

MINUTES
Legislative Post Audit Committee
December 7, 2016

Call to Order

Welcome by the Chair. The meeting was called to order by Chair O'Donnell at 10:05 a.m. in Room 112-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. At the September 21 meeting, members had questions related to the Medicaid backlog discussed in the performance audit, *KanCare: Reviewing the Timeliness of Medicaid Eligibility Determinations*. The minutes of the September 21 meeting noted that KDHE officials had promised to provide additional information to answer those questions, and Representative Peck asked whether that information had ever been provided. Staff will check and ensure members received the information. Representative Peck then moved approval of the September 21 minutes. Representative Trimmer seconded the motion; motion carried.

Presentation of Contracted Financial Audits

Statewide Financial Compliance Audit--Fiscal Year 2016 Part 1, Office of the Chief Financial Officer Comprehensive Annual Financial Report. This audit was presented by Paul Neidermuller, Principal, CliftonLarsonAllen. Eric Miller, Manager, CliftonLarsonAllen, was present to answer questions. Representative Peck requested information regarding prior years' deficits referenced in the audit. Senator Kelly requested detailed information about the uncorrected misstatements referenced in the audit. Staff will provide the requested information.

Agency representatives present to respond to the audit were:

Department of Administration

- Sarah Shipman, Secretary
- DeAnn Hill, Chief Financial Officer
- Annette Witt, Manager of Statewide Controls, Reporting and Collections

- Gail Barnhart, Financial Integrity Team Lead

Kansas State University

- Jim Bach, Director of Accounting Operations

University of Kansas Medical Center

- R. Michael Keeble, Associate Vice Chancellor of Finance

Because this was a financial audit, no motion to approve was needed. All legislators will receive the audit highlights document and the following committees will be notified that the committee thought the report might be of special interest:

Senate:

- Ways & Means Committee

House:

- Appropriations Committee

Kansas Public Employees Retirement System: Financial Audit of Fiscal Year 2016. This audit was presented by Thomas Rey, Principal, CliftonLarsonAllen. Senator Kelly requested information about how the percentage of total pension liability would be affected by a 1% change in the rate of return.

Present from the Retirement System:

- Alan Conroy, Executive Director
- Judy McNeal, Chief Fiscal Officer

Mr. Conroy answered members' questions. He also addressed a follow-up issue from the September 2015 performance audit, *KPERS: Evaluating Controls to Detect and Prevent Fraud and Abuse* which uncovered possible service credit issues. He said that, after further review, out of the approximately 85,000 members, KPERS staff identified seven members who may have been granted service credits they were not entitled to receive. To resolve the issue, KPERS has proposed a voluntary compliance correction plan to the IRS, which was recently approved.

Because this was a financial audit, no motion to approve was needed. All legislators will receive the audit highlights document and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Appropriations

- General Government Budget
- Pensions and Benefits

Senate Committees

- Ways and Means
- W&M Sub on General Government and Elected Officials
- Select Committee on KPERS

Other Committees

- Joint Committee on Pensions, Investments, and Benefits

At this point the committee paused to congratulate Senator Hensley on his new grandchild, born that morning.

Kansas Lottery: Financial Audit of Fiscal Year 2016. This audit was presented by Kaleb Lilly, Principal, RubinBrown.

Present from the Lottery:

- Matthew Schwartz, Director of Finance
- Keith Kocher, Director of Program Assurance and Integrity
- Sherriene Jones-Sontag, Deputy Executive Director

Mr. Schwartz and Ms. Jones-Sontag answered committee questions.

Because this was a financial audit, no motion to approve was needed. All legislators will receive the audit highlights document and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- General Government Budget
- Federal and State Affairs

Senate Committees

- Ways & Means Subcommittee on Gaming
- Federal and State Affairs

Presentation of Other Contracted Audits and Evaluations

Examining Selected Financial Management Practices of the State Treasurer's Office, Fiscal Year 2016. This audit was presented by Paul

Neidermuller, Principal, CliftonLarsonAllen. Eric Miller, Manager, CliftonLarsonAllen, was present to answer questions.

Present from the State Treasurer's Office:

- Scott Gates, Director of Learning Quest and General Counsel
- Lucinda Anstaett, Director of Cash Management

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

House Committees

- General Government Budget

Senate Committees

- Ways & Means Subcommittee on General Government and Elected Officials

Other Committees

- Joint Committee on Pensions, Investments, and Benefits

Examining Selected Financial Management Practices of the Pooled Money Investment Board, Fiscal Year 2016. This audit was presented by Paul Neidermuller, Principal, CliftonLarsonAllen. Eric Miller, Manager, CliftonLarsonAllen, was present to answer questions.

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

House Committees

- General Government Budget

Senate Committees

- Ways & Means Subcommittee on General Government and Elected Officials

Other Committees

- Joint Committee on Pensions, Investments, and Benefits

The Kansas 911 Act: Reviewing Implementation of the 2012 Act. This audit was presented by Mike McGovern, Partner, Bauknight, Pietras & Stormer. Jerry Weikle, President, Weikle & Co., Abbey Echele, Assurance Senior Associate,

BDO, and Cydney Gehner, Assurance Intern, BDO, also were present to answer questions.

From the 911 Commission, Scott Ekberg was present to answer committee questions.

Senator Kelly made a motion to accept the audit. Representative Peck seconded the motion; motion carried. All legislators will receive the audit highlights document and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Appropriations
- Utilities and Telecommunications

Senate Committees

- Ways and Means
- Utilities

Other Committees

- 911 Coordinating Council

Security in the Operation of the Kansas Lottery. Vice-Chair Peck made the following motion:

I move that the open meeting of the Legislative Post Audit Committee in Room 112-N of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 112-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 Lottery which is under consideration by the committee, because open discussion would jeopardize the security of the information systems, that the committee resume the open meeting in Room 112-N of the Statehouse at 11:50 a.m., and that this motion, if adopted, be recorded in the minutes and be maintained as a part of the permanent records of the committee.

Representative Mast seconded the motion; motion carried. Adopted at 11:20 am on December 7, 2016. The Chair asked Scott Frank, Legislative Post Auditor, to enumerate the individuals authorized to remain in the room during executive session:

Gaming Laboratories International (GLI)

- Thomas Bierbach, Director, Lottery & Gaming Practice
- Wade Dauphinee, Management Consultant

- Michael Capen, Director of Client Services

Kansas Lottery

- Sherriene Jones-Sontag, Deputy Executive Director
- Ron Gish, Director of Security
- Keith Kocher, Director of Program Assurance and Integrity
- Gail Kennedy, Business Operations and Human Resources Director
- Mark Gauntt, Deputy Director of Security

Office of Information Technology Services (OITS)

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

Legislative Post Audit

- Scott Frank, Legislative Post Auditor
- Julie Pennington, Financial Audit Manager
- Katrin Osterhaus, IT Audit Manager

The open meeting resumed at 11:50 am. Representative Mast made a motion to extend the executive session another 10 minutes. Senator Lynn seconded the motion; motion carried. The open meeting resumed at 12:02 pm, whereupon the chair recessed the meeting for lunch.

The meeting resumed at 1:35 p.m.

Presentation of Staff Performance Audits

K-12 Federal Education Funds: Evaluating the Costs and Benefits Associated with K-12 Federal Education Funding. This audit was presented by Heidi Zimmerman, Principal Auditor.

During discussion, Senator Kelly requested a list of the 24 districts that receive federal Impact Aid. Staff will provide that information.

Officials present included:

Department of Education

- Dale Dennis, Deputy Commissioner

USD 207 – Ft. Leavenworth

- Dr. Keith Mispagel, Superintendent

USD 501 - Topeka

- Larry Robbins, Deputy Superintendent
- Gary Menke, Director of Fiscal Services

Representative Mast made a motion to accept the audit. Senator Kelly seconded the motion; motion carried. All legislators will receive the audit highlights document and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Education
- Education Budget
- Federal and State Affairs
- Appropriations

Senate Committees

- Education
- Federal and State Affairs
- Ways and Means

State Agency Information Systems: Reviewing Security Controls in Selected State Agencies – Three-Year Summary Report. This audit was presented by Alex Gard, Principal Auditor.

Officials present:

Office of Information Technology Services (OITS)

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

Governor's Office

- John Milburn, Public Information Officer

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

House Committees

- Appropriations
- General Government Budget
- Vision 2010

Senate Committees

- Ways and Means

Other Committees

- Joint Committee on Information Technology
- Joint Committee on Kansas Security

Kansas State University IT Security Audit. Vice-Chair Peck made the following motion:

I move that the open meeting of the Legislative Post Audit Committee in Room 112-N of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 112-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 Kansas State University which is under consideration by the committee, because open discussion would jeopardize the security of the information systems, that the committee resume the open meeting in Room 112-N of the Statehouse at 2:21 p.m., and that this motion, if adopted, be recorded in the minutes and be maintained as a part of the permanent records of the committee.

Representative Mast seconded the motion; motion carried. Adopted at 2:06 on December 7, 2016. The Chair asked Scott Frank, Legislative Post Auditor, to enumerate the individuals authorized to remain in the room during executive session:

Kansas State University

- Joe Lear, Interim Information Security Officer
- Rob Caffey, Interim Chief Information Officer
- Sue Peterson, Director of Governmental Relations

Office of Information Technology Services (OITS)

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

Governor's Office

- John Milburn, Public Information Officer

Legislative Post Audit

- Scott Frank, Legislative Post Auditor
- Katrin Osterhaus, IT Audit Manager
- Alex Gard, Principal IT Auditor
- Clyde-Emmanuel Meador, IT Auditor

The open meeting resumed at 2:21.

Kansas Department of Revenue KanDrive IT Project Quarter Ending September 30, 2016. This audit was presented by Katrin Osterhaus, IT Audit Manager.

Officials present:

Department of Revenue

- Lisa Kaspar, Director of Vehicles
- Chris Barbour, Business and Technology Services

Lisa Kaspar answered committee questions. Senator Hensley requested more information regarding information he had received that the department had purchased 22 chairs at \$1,800 each from an unapproved vendor.

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

House Committees

- *Appropriations*
- *General Government Budget*
- *Transportation*

Senate Committees

- *Ways and Means*
- *W&M Sub on General Government and Elected Officials*
- *Transportation*

Other Committees

- *Joint Committee on Information Technology*
- *Joint Committee on Kansas Security*

Consideration of Performance Audit Topics

First-time audit requests. Mr. Frank provided a summary on how the process works regarding first-time requests. Justin Stowe, Deputy Post Auditor, presented the two requests:

- Representative Ron Highland – estimate costs of K-12 education using an input-based approach, and determine how much it costs districts to compile administrative reports to comply with requirements.
- Representative Kent Thompson – review the appropriateness of expenditures related to the Allen Community College farm program.

Representative Barker moved to put the requests on the list for committee consideration in Spring 2017. Representative Mast seconded the motion. Motion carried.

Foster Care Updates

DCF update on Foster Care (Part 1). Scott Frank reminded the committee that Part 1 (Questions 1-3) examined the Department for Children and Families' (DCF) handling of the removal and placement process for foster care and adoption. That audit was released at the committee's July meeting. DCF officials appeared again before the committee at the September meeting to provide an update on its response to Part 1. Also at the September meeting, members asked DCF officials to come back to the current meeting and provide updates on implementation of the new geographic information system, as well as its plans to address conflict-of-interest issues related to child placement agencies inspecting their own homes.

The chair then recognized Kasey Rogg, Deputy General Counsel for DCF, who provided members with the requested update. Andrew Wiens, DCF Policy Director, also was present to answer committee questions. Senator Kelly requested information regarding DCF efforts to recruit social workers, and information regarding the number of children in foster care. Officials indicated they could provide the requested information.

Staff update on Foster Care (Part 3). Mr. Frank told members that Questions 6 and 7 of the original scope statement would have evaluated how privatization has affected outcomes for children and families as well as the cost of foster care and adoption services to the state. He said that one of the caveats in that original scope statement was that staff's ability to answer these questions would be subject to how much and what type of records have been maintained since privatization of the foster care and adoption system. Mr. Frank said that the audit team has learned that there are no consistent records of either outcomes or service costs that would permit comparison of the current system to the system as it existed before it was privatized in 1997.

As a result, staff amended Questions 6 and 7 to better reflect the available information. Mr. Frank said he thinks the revised questions will still address the

committee's underlying issues. In addition, Mr. Frank said that Part 3 of the audit may not be available until the start of the Veto Session (May 2017).

Legislative Post Audit Operations

Triennial Financial-Compliance Audit Plan. Mr. Frank noted that the Legislative Post Audit Act (K.S.A 46-1106) and LPAC Rule 1-1 require the division to conduct financial-compliance audit work at every state agency at least once every three years. The Post Auditor is responsible for preparing a three-year plan to meet this requirement and submitting it for the Post Audit Committee's review and approval prior to the beginning of each triennium. The current three-year plan runs through December 31, 2016.

Mr. Frank said that staff are proposing a new three-year financial compliance audit plan which would run from January 1, 2017 to December 31, 2019. Legislative Post Audit would meet the requirement that audit work at each state agency at least once every three years through the Statewide Single Audit, through other statutorily required financial audits and examinations, through performance audits and information technology audits, and through the triennial IT Security Risk Assessment.

Representative Mast moved to accept the plan as proposed by staff. Senator Kelly seconded the motion; motion carried.

Annual Report to the 2017 Legislature. Mr. Frank showed members the division's latest annual report. The report will be distributed to all legislators at the start of the 2017 session.

Follow-up items. Mr. Frank briefly summarized items the division tracks on behalf of the committee. Senator Hensley requested an update on where KDHE is with the backlog of Medicaid applications.

Wrap-Up

Additional business. Mr. Frank briefed the committee on the results of the division's most recent peer review. LPA passed with no exceptions noted. Mr. Frank also introduced Chris Dolezilek as the division's new information systems technician.

Date of next meeting. No meeting dates were set. Mr. Frank will work with the new committee chair, when that person is appointed, to set dates for meetings during the session.

Adjournment

The meeting adjourned at 3:32 p.m.



Nicole Blanchett, Secretary
Legislative Post Audit Committee

2-1-17

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.