

MINUTES
Legislative Post Audit Committee
December 18, 2014

Call to Order

Welcome by the Chair. The meeting was called to order by Chair Longbine at 9:17 a.m. in Room 118-N of the Statehouse. Committee members present:

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

Approval of Minutes. Representative Mast moved approval of the October 2 minutes. Senator Kelly seconded the motion; motion carried.

Presentation of Staff Audits

Economic Development: Determining Which Economic Development Tools are Most Important and Effective in Promoting Job Creation and Economic Growth in Kansas, Part 3. This audit was presented by Kristen Rottinghaus, Senior Auditor.

Secretary of Commerce Pat George delivered prepared remarks. Other attendees included:

Department of Commerce

- Steve Kelly, Deputy Secretary for Business Development
- Bob North, Chief Attorney
- Dan Lara, Public Information Officer

Department of Revenue

- Richard Cram, Director, Office of Policy and Research
- Kathleen Smith, Tax Specialist, Office of Policy and Research

Wichita State University

- Dr. Ken Kriz, Kansas Regents Distinguished Professor of Public Finance

Senator Kelly made a motion to accept the audit. Representative Mast 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:

- Commerce
- Assessment and Taxation
- Ways & Means Subcommittee on General Government & Gaming

House:

- Commerce, Labor and Economic Development
- Taxation
- Agriculture and Natural Resources Budget

Completed Contracted Audits

State of Kansas: Fiscal Year 2014. This audit was presented by Paul Niedermuller, Principal, CliftonLarsonAllen, a firm under contract with Legislative Post Audit.

DeAnn Hill, Chief Financial Officer, Department of Administration, delivered brief remarks.

Other officials present to respond to questions were:

State Treasurer's Office:

- Scott Gates, Chief Counsel
- Lucinda Anstaett, Director of Cash Management

Kansas Board of Regents:

- Elaine Frisbie, Vice President for Finance and Administration

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

House:

- Appropriations

Kansas Public Employees Retirement System, Fiscal Year 2014. This audit was presented by Thomas Rey, Principal, CliftonLarsonAllen, an accounting firm under contract with Legislative Post Audit.

Alan Conroy, Executive Director, KPERS, answered members' questions. Judy McNeal, Acting Chief Fiscal Officer, KPERS, also was present and available to answer questions.

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:

- Appropriations
- Pensions and Benefits
- Local Government

Senate:

- Ways and Means
- Select Committee on KPERS
- Local Government

Joint:

- Joint Committee on Pensions, Investments, and Benefits

Kansas Lottery: Fiscal Year 2014. This audit was presented by Kaleb Lilly, Partner, RubinBrown, an accounting firm under contract with Legislative Post Audit.

Keith Kocher, Director of Program Assurance and Integrity, Kansas Lottery, answered members' questions. Other officials of the Lottery present to answer committee questions were:

- Sherriene Jones-Sontag, Deputy Executive Director
- Amber Calhoon, Fiscal Analyst

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:

- Federal and State Affairs
- Legislative Budget

Senate:

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

Presentation of Staff IT Security Audits

IT Security Special Report; Kansas Dental Board; Parsons State Hospital; Kansas Corporation Commission. These audit reports were presented by Katrin Osterhaus, Principal Auditor. Because they dealt with confidential information-technology security matters, the Chair indicated the committee would need to go into 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. 2014 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 12:00 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. Adopted at 10:50 a.m. on December 18, 2014.

The Chair indicated the following individuals were required in the executive session in addition to members of the Legislative Post Audit Committee:

Legislative Post Audit:

- Scott Frank
- Justin Stowe
- Katrin Osterhaus
- Stan Wiechert
- Alex Gard
- Andrew Sun

IT Security Special Report

Office of Information Technology Services (OITS)

- Jim Clark, Interim Executive Branch CITO
- Donna Shelite, OITS Chief of Staff
- John Byers, Chief Information Security Officer
- Rod Blunt, Deputy Chief Information Security Officer

Department of Administration

- John Milborn, Director of Legislation and Public Affairs
- Sarah Shipman, Chief Counsel

Kansas Highway Patrol

- Major Mark Goodloe, Interim Assistant Superintendent
- Major John Eichkorn, Support Services Commander
- Captain Andy Dean, Capitol Police Commander
- Mark Thurman, Chief Information Officer
- Joe Wallingford, IT & Infrastructure Security Supervisor

Kansas Dental Board

- Lane Hemsley, Executive Director, Kansas Dental Board

Parsons State Hospital

- Ron Malstrom, Director of Information Technology, Pittsburg State Hospital
- Lea Taylor, Assistant Secretary, Kansas Department on Aging and Disability Services

Kansas Corporation Commission

- Brian Fedotin, Attorney
- Brian Richter, Chief Information Officer

The open meeting resumed at noon, at which time the Chair recessed the meeting for lunch.

The meeting resumed at 1:42 p.m.

IT Security Presentation

State IT Security Plan. Scott Frank, Legislative Post Auditor, told members that at the July 2014 meeting, members had expressed concerns about the problems identified in the division's latest IT security report and asked John Byers, the state's Chief Information Security Officer, to provide an estimate of the resources needed to address the state's security issues.

Mr. Byers delivered general remarks regarding the OITS plan.

The Chair indicated that OITS had determined that detailed information on the resources it proposed was confidential, and should not be discussed in an open meeting. 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. 2014 Supp. 75-4319, for a discussion of the state of Kansas information security plan which is under consideration by the Legislative Post Audit Committee, because open discussion would jeopardize the security of state information systems, that the Legislative Post Audit Committee resume the open meeting in Room 118-N of the Statehouse at 2:15 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.

Seconded by Senator Kelly. Adopted at 2:05 p.m. on December 18, 2014.

The Chair indicated the following individuals were required in the executive session in addition to members of the Legislative Post Audit Committee:

Legislative Post Audit:

- Scott Frank
- Justin Stowe
- Katrin Osterhaus
- Stan Wiechert
- Alex Gard
- Andrew Sun

Office of Information Technology Services:

- John Byers
- Donna Shelite
- Rod Blunt
- John Milborn
- Jim Clark

The open meeting resumed at 2:15 p.m.

Upon resuming the open 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. 2014 Supp. 75-4319, for a discussion of the state of Kansas information security plan which is under consideration by the Legislative Post Audit Committee, because open discussion would jeopardize the security of state information systems, that the Legislative Post Audit Committee resume the open meeting in Room 118-N of the Statehouse at 2:32 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.

Seconded by Senator Kelly. Adopted at 2:17 p.m. on December 18, 2014.

The open meeting resumed at 2:32 p.m.

Consideration of Performance Audit Topics

First-time audit requests. Justin Stowe, Deputy Post Auditor, reviewed for the committee the list of first-time audit requests. He said that if the committee wants to approve any of the requests, it would need a motion to approve. If the committee took no action, the requests would automatically be added to the list of requests for future consideration. Members also would need to provide guidance on which current audit work should be postponed or eliminated.

After discussion, Representative Burroughs moved to approve topic 3L, dealing with STAR bonds to be issued by the City of Topeka. The motion was seconded by Representative Mast. During discussion on the motion, Senator Hensley suggested confining the audit to question 2 on the scope statement. Mr. Stowe said that might cut the audit down to three months in length, rather than the projected five.

Representative Trimmer amended the motion, seconded by Representative Mast, to do only question 2 of the audit. The amendment carried. The committee then voted to approve the amended motion. By consensus, the committee directed that the KPERS fraud audit be delayed to accommodate the new audit.

Legislative Post Audit Operations

Follow-up items. Rick Riggs, Administrative Auditor, reviewed for members the division follows on behalf of the committee. He reported that the U.S. Department of Health and Human Services had recently determined it would seek to recover nearly \$2.5 million from OITS for violations of federal regulations related to the division's December 2013 audit, *Office of Information Technology Services: Reviewing the Office's Service Rates and Viable Alternatives for Its Services*.

Annual report to the 2015 Legislature. Mr. Riggs reviewed for the committee the division's draft annual report to the 2015 Legislature. The report will be distributed to the entire Legislature early in the 2015 session.

Budget update. Mr. Frank told the committee that, in light of the state's budget issues, the LPA share of the allotment plan totals \$117,143. This will reduce the LPA fiscal year 2015 budget to \$2,415,679. He said he did not anticipate that the allotments will affect the division's ability to meet the Legislature's audit needs for the remainder of the current fiscal year. However, the impact that cuts may have on the agency's budget in fiscal years 2016 and 2017 is less clear but will likely be more significant.

School district efficiency audit update. Mr. Frank told the committee that the districts currently identified for audits are Auburn-Washburn (large), Prairie Hills (medium), and Marias des Cygnes (small).

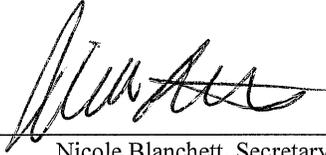
Wrap-Up

Additional business. With regard to the bills the committee approved for introduction at the October meeting, Mr. Frank asked that members decide which house the bills should be introduced in, and whether they should be pre-filed. Representative Mast moved to pre-file the bills and introduce them all in both chambers. Senator Kelly seconded the motion. Motion carried.

Mr. Frank informed the committee that Nicole Blanchett had taken the position of Office Manager formerly held by Stacie Thurman, who had become ill and would not be returning to work. Ms. Blanchett's position was being filled by Amelia Anderson.

Date of the Next Meeting. The Chair stated that a reorganization meeting would be held early in the session, but no date had yet been set. Mr. Frank said he would work with the new chair, but the current plan was to continue with lunch-hour meetings on Wednesdays in room 118-N, as has been the practice in recent legislative sessions.

Adjournment. The meeting adjourned at 3:05 p.m.



Nicole Blanchett, Secretary
Legislative Post Audit Committee

1/21/15

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.