

MINUTES
Legislative Post Audit Committee
April 29, 2014

Call to Order

Welcome by the Chair. The meeting was called to order by Chair Longbine at 10:05 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
	Representative Peggy Mast
	Representative Virgil Peck, Jr.
	Representative Ed Trimmer

Approval of Minutes. Representative Burroughs moved approval of the March 5, March 12, and March 19 minutes. Representative Barker seconded the motion; motion carried.

Completed Contracted Audits

FY 2013 Statewide Single Audit (Federal Compliance). The Legislative Post Audit Act (K.S.A. 46-1101 et seq) requires an annual audit of the financial affairs and transactions of state agencies required to comply with federal audit requirements. This year's audit was conducted by RubinBrown, a CPA firm under contract with Legislative Post Audit. The audit was presented by Kaleb Lilly, Partner, RubinBrown.

The following agency officials were available for questions:

Kansas Corporation Commission

- Kim Christiansen, Executive Director
- Jackie Montfort-Paige, Director of Administration and Finance

Department of Labor

- Dawn Palmberg, Chief Fiscal Officer
- Brett Flachbarth, Director of Unemployment Insurance

Department for Children and Families

- Brian Dempsey, Director of Prevention and Protection Services
- Karen Beckerman, Director of Strengthening Family Services
- Melissa Ward, Assistant Director of Legislative Affairs

Department of Commerce

- Traci Herrick, Chief Fiscal Officer

Department of Education

- Dale Dennis, Deputy Commissioner of Fiscal and Administrative Services
- Ethan Erickson, Director of Fiscal Services and Operations

Department of Health and Environment

- Nathan Bainbridge, Assistant Secretary for Policy and External Affairs

Kansas State University

- Robert Gamez, Financial Aid Director

Representative Burroughs and Representative Barker questioned Mr. Flachbarth related to the Department of Labor's audit findings.

The audit will be distributed to the following committees:

House Committees

- *Appropriations*
- *Federal and State Affairs*

Senate Committees

- *Ways and Means*
- *Federal and State Affairs*

Consideration of Audit Topics

Virtual School Cost Study Scope Statement. Justin Stowe told members that, during the 2014 session, the Legislature passed Senate Substitute for HB 2506 which addressed a number of school finance and education policy issues. The bill also included language requiring LPA to conduct an audit of the costs associated with operating virtual schools by February 1, 2015. Mr. Stowe took members through the scope statement staff prepared to meet this requirement.

After discussion, Representative Mast moved to accept the scope statement as written except to strike the language about private schools at the end of question two. Representative Burroughs seconded the motion; motion carried.

Performance Audit Topics. Mr. Stowe reviewed for members the 20 legislator audit requests and 10 staff topics. He asked that the committee approve at least three topics so staff can plan the audit schedule for the remainder of the year.

- Senator Hensley moved approval of topic 22E, dealing with the Kansas Juvenile Correctional Complex, with the understanding that staff will shorten the audit scope to specifically focus on agency actions to address LPA's recommendations in its 2012 report. Representative Barker seconded the motion; motion carried.

- Representative Barker moved approval of topic 18 L, dealing with the state's pharmacy benefit's management contract with CVS Caremark. Representative Trimmer seconded the motion; motion carried.
- Senator Hensley moved approval of topic 23E, dealing with racing and gaming. Representative Burroughs seconded the motion; motion carried.
- Rep Barker moved approval of topic 30E, dealing with child support. Representative Burroughs seconded the motion; motion carried.

Designation of K-GOAL Audits. Justin Stowe told members that staff recommended designating the following four audits as K-GOAL audits for 2014:

- Ashland School District Efficiency Audit
- Parsons School District Efficiency Audit
- Community Developmental Disability Organizations (CDDOs) Audit
- Emporia School District Efficiency Audit

Representative Mast moved that the above four audits be designated as K-GOAL audits for 2014. Representative Trimmer seconded the motion; motion carried.

Legislative Post Audit Operations

Establishing a subcommittee for the FY 2016 budget request. Scott Frank, Legislative Post Auditor, told members that, by statute, the Post Audit Committee must formally approve the division's budget request before it can be submitted to the Legislative Coordinating Council. The chair typically appoints a subcommittee to more thoroughly review the budget request before it is considered by the full committee. Under LPAC Rule 4-3, the chair can appoint a subcommittee, but must first have authorization from the full committee. Senator Hensley moved to authorize the chair to appoint a budget subcommittee. Representative Peck seconded the motion; motion carried.

Follow-up items. Rick Riggs, Administrative Auditor, updated members on the status of follow-up items related to previous audit reports and recommendations. He noted that after presentation of the audit report, *CDDOs: Reviewing Issues Related to Community Services* in March 2014, the committee voted to request opinions both from the Attorney General and the Governmental Ethics Commission on the issue of some CDDOs paying for lobbying with commingled funds. However, both the Attorney General and Ethics Commission declined to issue opinions, saying the matter was outside their jurisdictions.

The chair called for a brief recess; the meeting resumed at noon.

Additional Discussion on the CDDO Performance Audit

Scott Frank reminded members that, at its March 12 meeting, the committee heard a presentation of the recent performance audit of the state's Community Developmental Disabilities Organization (CDDO) system. In addition to the staff presentation, the committee heard testimony from officials with the Department for Aging and Disabilities Services (KDADS). However, due to limited time, the committee did not hear responses or testimony from representatives of the CDDOs present. Members requested time at a subsequent meeting to hear from CDDO officials.

Dan Bryan, Principal Auditor, provided members with a brief summary of the CDDO audit.

Senator Hensley and Representative Mast directed questions to Gina Meier-Hummel, HCBS Commissioner, KDADS. The questions dealt with the state's waiting list, and with the issue of CDDOs commingling restricted-use and other moneys when paying for lobbying services.

Representative Mast requested that staff draft a letter to the U.S. Department of Health and Human Services, asking for a determination on whether the commingling issue violated federal requirements.

The Chair stated that each CDDO representative would have five minutes to speak. Copies of their written testimony were provided to members. Presenters were:

Interhab

- Tom Laing, Executive Director

Developmental Services of Northwest Kansas, Inc. (DSNWK)

- Jerry Michaud, President

Johnson County Developmental Supports

- Chad VonAhnen, Executive Director

Sedgwick County Developmental Disability Organization

- Dee Staudt, Director

Southwest Developmental Services, Inc. (SDSI)

- Mark Hinde, President and CEO

Tri-Valley Developmental Services, Inc.

- Tim Cunningham, Executive Director

Wrap-Up

Additional business. Mr. Frank announced that Joe Lawhon, a member of the Legislative Post Audit staff for more than 20 years, was about to retire. Senator Hensley moved that the committee commend Joe on his years of outstanding service to the committee and the Legislature. The motion passed unanimously.

Appointment of the budget subcommittee. The Chair announced his intention to appoint himself, Vice-Chair Barker, and Senator Hensley to the budget subcommittee.

Date of the next meeting. The Chair will work with staff to schedule a series of meetings for the interim.

Adjournment

The meeting adjourned at 12:47 p.m.



Nicole Blanchett, Secretary
Legislative Post Audit Committee

7-22-14

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.