

*The minutes below are in draft form, subject to approval by the
Legislative Post Audit Committee at a later meeting.*

**DRAFT
MINUTES
Legislative Post Audit Committee
December 15, 2017**

Call to Order

Welcome by the Chair. The meeting was called to order by Chair Barker at 10:01 a.m. in Room 112-N of the Statehouse. Committee members present:

Representative John Barker, Chair	Senator Rob Olson, Vice-Chair
Representative Tom Burroughs	Senator Jim Denning (<i>substituting for Senator Elaine Bowers</i>)
Representative Dan Hawkins	Senator Anthony Hensley
Representative Don Schroeder	Senator Julia Lynn
Representative Ed Trimmer	

Approval of Minutes. Representative Schroeder moved approval of the October 6 minutes. Senator Olson seconded the motion; motion carried.

Presentation of Staff Performance Audits

Foster Care and Adoption in Kansas: Surveying Guardians Ad Litem on the Treatment of Lesbian, Gay, Bisexual, and Transgender Foster Care and Adoptive Parents. This audit was presented by Kristen Rottinghaus, Principal Auditor.

Gina Meier-Hummel, Acting Secretary of the Department for Children and Families, delivered prepared remarks.

Senator Olson made a motion to accept the audit. Representative Burroughs seconded the motion; motion carried. All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Health and Human Services
- Social Services Budget
- Children and Seniors
- Judiciary

Senate Committees

- Public Health and Welfare
- Judiciary

Other

- Child Welfare System Taskforce

Kansas Department of Corrections: Evaluating the Use of Former Honor Camp Facilities. This audit was presented by Meghan Flanders, Auditor.

Mike Gaito, Director of Capital Improvements, Department of Corrections, was available for questions.

Representative Hawkins made a motion to accept the audit. Senator Olson seconded the motion; motion carried. All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Corrections and Juvenile Justice
- Transportation and Public Safety Budget

Joint Committees

- Corrections and Juvenile Justice Oversight

Department of Corrections: Evaluating the May and June 2017 Security Incidents at the El Dorado Correctional Facility. This audit was presented by Andy Brienzo, Auditor.

Joe Norwood, Secretary of Corrections, stood for questions.

Senator Olson made a motion to accept the audit. Representative Burroughs seconded the motion; motion carried. All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Corrections and Juvenile Justice
- Transportation and Public Safety Budget

Joint Committees

- Corrections and Juvenile Justice Oversight

Kansas Casinos: Evaluating Whether Casinos Have Met Significant Contractual Obligations. This audit was presented by Brad Hoff, Principal Auditor.

Rick Skinner, Vice President and General Manager, Hollywood Casino answered members' questions. Keith Kocher, Director of Gaming Facilities and Director of Program Assurance and Integrity, Kansas Lottery, was also available for questions.

Senator Olson made a motion to accept the audit. Senator Lynn seconded the motion; motion carried. All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Federal and State Affairs

Senate Committees

- Federal and State Affairs

Presentation of Staff IT Audits

Project Monitoring Report - Kansas Department of Revenue KanLicense IT Project Quarter ending September 30, 2017. This audit was presented by Clyde-Emmanuel Meador, Senior IT Auditor.

David Harper, Director, Division of Property Valuation, Department of Revenue, answered members' questions.

All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Commerce, Labor, and Economic Development
- General Government Budget
- Appropriations
- Government, Technology, and Security

Senate Committees

- Commerce

- Ways & Means

Other Committees

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

Project Monitoring Report - Kansas Department of Labor OSCAR IT Project (quarter ending June 30, 2017). This audit was presented by Alex Gard, Principal IT Auditor.

Larry Karns, Director, Division of Workers' Compensation, Department of Labor, was available for questions.

All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Commerce, Labor, and Economic Development
- General Government Budget
- Appropriations
- Government, Technology, and Security

Senate Committees

- Commerce
- Ways & Means

Other Committees

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

State Agency Information Systems: Reviewing Security Controls in Selected State Agencies. Senator Olson made the following motion:

I move to recess this open meeting for a closed meeting pursuant to K.S.A. 2017 Supp. 75-4319(a), to discuss matters relating to security measures that protect the information systems of a public body or agency under the justification listed in K.S.A. 2017 Supp. 75-4319(b)(12)(C), because discussion of such matters in an open meeting would jeopardize such security measures; to resume the open meeting in Room 112-N at 12:10 p.m.; and to record this motion, if adopted, in the minutes as a part of the committee's permanent records.

Senator Denning seconded the motion; motion carried. Adopted at 11:40 a.m. on December 15, 2017. The Chair asked Scott Frank, Legislative Post Auditor, to enumerate the individuals authorized to remain in the room during executive session.

Officials from each covered agency were only present in the executive session for discussion of their own agency's findings.

Fort Hays State University Security Audit

Fort Hays State University

- Mike Barnett, Vice President for Administration and Finance
- Mark Griffin, Assistant Vice President of Information Technology and Chief Information Officer
- Jessica States, Information Security
- Andy Tompkins, Interim President

Office of Information Technology Services

- Phil Wittmer, Chief Information Technology Officer
- Joe Acosta, Chief Information Security Officer

University Follow-Up Results

Emporia State University

- Cory Falldine, Chief Information Officer
- Ryan Kurtenbach, Information Security Officer
- Don Hill, Legislative Liaison

Wichita State University

- Toney Flack, Chief Information Officer
- Keith Neufeld, IT Director of Security, Networking, and Telecommunications

Kansas State University

- Gary Pratt, Chief Information Officer
- Rob Caffey, Interim Special Assistant to the CIO

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 12:10 p.m. Following a short lunch break, Senator Olson renewed his earlier motion. The renewed motion was seconded by Senator Denning. Motion carried. The committee went into executive session at 12:20 p.m. and resumed its open meeting at 12:40 p.m.

Because of their confidential nature, copies of IT security audits are not distributed. However, staff previously notified the House Committee on Government, Technology, and Security; the Joint Committee on Information Technology; and the

Joint Committee on Kansas Security that the audits are available and can be presented in executive session.

Performance Audit Topics

Presentation of first-time audit requests. Justin Stowe, Deputy Post Auditor, told members that under LPAC Rule 1-3, any limited-scope audit requests preliminarily denied by the Chair may appear as an agenda item at the next scheduled meeting of the committee. Pursuant to that rule, Mr. Stowe reviewed two recent limited-scope requests. He also reviewed a regular audit request recently submitted by Senator Hensley.

- *Department of Corrections: Evaluating the September 2017 Security Incident at the Norton Correctional Facility* (requested by Senator Laura Kelly)
- *The Kansas Department of Health and Environment: Evaluating Disease Intervention Specialist Positions and Sexually Transmitted Infection Case Rate Trends* (Requested by Representative Tom Burroughs)
- *Department of Commerce: Evaluating the Former Secretary's Contract Negotiations and Use of State Resources* (Requested by Senator Anthony Hensley)

Chair Barker indicated that, although he had preliminarily denied Representative Burroughs' request, he now supported it. Representative Burroughs moved approval, seconded by Representative Barker. Motion carried.

No motions were made on the other two topics, so they will go onto the list for consideration at the April 2018 meeting.

Legislative Post Audit Operations

Annual report to the 2018 Legislature. Rick Riggs, Administrative Auditor, briefly summarized the division's *Annual Report to the 2018 Legislature*.

Follow-up items. Mr. Riggs briefly summarized items the division tracks on behalf of the committee.

Consideration of potential legislation. Scott Frank, Legislative Post Auditor, presented two proposed pieces of legislation for the committee to consider for the 2018 legislative session:

- Amend the statutory requirements for information technology projects to prohibit

an agency from contracting with a firm to implement the project, if that firm was involved in planning. (Requested by Representative Barker)

- Amend the performance audit requirements in 2017 SB 19 to strike special education from the K-12 cost study requirements in 2019, 2022, and 2025. (Requested by staff)

Senator Olson moved approval of the bill amending requirements for IT projects. Senator Denning seconded the motion; motion carried.

Senator Denning moved approval of the bill removing special education requirements. Senator Lynn seconded the motion; motion carried.

The Chair indicated both bills would be pre-filed for introduction in both chambers.

Staff proposal for evaluating tax incentives. Mr. Frank reminded members that in October 2017, LPA released an audit comparing Kansas' process for evaluating its tax incentives to best practices from other states. Based on the audit findings, the report recommended the Legislature develop a process to systematically evaluate tax incentives. In response to that recommendation, members of the Legislative Post Audit Committee directed staff to estimate the resources required to conduct the evaluations and prepare a proposal for the committee's consideration.

Mr. Frank presented the staff proposal. After discussion, Senator Lynn indicated she would work directly with staff to craft a final proposal for legislative action.

Staff proposal to reassign responsibility for audit contracts. Mr. Frank explained that Legislative Post Audit now is responsible for overseeing a total of five separate audit contracts: the Statewide audit, the KPERS financial audit, the Lottery financial audit, and the Lottery security audit. A fifth audit, of the state's 911 system, is a statutorily required triennial audit that would continue to be administered by Legislative Post Audit.

Staff is proposing to transfer the responsibility for procuring independent audits from LPA to the audited agencies. This would involve the Department of Administration, KPERS, and the Kansas Lottery.

After discussion, Senator Olson made a motion to introduce a bill to make the recommended changes. Senator Lynn seconded the motion. Motion carried. The Chair indicated the bill would be prefiled for introduction in both chambers.

Presentation of Contracted Financial Audits

State of Kansas: Fiscal Year 2017. This audit was presented by Paul Niedermuller from CliftonLarsonAllen.

DeAnn Hill, Chief Financial Officer, Department of Administration, was available for questions.

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

House Committees

- Appropriations

Senate Committees

- Ways and Means

Kansas Public Employees Retirement System: Fiscal Year 2017. This audit was presented by Tim Rawal from CliftonLarsonAllen.

Alan Conroy, KPERS Executive Director, was available for 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

- Appropriations
- Pensions and Benefits
- General Government Budget

Senate Committees

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

Joint Committees

- Pensions, Investments, and Benefits

Kansas Lottery: Fiscal Year 2017. This audit was presented by Cheryl Wallace of RubinBrown.

Matt Schwartz, Director of Finance, Kansas Lottery, was available for questions.

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

House Committees

- Appropriations
- General Government Budget
- Federal and State Affairs

Senate Committees

- Ways and Means
- W&M Sub on Gaming
- Federal and State Affairs

Presentation of Staff Performance Audits

K-12 Education: Evaluating Transportation Services Funding. This audit was presented by Heidi Zimmerman, Principal Auditor.

Dale Dennis, Deputy Commissioner, Kansas Department of Education, stood for questions.

Representative Trimmer made a motion to accept the audit. Senator Olson seconded the motion; motion carried. All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- Education
- K-12 Education Budget

Senate Committees

- Education

Joint Committees

- Special Committee for a Comprehensive Response to the School Finance Decision

Medicaid and Medicare Services: Comparing Program Services and Costs in Kansas to Other States. This audit was presented by Matt Etzel, Principal Auditor.

Jon Hamdorf, Director of Health Care Finance, Department of Health and

Environment, was available for questions.

Representative Hawkins made a motion to accept the audit. Senator Denning seconded the motion; motion carried. All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- House Health and Human Services
- House Insurance Committee

Senate Committees

- Senate Public Health and Welfare
- Senate Financial Institutions and Insurance

Joint Committees

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

The Kansas Eligibility Enforcement System: Evaluating the Accuracy and Usefulness of KEES Reports and Notices. This audit was presented by Matt Etzel, Principal Auditor.

Jon Hamdorf, Director of Health Care Finance, Department of Health and Environment, was available for questions.

Representative Hawkins made a motion to accept the audit. Senator Denning seconded the motion; motion carried. All legislators will be notified of the audit's release, and the following committees will be notified that the committee thought the report might be of special interest:

House Committees

- House Health and Human Services
- House Insurance Committee
- House Government, Technology, and Security

Senate Committees

- Senate Public Health and Welfare
- Senate Financial Institutions and Insurance

Joint Committees

- Joint Committee on Information Technology

Members requested that the Robert G. (Bob) Bethell Joint Committee on

Home and Community Based Services and KanCare Oversight also be notified.

Wrap-Up

Additional business. Mr. Frank said there was no additional business.

Date of next meeting. The chair said the next meeting of the committee would be the organizational meeting on Thursday, January 11.

Adjournment

The meeting adjourned at 2:51 p.m.

Nicole Blanchett, Secretary
Legislative Post Audit Committee

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.