MINUTES
Legislative Post Audit Committee
December 3, 2013

Call to Order

     Welcome by the Chair. The meeting was called to order by Chair Mast at 9:00 a.m. in Room 159-S of the Statehouse. Committee members present:

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

     Approval of Minutes. Representative Barker moved approval of the September 11 minutes. Representative Trimmer seconded the motion; motion carried.

Presentation of Contracted Audits

     Financial Audit of the Kansas Lottery, Fiscal Year 2013. This audit was presented by Dave Cochran, Partner, and Brian Holst, Audit Manager, Cochran Head Vick & Co., P.A., a CPA firm under contract to Legislative Post Audit.

     Present from the Kansas Lottery were Amber Korbe, Director of Finance, and Keith Kocher, Director of Gaming Facilities. Both officials answered members' questions.

     The committee requested quarterly updates from the Kansas Lottery on its progress in addressing the material weaknesses cited in the report.

     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:

Senate:
- Ways & Means Subcommittee on the Kansas Lottery
- Federal and State Affairs

House:
- General Government Budget Committee
- Federal and State Affairs

Financial Audit of KPERS, Fiscal Year 2013. This audit of the Kansas Public Employees Retirement System was presented by Dave Cochran, Partner, Cochran Head Vick & Co., P.A., a CPA firm under contract to Legislative Post Audit.

From the Retirement System, the following officials were available for questions: Alan Conroy, Executive Director; and Diana Komarek, Chief Financial Officer.

Mr. Conroy briefly explained to the committee imminent changes to rules of the Governmental Accounting Standards Board that will affect KPERS employers.

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Senate:
- Ways and Means
- Ethics, Elections and Local Government

House:
- Appropriations
- Local Government
- Pensions and Benefits

Joint:
- Joint Committee on Pensions, Investments, and Benefits

Completed Staff Audits

Office of Information Technology Services (OITS) Rates. This audit was presented by Lynn Retz, Senior Auditor.

In response to a question by Senator Hensley, Ms. Retz said she would have to review the audit documentation to determine who had directed the agency to make accounting adjustments to avoid reporting a profit.

Representative Mast directed staff to contact the chairs of the House Appropriations and Senate Ways & Means committee to schedule presentations of the audit report.

Anthony Schlinsog, OITS Director and Chief Information Technology Officer for the Executive Branch, delivered prepared comments.

Senator Longbine made a motion to accept the audit. Representative Burroughs 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:

Senate:
- Ways & Means
- Ways & Means Subcommittee on the Department of Administration
- Utilities

House:
- Appropriations
- General Government Budget
- Utilities and Telecommunications

Joint:
- Joint Committee on Information Technology

Statewide Information Technology Security Audit (2013) – Public and Confidential Reports. The public report was presented by Justin Stowe, Deputy Post Auditor.

After presentation of the public report, the committee went into executive session to hear confidential reports on security issues at each of the audited agencies. Senator Longbine made the following motion:

> I move that the open meeting of the Legislative Post Audit Committee in Room 159-S of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 159-S 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 of Kansas 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 159-S 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 Burroughs seconded the motion. Motion carried. Adopted at 10:50 a.m. on December 3, 2013.

The Chair determined that those permitted to attend the executive session were, in addition to committee members, the following:

LPA Staff	Agency Officials
• Scott Frank, Post Auditor • Justin Stowe, Deputy Post Auditor • Katrin Osterhaus, Principal Auditor • Stan Wiechert, Principal IT Auditor • Alex Gard, Senior IT Auditor • Andrew Sun, Senior IT Auditor • Mike Nixon, Information Mgmt. Technician	**OITS** • Anthony Schlinsog, Executive Branch Chief Information Technology Officer • John Byers, Chief Information Security Officer **Kansas Highway Patrol** • Lt Col Alan Stoecklein, Assistant Superintendent • Mark Thurman, Chief Information Officer **Department of Health and Environment** • Aaron Dunkel, Deputy Secretary • Glen Yancey, Chief Information Officer **Department of Administration** • Jim Clark, Secretary • Sarah Gigous, Director, Office of Systems Mgmt. **Department on Aging and Disability Services** • Dave Halferty, Chief Financial Officer • Henry Mace, Chief Information Officer

At 11:50, the committee resumed its public meeting. Representative Barker moved that the committee recess for lunch. Senator Longbine seconded the motion; motion carried.

At 1:05 p.m., the meeting resumed. Senator Longbine made the following motion:

> I move that the open meeting of the Legislative Post Audit Committee in Room 159-S of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 159-S 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 of Kansas 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 159-S of the Statehouse at 2:05 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 Barker seconded the motion. Motion carried. Adopted at 1:05 p.m. on December 3, 2013.

The Chair determined that those permitted to attend the executive session were, in addition to committee members, the following:

LPA Staff	Agency Officials
• Scott Frank, Post Auditor • Justin Stowe, Deputy Post Auditor • Katrin Osterhaus, Principal Auditor • Stan Wiechert, Principal IT Auditor • Alex Gard, Senior IT Auditor • Andrew Sun, Senior IT Auditor • Mike Nixon, Information Mgmt. Technician	**OITS** • John Byers, Chief Information Security Officer **Department for Children and Families** • Lee Allen, Director of Information Technology • Mary Hoover, Director of Audits **KBI** • Kirk Thompson, Director • Steve Montgomery, Chief Information Officer (Outgoing) • Joe Mandala, Chief Information Officer (Incoming) • Robert Louis, Information Security Officer **Attorney General** • Derek Schmidt, Attorney General • Travis Williams, Director of Information Technology **KPERS** • Alan Conroy, Executive Director • Mike Branam, Information Resources Officer

At 2:10 p.m., the committee resumed its open meeting.

All legislators will receive the audit highlights document and full copies of the audit will be distributed to the chair, vice-chair, and ranking minority member of the Joint Committee on Information Technology.

Post Audit Operations

Potential rules changes. Scott Frank, Legislative Post Auditor, reminded members that at its May 7 meeting the committee authorized and the Chair appointed a three-member subcommittee to examine potential changes to the committee's rules. Representative Mast, Senator Longbine, and Representative Trimmer served on the subcommittee. The subcommittee met on August 20 and developed eight recommendations for changes. Following are those changes, along with two additional changes requested by individual members of the full committee at the September meeting:

1. **Amend the process for considering new scope statements:** After discussion, Representative Burroughs moved approval. Senator Longbine seconded the motion. Motion carried.
2. **Streamline the process for economy and efficiency audits:** After discussion, Representative Burroughs moved approval. Representative Barker seconded the motion. Motion carried.

3. **Eliminate the 50% goal for efficiency audits**: After discussion, Representative Burroughs moved approval. Senator Longbine seconded the motion. Motion carried.
4. **Codify the process for school district efficiency audits**: After discussion, Representative Burroughs moved approval. Senator Longbine seconded the motion. Motion carried.
5. **Require LPAC approval for districts that do not volunteer but are selected by lottery, and that wish to be exempted because they have received an efficiency audit from a different organization**: After discussion, Senator Longbine moved approval. Representative Peck seconded the motion. Motion carried.
6. **Allow school districts that do not volunteer, but are selected by lottery, the opportunity to appeal and change the timing of their audit if there are scheduling conflicts**: After discussion, Senator Hensley moved approval with the added stipulation that districts cannot avoid the delayed audit by subsequently procuring an efficiency audit from another organization. Senator Kelly seconded the motion. Motion carried.
7. **Remove references to the 2010 Commission**: Senator Hensley moved approval. Senator Longbine seconded the motion. Motion carried.
8. **Amend the timeframe for the pre-meeting mailing**: Representative Peck moved approval. Senator Kelly seconded the motion. Motion carried.
9. **Change "working papers" to "audit documentation:"** Senator Kelly moved approval. Representative Trimmer seconded the motion. Motion carried.
10. **Limit outside testimony during committee meetings**: After discussion, Senator Longbine moved approval. Representative Peck seconded the motion. Senator Kelly moved to amend the motion to specify that the Chair, Vice-Chair, and ranking minority member, acting as the executive committee, would have discretion to allow such testimony. Senator Hensley seconded the motion to amend. Motion to amend carried. The Chair called for a vote on the amended motion. Motion carried.

Proposed changes to the follow-up process. Scott Frank told members that, under its formal follow-up process, Legislative Post Audit asks agencies each year to provide an update on their progress in implementing the audit recommendations from the previous calendar year. Those results are then reported to the Legislature as part of the division's annual report. In the past couple of years, the Post Audit Committee has also requested regular (monthly or bi-monthly) progress reports from agencies when the audit findings are particularly troubling to the members. Mr. Frank told the committee that staff has developed a proposal to merge these two processes into a single process. After discussion, Senator Longbine moved approval of the new process, with the understanding that the committee will reevaluate the process in a year. Senator Kelly seconded the motion; motion carried.

Annual report to the 2014 Legislature. Rick Riggs, Administrative Auditor, reviewed with members the division's draft annual report. He told members that the report, with modifications reflecting actions at today's meeting, will be provided to all legislators in January.

Results of the 2013 survey of legislators. Mr. Riggs reviewed with members results of the division's biennial survey.

Status of follow-up items. Mr. Riggs reviewed the standard list of follow-up items and items of potential interest to the committee.

Performance Audit Topics

Consideration of limited-scope audit request. Justin Stowe, Deputy Post Auditor, reviewed with the committee a limited-scope audit request dealing with differences in protection orders issued in Johnson and Sedgwick Counties. Representative John Bradford appeared on behalf of his request. Representative Barker moved to not approve the request, but to put it on the list for future consideration. Senator Kelly seconded the motion. Motion carried.

Reconsideration of topics previously approved. Scott Frank told members that there are three audit projects the committee previously approved that the committee may want to review and reconsider because of the age of the request, potential duplication, or withdrawal by the requestor. Those projects are:

- **The Division of Motor Vehicles' IT modernization project (approved in July 2012).** Senator Longbine recommended continuation of the audit with modifications of the scope. Senator Kelly agreed, with the understanding that the cost of the project to the counties is included. The chair designated Senator Longbine and Senator Kelly to work with staff to make appropriate modifications to the audit scope.
- **The state's economic development programs (approved in July 2012; modified in May 2013).** After discussion, Senator Kelly moved that the committee take no action, meaning that the division would continue with part 3 of the audit. Representative Trimmer seconded the motion; motion carried.
- **The Larned State Hospital Sexual Predator Treatment Program (approved in March 2013).** The committee directed staff to provide copies of the report on the SPTP by Wichita State University. Members agreed to delay a final decision on continuing with the audit until January.

Evaluation of the Post Auditor. Committee Rule 5-1 calls for an evaluation of the Legislative Post Auditor to be conducted in the fall of each year. Senator Longbine made the following motion:

I move that the open meeting of the Legislative Post Audit Committee in Room 159-S of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 159-S 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 159-S of the Statehouse at 4:22 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 Burroughs seconded the motion; motion carried. Adopted at 3:57 p.m. on December 3, 2013.

The committee resumed its open meeting at 4:25 p.m.

Wrap-Up

Old/New Business. Scott Frank updated the committee on the selection of a large school district for the school efficiency audits, and the results of the division's triennial peer review.

Date of Next Meeting. By rule, the committee will need to meet within the first 15 days of the legislative session to organize, including electing the chair and vice-chair of the full committee, as well as the minority representative to the Contract Audit Committee. The plan would be to have meetings during the session on Wednesdays at noon, in Room 159-S. No dates were set.

Adjournment. The meeting adjourned at 4:35 p.m.
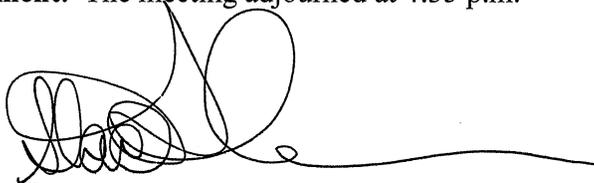
_____   12/30/13
Stacie Thurman, Secretary   date
Legislative Post Audit Committee

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.