the property to Mitime for \$18.55 million. However, after deducting the millions in operating losses suffered by the park as well as the county's litigation expenses, the net proceeds from the sale were \$7.4 million. We also found the Tooele County Commission did not provide adequate oversight of raceway operations and finances. Specifically, county financial statements understated raceway liabilities, evidence of budgetary oversight was lacking, and assets purchased for the raceway were not properly approved or inventoried.

Results of Follow-up: Five recommendations were made to the agency; three have been implemented and two are in-process.

Audit 2019-02: A Performance Audit of the University Neuropsychiatric Institute and Crisis Services

We reviewed the University Neuropsychiatric Institute's (UNI's) crisis services, patient assessments, discharge planning, and quality assurance. First, crisis services continues to have significant growth, which contributes to funding concerns. During the last three fiscal years (FY 2016 – FY2018), the deficit for crisis services

totaled \$1.16 million. By fiscal year 2020, UNI projects a \$3.6 million deficit for crisis services. Second, most Medicaid and uninsured patients are assessed appropriately. A consultant reviewed two years of data and found 90 percent of the time; UNI staff assess the patient's need for treatment correctly. Third, we reviewed one year of hospitalization data that showed discharge planning at UNI is consistent. Lastly, we found that the quality assurance process for the Crisis Line and clinical assessments can be strengthened.

Results of Follow-up: Fourteen recommendations were made to the agency; thirteen have been implemented and one is in-process.

Audit 2019-01: Performance Audit of the Waste Tire Recycling Fund

We examined the Waste Tire Recycling Fund and found that the fund has fostered a strong state waste tire recycling industry but has not been used to adequately address clearing some waste tire piles throughout the state. Some counties cannot afford to properly dispose of waste tires as outlined in statute. A large, current fund balance (\$4.6 million) could be used or the fee could be reduced. We also found the waste tire recycling program could benefit from improved tracking of waste tires and tire piles and additional outreach to landfills is needed. In addition, we found landfills are accepting and disposing of whole waste tires in a manner inconsistent with statute. Furthermore, the Division of Waste Management and Radiation Control was aware of these practices and should improve their oversight.

Results of Follow-up: Ten recommendations were made to the agency; six have been implemented and four are in-process. Two recommendations were also made to the Legislature which have been implemented.

ILR2019-A: A Limited Review of Allegations Regarding UDOT Noise Barrier in Summit County

We reviewed UDOT's process for approving and installing a noise barrier in Summit County and found compliance with federal regulation, state law, and

internal policy; however, UDOT should clarify several provisions in its noise abatement policy to reduce the risk of confusion about noise abatement measures.

Results of Follow-up: Three recommendations were made to the agency; all three are in process.

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

We reviewed 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.

Results of Follow-up: One recommendation was made to the Board of Regents which has been implemented. Four recommendations were made to institutions of higher education with six institutions reporting implementation and two institutions reporting to be in process of implementation.

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

We reviewed the efficiency and effectiveness of services for the homeless. We found that data in the Homeless Management Information system was not reliable to produce performance measures of individual service programs. In addition, we found that Division of Housing and Community Development does not consistently utilize performance measures to evaluate contract outcomes. To create a more data-driven, results-oriented homeless services system, we recommended that the State Homeless Coordinating Committee adopt a statewide plan to address homelessness. This plan should include ongoing monitoring of measurable goals and objectives.

Results of Follow-up: Six recommendations were made to agencies; five have been implemented and one is in-

process. Four recommendations were made to the Legislature which have been implemented.

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.

Results of Follow-up: Ten recommendations were made to the agency; eight are implemented and two are in-process.

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.

Results of Follow-up: Ten recommendations were made to the agency; eight were implemented and two are in-process.

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

We 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.

Results of Follow-up: Fifteen recommendations were made to the agency, twelve were implemented; one was partially implemented; two were not implemented. One recommendation made to the Legislature has been implemented.

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

We found that improvements have been made to collect delinquent taxes, but options are available to collect a greater portion of the \$552 million in delinquent taxes. We found that the options for license plates in Utah are in line with other states but management of license plates could benefit from a General Fund restricted account for more transparent costs. 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.

Results of Follow-up: Sixteen recommendations were made to the agency, thirteen were implemented and three are in-process. Three recommendations were made to the Legislature, which have been implemented.

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

We 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.

Results of Follow-up: Six recommendations were made to the agency, four were implemented and two are in-process. Four recommendations were made to the Legislature; three have been implemented; and one is in-process.

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

We reviewed 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 the ProStart culinary program 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.

Results of Follow-up: Eight recommendations were made to the agency; all have been implemented. Two recommendations were made to the Legislature which have been implemented.

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 secure. Furthermore, many master keys have been lost or remain unaccounted for, which may further compromise building security and the assets stored within.

Results of Follow-up: Nineteen recommendations were made to higher education; four have been implemented and fourteen are in-process (with some institutions of higher education having implemented and the rest are in the process of doing so).

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

We examined higher education governance in Utah. While the Board of Regents (BOR) is statutorily the governing board for higher education, we found that governance is shared between the BOR 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 BOR 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.

Results of Follow-up: One recommendation was made to the agency which has been implemented. Four recommendations were made to the Legislature; three have been implemented; one has been partially implemented.

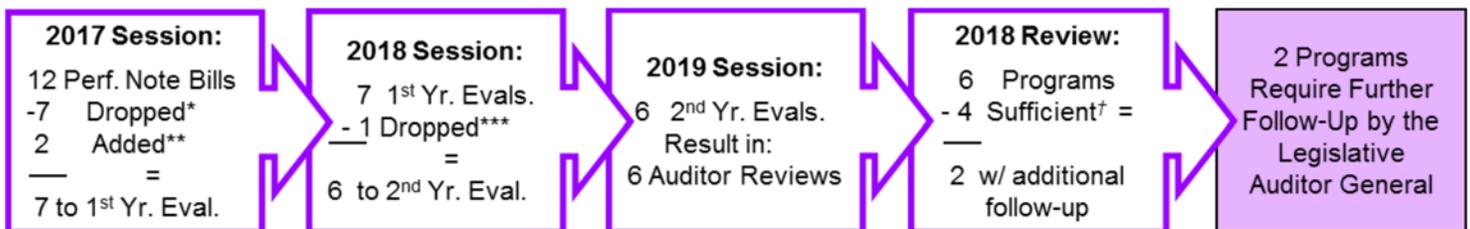


The Auditor General has statutory responsibility to review all new government programs (programs that have received a performance note required by legislative rule) and provide the new program (or agency) with information on management best practices. Since 2000, the Auditor General has published *Best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

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

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

This is the sixth 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 2017 new programs, ending with two 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

** Added from previous years

*** Dropped after follow-up of Legislative Audit

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

After reviewing the six programs, we found that four programs had sufficiently implemented best practices but two programs needed an additional year to evaluate the program. The following section details the two programs and reason for additional follow-up.

■ Additional Follow-up Required for Two Programs

After our review of two programs created in 2017, we have decided to follow two programs for an additional year to better evaluate the program. The following programs will be evaluated:

- **House Bill 240 Employability to Careers** — This program is designed to help adults develop job skills and attain education to obtain employment, increase income, and realize self-sufficiency. The program was paused in 2019 due to a decrease in funding. Additional follow-up will be required once the program is resumed to evaluate implementation of best practices.
- **Senate Bill 123 State Developmental Center Dental Clinic** — This program is designed to provide underserved individuals with dental care. Due to a late start up, additional time is needed to evaluate the program and its goals.

■ 2018 and 2019 New Programs Now in the Follow-Up and Review Process

In 2018, 26 bills requiring performance notes passed. Of those, nine did not meet OLAG requirements for follow-up. Fifteen first-year evaluations were sent out.

The 2019 Legislature passed 13 bills with performance notes. Of these, three bills did not meet OLAG requirement for follow-up. We sent the 10 new programs' administrators information about the best practices and performance note review processes. First-year self-evaluation surveys will be sent out in July 2020.



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2018

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| 2018-07 | Utah State Tax Commission |
| 2018-06 | Selected Public Education Initiative Programs |
| 2018-05 | Inventory and Security Controls and Higher Ed. Inst. |
| 2018-04 | Best Practices of Internal Control of Nonprofits Associated with Government |
| 2018-03 | Inspector General of Medicaid Services |
| 2018-02 | In-depth Budget Review of the Utah Dept. of Health |
| 2018-01 | Division of Juvenile Justice Services |
| ILR2018-E | Initial Survey of Dixie State University Terminations |
| ILR2018-D | Higher Ed. Governance by Bd. of Regents and the Bd. of Trustees Needs Examination |
| ILR2018-C | Full Audit of Tourism Promo. Funding Recommended |
| ILR2018-B | Informal Poll of Utah Senate on U.S. Senate Candidate |
| ILR2018-A | Three Facilities Operated by The Road Home |

2017

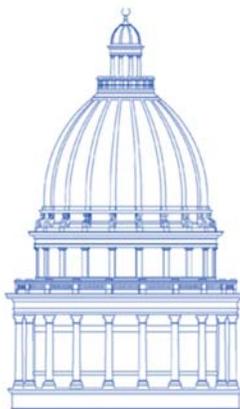
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| 2017-17 | Follow-up: Projection of Utah's Water Needs |
| 2017-16 | Follow-up: Division of Drinking Water's Minimum Source Sizing Requirements |
| 2017-14 | State Energy Incentives |
| 2017-13 | Division of Family Health and Preparedness |
| 2017-12 | History of Selected Public Education Programs |
| 2017-11 | Sources of Funding and Expenditures for Homeless Initiatives |
| 2017-10 | Beaver Valley Hosp. Medicaid Upper Payment Limit |
| 2017-09 | Procurement Process for U of U's Heritage 1K Project |

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| 2017-08 | Utah Olympic Legacy Foundation |
| 2017-07 | Public Entities' Oversight of Qual. Health Ins. Statute |
| 2017-06 | Statewide Investigative Functions |
| 2017-05 | Best Practices for Internal Control of Limited Purpose Entities |
| 2017-04 | Sex Offender Treatment Program |
| 2017-03 | USBЕ's "Aspire" Student Information System |
| 2017-02 | UALD's Employment Discrimination Unit |
| 2017-01 | Utah's Monetary Bail System |
| ILR2017-C | Limited Review of the STEM Action Center |
| ILR2017-B | Survey of P-Card Controls In Higher Education |
| ILR2017-A | Limited Review of Public Education Federal Grants |

2016

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| 2016-10 | University of Utah Athletics Department |
| 2016-09 | DHRM's Field Service Operations |
| 2016-08 | Distribution and Use of Local 911 Surcharge |
| 2016-07 | Economic Development Corporation of Utah |
| 2016-06 | Utah Department of Transportation (UDOT) |
| 2016-05 | In-depth Budget Review of UDOT |
| 2016-04 | Department of Financial Institution's Regulation of the Payday Loan Industry |
| 2016-03 | State Office of Rehabilitation's Case Mgt Controls |
| 2016-02 | Administration of 911 Surcharges |
| 2016-01 | Utah Board of Pardons and Parole |
| ILR2016-G | Allegations Involving USU's Anthropology Program |
| ILR2016-F | UCA Improving Controls After Fraud Discovered |
| ILR2016-E | Division of Risk Management |
| ILR2016-D | State Building Management Practices and Cost of Investment Methodologies |
| ILR2016-C | Timely Issuance of Warrants |
| ILR2016-B | Use of Cash Bail in Utah District Courts |
| ILR2016-A | USTAR Annual Report: Performance Outcome Reporting Remains Under Development |

Full Reports are available online at olag.utah.gov



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