

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

The Audit Subcommittee of the Legislative Management Committee met in Room 250, State Capitol Building, Salt Lake City, Ut, October 21, 2010 from 9:00 a.m. until 11:00 a.m.

Committee Members Present: President Michael Waddoups, Co-Chairman
 Speaker David Clark, Co-Chairman
 Senator Patricia W Jones
 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
 Nancy Johnson, Legis Secretary
 Brian Dean, Audit Supervisor
 Tim Bereece, Sr Performance Auditor
 Candace Ware, Performance Auditor
 Leah Blevins , Sr Performance Auditor
 Leslie Marks, Legis Lead Auditor
 Chris Otto, Sr Performance Auditor
 David Gibson, IT Auditor/Systems

Other Interested Parties: Dennis Kellen, Executive Director, DABC
 Commissioner Gordon Strachan, DABC
 Leonard Langford, Deputy Dir, Finance, DABC
 Vickie Ashby, DABC
 Todd Hauber, Assoc Superintendent, USOE
 Natalie Grange, USOE
 Tim Beagley, Vice Board Chair, State Charter School Board
 Rep Neil Hansen, House of Representatives
 Nancy Grisel, Research Consultant, GOPB
 Chris Vanocur, *ABC 4*
 Bill Brushel, *ABC 4*
 Ben Winslow, *Fox 13*
 Lisa Riley Roche, *Deseret News*
 Dawn House, *SL Tribune*
 Elizabeth Ziegler, *KCPW*
 And others as listed

1. Call to Order

President Waddoups called the meeting to order at 9:00 a.m.

2. Approval of Minutes

Motion: Speaker Clark made a motion that the minutes from July 20, 2010 Audit Subcommittee meeting be approved. The motion passed unanimously.

3a. A Performance Audit of the Department of Alcoholic Beverage Control (DABC)

(Report #2010-11)

Presented by Brian Dean, Audit Supervisor

Discussion following Presentation

Dennis Kellen, Executive Director, Department of Alcoholic Beverage Control (DABC) told the Audit Subcommittee that DABC feels the audit was very well done. DABC has learned of key areas of concern where the Department and Commission can improve and are in the process of addressing the recommendations and plan to have all recommendations implemented by the end of the year.

Director Kellen addressed the audit's concern with the conflict of interest stating that because of the way the law is written, every commissioner appointed could potentially have a conflict of interest. Currently DABC is working to develop a conflict of interest program and put rules in place.

Commissioner Gordon Strachan, Vice Chair, addressed concerns relating to the Open Meeting Act and explained that the Board has worked closely with and relied on the legal advice of their representative from the Attorney General's Office; however, since concerns were brought out in the audit concerning the Open Meetings Act, there have been no closed meetings in order to fully comply with the Act.

Commissioner Strachan also addressed concerns with the inadequate number of liquor licenses available for restaurants and the need to reallocate licenses to help solve the problem of license shortages. Commissioner Strachan believes the Legislature could make allocation changes to improve the tourism opportunities and improve the availability of licenses. Commissioner Strachan concluded by telling the Committee that DABC's goal has always been to have everyone comply with the liquor statutes and regulations.

Leonard Langford, Chief Financial Officer, responded to Speaker Clark's questions concerning productivity. Mr. Langford explained that each store's productivity is based on its location and the size of the store and the established performance measures for each store.

Motion: Speaker Clark made a motion that the **Performance Audit of the Department of Alcoholic Beverage Control (DABC)** (Report No. 2010-111) be accepted and referred to the Business and Labor Interim Committee and the Commerce and Workforce Services Appropriations Subcommittee. Also, that the Auditor General send a letter to the Attorney General identifying discrepancies in the Open Meeting, and requesting a response back concerning the proper and adequate training. The motion passed unanimously.

3b. A Performance Audit of Charter School Oversight (Report #2010-13)

Discussion following Presentation

Todd Hauber, Associate Superintendent, State Office of Education (USOE), expressed his appreciation for the audit staff and their audit of Charter Schools and appreciates that it gives USOE more emphasis in perspective and scope on how to manage the charter experience and give direction. Mr. Hauber explained that,

- ◆ Charter schools are now in the stabilization stage, butting up against the termination or potential termination of certain charter schools.
- ◆ USOE is looking at statute and administrative rules to help govern the charter experience
- ◆ USOE is maturing and growing in the understanding of questions that need to be asked and areas that need to be reviewed
- ◆ USOE is communicating with the charter schools and a risk criteria has been developed to pursue specific actions charter school should take in resolving issues of concern.

Tom Beagley, Vice Chairman, State Charter School Board, responded to financial concerns with the State's charter schools. Mr. Beagley said that the Board is currently establishing specific minimum financial standards for all charter schools that includes measures and matrices that will allow for problems to be identified early so remedies will be available to ensure no charter school will close or fail for financial reasons. The Board is confident that these measures will be in place by the end of the current academic year.

Motion: Speaker Clark made a motion that the **Performance Audit of Charter School Oversight** (Report No. 2010-13) be accepted and referred to the Education Interim Committee and the Public Education Appropriations Subcommittee. The motion passed unanimously.

3c. A Performance Audit of School District Travel Accountability

(Report #2010-12)

Presented by Tim Osterstock, Audit Manager

Note: No response given

After some discussion between the audit staff and committee members, the following motion was made.

Motion: Speaker Clark made a motion that **Performance Audit of School District Travel Accountability** (Report No. 2010-12) be accepted and referred to the Education Interim Committee and the Public Education Appropriations Subcommittee. The motion passed unanimously.

4. New Audit Request

John Schaff, Auditor General, gave a brief description of the following new audit request

- University of Utah Student Fees
- UDOT Contracts

Rep Neil Hansen, explained his concerns and reasons for the request of an audit of UDOT Contracts.

Motion: Speaker Clark made a motion that the new requests for audits of the University of Utah Student Fees and the UDOT Contracts be moved to the Requested Audits area and that the Utah Sports Commission Funding audit request be removed from the list of Requested Audits. The motion passed.

5. Adjournment

President Waddoups adjourned the meeting at 11:00 a.m.

**MINUTES
AUDIT SUBCOMMITTEE
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LEGISLATIVE MANAGEMENT COMMITTEE**

The Audit Subcommittee of the Legislative Management Committee met in Room 250, State Capitol Building, Salt Lake City, Ut, May 18, 2010 from 4:00 p.m. until 5:30 p.m.

Committee Members Present: President Michael Waddoups, Co-Chairman
 Speaker David Clark, Co-Chairman
 Senator Patricia W Jones
 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
 Susan Verhoef, Legis Lead Auditor
 Deanna Herring, Audit Supervisor
 David Apple, Performance Auditor
 Wayne Kidd, Audit Supervisor
 Jesse Martinson, Performance Auditor
 David Gibson, Leg IT Auditor/Systems Analyst
 Chris Otto, Consultant

Other Interested Parties: Nannette Rolfe, Div Director, Driver License Division (DLD)
 Chris Caras, Deputy Director, DLD
 Jill Laws, Driver License Division
 Tara Zamora, CDL Manager, DLD
 Dave Tafoya, DLD
 John Fairbanks, Records Manager, DLD
 Bruce Jones, General Counsel, Utah Transit Authority (UTA)
 Michelle Larsen, UTA
 Jennifer Kohler, UTA
 Celeste Burningham, UTA
 Gerry Carpenter, UTS
 Tenille Young, GOPB
 Cliff Strachan, GOPB
 David Patton, UDOH
 Rep Janice Fisher, House of Rep
 Rep Neil Hansen, House of Rep
 Zachary Frankel, URC
 Claire Geddes

Christy Cushing, UPEA
Chris Vanocur, *ABC 4*
Nineveh Dinha, *FOX 13*
Brock Versakis, *AP*
Laura Hancock, *Deseret News*
John Davey, *KSL TV*
And others as listed

1. Call to Order

President Waddoups called the meeting to order at 4:00 p.m.

2. Approval of Minutes

Motion: Speaker Clark made a motion that the minutes from January 19, 2010 Audit Subcommittee meeting be approved. The motion passed unanimously.

3a. A Performance Audit of the Driver License Division

(Report #2010-06)

Presented by Deanna Herring, Audit Supervisor

Discussion following Presentation

Nannette Rolfe, Director, Drive License Division, introduced Tara Zamora, Manager, CDL Program and John Fairbanks, Manager, DUI Program.

Tara Zamora explained the application process for third-party testers—

1. Make an application
2. Have application reviewed
3. Go to training (one week, 40 hours)
4. Pass Test with 80% or better
5. Time observing process
6. Reviewed once a year

Ms Zamora also indicated that they are adding a background check for third-party testers.

Ms. Rolfe told the Audit Subcommittee that their first priority would be to modify their calendaring system, having received funding to do this. Second, the Driver License Division will work closely with law enforcement, using more telephonic hearings where officers will be able to call from their home base to expedite hearings and third, the Driver License Division is looking at charging a fee to become testers—if individuals are serious about becoming testers they should be willing to pay a fee.

Ms Rolfe closed by explaining how they are working to get the wait times down for the Real ID to under 20 minutes.

Motion: Speaker Clark made a motion that the **Performance Audit of the Driver License Division** (Report No. 2010-0) be accepted and referred to the Transportation Interim Committee. The motion passed unanimously.

3b. A Survey of Jordan School District's FY2009 Purchases

(Report #ILR2010-A)

Note: Report available, not presented

John Schaff gave a brief overview of the allegations that precipitated the request for the Jordan School District's FY2009 Purchases audit request and feels his staff's findings that there were adequate controls indicates no need for further work.

4. New Audit Request

Rep Janice Fisher referenced her November request for an audit of UTA's conflicts of interest. Rep Fisher told the Audit Subcommittee that she is requesting the Auditor General conduct an audit to determine whether both the spirit and the letter of the law has been followed.

Bruce Jones, General Counsel, Utah Transit Authority (UTA), said that the obligation of board members has been as high as any standard and since the last legislative session, the Boards's standards have been raised even higher and UTA would welcome the opportunity to review and respond to any allegations.

Senator Pat Jones declared a conflict of interest as she conducts research for UTA on occasion.

Motion: Speaker Clark made a motion that the information Representative Fisher has concerning UTA conflicts of interest be turned over to the Legislative Auditor General to make a summary analysis; at which time the Audit General will come before the Audit Subcommittee with his recommendation. The motion passed.

Mr. Schaff gave a brief overview of the following potential impact "high risk" audits:

- PEHP Efficiency of Vendor Contracts/Pharmaceutical Contracting with PBMs
- Efficiency and Effectiveness of Utah Parks
- Operating Efficiency of the Court System
- DCFS Efficiency & Productivity of Division Staff

Motion: Representative Litvack made a motion that the following audits be approved and prioritized at the Auditor General's discretion:

- County & Municipal Use of TDR's
- Efficiency of Vendor Contacts with PEHP/PEHP Pharmaceutical Contract with PBM.
- Efficiency and Effectiveness of Utah Parks
- Operating Efficiency of the Utah Court System
- DCFS Efficiency & Productivity of Division Staff. The motion passed unanimously.

6. Other Business

Mr Schaff referred to a response from UTA concerning the request from the Audit Subcommittee that UTA respond to the progress on recommendations made in Chapter 7 of A Performance Audit of the Utah Transit Authority (UTA), Report #. 2008-03. Mr. Schaff indicated there were no further concerns. However, his staff only followed up on questions regarding board independence and left open the UTA Board conflicts of interest audit request.

A third letter, **Impact of the State's Four Community Correctional Center Audit**, included in the Audit Subcommittee's packet indicates that because of legislation passed giving additional funding to the agencies in the recent general session, no further work needs to be done on this audit request.

Mr Schaff referred to the request from Representative Hansen requesting an audit of UDOT Right of Way. He told the Audit Subcommittee that currently his staff is in the process of examining the controls that existed at the time of the breach and well as looking at those individuals involved and the action taken against them. Also, is it possible that there are other areas in the Department that might have risk as well?

Representative Neil Hansen listed his concerns that prompted his request for an audit of UDOT Right of Way:

- Who knew what was happening and when did they know it?
- Where was the accountability at the time the allegations were happening?
- Where were the checks and balances?
- Do we need to restore public trust?

- Was there something that Legislators have not looked into, and
- Was there loopholes in rules and regulations that allowed these breaches to happen?

6. Adjournment

President Waddoups adjourned the meeting at 5:15 p.m.

**MINUTES
AUDIT SUBCOMMITTEE
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The Audit Subcommittee of the Legislative Management Committee met in Room 130, House Building, State Capitol Complex, Salt Lake City, Ut, February 1, 2010 from 9:00 - 9:10 a.m.

Committee Members Present: President Michael Waddoups, Co-Chairman
 Speaker David Clark, Co-Chairman
 Senator Patricia W Jones
 Representative David Litvack

Legislative Audit Staff: Rick Coleman, Deputy Auditor General
 Darin Underwood, Audit Manager
 Lynda Maynard, Recording Secretary

Other Interested Parties: Michael Christensen, Director, Legis Research & Gen Counsel
 Christopher Bruhn, Internal Auditor, DAS
 Phalin Flowers, Admin Asst, Legis Research & Gen Counsel

1. Call to Order

President Waddoups called the meeting to order at 9:00 a.m.

2. Current Business

President Waddoups presented the name of John M Schaff for reappointed as Legislative Auditor General to the Audit Subcommittee.

After some discussion, the following motion was made:

Motion: Speaker Clark made a motion that John M. Schaff be reappointed to the position of Legislative Auditor General for a term of six years and the recommendation be presented to the Senate and House membership for confirmation. The motion passed unanimously.

3. Adjournment

President Waddoups adjourned the meeting at 9:10 a.m.