

MINUTES
Legislative Post Audit Committee
October 2, 2014

Call to Order

Welcome by the Chair. The meeting was called to order by Chair Longbine at 10:06 a.m. in Room 118-N of the Statehouse. Committee members present:

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

Approval of Minutes. Representative Mast moved approval of the July 22 minutes. Senator Kelly seconded the motion; motion carried.

Presentation of Staff Audits

Department of Revenue: Determining Whether the Department Took Adequate Actions to Implement Its New Motor Vehicle System. This audit was presented by Laurel Murdie, Principal Auditor. Nick Jordan, Secretary of Revenue, delivered brief comments.

Representative Barker made a motion to accept the audit. Senator Kelly seconded the motion; motion carried. All legislators will receive the audit highlights document and full copies of the audit will be distributed to the chairs, vice-chairs, and ranking minority members of the following committees:

- House Committees
 - *Appropriations*
 - *General Government Budget*
 - *Local Government*

- Senate Committees
 - *Ways & Means*
 - *Ways & Means Subcommittee on General Government and Gaming*
 - *Local Government*

- Other Committees
 - *Joint Committee on Information Technology*
 - *Committee Name*
 - *Committee Name*

Presentation of IT Security Audits

State Agency Information Systems: Reviewing Security Controls in Selected State Agencies – Kansas Department of Transportation, Board of Regents, State Banking Commissioner (2014). These confidential IT-security audits were presented in executive session. Representative Barker 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. 2013 Supp. 75-4319, for a discussion of the security of the information systems of selected state agencies which is under consideration by the Legislative Post Audit Committee, because open discussion would jeopardize the security of the information systems, that the Legislative Post Audit Committee resume the open meeting in Room 118-N of the Statehouse at 11:50 a.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 Peck seconded the motion. Motion carried. Adopted at 11:05 a.m. on October 2, 2014.

The Chair indicated that those allowed to remain during the executive session were:

- Members of the Legislative Post Audit Committee
- From Legislative Post Audit
 - Scott Frank
 - Justin Stowe
 - Katrin Osterhaus
 - Stan Wiechert
- From the Board of Regents
 - Steve Funk
- From the Department of Transportation
 - Jeff Neal
 - Wade Wiebe
 - Bill Kritkos
 - Halee Lindstrom
- From the State Banking Commissioner
 - Glen Caspers

The open meeting resumed at 11:50 a.m. The Chair indicated the committee had not completed its work, so Representative Barker again moved that the committee go into executive session:

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. 2013 Supp. 75-4319, for a discussion of the security of the information systems of selected state agencies which is under consideration by the Legislative Post Audit Committee, because open discussion would jeopardize the security of the information systems, that the Legislative Post Audit Committee resume the open meeting in Room 118-N of the Statehouse at 12:05 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 Peck seconded the motion. Motion carried. Adopted at 11:52 a.m. on October 2, 2014. The committee entered executive session, with the same individuals allowed to remain.

The committee resumed open meeting at 12:05 p.m.

Presentation of Completed Contracted Audits

2014 Examination of the Operations of the State Treasurer's Office. This audit was presented by Paul Niedermuller, Principal, CliftonLarsonAllen, the firm conducting the audit under contract with Legislative Post Audit.

Present from the State Treasurer's Office were Scott Gates, General Counsel, and Lucinda Anstaett, Financial Services Director.

All legislators will receive the audit highlights document and full copies of the audit will be distributed to the chairs, vice-chairs, and ranking minority members of the following committees:

- House Committees
 - *General Government Budget Committee*

- Senate Committees
 - *Ways & Means Subcommittee on Legislative and Elected Officials*

- Other Committees
 - *Joint Committee on Pensions, Investments and Benefits*

2014 Examination of the Operations of the Pooled Money Investment Board. This audit was presented by Paul Niedermuller, Principal, CliftonLarsonAllen, the firm conducting the audit under contract with Legislative Post Audit.

Present from the Pooled Money Investment Board was Scott Miller, Director of Investments.

All legislators will receive the audit highlights document and full copies of the audit will be distributed to the chairs, vice-chairs, and ranking minority members of the following committees:

- House Committees
 - *General Government Budget Committee*
- Senate Committees
 - *Ways & Means Subcommittee on Legislative and Elected Officials*
- Other Committees
 - *Joint Committee on Pensions, Investments and Benefits*

Lunch Break

The committee broke for lunch at 12:11 p.m. The meeting resumed at 1:30 p.m.

Performance Audit Topics

Legislator Requests for Audits (First-Time Requests). Justin Stowe, Deputy Post Auditor, told members that Committee Rule 1-5(b) states that all new audit requests shall be presented for the first time at the next meeting of the Legislative Post Audit Committee. For this meeting, staff presented audit requests from Representative Bradford and Representative Menghini. Representative Bradford's request dealt with controls Kansas has established to ensure its workman's compensation pharmacy benefits manager minimizes state costs and enhances employee benefits. Representative Menghini's request dealt with evaluating whether the Kansas State Board of Technical Professions actions and orders have been performed in accordance with state law.

Representative Bradford briefly addressed the committee in support of his audit request.

Mr. Stowe indicated that, if the new request were added to the pharmacy audit currently under way, it would add about a month or six weeks to the current project.

After discussion, the committee decided by consensus to revisit this request in January, at the end of the current pharmacy audit. No action was taken on the Board of Technical Professions audit request, so it will next be considered in April 2015 when all audit topics will be considered.

School District Efficiency Audits

School Selection Update. Scott Frank, Legislative Post Auditor, told members that K.S.A. 46-1133 requires the division to conduct a series of school district efficiency audits at the direction of the Post Audit Committee. The law requires an audit of a small, medium, and large district each year over fiscal years 2014-2017.

For fiscal year 2015, the following districts have been selected:

- Attica (small) – Randomly selected by lottery
- Prairie Hills (medium) – Volunteered
- Auburn-Washburn (large) – Randomly selected by lottery for FY 2014; deferred on appeal until this year

School District Appeal. Mr. Frank told members that, under LPAC Rule 1-6, staff solicits volunteers each year and then select one district from each of the three enrollment categories. If there are no volunteers in a given enrollment category, staff select a district at random from within that category. No small districts (fewer than 500 students) volunteered for this year. Per the committee's rules, staff held a lottery on September 8 to randomly select a small district, and the Attica school district was selected.

The committee's selection process allows a district that has been randomly selected for an audit to appeal the selection and request a delay until the next fiscal year. If the appeal is granted, the audit is delayed by a year and a new district is selected at random. By rule, the audit can only be delayed for one year and must occur during that second year.

On September 22, Legislative Post Audit received a formal request from the Attica school district to delay the efficiency audit until fiscal year 2016 because of recent turnover among much of its administrative staff. Mr. Frank asked the committee to decide if it wants to grant the appeal to delay the audit, as requested by the Attica school district.

Superintendent Don Wells from the Attica school district addressed the committee.

After discussion, Representative Mast moved that the appeal be granted. Senator O'Donnell seconded the motion; motion carried.

Legislative Post Audit Operations

Consideration of Legislative Post Audit's FY 2016-2017 Budget Request. Scott Frank presented the division's budget request.

After discussion, Senator Lynn moved approval of the budget. Representative Barker seconded the motion; motion carried.

Potential Rules Changes. Scott Frank presented a number of potential rule changes in the following areas:

- Limited-Scope Audits
- Quarterly and Annual Follow-Up Process
- LPAC Executive Committee
- Outside Testimony From School Districts

Representative Mast moved to accept all the proposed changes, including Representative Peck's suggestion to make the reference to "school district representatives" singular in the proposed "outside testimony" rule. Senator Lynn seconded the motion. Motion carried.

Potential Legislation. Scott Frank summarized a number of potential statutory changes:

- LPA Background Check Authority
- 2010 Commission and School Audit Team
- Information Technology Audits
- Office of Information Technology Services (OITS)

Senator Kelly moved to accept all the proposed statutory changes. Senator Lynn seconded the motion. Motion carried.

Follow-Up Items. Rick Riggs, Administrative Auditor, updated members on the division's most recent quarterly follow-up report on the implementation status of

audit recommendations, as well as other follow-up items the committee has requested.

Evaluation of the Post Auditor. The Chair announced that the committee would go into executive session to consider the Post Auditor's evaluation. Representative Barker 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)(1) of K.S.A. 2013 Supp. 75-4319, for a discussion of personnel matters of nonelected personnel relating to the annual evaluation of the Legislative Post Auditor which is under consideration by the Legislative Post Audit Committee, to protect the privacy interests of the individual, that the Legislative Post Audit Committee resume the open meeting in Room 118-N of the Statehouse at 3:30 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 Hensley seconded the motion; motion carried. Adopted at 3:10 p.m. on October 2, 2014.

The committee resumed its open meeting at 3:30 p.m.

Wrap-Up

Additional Business. Mr. Frank introduced two new staff auditors, Danielle Stephen and Paige Asmann.

Date of Next Meeting. The Chair reminded members that the next meeting is scheduled for December 11, 2014.

Adjournment. The meeting adjourned at 3:34 p.m.



Nicole Blanchett, Secretary
Legislative Post Audit Committee

12-23-14

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.