



PERFORMANCE AUDIT

AUDIT REQUEST

Through risk assessment during *A Performance Audit of The School and Institutional Trust Lands Administration (2024-13)*, the audit team found some risk in the other entities that make up the trust system, leading us to issue this separate audit report.

BACKGROUND

To effectively generate revenue and coordinate oversight of lands granted to Utah upon statehood, the Legislature has created several entities that constitute the School and Institutional Trust Lands System. This report evaluates beneficiary oversight, performance of the Land Trusts Protection and Advocacy Office (LTPAO), and The School and Institutional Trust Fund Office's (SITFO) strategic plan.

TRUST SYSTEM ENTITIES



KEY FINDINGS

- ✓ **1.1** Lack of Guidance Has Contributed to Varied and Potentially Misapplied Use of Beneficiary Funds, Stronger Guidelines for Spending Are Needed
- ✓ **1.2** Statutory Guidance Can Provide the Trust Lands System with an Oversight Mechanism, Ensuring Funds Are Being Spent on the End Beneficiary
- ✓ **2.1** The Legislature Could Clarify LTPAO's Role, or Consider Eliminating the Office
- ✓ **2.2** Because of Poor Governance and Not Following Best Practices, LTPAO Lacks Direction and Value



RECOMMENDATIONS

- ✓ **1.1** The Legislature should consider creating guidelines for non-public education beneficiaries on how they can use their distributions.
- ✓ **1.2** The Legislature should consider requiring non-public education beneficiaries to develop spending plans and year end summaries and post these plans publicly.
- ✓ **2.1** The Legislature should consider clarifying the Land Trusts Protection and Advocacy Office's review and protection responsibilities and role in the trust system.
- ✓ **2.2** The Legislature should consider including beneficiary distribution review in the Land Trusts Protection and Advocacy Office's statute. If the Legislature feels that the Land Trusts Protection and Advocacy Office review is not needed and that beneficiary oversight could be accomplished by the School LAND Trust, the State Auditor's Office, or an internal audit function, the Legislature could consider eliminating the Land Trusts Protection and Advocacy Office.

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**REPORT
SUMMARY**

Non-Public Education Beneficiaries Have Great Discretion over Trust Money Use, but Little Accountability or Transparency

Public education beneficiaries have clear guidance in statute for their distribution spending. Compared to strong Legislative guidance and established oversight for public education’s spending, the non-public school beneficiaries in Utah, which receive about 5% of yearly distributions (about \$5 million in Fiscal Year 2023), receive only minimal guidance in *Utah Code*. We believe this, in part, has led to the considerably varied use of trust lands funds and provides insufficient mechanisms for complete oversight. Given this gap in oversight, the Legislature can consider if they would like to provide guidance for non-public education beneficiary spending, which could include LTPAO reviewing such spending.

The Legislature Could Clarify the Land Trusts Protection and Advocacy Office’s Role or Reconsider the Need for the Office

LTPAO’s impact to the trust system is difficult to document and measure. In initial Legislative discussions surrounding the creation of LTPAO, the office was characterized as an entity that should be looking at the trust funds and operations with a microscope, but that language was not included in statute. Much of the value that LTPAO reports providing occurs in discussions, but in these instances, it is difficult to determine what influence LTPAO’s input had on decisions being made, although LTPAO reportedly is a strong voice. The Legislature can consider adjusting statute to clarify LTPAO’s role in the trust system or consider eliminating the office.

Efforts to Expound LTPAO Responsibilities Have Not Been Fully Realized

This figure shows that LTPAO’s role has never been fully defined despite greater clarity being sought by several entities over the years. The Legislature, LTPAO, and OLAG have all attempted to define the protection and advocacy responsibilities originally held by the School LAND Trust and are now held by LTPAO. Without this clarity, there is unsurety among trust system entities as to the role LTPAO should play and what weight LTPAO’s input has.

