



OFFICE OF THE
STATE AUDITOR

Auditor Alert 2018-02

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Subject: Guidance and oversight of nonprofit entities by local governments

The Office of the Legislative Auditor General recently released an audit report entitled "[A Review of Best Practices for Internal Control of Nonprofits Associated with Government](#)" (2018-04). The audit recommends that government entities associated with nonprofit entities use their influence over those nonprofits to ensure that best practices for financial controls and board governance are implemented. A checklist of best practices are included in Appendix A of the report. In addition, the audit recommends that the government entities inform associated nonprofit entities of state auditor reporting requirements and whether the entities qualify as governmental nonprofits. The following resources and information are provided to assist in this effort.

Nongovernmental Nonprofits

In accordance with Utah Code 51-2a-201.5, nonprofit entities that annually receive over \$25,000 in federal pass-through, state and local money must submit an annual financial report to the Office of the State Auditor. Additional information regarding reporting requirements of nongovernmental nonprofit entities may be found on our website at: auditor.utah.gov/audit-resources/report-grants-to-non-profits/. Refer to the document entitled "Informational Packet for NGOs."

Governmental Nonprofits

In general, nonprofit entities are considered a governmental entity if they meet one of the following criteria:

- 1) The entity is wholly owned or wholly controlled by one or more governmental entities and receives governmental funding; or
- 2) One or more governmental entities exercise a controlling interest and the nonprofit entity:
 - a. Exercises taxing authority;
 - b. Imposes a mandatory fee for association or participation where such participation is mandatory; or
 - c. Receives a majority of its operating funding from one or more governmental entities, where such funding is not voluntary membership fees, dues or assessments.

Please refer to the specific statutory criteria and exemptions in Utah Code 11-13a-102.

Governmental nonprofits are subject to the following governmental transparency and reporting requirements:

- 1) Open and Public Meetings Act (UCA 52-4)
- 2) Fiscal Procedures for Interlocal Entities (UCA 11-13 part 5)
- 3) Government Records Access and Management Act (UCA 63G-2)