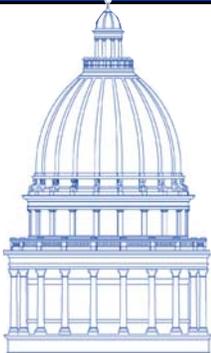


State of Utah
Office of the Legislative Auditor General



Thirty-Fifth Annual Report to the Utah State Legislature

**Fifty-Eighth Legislature
2010 Session**



The Utah State Legislature created the Office of the Legislative Auditor General (OLAG) in 1975. OLAG has 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 Audit Subcommittee of the Legislative Management Committee. Traditionally, though not required, the committee has been composed of the President of the Senate, the Speaker of the House, and the minority leader of each house.

■ 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 one of many formats. OLAG publishes the findings of these audits in reports that are written for the Legislature but are available to the public.

OLAG staff also provide short-term assistance to the Legislature in the form of special studies. 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 Audit Subcommittee. This letter should identify specific issues of concern that should be addressed by the audit. While the letter of request can be signed by 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 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 larger 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 period, 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 Audit Subcommittee, which then releases it to the appropriate legislative committees and to the public.

■ What Is the Purpose of This Annual Report?

This report fulfills requirements set forth in *Utah Code* 36-12-15(10), 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.”

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■ How May I Receive Audit Reports?

You may download a copy of most audit reports from the legislative website: www.le.state.ut.us/audit/olag.htm.

■ Who Are the Members of the Audit Subcommittee?

President Michael G. Waddoups, Co-Chairman
President of the Senate
R-Salt Lake County

Speaker David Clark, Co-Chairman
Speaker of the House
R-Washington County

Senator Patricia W. Jones
Senate Minority Leader
D-Salt Lake County

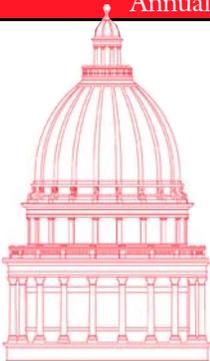
Representative David Litvack
House Minority Leader
D-Salt Lake County

“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	John M. Schaff, CIA
Deputy Auditor General	Rick Coleman, CIA, CPA
Audit Managers	Tim Osterstock, CIA, CFE Darin Underwood, CIA
Audit Supervisors	James Behunin, CIA Janice Coleman, CFE Brian Dean, CIA, CFE Deanna Herring, JD Wayne Kidd, CIA Kade Minchey, CIA Maria Stahla, CFE
Lead Auditors	Leslie Marks, CFE David Pulsipher, CIA Susan Verhoef, CIA
Audit Staff	David Apple Tim Bereece Leah Blevins Benjamin Buys Broc Christensen Ian Christensen August Lehman Jesse Martinson
IT Auditor/ Systems Analyst	David Gibson, CISA
Quality Control/ Report Editor	Emily Peterson, JD
Audit Interns	Mandeep Gill Anndrea Parrish Candace Ware
Administrative Assistant	Lynda Maynard
Legislative Secretary	Nancy Johnson



Based on issues addressed and recommendations made in our 2009 audits and the actions taken on 2008 audit recommendations, we believe the Legislature should consider the following items during the 2010 General Session.

■ **Audit 2009-17 A Performance Audit of The Cost of Benefits for Reemployed Retirees and Part-Time Employees**

The impact of post-retirement reemployment is estimated at \$401 million for the retirees who returned to work between 2000 and 2008. We estimate future additional liabilities of \$897 million to be incurred over the next 10 years if the Legislature does not make statutory changes. Also of concern is how current statutory provisions facilitate part-time employees inflating their monthly retirement benefits by simply going full-time shortly before retirement. Lastly, the state does not currently prorate health care premiums for part-time employees, but estimated annual savings could range between \$2.2 million and \$2.6 million dollars.

Action Needed: The Legislature should eliminate the current post-retirement reemployment provisions and implement the following steps: (1) suspend the pension for those who return to work full-time, (2) allow retirees to return to active membership in the retirement system and continue to earn service credits, and (3) resume pension payments when the member ultimately retires. If the Legislature does not wish to make these changes, it should eliminate the 401(k) requirement for reemployed retirees.

Regarding benefits for part-time employees, the Legislature should (1) direct URS to study and make recommendations to the Legislature regarding ways to prevent part-time employees from inflating their retirement benefits, and (2) consider prorating health care premiums for part-time state employees.

■ **Audit 2009-16 A Performance Audit of The 911 System in Salt Lake County**

There are three uses of the local 911 surcharge revenue not clearly outlined in the *Utah Code* that should be addressed. Also, the Utah 911 Committee does not believe that the *Utah Code* gives them the authority to implement statewide planning and promote consolidation in providing grants.

Action Needed: The Legislature should address in statute (1) if surcharge revenue should be used to cover the costs of non-emergency calls, (2) if secondary public safety access points should be eligible to receive surcharge revenue, and (3) if surcharge revenue should be allowed to pay for dispatching costs. In addition, the Legislature should strengthen the role of the Utah 911 Committee to give them authority to implement statewide planning for the 911 system.

■ **2009-12 A Performance Audit of Fraud, Waste, and Abuse Controls in Utah's Medicaid Program**

Utah Medicaid can improve its controls over fraud, waste, and abuse. One particular area of weakness is that Utah Medicaid has no controls in place to monitor and prevent fraudulent prescription billings. Granting Utah Medicaid access to the controlled substance database (maintained by the Division of Occupational and Professional Licensing) would allow Medicaid to institute competent controls over Medicaid pharmacy fraud, waste, and abuse.

Action Needed: The Legislature should consider extending access of the controlled substance database to Medicaid to better control fraud, waste, and abuse.

■ 2009-19 A Performance Audit of DWS Eligibility Services

Medical assistance eligibility determination was transferred from the Department of Health to the Department of Workforce Services (DWS) in July 2007 with the expectation that the state would save \$3.5 million to \$4 million per year by 2012. DWS recently freed up \$16.1 million in state funds by using third-party in-kind contributions as part of its TANF obligation.

Action Needed: The Legislature should review the effect of the medical assistance eligibility determination consolidation on the state's share of eligibility costs at the end of each fiscal year until 2012, to determine if this function should remain at DWS. The Legislature should also determine how to use the \$16.1 million that was appropriated for the state's share of TANF but will not be needed.

■ 2009-18 A Performance Audit of Eligibility for Public Safety Retirement

A statutory exception to eligibility for the Public Safety Retirement System (PSR) allows employees who are promoted or transferred to administrative positions within the same department to stay on the PSR plan. This exception allows employees to move from an eligible public safety position to an ineligible position but retain the enhanced retirement benefits that accompany public safety jobs.

Action Needed: The Legislature should consider modifying current PSR plan provisions by requiring public safety employees to switch to the Public Employees' Retirement System when they leave law-enforcement-related positions for uncertified positions

that do not meet PSR eligibility requirements (i.e., primary duties in law enforcement, elevated risk to life and safety, and peace officer certification).

■ 2009-01 A Performance Audit of the Public Lands Policy Coordinating Office

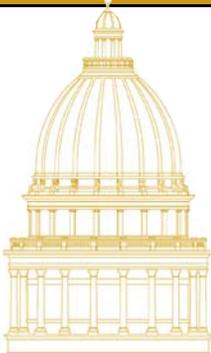
In one area of this audit, we reviewed the travel expenses of a previous PLPCO director because of legislative concerns. We found that the administrative controls that should limit the personal use of state vehicles were not effective at preventing the unauthorized use of this former director's vehicle.

Action Needed: The Legislature should adopt statutory language that outlines the travel benefits executive directors may receive if they work in Salt Lake City while residing at a distant location.

■ 2007-15 A Performance Audit of Utah's Coal Regulatory Program

Managers over Utah's coal regulatory program can improve oversight and increase efficiency. It was also reported that the coal program did not charge fees to recoup their regulatory costs that were commensurate with other Utah regulatory agencies and other states' coal programs. Assessing annual fees, permit application fees, and permit amendment fees would have the coal operators paying for at least a portion of the regulatory oversight their activities require while also freeing up general fund dollars for other uses.

Action Needed: The Legislature should consider instituting fees to help fund the coal regulatory program. The Division of Oil, Gas and Mining should devise the fee structure and present it to the Legislature.



In 2009, the Office of the Legislative Auditor General (OLAG) completed 19 audits and three special projects. In December 2009, we completed 14 follow-ups on recommendations made in six audits from 2009 and eight audits from 2008. This section summarizes OLAG's work in these areas. Full reports are located on our website: www.le.state.ut.us/audit/olag.htm.

Audit Name/Number	Year	Number of Recommendations	Follow-Up Status
Completed Audits with Follow-Up			
Public Education Employees' Criminal Background Checks	2009-08	5	4 Implemented, 1 In Process
Sale of the CEU President's Home	2009-06	2	2 Implemented
Elementary School Class Size	2009-04	11	5 Implemented, 5 In Process, 1 Not Implemented
Drug Offender Reform Act (DORA)	2009-03	5	3 Implemented, 2 In Process
School Children's Trust Section	2009-02	7	6 Implemented, 1 In Process
Public Lands Policy Coord. Office	2009-01	12	9 Implemented, 2 In Process, 1 Not Implemented
School Building Construction	2008-14	5	3 Implemented, 1 In Process, 1 Not Implemented
Mineral-Related Funds in Uintah Basin	2008-13	1	1 Implemented
School Busing	2008-11	19	15 Implemented, 4 In Process
In-Depth Follow-Up of Guardian ad Litem	2008-10	13	9 Implemented, 2 In Process, 2 Not Implemented
Adult Education Services	2008-09	7	6 Implemented, 1 Partially Implemented
Utah's Jail Contracting Program	2008-08	9	9 Implemented
Division of Securities	2008-07	7	7 Implemented
Davis Behavioral Health	2008-06	14	11 Implemented, 3 In Process
Completed Audits			
DWS Eligibility Services	2009-19	19	
Eligibility for Public Safety Retirement	2009-18	1	
Cost of Benefits for Reemployed Retirees and Part-Time Employees	2009-17	7	
911 System in Salt Lake County	2009-16	8	
Career and Technical Education Costs	2009-15	3	
Conversion of Justice Courts to CORIS	2009-14	9	To Be Completed in 2010
Department of Technology Services	2009-13	10	
Medicaid Fraud, Waste & Abuse Controls	2009-12	25	
Follow-up of Higher Ed. Personnel Budget	2009-11	6	
Office of Services Review (OSR)	2009-10	1	
Insurance Fraud Division	2009-09	8	
Retirement Systems' Administrative Costs	2009-07	4	
Cities' Compliance with Impact Fee Statute	2009-05	0	

■ Completed Audits with Follow-Up

Audit 2009-08 A Performance Audit of Public Education Employees' Criminal Background Check Procedures

Current practices for identifying and detecting criminal activities of current employees are flawed and ineffective. Specifically, from a small sample of 1,200 employees, 17 current employees have concerning criminal convictions. Also, some educators with suspended licenses were able to retain their educators' licenses longer than they likely would have in other states due to their criminal convictions. We found that a current statutory requirement enacted in 1999 requiring the development of a fingerprint database file of all education employees has never been developed. Finally, most public education employees hired before 1994 have never had a criminal background check, and current rules governing criminal convictions that should preclude an individual from working in public schools need to be strengthened.

Results of Follow-Up: Five recommendations were made; four have been implemented, and one is in process.

Audit 2009-06 A Limited Review of the Sale of the College of Eastern Utah President's Home

CEU administrators mostly followed sound principles in the sale of the president's home. They conducted an evaluation of the property and obtained a fair, reasonable price. However, certain aspects of the sale could have been strengthened—administrators should have done more to advertise the availability of the home for sale and also should have extended the bid period.

Results of Follow-Up: Two recommendations were made; both were implemented.

Audit 2009-04 A Performance Audit of Elementary School Class Size

Class-size reduction (CSR) funds of \$82.3 million in 2008 would have allowed schools to fund about 1,240

teachers and reduce class sizes in grades K-6 by 3.08 students, if all funding hired core-subject teachers. Without CSR funds, the average class size in K-6 would have been about 28.15 students. The audit also found that the Utah State Office of Education (USOE) needs to resolve some data integrity issues to improve class size reporting at the school, district, and state levels. We also found that USOE needs to improve how they calculate the legislatively mandated pupil-teacher ratio and pupil-adult ratio.

Results of Follow-Up: Eleven recommendations were made; five have been implemented, five are in process, and one dealing with daily attendance records is not implemented. USOE has not implemented the recommendation because they expressed concerns about the accuracy of daily attendance data they receive from school districts.

Audit 2009-03 A Performance Audit of the Drug Offender Reform Act (DORA)

Expected DORA savings are based on the premise that DORA recipients are less likely to commit future crimes, saving future prison costs. However, the audit found that early indicators do not show that DORA recipients are less likely than non-DORA offenders to engage in criminal behavior. The *DORA Pilot Evaluation Report* stated that it is too soon to measure the program's impact. The average cost for treatment varies widely among local substance abuse authorities. Also, the Department of Corrections, which is responsible for supervising DORA offenders, does not clearly separate costs between DORA and non-DORA offenders.

Results of Follow-Up: Five recommendations were made; three have been implemented, and two are in process.

Audit 2009-02 A Performance Audit of the School Children's Trust Section

The School Children's Trust Section (the Section) of the Utah State Office of Education (USOE) needs

retooling by the State Board of Education because its current practices surpass obligations outlined in *Utah Code* and State Board rule. Some of the Section's current responsibilities are misplaced, some are not the most efficient use of resources, and one of their responsibilities could be enhanced. The State Board has recently recognized this need for formal authority and has delegated to the State Superintendent, through board resolution, the responsibility to represent the board on school trust issues. Consequently, we believe future funding of the School Children's Trust Section needs to be reevaluated, and the oversight provided by the Superintendent and State Board needs to improve.

Results of Follow-Up: Seven recommendations were made; six have been implemented, and one is in process.

Audit 2009-01 A Performance Audit of the Public Lands Policy Coordinating Office (PLPCO)

PLPCO needs to adopt a strategic plan, policies and procedures, performance measures, a more defined organizational structure, and improved financial reporting. Further, there were concerns about the quality of the oversight provided and the fact that PLPCO does not have statutory authority to oversee the state's R.S. 2477 project aimed at preserving access to public lands. To improve oversight, legislators could clarify PLPCO's mission and require that the Constitutional Defense Council start holding meetings once again, or legislators could create a new council to provide guidance on public lands policy issues. Finally, a former agency director incurred an excessive amount of in-state travel expenses mainly due to his weekly commute to Salt Lake City from his home in San Juan County, which requires greater oversight.

Results of Follow-Up: Twelve recommendations were made; nine have been implemented, two are in process, and one has not been implemented. The recommendation not yet implemented was for the

Legislature to adopt statutory language defining travel benefits for executive directors who live at a distant location but work in Salt Lake City.

Audit 2008-14 A Performance Audit of School Building Construction

Nine of 21 school districts surveyed have not adequately fostered competition in procuring architectural services for new school buildings. School construction costs have increased annually since 2006, but Utah school buildings generally cost less than neighboring states' school buildings per square foot. A majority of new elementary and high school buildings exceed USOE's recommended guidelines for the space per student for school buildings.

Results of Follow-Up: Five recommendations were made; three have been implemented, one is in process, and one has not been implemented. One recommendation was not implemented because, according to the Division of Purchasing, oversight of procuring subcontractors could transfer the liability from contractors onto school districts; as a result, procurement of subcontractor services needs to be between contractor and subcontractor.

Audit 2008-13 A Performance Audit on the Use of Mineral-Related Funds in Uintah Basin

The justification is not very compelling for supporting past Uintah Basin county assertions that more money is needed to mitigate damage to county roads. First, Uintah County received \$134.6 million during the five years reviewed, making it the largest recipient of mineral-related money; Duchesne County received \$36.9 million, making it the fifth-largest recipient. Second, the counties' use of mineral-related money is not heavily allocated toward roads. Both Uintah and Duchesne counties devoted around 42 percent of all mineral-related money to roads. Finally, discretionary income available within two Uintah Basin

transportation special service districts appears relatively large and, for the most part, rising.

Results of Follow-Up: One recommendation, which was implemented, was made to the Legislature.

Audit 2008-11 A Performance Audit of School Busing

Standards relating to bus drivers need to be strengthened and compliance ensured. The oversight of busing operations can also be improved by the USOE, and the distribution formula for school busing operations presents some concerns because of inaccurate or inconsistent data being reported by school districts. The audit also found that the capacity utilization of school buses can be improved and that the depreciation of buses should be revised. Finally, because of the potentially significant liability risks, the audit recommends that the State Board of Education address the issues of buses being rented for non-pupil transportation and school buses traveling over state lines.

Results of Follow-Up: Nineteen recommendations were made; 15 have been implemented, and four are in process.

Audit 2008-10 An In-Depth Follow-Up of the Office of the Guardian ad Litem (GAL)

Increased funding from the Legislature has contributed to program improvements, such as reduced caseloads and increased fulfillment of statutory duties. Improvement is still needed in developing useful and reliable case management systems, in seeking and collecting fees, and in effectively using support staff resources. The GAL program may benefit from more legislative guidance on (1) the definition of a GAL attorney's responsibility to advocate a child's "best interest," and (2) the appropriate use of GALs in district court cases. Finally, while the Guardian ad

Litem Oversight Committee was created to buffer the Judicial Council's involvement with the GAL Office, the Legislature has still not changed the Judicial Council's responsibility to directly supervise the office.

Results of Follow-Up: Thirteen recommendations were made; nine have been implemented, two are in process, and two have not been implemented. The two recommendations that have not been implemented are due to a fundamental disagreement between the GAL office and the auditors about how to count cases, and logistical concerns about how to bill attorney fees.

Audit 2008-09 A Performance Audit of Adult Education

The Utah State Office of Education's Adult Education Program, the Department of Workforce Services, and the Utah College of Applied Technology deliver relatively unique services to their clients and are partnering together to reduce gaps in their services. However, the Adult Education Program is not complying with the requirements that state funding be spent on Utah residents and individuals legally residing in the United States. In addition, issues with the allocation formula used by the Adult Education Program promote redundant high school completion by awarding additional funding to school districts where students earn both a GED and a diploma.

Results of Follow-Up: Seven recommendations were made; six have been implemented, and one has been partially implemented.

Audit 2008-08 A Performance Audit of Utah's Jail Contracting Program

Past Department of Corrections contract management inadequacies have contributed to jail escapes. In some cases, the department was aware of security and operational concerns at some contracted county jails that house state inmates, but they did not ensure that needed improvements were made. To correct these

concerns, we recommend the department

- (1) adequately define their authority in the jail contract,
- (2) improve their monitoring of the jail contract, and
- (3) more adequately follow up on and enforce any deficiencies found in the jails.

Results of Follow-Up: Nine recommendations were made; all have been implemented.

Audit 2008-07 A Performance Audit of the Division of Securities

The Division of Securities did not have written policies and procedures guiding its process, which led to some questionable management decisions, inadequate guidance, poor communication, and increased internal conflicts. The role of the various participants involved in enforcing securities laws was not clearly defined; for example, there was no clear separation between investigative and adjudicative functions, the role of the Attorney General, and the division's advisory board.

Results of Follow-Up: Seven recommendations were made; all have been implemented.

Audit 2008-06 A Performance Audit of Davis Behavioral Health

The 2004 corporate restructuring of Davis Behavioral Health (DBH) was costly for the organization. Instead of generating excess revenues, the new corporations cost DBH about \$850,000. DBH should examine the functions of the new corporations to determine how they can be more efficiently run. Also, there is a potential conflict of interest in DBH's IT oversight, but pending contract amendments could remedy this problem. The IT system, despite a difficult start, is improving and becoming more accepted.

Results of Follow-up: Fourteen recommendations were made; 11 have been implemented, and three are in process.

■ Completed Audits

Audit 2009-19 A Performance Audit of DWS Eligibility Services

Department of Workforce Services (DWS) management, who allocated \$125 million in fiscal year 2009, should do more to increase cost allocation accuracy. An increased emphasis on timely responses will improve cost allocation accuracy and could have saved the state over \$500,000 in fiscal year 2009. DWS recently freed up \$16.1 million in state funds by using third-party in-kind contributions as part of the state's TANF obligation. We believe the Legislature should determine how these funds should be used. DWS could save the state over \$530,000 by eliminating four underutilized buildings. Three additional buildings should be downsized and would save the state additional funds.

Audit 2009-18 A Performance Audit of Eligibility For Public Safety Retirement

A statutory exception to the eligibility for the Public Safety Retirement System (PSR) allows employees who are promoted or transferred to administrative positions within the same department to stay on the PSR plan. This exception allows employees to move from an eligible public safety position to an ineligible position but retain the enhanced retirement benefits that accompany public safety jobs. Because of the enhanced benefits, the state pays more for employees on PSR when compared to public employee retirement plans. Also, this exception makes Utah unique to many other western states. The audit found that 37 current state employees are on the PSR plan even though their jobs do not meet the eligibility requirements. The Legislature should consider modifying current PSR plan provisions by addressing this exception.

Audit 2009-17 A Performance Audit of the Cost of Benefits for Reemployed Retirees and Part-Time Employees

Benefits to reemployed retirees and part-time employees pose significant costs to the state. Current statute provides a financial incentive for public employees to retire and then return to work because retirees can continue to collect their pension benefits when they return to work. Additionally, they receive an employer-paid 401(k) contribution ranging from 12 to 39 percent of salary. At least 4,311 retirees have returned to work since 1995. URS' actuary estimates the impact to the retirement system at \$401 million for the retirees who returned to work between 2000 and 2008. If the practice continues, we estimate it could cost the retirement system \$897 million over the next decade. Our review showed that no other state provides such generous benefits. The report also addresses how current statutory provisions facilitate part-time employees inflating their monthly retirement benefits by simply going full-time shortly before retirement. Lastly, prorating health care premiums is a common practice in both public and higher education, but the state does not prorate health care premiums for part-time employees. If health care premiums were prorated for part-time employees, we estimate that annual savings could range between \$2.2 million and \$2.6 million.

Audit 2009-16 A Performance Audit of the 911 System in Salt Lake County

Current uses of the local 911 surcharge revenue are outside those identified in the *Utah Code*. While the statute refers only to emergency telecommunications, both Valley Emergency Communications Center (VECC) and the Salt Lake County Sheriff's Dispatch use surcharge funds to cover non-emergency calls. Also, VECC uses excess 911 surcharge revenue to subsidize dispatching costs. In addition to these code concerns, the existing organization of the 911 system in Salt Lake County is inefficient. Emergencies handled by the Sheriff's Office are transferred from VECC to the

Sheriff's Dispatch, which creates duplication of effort and slower emergency response times.

Audit 2009-15 A Performance Audit of Career and Technical Education Costs

The cost per hour of classroom instruction at applied technology colleges (ATCs) was lower than at two-year colleges. The ATCs achieved lower costs mainly because of the lower compensation paid to instructors and heavier instructor workloads. These results differ from the information reported in a 2007 study by the Utah System of Higher Education (USHE) because the USHE study overstated the number of hours of instruction offered in college-based career and technical education courses. Two ATCs have developed partnerships with private businesses that allow them to increase their membership hours and their funding, while bearing only a portion of the cost of instruction. Last year, one such partnership earned the Southwest ATC \$521,000 in appropriations, although the cost to the ATC was only \$67,000. The audit also raises the policy question of whether school districts should continue to receive full funding (\$5 million per year) for their secondary students enrolled in ATC programs even though the districts provide no instruction.

Audit 2009-14 A Performance Audit of the Conversion of Justice Courts to CORIS

We believe the ongoing project to convert all justice courts to the Court Records Information System (CORIS) will improve Utah's court records. Benefits include better justice court data quality and the ability to search all court records statewide. The project has been well planned, with most courts scheduled to convert by the statutory deadline. We note that the conversion timeline is tight, and eight justice courts are not currently scheduled to convert. About 80 percent of the \$1.6 million in project costs to date came from surcharge funds, with the rest from general funds. Ninety-five percent of justice court clerks now using CORIS report being pleased with it. While many clerks in yet-to-be-converted courts reported concerns, the

Administrative Office of the Courts appears to be addressing them.

Audit 2009-13 A Performance Audit of the Department of Technology Services

DTS has been slow to consolidate IT resources and has done little to reduce IT redundancy within state agencies. Also, DTS has not provided adequate oversight of newly acquired IT assets. Specifically, DTS did not require business case analyses as called for in *Utah Code* and has yet to track IT assets owned by user agencies. Additionally, agency IT plans, which are required to be submitted annually by state agencies, are not compliant with *Utah Code*. The audit also found that the statewide IT strategic plan lacked adequate guidance on how major agency objectives outlined in House Bill 109 would be implemented.

Audit 2009-12 A Performance Audit of Fraud, Waste, and Abuse Controls in Utah's Medicaid Program

Systematic improvements in Utah Medicaid's Bureau of Program Integrity (BPI) can, over time, generate annual savings of over \$20 million in federal and state Medicaid funds. These savings can be achieved by BPI improving efficiencies and implementing better management controls over operations. We found that BPI is not adequately controlling recipient access and utilization of Medicaid programs through its prior authorization process. Also, we found sustained inefficiencies and ineffectiveness of BPI's cost-recovery efforts. BPI has unreliable data, is not effectively using staff, and is only reviewing about 5 percent of Medicaid spending. Lastly, several oversight functions responsible for reviewing Medicaid dollars do not have sufficient independence.

Audit 2009-11 A Follow-Up Audit of Higher Education Personnel Budgeting Practices

While the Board of Regents has implemented some of the recommendations made in *A Performance Audit of*

Higher Education Personnel Budgeting Practices from 2007 (Audit 2007-11), more improvements can still be made. For example, in higher education, the reporting of carryforward balances has become more transparent. But what constitutes "carryforward funds" still needs to be clarified. Since the 2007 audit, position vacancies are better tracked; however, the application of turnover savings lacks accuracy, and large variances between budgeted employees and actual employees still exist at some of the institutions of higher education. Budgets are still not reflective of actual expenditures, and the State Board of Regents has yet to define acceptable variances for actual expenditures compared to budgeted amounts. Finally, the State Board of Regents has not developed a review process to ensure that submitted budgets are aligned with anticipated expenditures.

Audit 2009-10 A Performance Audit of the Office of Services Review (OSR)

OSR is accurate and unbiased in their review of the Division of Child and Family Services (DCFS). We found that OSR was correct 97.5 percent of the time, and there was no apparent bias in the type of errors the OSR reviewers made. Beginning in December 2010, OSR will be able to make changes to the questions included in their review. Hence, we believe that OSR should evaluate their practices now so they are ready to make appropriate improvements come December 2010.

Audit 2009-09 A Performance Audit of the Insurance Fraud Division

The Insurance Fraud Division (IFD) within the Department of Insurance needs to improve deficiencies in its operations. Of particular concern is the ineffectiveness, or lack, of basic management controls—for example, policies and procedures—that have the potential to expose the state to unnecessary risk. While we were reviewing the allegations, the insurance commissioner asked us to provide our opinion on whether IFD investigators should be changed from special function officers to law enforcement officers. In our opinion, this change is not necessary.

Audit 2009-07 A Performance Audit of Utah Retirement Systems' Administrative Costs

From 1999 to 2007, Utah Retirement Systems' administrative and investment costs for the defined benefit (DB) plan increased 107 percent, primarily due to an increase in investment costs. Compared to other retirement systems, URS' administrative costs per member for the DB plan are lower, but investment expense ratios are higher. Because of the many factors impacting costs, per our suggestion, URS has contracted with an independent company to complete an in-depth evaluation of URS' cost and performance that should be presented to the Legislature. Periodic reviews of defined contribution plan costs are also needed to ensure that costs are reasonable.

Audit 2009-05 A Limited Review of Cities' Compliance with Impact Fee Statute

While six cities that we surveyed collect all of the accounting information required in the 2006 impact fee legislation, they are not reporting it in their annual financial report as required. These cities state that they are unsure how the information is to be summarized and included. The State Auditor's Office plans to provide additional training on reporting requirements in the coming months. We also found no evidence that survey cities have been using impact fees inappropriately.

■ **Special Projects**

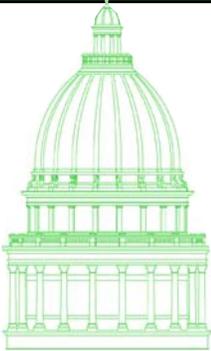
In addition to the completed audits shown earlier in this section, the Auditor General completes some smaller projects throughout the year. Included in these projects are the following informal letter reports issued in 2009:

- A Review of Allegations Made Concerning the Division of Services for People with Disabilities (ILR2009-A)
- Association Leave in Utah's School District (ILR2009-B)
- A Performance Audit of Emergency Care in Utah (ILR2009-C)

■ **Best Practices**

The Auditor General also has the statutory responsibility of reviewing all new government programs and providing the new program or agency with a list of best practices in setting up the new program or agency. Since 2000, the Auditor General has published *Best Practices for Good Management* as a guide for new programs.

You may view a copy of this publication at http://le.state.ut.us/audit/BP_2009.pdf.



It is the mission of the Office of the Legislative Auditor General to serve the citizens of Utah by providing objective information, in-depth analyses, and useful recommendations 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 examples of recent audit contributions to each mission objective.

■ Improving Programs

We identify changes in statute or in agency policies and practices that can help programs more effectively achieve their purposes. For example:

- The Utah State Office of Education (USOE) and school districts are implementing the following recommendations regarding school busing: more thoroughly vetted and trained bus drivers, improved data in determining the disbursement of pupil transportation funds, improved oversight through processes for collecting and monitoring data, improved capacity utilization of buses, and reduced liabilities from certain bus usages such as buses being rented out for nonpupil transportation and buses traveling over state lines.
- The current system for detecting and identifying the criminal histories of individuals employed in public schools is flawed and ineffective. The Utah State Office of Education (USOE) agreed to recommendations that will help ensure all public school employees will have criminal background checks and that public school employees will be periodically examined. The USOE also agreed to strengthen current standards for employing individuals in public schools with criminal histories.
- The ineffectiveness, or lack, of basic management controls within the Insurance Fraud Division (IFD) potentially exposed the state to unnecessary risk. The IFD had drifted from its mission, had weakly developed and poorly controlled policies and

procedures, had poorly documented supervision, and had insufficient internal training.

Recommendations were made and accepted by IFD management that should significantly diminish the state's exposure to risk and also improve the effectiveness of the IFD.

- Based on our recommendations, the Public Lands Policy Coordinating Office (PLPCO) increased management controls and updated the 2003 plan for the R.S. 2477 public roads project. PLPCO is also completing a broader statewide land use plan as required by statute, which should enable them to better focus on fulfilling its directive to represent the perspectives of state and local entities on public lands issues. Finally, PLPCO is developing policies and procedures to guide staff work and increase program efficiency and effectiveness.
- The Division of Securities now has written procedures guiding its process. The advisory board was changed to a commission that provides additional oversight of the division and has the authority to conduct administrative hearings.

■ 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:

- Utah Retirement Systems' actuary estimated the impact of post-retirement reemployment at \$401 million for the retirees who returned to work

between 2000 and 2008. We estimate future additional liabilities of \$897 million to be incurred over the next 10 years if the Legislature does not make statutory changes to eliminate the current post-retirement reemployment provisions and to suspend the pension for those who return to work full-time.

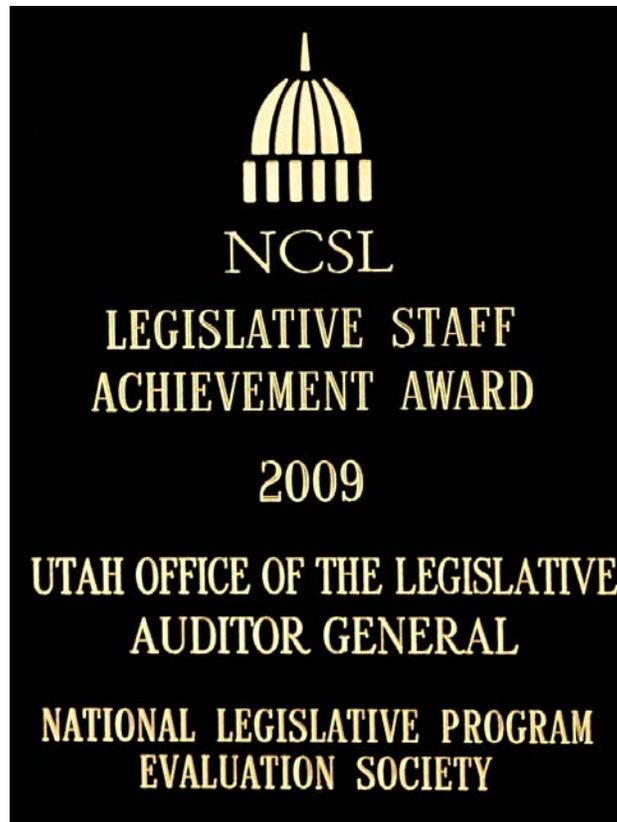
- The state does not currently prorate health care premiums for part-time employees even though it is a common practice in both public and higher education. If health care premiums were prorated for part-time employees, we estimate that annual savings could range between \$2.2 million and \$2.6 million.
- The lack of competition in procuring architectural services for new school construction projects prevents school districts from negotiating a competitive architect fee. For eight new school building design projects, school districts would have likely saved about \$700,000, if the design projects had been competitively bid.
- We found sustained inefficiencies and ineffectiveness in Utah Medicaid's fraud, waste, and abuse cost-recovery efforts. These systematic problems have resulted in a lackluster recovery process. Using conservative national estimates, Medicaid should be able to recover an additional 1.3 percent in fraud, waste, and abuse, which would save the Medicaid program about \$20.2 million annually.

■ Promoting Accountability

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

- The consolidation of the state's information technology services into the Department of Technology Services (DTS) has lacked proper oversight and, as a result, has been slower than originally anticipated. Our report identified that contributing factors for the department's slow progress are the lack of DTS accountability to the Legislature and poor planning and information development that has limited IT user accountability. The audit resulted in recommendations to increase planning and information development, improve user agency accountability, and improve legislative oversight of DTS accountability. One key recommendation calls for a change from the existing minimal contact between the Legislature and the Department to a system of more frequent reporting to a legislative study committee.
- The Public Lands Policy Coordinating Office (PLPCO) can increase operational and/or financial accountability by implementing our recommendations. Operational recommendations included clarifying reporting relationships in the organization, and engaging in strategic planning to identify critical goals and improve performance measures. Recommendations to promote greater financial accountability included improving PLPCO's accounting system to better plan and track program expenditures and developing expenditure tracking for programs of special concern to the Legislature.

Speaker Clark Accepts National Award

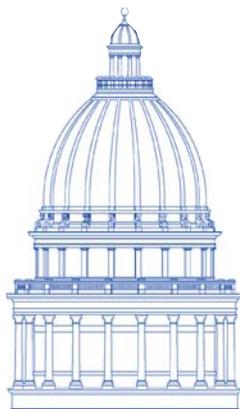


The Utah Office of the Legislative Auditor General (OLAG) received the 2009 Excellence in Evaluation Award from the National Legislative Program Evaluation Society (NLPES), a staff section within the National Conference of State Legislatures (NCSL). Speaker David Clark accepted this award on behalf of OLAG at the 2009 NCSL Legislative Summit in Philadelphia.

Each year, NLPES gives the Excellence in Evaluation award to the office determined to have contributed the most to the field of legislative program evaluation during a four-year period. NLPES selects the recipient of this award based on the following criteria: (1) the body of work produced by the office, (2) the impact this work has had on state operations and policies, and (3) the ways that the office has furthered the field of legislative evaluation.

Released Audits and Informal Reports, 2006-2008

2008			
2008-14	School Building Construction	2007-06	Review of HB 382—Educational Salary Adjustments
2008-13	Use of Mineral-Related Funds in Uintah Basin	2007-05	Disability Determination Services
2008-11	School Busing	2007-04	Governor's Office of Economic Development
2008-10	Follow-Up of the Office of the Guardian ad Litem	2007-03	UDOT Project Costs
2008-09	Adult Education Services	2007-02	Review of Fiscal Note Accountability
2008-08	Utah's Jail Contracting Program	2007-01	Utah Charter Schools
2008-07	Division of Securities	ILR2007-F	The Transportation Prioritization Process
2008-06	Davis Behavioral Health	ILR2007-E	The State Construction Registry
		ILR2007-D	States that Provide Local Property Tax Revenue to Charter Schools
2008-05	Utah Department of Corrections Follow-Up	ILR2007-C	Cost of Legal Notices Placed in Newspapers
2008-04	Utah State Hospital	ILR2007-B	Guardian ad Litem's Case Management System
2008-03	Utah Transit Authority (UTA)	ILR2007-A	Observations of Electronic Voting System and Procedures Used in Utah's Nov. 7, 2006 Election
		2006	
2008-02	Carson Smith Scholarship	2006-12	Utah Department of Corrections
2008-01	Committee of Consumer Services	2006-11	Post-Retirement Re-Employment
ILR2008-D	Medical Assistance Eligibility Determination Costs	2006-10	Vending Machines in Public Schools
ILR2008-C	Utah Severance Tax Volume/Value Database	2006-09	State's Purchasing Card Program
ILR2008-B	Follow-Up of Sample Matching Driver Privilege (DP) Cards to Vehicle Insurance	2006-08	Endangered Species Mitigation Fund
ILR2008-A	Educator Classifications	2006-07	Southeast Utah Small Business Investment Fund
2007		2006-06	Utah Occupational Safety & Health Division
2007-15	Utah's Coal Regulatory Program	2006-05	Local Government Compliance with Impact Fees Act
2007-14	Class-Size Reduction Funding	2006-04	Archaeological Surveys in Utah
2007-13	School District Internal Controls	2006-03	Redevelopment Agency Practices
2007-12	Petroleum Storage Tank Trust Fund	2006-02	Utah's Jail Reimbursement Program
2007-11	Higher Education Personnel Budgeting Practices	2006-01	School & Institutional Trust Land Administration
2007-10	Court Fines, Surcharges, and Fees	ILR2006-C	Adoption Expense Reports
2007-09	Compliance with Uniform Management of Institutional Funds Act (UMIFA)	ILR 2006-B	State Entity Prescription Drug Purchasing Practices
2007-08	Follow-Up of the School & Institutional Trust Land Administration (SITLA)	ILR2006-A	Results of Sample Matching Driving Privilege Cards to Vehicle Insurance
2007-07	Public Education Costs of Undocumented Children		



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