

**MINUTES
AUDIT SUBCOMMITTEE
OF THE
LEGISLATIVE MANAGEMENT COMMITTEE**

December 18, 2007

The Audit Subcommittee of the Legislative Management Committee met in Room W110, State Capitol Complex, Salt Lake City, Utah, December 18, 2007, from 1:00 p.m. until 2:30 p.m.

Committee Members Present:

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

Legislative Audit Staff:

John Schaff, Auditor General
Rick Coleman, Deputy Auditor General
Tim Osterstock, Audit Manager
Darin Underwood, Audit Manager
Lynda Maynard, Recording Secretary
Kade Minchey, Audit Supervisor
Darren Marshall, Audit Supervisor
Leslie Marks, Lead Auditor
Susan Verhoef, Lead Auditor
August Lehman, Performance Auditor
Jesse Martinson, Performance Auditor
Rachel Lyon, Performance Auditor
David Gibson, IT Auditor

Other Interested Parties:

John R. Baza, Div Director, Division of Oil, Gas and Mining (DOGM)
Michael R Styler, Executive Director, DNR
Douglas E., Johnson, Board of Oil, Gas & Mining
Steven Schneider, Admin Coordinator, DNR/DOGM
Dennis Oakley, Energy West Mining Company
Chris D. Hansen, Arch Coal
Mike Davis, Canyon Fuel I- SUFCO Mine
Jeff McKenzie, BLM - Utah State Office
James Kohler, BLM- Utah State Office
John Kirkham, Utah Mining Association
David Litvin, Utah Mining Association
Representative Neil Hansen
Patti Harrington, State Superintendent, USOE
Larry Shumway, USOE
Kim Campbell, Utah Education Association

Senator Curtis Bramble
Representative Neil Hansen
Beth Young, *The Standard Examiner*
Jasen Lee, *Deseret Morning News*
Jennifer T. Cook, *Deseret Morning News*
Lisa Schencker, *SL Tribune*
Paul Nelson, *KSL News radio*
Chris Vanocur, *ABC 4-News*
Brock Vergakis, *Associated Press*
And, others as listed

1. Call to Order

Speaker Curtis called the meeting to order at 1:00 p.m.

2. Approval of Minutes

President Valentine made a motion that the minutes from the October 16th meeting be approved. The motion passed unanimously.

3a. A Performance Audit of Utah's Coal Regulatory Program

(Report #2007-15)

Presented by Kade Minchey, Audit Supervisor

Discussion following Presentation

Michael R. Styler, Executive Director, Utah Dept of Natural Resources (DNR), told the Audit Subcommittee that the Division of Oil, Gas and Mining, appreciated this audits because they look at audits as a opportunity for improvement. Mr. Styler said he doesn't believe there is any perfect State Agency that exists and a good performance audit would help any agency. The division want to improved and as we have seen there is much area for improvement.

John R. Baza, Director, Division of Oil, Gas and Mining, Utah Dept of Natural Resources, expressed his appreciation for the analysis included in the report. Mr. Baza said that it is the Division's responsibility to answer this audit with actions by constructively using the audit to

produce improvements in the Division's processes and procedures and that the Division has already implemented certain process changes that should be evident in any future follow-up reviews.

Mr. Baza concluded by telling the Audit Subcommittee that the Division is committed to rethink and recreate their processes and procedures to achieve greater efficiency and effectiveness.

Motion: President Valentine made a motion that the **Performance Audit of Utah's Coal Regulatory Program** (Report No. 2007-15) be accepted and sent to the Natural Resources Appropriations Subcommittee and the Natural Resources, Agriculture and Environment Standing Committee. The motion passed unanimously.

3b. A Performance Audit of Class-Size Reduction Funds

(Report #2007-14)

Presented by Darren Marshall, Audit Supervisor

Discussion following Presentation

Patti Harrington, State Superintendent, Utah State Office of Education responded to the audit presented. Ms. Harrington told the Audit Subcommittee that the Utah State Office of Education is pleased with the auditor's findings that the class-size reduction (CSR) funds have been used appropriately and that 100 percent of the CSR funds were used for class-size reduction efforts, although the funds sometimes function as a maintenance funding rather than providing for new class-size reduction efforts as originally designed by the Legislature. Ms. Harrington went on to tell the Subcommittee that—

- USOE hopes this audit will redirect attention to the matter of renewed enrollment-enhanced CSR funding
- USOE wants to carefully study the effects of discontinuing automatic allocation of SCR funding to every school district and charter school regardless of class size.
- USOE is seeking legislative input on such issues as accountability expectations and urge the Legislature to continue to implement additional class-size reduction measures, using an enrollment-enhanced formula each year to realize smaller instructional settings for all Utah public school children.

Motion: President Valentine made a motion that the **Performance Audit of Class-Size Reduction Funds** (Report No 2007-14) be accepted and referred to the Education Standing Committee and the Public Education Appropriations Subcommittee. The motion passed unanimously.

4. New Audit Requests

John Schaff, Auditor General gave a brief description of some of the audits that needed to be reviewed by

the Audit Subcommittee:

- Ogden School District Building Construction
- Pleasant Grove City Convention Center Project
- Ogden City’s use of the Industrial Assistant Funds
- DCFS/ORS Oversight

Representative Neil Hansen gave a brief description of his request for an audit of Ogden City’s Use of Industrial Assistant Funds.

The following motions were made and approved:

Motion: President Valentine made a motion that the request for DCFS/ORS Oversight by the Legislative Auditor General on an ongoing basis as outlined in the request letter be approved and moved up to the Approved Future Audits to be conducted between March and May each year. The motion passed unanimously.

Motion: President Valentine made a motion that the request for and audit of Ogden School District Building Construction be combined with the School Building Construction audit currently underway. The motion passed unanimously.

Motion: President Valentine made a motion that the request for an audit of Ogden City’s use of the Industrial Assistant Funds not be authorized at this time. The motion passed unanimously.

5. Other Business

John Schaff explained that there is one audit request that is currently on **hold**, “Emergency Care in Utah” and was wondering if the Audit Subcommittee desires this audit to continue to be held. Also, there is an audit of the Division of Securities that was approved as an Informal Letter Report. The findings indicate that the scope of this audit request needs to be expanded and the Auditor General is requesting that the Audit Subcommittee approve this request as a full scope audit.

Motion: Senator Dmitrich made a motion that the request for an audit of the Division of Securities be expanded from an Informal Letter Report to a full audit. The motion passed unanimously.

President Valentine asked Mr. Schaff for a more detailed description of the request by the Senate Republican Caucus of Driving Privilege Card Follow-up.

Mr Schaff explained that this was an additional look at the Drivers’ Privilege Card audit No. ILR2006-A that was completed in January, 2006. This request involves a larger sampling of Drivers’ Privilege Cards to proof of insurance, using Insur-Rite.

Mr. Schaff also explained that his staff is working on an Informal Letter Report entitled “Survey of Education Classifications” in order to give the Legislature a better understanding of how many hours certain classifications spend in front of a classroom. Mr. Schaff asked that the Chairs of the Audit Subcommittee check their calendars in order to schedule an Audit Subcommittee for the Auditor General to present a number of completed audits.

6. Adjournment

President Valentine adjourned the meeting at 2:30 p.m.