

MINUTES
AUDIT SUBCOMMITTEE
OF THE
LEGISLATIVE MANAGEMENT COMMITTEE

The Audit Subcommittee of the Legislative Management Committee met in Room W110, State Capitol Complex, Salt Lake City, Utah, January 19 2006, from 3:00 p.m. until 5:35 p.m.

Committee Members Present:

Speaker Greg J. Curtis, Co-Chairman
President John L. Valentine, Co-Chairman
Senator Mike Dmitrich
Representative Ralph Becker

Legislative Audit Staff:

John Schaff, Auditor General
Rick Coleman, Deputy Auditor General
Tim Osterstock, Audit Manager
Darin Underwood, Audit Manager
Maria Stahla, Audit Supervisor
Kade Minchey, Lead Auditor
Brandon Bowen, Performance Auditor
Tim Salazar, Performance Auditor
Broc Christensen, Performance Auditor
David Gibson, Legis ITS Auditor/Systems Mgr
Lynda Maynard, Recording Secretary

Other Interested Parties:

Scott Carver, Executive Director, Dept of Corrections
Paula Plant, USOE
Chris Mitchell, Dept of Corrections (DOC)
Karl Hendrickson, Utah Association of Counties
Kevin Carter, Director, School & Institutional Trust
Land Administration (SITLA)
LaVonne Garrison, SITLA
Alexa Wilson, SITLA
John Ferry, SITLA
Michelle Morris, Vice-Chair, SITLA Board of

Trustees

Linda Belnap, SITLA
John Andrews, SITLA
Kim Christy, SITLA
John Rosenthal, Talon Group

Margaret R. Bird, Utah State Office of Education
Natalie Gordon, Trust Lands Commissioner, State
PTA
Ruland Gill
Jennifer T. Cook, *Deseret Morning News*
Leigh Dethman, *Deseret Morning News*
John Wright, *Standard Examiner*
Alan Clarke, *Daily Herald*
Julie Rose, *KCPW*
Jennifer Deb, *Associated Press*
And Others as Listed

1. Call to Order

President Valentine called the meeting to order at 3:00 p.m.

Upon Speaker Curtis' arrival, President Valentine turned the Chair over to him.

2. Approval of Minutes

Senator Dmitrich made a motion that the minutes from the December 15th meeting be approved.
The motion passed.

3a. A Performance Audit of Utah's Jail Reimbursement Program

(Report #2006-02)

Presented by Kade Minchey, Lead Auditor

Discussion following presentation:

Scott Carver, Executive Director, Department of Corrections (DOC) told the Audit Subcommittee that DOC concurs with the findings of the audit and appreciated the professional way the staff handled their work.

Mr. Carver said there were a few points that he wanted to make:

- Corrections will make rules to regulate their program in the areas in which the statutes provide guidance. DOC requests statutory clarification in some of the unclear areas.
- In order to administer the reimbursement program, including auditing, data collection, and jail staff

training, additional staff would be needed.

- The idea that the jail reimbursement core rate was fully funded in Fiscal Years 03 and 04 was based on the understanding of the intent language provided during the 2004 General Session. Legislative intent language later clarified that medical and transportation were only to be paid if funding remained at the end of the fiscal year.

Karl Hendrickson, Utah Association of Counties, expressed his appreciation for the hard work that went into the audit. Mr. Hendrickson agreed that the billing error rate was unacceptable and they are committed to working with Corrections to correct the errors. He told the Audit Subcommittee that the Jail Population Management Software system is a little archaic to what the Counties use. It does not generate the reports easily or rapidly, causing some reports to be hand done.

Mr. Hendrickson concluded his remarks by saying that County jails are a component of the State Correctional system with regard to certain categories of state prisoners and the County jails have capacity concerns.

Motion: President Valentine made a motion that the **Performance Audit of Utah's Jail Reimbursement Program** (Report #2006-02) be accepted and referred to the Executive Offices & Criminal Justice Appropriations Subcommittee; the Judiciary, Law Enforcement and Criminal Justice Standing Committee and the Law Enforcement & Criminal Justice Interim Committee. The motion passed unanimously.

3b. A Performance Audit of the School & Institutional Trust Land Administration (SITLA)

(Report #2006-01)

Presented by Maria Stahla, Audit Supervisor

Discussion following presentation:

Kevin S. Carter, Director, School and Institutional Trust Lands Administration (SITLA), thanked the Audit Subcommittee for the opportunity to respond to the audit and for the Auditor General's willingness to share preliminary draft material with them.

Mr. Carter said that SITLA welcomed the input and guidance as the Legislature is the ultimate trustee over management of SITLA. Although SITLA disagrees with several conclusions reached in the audit report, they share the goal that Utah's trust lands be managed prudently for the long-term benefit of the trust beneficiaries.

The following are specific areas that SITLA addressed:

- It is appropriate for the Legislature to revisit the policy of what portion of funds generated from school trust lands are distributed annually.
- SITLA agrees that the Legislature should consider changing the state Money Management Act
- SITLA recognizes that the rapid growth of its development program requires more formal controls than have been in place.
 - a. A revision of its administrative rules governing development should include procurement and RFP issued raised by the audit.

- b. SITLA has requested funds for increasing internal audit and construction management capacity.
- c. SITLA has begun development of an improved project accounting system that will address concerns of allocation of overhead and performance reporting,
- SITLA's Board of Trustees is responsible, by statute, for setting salary ranges for management and for developing the annual incentive and bonus plan.
 - a. SITLA's governing statute provides that management salaries be set with regard to private as well as public sector salaries. The salary survey, by the audit staff, did not consider private sector salaries.
 - b. The Board of Trustees will seek independent professional examination of both the incentive program and SITLA management salaries to ensure a fair compensation package.

Speaker Curtis asked what type of process insures that public lands are sold competitively and not with inappropriate dealings of familiarity.

Mr. Morris responded that the Board of Trustees does not negotiate with somebody that has an inside track and feels as though they won't have to compete.

Michael P. Morris, Vice-Chair, SITLA Board of Trustees, also addressed the recommendations in Chapter V, dealing with compensation. He said that when setting compensation for the Director and top key staff within the Trust Lands Administration the Board factors in both the private and public sector. Board members are appointed based not only on their business and industrial expertise, but also their management skills. Mr. Morris indicated that the Board feels that compensation levels with the Trust Lands are somewhat below market for private companies.

Mr. Morris said the Board of Trustees feels that the staff for SITLA is compensated appropriately for the activities they perform and in the context of their value.

Motion: President Valentine made a motion that the audit, **A Performance Audit of the School & Institutional Trust Land Administration (SITLA)** (Report #2006-01), be accepted and referred to the Natural Resources Appropriations Subcommittee and the Natural Resources, Agriculture and Environment Standing Committees. The motion passed unanimously.

4. Adjournment

Speaker Curtis adjourned the meeting at 5:35 p.m.