

**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, February 17, 2006, from 8:30 a.m. until 9:30 a.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  
Wayne Kidd, Audit Supervisor  
Brian Dean, Lead Auditor  
James Behunin, Audit Supervisor  
David Pulsipher, Performance Auditor  
Danny Schoenfeld, Performance Auditor  
Tim Bereece, Performance Auditor  
Leah Blevins, Performance Auditor  
Lynda Maynard, Recording Secretary

Other Interested Parties:

Randy Sant, Sandy City, RDA Association  
David Spatafore, RDA Association  
Brent Gardner, Executive Director, Utah Association of Counties  
Arie VanDeGraaff, Utah Association of Counties  
Lincoln Shurtz, Utah League of Cities and Towns (ULCT)  
Cameron Diehl, ULCT  
Robyn Bagley, Citizen Coalition RDA Reform  
Terry Bagley, Citizen Coalition RDA Reform  
LeGrand Bitter, Utah Association of Special Districts  
Larry Newton, Utah State Office of Education  
Cathy Dudley, Utah State Office of Education  
Oscar Fuller, CMS  
Jacob Santini, *Salt Lake Tribune*  
Amelia Nielson-Stowell, *Deseret Morning News*

## 1. Call to Order

President Valentine call the meeting to order at 8:30 a.m.

## 2. Approval of Minutes

Senator Dmitrich made a motion that the minutes from the January 19<sup>th</sup> meeting be approved. The motion passed.

## 3. A Performance Audit of Redevelopment Agency Practices

(Report #2006-03)

Presented by Wayne Kidd, Audit Supervisor

### Discussion following presentation:

On behalf of the Utah RDA Association, Randy Sant told the Audit Subcommittee that they appreciated the opportunity to comment on the audit and offer comments in a spirit of dealing with facts, truths and working for the best interest of the people and communities of Utah.

Mr. Sant, referring to current legislation being debated, said that Senate Bill 196 contains major revisions to the current RDA statute that would implement many of the recommendations that have been given in the audit report such as,

- Strengthen the blight determination process
- Improve Redevelopment practices
- Mandate that everyone is mitigated or noone is mitigated
- RDAs will meet at least annually with the TECs after projects have been adopted
- Implement the supermajority vote

Mr Sant said that one area that was not reviewed in the audit was the participation agreements that RDA enters into with developers, which requires the developer to remove blight from a project area if they are to get a tax increment from the RDA.

Also, Mr. Sant referred to the recommendation suggesting there be some professional guidance given to the taxing entity committee. He said that many counties have these planners but school districts would be hard pressed to have them.

Mr. Sant concluded by telling the Audit Subcommittee that the Utah RDA Association has made significant strides to try to resolve many of the problems outlined in the audit report, particularly in the area of undeveloped

lands and although not addressed in Senate Bill 196, Mr. Sant agreed there is a need to have a better cost accounting of how expenses are attributed to projects.

Brent Gardner, Executive Director, Utah Association of Counties, expressed his appreciation for the work the Legislative Auditor's staff had done and the information that had been presented to the Audit Subcommittee.

Mr. Gardner said that he hopes the results of the audit, coupled with the introduction of Senator Bramble's Senate Bill 196, will go a long way toward correcting RDA abuses. Mr. Gardner said he believes the RDAs major function is to capture sales tax revenue through retail projects and is very concerned that retail projects do not benefit the county or the school districts.

Motion: Representative Becker made a motion that the **Performance Audit of Redevelopment Agency Practices** (RDAs) (Report #2006-03), be accepted and referred to the Economic Development and Human Resources Joint Appropriations Subcommittee and the Workforce Services and Community and Economic Development Standing Committees. The motion passed unanimously.

#### 4. Audits In Process

John Schaff, Auditor General gave a brief description of the nine new audit requests received since the last Audit Subcommittee Meeting:

- **Turnover Savings in Education**, requested by Representative Clark
- **Uniform Management Fund Act**, requested by Representative Bigelow
- **UDOT Project Costs**, requested by Senator Jenkins and Representative Ure
- **Small Business Development Fund**, requested by Senator Dmitrich
- **School Busing Costs**, requested by Representative Cox
- **In-depth Follow-up Audit of SITLA**, requested by Natural Resources Appropriations Subcommittee
- **Special Service Districts (SSD)**, requested by Representative Ure
- **Underground Storage Tanks**, requested by Representative Noel
- **Pooling Prescription Drugs**, requested by Representative Last

Motion: Senator Dmitrich made a motion that the request for an audit of the **Small Business Development Fund** be approved and moved to the Future Audit as Number 1, under the Public Education Vending Machine audit request.

Substitute Motion: Speaker Curtis made a substitute motion that the new request for an audit of the **Small Business Development Fund** and the **Charter Schools** audit request, shown under Previous Requests, be approved and placed as Number 1 and Number 2 respectively, under Public Education Vending Machines. The motion passed unanimously.

## **5. Audit Subcommittee Minutes and Letters to Requestors**

John explained that the audit subcommittee minutes, prepared for the subcommittee members, would be reduced and simplified, consisting of actions taken and responses from the agencies responding to audit work, if the committee members agreed.

Also, because of the tremendous amount of audit work being requested, John asked the Audit Subcommittee if it would be appropriate for the Auditor General's Office to notify audit requestors, by letter, as to the priority listing of their audit requests.

President Valentine said that could be taken care of administratively and would not require any action.

## **6. Adjournment**

President Valentine adjourned the meeting at 9:30 a.m.

**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 15<sup>th</sup> 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.

