**CHAPTER 1:**

**AUDIT PROCEDURES TO BE PERFORMED ANNUALLY**

1. **COMPLIANCE AUDIT PLANNING PROCEDURES**

| **Legal****Ref.** | **Appli-****cable****to: \*** | **AUDIT PROCEDURES** | **Performed by and Date** | **WorkpaperIndex** |
| --- | --- | --- | --- | --- |
|  |  | **An example form for completing Section A is provided in Chapter 1 Appendix 1, *Identification of Applicable Compliance Areas and Risk Assessment*.**  |  |  |
| AU-C 935.15AU-C 315 | ALL | 1. Obtain an understanding of the entity’s internal control over **each** applicable compliance requirement identified in this Guide.
 |  |  |
|  |  | 1. Document the entity’s controls over each applicable compliance requirement, including the person or department performing the control and how the control is documented by the entity.

*The auditor should not focus solely on traditional control activities such as review, approval, reconciliation, etc. Other controls could be adequate (i.e., training, professional experience, or monitoring).* |  |  |
|  |  | 1. Document the sources of information used and procedures performed to evaluate the design and implementation of controls.

*AU-C 315.13-.14, .A42-.A70 requires the auditor to obtain an understanding of internal controls by performing other procedures in addition to inquiry of the entity’s personnel.* |  |  |
|  |  | 1. Determine whether controls are properly designed and implemented to achieve the control objectives (the auditor is not required to test the *effectiveness* of internal controls over compliance).

*Describe any deficiency of design or implementation and, if significant, report to those charged with governance.*  |  |  |
| AU-C 935.16 |  | 1. Inquire of management about whether there were findings and recommendations from previous audits, attestation engagements, internal or external monitoring, or other studies that directly relate to the compliance requirements in this *Guide* and whether the recommendations have been implemented.
 |  |  |
|  |  | 1. Identify relevant fraud and other risk factors and assess whether the risk factors, individually or in combination, present a risk of material noncompliance with compliance requirements.
 |  |  |
| AU-C 935.13 |  | 1. Determine and document a materiality level (including the basis on which it was determined) for **each** applicable compliance requirement identified in this *Guide*.
 |  |  |
| AU-C 935.17AU-C 935.40 |  | 1. For **each** applicable compliance requirement identified in this *Guide,* document the assessed risk of material noncompliance, your response to the assessed risk, the procedures performed to test compliance, and the results of those procedures*.*
 |  |  |
| AU-C 935.18-.20 |  | 1. If risks of material noncompliance are identified, design and perform further audit procedures in response to the assessed risks of material noncompliance.
 |  |  |

1. **BUDGETARY COMPLIANCE**

| **Legal****Ref.** | **Appli-****cable****to: \*** | **AUDIT PROCEDURES** | **Performed by and Date** | **WorkpaperIndex** |
| --- | --- | --- | --- | --- |
| UCATowns:[10-5-109](http://le.utah.gov/xcode/Title10/Chapter5/10-5-S109.html)Cities:[10-6-118](http://le.utah.gov/xcode/Title10/Chapter6/10-6-S118.html)Districts:[17B-1-614](http://le.utah.gov/xcode/Title17B/Chapter1/17B-1-S614.html)Counties:[17-36-15](http://le.utah.gov/xcode/Title17/Chapter36/17-36-S15.html)LEAs:[53G-7-302](https://le.utah.gov/xcode/Title53G/Chapter7/53G-7-S302.html?v=C53G-7-S302_2018012420180124) thru 304Interlocals & GvtNPOs:[11-13-507](http://le.utah.gov/xcode/Title11/Chapter13/11-13-S507.html?v=C11-13-S507_2015051220150512) & [11-13-514](http://le.utah.gov/xcode/Title11/Chapter13/11-13-S514.html?v=C11-13-S514_2015051220150512) | ALL | 1. Determine that a budget was approved before the start of the budget year and that the budget presented to the public and governing body contained the required financial information. (EXCEPTION – When the entity is proposing a property tax increase, the budget may be approved subsequent to the start of the budget year. See applicable law.)

A budget should be prepared for all funds except permanent trusts and fiduciary funds, be in tabular form, and contain the following information:* Actual revenues and expenditures from the last completed fiscal period.
* Estimated total revenues and expenditures for the current fiscal period.
* Estimates of revenues and expenditures for the budget year.
 |  |  |
| UCATowns:[10-5-115](http://le.utah.gov/xcode/Title10/Chapter5/10-5-S115.html)Cities:[10-6-123](http://le.utah.gov/xcode/Title10/Chapter6/10-6-S123.html)Districts:[17B-1-619](http://le.utah.gov/xcode/Title17B/Chapter1/17B-1-S619.html)Counties:[17-36-21](http://le.utah.gov/xcode/Title17/Chapter36/17-36-S21.html)LEAs:[53G-7-307](https://le.utah.gov/xcode/Title53G/Chapter7/53G-7-S307.html?v=C53G-7-S307_2018012420180124)Interlocals & GvtNPOs:[11-13-517](http://le.utah.gov/xcode/Title11/Chapter13/11-13-S517.html?v=C11-13-S517_2015051220150512) | ALL | 1. Examine the entity’s records and financial reports and determine that total expenditures by fund or department did not exceed the amounts appropriated in the final adopted budget.

(Note: This procedure should be applied to ALL funds required to adopt a budget, not just those required to present budgetary information in the financial reports).  |  |  |
| UCACities:[10-6-147](http://le.utah.gov/xcode/Title10/Chapter6/10-6-S147.html) & [10-6-148](http://le.utah.gov/xcode/Title10/Chapter6/10-6-S148.html?v=C10-6-S148_1800010118000101)Towns:[10-5-129](http://le.utah.gov/xcode/Title10/Chapter5/10-5-S129.html)Districts:[17B-1-638](http://le.utah.gov/xcode/Title17B/Chapter1/17B-1-S638.html)Counties:[17-36-36](http://le.utah.gov/xcode/Title17/Chapter36/17-36-S36.html)LEAs:[53G-7-309](https://le.utah.gov/xcode/Title53G/Chapter7/53G-7-S309.html?v=C53G-7-S309_2018012420180124)Interlocals & GvtNPOs:[11-13-527](http://le.utah.gov/xcode/Title11/Chapter13/11-13-S527.html?v=C11-13-S527_2015051220150512) | ALL | 1. Determine that appropriate financial reports are prepared monthly or quarterly as required, and reviewed by the governing body. Select one monthly or one quarterly financial report, as applicable, and determine that it reconciles to the general ledger (revenues/expenditures) in total by fund.
* 1st & 2nd class cities, towns, districts, interlocal entities, governmental NPOs, and counties should prepare reports at least quarterly.
* 3rd – 5th class cities and LEA’s (including charter schools) should prepare reports monthly.

The reports should be detailed enough for the governing board to make adequate decisions regarding financial matters and should include all funds unless the fund is inactive (which the auditor should verify). County financial reports should include additional specific information – see UCA [17-36-36](https://le.utah.gov/xcode/Title17/Chapter36/17-36-S36.html?v=C17-36-S36_2014040320140513).  |  |  |

|  |  |  |
| --- | --- | --- |
| **CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):** | **Performed byand Date** | **WorkpaperIndex** |
|  |  |  |

1. **FUND BALANCE**

| **Legal****Ref.** | **Appli-****cable****to: \*** | **AUDIT PROCEDURES** | **Performed by and Date** | **WorkpaperIndex** |
| --- | --- | --- | --- | --- |
| UCACities:[10-6-117](http://le.utah.gov/xcode/Title10/Chapter6/10-6-S117.html)-(2)Towns:[10-5-114](http://le.utah.gov/xcode/Title10/Chapter6/10-6-S117.html)-(2)Districts: [17B-1-613](http://le.utah.gov/xcode/Title17B/Chapter1/17B-1-S613.html)-(2)LEA’s: [53G-7-305](https://le.utah.gov/xcode/Title53G/Chapter7/53G-7-S305.html?v=C53G-7-S305_2018012420180124)Interlocals & GvtNPOs: [11-13-513-(2)](http://le.utah.gov/xcode/Title11/Chapter13/11-13-S513.html?v=C11-13-S513_2015051220150512) | ALL | 1. **Deficit Fund Balances**

Municipalities, Districts, Interlocals, Governmental NPOs, and Counties:For any fund that has a deficit unassigned/unrestricted fund balance in the year under audit, determine whether the entity included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 5% of the fund’s total actual revenue of the year under audit.  LEA’s* A governing body may not make an appropriation in excess of its estimated expendable revenues, including undistributed reserves, for the following fiscal year.
* School districts only: For any district deficit unassigned/unrestricted balances in the year under audit, determine whether the district included in the subsequent budget year an appropriation to retire the deficit of an amount equal to or greater than 10% of the fund’s total actual tax revenue of the year under audit for the district.
 |  |  |
| UCA[17-36-16](http://le.utah.gov/xcode/Title17/Chapter36/17-36-S16.html)-(2) | C | 1. **Counties:** Determine that the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed an amount equal to the greater of:

*1) a. for a county with a taxable value of $750 million or more and a population of 100,000 or more* – 25% of the total revenues of the general fund for the current fiscal period; or  *b. for any other county* – 65% of the total revenues of the general fund for the current fiscal period.  -AND-2) The estimated total revenues from property taxes for the current fiscal period.  |  |  |
| UCACities:[10-6-116-(2)](http://le.utah.gov/xcode/Title10/Chapter6/10-6-S116.html)Towns:[10-5-113-(2)](http://le.utah.gov/xcode/Title10/Chapter5/10-5-S113.html) | M | 1. **Municipalities:** Determine that the entity's unrestricted (committed, assigned, and unassigned) general fund balance did not exceed 35% for cities or 100% for towns of the total revenue of the general fund for the fiscal year under audit.
 |  |  |
| Interlocals & GvtNPOs:[11-13-512-(2)](http://le.utah.gov/xcode/Title11/Chapter13/11-13-S512.html?v=C11-13-S512_2015051220150512) | IL,GvtNPO | 1. **Interlocal Entities and Governmental Nonprofits:** Determine that the maximum unrestricted (committed, assigned, and unassigned) general fund balance does not exceed the greater of:
* 100% of the current year’s property tax; **or**
* 35% of the total general fund revenues, if the annual general fund budget is greater than $100,000; **or**
* 65% of the total general fund revenues, if the annual general fund budget is equal to or less than $100,000.
 |  |  |
| UCADistricts:[17B-1-612](http://le.utah.gov/xcode/Title17B/Chapter1/17B-1-S612.html)-(2) | D | 1. **Special and Special Service Districts, Interlocal Entities, and Governmental Nonprofits:** Determine that the maximum unrestricted (committed, assigned, and unassigned) general fund balance does not exceed the greater of:
* The most recently adopted General fund budget, **plus**
* 100% of the current year’s property tax.
 |  |  |
| UCA[53G-7-304](https://le.utah.gov/xcode/Title53G/Chapter7/53G-7-S304.html?v=C53G-7-S304_2018012420180124) | LEAs, except charter schools | 1. **School Districts** (excluding charter schools)**:** Determine that the undistributed reserve (or resources committed to economic stabilization) does not exceed 5% of the maintenance and operation [general fund] expenditure budget (the higher of the budget for the year under audit or the subsequent budget year). (Note: The reserve should not be used in negotiation or settlement of contract salaries for district employees.) Refer to GASB 54 paragraphs 20-21 for proper classification of undistributed reserve in the fund balance.
 |  |  |

|  |  |  |
| --- | --- | --- |
| **CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):** | **Performed byand Date** | **WorkpaperIndex** |
|  |  |  |

1. **JUSTICE COURT**

Information Contacts: Director of Internal Audit, Administrative Office of the Courts, (801) 578-3981

 Justice Court Administrator, (801) 578-3824

| **Legal****Ref.** | **Appli-****cable****to: \*** | **AUDIT PROCEDURES** | **Performed by and Date** | **WorkpaperIndex** |
| --- | --- | --- | --- | --- |
|  | M, C | 1. Obtain a sufficient understanding of the separation of duties over cash receipting functions at the Justice Court. See chapter 1 appendix 3 for the separation of duties checklist used by Utah Courts Internal Audit. The appendix can be used to document the different roles court employees fill, any mitigating controls the court has put in place and improve the continuity of separation of duties testing between the AOC and the CPA community.
 |  |  |
|  | M, C | 1. Review trust account reconciliations to ensure that they are reconciled monthly

**Background**: The court should provide three reports: 1) the Trust Account Summary Report, 2) the Transaction Detail Report, and 3) the Trust check Register to the entity to reconcile the general ledger and the Trust Account (CORIS). |  |  |

|  |  |  |
| --- | --- | --- |
| **CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):** | **Performed byand Date** | **WorkpaperIndex** |
|  |  |  |

1. **RESTRICTED TAXES AND OTHER RELATED RESTRICTED REVENUE**

| **Legal****Ref.** | **Appli-****cable****to: \*** | **AUDIT PROCEDURES** | **Performed by and Date** | **WorkpaperIndex** |
| --- | --- | --- | --- | --- |
|  | ALL, except LEAs | 1. Determine the type and amount of restricted taxes and other related restricted revenue (i.e. B&C Road Funding) received by the entity.

**See Chapter 1 Appendix 2 for a listing of possible restricted tax types and other related restricted revenue.** |  |  |
|  | ALLexcept LEAs | 1. If the restricted taxes and other related restricted revenue (other than taxes tested in Chapter 1.G. and State Funding tested in Chapter 3) are material to the applicable opinion unit, perform the following:
 |  |  |
| * 1. Determine that the various restricted taxes and other related restricted revenue are accounted for in separate restricted accounts.
 |  |  |
| * 1. Obtain sufficient appropriate audit evidence (i.e. sampling, high dollar selection, scanning object codes, etc.) that the expenditures made from restricted sources were made only for purposes authorized by law.
 |  |  |
| * 1. If restricted resources are received by a fund and then subsequently transferred to another fund, also test the final disposition of those resources.
 |  |  |
|  |  | * 1. If restricted resources are received by a fund and are unspent at year end, ensure unspent restricted amounts are carried forward to the subsequent year and are accounted for in separate restricted accounts.
 |  |  |
|  | C | 1. Review other information for the Tourism Report regarding TRT and TRCCA funding. Determine that the Tourism report agrees with the audited financial statements.
 |  |  |
| [17-31-2](https://le.utah.gov/xcode/Title17/Chapter31/17-31.html?v=C17-31_1800010118000101) |  | * 1. Review supporting documentation for expenditures allowed under 17-31-2(3)(a) note any unallowed expenditures as a finding.
	2. Review the balances shown on the TRT/TRCCA Activity report and determine that the balances are materially correct, agree to the financial statements and supporting documentation.
 |  |  |

|  |  |  |
| --- | --- | --- |
| **CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):** | **Performed byand Date** | **WorkpaperIndex** |
|  |  |  |

1. **FRAUD RISK ASSESSMENT**

| **Legal****Ref.** | **Appli-****cable****to:** | **AUDIT PROCEDURES** | **Performed by and Date** | **WorkpaperIndex** |
| --- | --- | --- | --- | --- |
|  | ALL  | 1. Review the annual Fraud Risk Assessment prepared by the entity.
 |  |  |
| 1. Verify that the Assessment was approved by the CAO and CFO and presented in a board/council meeting.
 |  |  |
| 1. Determine that the entity has sufficient documentation to support its Risk Assessment (i.e., if the entity claims to have a policy, have them produce it, if the entity claims to have an internal audit function, there should be evidence such as an audit plan, audit reports, or meeting agendas/minutes)
 |  |  |

|  |  |  |
| --- | --- | --- |
| **CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):** | **Performed byand Date** | **WorkpaperIndex** |
|  |  |  |

1. **GOVERNMENTAL FEES**

| **Legal****Ref.** | **Appli-****cable****to:** | **AUDIT PROCEDURES** | **Performed by and Date** | **WorkpaperIndex** |
| --- | --- | --- | --- | --- |
| Cities:[10-9a-510](https://le.utah.gov/xcode/Title10/Chapter9A/10-9a-S510.html?v=C10-9a-S510_2021050520210505) Counties:[17-27a-509](https://le.utah.gov/xcode/Title17/Chapter27A/17-27a-S509.html?v=C17-27a-S509_2021050520210505) | All | 1. Test government fees to determine if they were adopted correctly.
	1. Obtain a schedule of government fees
	2. Inquire if there are any fees that are not included in the schedule of fees.
	3. Review the minutes and verify that the entity’s fees were approved by the governing body.
 |  |  |
| 1. Sample fees from the from the schedule of fees and perform the following tests (the purpose of this test is to identify deficiencies in how an entity establishes and tracks fee revenue and expense. A particular concern is inappropriately implemented taxes that an entity calls a fee – see [Auditor Alert 2018-03](https://auditor.utah.gov/wp-content/uploads/sites/6/2021/11/2018-03-Government-Fees-DRAFT-FINAL-REVISED_11_9_2021.pdf) and V1 Oil v Utah State Tax Commission (1997)
	1. Are the revenues and expenses tracked for each specific service or regulatory activity for which the fees are charged?
	2. If fee revenue is in excess of expenses does the entity track those excess revenues to only be used for the intended purpose of the fee in subsequent years?
	3. Was a reasonable methodology used to calculate the fee?
 |  |  |
| M, C | 1. For Municipalities and Counties, review the entity’s compliance with building permit and plan review fee limitations.
	1. An entity may not impose or collect a fee that exceeds the reasonable cost of processing the application or issuing the permit (See Auditor Alert 2022-01).
	2. When considering fee revenue vs expenditures if indirect costs were included, did the entity 1) provide reasonably documentation for allocation methods?
	3. Did the entity use a proper function code for transparency (101300 or 101701)?
 |  |  |

|  |  |  |
| --- | --- | --- |
| **CONCLUSION (adequacy of the controls, significant deficiencies/material weaknesses, and management letter comments):** | **Performed byand Date** | **WorkpaperIndex** |
|  |  |  |