

**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, July 12, 2011 from 10:00 a.m. until 11:00 a.m.

Committee Members Present: President Michael Waddoups, Co-Chairman
 Speaker Rebecca Lockhart, Co-Chairman
 Senator Ross Romero
 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
 Wayne Kidd, Audit Supervisor

Other Interested Parties: Dan Anderson, Attorney, PEHP
 John Borer, Actuary, PEHP
 Don Catmull, Financial Examiner, Dept of Insurance
 Carolyn Maynard, Dept of Insurance
 Nicole Sherwood, Budget Analyst, GOPB
 Michael Kjar, Budget Analyst, GOPB
 Martell Menlove, Deputy Superintendent, USOE
 Natalie Grange, Internal Auditor, USOE
 Christy Cushing, UPEA

1. Call to Order

President Waddoups called the meeting to order at 10:00 a.m.

2. Approval of Minutes

Motion: Speaker Lockhart made a motion that the minutes from May 17, 2011, Audit Subcommittee meeting be approved. The motion passed unanimously.

3a. Actuarial Study of PEHP's Contingency Reserve (Report #2011-06)

Presented by Wayne Kidd, Audit Supervisor

Discussion following Presentation

Dan Anderson, URS and PEHP Attorney, said that Mr. Chet Loftis regretted not being able to be in attendance but had asked Mr. Anderson to represent PEHP in responding to the audit. Mr. Anderson continued by telling

the Audit Subcommittee that—

- there was no industry standard for self-funded plans;
- however an 80-day reserve gives a 95% confidence level and a 50-day reserves gives a 75% confidence level.
- Statute allows for refunds of excess reserves back to employers who then pass it back to their employees

President Waddoups asked Mr. John Borer, PEHP Actuary, if it would be possible to obtain a 10 year history of where the reserves had gone and what increases were requested.

Mr. Borer indicated that it would be possible to get a 10 year history for the Audit Subcommittee.

Motion: Speaker Lockhart made a motion that the **Actuarial Study of PEHP's Contingency Reserves** (Audit # 2011-06) be referred to the Retirement and Independent Entities Appropriations Subcommittee and the Retirement and Independent Entities Interim Committee. The motion passed unanimously.

3b. **A Survey of School District's Health Insurance** (Report #2011-07)
Presented by Wayne Kidd, Audit Supervisor

Discussion following Presentation

Martell Menlove, Deputy Superintendent, USOE, asked that Larry Shumway, State Superintendent, USOE, be excused as he was out of town. Mr Menlove said that USOE has reviewed the audit and finds no disagreement with the recommendations.

Mr Menlove gave a brief overview of the following:

- Health and Accident insurance has always been a local function of local school boards; but, USOE would support the creation of a statewide pool for districts and allow smaller districts to join the State's risk pool.
- Anything that can happen, legislatively, that would increase options for local districts to control costs and provide services with limited education dollars would be seen as favorable.
- USOE is not opposed to some type of bidding outline or some type of bidding guidelines but realize that in the more rural and smaller districts some options may not be available.

Motion: Speaker Lockhart made a motion that the **Survey of School District's Health Insurance** (Audit # 2011-07) be referred to the Public Education Appropriations Subcommittee, the Education Interim Committee and the Retirement and Independent Entities Appropriations and Interim Committees. The motion passed unanimously.

5. Other Business

There was further discussion on the following Legislation passed in the General Session—

- HB176, Sponsored by Rep LaVar Christensen - In-depth Budget Reviews of State Budgets

- SJR05, Sponsored by Senator Wayne Niederhauser - Fiscal Note Review Process
- HB152, Sponsored by Rep Bill Wright - School Community Council amendments

Motion: Speaker Lockhart made a motion that the actions required of the Legislative Auditor's Office in HB152 be approved. The motion passed unanimously.

6. Adjournment

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

**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, May 17, 2011 from 4:30 p.m. until 6:20 p.m.

Committee Members Present: President Michael Waddoups, Co-Chairman
 Speaker Rebecca Lockhart, Co-Chairman
 Senator Ross Romero
 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
 Brian Dean, Audit Supervisor
 James Behunin, Audit Supervisor
 Deanna Herring, Audit Supervisor
 Chris Otto, Legis Lead Auditor
 Benn Buys, Perf Auditor
 Jesse Martinson, Perf Auditor
 David Gibson, IT Auditor/Systems

Other Interested Parties: Mary Shumway, State CTE Dir., USOE
 Shelli Ivie, CTE
 Natalie Grange, USOE
 Dennis Kellen, Executive Director, DABC
 Dr. Richard Sperry, Commissioner, DABC
 Leonard Langford, Deputy Dir., Finance, DABC
 Chris Christensen, Business Systems Project Mgr., DABC
 John Freeman, Deputy Dir., Operations, DABC
 Earl Dorius, Deputy Dir., Licensing & Compliance, DABC
 Vickie Ashby, PIO, Admin Asst., DABC
 Senator Jerry Stevenson
 Senator John Valentine
 Senator Curtis Bramble
 Rep. Carol Spackman Moss
 Rep John Mathis
 Fran Brown, Marinello Schools
 Ramona Wilson, Image Works Academy
 Theresa Taylor, Renaissance Academy
 Jim Rates, Cameo College
 Brenda Saharan, Cameo College
 Debra Bardic, Salt Lake Community College
 J Lee Bardic, Salt Lake Community College

Jill Flygore, Policy and Budget Analyst, GOPB
Karen Silver, Salt Lake Community Action Program
Lisa Riley Roche, *Deseret News/KSL*
Chris Vanocur, *ABC4 TV*
And others as listed

1. Call to Order

President Waddoups called the meeting to order at 4:30 p.m.

2. Approval of Minutes

Motion: Speaker Lockhart made a motion that the minutes from January 18, 2011, Audit Subcommittee meeting be approved. The motion passed unanimously.

- 3a. **A Review of Public Education Cosmetology Programs** (Report #2011-05)
Presented by James Behunin, Audit Supervisor

Discussion following Presentation

Mary Shumway, Director, CTE, Utah State Office of Education, expressed her appreciation for the staff and their work in all areas of the cosmetology program. Ms. Shumway said that the CTE Department takes very seriously their programming and will continue to work to ensure the highest quality CTE programs are meeting the current needs.

Motion: Speaker Lockhart made a motion that the **Review of Public Education Cosmetology Programs** be referred to the Public Education Appropriations Subcommittee and the Education Interim Committee. The motion passed unanimously.

- 3b. **A Review of DABC Actions Regarding a \$300,000 Loss from a Package Agency** (Report #2011-04)
Presented by Brian Dean, Audit Supervisor

Discussion following Presentation

Commissioner Richard Sperry, DABC, told the Audit Subcommittee that, as a representative for the Commission, he would like to commend the auditors for their reasonable, fair minded work with DABC although there are a few things the Commission disagrees with; however,

- The Commission did not know about the financial difficulties of the Eden Package Agency, although there is a question as to whether the Commission should have know,
- Certain reasonable standards might be expected to apply— that the Commission should have been brought into the loop,
- The Commission does not believe that the Department's failure to report to the Commission was an attempt to hide bad management decisions on their part.

Dennis Kellen, Executive Director, DABC, explained that because of the problems with the Eden Package Agency, DABC has put new procedures in place to make sure these kinds of problems do not happen again. Mr.

Kellen went on to explain that—

- When a package agency operator is running into financial difficulties, DABC tries to work with the agency to help them stay in business and succeed.
- DABC carries insurance, through the State Risk Management, to cover any losses due to theft or other losses.
- A newly created position in DABC has a lead auditor working on nothing but taking care of consignment package agencies. This auditor is to report monthly to the Commission on any activity involving the package agencies.

John Freeman, Deputy Dir., Operations, DABC, explained the licensing procedures and differences between the Type 2 and Type 3 Package Agency Licenses to the Audit Subcommittee, including the process for the background checks.

Motion: Speaker Lockhart made a motion that the **Review of DABC actions Regarding the \$300,000 Lost from a Package Agency** be referred to the Business, Economic Development and Labor Appropriations Subcommittee and the Business and Labor Interim Committee. The motion passed unanimously.

President Waddoups told those in attendance that the following two Informal Letter Reports (ILR's) were available to the public but would not be presented—

- A Performance Audit of the Disability Law Center (ILR2011-A)
- Competitive Business Practices of the Utah Local Governments Trust (ILR2011-B)

4. New Audit Request

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

- Eligibility Services In Medicaid
- Auditor General's Medicaid Fraud Control Unit
- DWS's Control Over Medicaid Client Fraud
- In-depth Follow-up Audit of PEHP
- In-depth Follow-up audit of the Division of Parks and Recreation
- Efficiency and Effectiveness of the Division of Professional Licensing (DOPL)
- Administrative Costs and Efficiency of School Districts and Charter Schools
- Duplication of Water Resource Programs
- Cost of Legal Counsel at the University of Utah
- Utah Telecommunication Open Infrastructure Agency (UTOPIA)
- Division of Housing and Community Development
- Salt Lake County Public Safety Financial Analysis
- Utah Radioactive Waste Disposal and Storage Fees
- DABC Management of Package Agencies

After a discussion with the Audit Subcommittee, the following motion was made:

Motion: Speaker Lockhart made a motion that the following requests for new audits be approved and moved to Future Audits:
DWS Control of Medicaid Client Fraud,

DABC Management of Package Agencies
Utah Radioactive Waste Disposal and Storage Fees
Utah Telecommunications Open Infrastructure Agency (UTOPIA)
Division of Housing and Community Development.
The motion passed unanimously.

John Schaff also asked the Audit Subcommittee to approve three audits that are currently in process. These requests have previously been discussed with the Audit Subcommittee Chairs:

- 1 Actuarial Study of PEHP Contingency Reserve
- 2 Sale of Conservation Tags by the Division of Wildlife Resources (DNR)
- 3 Graduation Rates and Excess Hours of Students in Higher Education

Motion: Speaker Lockhart made a motion that the following three currently staffed audits be approved to move forward:

Actuarial Study of PEHP Contingency Reserves,
Sale of Conservation Tags by the Division of Wildlife Resources, and
Graduation Rates and Excess Hours of Students in Higher Education.

The motion passed unanimously.

5. Other Business

John Schaff, Auditor General discussed the three General Session bills that will have an impact on the Office of the Legislative Auditor General—

HB176, Sponsored by Rep LaVar Christensen - In-depth Budget Reviews of State Budgets
SJR05, Sponsored by Senator Wayne Niederhauser - Fiscal Note Review Process
HB152, Sponsored by Rep Bill Wright - School Community Council amendments

6. Adjournment

President Waddoups adjourned the meeting at 6:20 p.m.

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, January 18, 2011 from 3:45 p.m. until 5:15 p.m.

Committee Members Present: President Michael Waddoups, Co-Chairman
 Speaker Rebecca Lockhart, Co-Chairman
 Senator Ross Romero
 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
Wayne Kidd, Audit Supervisor
Maria Stahla , Audit Supervisor
James Behunin, Audit Supervisor
Deanna Herring, Audit Supervisor
Brian Dean, Audit Supervisor
Chris Otto, Legis Lead Auditor
Tim Bereece, Legis Lead Auditor
August Lehman, Sr Perf Auditor
Anndrea Parrish, Perf Auditor
Jesse Martinson, Perf Auditor
David Apple, Perf Auditor
David Gibson, IT Auditor/Systems

Other Interested Parties:

Robert Newman, Executive Director, URS
Jeff Jensen, Director, PEHP
Dan Anderson, PEHP Legal Council
Dr. Cynthia Jones, Medical Director, PEHP
John Borer, Chief Actuary, PEHP
Michael Styler, Executive Director, Dept of Natural Resources
Mary Tullius, Director, State Parks and Recreation
Palmer DePaulis, Executive Director, Dept of Human Services
Brent Platt, Director, DCFS
Fred Hayes, II, Deputy Director, State Parks and Recreation
Mark Forbes, Budget & Accting, State Parks and Recreation

Karen Krieger, Deputy Director, State Parks and Recreation
Todd Losser, UPEA
Kory Cox, UPEA
Christy Cushing, UPEA
Senator Curtis Bramble
Rep John Mathis
Jill Flygore, GOPB
Karen Silver, Salt Lake Community Action Program
Amy J, *Deseret News*
Kristen Stewart, *SL Tribune*
And others as listed

1. Call to Order

President Waddoups called the meeting to order at 3:45 p.m.

2. Approval of Minutes

Motion: Senator Romero made a motion that the minutes from December 14, 2010, Audit Subcommittee meeting be approved. The motion passed unanimously.

3a. **A Performance Audit of PEHP's Business Practices** (Report #2011-01)

Presented by Wayne Kidd, Audit Supervisor

Discussion following Presentation

Jeffrey Jensen, Director, PEHP, expressed his appreciation for the open and candid discussions PEHP has had with the auditors working on the audit report and for the recommendations which will help PEHP improve process of becoming more efficient in fulfilling their charge. Mr Jensen continued,

- PEHP has already begun and is committed to addressing the recommendation made
- PEHP takes pride in their consistent and satisfactory survey ratings
- PEHP strives to provide the widest choice for their health plan members consistent with best price.
- New controls and oversight in the pharmacy benefit have saved \$9.9 million over the last two years
- PEHP continues to seek opportunities to control cost, balanced with providing maximum member-choice, and
- PEHP continues to strive to add value to their business practices.

Senator Romero told Mr. Jensen the explanations PEHP provided in their written response letter, specific to the recommendations made, was most helpful.

Motion: Speaker Lockhart made a motion that the Performance Audit of PEHP's Business Practices (Report #2011-01) be referred to the Retirement and Independent Entities Appropriations Subcommittee, the House and Senate Retirement and Independent Entities Standing Committees and the House and Senate Business and Labor Standing Committees. The motion passed unanimously.

3b. A Performance Audit of Division of Parks and Recreation (Report #2011-03)

Presented by James Behunin, Audit Supervisor.

Discussion following Presentation

Mary Tullius, Director, Division of State Parks and Recreation, told the members of the Audit Subcommittee the Division appreciates the fresh look the audit has provided and the recommendations that have been generated showing where the Division could improve.

Ms. Tullius concluded by saying that state parks are very affordable and the benefit they provide to the local economies is a good investment, about \$8 per \$1 of General Fund which is very significant and has reduced the Division's reliance on the General Fund.

Michael Styler, Executive Director, Department of Natural Resources, explained that the Department has had a very aggressive stance with becoming more business-like and less dependent on General Funds and this audit has given the Department a more aggressive goal. Mr. Styler said he believes the proposals in the audit will be implemented through the Appropriations Subcommittee and the Legislature.

Motion: Speaker Lockhart made a motion that the Performance Audit of Division of Parks and Recreation (Report #2011-03) be referred to the Natural Resources, Agriculture and Environmental Quality Appropriations Subcommittee and the House and Senate Natural Resources, Agriculture and Environment Standing Committees. The motion passed unanimously.

3c. A Performance Audit of the Division of Child and Family Services (DCFS)

(Report #2011-02)

Presented by Maria Stahla, Audit Supervisor

Discussion following Presentation

Palmer DePaulis, Executive Director, Human Services (DHS), expressed his appreciation for the audit team and said that as difficult as the issues are, the audit team was really good in helping them sort through the issues and working with them to identify the direction that was needed. Mr DePaulis continued by telling the Committee that DHS has a work group that has been meeting for six months, looking at the issues and will be using the recommendations to progress in the right direction.

Mr. DePaulis also listed the following steps being worked on—

- Developing a uniform model that will place or keep children in In-home Services and provide more services at this level

- Centralized Intake will begin with the new fiscal year

Brent Platt, Director, Division of Child and Family Services (DCFS), added that DCFS is in the process of conducting informal and formal reviews and they plan to use the audit recommendations, along with the Federal Program Improvement Plan and other assessments, to implement positive changes and improvements withing DCFS.

Mr. Platt concluded by saying that DCFS wants to continue to provide services that will maintain children in their homes while protecting them from abuse and neglect.

Motion: Speaker Lockhart made a motion that the Performance Audit of the Division of Child and Family Services (DCFS) (Report #2011-02) be referred to the Social Services Appropriations Subcommittee and the House and Senate Health and Human Services Standing Committees. The motion passed unanimously.

4. New Audit Request

President Waddoups referred to the Audits in Process list and indicated a need for the Committee to approve some of the audit requests so the Auditor General’s staff could begin working on them.

Motion: Speaker Lockhart made a motion that the following audits request be approved and moved to “Future Audits”.

1. Out-of-State Tuition for Universities
2. Disability Law Center
3. ATC’s Cosmetology Programs, and
4. University of Utah Student Fees. The motion passed unanimously.

Motion: Speaker Lockhart made a motion that five risk areas being surveyed by the Office of the Legislative Auditor General be approved and moved to “Future Audits”.

1. Efficiency of Credit Transfers in Higher Education
2. Strength and Impact of Higher Education Internal Audit Functions
3. Accuracy and Impact of Higher Education Completion Rates
4. School District Administration Efficiency in Public Education, and
5. Strength and Impact of Public Education Internal Audit Functions. The motion passed unanimously

Motion: Speaker Lockhart made a motion that the request for an audit of the Pleasant Grove City Convention Center Project be removed. The motion passed unanimously.

5. Adjournment

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

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)

Presented by Tim Bereece, Sr Performance Auditor

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
OF THE
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
OF THE
LEGISLATIVE MANAGEMENT COMMITTEE**

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.