

Chapter 2a
Accounting Reports from Political Subdivisions,
Interlocal Organizations, and Other Local Entities Act

Part 1
General Provisions

51-2a-101 Title.

This chapter is known as the "Accounting Reports from Political Subdivisions, Interlocal Organizations, and Other Local Entities Act."

Enacted by Chapter 206, 2004 General Session

51-2a-102 Definitions.

As used in this chapter:

- (1) "Accounting reports" means an audit, a review, a compilation, or a fiscal report.
- (2) "Audit" means an examination that:
 - (a) is performed in accordance with generally accepted government auditing standards, or for a nonprofit corporation or a governmental nonprofit corporation, in accordance with generally accepted auditing standards; and
 - (b) conforms to the uniform classification of accounts established or approved by the state auditor or any other classification of accounts established by any federal government agency.
- (3) "Audit report" means:
 - (a) the financial statements presented in conformity with generally accepted accounting principles;
 - (b) the auditor's opinion on the financial statements;
 - (c) a statement by the auditor expressing positive assurance of compliance with state fiscal laws identified by the state auditor;
 - (d) a copy of the auditor's letter to management that identifies any material weakness in internal controls discovered by the auditor and other financial issues related to the expenditure of funds received from federal, state, or local governments to be considered by management; and
 - (e) management's response to the specific recommendations.
- (4) "Compilation" means information presented in the form of financial statements presented in conformity with generally accepted accounting principles that are the representation of management without the accountant undertaking to express any assurances on the statements.
- (5) "Fiscal report" means providing information detailing revenues and expenditures of all funds in a format prescribed by the state auditor.
- (6) "Governing board" means:
 - (a) the governing board of each political subdivision;
 - (b) the governing board of each interlocal organization having the power to tax or to expend public funds;
 - (c) the governing board of any local mental health authority established under the authority of Title 26B, Chapter 5, Health Care - Substance Use and Mental Health;
 - (d) the governing board of any substance abuse authority established under the authority of Title 26B, Chapter 5, Health Care - Substance Use and Mental Health;

- (e) the governing board of any area agency established under the authority of Title 26B, Chapter 6, Part 1, Aging and Adult Services;
 - (f) the board of directors of any nonprofit corporation that receives an amount of money requiring an accounting report under Section 51-2a-201.5;
 - (g) the governing board, as that term is defined in Section 11-13a-102, of a governmental nonprofit corporation;
 - (h) the governing board of any other entity established by a local governmental unit that receives tax exempt status for bonding or taxing purposes; and
 - (i) in municipalities organized under an optional form of municipal government, the municipal legislative body.
- (7) "Governmental nonprofit corporation" means the same as that term is defined in Section 11-13a-102.
- (8) "Nonprofit corporation" does not include a governmental nonprofit corporation.
- (9) "Review" means performing inquiry and analytical procedures that provide the accountant with a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with generally accepted accounting principles.

Amended by Chapter 328, 2023 General Session

Part 2

Accounting Reports

51-2a-201 Accounting reports required.

- (1) The governing board of an entity whose revenues or expenditures of all funds is \$1,000,000 or more shall cause an audit to be made of its accounts by a competent certified public accountant.
- (2) The governing board of an entity whose revenues or expenditures of all funds is less than \$1,000,000 shall cause a financial report to be made in the manner prescribed by the state auditor.

Amended by Chapter 11, 2017 General Session

51-2a-201.5 Accounting reports required -- Reporting to state auditor -- Registration as a limited purpose entity.

- (1) As used in this section:
 - (a)
 - (i) "Federal pass through money" means federal money received by a nonprofit corporation through a subaward or contract from the state or a political subdivision.
 - (ii) "Federal pass through money" does not include federal money received by a nonprofit corporation as payment for goods or services purchased by the state or political subdivision from the nonprofit corporation.
 - (b)
 - (i) "Local money" means money that is owned, held, or administered by a political subdivision of the state that is derived from fee or tax revenues.
 - (ii) "Local money" does not include:

- (A) money received by a nonprofit corporation as payment for goods or services purchased from the nonprofit corporation; or
 - (B) contributions or donations received by the political subdivision.
- (c)
- (i) "State money" means money that is owned, held, or administered by a state agency and derived from state fee or tax revenues.
 - (ii) "State money" does not include:
 - (A) money received by a nonprofit corporation as payment for goods or services purchased from the nonprofit corporation; or
 - (B) contributions or donations received by the state agency.
- (2)
- (a) The governing board of a nonprofit corporation whose revenues or expenditures of federal pass through money, state money, and local money is \$1,000,000 or more shall cause an audit to be made of its accounts by an independent certified public accountant.
 - (b) The governing board of a nonprofit corporation whose revenues or expenditures of federal pass through money, state money, and local money is at least \$350,000 but less than \$1,000,000 shall cause a review to be made of its accounts by an independent certified public accountant.
 - (c) The governing board of a nonprofit corporation whose revenues or expenditures of federal pass through money, state money, and local money is at least \$100,000 but less than \$350,000 shall cause a compilation to be made of its accounts by an independent certified public accountant.
 - (d) The governing board of a nonprofit corporation whose revenues or expenditures of federal pass through money, state money, and local money is less than \$100,000 but greater than \$25,000 shall cause a fiscal report to be made in a format prescribed by the state auditor.
- (3) A nonprofit corporation described in Section 51-2a-102 shall provide the state auditor a copy of an accounting report prepared under this section within six months of the end of the nonprofit corporation's fiscal year.
- (4)
- (a) A state agency that disburses federal pass through money or state money to a nonprofit corporation shall enter into a written agreement with the nonprofit corporation that requires the nonprofit corporation to annually disclose whether:
 - (i) the nonprofit corporation met or exceeded the dollar amounts listed in Subsection (2) in the previous fiscal year of the nonprofit corporation; or
 - (ii) the nonprofit corporation anticipates meeting or exceeding the dollar amounts listed in Subsection (2) in the fiscal year the money is disbursed.
 - (b) If the nonprofit corporation discloses to the state agency that the nonprofit corporation meets or exceeds the dollar amounts as described in Subsection (4)(a), the state agency shall notify the state auditor.
- (5) This section does not apply to a nonprofit corporation that is a charter school created under Title 53G, Chapter 5, Charter Schools. A charter school is subject to the requirements of Section 53G-5-404.
- (6) A nonprofit corporation is exempt from Section 51-2a-201.
- (7)
- (a) Each nonprofit corporation that receives an amount of money requiring an accounting report under this section shall register in accordance with Section 67-1a-15 within six months of the end of the nonprofit corporation's fiscal year and maintain the nonprofit corporation's

registration as a limited purpose entity each year that the nonprofit corporation is required to prepare an account report under this section.

- (b) A nonprofit corporation described in Subsection (7)(a) that fails to comply with Subsection (7)(a) or Section 67-1a-15 is subject to enforcement by the state auditor, in accordance with Section 67-3-1.

Amended by Chapter 30, 2020 General Session

51-2a-202 Reporting requirements.

- (1) The governing board of each entity required to have an audit, review, compilation, or fiscal report shall ensure that the audit, review, compilation, or fiscal report is:
 - (a) made at least annually; and
 - (b) filed with the state auditor within six months of the close of the fiscal year of the entity.
- (2) If the political subdivision, interlocal organization, or other local entity receives federal funding, the audit, review, or compilation shall be performed in accordance with both federal and state auditing requirements.

Amended by Chapter 479, 2019 General Session

51-2a-203 Audit reports -- Preservation.

- (1) The governing body of each political subdivision and each interlocal organization or other local entity required to submit an accounting report shall:
 - (a) file and preserve all accounting reports; and
 - (b) file copies of all accounting reports with the state auditor.
- (2) Copies of the accounting reports are open to inspection during regular office hours by any interested persons, where the accounting reports are filed.
- (3) The state auditor shall have access to all accounting report work papers created under this chapter.

Enacted by Chapter 206, 2004 General Session

**Part 3
State Auditor Duties**

51-2a-301 State auditor responsibilities.

- (1) Except for political subdivisions that do not receive or expend public funds, the state auditor shall adopt guidelines, qualifications criteria, and procurement procedures for use in the procurement of audit services for all entities that are required by Section 51-2a-201 to cause an accounting report to be made.
- (2) The state auditor shall follow the notice, hearing, and publication requirements of Title 63G, Chapter 3, Utah Administrative Rulemaking Act.
- (3) The state auditor shall:
 - (a) review the accounting report submitted to the state auditor under Section 51-2a-201; and
 - (b) if necessary, conduct additional inquiries or examinations of financial statements of the entity submitting that information.

- (4) The governing board of each entity required by Section 51-2a-201 to submit an accounting report to the state auditor's office shall comply with the guidelines, criteria, and procedures established by the state auditor.
- (5) Each fifth year, the state auditor shall:
 - (a) review the dollar criteria established in Section 51-2a-201 to determine if they need to be increased or decreased; and
 - (b) if the state auditor determines that they need to be increased or decreased, notify the Legislature of that need.
- (6)
 - (a) The state auditor may require a higher level of accounting report than is required under Section 51-2a-201.
 - (b) The state auditor shall:
 - (i) develop criteria under which a higher level of accounting report may be required; and
 - (ii) provide copies of those criteria to entities required to analyze and report under Section 51-2a-201.
- (7) This section does not apply to a nonprofit corporation that submits an accounting report under Section 51-2a-201.5.
- (8) The state auditor shall adopt a policy to monitor compliance with Subsection 78A-7-120(7).

Amended by Chapter 89, 2022 General Session

Part 4 Penalties for Noncompliance

Effective until 7/1/2024

51-2a-401 Prohibiting access to and withholding funds from an entity that does not comply with the accounting report requirements.

- (1) If a political subdivision, interlocal organization, or other local entity does not comply with the accounting report requirements of Section 51-2a-201, the state auditor may:
 - (a) withhold allocated state funds to pay the cost of the accounting report, in accordance with Subsection (2); or
 - (b) prohibit financial access, in accordance with Subsection (3).
- (2)
 - (a) If the state auditor does not prohibit financial access in accordance with Subsection (3), the state auditor may withhold allocated state funds sufficient to pay the cost of the accounting report from any local entity described in Subsection (1).
 - (b) If no allocated state funds are available for withholding, the local entity shall reimburse the state auditor for any cost incurred in completing the accounting reports required under Section 51-2a-402.
 - (c) The state auditor shall release the withheld funds if the local entity meets the accounting report requirements either voluntarily or by action under Section 51-2a-402.
- (3)
 - (a) If the state auditor does not withhold funds in accordance with Subsection (2), the state auditor may prohibit any local entity described in Subsection (1) from accessing:
 - (i) money held by the state; and
 - (ii) money held in an account of a financial institution by:

- (A) contacting the entity's financial institution and requesting that the institution prohibit access to the account; or
 - (B) filing an action in district court requesting an order of the court to prohibit a financial institution from providing the entity access to the account.
- (b) The state auditor shall remove the prohibition on accessing funds described in Subsection (3)
- (a) if the local entity meets the accounting report requirements either voluntarily or by action under Section 51-2a-402.

Amended by Chapter 256, 2018 General Session

Effective 7/1/2024

51-2a-401 Prohibiting access to and withholding funds from an entity that does not comply with the accounting report requirements.

- (1) If a political subdivision, interlocal organization, or other local entity does not comply with the accounting report requirements of Section 51-2a-201, the state auditor may:
- (a) withhold allocated state funds to pay the cost of the accounting report, in accordance with Subsection (2); or
 - (b) prohibit financial access, in accordance with Subsection (3).
- (2)
- (a) If the state auditor does not prohibit financial access in accordance with Subsection (3), the state auditor may withhold allocated state funds sufficient to pay the cost of the accounting report from any local entity described in Subsection (1).
 - (b) If no allocated state funds are available for withholding, the local entity shall reimburse the state auditor for any cost incurred in completing the accounting reports required under Section 51-2a-402.
 - (c) The state auditor shall release the withheld funds if the local entity meets the accounting report requirements either voluntarily or by action under Section 51-2a-402.
- (3)
- (a) If the state auditor does not withhold funds in accordance with Subsection (2), the state auditor may prohibit any local entity described in Subsection (1) from accessing:
 - (i) money held by the state; and
 - (ii) money held in an account of a financial institution by:
 - (A) contacting the entity's financial institution and requesting that the institution prohibit access to the account; or
 - (B) filing an action in a court with jurisdiction under Title 78A, Judiciary and Judicial Administration, requesting an order of the court to prohibit a financial institution from providing the entity access to the account.
 - (b) The state auditor shall remove the prohibition on accessing funds described in Subsection (3)
 - (a) if the local entity meets the accounting report requirements either voluntarily or by action under Section 51-2a-402.

Amended by Chapter 158, 2024 General Session

51-2a-402 Accounting reports of entity not complying with the report requirements.

- (1) The state auditor shall make, or shall cause an accounting report to be made, of any entity that does not comply with the accounting report requirements as provided in Title 51, Chapter 2a, Part 2, Accounting Reports.

- (2) The state auditor shall contract with a licensed certified public accountant to complete the accounting report.

Enacted by Chapter 206, 2004 General Session

51-2a-403 General Fund reimbursed for accounting report of nonappropriated activities -- Amount of reimbursement.

- (1) The General Fund shall be reimbursed by the entity for which an audit, review, or compilation are in whole or in part performed, whenever the state auditor or legislative auditor general is required by law or constitutional provision to perform that audit, review, or compilation or cause that audit, review, or compilation to be made for any office, department, division, board, agency, commission, council, authority, institution, hospital, school, college, university, or other instrumentality of the state or any of its political subdivisions for nonappropriated activities, including associated students' accounts, auxiliary enterprise funds, nonprofit corporations, governmental nonprofit corporations, contracts with the federal government, federal grants-in-aid, and federal assistance programs.
- (2)
 - (a) The reimbursement amount shall be a pro rata share of that auditor's total cost, based upon a time-spent factor.
 - (b) An audit includes an audit of state-appropriated funds.
 - (i) If state-appropriated funds are not involved in the accounting report, the reimbursement may not be less than the average hourly cost of the operations of that auditor's office nor more than the average rate attainable from certified public accounting firms performing similar services for this state.
 - (ii) Reimbursement charges may be negotiated with that auditor's office within these limitations.

Amended by Chapter 441, 2017 General Session