

## MINUTES

### Legislative Post Audit Committee September 17, 2008

The meeting was called to order by Chair Virgil Peck, Jr. at 10:17 a.m. in Room 143-N of the Statehouse. Committee members present:

Senator Derek Schmidt, Chair	Representative Virgil Peck, Jr., Vice-Chair
Senator Les Donovan	Representative Tom Burroughs
Senator Anthony Hensley	Representative John Grange
Senator Chris Steineger	Representative Peggy Mast
	Representative Tom Sawyer

#### Approval of Minutes

Representative Grange moved approval of the August 26, 2008 minutes. Representative Mast seconded the motion; motion carried.

#### Consideration of Audit Topics

**Continuation of discussion related to the approved audit looking at the costs of illegal immigrants.** Representative Grange moved to follow direction outlined in the Tab B, draft document, and not proceed with a full blown audit and only address question three of the audit, addressing economic impact. Senator Steineger seconded the motion. Senator Schmidt suggested that the scope statement be revised to summarize and limit all questions to comply with the proviso.

Representative Grange altered the motion to address all questions. Senator Steineger seconded the motion. The substitute motion carried, two members of the committee, Representative Sawyer and Senator Hensley asked that their, no vote, be recorded.

Leo Hafner, Deputy Post Auditor, took the Committee through the lists of possible audit topics.

Senator Donovan made a motion to incorporate and approve performance audits' #15, *Children in Need of Care*; and #20, *Children in Need of Care: Reviewing Issues Related to the Handling of Cases In Sedwick County*, and expand the audit to include the entire state as well as change the scope statement, as per committee discussion. Representative Mast seconded the motion. Motion carried.

Representative Burroughs moved to approve performance audit #16, *Fiscal Notes*. Representative Peck seconded the motion. Motion carried.

Senator Steineger requested a scope statement be developed for topics #B-4, *Court Services and Parole*; and #B-6, *Enterprise Data Center Consolidation*. Senator Schmidt suggested combining #A-1, *Sentencing Commission*; and #B-4, *Court Services and Parole* and developing a scope statement for those combined topics.

Representative Peck asked for scope statements for topics #A-4, *Zero-based budgeting*; and #C-26, *State Registration/License Renewal Processes*.

Senator Donovan requested that topic #C-9, *Payments of Entitlements and Other Benefits*, have a scope statement developed.

Representative Mast requested scope statements for topics: #C-7, *Reviewing State Contracts*; #C-11, *Medicaid: Reducing Drug Payments for Drug Abusers*; #C-14, *Reducing Management*; and #C-23, *Statutorily Required Legal Advertisements*.

Representative Burroughs requested scope statements be developed for topics #A-6, *Identifying Low-Priority Programs*; and #C-10, *Medicaid: Emergency Room Use*.

Senator Schmidt called for a lunch recess at 12:16 p.m. to resume the meeting at 1:30 p.m.

Meeting resumed at 1:30 p.m.

## **Completed Performance Audits**

***Financial Regulatory Agencies: A K-GOAL Audit Determining Whether Functions Could Be Combined To Gain Cost Efficiencies.*** This audit was presented by Katrin Osterhaus, Principal Auditor. Kansas is one of only five states with three or more separate agencies that oversee financial entities and institutions. By consolidating Kansas' Department of Credit Unions, Office of the Bank Commissioner, and Office of the Securities Commissioner, at least \$260,000 could be saved annually, mostly from staff reductions or restructurings. However, several issues related to governance and operation of a consolidated agency would need to be addressed. An additional estimated \$295,000 in annual savings could be achieved even if the agencies aren't consolidated. Those savings come from reducing credit union examinations to the minimum required by law, allowing bank examiners to work from home, and from reducing the amount of office space the agencies rent to

the standards published by the Department of Administration. Total estimated cost savings of \$2.8 million over five years are conservative. Savings could be significantly higher after a detailed review and restructuring of examination schedules.

Present with prepared remarks for the Committee were John Smith, Administrator, Department of Credit Unions; Tom Thull, Bank Commissioner, Office of the Bank Commissioner; and Chris Biggs, Securities Commissioner, Office of the Securities Commissioner.

Representative Mast moved to accept the audit and Senator Donovan seconded the motion. Motion carried.

This audit will be distributed to the House Appropriations and Senate Ways & Means Committees, and the House Insurance and Financial Institutions and Senate Financial Institutions and Insurance Committees. Representative Burroughs requested that the audit also be sent to the Governmental Efficiency Committee.

### **Legislative Post Audit Committee Operations**

**Approval of Committee letter related to issues raised in the audit of the Kansas Commission on Veterans' Affairs.** At the August 26<sup>th</sup> meeting, the Committee requested that staff draft a letter to the Executive Director of the Veterans' Commission. This letter is to be signed by the full Committee asking members of the other legislative committees that receive copies of this audit to follow-up with the Commission on two important areas: the strained relationship between the Executive Director and the veteran service organizations, and the shortage of nursing staff at the Soldier's Home. The Committee had no suggestions for changes and the letter was passed to members for their signatures.

**Fiscal Year 2008 Annual and Follow-Up Reports:** Rick Riggs, Administrative Auditor, presented the 2008 Annual Report, Follow-Up Report, and Fiscal Year 2008 Audit Abstracts Report. Committee rules require staff to report to the Committee by September 1 of each year about the extent to which audit recommendations have been implemented for audits issued in the previous calendar year. The information is included in the annual Follow-Up report. The FY 2008 Annual Report also describes the work of the Division and the Committee, and describes the benefits of the Division's audit work to the State. Mr. Riggs answered members' questions. Senator Steineger moved to accept the reports, seconded by Representative Sawyer. Motion carried. The final reports will be distributed to all legislators at the start of the 2009 session.

**Discussion of potential changes to the Committee Rules.** Senator Steineger made a motion to adopt Articles 1-4 of the proposed changes to the Legislative Post Audit Committee Rules and include in the rules a directive to conduct an annual performance evaluation of the Legislative Post Auditor between August and December of each year, to be carried out in executive session. Representative Sawyer seconded the motion. Motion carried.

**Report of the LPAC Subcommittee on the Division's FY 2009 Budget Request and Committee Consideration of the Division's FY 2009 Budget.** At the August 26<sup>th</sup> meeting the Chair named a 3-person Subcommittee to consider the Division's budget request and make a recommendation to the full Committee. Subcommittee members were Rep. Peck (Chair), Sen. Steineger, and Rep. Grange.

The Subcommittee met by teleconference on Friday, September 12<sup>th</sup>. Ms. Hinton briefly discussed the Division's budget request with Subcommittee members, and reminded them of the Legislative Coordinating Council's directive to all the legislative branch agencies to reduce their available budgets for the Fiscal Year 2009 by 2%. Subcommittee members asked Ms. Hinton to clarify a number of issues related to the Division's operations and budget, and discussed increasing the Post Auditor's salary. The following is the Subcommittees' recommendation to the full Legislative Post Audit Committee....the Committee should approve the Division's revised expenditure estimate for FY 2009 and its Budget Request for FY 2009, as revised by the Subcommittee to reflect an increase in the Post Auditor's current salary to the same level as the salaries of the Director of Legislative Research and the Revisor of Statutes.

The recommended increase in the Post Auditor's salary would become effective only upon the Legislative Coordinating Council's approval of the Division's budget request in October.

Representative Mast made a motion to approve the salary increase recommendation for the Post Auditor and send it to the Legislative Coordinating Council for approval. Senator Steineger seconded the motion. Motion carried.

**Evaluation of the Post Auditor.** Senator Steineger made the following motion: "I move that the open meeting of the Legislative Post Audit Committee in Room 143-N of the Statehouse be recessed for a closed, executive meeting to commence immediately in Room 143-N of the Statehouse pursuant to subsection (b)(1) of K.S.A. 2007 Supp. 75-4319, for a discussion of personnel matters of nonelected personnel relating to the annual evaluation of the Legislative Post Auditor which is under consideration by the Legislative Post Audit Committee, to protect the privacy interests of the individual, that the Legislative Post Audit Committee resume the open meeting in Room 143-N of the Statehouse at 3:35 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 Grange seconded the motion. Motion carried, adopted at 3:22 p.m. on September 17, 2008.

Open meeting resumed at 3:35 p.m.

### **Legislative Post Audit Operations**

**Status of follow-up items.** Rick Riggs, Administrative Auditor, updated members regarding the status of follow-up items related to previous audit reports or recommendations.

**Audits in process.** Barb Hinton gave a summary of the standard schedule showing the status of the performance audits under way.

**Status of audits requested and approved.** Barb Hinton briefly discussed the standard table showing the source of recent audits that have been requested and approved.

### **Old/New Business**

Barb Hinton directed the members’ attention to the Post Audit organizational chart that has been added to the front of their notebooks.

At Representative Grange’s suggestion discussion followed regarding the possibility of the staff of Legislative Post Audit getting staff pictures made at sometime in the future. No definite decision was made at this time about how to proceed with this suggestion.

### **Date of the Next Meeting**

No date was scheduled for the next meeting, Ms. Hinton suggested considering a date in mid-December. The meeting adjourned at 3:42 p.m.

*(All handouts and other documents referred to in these minutes are on file with Legislative Post Audit.)*