


A Key Pillar of State Government

FINANCIAL BUDGETING AND REPORTING




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Discussion

- Topic: Financial Oversight

You have just been elected to a new local water district board and appointed as board chair. What measures will you ensure the board has in place to provide financial oversight of the district?




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Board Financial Oversight


- Policies and procedures
- Strong internal controls
- Quarterly reviews of financial activity
- Hire competent staff
- Be familiar with reporting requirements
- Hotline and open door policy




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<h3 style="text-align: center;">Board Member Objectives</h3> <ul style="list-style-type: none"> • Effectiveness – How well does the board achieve their objective or purpose? • Efficiency • Compliance • Reporting <div style="display: flex; align-items: center;">  <div> <p>Office of the Utah State Auditor</p> </div> </div>
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<h3 style="text-align: center;">Effectiveness</h3> <ul style="list-style-type: none"> • Appoint District Officers • Establish written policies and procedures • Appoint an audit committee • Develop a Disaster Response Plan • Be familiar with Emerging Technology <div style="display: flex; align-items: center;">  <div> <p>Office of the Utah State Auditor</p> </div> </div>

<h3 style="text-align: center;">Effectiveness</h3> <ul style="list-style-type: none"> • Appoint District Officers <ul style="list-style-type: none"> – Board Chair – conducts meetings – District Treasurer – custodian of funds – All Public Treasurers must be bonded – District Clerk – maintain financial records and prepare disbursements <div style="display: flex; align-items: center;">  <div> <p>Office of the Utah State Auditor</p> </div> </div>
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Who May Be District Treasurer

- May not be the chairman of the board.
- May not be the district clerk.
- May or may not be a board member.



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Treasurer Responsibilities

- Custodian of district funds
 - Receive and deposit funds.
 - Keep an accurate detailed account of all monies received.



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Treasurer Responsibilities

- Sign district checks.
- Determine that sufficient funds are available to honor the check.
- "In special districts with an expenditure budget of less than \$50,000 per year, a member of the governing body shall also sign all checks." (UCA 17B-1-633 & 634)



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Insurance

- Public treasurers bond.
- Broad definition – A “Public Treasurer” includes ... the official of any...political subdivision, or other public body who has the responsibility for the safekeeping and investment of any public funds.”



Utah Code 51-7-3 (27)



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Public Treasurer Bond

Rule 4 of the Utah Money Management Act

Gross Revenue Budget	Percent For Bond	Minimum Bond
0 to 10,000	N/A	0
10,001 to 100,000	9% but not less than	5,000
100,001 to 500,000	8% but not less than	9,000
500,001 to 1,000,000	7% but not less than	40,000
1,000,001 to 5,000,000	6% but not less than	70,000
5,000,001 to 10,000,000	5% but not less than	300,000
10,000,001 to 25,000,000	4% but not less than	500,000
25,000,001 to 50,000,000	3% but not less than	1,000,000
50,000,001 to 500,000,000	2% but not less than	1,500,000
over 500,000,000		10,000,000



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Treasurer's Bond

- Bonds must be issued by a corporate surety licensed to do business in the State of Utah and rated XII or better by the latest issue of Bests Rating Guide.
- Bonds should be effective as of the date the treasurer assumes the duties of the office or is sworn in.



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Who May Be District Clerk?

- May not also be the Treasurer.
- May not also be the Chairman.
- May or may not be a board member.



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District Clerk Responsibilities

- Attend meetings and keep a record of the proceedings.
- Maintain the Financial Records.
- Prepare district checks.



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District Clerk Responsibilities

- Prepare checks after determining the following:
 - The claim was properly authorized.
 - The claim does not exceed the budget.
 - The claim was approved in advance.



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Effectiveness

- Establish written policies and procedures
 - Purchasing
 - Personnel
 - GRAMA
 - Electronic Meetings
 - Conflict of Interest
 - Nepotism



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Purchasing

- Utah Code 17B-1-618 requires that all special districts:
 - have a written purchasing policy and
 - specify who can make purchases.
- Essentially, a purchasing policy should:
 - establish a competitive procurement process
 - safeguards against conflicts of interest
 - balance the efficient operations of the district.



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Purchasing Policy

- The following should be considered when developing a purchasing policy:
 - Amount under which competitive quotes are not required.
 - Amount over which verbal quotes will be obtained.
 - Amount over which written quotes will be obtained.




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Purchasing Policy (cont.)

- Amount over which public advertising is required.
- Method of soliciting quotations.
- Purchases made from a single or sole source provider.
- Emergency Purchases.
- Cancellation and rejection of bids
- Rules regarding use of purchase cards




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Effectiveness

- Appoint an Audit Committee (recommended)
 - Helps establish internal control policy
 - Conducts risk assessments
 - Ensures audit findings are addressed
 - Facilitates hiring an independent CPA




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Effectiveness

- Develop a Disaster Recovery Plan
 - Risk assessment - What could happen?
 - 100 yr storm
 - Earthquake
 - Water Main break
 - Develop a plan to mitigate risks
 - Train employees on how to respond



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Effectiveness

- Be familiar with emerging technology
 - Social media/Community outreach
 - Revenue collections (online payments, dropbox)
 - Disbursements (bill pay, purchase cards, etc)
 - Technology in operations



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Board Member Objectives

- Effectiveness
- **Efficiency – Does the board make optimal use of resources?**
- Compliance
- Reporting



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Efficiency

- Regularly review contracts
- Review financial reports quarterly
- Encourage innovation and cost savings




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Efficiency

- Regularly review contracts
 - Contracts must be rebid every 5 years
 - Is sole-source procurement justified?
 - Are contract provisions being met?
 - Savings through competition




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Efficiency

- Review financial reports quarterly
 - “The district clerk... shall prepare and present to the board of trustees detailed quarterly financial reports showing the financial position and operations of the district for the quarter and the year to date status.”

-Utah


Code 17B-1-638



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Quarterly Reports

- Detail List of Receipts
- Detail List of Expenditures
- Bank statements
- List of liabilities.
- Comparison to Bank Statements.
- Invoices supporting payments available for inspection.



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Efficiency

- Encourage innovation and cost savings
 - Reward program
 - Open-door policy
 - Brainstorming meetings
 - Empower the employee



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Board Member Objectives

- Effectiveness
- Efficiency
- **Compliance – Does the board comply with applicable policies, laws and regulations?**
- Reporting



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Compliance

- Obtain required training
- Implement and enforce strong internal controls
- Hire competent staff



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Compliance

- Obtain required training (auditor.utah.gov/training/)
 - Board member training (every 4 years)
 - Open and Public Meetings Act (annually)
 - GRAMA training for records officers (annually)



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Compliance

- Implement and enforce strong internal controls
 - Established through policy and procedure
 - Educate employees in the “whys” of their duties
 - Separation of duties
 - Management reviews
 - Board involvement

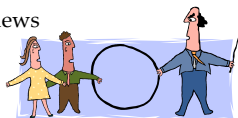


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Internal Control

- Internal Control is a process designed to provide reasonable assurance regarding the achievement of objectives.
 - One employee reviews another's work.



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Why Internal Controls are important

- They keep honest people... honest!
- They protect you against false accusations
- They ensure safeguarding of assets and resources
- They protect the public trust



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Discussion

- Topic: Internal Controls

You are concerned about recent reports of fraudulent activity in local governments in the State. What internal controls over receipts and disbursements will you put in place to provide oversight of financial activity in your district?



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Examples of Internal Controls

- Two individuals open mail received; mail log kept
- Receipts are issued for any door receipts
- Monthly bank reconciliation
- Board member reviews bank statements
- Dual signature checks



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Internal Control Limitations

- Human Judgment
 - Errors
 - Mistakes
- Management Override
- Collusion
- Cost Benefit
- Complexity of Controls



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Perception of Detection

- ACFE Says:
 - Controls do little to forestall theft if their presence is not known by those at risk.
- Employee education
- Reporting programs
- Hotlines
- Rewards
- Proactive audit policies



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1. Fraud Triangle



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Fraud Prevention Measures

1. Establish a “Tone at the Top” that encourages ethical conduct
2. Implement and enforce strong internal controls
3. Identify and mitigate risks in financial operations
4. Provide employee education and a fraud hotline
5. Address and follow-up on audit findings

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Compliance

- Hire competent staff
 - Clearly defined skills and qualifications
 - Employee performance measures
 - Annual evaluations
 - Regular training opportunities

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Board Member Objectives


- Effectiveness
- Efficiency
- Compliance
- **Reporting – Does the board prepare regular financial reports made available to those who pay the taxes or fees?**


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Reporting

- Budget adoption
- Annual financial reports
- Transparency website





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Reporting

- Topic: Budgeting

It's budget time again. What role does the board play in the budgeting process? What are the proper procedures for developing, reviewing and adopting the district's budget?




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Steps of the Budget Process

1. Tentative Budget Prepared
2. Budget Review by Governing Body
3. Public Hearing scheduled and noticed
4. Public Hearing Held
5. Adoption and Public Posting of Budget
6. Amendment of Budget during year if needed



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Amending the Budget

- New budgets may be adopted during the year
- Budgets may not be changed after the year end.
- Except for enterprise funds, new adoptions have to follow the same procedures as the adoption of the original budget.
- For enterprise funds no public notice and hearing is required; however, the board must still adopt the new budget.



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Reporting

Utah Code 51-2a-201

- If Revenues or Expenses are:
- Over \$750,000 – Audit
- \$350,000 to \$750,000 – Agreed-Upon Procedures report and On-line submission of financial data
- Below \$350,000 – Self-evaluation Form and an On-line submission of financial data



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Financial Report Certifications

Utah Code 11-50-201

- Certification of annual financial reports by the chief administrative officer and chief financial officer required: (effective July 1, 2013)
 - “Under penalty of perjury, I, [officer's name] certify that the [annual financial report] of [political subdivision] for the year ended [date] fairly presents in all material respects the financial condition and results of operations of [political subdivision].”



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How To Certify

- Electronic Signature through online submission
- Hard copy form
 - Form illustration on auditor.utah.gov

Financial Report will not be considered complete unless certification is submitted.



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Discussion

- Topic: Reporting Requirements

Your district has an annual budget of \$1,125,000. Regarding reporting requirements, what financial information is your district required to provide the State? To the public? State Auditor? State Treasurer? How often?



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Required Reports

Report	When Due	Submission:
Adopted Budget	No later than 30 days after adoption (Usually in January)	Uploaded to reporting.auditor.utah.gov
Financial Report or On-line Financial Survey	No later than 180 Days after Year End (Usually by June 30)	Or sent to:
Agreed-Upon Procedures or Self-Evaluation Form	No later than 180 Days after Year End (Usually by June 30)	State Auditor PO Box 142310 Salt Lake City, UT 84114
Investment Report	Bank balances as of June 30 and December 31 (Twice per Year)	State Treasurer PO Box 142315 Salt Lake City, UT 84114



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Transparency

Utah Code 63A-3-401 to 405

transparent.utah.gov
Utah Public Finance Website

- Applicable to all Local Districts with annual budgets of \$500,000 or more. Others are encouraged but not required.
- Uniform Chart of Accounts
- Detailed financial transactions in an electronic searchable format
- Balance sheet line items from audited statements
- For questions, call State Finance at 801-538-3082




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Discussion

- Topic: Levying a tax

Your district has decided that the current certified tax rate is not providing them with enough revenue to cover their bond payments and run the district. What qualifies the board to raise the tax rate and what must they do to raise the tax rate?




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Local District Taxation Authority

(17B-1-1001)

- Each local district that levies and collects a property tax must do so in accordance with the provisions of the Property Tax Act, UCA 59-2
 - Truth in Taxation, etc.



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Truth in Taxation Process

- October 1 – Notification of public meeting
- October 20 – Hold Public meeting (agenda item)
- October 27 – Parcel specific notice
- Advertise public hearing on tax increase in newspaper 2 consecutive weeks before hearing
- Hold public hearing and decide on tax increase
- propertytax.utah.gov



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Local District Taxation Authority

(17B-1-1001)

- A local district may not levy and collect property tax that exceeds the certified tax rate unless:
 - Property tax revenue was pledged before January 1, 2011, to pay for bonds or other obligations of the district; and



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Local District Taxation Authority

(17B-1-1001)

- Truth in Taxation:
 - Members of the board of trustees are all elected officials; or
 - The majority of the board of trustees are elected officials; or



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Local District Taxation Authority

(17B-1-1001)

- The proposed tax increase has been approved by:
 - A majority of registered voters within the district; or
 - The legislative body of the appointing authority; or
 - The legislative body of a majority of the municipalities within the district or the county within which the district is located



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Local District Taxation Authority

(17B-1-1001)

- Some exceptions apply to:
 - Water conservancy districts (17B-10-1009)
 - Metropolitan water districts (17B-2a-608)



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Questions



Ryan Roberts, CPA
Utah State Auditor's Office
ryanroberts@utah.gov
801-538-1721



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