



OFFICE OF THE
UTAH STATE AUDITOR

News Release
For Immediate Release
December 17, 2014

Office of the Utah State Auditor Completes Audit of Federal Funds Received by State

*\$4.368 Billion in Federal Funds Expended during Fiscal Year 2014 Reviewed for
Proper Use and Appropriate Internal Controls*

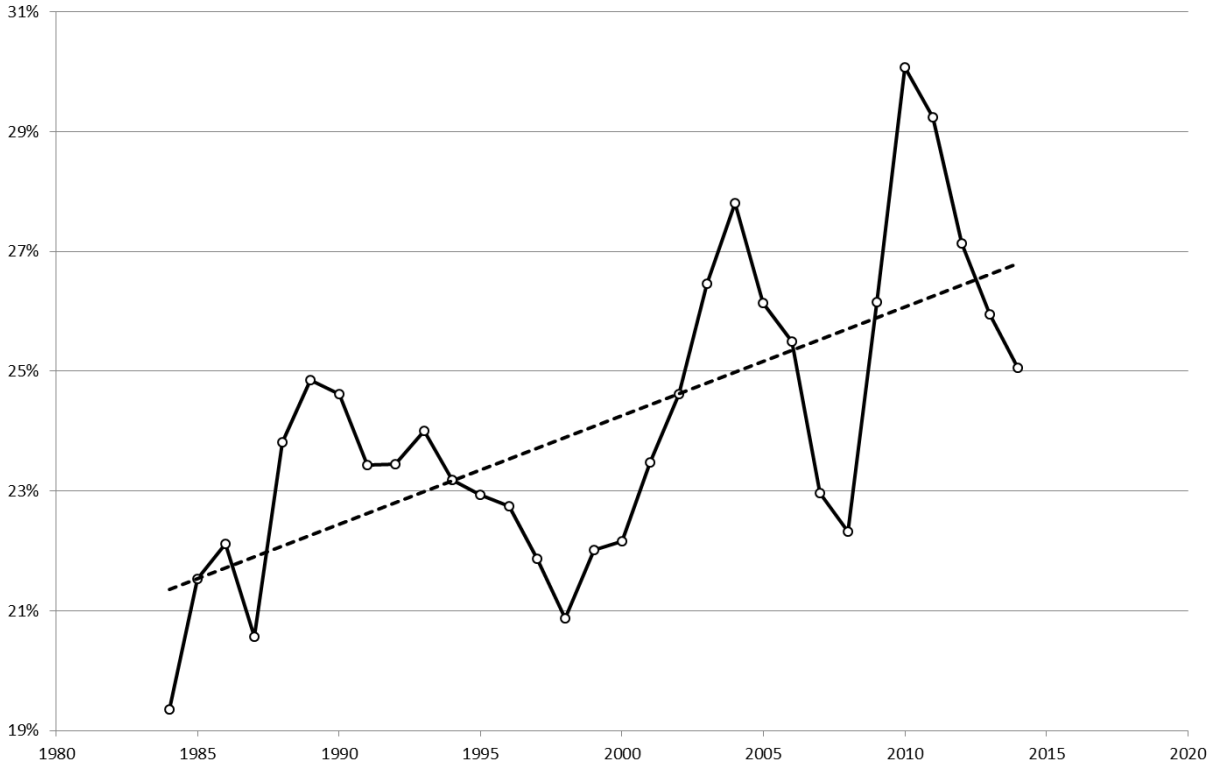
Salt Lake City, UTAH –

The Office of the Utah State Auditor (Office) released its Single Audit of the State's expenditures of federal funds. The audit report covers the State's compliance with federal laws and regulations governing the use of federal funds. The \$4.368 billion in federal funds spent in fiscal year 2014 represents 25% of the State's total fiscal year 2014 expenditures of \$17.433 billion.

Federal funds are a major source of funding for the State of Utah and are the State's largest single revenue source. For the fiscal year ended June 30, 2014, Utah received \$4.17 billion in federal revenues compared to \$2.919 billion in individual income tax and \$2.149 billion in sales tax. The difference between federal funds expended and federal funds received is comprised largely of unemployment insurance expenditures required to be reported as a federal expenditure. In addition, the State reported another \$2.052 billion in federally provided food commodities, loans outstanding, endowments, and loan guarantees for total federal assistance of \$6.42 billion.

The Utah State Auditor, Mr. John Dougall, states, "Despite the decline in receipt of federal funds received during the economic recession as the economy has slowly recovered, Utah continues to increase its dependence on federal funding over the long term."

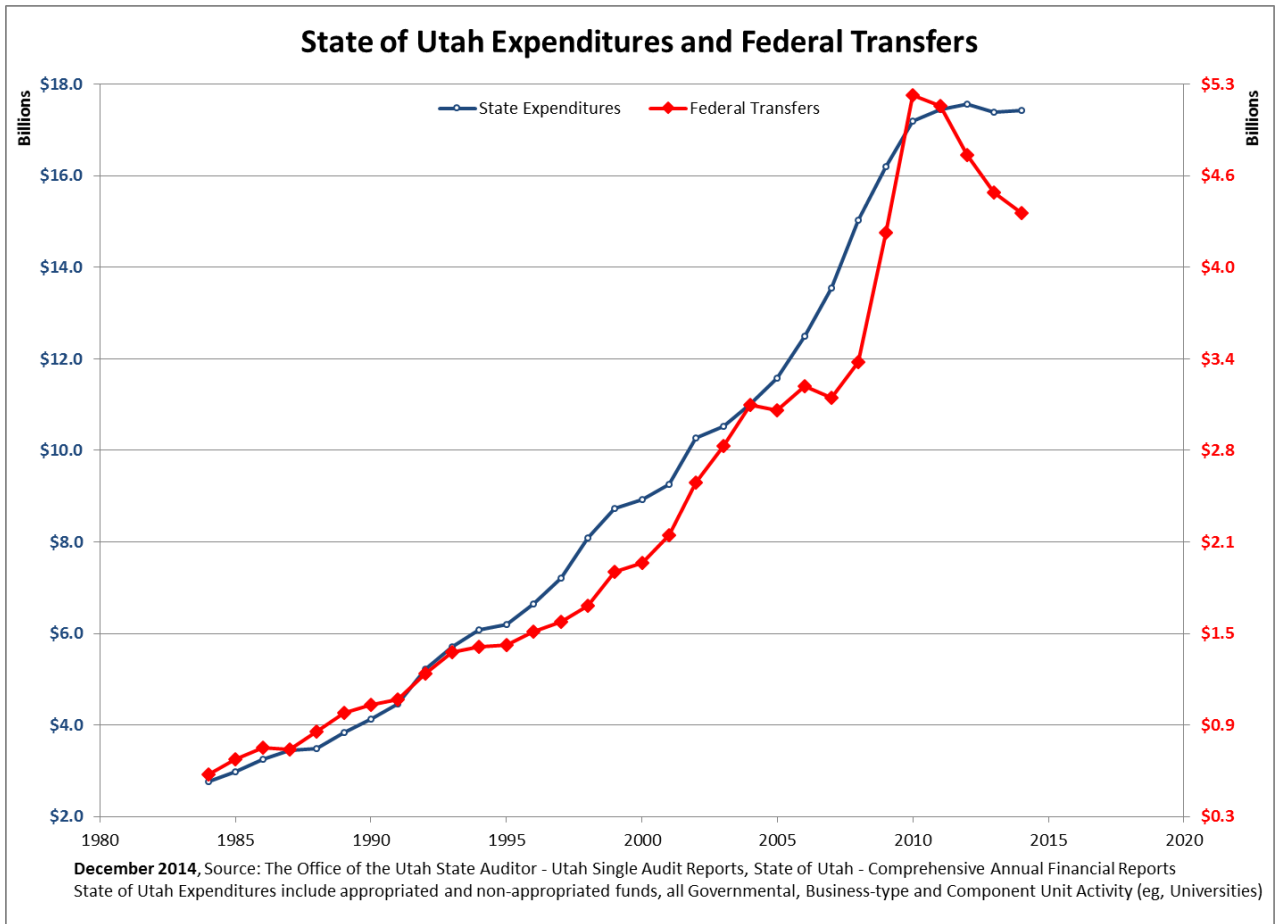
Percent of State of Utah Expenditures from Federal Transfers



December 2014, Source: The Office of the Utah State Auditor - Utah Single Audit Reports, State of Utah - Comprehensive Annual Financial Reports
 State of Utah Expenditures include appropriated and non-appropriated funds, all Governmental, Business-type and Component Unit Activity (eg, Universities)

The graph above shows the percentage of Utah expenditures from federal transfers. In fiscal year 1984, approximately 19% of Utah’s expenditures came from federal transfers, rising to a peak in fiscal year 2010 at 30%. In fiscal year 2014, the percentage fell modestly from that peak to 25%. However, the trend line shows the long-term average, which indicates that Utah’s dependence on federal funds has been increasing for three decades.

The following graph illustrates the rate of growth of total state expenditures and of federal transfers. State expenditures are shown in blue on the left axis of the graph and federal transfers received by the State are shown in red on the right axis. Both lines show significant ongoing increases in Utah’s spending, and the impact that changes in the economy have on government spending policies.



Overall, the Single Audit for fiscal year 2014 showed targeted improvements in compliance with federal requirements. The Office reported that the State expends federal funds in most respects in compliance with federal regulations. The report presents 44 audit findings, or problems, and recommendations related to the State's noncompliance with federal laws and regulations and related internal controls. The majority of these findings are modest in scope or impact.

The Office identified areas of modest improvement in this year's Single Audit when compared to 2013. This year, 2 material weaknesses in internal controls were reported in 2 federal programs, down from 8 materials weaknesses in internal controls in 6 federal programs in fiscal year 2013. Of the 31 federal programs audited for fiscal year 2014, one received a qualified audit opinion because of material noncompliance with federal program requirements. The problem was identified in the National Guard Military Operations and Maintenance Projects. In particular, the Guard inappropriately charged \$431,703 against a budget without having approval for that category of expense, and continued to make those charges even after identifying the noncompliance. The Office recommended that the Guard discontinue these charges until such time that an exemption is granted.

The report includes a detailed list of expenditures for each of the federal programs, as well as a list of expenditures sorted by State department/agency and a list of findings reported during the audit.

BACKGROUND:

Of the \$4.368 billion in expenditures of federal funds, \$3.705 billion was expended by the State's governmental and business-type activities and \$663 million was expended by the State's colleges and universities.

Both federal and state laws require the State to have an annual audit of all federal funds expended to determine whether the funds were spent in accordance with federal laws and regulations. Any funds that appear to have not been spent in accordance with federal laws and regulations are questioned by the Office. The Federal Government will work with each State agency and each college and university where costs have been questioned to determine whether the costs need to be paid back. The Federal Government may also expand the audit of problem areas identified to increase the amount of disallowed costs if they choose.

In addition, Federal audit standards require the Office to audit the State's federally funded programs and give an opinion on the State's compliance with federal laws and regulations. Federal audit standards require a risk-based approach which focuses auditing efforts on those programs with higher risk, including the largest federal programs. The Office audited 31 programs in fiscal year 2014. The programs audited represent approximately 86% of the federal financial assistance received by the State of Utah.

A copy of this report can be viewed on our website at auditor.utah.gov and specifically at <http://financialreports.utah.gov/saoreports/2014/2014SingleAuditStateofUtah.pdf>

About the Office of the Utah State Auditor

The Office of the Utah State Auditor provides Utah taxpayers and government officials with an independent assessment of financial operation, statutory compliance, and performance management for state and local government.

Specific activities of the Office include performing financial audits, conducting federal funds compliance audits, providing local government oversight, conducting agency and program performance audits, performing fraud and compliance audits, and operating the State Auditor Hotline for citizens to report suspected financial issues or improprieties. These capabilities strengthen Utah State Government and help taxpayers have confidence in the integrity of Utah's government agencies.

The Utah State Auditor is a Constitutional Officer of the State of Utah, elected directly by the State's citizens every four years. The role of the Utah State Auditor is authorized in Article VII, Section 15 of the Utah Constitution.

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