

*The minutes below are in draft form, subject to approval by the  
Legislative Post Audit Committee at a later meeting.*

**DRAFT  
MINUTES  
Legislative Post Audit Committee  
April 26, 2016**

**Call to Order**

**Welcome by the Chair.** The meeting was called to order by Chair O'Donnell at 10:17 a.m. in Room 118-N of the Statehouse. Committee members present:

Senator Michael O'Donnell, Chair	Representative Virgil Peck, Jr., Vice-Chair
Senator Anthony Hensley	Representative John Barker
Senator Laura Kelly	Representative Tom Burroughs
Senator Jeff Longbine	Representative Peggy Mast
Senator Julia Lynn	Representative Ed Trimmer

**Approval of Minutes.** Representative Peck moved approval of the March 9, 2016, minutes. Senator Kelly seconded the motion; motion carried.

**Presentation of Completed Contracted Audits**

**OMB Circular A-133 Compliance Audit Report.** This audit was presented by Sean Walker of CliftonLarsonAllen. Allison Slife of CliftonLarsonAllen also was present to answer questions.

The report found a material weakness in the Medicaid program, where the Managed-care organizations (MCOs) did not have agreements for eight of the 40 providers tested. Representative Peck asked whether all the MCOs were involved, or only one or two. Staff will find out and report back to the committee.

Officials of several agencies were present to answer questions. Department for Children and Families: Mary Hoover, Director, Audit Services; Kansas Board of Regents: Elaine Frisbie, Vice President for Finance and Administration; Department of Labor: Dawn Palmberg, Chief Fiscal Officer. There were no questions.

All legislators will receive the audit highlights document and the following committees will be notified that the committee thought the report might be special interest:

### *House Committees*

- *Appropriations*
- *Federal and State Affairs*
- *Health and Human Services*
- *Children and Seniors*
- *Social Services Budget*
- *Education*
- *Education Budget*
- *Commerce, Labor and Economic Development*

### *Senate Committees*

- *Ways and Means*
- *Federal and State Affairs*
- *Public Health and Welfare*
- *Education*
- *Commerce*

### *Other Committees*

- *Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight*

## **Presentation of Staff Performance Audits**

***Kansas Corporation Commission: Evaluating Savings Achieved through the Facility Conservation Improvement Program.*** This limited-scope audit was presented by Brad Hoff, Senior Auditor.

Senator Kelly and Chairman O'Donnell asked how much it would cost for contractors to prepare a report on actual energy savings. Mr. Hoff said he would consult with Corporation Commission staff and report back.

Officials from the Corporation Commission present to answer questions were Amy Green, Executive Secretary, and Mary Galligan, KCC consultant. Senator Kelly asked Ms. Galligan why the KCC doesn't mandate follow-up reports, and if they could mandate such reports without authorizing legislation. Ms. Galligan said the Commission probably would take a legislative recommendation. The Chair recommended that the Commission consider taking such action.

Representative Mast suggested that the committee have a bill drafted that would require the Commission to mandate a follow-up report for each project to confirm that the expected energy savings actually occurred.

Representative Mast made a motion to accept the audit. Senator Longbine seconded the motion; motion carried. All legislators will receive email notification with a link to the full report document. The following committees will be notified that the committee thought the report might be special interest:

*House Committees*

- Appropriations
- Labor, Commerce and Economic Development
- Utilities and Telecommunications
- Energy and Environment
- Agriculture and Natural Resources Budget

*Senate Committees*

- Utilities
- Natural Resources
- Ways & Means
- Ways & Means Subcommittee on Regulatory Boards and Commissions

*Joint Committees*

- State Building Construction

**Performance Audit Topics**

***Reconsideration of Audit Topics Approved for Fiscal Year 2016.*** Scott Frank, Legislative Post Auditor, told the committee that three audits were approved last year, but were postponed because of approval of the large foster care audit. Those audits were:

- Evaluating the privatization of the state's child support enforcement program
- Assessing the potential savings from expanding the use of inmate labor
- Assessing the potential savings from privatizing the state's centralized printing services

Staff recommended that the committee vote to rescind all three topics, then reconsider them along with the other audit requests. Representative Barker moved to rescind the three approved audit projects and consider them along with the other requested topics. Senator Lynn seconded the motion; motion carried.

***Foster Care – Reconsideration of Same-Sex Couples Question.*** Justin Stowe, Deputy Post Auditor, reminded members that, at its meetings on December 10, 2015 and January 13, 2016, the committee considered but did not ultimately

approve a request for an audit into allegations of discrimination against same-sex couples in the foster care and adoption placement processes. The Foster Care Audit Subcommittee met on December 22 and 29 and eventually approved an eight-question scope statement for an audit of the foster care system. The question related to same-sex couples was included in this scope statement.

At its meeting on January 13, 2016, the committee considered the subcommittee's scope statement. It eventually approved seven of the eight questions on the scope statement, but deferred action on the same-sex couples question until today's meeting.

The committee discussed whether the audit's requestor, Representative Jim Ward, should be allowed to address the committee with respect to the same-sex couples question. After discussion, the Chair permitted Representative Ward to make a brief presentation to the committee.

***Fiscal Year 2017 Audit Selection.*** Mr. Frank indicated that staff needs about five audit topics approved at this time.

Mr. Stowe reviewed the audit requests and staff suggestions before the committee. Following his summary, the chair called on attending legislators to speak in support of their requests:

- Representative Ron Highland spoke in support of his request #2L, looking at K-12 federal education funds.
- Representative Gail Finney spoke in favor of request #11L, dealing with seized and forfeited property.
- Representative Willie Dove spoke in support of his request #17L, looking at the impact of industrial hemp production.

The chair called a brief lunch break from 12:05 – 12:15 p.m. He thanked Matt Hickham of Hickham Public Affairs for providing lunch for members.

After the break, the committee took the following actions:

- Representative Barker moved to approve topic 2L, dealing with federal education funds. Representative Mast seconded the motion. In response to a question from Senator Kelly, Mr. Frank indicated the engagement likely would start in July, and would be done in time for the session if that was the committee's pleasure. Motion carried.
- Representative Mast moved to approve topic 3L, on the impact of establishing

a consolidated K-12 health insurance plan. Senator Lynn seconded the motion. During discussion, Representative Mast suggested that the Kansas Health Care Commission might be able to provide assistance with the analysis required by the audit. Motion carried.

- Senator Longbine moved approval of topic 4L, dealing with timeliness of Medicaid eligibility determinations. Representative Burroughs seconded the motion; motion carried.
- Senator Lynn moved approval of topic 8L, related to the FirstNet emergency telecommunication system. Senator O'Donnell seconded the motion. Motion carried.
- Senator O'Donnell moved to approve limited-scope topic 9L, on Osawatomie State Hospital's recent loss of federal funds. Senator Hensley seconded the motion; motion carried.
- Senator O'Donnell moved approval of topic 17L, on the potential economic impact of industrial hemp production in Kansas. Senator Lynn seconded the motion. Senator Kelly suggested it might be more appropriate to first talk to agricultural economists at Kansas State University about conducting a study, rather than doing an audit.
- Senator Hensley made a substitute motion to authorize version #2 of the possible foster-care audit question dealing with same-sex couples. Representative Burroughs seconded the motion. Motion failed.
- The Chair called for a vote on the original motion to approve the audit of industrial hemp production. Motion failed.
- Representative Mast moved approval of topic 21L, dealing with energy conservation measures taken by state agencies. Senator Lynn seconded the motion; motion carried.

***Designation of K-GOAL audits.*** Under the K-GOAL law, the committee is required to designate at least four audits each calendar year as K-GOAL audits. Those audits are supposed to be focused on efficiency and cost savings issues, and are to be completed no later than December 1 in any year.

Mr. Stowe told members that staff had identified several potential K-GOAL audits that have been approved by the committee, but not completed:

- Attica School District Efficiency Audit
- Frontenac School District Efficiency Audit
- Maize School District Efficiency Audit
- Foster Care (Part II): Privatization

Representative Peck moved to designate the identified audits as the K-GOAL audits for 2015. Representative Mast seconded the motion; motion carried.

### **Presentation of Staff IT Security Audits**

***Kansas Insurance Department.*** The Chair indicated that this audit would be taken up in executive session. Representative Peck made the following motion:

I move that the open meeting of the Legislative Post Audit Committee in Room 118-N of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 118-N of the Statehouse pursuant to subsection (b)(13) of K.S.A. 2015 Supp. 75-4319, for a discussion of the security of the information systems of the Kansas Insurance Department which is under consideration by the Legislative Post Audit Committee because open discussion would jeopardize the security of such information systems, that the Legislative Post Audit Committee resume the open meeting in Room 118-N of the Statehouse at 1:15 p.m., and that this motion, if adopted, be recorded in the minutes of the Legislative Post Audit Committee and be maintained as a part of the permanent records of the committee.

Senator Lynn seconded the motion. Adopted 1:00 p.m. on April 26, 2016.

Mr. Frank read the list of individuals who should be permitted to remain in the executive session:

Legislative Post Audit Committee:	All members
Legislative Division of Post Audit:	<ul style="list-style-type: none"> <li>• Scott Frank, Legislative Post Auditor</li> <li>• Katrin Osterhaus, IT Audit Manager</li> <li>• Alex Gard, Principal IT Auditor</li> <li>• Clyde-Emmanuel Meador, IT Auditor</li> <li>• Mike Nixon, Senior Information Systems and Security Administrator</li> </ul>
Kansas Insurance Department:	<ul style="list-style-type: none"> <li>• John Wine, Assistant Commissioner</li> <li>• Linda Scott, IT Director</li> </ul>
Office of Information Technology Services:	<ul style="list-style-type: none"> <li>• Phil Wittmer, Executive Branch Chief</li> </ul>

- Information Technology Officer
- Joe Acosta, Chief Information Security Officer
- Rod Blunt, Deputy Chief Information Security Officer

The open meeting resumed at 1:15 p.m.

### **Discussion of the State’s IT-Security Program**

**Public session.** Phil Wittmer, Executive Branch Chief Information Technology Officer spoke briefly. He then introduced Joe Acosta, the state’s new Chief Information Security Officer. Mr. Acosta delivered brief comments and distributed written testimony.

**Executive session.** Representative Peck made the following motion:

I move that the open meeting of the Legislative Post Audit Committee in Room 118-N of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 118-N of the Statehouse pursuant to subsection (b)(13) of K.S.A. 2015 Supp. 75-4319, for a discussion of the security measures protecting state information systems which is under consideration by the Legislative Post Audit Committee because open discussion would jeopardize the security of such information systems, that the Legislative Post Audit Committee resume the open meeting in Room 118-N of the Statehouse at 1:55 p.m., and that this motion, if adopted, be recorded in the minutes of the Legislative Post Audit Committee and be maintained as a part of the permanent records of the committee.

Representative Mast seconded the motion. Adopted at 1:30 p.m. on April 26, 2016.

Mr. Frank read the list of individuals who should be permitted to remain in the executive session:

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| Legislative Post Audit Committee:          | All members   |
| Legislative Division of Post Audit:        | <ul style="list-style-type: none"> <li>•Scott Frank, Legislative Post Auditor</li> <li>•Katrin Osterhaus, IT Audit Manager</li> <li>•Alex Gard, Principal IT Auditor</li> <li>•Clyde-Emmanuel Meador, IT Auditor</li> <li>•Mike Nixon, Senior Information Systems and Security Administrator</li> </ul> |
| Office of Information Technology Services: | <ul style="list-style-type: none"> <li>•Phil Wittmer, Executive Branch Chief Information Technology Officer;</li> </ul>   |

- Joe Acosta, Chief Information Security Officer; Rod Blunt, Deputy Chief Information Security Officer

The open meeting resumed at 1:55 p.m.

### **Legislative Post Audit Operations**

**Tracking Alvarez & Marsal recommendations.** Scott Frank directed members' attention to a request letter from Representative Ron Ryckman, Jr., asking for staff's assistance in monitoring agencies' compliance in implementing the recommendations in the A&M study. Mr. Frank indicated that this monitoring effort would be incorporated into the division's regular quarterly process for following up on audit recommendations. Representative Trimmer moved to approve allowing LPA staff to monitor compliance with the A&M recommendations. Senator Lynn seconded the motion; motion carried.

**Status of follow-up items.** Rick Riggs, Administrative Auditor, briefly reviewed the status of items staff is following for the committee. Senator Kelly noted that the Department of Children and Families took more than three months to respond to the committee's request for information related to its policies and practices related to same-sex foster and adoptive placements. She said that if staff had not given the department a deadline for its response, it should do so in the future.

### **Wrap-Up**

**Additional business.** Mr. Frank advised members that Senate Bill 474, dealing with STAR bonds reform, would require Legislative Post Audit to perform audits of projects funded by STAR bonds.

**Date of next meeting.** Mr. Frank said the date of the next meeting has not been set, but there most likely will be a meeting scheduled in July, September, and December. In addition, there probably will be an executive committee meeting in August to review the budget and to consider possible bills and committee rule changes.

### **Adjournment**

The meeting adjourned at 2:15 p.m.

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Nicole Blanchett, Secretary  
Legislative Post Audit Committee

date

*All handouts and other documents referred to in these minutes are on file with Legislative Post Audit. Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim and have not been submitted to the individuals appearing before the committee for editing or corrections.*