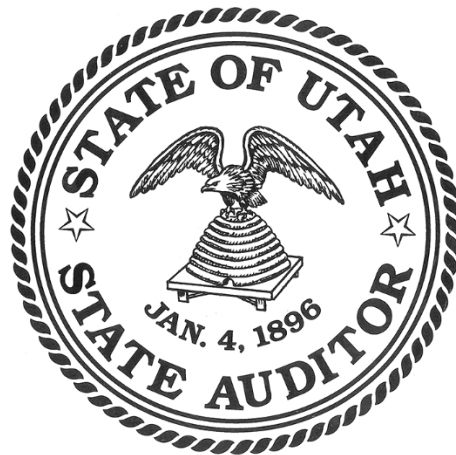


STATE COMPLIANCE AUDIT GUIDE

June 9, 2025

STATE OF UTAH OFFICE OF THE UTAH STATE AUDITOR



TINA M. CANNON
UTAH STATE AUDITOR

REVISION HISTORY

As revisions are made to this *State Compliance Audit Guide*, they will be noted in the table below. Please refer to the online version often to check for changes.

CHAPTER	SECTION	PAGE(s)	CHANGE(S) MADE	DATE CHANGED
1	E. Restricted Taxes and Other Related Restricted Revenue	1-6	Requirement added to verify balances shown on the TRT/TRCCA activity report and against the financial statements and supporting documentation	5/12/2025
1	F. Fraud Risk Assessment	1-7	Requirement added to verify the supporting documents for the entity's answers on the FRA	5/12/2025
2	G. Public Treasurer's Bond	2-9	Crime insurance is now required in all cases that fidelity bonds were previously allowed	5/12/2025
4	Reporting	4-1 through 4-15	Language was updated throughout Chapter 4	5/12/2025
3	B. Public Education Program – Financial and Program Compliance	3-4	Requirement added to verify supporting documentation for expenditures coded to Program 5344 Student At-risk Add-on.	6/9/2025
3	B. Public Education Program – Financial and Program Compliance	3-6	Requirement added to verify that agreements between the LEA and service providers include the required provisions from Section 53E-9-309	6/9/2025

2025 Changes to the State Compliance Audit Guide

Chapter 1: AUDIT PROCEDURES TO BE PERFORMED ANNUALLY

1. Section E Restricted Taxes - Additional procedure for Counties
2. Section F – Fraud Risk Assessment - Additional documentation required

Chapter 2: AUDIT PROCEDURES TO BE PERFORMED AT LEAST EVERY THIRD YEAR

1. Section G - All public treasurers are required to have crime insurance. Fidelity bonds are no longer allowed. Verify that public treasurers have obtained crime insurance in accordance with Utah Code 51-7-15 and 17-16-11
2. Section C – Tax Levy Revenue Recognition, added requirement to review footnote disclosures see Auditor Alert 2020-04.

Chapter 3: AUDIT PROCEDURES FOR LOCAL EDUCATION AGENCIES

1. Section B – Supporting documentation for expenditures coded to Program 5344 Student At-risk Add-on required to be reviewed to ensure expenditures were intended to meet the requirements of Section 53F-2-314(3)
2. Section B – Ensure that agreements between the LEA and education service providers contain the elements required by Section 53E-9-309

Chapter 4: REPORTING

1. Language updated to meet current standards

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QUESTIONS AND COMMENTS

The Office of the Utah State Auditor welcomes questions, comments and suggestions on this *Guide*. Please submit them to Seth Oveson, Manager, Local Government, at soveson@utah.gov.

IDENTIFYING COMPLIANCE REQUIREMENTS TO BE TESTED

NOTE: This *Guide* is not intended to identify compliance requirements that could be direct and material to the financial statements. A State Compliance Audit performed in accordance with this Guide does not replace testing of compliance in a financial statement audit. Financial statement compliance requirements not in this Guide may include, but not be limited to, compliance with the Utah Money Management Act, compliance with debt or bond requirements, or debt limitations. Therefore, the auditor should use appropriate audit procedures, such as inquiry with management or those charged with governance, reading minutes, inspecting correspondence with regulatory agencies, and other procedures as considered necessary to identify the compliance requirements that should be tested as part of the financial audit. (See AU-C 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*.) During the financial statement audit, the auditor should remain alert to the possibility of instances of noncompliance or suspected noncompliance with laws and regulations. If noncompliance is identified or suspected, the auditor should obtain and document an understanding and evaluation of the effect on the financial statements.

WHICH ENTITIES NEED A STATE COMPLIANCE AUDIT?

Utah Code Annotated (UCA) 51-2a-202 requires the local government entities and local education agencies listed below to receive a **financial audit** in accordance with *Government Auditing Standards*.

IN ADDITION, these entities are required to have a **state compliance audit** which should be 1) performed in accordance with *Government Auditing Standards* **as well as with** the *State Compliance Audit Guide (Guide)*, developed by the Office of the State Auditor (OSA) as directed by UCA 51-2a-301, and 2) completed using the guidance in the AICPA's Clarified Statements on Auditing Standards, AU-C section 935, *Compliance Audits*.

- **Local Government Entities** with total annual revenues or expenses greater than or equal to \$1 million:
 - **Counties**
 - **Municipalities**
 - **Interlocal entities**
 - **Special districts and special service districts**
 - **Governmental nonprofit organizations**
- **Local Education Agencies (LEAs)**, *regardless of total annual revenues or expenses*:
 - **School districts**
 - **Operating Charter Schools (including charter schools organized as nonprofits).**
- Other local government **entities that are not required to have a financial audit under state law, but choose to have a financial audit.**

This *Guide* does not apply to:

- **State departments or agencies**
- Local government entities that are **allowed by statute and choose to receive an agreed-upon procedures engagement instead of an audit** (see OSA's *Guide for AUP's for Local Governments* at resources.auditor.utah.gov)
- **Nonoperating Charter Schools** (Charter schools that have not received MSP funds or federal funds and are not providing educational services during a fiscal year). Nonoperating Charter schools are required to have an agreed-upon procedures engagement (see OSA's *Guide for AUP's for Local Governments* at resources.auditor.utah.gov).
- **Nonprofit Organizations** which are subject instead to reporting requirements under UCA 51-2a-201.5 (see resources.auditor.utah.gov for applicable reporting requirements)

**A COMPLETE LIST OF
ALL CURRENT REPORTING REQUIREMENTS BY ENTITY TYPE
CAN BE FOUND ON THE OSA WEBSITE AT:
resources.auditor.utah.gov**