

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, October 16, from 3:00 p.m. until 4:45 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
 Lynda Maynard, Recording Secretary
 Wayne Kidd, Audit Supervisor
 Susan Verhoef, Lead Auditor
 James Behunin, Audit Supervisor
 David Apple, Performance Auditor
 Tim Bereece, Performance Auditor
 Rachel Lyon, Performance Auditor
 David Pulsipher, Sr Performance Auditor

Other Interested Parties: Chris Zimmerman, Director, Weber School Dist Foundation
 Bruce Williams, Business Admin, Davis School District
 Mayor Dennis Nordfelt, President, Salt Lake County COG
 Chuck Chappell, Exec Director, Wasatch Front Regional Council
 (WFRC)
 Michael L. Williams, Salt Lake Education Foundation
 Tim R. Eisenhart, Alpine School District Foundation
 Chris Lewis, Granite School District
 Barbara Thomas, WFRC
 Sam Klemm, WFRC
 Robert Petersen, Weber School District
 Patti Harrington, Superintendent, USOE
 Patrick Ogden, USOE
 Michelle Larsen, UTA
 Bruce Jones, Legal Counsel, UTA

Justin Jones, UTA
F. David Stanley, DOPL
Tom Harper, DOPL
Darrell Cook, MAG
Representative Neil Hansen
Craig A. Peterson, CAP Consulting
Ahmad Jaber, Utah Dept of Transportation
Amy K. Stewart, *The Standard Examiner*
Tiffany Erickson, *Deseret Morning News*
Paul Nelson, *KSL News radio*
And, others as listed

1. Call to Order

Speaker Curtis called the meeting to order at 3:00 p.m.

2. Approval of Minutes

President Valentine made a motion that the minutes from the July 18th meeting be approved. The motion passed unanimously.

3a. A Performance Audit of School District Internal Controls

(Report #2007-13)

Presented by Susan Verhoef, Lead Auditor

Discussion following Presentation

Chris Zimmerman, Director, Weber School District Foundation expressed his gratitude to the auditor's staff for their extreme professionalism and the accuracy of the audit report. Mr. Zimmerman told the Audit Subcommittee that the Foundation has remedied the situations described in the audit and have implemented new accounting policies concerning asset control, responsibilities and expectations.

Bruce Williams, Assistant Superintendent of Business Administration, Davis School District gave a brief description of the actions taken to correct the issues responsible for the audit request.

- Many of the issues have been dealt with,
- Davis School District has gone to the extent of making sure that approvals can only be forwarded to someone in a position of authority.
- No purchases can go forward with only one person approving them in the system.
- Davis School District has decentralized, throughout their district, purchasing issues so that there are multiple reviews.
- Davis School District has strengthened their internal audit functions significantly by hiring a full time internal auditor.
- Davis School District has implemented a fraud and abuse hotline that goes directly to the internal auditor as well as an ethics and conflict of interest statement that every employee must sign.

Mr. Williams concluded by telling the Audit Subcommittee that although Davis School District regrets the fact that the alleged fraud did happen, they have made a concerted effort to put controls in place that will eliminate the possibility of these problems happening again in the future.

Patti Harrington, State Superintendent, Utah State Office of Education, said that the USOE appreciated the suggestions given them and will be assigning monitoring accordingly.

Motion: President Valentine made a motion that the **Performance Audit of School District Internal Controls** (Report No. 2007-13) be accepted and sent to the Education Interim Committee and the Public Education Appropriations Subcommittee. The motion passed unanimously.

2b. A Review of the Transportation Prioritization Process

(Report #ILR2007-F)

Presented by Wayne Kidd, Audit Supervisor

Discussion following Presentation

Dennis Nordfelt, Mayor, West Valley City and President of the Salt Lake County Council of Governments (COG), addressed the issues and concerns identified in the audit.

Mayor Nordfelt said that COG appreciated the fact that the audit will enable those who later fill their positions will be more effective and efficient in determining how to spend taxpayer dollars. Mayor Nordfelt continued to explain the actions were taken by the Salt Lake County COG along with all council

members of the Salt Lake Council and it would be very difficult to back track as actions have been taken to implement the construction on I-80 and UTA has already purchasing rails and cars to implement the decisions made by COG. Also, the mistake that was made in the calculation was not a mistake in not following the process; it was a calculations mistake. The funding scenario adopted by COG was in favor of transit over road projects.

Bruce Jones, General Council, Utah Transit Authority (UTA), addressed questions from President Valentine and Speaker Curtis. Specifically,

- The property tax money has been limited through the prioritization process that was agreed upon by COG
- Projects are already underway but inter-local agreements have not yet been signed.
- The Legislature has the ability to do a number of things to stop the projects, but that would not be a wise decision as hundreds of millions of dollars would impact the State of Utah because of the actions already in place.

Chuck Chappell, Executive Director, Wasatch Front Regional Council (WFRC), added that COG divided the .25 cent Sales tax unto thirds: one-third to State Highways, one-third to Light Rail and one-third to Commuter Rail, South.

Motion: President Valentine made a motion that the **Review of the Transportation Prioritization Process** (Report #ILR2007-F) be accepted and referred to the Executive Appropriations Subcommittee and the Transportation Interim Committee. The motion passed unanimously.

5. Adjournment

Speaker Curtis adjourned the meeting at 4:45 p.m.