

MINUTES
Legislative Post Audit Committee
December 10, 2015

Call to Order

Welcome by the Chair. The meeting was called to order by Chair Barker at 9:07 a.m. in Room 118-N of the Statehouse. Committee members present:

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

Approval of Minutes. Representative Mast moved approval of the September 4, 2015, minutes. Senator Kelly seconded the motion; motion carried.

Presentation of Staff Audits

The Kansas Eligibility Enforcement System: Evaluating Delays in the System's Implementation. This audit was presented by Matt Etzel, Senior Auditor.

Senator Lynn asked about the dates the planning process started on the project that led to KEES. Senator Kelly asked whether veterans could apply for benefits in the new system, and also about current provisions for customer service now that the virtual customer service center had been removed from KEES. Mr. Etzel said staff would obtain that information and forward it to the committee.

Officials present to answer questions were:

- Department of Health and Environment: Aaron Dunkel, Deputy Secretary; Glen Yancey, Chief Information Officer; Mike Randol, Director, Division of Health Care Finance.
- Office of Information Technology Services: Nathan Ensz, Director, Kansas Information Technology Office.

Representative Trimmer made a motion to accept the audit. Representative Mast 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 special interest:

House Committees

- Appropriations
- Social Services Budget
- Health and Human Services

Senate Committees

- Ways and Means
- W&M Subcommittee on Social Services
- Public Health and Welfare

Other Committees

- Joint Committee on Information Technology
- Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight

Federal Funds: Evaluating State Spending Required by Federally Funded Programs. This audit was presented by Kristen Rottinghaus, Senior Auditor.

Senator Kelly asked about the state's \$112 million mental health block grant obligation, how much federal money is provided as a result of that obligation, and about the source of the funds for paying the state obligation. Staff will work with agency officials to get the requested information.

Officials present to answer questions were:

- Department of Administration: Sarah Shipman, Secretary
- Department of Health and Environment: Mike Randol, Director, Division of Health Care Finance
- Department of Transportation: Keith Bradshaw, Director, Fiscal and Asset Management; Halee Lindstrom, Legislative Liaison
- Department for Children and Families: Jay Davis, Senior Auditor
- Department of Education: Dale Dennis, Deputy Commissioner, Fiscal and Administrative Services; Stephanie Smith, Assistant Director, Fiscal Services and Operations

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 special interest:

House Committees

- Appropriations

- Federal and State Affairs
- Social Service Budget

Senate Committees

- Ways and Means
- Federal and State Affairs
- Ways and Means Subcommittee on Social Services

Substance Abuse Programs: Evaluating Cost Savings Achieved Through Enhanced Access to State Substance Abuse Programs. This audit was presented by Heidi Zimmerman, Principal Auditor.

Department on Aging and Disability Services officials present to answer questions were Kelli Ludlum, Assistant Secretary; and Stacy Chamberlain, Director, Addiction Services. Representative Mast asked whether there were any studies comparing outcomes between state-funded programs and support programs such as Alcoholics Anonymous. Representative Trimmer asked about the amount of money provided for addiction treatment from the Expanded Lottery Act Revenues Fund, the extent to which that money replaced State General Fund money for addiction treatment, and how much ELARF money had been transferred to the State General Fund in recent years. Ms. Chamberlain said she would provide that information.

Representative Trimmer made a motion to accept the audit. Representative Mast 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 special interest:

House Committees

- Corrections and Juvenile Justice
- Health and Human Services
- Social Services Budget

Senate Committees

- Corrections and Juvenile Justice
- Public Health and Welfare
- W&M Subcommittee on Social Services

Other Committees

- Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight

Completed IT Security Audits

Following a 15-minute recess, the committee took up consideration of three confidential IT security audits:

- *State Agency Information Systems: Reviewing Security Controls in Selected State Agencies -- Department of Agriculture (CY 2015)*
- *State Agency Information Systems: Reviewing Security Controls in Selected State Agencies -- Department of Revenue (CY 2015)*
- *State Agency Information Systems: Reviewing Security Controls in Selected State Agencies -- University of Kansas (CY 2015)*

Representative Trimmer 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. 2015 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 11:45 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.

Senator Lynn seconded the motion. Adopted at 10:42 a.m. on December 10, 2015.

At the chair's request, Scott Frank, Legislative Post Auditor, enumerated the Post Audit and agency staff who were needed in the executive session:

- Legislative Post Audit: Scott Frank, Legislative Post Auditor; Katrin Osterhaus, IT Audit Manager; Alex Gard, Principal IT Auditor; Clyde-Emmanuel Meador, IT Auditor
- Department of Agriculture: Josh Roe, Assistant Secretary, IT Services; Travis Rail, Chief Information Officer
- Department of Revenue: Jeff Maxon, Information Security Officer
- University of Kansas: Julie Fugett, Interim Information Security Officer; John Curran, Director, Internal Audit

The open meeting resumed at 11:45. Representative Trimmer renewed his earlier motion to enter executive session, with an ending time of 12:00 p.m. Representative Peck seconded the motion. Adopted at 11:47 a.m. on December 10, 2015.

At noon the open meeting resumed.

Senator Lynn asked that the committee schedule a meeting with the state's Chief Information Technology Officer. She also requested information on how other states structure their IT function. Mr. Frank indicated staff would schedule the CITO for a subsequent meeting, and would try to find information on IT governance in other states.

Because of their confidential nature, these reports are not publicly available, but staff have notified the chair of the Joint Committee on Information Technology that they are available to be presented in executive session after today's meeting.

The Chair recessed the meeting until 1:30 p.m.

The meeting resumed at 1:32 p.m.

Performance Audit Topics

The Chair asked Scott Frank to review the procedure for a first-time audit request. Mr. Frank reminded members that if the committee takes no action on a first-time request, it will automatically be added to the list of requests for consideration at the spring meeting. If the request is approved, the committee will need to specify which audit to displace on the audit schedule.

The Chair recognized Representative Ward to speak in support of his request relating to foster-care placements.

Following discussion, Senator O'Donnell moved that Representative Ward's request be put on the list to be considered later. Representative Mast seconded the motion. Motion carried.

Senator Longbine moved that the committee solicit input from members and others and develop a scope statement by the end of the year, to be considered at the committee's first January meeting. Senator Kelly seconded for purposes of discussion, then made a substitute motion that the Chair appoint a subcommittee to develop the scope statement. Senator Longbine seconded the motion. Motion carried.

The Chair appointed Senator Longbine, Representative Mast, and Senator O'Donnell, with Senator O'Donnell as chair of the subcommittee. He asked Senator Hensley, as Senate Minority Leader, to appoint a member; Senator Hensley appointed Senator Kelly. He asked Representative Burroughs, as House Minority Leader, to appoint a member; Representative Burroughs appointed Representative Trimmer.

Presentation of Contracted Audits

State of Kansas: Financial Audit of Fiscal Year 2015. This audit was performed by the firm of CliftonLarsonAllen under contract with Legislative Post Audit. The report was presented by Paul Niedermuller, Principal, CliftonLarsonAllen.

Officials present to answer questions were:

- Department of Administration: Sarah Shipman, Secretary; DeAnn Hill, Chief Financial Officer
- State Treasurer's Office: Scott Gates, Chief Counsel; Lucinda Anstaett, Director, Cash Management
- Board of Regents: Elaine Frisbie, Vice President, Finance and Administration
- University of Kansas/KUMC: Jerry Glenn, Associate Controller
- Kansas State University: Fran Wilbrant, Assistant Vice President, Financial Services
- Wichita State University: Luis Tatro, Director, Financial Operations

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

House Committees

- Appropriations

Senate Committees

- Ways and Means

Kansas Public Employees Retirement System: Fiscal Year 2015. This audit was conducted by the firm of CliftonLarsonAllen under contract with Legislative Post Audit. The report was presented by Thomas Rey, Principal, CliftonLarsonAllen.

Present from the Retirement System were Alan Conroy, Executive Director, and Judy McNeal, Chief Fiscal Officer. Mr. Conroy answered members' questions.

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

House Committees

- Appropriations
- General Government Budget
- Pensions and Benefits

Senate Committees

- Ways and Means
- W&M Subcommittee on General Government
- Select Committee on KPERS

Other Committees

- Joint Committee on Pensions, Investments and Benefits

Kansas Lottery: Fiscal Year 2015. This audit was conducted by the firm of RubinBrown, under contract with Legislative Post Audit. The report was presented by Kaleb Lilly, Principal, RubinBrown.

Officials present to answer questions were Sherriene Jones-Sontag, Deputy Director, and Matthew Schwartz, Director of Finance, Kansas Lottery.

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

- Federal and State Affairs
- General Government Budget

Senate Committees

- Federal and State Affairs
- W&M Subcommittee on the Department of Administration and Gaming

Legislative Post Audit Operations

Senator Hensley commended Mr. Frank for his testimony before the Special Committee on K-12 Student Success the day before.

Potential legislation. Mr. Frank told members that at its September 4 meeting, the committee directed staff to develop draft legislation to make two changes to the statutes governing school district efficiency audits:

- Extend the exemption a school district receives by undergoing a similar school efficiency audit from five years (current law) to 10 years.
- Extend the sunset on school district efficiency audits by three years, from June 30, 2017 (current law) to June 30, 2020.

In addition, Mr. Frank asked the committee to consider draft legislation that would correct a minor reporting issue in the recently passed statute regarding IT audits, to clarify that written reports from the IT audits should be provided to the audited entity, the appropriate branch CITO, the Post Audit Committee, and the JCIT.

He recommended that any bills the committee might want to introduce should be pre-filed, and should be introduced in both chambers.

After discussion, Representative Mast moved to introduce the bills. Senator Kelly seconded the motion; motion carried.

Potential rules changes. Mr. Frank told the committee that at its August 28 meeting, the executive committee directed staff to develop draft language for the following potential changes to the LPAC rules:

1. Amend the process for considering first-time audit requests. (Modify Rule 1-5(b))
2. Amend the process for carrying over requests that are not selected. (Modify Rule 1-5(b))
3. Extend the sunset for the provisions regarding school district efficiency audits (Modify Rule 1-6(e))
4. Define information technology audits. (New Rule 6-1)
5. Specify the selection processes for both types of IT audits. (New Rule 6-2)
6. Specify the reporting processes for both types of IT audits. (New Rule 6-3)

After discussion, Representative Mast moved to modify the committee rules as proposed. Representative Trimmer seconded the motion; motion carried.

Annual Report to the 2016 Legislature. Rick Riggs, Administrative Auditor, presented the division's annual report, which will be provided to all members of the 2016 Legislature. The volume contains information on the 2015 audits, division activities, and agencies' implementation of previous audit recommendations.

Follow-up items. Mr. Riggs updated the committee on items of interest.

Wrap Up

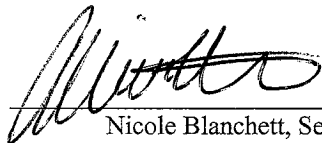
Additional business. Mr. Frank introduced Amanda Schlumpberger, Associate Auditor, the division's newest staff member.

Mr. Frank also updated the committee on the Alvarez & Marsal project, including the role of Justin Stowe, Deputy Post Auditor, as legislative liaison to the project.

Date of next meeting. Mr. Frank reviewed for the committee the list of audits to be released in the coming months. The next meeting is tentatively scheduled for January 13.

Adjournment

Representative Mast moved to adjourn, seconded by Senator Lynn. The Chair adjourned the meeting at 3:17 p.m.



Nicole Blanchett, Secretary
Legislative Post Audit Committee

1-13-14

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.