

March 22, 2017

MEMORANDUM

TO: State Board of Regents

FROM: David L. Buhler

SUBJECT: USHE – Revision of Internal Audit Policies R212, R541, R548, R550, R553, R557, R565, R567

Issue

As part of the ongoing review of Regent policies, the Commissioner's Office staff has reviewed all policies which involve internal audit activities and is seeking Board approval on proposed updates and revisions. Revisions include aligning Regent policies with state statute (updated in 2014); strengthening the Trustee audit committees involvement in institution internal activities; and reducing Regent required internal audits from six to three.

Background

Amendments to the state's *Internal Audit Act* require USHE institution's internal auditors to comply with either *Government Auditing Standards*, established by the United States' Government Accountability Office, or the *International Standards for the Professional Practice of Internal Auditors*, promulgated by the Institute of Internal Auditors. Accordingly, Regent policies addressing institution internal audit activities need to be aligned with state statute and the appropriate auditing standards. Such revisions include:

- Clarification of Trustee audit committee responsibilities for functional oversight of the institution internal audit activity (R565)
- Establishment of an internal audit charter approved by the Trustee audit committee (R567)
- Requirement for "risk-based" internal audits (R567)
- Emphasis on internal audit activity independence and objectivity (R567)

Additionally, proposed revisions would accomplish the following:

- Modify the review requirements for institution discretionary funds (R548), revenue-generating activities (R553), and motor vehicles (R557) from an annual *audit* to an annual *certification* of existing institution reports
- Moves to an *annual* audit of out-of-state travel rather than a *semi-annual* audit for presidential travel (R212)
- Adds a provision to include an annual audit of the Commissioner's out-of-state travel similar to the requirement for institution presidents (R212)
- Annually submit all Regent-required audit reports and certification reports to the Office of the Commissioner of Higher Education by January 15 (R212, R541, R548, R550, R553, and R557)
- Require audits of all institution auxiliary services at least once every five years (R550)

Commissioner's Recommendation

The Commissioner recommends the Board approve the proposed revisions to the following policies effective immediately:

- Policy R212, *Presidential Travel Oversight*,
- Policy R541, *Management and Reporting of Institutional Investments*,
- Policy R548, *Institutional Discretionary Funds Administration and Accountability*,
- Policy R550, *Auxiliary Enterprises Operation and Accountability*,
- Policy R553, *Revenue-generating Activities*,
- Policy R557, *Motor Vehicles*,
- Policy R565, *Audit Committees*, and
- Policy R567, *Internal Audit Program*

David L. Buhler
Commissioner of Higher Education

DLB/KLH/DSP
Attachments

R212-1. Chief Executive Officer Travel: Travel is an integral and expected part of a president's and commissioner's role. This policy gives the boards of trustees oversight of presidential travel and ensures institutions and the Office of the Commissioner of Higher Education are transparent and accountable of the use of their resources.

R212-2. Policy

2.1. Board of Trustees Oversight. Each institution shall annually submit to its board of trustees chair an itemized record of the president's out of state institution-funded travel expenses. The itemized list shall include:

- 2.1.1 Travel dates and location;
- 2.1.2 The purpose of the travel; and
- 2.1.3 Total expenses for each trip.

2.2 Presidential Travel Audit. Institutions shall annually audit out of state presidential travel and submit audit reports to manager of audit and financial services by January 15 of each year.

2.3 Commissioner Travel Audit. The Office of the Commissioner of Higher Education shall annually audit the Commissioner's out of state travel.

¹ Originally adopted September 16, 2011, Policy number (R566) amended January 25, 2013.

R212-1. Presidential Chief Executive Officer Travel: Travel is an integral and expected part of a president's and commissioner's role. This policy ~~provides guidance on institutional oversight delegated to~~ gives the ~~B~~boards of ~~T~~rustees ~~to ensure accountability on oversight of~~ presidential travel and ensures while also protecting the integrity of institutions and the Office of the Commissioner of Higher Education and the Utah System of Higher Education are transparent and accountable of the use of their resources. ~~Travel is recognized as an integral and expected part of a president's role and responsibility to an institution.~~

R212-2. Policy

2.1. Travel Review Board of Trustees Oversight. ~~Review of out-of state presidential travel by a representative of the institutional governing board provides appropriate oversight of public funds.~~ Each institution shall annually submit to its board of trustees chair

1.1.1. ~~A~~ an itemized list of detailed travel expenditures shall be reported semi-annually to the Chairperson of the Board of Trustees record of the president's out of state institution-funded travel expenses.

1.1.1.1 ~~Items to~~ The itemized list shall include ~~in the report are as follows:~~

2.1.1 Travel dates and location of travel, date, purpose, and total expenses.;

1.1.1.2 2.1.2 ~~Trips to include in the report are those that involve expenditure of institutional resources. Trips funded by other entities need not be included.~~ The purpose of the travel; and

2.1.3 Total expenses for each trip.

1.2.2 Presidential Travel Audit. ~~Institutions shall annually audit out of state P~~ presidential travel shall be audited pursuant to the normal internal audit procedures of the institution and submit audit reports to manager of audit and financial services by January 15 of each year.

2.3 Commissioner Travel Audit. The Office of the Commissioner of Higher Education shall annually audit the Commissioner's out of state travel.

¹ Originally adopted September 16, 2011, Policy number (R566) amended January 25, 2013.

R541, Management and Reporting of Institutional Investments¹

R541-1. Purpose: This policy implements the State Money Management Act, the rules of the State Money Management Council, and the Uniform Prudent Management of Institutional Funds Act This policy provides guidelines to institutions for establishing policy, process, and reporting of investments.

R541-2. References

- 2.1. Utah Code §53B-2-106, Duties and Responsibilities of the President
- 2.2. Utah Code Title 51, Chapter 7, State Money Management Act
- 2.3. Utah Administrative Code Title R628, Rules of the State Money Management Council
- 2.4. Utah Code Title 51, Chapter 08, Uniform Prudent Management of Institutional Funds Act
- 2.5. Regents Policy, R567-3, Internal Audit Activities Definitions

R541-3. Definitions

- 3.1. **"The Board":** The Utah State Board of Regents.
- 3.2. **Investments:** All institutional funds addressed under provisions of the State Money Management Act or the Uniform Prudent Management of Institutional Funds Act.
- 3.3. **Alternative Investments:** Funds that derive returns primarily from high yield or distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, private real estate, or absolute return and long/short hedge funds.

R541-4. Delegation of Responsibility: The Board delegates to each institutional Board of Trustees full responsibility to manage and report institutional investments in compliance with this general policy.

R541-5. Institutional Board of Trustees Responsibilities: Each institutional Board of Trustees shall adopt institutional policy and procedure regarding investments (including any changes in such policy and procedures), designate a public treasurer and approve the format of reports submitted for its review.

5.1. **Periodic Review and Approval:** Each institutional Board of Trustees shall receive and approve monthly investment reports.

5.2. **Policy and Procedures Furnished to the Board:** Each institution shall furnish the Board with a copy of its investment policies and procedures as approved by its institutional Board of Trustees. Such policy and procedures shall:

- 5.2.1. require institutional compliance with the State Money Management Act, Rules of the State Money Management Council, and Uniform Prudent Management of Institutional Funds Act; and

¹ Approved April 24, 1973, revised September 24, 1974, May 26, 1989, October 19, 1989, June 18, 1993, May 29, 1998, June 10, 2005, December 14, 2007, October 16, 2009 and September 18, 2015.

5.2.2. specify criteria for appointment of a public treasurer, define the public treasurer's authority in making institutional investments within the overall operating responsibility of the chief executive officer, and establish criteria for supervisory approval of the public treasurer's investment decisions; and

5.2.3. delineate specific procedures and required approvals for investment of institutional funds which provide for adequate internal controls, including an appropriate segregation of duties with respect to the authorization, custody, accounting and reporting of investment transactions; and

5.2.4. specify the format and schedule for reporting to its institutional Board of Trustees.

5.3. **Subsequent Changes:** Each institution shall submit to the Board all subsequent changes in investment policy.

R541-6. Endowment Funds: If any gift, devise, or bequest, whether outright or in trust, is made by a written instrument which contains directions as to investment thereof, the funds embodied within the gift shall be invested in accordance with those directions. Such gifts received by donation may be retained by an institution and shall be considered to be invested according to the terms of this policy. In the absence of a written instrument, non-qualifying investments shall be sold as soon as practical, not to exceed 30 days. The Commissioner may approve exceptions to the 30-day rule in the case of non-readily marketable investments.

6.1. In accordance with the Uniform Prudent Management of Institutional Funds Act, an institution's board of trustees may adopt its own endowment investment policy. All such policies (including any associated investment guidelines or other policy direction) must meet the requirements of the Uniform Prudent Management of Institutional Funds Act, and must be formally approved by the Board of Regents. Institutions are not authorized to apply their own policies until both of the foregoing conditions have been met. Institutions following a separate trustee adopted and Regent approved endowment investment policy will be considered to be investing in accordance with the terms of this policy. Revisions to institutional endowment investment policies (including revisions to any associated investment guidelines or other policy direction) must also receive both trustee and Regent approval.

6.2. **Permissible Investments and Asset Allocations:** This section applies to those institutions that do not have an investment policy in place that has been adopted by their Board of Trustees and approved by the Board of Regents.

6.2.1. Institutions are permitted to invest endowment funds in the following:

Mutual funds registered with the SEC	0 - 100%
Investments sponsored by the Common Fund	0 - 100%
Investments authorized by Utah Code §51-7-11	0 - 100%
Corporate stock listed on a major exchange (direct ownership)	0 - 3%

6.2.2. An institution's overall endowment portfolio shall be invested in accordance with the following allocation ranges:

Fixed income and cash equivalents	25 - 100%
Equity Investments	0 - 75%
Alternative Investments	0 - 30%

- 6.2.3. Each institution utilizing alternative investments must comply with the following criteria:
- 6.2.3.1. Each institution with endowed funds in excess of \$100 million may invest up to 30 percent of its endowed funds in alternative investments.
 - 6.2.3.2. Each institution with endowed funds in excess of \$75 million but less than \$100 million may invest up to 25 percent of its endowed funds in alternative investments.
 - 6.2.3.3. Each institution with endowed funds in excess of \$50 million but less than \$75 million may invest up to 20 percent of its endowed funds in alternative investments.
 - 6.2.3.4. Each institution with endowed funds in excess of \$25 million but less than \$50 million may invest up to 15 percent of its endowed funds in alternative investments.
 - 6.2.3.5. Each institution with endowed funds in excess of \$5 million but less than \$25 million may invest up to 10 percent of its endowed funds in alternative investments.
 - 6.2.3.6. Institutions with endowed funds of less than \$5 million are not permitted to invest any of their endowed funds in alternative investments.
- 6.2.4. Once an institution reaches an alternative investment threshold, it may retain the investment range authorized for that threshold as long as the market value of its endowed funds remains within 90 percent of the threshold.
- 6.2.5. Pooled or commingled investment funds (e.g., mutual funds or Common Fund investments) are to be categorized and calculated into the asset mix according to the primary purpose of those investment funds.
- 6.2.6. Pooled or commingled investment funds without a clear primary purpose (e.g., balanced funds) are to be categorized and calculated into the asset mix as equity investments.
- 6.2.7. Real estate investment trusts are to be categorized and calculated into the asset mix as equity investments.
- 6.2.8. The endowment portfolio shall be reviewed at the end of every quarter and if need be, a tactical plan of action to rebalance the portfolio shall be determined to bring the portfolio into compliance (rebalancing is only necessary if the permissible investment and/or asset allocation ranges are out of compliance). This action will constitute full compliance with the permissible investment and asset allocation provisions of this policy.
- 6.2.9. All calculations required to demonstrate compliance with section 6.2 are to be based on market values.

6.3. **Investment Guidelines.** The foregoing asset allocation standards are meant to serve as a general guide. The institutions must use them in conjunction with appropriate due-diligence and prudence. The following standard of care shall apply to investments of endowed funds by institutions:

- 6.3.1. An institution shall invest and manage endowment funds as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the

endowment. In satisfying this standard, an institution shall exercise reasonable care, skill, and caution.

6.3.2. An institution's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the endowment portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the endowment.

6.3.3. Among circumstances that an institution shall consider in investing and managing endowment assets are the following which may be relevant to the endowment or its beneficiaries:

6.3.3.1. general economic conditions;

6.3.3.2. the possible effect of inflation or deflation;

6.3.3.3. the role that each investment or course of action plays within the overall endowment portfolio;

6.3.3.4. the expected total return from income and the appreciation of capital;

6.3.3.5. needs for liquidity, regularity of income, and preservation or appreciation of capital; and

6.3.3.6. an asset's special relationship or special value, if any, to the purposes of the endowment or to one or more of the beneficiaries.

6.3.4. An institution shall make a reasonable effort to verify facts relevant to the investment and management of endowed assets.

6.3.5. Any institution that elects to invest their endowment funds with another institution may do so with prior approval from their Board of Trustees and the Board of Regents and shall adopt the investment guidelines of the institution receiving the funds in place of the guidelines outlined in 6.2-6.3.

6.4. Delegation to an Agent: An institution may delegate investment and management functions that a prudent investor could properly delegate under the circumstances.

6.4.1. The institution shall exercise reasonable care, skill, and caution in:

6.4.1.1. selecting an agent;

6.4.1.2. establishing the scope and terms of the delegation, consistent with the purposes and terms of the endowment; and

6.4.1.3. periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

6.4.2. In performing a delegated function, an agent owes a fiduciary duty to the endowment to exercise reasonable care to comply with the terms of the delegation. An institution that complies with the requirements of section 4.6.2.2 is not liable to the beneficiaries or to the endowment for the decisions or actions of the agent to whom the function was delegated.

6.4.3. In investing and managing endowed funds, an institution may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the endowment, and the skills of the institution or agent to whom investment management functions were delegated.

6.5. **Exceptions:** The Board of Regents may approve exceptions to R541. Such exceptions must be immaterial to the endowment portfolio as a whole and must meet a compelling instructional, public service, or other institutional need.

R541-7. Operating and All Other Non-Endowment Funds: Operating and all other non-endowment funds shall be invested in accordance with the State Money Management Act and Rules of the State Money Management Council.

R541-8. Conflicts of Interest: A conflict of interest occurs when an individual's private interests interfere in any way—or even appear to interfere—with the institution's interests as a whole.

8.1. Access Persons

8.1.1. Each institution's officers, directors, employees or members of an investment committee that are involved with the investment of endowment funds ("Access Persons") have a duty to be free of conflicting interests that might influence their decisions when representing the institution.

8.1.2. Consequently, as a general matter, an institution's Access Persons are not permitted to maintain any conflict of interest with the institution, and should make every effort to avoid even the appearance of any such conflict. A conflict of interest can arise when an Access Person takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively, or when an Access Person or a member of his or her family receives any improper personal benefits as a result of his or her position with the institution.

8.1.3. Any Access Person who believes that he or she may have a potential conflict of interest must immediately report concerns to the appropriate institutional representative, mechanism, or process (ethics committee, etc.).

8.2. This general prohibition on conflicts of interest includes (but is not limited to) the following:

8.2.1. an institution's dealings with consultants, investment advisers, investment funds, and others shall be based solely on what is in the institution's best interest, without favor or preference to any third party, including close relatives; and

8.2.2. Access Persons who deal with or influence decisions of individuals or organizations seeking to do business with an institution shall not own interests in or have other personal stakes in such organizations that might affect the decision-making process and/or the objectivity of such employee, unless expressly authorized in writing by the investment committee and board of trustees of the institution, and only after the interest or personal stake has been disclosed.

R541-9. Reports to Institutional Boards of Trustees: In establishing reports to its Board of Trustees, each institution shall implement the following:

9.1. **Reports:** Each institution shall submit monthly investment reports to the secretary of the Board of Trustees within 60 days of the month's end. The secretary will place the reports on the agenda of the next regular trustee meeting.

9.2. Copies of Reports Submitted to the Board: Within 30 days of trustee approval, each institution shall submit to the Board of Regents a copy of the reports submitted to its board of trustees.

R541-10. Annual Report: Annually, each institution shall submit, on forms provided by the Commissioner of Higher Education, a report summarizing all investments under its jurisdiction.

R541-11. Audits: Each institution shall annually audit its institutional investments. Institutions shall send the completed audit report to Board of Regents Audit Manager by January 15.

R541-12. Annual Summary: The Board shall submit an annual report to the Governor and the Legislature summarizing all investments by institutions under its jurisdiction.

DRAFT

R541, Management and Reporting of Institutional Investments¹

R541-1. Purpose: ~~To provide for the implementation of~~ [This policy implements](#) the State Money Management Act, the rules of the State Money Management Council, and the Uniform Prudent Management of Institutional Funds Act; ~~and the adoption of guidelines for the establishment of~~ [This policy provides guidelines to institutions for establishing](#) policy, process, and reporting of investments ~~by institutions of the Utah System of Higher Education (USHE).~~

R541-2. References

- 2.1. Utah Code [§53B-2-106](#), Duties and Responsibilities of the President
- 2.2. Utah Code [Title 51, Chapter 7](#), State Money Management Act
- 2.3. Utah Administrative Code [Title R628](#), Rules of the State Money Management Council
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R541-3. Definitions

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- 3.2. **Investments**: All institutional funds addressed under provisions of the State Money Management Act or the Uniform Prudent Management of Institutional Funds Act.
- 3.3. **Alternative Investments**: Funds that derive returns primarily from high yield or distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, private real estate, or absolute return and long/short hedge funds.

R541-4. Delegation of Responsibility: The Board delegates to each institutional Board of Trustees full responsibility to manage and report institutional investments in compliance with this general policy.

R541-5. Institutional Board of Trustees Responsibilities: Each institutional Board of Trustees shall adopt institutional policy and procedure regarding investments (including any changes in such policy and procedures), designate a public treasurer and approve the format of reports submitted for its review.

- 5.1. **Periodic Review and Approval:** Each institutional Board of Trustees shall receive and approve monthly investment reports.
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5.2.1. require institutional compliance with the State Money Management Act, Rules of the State Money Management Council, and Uniform Prudent Management of Institutional Funds Act; and

5.2.2. specify criteria for appointment of a public treasurer, define the public treasurer's authority in making institutional investments within the overall operating responsibility of the chief executive officer, and establish criteria for supervisory approval of the public treasurer's investment decisions; and

5.2.3. delineate specific procedures and required approvals for investment of institutional funds which provide for adequate internal controls, including an appropriate segregation of duties with respect to the authorization, custody, accounting and reporting of investment transactions; and

5.2.4. specify the format and schedule for reporting to its institutional Board of Trustees.

5.3. **Subsequent Changes:** Each institution shall submit to the Board all subsequent changes in investment policy.

R541-6. Endowment Funds: If any gift, devise, or bequest, whether outright or in trust, is made by a written instrument which contains directions as to investment thereof, the funds embodied within the gift shall be invested in accordance with those directions. Such gifts received by donation may be retained by an institution and shall be considered to be invested according to the terms of this policy. In the absence of a written instrument, non-qualifying investments shall be sold as soon as practical, not to exceed 30 days. The Commissioner may approve exceptions to the 30-day rule in the case of non-readily marketable investments.

6.1. In accordance with the Uniform Prudent Management of Institutional Funds Act, an institution's board of trustees may adopt its own endowment investment policy. All such policies (including any associated investment guidelines or other policy direction) must meet the requirements of the Uniform Prudent Management of Institutional Funds Act, and must be formally approved by the Board of Regents. Institutions are not authorized to apply their own policies until both of the foregoing conditions have been met. Institutions following a separate trustee adopted and Regent approved endowment investment policy will be considered to be investing in accordance with the terms of this policy. Revisions to institutional endowment investment policies (including revisions to any associated investment guidelines or other policy direction) must also receive both trustee and Regent approval.

6.2. **Permissible Investments and Asset Allocations:** This section applies to those institutions that do not have an investment policy in place that has been adopted by their Board of Trustees and approved by the Board of Regents.

6.2.1. Institutions are permitted to invest endowment funds in the following:

Mutual funds registered with the SEC	0 - 100%
Investments sponsored by the Common Fund	0 - 100%
Investments authorized by Utah Code §51-7-11	0 - 100%
Corporate stock listed on a major exchange (direct ownership)	0 - 3%

6.2.2. An institution's overall endowment portfolio shall be invested in accordance with the following allocation ranges:

Fixed income and cash equivalents	25 - 100%
Equity Investments	0 - 75%

Alternative Investments	0 - 30%
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6.2.3. Each institution utilizing alternative investments must comply with the following criteria:

6.2.3.1. Each institution with endowed funds in excess of \$100 million may invest up to 30 percent of its endowed funds in alternative investments.

6.2.3.2. Each institution with endowed funds in excess of \$75 million but less than \$100 million may invest up to 25 percent of its endowed funds in alternative investments.

6.2.3.3. Each institution with endowed funds in excess of \$50 million but less than \$75 million may invest up to 20 percent of its endowed funds in alternative investments.

6.2.3.4. Each institution with endowed funds in excess of \$25 million but less than \$50 million may invest up to 15 percent of its endowed funds in alternative investments.

6.2.3.5. Each institution with endowed funds in excess of \$5 million but less than \$25 million may invest up to 10 percent of its endowed funds in alternative investments.

6.2.3.6. Institutions with endowed funds of less than \$5 million are not permitted to invest any of their endowed funds in alternative investments.

6.2.4. Once an institution reaches an alternative investment threshold, it may retain the investment range authorized for that threshold as long as the market value of its endowed funds remains within 90 percent of the threshold.

6.2.5. Pooled or commingled investment funds (e.g., mutual funds or Common Fund investments) are to be categorized and calculated into the asset mix according to the primary purpose of those investment funds.

6.2.6. Pooled or commingled investment funds without a clear primary purpose (e.g., balanced funds) are to be categorized and calculated into the asset mix as equity investments.

6.2.7. Real estate investment trusts are to be categorized and calculated into the asset mix as equity investments.

6.2.8. The endowment portfolio shall be reviewed at the end of every quarter and if need be, a tactical plan of action to rebalance the portfolio shall be determined to bring the portfolio into compliance (rebalancing is only necessary if the permissible investment and/or asset allocation ranges are out of compliance). This action will constitute full compliance with the permissible investment and asset allocation provisions of this policy.

6.2.9. All calculations required to demonstrate compliance with section 6.2 are to be based on market values.

6.3. **Investment Guidelines.** The foregoing asset allocation standards are meant to serve as a general guide. The institutions must use them in conjunction with appropriate due-diligence and prudence. The following standard of care shall apply to investments of endowed funds by institutions:

6.3.1. An institution shall invest and manage endowment funds as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowment. In satisfying this standard, an institution shall exercise reasonable care, skill, and caution.

6.3.2. An institution's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the endowment portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the endowment.

6.3.3. Among circumstances that an institution shall consider in investing and managing endowment assets are the following which may be relevant to the endowment or its beneficiaries:

6.3.3.1. general economic conditions;

6.3.3.2. the possible effect of inflation or deflation;

6.3.3.3. the role that each investment or course of action plays within the overall endowment portfolio;

6.3.3.4. the expected total return from income and the appreciation of capital;

6.3.3.5. needs for liquidity, regularity of income, and preservation or appreciation of capital; and

6.3.3.6. an asset's special relationship or special value, if any, to the purposes of the endowment or to one or more of the beneficiaries.

6.3.4. An institution shall make a reasonable effort to verify facts relevant to the investment and management of endowed assets.

6.3.5. Any institution that elects to invest their endowment funds with another institution may do so with prior approval from their Board of Trustees and the Board of Regents and shall adopt the investment guidelines of the institution receiving the funds in place of the guidelines outlined in 6.2-6.3.

6.4. Delegation to an Agent: An institution may delegate investment and management functions that a prudent investor could properly delegate under the circumstances.

6.4.1. The institution shall exercise reasonable care, skill, and caution in:

6.4.1.1. selecting an agent;

6.4.1.2. establishing the scope and terms of the delegation, consistent with the purposes and terms of the endowment; and

6.4.1.3. periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the terms of the delegation.

6.4.2. In performing a delegated function, an agent owes a fiduciary duty to the endowment to exercise reasonable care to comply with the terms of the delegation. An institution that complies

with the requirements of section 4.6.2.2 is not liable to the beneficiaries or to the endowment for the decisions or actions of the agent to whom the function was delegated.

6.4.3. In investing and managing endowed funds, an institution may only incur costs that are appropriate and reasonable in relation to the assets, the purposes of the endowment, and the skills of the institution or agent to whom investment management functions were delegated.

6.5. Exceptions: The Board of Regents may approve exceptions to R541. Such exceptions must be immaterial to the endowment portfolio as a whole and must meet a compelling instructional, public service, or other institutional need.

R541-7. Operating and All Other Non-Endowment Funds: Operating and all other non-endowment funds shall be invested in accordance with the State Money Management Act and Rules of the State Money Management Council.

R541-8. Conflicts of Interest: A conflict of interest occurs when an individual's private interests interfere in any way—or even appear to interfere—with the institution's interests as a whole.

8.1. Access Persons

8.1.1. Each institution's officers, directors, employees or members of an investment committee that are involved with the investment of endowment funds ("Access Persons") have a duty to be free of conflicting interests that might influence their decisions when representing the institution.

8.1.2. Consequently, as a general matter, an institution's Access Persons are not permitted to maintain any conflict of interest with the institution, and should make every effort to avoid even the appearance of any such conflict. A conflict of interest can arise when an Access Person takes actions or has interests that may make it difficult to perform his or her company work objectively and effectively, or when an Access Person or a member of his or her family receives any improper personal benefits as a result of his or her position with the institution.

8.1.3. Any Access Person who believes that he or she may have a potential conflict of interest must immediately report concerns to the appropriate institutional representative, mechanism, or process (ethics committee, etc.).

8.2. This general prohibition on conflicts of interest includes (but is not limited to) the following:

8.2.1. an institution's dealings with consultants, investment advisers, investment funds, and others shall be based solely on what is in the institution's best interest, without favor or preference to any third party, including close relatives; and

8.2.2. Access Persons who deal with or influence decisions of individuals or organizations seeking to do business with an institution shall not own interests in or have other personal stakes in such organizations that might affect the decision-making process and/or the objectivity of such employee, unless expressly authorized in writing by the investment committee and board of trustees of the institution, and only after the interest or personal stake has been disclosed.

R541-9. Reports to Institutional Boards of Trustees: In establishing reports to its Board of Trustees, each institution shall implement the following:

9.1. **Reports:** Each institution shall submit monthly investment reports to the secretary of the Board of Trustees within 60 days of the month's end. The secretary will place the reports on the agenda of the next regular trustee meeting.

9.2. **Copies of Reports Submitted to the Board:** Within 30 days of trustee approval, each institution shall submit to the Board of Regents a copy of the reports submitted to its board of trustees.

R541-10. **Annual Report:** Annually, each institution shall submit, on forms provided by the Commissioner of Higher Education, a report summarizing all investments under its jurisdiction.

R541-11. **Audits:** Each institution shall ~~arrange for an~~ annually audit of its ~~annual report institutional investments.~~ Institutions shall send the completed audit report to Board of Regents Audit Manager by January 15. ~~The Office of the Commissioner will maintain an audit procedures guide to outline audit requirements and due dates.~~

R541-12. **Annual Summary:** The Board shall submit an annual report to the Governor and the Legislature summarizing all investments by institutions under its jurisdiction.

DRAFT

R548, Institutional Discretionary Funds Administration and Accountability¹

R548-1. Purpose: To provide policy for the use and administration of Institutional Discretionary Funds as defined herein, and accountability procedures for the use of such funds.

R543-2. References

- 2.1. Utah Code §53B-7-101(9) (Each Institution Handles Financial Affairs Under General Supervision of the Board)
- 2.2 Board of Regents Policy R567-3, Internal Audit Activities, Definitions

R548-3. Definitions

3.1. **Institutional Discretionary Funds:** Funds available for expenditure or transfer at the direction of the president of the institution, generated from one or both of the following sources:

3.1.1. **Investment Income:** Earnings resulting from the investment of cash balances in the Education and General Current Funds, and earnings resulting from the investment of other funds, including Quasi-endowment Funds, when applied for expenditure or transfer through the education and general budget.

3.1.2. **Unrestricted Gifts and Grants:** Gift and grant funds which are not restricted by the source to specific purposes, and are deposited in the Education and General Current Fund for expenditure or transfer.

R548-4. Policy

4.1. **Board and Board of Trustees Authorizations:** All Institutional Discretionary Funds shall be used for purposes authorized by the Board; expenditures shall be in accordance with budgets approved by the institutional Board of Trustees; expenditures for individual construction, remodeling and landscaping projects costing \$50,000 or more of discretionary funds shall be specifically approved by the institutional Boards of Trustees; and actual, budgeted and projected revenues and expenditures of these funds shall be reported for Regents review as part of the annual appropriated operating budget process. All authorizations and approvals required by this section shall be obtained in advance of the relevant institutional activity.

4.2. **Authorized Uses of the Funds:** Except as may be prohibited by statute or legislative intent language, or by action of the Board, Institutional Discretionary Funds may be expended directly within Education and General current funds for the following purposes:

- 4.2.1. Enrichment of institutional academic programs.
- 4.2.2. Enrichment of institutional cultural programs.
- 4.2.3. Scholarships, Fellowships, and Student Aid.

¹ Adopted May 15, 1984; replaced June 24, 1988, amended June 18, 1993, October 31, 2003 and July 28, 2006.

- 4.2.4. Faculty development and recognition.
 - 4.2.5. Campus development and landscaping, including maintenance and remodeling projects.
 - 4.2.6. Seed money for program grants and contracts.
 - 4.2.7. Fund raising and institutional development activities.
 - 4.2.8. Supplemental library support, including acquisitions, operations, and investments in process improvements.
 - 4.2.9. Acquisition of academic and support equipment.
 - 4.2.10. Other Education and General current operating support.
- 4.3. **Transfer:** Institutional Discretionary Funds also may be transferred to other funds of the institution, as follows:
- 4.3.1. to Loan Funds, for use in supporting student loans.
 - 4.3.2. to Plant Funds, for use in supporting capital facilities development and improvement projects.
 - 4.3.3. to Intercollegiate Athletics, for use in supporting the athletics programs.
 - 4.3.4. to other Auxiliary Enterprises, to supplement revenues directly received from operations and dedicated fees.
 - 4.3.5. to institutional quasi-endowment funds, as additions to invested quasi-endowment fund balances.
 - 4.3.6. to other funds with prior approval of the Board of Regents.
- 4.4. **General Priority Guideline:** As a general rule, Institutional Discretionary Funds should be applied as a first priority to support of current Education and General or Auxiliary Enterprises expenditures. Decisions to apply the funds toward major capital projects should be considered very carefully by institutional administrations and institutional boards of trustees.

4.5. **Specific Responsibilities**

- 4.5.1. The Commissioner will provide forms and instructions for annual reporting of actual expenditures of Institutional Discretionary Funds for the most recent fiscal year, budgeted expenditures (based on estimated receipts) for the current fiscal year, and preliminary estimates of receipts and uses of the funds for the budget request year, as part of the annual appropriated operating budget process. The Commissioner will provide an analytical report of the required information each Fall, for review by the Board of Regents, and such other reports as the Board may request between annual reports.
- 4.5.2. Each president is responsible to ensure that the proposed budgets and reports of actual expenditures are submitted for timely review by the institutional Board of Trustees prior to submission in the annual budget process, and that all construction, remodeling and landscaping

projects requiring \$50,000 or more of Institutional Discretionary Funds are submitted in advance for approval by the institutional Board of Trustees.

4.5.3. Institutional Boards of Trustees are responsible for institutional compliance with the policy.

4.6. **Annual Certification of Discretionary Fund Expenditures:** Institution internal auditors shall annually certify the accuracy of the institution's report of actual sources and uses of Institutional Discretionary Funds

4.6.1 The annual certification shall include the auditor's opinion concerning the fairness of presentation in accordance with generally accepted auditing standards for reporting on prescribed format statements and the institution's compliance with this policy.

4.6.2 Institutions shall submit the certification report to the Board of Regents Audit Manager by January 15.

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R548, Institutional Discretionary Funds Administration and Accountability¹

R548-1. Purpose: To provide policy for the use and administration of Institutional Discretionary Funds as defined herein, and accountability procedures for the use of such funds.

R543-2. References

2.1. Utah Code §53B-7-101(9) (Each Institution Handles Financial Affairs Under General Supervision of the Board)

[2.2. Board of Regents Policy R567-3, Internal Audit Activities, Definitions](#)

R548-3. Definitions

3.1. **Institutional Discretionary Funds:** Funds available for expenditure or transfer at the direction of the president of the institution, generated from one or both of the following sources:

3.1.1. **Investment Income:** Earnings resulting from the investment of cash balances in the Education and General Current Funds, and earnings resulting from the investment of other funds, including Quasi-endowment Funds, when applied for expenditure or transfer through the education and general budget.

3.1.2. **Unrestricted Gifts and Grants:** Gift and grant funds which are not restricted by the source to specific purposes, and are deposited in the Education and General Current Fund for expenditure or transfer.

R548-4. Policy

4.1. **Board and Board of Trustees Authorizations:** All Institutional Discretionary Funds shall be used for purposes authorized by the Board; expenditures shall be in accordance with budgets approved by the institutional Board of Trustees; expenditures for individual construction, remodeling and landscaping projects costing \$50,000 or more of discretionary funds shall be specifically approved by the institutional Boards of Trustees; and actual, budgeted and projected revenues and expenditures of these funds shall be reported for Regents review as part of the annual appropriated operating budget process. All authorizations and approvals required by this section shall be obtained in advance of the relevant institutional activity.

4.2. **Authorized Uses of the Funds:** Except as may be prohibited by statute or legislative intent language, or by action of the Board, Institutional Discretionary Funds may be expended directly within Education and General current funds for the following purposes:

4.2.1. Enrichment of institutional academic programs.

4.2.2. Enrichment of institutional cultural programs.

4.2.3. Scholarships, Fellowships, and Student Aid.

¹ Adopted May 15, 1984; replaced June 24, 1988, amended June 18, 1993, October 31, 2003 and July 28, 2006.

- 4.2.4. Faculty development and recognition.
 - 4.2.5. Campus development and landscaping, including maintenance and remodeling projects.
 - 4.2.6. Seed money for program grants and contracts.
 - 4.2.7. Fund raising and institutional development activities.
 - 4.2.8. Supplemental library support, including acquisitions, operations, and investments in process improvements.
 - 4.2.9. Acquisition of academic and support equipment.
 - 4.2.10. Other Education and General current operating support.
- 4.3. **Transfer:** Institutional Discretionary Funds also may be transferred to other funds of the institution, as follows:
- 4.3.1. to Loan Funds, for use in supporting student loans.
 - 4.3.2. to Plant Funds, for use in supporting capital facilities development and improvement projects.
 - 4.3.3. to Intercollegiate Athletics, for use in supporting the athletics programs.
 - 4.3.4. to other Auxiliary Enterprises, to supplement revenues directly received from operations and dedicated fees.
 - 4.3.5. to institutional quasi-endowment funds, as additions to invested quasi-endowment fund balances.
 - 4.3.6. to other funds with prior approval of the Board of Regents.
- 4.4. **General Priority Guideline:** As a general rule, Institutional Discretionary Funds should be applied as a first priority to support of current Education and General or Auxiliary Enterprises expenditures. Decisions to apply the funds toward major capital projects should be considered very carefully by institutional administrations and institutional boards of trustees.
- 4.5. **Specific Responsibilities**
- 4.5.1. The Commissioner will provide forms and instructions for annual reporting of actual expenditures of Institutional Discretionary Funds for the most recent fiscal year, budgeted expenditures (based on estimated receipts) for the current fiscal year, and preliminary estimates of receipts and uses of the funds for the budget request year, as part of the annual appropriated operating budget process. The Commissioner will provide an analytical report of the required information each Fall, for review by the Board of Regents, and such other reports as the Board may request between annual reports.
 - 4.5.2. Each president is responsible to ensure that the proposed budgets and reports of actual expenditures are submitted for timely review by the institutional Board of Trustees prior to submission in the annual budget process, and that all construction, remodeling and landscaping

projects requiring \$50,000 or more of Institutional Discretionary Funds are submitted in advance for approval by the institutional Board of Trustees.

4.5.3. Institutional Boards of Trustees are responsible for institutional compliance with the policy.

4.6. **Annual Certification Audits of Discretionary Fund Expenditures:** ~~Annually, each institution's~~ Institution internal auditors shall annually certify the accuracy of the institution's report of actual sources and uses of Institutional Discretionary Funds ~~will be audited. Each institution's chief executive officer shall arrange for the audit, conducted by either the resident auditors or the Regents' audit staff.~~

4.6.1 The annual ~~audit reports will~~ certification shall include the auditor's opinion concerning: ~~(a) the~~ the fairness of presentation in accordance with generally accepted auditing standards for reporting on prescribed format statements; and ~~(b)~~ the institution's compliance with this policy.

4.6.2 Institutions shall submit the certification report to the Board of Regents Audit Manager by January 15.

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R550-1. Purpose: To designate which services are auxiliary enterprises and establish reporting and accountability requirements for such auxiliary enterprises.

R550-2. References

- 2.1. Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code §53B-7-101(10) (Each Institution Handles Its Own Financial Affairs Under the General Supervision of the Board)
- 2.3. Regents Policy R555, Providing Facilities, Goods and Services in Competition with Private Enterprise.
- 2.4. Regents Policy R567-3, Internal Audit Activities, Definitions

R550-3. Definitions

3.1. Auxiliary Enterprises: Business enterprises or other support activities (as distinguished from primary programs of instruction, research, and public service, and from organized activities and intercollegiate athletics) the primary purpose of which is to provide specified services to students, faculty, staff or guests of the institution. All housing, food service, and college store activities in any institution are to be classified and managed as auxiliary enterprises. Other activities which serve primarily individuals (as distinguished from internal departments of the institution) and operate on an essentially self-supporting basis, also should be classified and managed as auxiliary enterprises.

3.2. Essentially Self-Supporting: Means receiving revenues (fees for services, sales, dedicated general fees, contributions, and investment income) to cover all or most of the direct and indirect operating expenses, assignable indirect costs, debt service and capital expenditures for the activity.

R550-4. General Policy

4.1. Support to Education, Research and Public Service: Auxiliary enterprises are operated as essential elements in support of the education, research and public service programs of the institutions. They are to be operated at a level of quality sufficient to support the objectives of the primary programs. Direct charges for services are to be sufficient to enable the auxiliary enterprises to operate on an essentially self-supporting basis whenever possible. Services provided by auxiliary enterprises may be incidentally available to members of the general public but are not to be marketed to the general public or outside organizations unless those services qualify as an exception under section 4 of the Regents policy R555, Providing Facilities, Goods and Services in Competition with Private Enterprise. All auxiliary enterprise organizations are required to comply with R555.

4.2. Limitations of R555: The Board recognizes that Policy R555 limits the ability of institutional auxiliary enterprises such as campus stores and food services to generate revenue from outside sources and therefore maximize revenues or to minimize charges to institutional users. In recognition of this

¹ Adopted November 14, 1986; amended January 24, 1997, March 18, 2005 and January 24, 2014.

limitation, institutions which cannot reach a total self-support level for designated auxiliary enterprise activities are permitted to provide subsidies from institutional discretionary funds or, if necessary, from other education and general funds, subject to the accounting requirements set forth below.

R550-5. Designation of Activities to be Operated as Auxiliary Enterprises

5.1. Criteria for Designation: In addition to the core activities of housing, food services, and college or university stores, institutions should propose for designation as auxiliary enterprises any other activities which meet the definitions provided above. However, the fact that an organized activity receives significant direct income is not in itself a reason for auxiliary enterprises designation unless the activity also serves primarily students, faculty, or staff members.

5.2. Designated Auxiliary Enterprises, by Institution: In some instances, auxiliary enterprises may have been outsourced to private companies. For the purpose of this policy, the outsourced enterprises are included as well.

University of Utah

Campus Store(s) -
Food Services
Contract Administration
Housing and Residential Education, and University Student Apartments)
Student Center (A. Ray Olpin University Union)
University Guesthouse
Commuter Services (Parking and Transportation)
Jon M. Huntsman Center (Special Events Center)
Rice Eccles Stadium
Student Health Services
Student Life Center

Utah State University

Campus Store(s)
Student Health Services
Housing
Parking Services
Food Services
University Inn
Student Center

Weber State University

Campus Store(s)
Student Center
Food Services
Housing
Student Health Services

Southern Utah University

Campus Store(s)
Student Center
Food Services
Housing

Snow College
Campus Store(s)
Sevier Valley Center
Food Services
Housing

Dixie State University
Campus Store(s)
Student Center
Food Services
Housing

Utah Valley University
Campus Store(s)
Student Center
Food Services
Student Life and Wellness Center

Salt Lake Community College
Campus Store(s)
Student Center
Food Services

R550-6. Principles of Operation

6.1. Management: Except as may be in conflict with any provisions of this policy, institutional auxiliary enterprises are to be operated in accordance with overall management principles set forth in Chapter 3.2 of College and University Business Administration (National Association of College and University Business Officers, Washington, D.C., 1982). Institutions are expected to employ professional management for their auxiliary enterprise activities, and to provide administrative, accounting and financial management oversight of each auxiliary enterprise, through one or more senior officers designated by the President.

6.2. Working Capital: In order to render adequate service, auxiliary enterprises should have a solid financial base that includes sufficient reserves. Each auxiliary enterprise which involves sale of goods and services should have adequate working capital to support accounts receivable and necessary inventories of goods and supplies. (Where this policy conflicts with existing bond covenants, the bond covenants shall prevail.) Renewal and replacement funds for all auxiliary enterprises should be accumulated in amounts sufficient to provide for major equipment repair and replacement as well as refurbishment, renewal and replacement of physical facilities. Auxiliary enterprises are not, however, expected to accumulate fund balances in excess of requirements for working capital, renewals and replacements, and debt service. Subsidies from outside funds and then charges to users should be adjusted downward if an enterprise produces revenues in excess of this requirement.

6.3. Physical Plant Operations and Financial Accounting Services: Auxiliary enterprises budgets are to include costs of physical plant operations and accounting services directly chargeable to their operations. The cost of these support services may either be budgeted directly in the operations of the auxiliary enterprises, or budgeted as payments to the education and general departments or service enterprises providing the support services.

6.4. Charges for Other Indirect Costs: In addition to direct charges for support costs, under 6.3, auxiliary enterprises are to be charged for an appropriate share of other administrative support costs of the institution.

6.5. Level of Prices and Charges: Appropriate fees shall be charged to users of the auxiliary enterprises, including academic or administrative departments. To the extent reasonably possible, selling prices, rents, fees, admissions and other charges by each auxiliary enterprise are to be set at a level adequate to support the operating and reserve requirements of the enterprise.

R550-7. Accounting and Audit Requirements

7.1. Accounting Requirements: Each auxiliary enterprise is to use accounting systems appropriate to the type of business of program operated. Accounts for each auxiliary enterprises are to include all revenues, expenditures, and transfers relating to the enterprise, including interest on loans from other institutional or outside sources and expenditures or indirect charges for operation and maintenance of physical plant and financial accounting services and for other administrative support costs. Mandatory and non mandatory transfers out are to be specifically identified, as are all loans and all transfers in from other auxiliary enterprises and from institutional discretionary funds, other education and general funds, or other funds of the institution.

7.2. Auxiliary Enterprises Reports in the Annual Budget Process: A report of auxiliary enterprises operations, covering the completed actual year and the current budget year, is to be provided annually by each institution, as part of the regular Board of Regents budget process. The report, on forms or in a format provided by the Commissioner, is to include as a minimum, for each designated auxiliary enterprise and for the institutional auxiliary enterprises in total, the following information: (1) appropriate detail on revenues (e.g., sales and services, student fees, other income) and expenditures (e.g., costs of goods sold, direct operating expenses, charges for indirect costs); (2) identification of each specific source and amount of transfers in; (3) identification of each specific amount and recipient of transfers out; and (4) Details of any outstanding loans other than bonded indebtedness. (Bonded indebtedness is disclosed in the institution's audited financial statements.)

7.3. Audits of Auxiliary Enterprises: Institutions shall audit all auxiliary enterprises at least once every five years. An institution's internal audit unit may request assistance from the Board of Regents Audit Manager. Institutions shall send completed audit reports during the calendar year to the manager of audit and financial services by January 15.

7.4. Annual Review of Financial Condition of Auxiliary Enterprises: The Associate Commissioner for Budget and Finance will prepare an analysis of the financial condition of auxiliary enterprises at each institution prior to January of each year, using reports submitted in the annual budget process pursuant to paragraph 7.2. The report will be submitted for review by the Finance and Facilities Committee, which may direct follow-up action and reports in any case where the financial condition of individual auxiliary enterprises, or institutional auxiliary enterprises in total, is not satisfactory.

R550-8. Oversight by institutional Board of Trustees

8.1. Review Reports and Audits, Monitor Services: Boards of Trustees shall review the institution's auxiliary enterprises annual reports prepared pursuant to Section 7.2, and periodic internal audits prepared pursuant to Section 7.3. Boards of trustees shall monitor the institution's management of auxiliary enterprises and the quality of the auxiliary services.

R550, Auxiliary Enterprises Operation and Accountability¹

R550-1. Purpose: To ~~provide for institutional operation of auxiliary enterprises, identification of activities operated as auxiliary enterprises at each institution, and~~ designate which services are auxiliary enterprises and establish reporting and accountability requirements for such auxiliary enterprises.

R550-2. References

- 2.1. Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code §53B-7-101(10) (Each Institution Handles Its Own Financial Affairs Under the General Supervision of the Board)
- 2.3. [Regents](#) Policy ~~and Procedures~~ R555, Providing Facilities, Goods and Services in Competition with Private Enterprise.
- 2.4. [Regents Policy R567-3, Internal Audit Activities, Definitions](#)

R550-3. Definitions

- 3.1. **Auxiliary Enterprises:** Business enterprises or other support activities (as distinguished from primary programs of instruction, research, and public service, and from organized activities and intercollegiate athletics) the primary purpose of which is to provide specified services to students, faculty, staff or guests of the institution. All housing, food service, and college store activities in any institution are to be classified and managed as auxiliary enterprises. Other activities which serve primarily individuals (as distinguished from internal departments of the institution) and operate on an essentially self-supporting basis, also should be classified and managed as auxiliary enterprises.
- 3.2. **Essentially Self-Supporting:** Means receiving revenues (fees for services, sales, dedicated general fees, contributions, and investment income) to cover all or most of the direct and indirect operating expenses, assignable indirect costs, debt service and capital expenditures for the activity.

R550-4. General Policy

- 4.1. **Support to Education, Research and Public Service:** Auxiliary enterprises are operated as essential elements in support of the education, research and public service programs of the institutions. They are to be operated at a level of quality sufficient to support the objectives of the primary programs. Direct charges for services are to be sufficient to enable the auxiliary enterprises to operate on an essentially self-supporting basis whenever possible. Services provided by auxiliary enterprises may be incidentally available to members of the general public but are not to be marketed to the general public or outside organizations unless those services qualify as an exception under section 4 of the Regents policy R555, Providing Facilities, Goods and Services in Competition with Private Enterprise. All auxiliary enterprise organizations are required to comply with R555.
- 4.2. **Limitations of R555:** The Board recognizes that Policy R555 limits the ability of institutional auxiliary enterprises such as campus stores and food services to generate revenue from outside sources

¹ Adopted November 14, 1986; amended January 24, 1997, March 18, 2005 and January 24, 2014.

and therefore maximize revenues or to minimize charges to institutional users. In recognition of this limitation, institutions which cannot reach a total self-support level for designated auxiliary enterprise activities are permitted to provide subsidies from institutional discretionary funds or, if necessary, from other education and general funds, subject to the accounting requirements set forth below.

R550-5. Designation of Activities to be Operated as Auxiliary Enterprises

5.1. Criteria for Designation: In addition to the core activities of housing, food services, and college or university stores, institutions should propose for designation as auxiliary enterprises any other activities which meet the definitions provided above. However, the fact that an organized activity receives significant direct income is not in itself a reason for auxiliary enterprises designation unless the activity also serves primarily students, faculty, or staff members.

5.2. Designated Auxiliary Enterprises, by Institution: In some instances, auxiliary enterprises may have been outsourced to private companies. For the purpose of this policy, the outsourced enterprises are included as well.

University of Utah

Campus Store(s) -
Food Services
Contract Administration
Housing and Residential Education, and University Student Apartments)
Student Center (A. Ray Olpin University Union)
University Guesthouse
Commuter Services (Parking and Transportation)
Jon M. Huntsman Center (Special Events Center)
Rice Eccles Stadium
Student Health Services
Student Life Center

Utah State University

Campus Store(s)
Student Health Services
Housing
Parking ~~Services Terrace~~
Food Services
University Inn ~~and Conference Center~~
Student Center

Weber State University

Campus Store(s)
Student Center
Food Services
Housing
Student Health Services

Southern Utah University

Campus Store(s)
Student Center
Food Services
Housing

Snow College

Campus Store(s)

~~Student Center~~

Sevier Valley Center

Food Services

Housing

Dixie State University

Campus Store(s)

Student Center

Food Services

Housing

Utah Valley University

Campus Store(s)

Student Center

Food Services

Student Life and Wellness Center

Salt Lake Community College

Campus Store(s)

Student Center

Food Services

R550-6. Principles of Operation

6.1. Management: Except as may be in conflict with any provisions of this policy, institutional auxiliary enterprises are to be operated in accordance with overall management principles set forth in Chapter 3.2 of College and University Business Administration (National Association of College and University Business Officers, Washington, D.C., 1982). Institutions are expected to employ professional management for their auxiliary enterprise activities, and to provide administrative, accounting and financial management oversight of each auxiliary enterprise, through one or more senior officers designated by the President.

6.2. Working Capital: In order to render adequate service, auxiliary enterprises should have a solid financial base that includes sufficient reserves. Each auxiliary enterprise which involves sale of goods and services should have adequate working capital to support accounts receivable and necessary inventories of goods and supplies. (Where this policy conflicts with existing bond covenants, the bond covenants shall prevail.) Renewal and replacement funds for all auxiliary enterprises should be accumulated in amounts sufficient to provide for major equipment repair and replacement as well as refurbishment, renewal and replacement of physical facilities. Auxiliary enterprises are not, however, expected to accumulate fund balances in excess of requirements for working capital, renewals and replacements, and debt service. Subsidies from outside funds and then charges to users should be adjusted downward if an enterprise produces revenues in excess of this requirement.

6.3. Physical Plant Operations and Financial Accounting Services: Auxiliary enterprises budgets are to include costs of physical plant operations and accounting services directly chargeable to their operations. The cost of these support services may either be budgeted directly in the operations of the auxiliary enterprises, or budgeted as payments to the education and general departments or service enterprises providing the support services.

6.4. Charges for Other Indirect Costs: In addition to direct charges for support costs, under 6.3, auxiliary enterprises are to be charged for an appropriate share of other administrative support costs of the institution.

6.5. Level of Prices and Charges: Appropriate fees shall be charged to users of the auxiliary enterprises, including academic or administrative departments. To the extent reasonably possible, selling prices, rents, fees, admissions and other charges by each auxiliary enterprise are to be set at a level adequate to support the operating and reserve requirements of the enterprise.

R550-7. Accounting and Audit Requirements

7.1. Accounting Requirements: Each auxiliary enterprise is to use accounting systems appropriate to the type of business of program operated. Accounts for each auxiliary enterprises are to include all revenues, expenditures, and transfers relating to the enterprise, including interest on loans from other institutional or outside sources and expenditures or indirect charges for operation and maintenance of physical plant and financial accounting services and for other administrative support costs. Mandatory and non mandatory transfers out are to be specifically identified, as are all loans and all transfers in from other auxiliary enterprises and from institutional discretionary funds, other education and general funds, or other funds of the institution.

7.2. Auxiliary Enterprises Reports in the Annual Budget Process: A report of auxiliary enterprises operations, covering the completed actual year and the current budget year, is to be provided annually by each institution, as part of the regular Board of Regents budget process. The report, on forms or in a format provided by the Commissioner, is to include as a minimum, for each designated auxiliary enterprise and for the institutional auxiliary enterprises in total, the following information: (1) appropriate detail on revenues (e.g., sales and services, student fees, other income) and expenditures (e.g., costs of goods sold, direct operating expenses, charges for indirect costs); (2) identification of each specific source and amount of transfers in; (3) identification of each specific amount and recipient of transfers out; and (4) Details of any outstanding loans other than bonded indebtedness. (Bonded indebtedness is disclosed in the institution's audited financial statements.)

7.3. Audits of Auxiliary Enterprises: ~~Institutions shall internal audits of all auxiliary enterprises are to be made at appropriate intervals, as determined by the Board of Trustees and institutional administrators at least once every five years. Each institution's chief executive officer shall arrange for these audits, conducted by either the resident auditors or the Regents' audit staff. An institution's internal audit unit may request assistance from the Board of Regents Audit Manager. Each audit report will include the auditor's opinion regarding: (1) fairness of presentation of the most recent annual reports, in accordance with generally accepted auditing standards for reporting on prescribed format statements; and (2) the institution's compliance with this policy.~~ Institutions shall send completed audit reports during the calendar year to the manager of audit and financial services by January 15.

7.4. Annual Review of Financial Condition of Auxiliary Enterprises: The Associate Commissioner for Budget and Finance will prepare an analysis of the financial condition of auxiliary enterprises at each institution prior to January of each year, using reports submitted in the annual budget process pursuant to paragraph 7.2. The report will be submitted for review by the Finance and Facilities Committee, which may direct follow-up action and reports in any case where the financial condition of individual auxiliary enterprises, or institutional auxiliary enterprises in total, is not satisfactory.

R550-8. Oversight by institutional Board of Trustees

8.1. **Review Reports and Audits, Monitor Services:** ~~The institutional~~ Boards of Trustees ~~of each institution is responsible to~~ shall review the institution's auxiliary enterprises annual reports prepared pursuant to Section 7.2, and periodic internal audits prepared pursuant to Section 7.3. ~~b~~ Boards of trustees ~~also are responsible for monitoring~~ shall monitor both the institution's management of auxiliary enterprises and the quality of the auxiliary services ~~provided by the institution's auxiliary enterprises.~~

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R553 – Revenue-generating Activities

R553-1. Purpose: To provide definitions and guidelines for categories of revenue-generating activities and events.

R553-2. References

- 2.1 Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2 Utah Code §53B-7-101(10) (Each Institution Handles Its Own Financial Affairs Under the General Supervision of the Board)
- 2.3 Regents Policy R550, Auxiliary Enterprises Operation and Accountability
- 2.4 Regents Policy R565-3, Internal Audit Activities, Definitions

R553-3. Definitions

- 3.1 **Revenue-generating Activities or Events:** “Revenue-generating activities or events,” for purposes of this policy, are activities or events for which the respective institution charges or should charge an entry or rental fee for use of institutional facilities and amenities. Examples of revenue-generating events or activities include but are not limited to:
 - 3.1.1 **Performances by Professional Entertainers:** Performance events that require entry fees that are not accounted for in Auxiliary Enterprises as defined in R550.
 - 3.1.2 **Activities Serving Outside Parties:** Activities or events allowing non-institutional parties use of institutional facilities and amenities for a fee.
 - 3.1.3 **Auxiliary Enterprises:** Auxiliary enterprises as defined in R550.
- 3.2 **Exempt Activities or Events:** The following activities and events are not considered “revenue-generating activities or events” for the purposes of this policy:
 - 3.2.2 **Activities or Events that are Institutional Instructional Programs:** Activities or events that are associated with the institution’s instructional programs.
 - 3.2.3 **Activities or Events that Fulfill Public Service Roles and Support the Institution’s Mission:** Activities or events that the institution’s president has designated, in writing, as a public service that supports the institution’s mission.

R553-4. Policy

- 4.1 **Contribution to Operations and Maintenance:** Institutions that host revenue-generating activities or events shall charge a fee to the event or activity sponsor that will contribute to the costs of physical plant operations and maintenance and other associated expenses. The institution shall

¹ Approved January 22, 2016

deposit the portion of the fees that contribute to operations and maintenance costs into the physical plant operations budget from which the costs originated.

4.2 **Schedule of Fees:** Institutions shall develop a schedule of appropriate fees charged for revenue-generating activities or events.

4.3 **Annual Fee Schedule Certification** annually certify they have complied with this policy and submit their fee schedules to the Board of Regents Audit Manger by January 15.

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R553 – Revenue-generating Activities

R553-1. Purpose: To provide definitions and guidelines for categories of revenue-generating activities and events.

R553-2. References

- 2.1 Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2 Utah Code §53B-7-101(10) (Each Institution Handles Its Own Financial Affairs Under the General Supervision of the Board)
- 2.3 [Regents Policy and Procedures R550, Auxiliary Enterprises Operation and Accountability](#)
- 2.4 [Regents Policy R565-3, Internal Audit Activities, Definitions](#)

R553-3. Definitions

- 3.1 **Revenue-generating Activities or Events:** “Revenue-generating activities or events,” for purposes of this policy, are activities or events for which the respective institution charges or should charge an entry or rental fee for use of institutional facilities and amenities. Examples of revenue-generating events or activities include but are not limited to:
 - 3.1.1 **Performances by Professional Entertainers:** Performance events that require entry fees that are not accounted for in Auxiliary Enterprises as defined in R550.
 - 3.1.2 **Activities Serving Outside Parties:** Activities or events allowing non-institutional parties use of institutional facilities and amenities for a fee.
 - 3.1.3 **Auxiliary Enterprises:** Auxiliary enterprises as defined in R550.
- 3.2 **Exempt Activities or Events:** The following activities and events are not considered “revenue-generating activities or events” for the purposes of this policy:
 - 3.2.2 **Activities or Events that are Institutional Instructional Programs:** Activities or events that are associated with the institution’s instructional programs.
 - 3.2.3 **Activities or Events that Fulfill Public Service Roles and Support the Institution’s Mission:** Activities or events that the institution’s president has designated, in writing, as a public service that supports the institution’s mission.

R553-4. Policy

- 4.1 **Contribution to Operations and Maintenance:** Institutions that host revenue-generating activities or events shall charge a fee to the event or activity sponsor that will contribute to the costs of physical plant operations and maintenance and other associated expenses. The institution shall

¹ Approved January 22, 2016

deposit the portion of the fees that contribute to operations and maintenance costs into the physical plant operations budget from which the costs originated.

4.2 **Schedule of Fees:** Institutions shall develop a schedule of appropriate fees charged for revenue-generating activities or events.

4.3 **Annual Fee Schedule Certification** ~~Audits of Revenue-generating Activities or Events:~~ Institutions shall ~~audit all revenue-generating activities or events and associated fees at suitable intervals, as determined by the institution's board of trustees~~ annually certify they have complied with this policy and submit their fee schedules to the Board of Regents Audit Manger by January 15. ~~Each institution's audit director shall conduct the audit using either the resident auditors or the Regents' audit staff.~~

DRAFT

R557-1. Purpose: To provide guidelines and oversight for the purchase, maintenance and use of vehicles at the institutions.

R557-2. References

- 2.1. Utah Code §41-1a-407 (Use of "EX" Plates by Political Subdivisions or State)
- 2.2. Utah Code §63A, Chapter 9 (Division of Fleet Operations and Administration of State Vehicles)
- 2.3. Utah Code §63G-6 (Utah Procurement Code)
- 2.4. Regents Policy and Procedures R205, Presidential Appointment, Term of Office, and Compensation and Benefits
- 2.5. Regents Policy R555, Providing Facilities, Goods and Services in Competition with the Private Sector
- 2.6. Regents Policy R556, Transportation in Campus Vehicles
- 2.7. Regents Policy R558, Surplus Property
- 2.8. Regents Policy R567-3, Internal Audit Activities, Definitions

R557-3. Definitions

- 3.1. **Motor Pool Fleet:** The motor pool fleet is comprised of all vehicles owned or leased by the institution and maintained in a pool for daily and monthly use by departments and employees of the institution.
- 3.2. **Vehicle Fleet:** The vehicle fleet is comprised of all licensed vehicles owned or leased by the institution, including the motor pool fleet.
- 3.3. **Service Enterprises:** Service enterprises are operations within the institution established by the institution to provide services to departments and employees of the institution. Fees are set at a level adequate to support projected operating requirements without generating excess revenues.
- 3.4. **Commute:** Commute means travel between and employee's home and place of work more often than five times per month. Commute includes travel to any work site closer to any employee's home than the principal place of assignment.
- 3.5. **Employee:** Employee means any person who is paid by the institution or is acting as an agent of the institution in a volunteer position or as a student.
- 3.6. **Incidental Personal Use:** Use of a vehicle to obtain meals and lodging in connection with an authorized business trip.

¹ Approved November 3, 1995, amended to conform with Title 63A, Chapter 9, effective March 12, 1997. Amended March 18, 2005.

R557-4. Policy

- 4.1. Ownership and Control of Vehicle Fleets:** Each institution shall monitor and control its vehicle fleet. The institution shall:
- 4.1.1. employ professional management for its fleet;
 - 4.1.2. operate the motor pool fleet as a service enterprise;
 - 4.1.3. monitor the utilization of fleet vehicles and analyze and evaluate the optimal size of the fleet;
 - 4.1.4. before any new or replacement vehicle is purchased, review both the overall need for the vehicle pursuant to 4.1.3 and a cost-benefit analysis of entering into a long-term lease versus vehicle purchase;
 - 4.1.5. comply with §63G-6, Utah Code Annotated (State Procurement Code) in the purchase of all vehicles;
 - 4.1.6. evaluate the need for and cost of departmentally owned vehicles versus vehicles included in the motor pool fleet; and
 - 4.1.7. dispose of vehicles in accordance with R558, Surplus Property.
- 4.2. Marking of Vehicles and "EX" Plates:** In accordance with Utah Code §63A-9-601, all vehicles in the fleet shall be marked and have "EX" plates, unless exempted under that section or Utah Code §41-1a-407.
- 4.3. Commute Policies:** Commute privileges should be authorized only where it is determined to benefit the institution. Institutions shall establish commute policies to provide:
- 4.3.1. authorization criteria for the use of vehicles for commuting;
 - 4.3.2. disciplinary procedures and sanctions for unauthorized commuting; and
 - 4.3.3. accounting guidelines for maintaining proper records of the taxable benefit to the employee of commuting in an institutional vehicle.
- 4.4. Maintenance and Safe Use of Vehicles:** Institutions shall establish policies governing the maintenance and safe use of the vehicle fleet by departments and employees. These policies shall provide:
- 4.4.1. for compliance with guidelines established by the Office of Risk Management in connection with providing vehicle insurance to the institution; and
 - 4.4.2. for employee reporting of vehicles involved in accidents and traffic violations, for compliance with seat belt laws, alcohol and drug regulations and other traffic laws.
- 4.5. Use of Vehicles:** Fleet vehicles shall only be used for official institutional business purposes, except when:

- 4.5.1. personal use has been authorized for the President in compliance with Board policy;
- 4.5.2. commute privileges have been authorized pursuant to section 4.3; or
- 4.5.3. non-incident personal use has been specifically authorized by the President and reported to the institutional Board of Trustees.

4.6. Vehicle Fleet Use Restricted by Board Policies: Institutions shall comply with Board policies relating to vehicle use such as R555, Providing Facilities, Goods and Services in Competition with Private Enterprise, and R556, Transportation in Campus Vehicles.

4.7. Annual report: Institutions shall write and submit an annual vehicle fleet report to the Division of Fleet Operations. The report shall include:

- 4.7.1. the number of vehicles in the vehicle fleet, a description of each vehicle owned or leased, including the license number, year, make, and model of the vehicle, and the person and administrative unit within the institution to whom each vehicle is assigned;
- 4.7.2. other information requested by the Division of Administrative Services in compliance with Utah Code §63A-9-402; and
- 4.7.3. the number and names of employees with authorized commute privileges, with authorized personal use privileges, and who drive unmarked vehicles.
- 4.7.4. The annual motor pool fleet report shall be part of the regular budget process and shall include:
 - 4.7.4.1. revenues and expenditures;
 - 4.7.4.2. rates and charges for vehicle use;
 - 4.7.4.3. vehicle utilization rates, and
 - 4.7.4.3. other pertinent information about the operations of motor pool fleet.

4.8. Certification and Reporting Requirements: Institutions shall annually certify the accuracy of the vehicle fleet report and shall submit the certification to the Board of Regents Manager of Audit by January 15.

4.9. Oversight by Board of Trustees: The Board of Trustees of each institution shall review the institution's annual vehicle fleet reports and periodic internal audits prepared pursuant to Sections 4.7 and 4.8. The Board of Trustees shall monitor how the institution manages and uses vehicle fleets.

R557-1. Purpose: To provide guidelines and oversight for the purchase, maintenance and use of vehicles at the institutions.

R557-2. References

- 2.1. Utah Code [§41-1a-407](#) (Use of "EX" Plates by Political Subdivisions or State)
- 2.2. Utah Code [§63A, Chapter 9](#) (Division of Fleet Operations and Administration of State Vehicles)
- 2.3. Utah Code [§63G-6](#) (Utah Procurement Code)
- 2.4. [Regents Policy and Procedures R205](#), Presidential Appointment, Term of Office, and Compensation and Benefits
- 2.5. [Regents Policy and Procedures R555](#), Providing Facilities, Goods and Services in Competition with the Private Sector
- 2.6. [Regents Policy and Procedures R556](#), Transportation in Campus Vehicles
- 2.7. [Regents Policy and Procedures R558](#), Surplus Property
- 2.8. [Regents Policy R567-3, Internal Audit Activities, Definitions](#)

R557-3. Definitions

- 3.1. **Motor Pool Fleet:** The motor pool fleet is comprised of all vehicles owned or leased by the institution and maintained in a pool for daily and monthly use by departments and employees of the institution.
- 3.2. **Vehicle Fleet:** The vehicle fleet is comprised of all licensed vehicles owned or leased by the institution, including the motor pool fleet.
- 3.3. **Service Enterprises:** Service enterprises are operations within the institution established by the institution to provide services to departments and employees of the institution. Fees are set at a level adequate to support projected operating requirements without generating excess revenues.
- 3.4. **Commute:** Commute means travel between and employee's home and place of work more often than five times per month. Commute includes travel to any work site closer to any employee's home than the principal place of assignment.
- 3.5. **Employee:** Employee means any person who is paid by the institution or is acting as an agent of the institution in a volunteer position or as a student.
- 3.6. **Incidental Personal Use:** Use of a vehicle to obtain meals and lodging in connection with an authorized business trip.

¹ Approved November 3, 1995, amended to conform with Title 63A, Chapter 9, effective March 12, 1997. Amended March 18, 2005.

R557-4. Policy

- 4.1. Ownership and Control of Vehicle Fleets:** Each institution shall monitor and control its vehicle fleet. The institution shall:
- 4.1.1. employ professional management for its fleet;
 - 4.1.2. operate the motor pool fleet as a service enterprise;
 - 4.1.3. monitor the utilization of fleet vehicles and analyze and evaluate the optimal size of the fleet;
 - 4.1.4. before any new or replacement vehicle is purchased, review both the overall need for the vehicle pursuant to 4.1.3 and a cost-benefit analysis of entering into a long-term lease versus vehicle purchase;
 - 4.1.5. comply with §63G-6, Utah Code Annotated (State Procurement Code) in the purchase of all vehicles;
 - 4.1.6. evaluate the need for and cost of departmentally owned vehicles versus vehicles included in the motor pool fleet; and
 - 4.1.7. dispose of vehicles in accordance with R558, Surplus Property.
- 4.2. Marking of Vehicles and "EX" Plates:** In accordance with Utah Code §63A-9-601, all vehicles in the fleet shall be marked and have "EX" plates, unless exempted under that section or Utah Code §41-1a-407.
- 4.3. Commute Policies:** Commute privileges should be authorized only where it is determined to benefit the institution. Institutions shall establish commute policies to provide:
- 4.3.1. authorization criteria for the use of vehicles for commuting;
 - 4.3.2. disciplinary procedures and sanctions for unauthorized commuting; and
 - 4.3.3. accounting guidelines for maintaining proper records of the taxable benefit to the employee of commuting in an institutional vehicle.
- 4.4. Maintenance and Safe Use of Vehicles:** Institutions shall establish policies governing the maintenance and safe use of the vehicle fleet by departments and employees. These policies shall provide:
- 4.4.1. for compliance with guidelines established by the Office of Risk Management in connection with providing vehicle insurance to the institution; and
 - 4.4.2. for employee reporting of vehicles involved in accidents and traffic violations, for compliance with seat belt laws, alcohol and drug regulations and other traffic laws.
- 4.5. Use of Vehicles:** Fleet vehicles shall only be used for official institutional business purposes, except when:

- 4.5.1. personal use has been authorized for the President in compliance with Board policy;
- 4.5.2. commute privileges have been authorized pursuant to section 4.3; or
- 4.5.3. non-incident personal use has been specifically authorized by the President and reported to the institutional Board of Trustees.

4.6. **Vehicle Fleet Use Restricted by Board Policies:** Institutions shall comply with Board policies relating to vehicle use such as R555, Providing Facilities, Goods and Services in Competition with Private Enterprise, and R556, Transportation in Campus Vehicles.

4.7. Annual report: Institutions shall write and submit an annual vehicle fleet report to the Division of Fleet Operations. The report shall include:

4.7.1. the number of vehicles in the vehicle fleet, a description of each vehicle owned or leased, including the license number, year, make, and model of the vehicle, and the person and administrative unit within the institution to whom each vehicle is assigned;

4.7.2. other information requested by the Division of Administrative Services in compliance with Utah Code §63A-9-402; and

4.7.3. the number and names of employees with authorized commute privileges, with authorized personal use privileges, and who drive unmarked vehicles.

4.7.4. The annual motor pool fleet report shall be part of the regular budget process and shall include:

4.7.4.1. revenues and expenditures;

4.7.4.2. rates and charges for vehicle use;

4.7.4.3. vehicle utilization rates, and

4.7.4.3. other pertinent information about the operations of motor pool fleet.

~~4.78. **Certification Audit and Reporting Requirements:** Internal audits of all vehicle fleets are to be made at appropriate intervals, as determined by the Board of Trustees and institutional administrators. Each institution's chief executive officer shall arrange for these audits, conducted by either the resident auditors or the Regents' audit staff. Each audit report will include the auditor's opinion regarding: (1) fairness of presentation of the most recent annual reports, in accordance with generally accepted auditing standards for reporting on prescribed format statements; and (2) the institution's compliance with this policy. Each institution shall report annually regarding its vehicle fleet and motor pool fleet~~ Institutions shall annually certify the accuracy of the vehicle fleet report and shall submit the certification to the Board of Regents Manager of Audit by January 15.

~~4.7.1.—The annual vehicle fleet report is made to the Division of Fleet Operations and shall include:~~

~~4.7.1.1.—the number of vehicles in the vehicle fleet, a description of each vehicle owned or leased by the institution, including the license number, year, make, and model of the~~

~~vehicle, and the person and administrative unit within the institution to whom each vehicle is assigned;~~

~~4.7.1.2. other information requested by the Division of Administrative Services in compliance with Utah Code §63A-9-402; and~~

~~4.7.1.3. the number and names of employees with authorized commute privileges, with authorized personal use privileges, and who drive unmarked vehicles.~~

~~4.7.2. The annual motor pool fleet report shall be part of the regular budget process and shall include:~~

~~4.7.2.1. revenues and expenditures;~~

~~4.7.2.2. rates and charges for vehicle use;~~

~~4.7.2.3. vehicle utilization rates, and~~

~~4.7.2.4. other pertinent information about the operations of motor pool fleet.~~

4.89. Oversight by Board of Trustees: The Board of Trustees of each institution ~~is responsible to~~ shall review the institution's annual vehicle fleet reports and periodic internal audits prepared pursuant to Sections 4.7 and 4.8. The Board of Trustees ~~also is responsible for~~ shall ~~monitoring both management and utilization of~~ how the institution manages and uses vehicle fleets.

R565-1. Purpose: To provide for the functions and responsibilities of Audit Committees within the Utah System of Higher Education (System).

R565-2. References

- 2.1. Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code §53B-7-101 (Financial Affairs Under the General Supervision of the Board)
- 2.3. Utah Code Title 52, Chapter 4 (Utah Open and Public Meeting Act)
- 2.4. Utah Code §63I-5 (Utah Internal Audit Act)
- 2.5. Regents Policy R561, Accounting and Financial Controls
- 2.6. Regents Policy R567, Internal Audit Program
- 2.7. Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing (IIA Standards)

R565-3. Audit Committees

- 3.1. The Board of Regents shall establish and maintain a Regent Audit Subcommittee as a standing subcommittee of the Finance and Facilities Committee.
- 3.2. Creation of Trustee Audit Committees: Each Board of Trustees shall create a standing Audit Committee to assist the full board in overseeing financial matters and to oversee institutional internal audit activities, in accordance with the *Internal Audit Act*² and IIA Standards.

R565-4. Regent and Trustee Audit Committee Charters

4.1. The Regent and Trustees Audit Committees shall establish respective audit charters that outline their purpose, authority, and responsibilities. The audit charters shall grant appropriate access to data, information, records, and personnel needed to conduct audit activities.

4.2. Authority

4.2.1. **Regent Audit Subcommittee:** The Regent Audit Subcommittee shall provide advice and recommendations to the Board of Regents regarding oversight of the system and individual intuitions, and internal controls. Although the Regent Audit Subcommittee is not vested with decision making authority on behalf of the Board of Regents, the Regent Audit Subcommittee has authority to:

¹ Adopted November 22, 1977, amended June 27, 1978, September 2, 1999, March 18, 2005, March 9, 2007 and October 29, 2010.

² Utah Code 63I-5

4.2.1.1. Access any and all data, information, records, and personnel to fulfill its purpose and responsibilities.

4.2.1.2. Confer with external auditors, legal counsel, and others as necessary.

4.2.2. Trustee Audit Committee: Trustee Audit Committees shall provide advice and recommendations to the Board of Trustees regarding institutional oversight and internal controls. Although the Trustee Audit Committee is not vested with decision making authority on behalf of the Board of Trustees, the Trustee Audit Committee has authority to:

4.2.2.1. oversee the internal audit activities within the institution;

4.2.2.2. confer with external auditors, legal counsel, and others as necessary;

4.2.2.3. assist in resolving disagreements between institutional representatives and external auditors;

4.2.2.4. access any and all data, information, records, and personnel to fulfill its purpose and responsibilities;

4.2.2.5. conduct or authorize investigations into any matters considered necessary to achieve its purpose; and

4.2.2.6. consult with institutional representatives, the Board of Trustees, and the Regent Audit Subcommittee concerning the adequacy of the institution's internal audit activities, staffing levels, and internal controls.

4.3. Committee Membership

4.3.1. Regent Audit Subcommittee: The Regent Audit Subcommittee ~~will~~ shall consist of at least three but no more than five members, including at least three members of the Board of Regents. The Committee members will be appointed by the Chair of the Regents. Unless a Committee chair is appointed by the Board chair, the members of the Committee may designate a Chair by majority vote. When practicable, at least one of the committee members should have financial expertise either through professional certification or experience.

4.3.2. Trustee Audit Committee: The Trustee Audit Committee shall consist of at least three but no more than five members, including at least three members of the Board of Trustees. The Committee members will be appointed by the Chair of the Trustees. Unless a Committee chair is appointed by the Board chair, the members of the Committee may designate a Chair by majority vote. When practicable, at least one of the committee members should have financial expertise either through professional certification or experience.

4.4. Meetings

4.4.1. Regent Audit Subcommittee: The Committee shall meet at least once per year to review audit activities. The Committee may meet with boards of trustees, institutional administrators, and auditors. Regent staff shall prepare and provide meeting agendas along with appropriate briefing materials.

4.4.2. Trustee Audit Committee: The Committee shall meet at least three times a per year, with additional meetings as needed. The Committee may invite institutional administrators, auditors, and others to attend meetings and provide pertinent information. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Informal minutes will be prepared.

4.5. Responsibilities

4.5.1. The Regent Audit Subcommittee shall:

4.5.1.1. Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Regent Audit Subcommittee and trustee audit committees (via trustee chairs and trustee audit committee chairs).

4.5.1.2. Receive and review reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the annual financial statements, including a summary of significant accounting and reporting issues.

4.5.1.3. Receive and review reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the results of the annual financial statement audit, including audit scope and approach, any restrictions on the auditor's activities or on access to requested information, and any significant disagreements with institutional representatives.

4.5.1.4. Receive and review reports from institutions regarding the control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

4.5.1.5. Receive and review reports from institutions regarding systems of internal control.

4.5.1.6. Receive and review reports from institutions regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

4.5.1.7. Review reports from institutions regarding systems for monitoring compliance with all applicable laws and regulations.

4.5.1.8. Obtain regular updates from institutions regarding instances of material noncompliance that might have implications for the System.

4.5.1.9. Receive annual summary reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the results of the internal auditing program at each institution, including any restrictions and limitations on internal auditing activities.

4.5.1.10. At least annually, the Committee will provide a report or minutes of meetings to the full Board of Regents detailing the Committee's activities and recommendations.

4.5.2. The Trustee Audit Committee shall:

4.5.2.1. Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Trustee Audit Committee and external auditors.

4.5.2.2. Review the institution's financial statements, including significant accounting and reporting issues. This includes reviewing the management discussion and analysis of the financial statements, along with any analyses prepared by institutional administration and/or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

4.5.2.3. Review with the administration and the external auditors the results of the annual financial statement audit, including audit scope and approach, any restrictions on the auditor's activities or on access to requested information, and any significant disagreements with institutional representatives.

4.5.2.4. Review information regarding the institution's control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

4.5.2.5. Confer with external and internal auditors regarding the quality of institutional systems of internal control.

4.5.2.6. Review information regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

4.5.2.7. Review with campus administrators and other institutional representatives the adequacy of the institution's auditing personnel, staffing levels, and controls.

4.5.2.8. Review information provided by the administration regarding systems for monitoring compliance with all applicable laws and regulations.

4.5.2.9. Obtain regular updates from institutional administrators and/or legal counsel regarding instances of material noncompliance that might have implications for the institution.

4.5.2.10. Review with the administration and the chief internal audit executive the charter, plans, activities, staffing and organizational structure of the internal audit function.

4.5.2.11. Review any restrictions and limitations on internal auditing activities.

4.5.2.12. Advise the Board of Trustees regarding the appointment, replacement, or dismissal of the institution's chief internal audit executive.

4.5.2.13. Receive and review internal audit reports and/or periodic summaries of internal audit activities prepared by the chief internal audit executive.

4.5.2.14. Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Committee and the institution's chief internal audit executive.

4.6. Reporting

4.6.1. Regent Audit Subcommittee

4.6.1.1. At least annually, the Committee will provide a report or minutes of meetings to the full Board of Regents detailing the Committee's activities and recommendations.

4.6.2. Trustee Audit Committee

4.6.2.1. At least annually, the Committee shall provide a report or minutes of meetings to the full Board of Trustees detailing the Committee's activities and recommendations.

4.6.2.2. The Trustees chair and Trustee Audit Committee chair shall meet at least annually with the Regent Audit Subcommittee to provide updates on the institutional activities required by this policy.

4.6.2.3 The Committee shall prepare an annual report summarizing internal and external audit results from the prior year and an audit plan for the upcoming year. This report shall be submitted to the Board of Regents Manager of Audit no later than five business days before the annual board of Regents audit committee meeting.

R565-1. Purpose: To provide for the functions and responsibilities of Audit Committees within the Utah System of Higher Education (System).

R565-2. References

- 2.1. Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code §53B-7-101 (Financial Affairs Under the General Supervision of the Board)
- 2.3. Utah Code Title 52, Chapter 4 (Utah Open and Public Meeting Act)
- 2.4. [Utah Code §63I-5 \(Utah Internal Audit Act\)](#)
- 2.45. [Regents Policy and Procedures R561](#), Accounting and Financial Controls
- 2.56. [Regents Policy and Procedures R567](#), Internal Audit Program
- 2.7. [Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing \(IIA Standards\)](#)

R565-3. ~~Creation of~~ Audit Committees

- 3.1. ~~Creation of Regent Audit Committee: There is hereby created a~~ [The Board of Regents shall establish and maintain a](#) Regent Audit [Sub](#)committee as a standing subcommittee of the Finance, ~~and~~ [Facilities and Accountability](#) Committee.
- 3.2. Creation of Trustee Audit Committees: Each Board of Trustees ~~will~~ [shall](#) create a standing Audit Committee to assist the full board in ~~fulfilling its oversight responsibilities for~~ [overseeing](#) financial matters ~~and to oversee institutional internal audit activities, in accordance with the~~ [Internal Audit Act² and IIA Standards](#).

R565-4. Regent and Trustee Audit Committee Charters

- 4.1. **Purpose** [The Regent and Trustees Audit Committees shall establish respective audit charters that outline their purpose, authority, and responsibilities. The audit charters shall grant appropriate access to data, information, records, and personnel needed to conduct audit activities.](#)

~~4.1.1.—Regent Audit Committee: To assist the Board of Regents in fulfilling its oversight responsibilities for financial reporting, internal control, audit processes, and compliance with laws and regulations.~~

~~4.1.2.—Trustee Audit Committee: To assist the Board of Trustees in fulfilling its oversight responsibilities for financial reporting, internal control, audit processes, and compliance with laws and regulations.~~

¹ Adopted November 22, 1977, amended June 27, 1978, September 2, 1999, March 18, 2005, March 9, 2007 and October 29, 2010.

² Utah Code 63I-5

4.2. Authority

4.2.1. **Regent Audit Subcommittee:** The Regent Audit Subcommittee shall ~~obtain pertinent information, become knowledgeable, and~~ provide advice and recommendations to the full Board of Regents ~~with regard regarding to financial oversight and oversight of the system and individual intuitions, and systems of internal controls at each institution.~~ ~~Although T~~he Regent Audit Subcommittee is not vested with decision making authority on behalf of the full Board of Regents. ~~However,~~ the Regent Audit Subcommittee has authority to:

~~4.2.1.1. Consult with the State Auditor on the appointment of external auditors.~~

~~4.2.1.2. Request information from boards of trustees, campus administrators, and other institutional representatives, all of whom are directed to cooperate with Committee requests~~ Access any and all data, information, records, and personnel to fulfill its purpose and responsibilities.

~~4.2.1.3. Confer with external auditors, legal counsel, and others as necessary.~~

4.2.2. **Trustee Audit Committee:** ~~The~~ Trustee Audit Committees shall ~~obtain pertinent information, become knowledgeable, and~~ provide advice and recommendations to the full Board of Trustees ~~with regard regarding to financial oversight and institutional oversight systems of and internal controls at the institution.~~ ~~Although T~~he Trustee Audit Committee is not vested with decision making authority on behalf of the full Board of Trustees. ~~However,~~ the Trustee Audit Committee has authority to:

~~4.2.2.1. Confer with external auditors, legal counsel, and others as necessary~~ oversee the internal audit activities within the institution.

~~4.2.2.2. Facilitate full access for external auditors during annual audits~~ confer with external auditors, legal counsel, and others as necessary.

4.2.2.3. Assist in ~~the resolution of~~ resolving disagreements between institutional representatives and external auditors.

~~4.2.2.4. Request information from campus administrators, faculty, staff, and other institutional representatives, all of whom are directed to cooperate with Committee requests~~ Access any and all data, information, records, and personnel to fulfill its purpose and responsibilities.

4.2.2.5. Conduct or authorize investigations into any matters considered necessary to achieve its purpose.

4.2.2.6. Consult with institutional representatives, the Board of Trustees, and the Regent Audit Subcommittee concerning the adequacy of the institution's ~~accounting personnel~~ internal audit activities, staffing levels, and internal controls.

4.3. ~~Composition~~ Committee Membership

4.3.1. **Regent Audit Subcommittee:** The Regent Audit Subcommittee ~~will~~ shall consist of at least three ~~and but~~ no more than five members, including at least three ~~of whom are~~ members of the Board of Regents, ~~each of whom shall be independent and free from any relationship that, in the opinion of the Board of Regents, would interfere with the exercise of his or her independent judgment as a member of the Committee.~~ The Committee members will be appointed by the Chair of the Regents. Unless a Committee chair is appointed by the Board chair, the members of the Committee may designate a Chair by majority vote. ~~Wherever possible~~ When practicable, at least one of the committee members should have financial expertise either through professional certification or experience.

4.3.2. **Trustee Audit Committee:** The Trustee Audit Committee ~~will~~ shall consist of at least three ~~and but~~ no more than five members, including at least three ~~of whom are~~ members of the Board of Trustees, ~~each of whom shall be independent and free from any relationship that, in the opinion of the Board of Trustees, would interfere with the exercise of his or her independent judgment as a member of the Committee.~~ The Committee members will be appointed by the Chair of the Trustees. Unless a Committee chair is appointed by the Board chair, the members of the Committee may designate a Chair by majority vote. ~~Wherever possible~~ When practicable, at least one of the committee members should have financial expertise either through professional certification or experience.

4.4. Meetings

4.4.1. **Regent Audit Subcommittee:** The Committee ~~will~~ shall meet as needed at least once per year to review audit ~~and financial information~~ activities. The Committee may meet with boards of trustees, institutional administrators, and auditors. Regent staff shall prepare and provide ~~M~~meeting agendas ~~will be prepared and provided in advance to members~~, along with appropriate briefing materials. ~~Informal minutes will be prepared.~~

4.4.2. **Trustee Audit Committee:** The Committee shall meet at least three times a per year, with additional meetings as needed. The Committee may invite institutional administrators, auditors, and others to attend meetings and provide pertinent information. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Informal minutes will be prepared.

4.5. Responsibilities

4.5.1. ~~External Audits and Financial Statements~~

~~4.5.1.1.~~ The Regent Audit Subcommittee shall:

~~4.5.1.1.1.~~ Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Regent Audit Subcommittee and trustee audit committees (via trustee chairs and trustee audit committee chairs), ~~whether or not irregularities or other problems have been identified.~~

~~4.5.1.1.2.~~ Receive and review reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the annual financial statements, including a summary of significant accounting and reporting issues.

4.5.1.1.3. Receive and review reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the results of the annual financial statement audit, including audit scope and approach, any restrictions on the auditor's activities or on access to requested information, and any significant disagreements with institutional representatives.

4.5.2.1.14. Receive and review reports from institutions regarding the control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

4.5.2.1.25. Receive and review reports from institutions regarding systems of internal control.

4.5.2.1.36. Receive and review reports from institutions regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

4.5.3.1.17. Review reports from institutions regarding systems for monitoring compliance with all applicable laws and regulations.

4.5.3.1.28. Obtain regular updates from institutions regarding instances of material noncompliance that might have implications for the System.

4.5.4.1.19. Receive annual summary reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the results of the internal auditing program at each institution, including any restrictions and limitations on internal auditing activities.

4.65.1.10. At least annually, the Committee will provide a report or minutes of meetings to the full Board of Regents detailing the Committee's activities and recommendations.

4.5.1.2. The Trustee Audit Committee shall:

4.5.1.2.1. Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Trustee Audit Committee and external auditors, ~~whether or not irregularities or problems have been identified.~~

4.5.1.2.2. Review the institution's financial statements, including significant accounting and reporting issues. This includes reviewing the management discussion and analysis of the financial statements, along with any analyses prepared by institutional administration and/or external auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements.

4.5.1.2.3. Review with the administration and the external auditors the results of the annual financial statement audit, including audit scope and

approach, any restrictions on the auditor's activities or on access to requested information, and any significant disagreements with institutional representatives.

~~4.5.2.2.14.~~ Review information regarding the institution's control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.

~~4.5.2.2.25.~~ Confer with external and internal auditors regarding the quality of institutional systems of internal control.

~~4.5.2.2.36.~~ Review information regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.

~~4.5.2.2.47.~~ Review with campus administrators and other institutional representatives the adequacy of the institution's ~~auditing~~ ~~accounting~~ personnel, staffing levels, and controls.

~~4.5.3.2.18.~~ Review information provided by the administration regarding systems for monitoring compliance with all applicable laws and regulations.

~~4.5.3.2.29.~~ Obtain regular updates from institutional administrators and/or legal counsel regarding instances of material noncompliance that might have implications for the institution.

~~4.5.4.2.10.~~ Review with the administration and the chief internal audit executive the charter, plans, activities, staffing and organizational structure of the internal audit function.

~~4.5.4.2.211.~~ Review any restrictions and limitations on internal auditing activities.

~~4.5.4.2.312.~~ Advise the Board of Trustees regarding the appointment, replacement, or dismissal of the institution's chief internal audit executive.

~~4.5.4.2.413.~~ Receive and review internal audit reports and/or periodic summaries of internal audit activities prepared by the chief internal audit executive.

~~4.5.4.2.514.~~ Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Committee and the institution's chief internal audit executive.

~~4.5.2.—Internal Control~~

~~4.5.2.1.—Regent Audit Committee~~

~~4.5.2.1.1.—Receive and review reports from institutions regarding the control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.~~

~~4.5.2.1.2. — Receive and review reports from institutions regarding systems of internal control.~~

~~4.5.2.1.3. — Receive and review reports from institutions regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.~~

~~4.5.2.2. Trustee Audit Committee~~

~~4.5.2.2.1. — Review information regarding the institution's control environment, means of communicating standards of conduct, and practices with respect to risk assessment and risk management.~~

~~4.5.2.2.2. — Confer with external and internal auditors regarding the quality of institutional systems of internal control.~~

~~4.5.2.2.3. — Review information regarding the receipt, retention, and treatment of complaints, including anonymous complaints about accounting, auditing, internal control, and other related issues.~~

~~4.5.2.2.4. — Review with campus administrators and other institutional representatives the adequacy of the institution's accounting personnel, staffing levels, and controls.~~

~~4.5.3. Compliance~~

~~4.5.3.1. Regent Audit Committee~~

~~4.5.3.1.1. — Review reports from institutions regarding systems for monitoring compliance with all applicable laws and regulations.~~

~~4.5.3.1.2. — Obtain regular updates from institutions regarding instances of material noncompliance that might have implications for the System.~~

~~4.5.3.2. Trustee Audit Committee~~

~~4.5.3.2.1. — Review information provided by the administration regarding systems for monitoring compliance with all applicable laws and regulations.~~

~~4.5.3.2.2. — Obtain regular updates from institutional administrators and/or legal counsel regarding instances of material noncompliance that might have implications for the institution.~~

~~4.5.4. Internal Audit~~

~~4.5.4.1. Regent Audit Committee~~

~~4.5.4.1.1. — Receive annual summary reports from trustee audit committees (via trustee chairs and trustee audit committee chairs) regarding the~~

~~results of the internal auditing program at each institution, including any restrictions and limitations on internal auditing activities.~~

~~4.5.4.2. Trustee Audit Committee~~

~~4.5.4.2.1. Review with the administration and the chief internal audit executive the charter, plans, activities, staffing and organizational structure of the internal audit function.~~

~~4.5.4.2.2. Review any restrictions and limitations on internal auditing activities.~~

~~4.5.4.2.3. Advise the Board of Trustees regarding the appointment, replacement, or dismissal of the institution's chief internal audit executive.~~

~~4.5.4.2.4. Receive and review internal audit reports and/or periodic summaries of internal audit activities prepared by the chief internal audit executive.~~

~~4.5.4.2.5. Schedule meetings and correspondence as necessary to maintain regular, independent communication and information flow between the Committee and the institution's chief internal audit executive.~~

4.6. Reporting

4.6.1. Regent Audit Subcommittee

4.6.1.1. At least annually, the Committee will provide a report or minutes of meetings to the full Board of Regents detailing the Committee's activities and recommendations.

4.6.2. Trustee Audit Committee

4.6.2.1. At least annually, the Committee shall provide a report or minutes of meetings to the full Board of Trustees detailing the Committee's activities and recommendations.

4.6.2.2. ~~In connection with regularly scheduled Board of Regents meetings, The~~ Trustees chair and Trustees Audit Committee chair shall meet ~~periodically~~ at least annually with the Regent Audit Subcommittee to provide updates on the institutional activities ~~contemplated~~ required by this policy.

~~4.6.2.3 In addition, the Trustee chair and Trustee Audit Committee chair shall p~~Prepare an annual report consisting of a cover letter outlining audit programs and plans, a summary of key committee and related institutional activity (including an assessment of the results of that activity), and meeting agendas/minutes summarizing internal and external audit results from the prior year and an audit plan for the upcoming year. This report shall be submitted to the ~~Office of the Commissioner~~Board of Regents Manager of Audit ~~by December 31 of each year~~ no later than five business days before the annual board of Regents audit committee meeting.

~~4.7. Audit Notification~~

~~4.7.1.— A USHE vice president over finance shall give prompt verbal notification to the audit coordinator within the Office of the Commissioner when there is reasonable cause to believe that significant fraud, misconduct, or other event or action has occurred and where any of the following conditions of qualitative materiality are met:—~~

- ~~1. The matter is significant and is an act of embezzlement, theft or financial conflict of interest;~~
- ~~2. has the potential to damage an institution's reputation;~~
- ~~3. has the potential to become a public embarrassment through the media;~~
- ~~4. involves the misuse of institutional resources and creates exposure to a liability of at least \$25,000.~~

~~4.7.2 Qualitative materiality refers to financial and nonfinancial items that, independent of the amount, may influence the decisions of a user of the financial statements. For example, the political sensitivity to adverse media exposure that often concerns the nature rather than the size of an amount, such as illegal acts, bribery, corruption and related party transactions should be reported.~~

~~R565-5. Necessary Actions Not Contemplated by R565-4~~

~~5.1.— To assure appropriate institutional or System governance, the Regent Audit Committee is authorized, as directed by the chair of the Board of Regents, to pursue other actions which the Committee believes are needed, so long as the Regent Audit Committee is not vested with any authority to make decisions regarding the public's business.~~

~~5.2.— The Trustee Audit Committee may pursue other courses of action, as directed by the chair of the Board of Trustees, which the Committee believes are needed, so long as the Trustee Audit Committee is not vested with any authority to make decisions regarding the public's business.~~

R567-1. Purpose: To establish policies and standards for internal audit departments within the Utah System of Higher Education (USHE).

R567-2. References

- 2.1. Utah Code §53B-6-102 (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code §53B-7-101 (Financial Affairs Under the General Supervision of the Board)
- 2.3. Policy and Procedures R565, Audit Review Subcommittee
- 2.4. Policy and Procedure R120-3.3.2.7, Bylaws of the Board of Regents, Auditing Records
- 2.5. Utah Code §63I-5 (Utah Internal Audit Act)
- 2.6. Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing (IIA Standards)

R567-3. Definitions

3.1 Audit Charter. “The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.”² The audit charter should grant appropriate access to data, information, records, and personnel needed to fulfill the internal audit activity’s purpose and responsibilities.

3.2 Institution Audit Committee: Institution audit committees provide functional oversight of the internal audit activities, as described in the *Internal Audit Act*³, and in accordance with IIA Standards.⁴ Boards of trustees shall establish audit committees in adherence to the *Utah Internal Audit Act* and R565, Audit Committees.

3.3. Internal Auditing: An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

3.2. Institution Internal Audit Activity: Any activity administered by the institution’s internal auditing organization. Each institution’s audit committee shall establish an audit charter, granting the internal audit unit authority to engage in audit activities.

¹ Adopted April 24, 1973, amended May 29, 1973, June 26, 1973, November 27, 1973, January 28, 1975 and April 22, 1975; replaced January 17, 1992, amended April 17, 1992 and March 18, 2005.

² IIA Standards, 1000: Purpose, Authority, and Responsibility.

³ See Utah Code 63I-5-301(3).

⁴ IIA Standard 1110.

3.3. **Board of Regents Audit Manager:** The manager for audit and financial services reports to the Associate Commissioner for Finance and Facilities within the Office of the Commissioner. The audit manager provides audit support to the Board of Regents and institution audit activities.

R567-4. Policy

4.1. **General Standards:** Internal audit activities shall comply with IIA Standards. Other professional standards (such as "Generally Accepted Auditing Standards" disseminated by the American Institute of Certified Public Accountants, or Government Auditing Standards published by the Comptroller General of the United States) may also apply to particular audit assignments, as determined by the institution's audit committee or the Board of Regents.

4.2. **Internal Audit Activities Required at All Institutions:** The State Board of Regents requires each USHE institution to maintain an internal audit activity plan.

4.3. **Internal Audit Activity Independence and Objectivity:** Internal audit activities shall remain independent and objective. Institutions and internal auditors may foster independence by adhering to applicable standards, including:

4.3.1. **Organizational Independence:** Each institution should maintain organizational independence by establishing functional and administrative reporting relationships consistent with IIA Standards 1110 and 1111.

4.3.2. **Internal Audit Activity Objectivity:** Internal auditors shall adhere to standards of independence and objectivity outlined in IIA Standards 1100 and 1120.

4.3.3. **Independence Impairment Disclosure:** Internal auditors shall properly disclose impairments to independence, as required in IIA Standard 1130.

4.3.4. **Role in Institution Operations:** Internal auditors shall not participate in institution management or operational responsibilities that would impair independence.

4.4. **Institution Audits:** In addition to audits required by policy, institution internal auditors shall conduct risk-based audits for their institutions, as assigned by the institution audit committee. Institution presidents and executive cabinet may also request audit activities.

4.5. **Required Audits:** Institution internal auditors shall annually conduct the following audits:

4.5.1 **Presidential Travel** (in accordance with R212-1.2)

4.5.2 **Institutional Investments** (in accordance with R541-11)

4.5.3 **Auxiliary Enterprises** (in accordance with R550-7.3)

4.6. **Institution Risk Assessment:** Internal auditors shall participate in institution risk assessments at least annually and report the results to the institution audit committee. Institution risks may include financial, operational, efficiency, fraud, compliance, internal control, information systems, data loss, reputation and political.

4.7. **Institution Audit Communication:** Upon completion of internal audit activities, institution auditors shall communicate the results to the institution audit committee.

4.8. Communication with Institution Management: The chief audit executive shall meet with the institution president at least annually to review completed audits, institution responses, and other pertinent issues.

4.9. Audit Committee Responsibilities: The audit committee shall adhere to responsibilities established in the *Utah Internal Audit Act* and R565, Audit Committees.

4.10. Coordination of System-Wide Audits: The Commissioner of Higher Education and institution presidents shall coordinate assignments to conduct system-wide internal audits.

4.11. Special Audits Directed by the Commissioner: The Commissioner, with prior notification to the institution president, may schedule and conduct an audit at the institution, separately or in cooperation with a resident chief audit executive. (See State Board of Regents Bylaw R120-3.3.2.7.)

4.12. Audit Notification: The institution's vice president of finance or chief audit executive shall promptly notify the Board of Regents audit manager regarding apparent fraud or misconduct with any of the following attributes:

- 4.12.1 significant embezzlement, theft, or other fraud;
- 4.12.2 concerns that may damage an institution's reputation;
- 4.12.3 apparent misuse of institutional resources of at least \$25,000;
- 4.12.4 issues that may be covered by the media; or
- 4.12.5 any other issue that requires attention from the Board of Regents or the Commissioner.

R567-1. Purpose: To establish policies and standards for internal audit departments within the Utah System of Higher Education (USHE).

R567-2. References

- 2.1. Utah Code [§53B-6-102](#) (Standardized Systems Prescribed by the Board)
- 2.2. Utah Code [§53B-7-101](#) (Financial Affairs Under the General Supervision of the Board)
- 2.3. Policy and Procedures [R565](#), Audit Review Subcommittee
- 2.4. Policy and Procedure [R120-3.3.2.7](#), Bylaws of the Board of Regents, Auditing Records
- 2.5 [Utah Code §63I-5 \(Utah Internal Audit Act\)](#)
- 2.6 [Institute of Internal Auditors, International Standards for the Professional Practice of Internal Auditing \(IIA Standards\)](#)

R567-3. Definitions

3.1 [Audit Charter.](#) "The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval."² The audit charter should grant appropriate access to data, information, records, and personnel needed to fulfill the internal audit activity's purpose and responsibilities.

3.2 [Institution Audit Committee:](#) Institution audit committees provide functional oversight of the internal audit activities, as described in the *Internal Audit Act*³, and in accordance with IIA Standards.⁴ Boards of trustees shall establish audit committees in adherence to the *Utah Internal Audit Act* and [R565, Audit Committees.](#)

3.13. [Internal Auditing:](#) ~~Internal auditing is a~~ An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. ~~appraisal function established to examine and evaluate activities as a service to management. The objective of internal auditing is to assist USHE personnel in the effective discharge of their responsibilities. To this end, internal auditing furnishes analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed .~~

3.2. [Institutional Internal Audit Department Activity:](#) ~~An institutional audit department is an employee or department of a USHE institution responsible to provide internal auditing services, as defined~~

¹ Adopted April 24, 1973, amended May 29, 1973, June 26, 1973, November 27, 1973, January 28, 1975 and April 22, 1975; replaced January 17, 1992, amended April 17, 1992 and March 18, 2005.

² IIA Standards, 1000: Purpose, Authority, and Responsibility.

³ See Utah Code 63I-5-301(3).

⁴ IIA Standard 1110.

~~above, and whose functions are governed by a statement of purpose, authority, and responsibility which has been proposed by the president and approved by the institution's Board of Trustees~~ Any activity administered by the institution's internal auditing organization. Each institution's audit committee shall establish an audit charter, granting the internal audit unit authority to engage in audit activities.

3.3. ~~State Board of Regents Audit Department Manager: The State Board of Regents audit department is an internal audit department resident in the Commissioner's Office responsible to provide internal auditing services, as defined above, and whose functions are governed by a statement of purpose, authority, and responsibility which has been approved by the Commissioner~~ The manager for audit and financial services reports to the Associate Commissioner for Finance and Facilities within the Office of the Commissioner. The audit manager provides audit support to the Board of Regents and institution audit activities.

R567-4. Policy

4.1. ~~Internal Audits Required at All Institutions: The State Board of Regents requires each Utah System of Higher Education institution to complete internal audits as directed by the State Board of Regents, the Commissioner, the institutional President, or the appropriate authority at the institution~~ General Standards: Internal audit activities shall comply with IIA Standards. Other professional standards (such as "Generally Accepted Auditing Standards" disseminated by the American Institute of Certified Public Accountants, or Government Auditing Standards published by the Comptroller General of the United States) may also apply to particular audit assignments, as determined by the institution's audit committee or the Board of Regents.

4.2. ~~System Wide Audits—Financial Audits: Institutional audit departments shall conduct system wide audits for their institutions and the State Board of Regents audit department shall conduct system wide audits at institutions having no resident audit department~~ **Internal Audit Activities Required at All Institutions:** The State Board of Regents requires each USHE institution to maintain an internal audit activity plan.

4.3. Internal Audit Activity Independence and Objectivity: Internal audit activities shall remain independent and objective. Institutions and internal auditors may foster independence by adhering to applicable standards, including:

4.3.1. Organizational Independence: Each institution should maintain organizational independence by establishing functional and administrative reporting relationships consistent with IIA Standards 1110 and 1111.

4.3.2. Internal Audit Activity Objectivity: Internal auditors shall adhere to standards of independence and objectivity outlined in IIA Standards 1100 and 1120.

4.3.3. Independence Impairment Disclosure: Internal auditors shall properly disclose impairments to independence, as required in IIA Standard 1130.

4.3.4. Role in Institution Operations: Internal auditors shall not participate in institution management or operational responsibilities that would impair independence.

4.4. ~~Coordination of System Wide Audits: Assignments to conduct system wide internal audits will be coordinated between the Commissioner of Higher Education and the institutional Presidents~~ Institution Audits: In addition to audits required by policy, institution internal auditors shall conduct risk-based audits

for their institutions, as assigned by the institution audit committee. Institution presidents and executive cabinet may also request audit activities.

~~4.5. **Special Audits Directed by the Commissioner:** The Commissioner, with prior notification to the President of the institution, may direct the State Board of Regents audit department to schedule and conduct an audit at the institution, separately or in cooperation with a resident internal audit group, provided the audit is not part of a system-wide audit. (See State Board of Regents Bylaw R120-3.3.2.7.)~~ **Required Audits:** Institution internal auditors shall annually conduct the following audits:

4.5.1 Presidential Travel (in accordance with R212-1.2)

4.5.2 Institutional Investments (in accordance with R541-11)

4.5.3 Auxiliary Enterprises (in accordance with R550-7.3)

~~4.6. **General Standards:** the functions and activities of internal audit departments within USHE shall be consistent with the "Standards for the Professional Practice of Internal Auditing" as promulgated by the Institute of Internal Auditors. Other professional standards (such as "generally accepted auditing standards" as promulgated by the American Institute of CPAs) may also apply to particular audit assignments as determined by the institution's Board of Trustees or the State Board of Regents.~~ **Institution Risk Assessment:** Internal auditors shall participate in institution risk assessments at least annually and report the results to the institution audit committee. Institution risks may include financial, operational, efficiency, fraud, compliance, internal control, information systems, data loss, reputation and political.

~~4.7. **Reports to the Board of Trustees:** The President and the internal audit director shall meet periodically as needed with the institutional Board of Trustees, or an Audit Subcommittee of the institutional Board of Trustees, to review completed audits, institutional responses, and to discuss concerns of the institutional Board of Trustees or the director.~~ **Institution Audit Communication:** Upon completion of internal audit activities, institution auditors shall communicate the results to the institution audit committee.

4.8. Communication with Institution Management: The chief audit executive shall meet with the institution president at least annually to review completed audits, institution responses, and other pertinent issues.

4.9. Audit Committee Responsibilities: The audit committee shall adhere to responsibilities established in the *Utah Internal Audit Act* and R565, Audit Committees.

4.10. Coordination of System-Wide Audits: The Commissioner of Higher Education and institution presidents shall coordinate assignments to conduct system-wide internal audits.

4.11. Special Audits Directed by the Commissioner: The Commissioner, with prior notification to the institution president, may schedule and conduct an audit at the institution, separately or in cooperation with a resident chief audit executive. (See State Board of Regents Bylaw R120-3.3.2.7.)

4.12. Audit Notification: The institution's vice president of finance or chief audit executive shall promptly notify the Board of Regents audit manager regarding apparent fraud or misconduct with any of the following attributes:

4.12.1 significant embezzlement, theft, or other fraud;

4.12.2 concerns that may damage an institution's reputation;

4.12.3 apparent misuse of institutional resources of at least \$25,000;

4.12.4 issues that may be covered by the media; or

4.12.5 any other issue that requires attention from the Board of Regents or the Commissioner.

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