

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

The Audit Subcommittee of the Legislative Management Committee met in Room 445, State Capitol Building, Salt Lake City, Ut, Wednesday, August 1, 2012, from 10:00 a.m until 11:50 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  
   James Behunin, Audit Supervisor  
   Susan Verhoef, Audit Supervisor  
   Janice Coleman, Audit Supervisor  
   Ian Christensen, Sr Perf Auditor  
   Tim Bereece, Legis Lead Auditor  
   Leah Blevins, Legis Lead Auditor  
   Matthew Harvey, Perf Auditor  
   Hillary Glavin, Perf Auditor  
   Jake Dinsdale, Perf Auditor  
   Karleen Watson, Perf Auditor  
   Chris McClelland, Perf Auditor

Other Interested Parties:            Todd Marriott, CEO, UTOPIA  
   Kane Loader, Board Chairman, UTOPIA  
   Alex Jensen, UTOPIA  
   Jason Russell, UTOPIA  
   Candace Vigil, UTOPIA  
   Brenda Hales, Assoc Superintendent, USOE  
   Robert Steed, Director, Medicaid Fraud Control Unit  
   Kaye Lynn Wooton, Medicaid Fraud Control Unit  
   Robyn Geist, Wilkinson, Ferrari & Company  
   Greg Curtis, Curtis Consulting  
   Jamie Davidson, City of Orem  
   Richard Manning, City of Orem

Eric Isom, Century Link  
Scott Dansie, Comcast  
Robert Hale, Midvale City  
Jason Lee, *Deseret News*  
Charlotte Duren, *KCPW*  
Richard Piatt, *KSL News*  
*And Others as Listed*

## 1. Call to Order

Speaker Lockhart called the meeting to order at 10:00 a.m.

## 2. Approval of Minutes

Motion: President Waddoups made a motion that the minutes from June 19, 2012, Audit Subcommittee meeting be approved. The motion passed unanimously.

## 3. A Performance Audit of the Utah Telecommunication Open Infrastructure Agency (UTOPIA)

(Report #2012-08)

Presented by James Behunin, Audit Supervisor

### Discussion following Presentation

Kane Loader, City Manager for Midvale City and Chairman of the Board, UTOPIA, addressed the Audit Subcommittee and introducing Todd Marriott, CEO, UTOPIA and Alex Jensen, City Manager for Layton City, UIA Board, UTOPIA.

Mr. Loader pointed out that many of the things brought out in the audit are items that UTOPIA has known about for many years and talked about openly with city officials. Mr. Loader explained what UTOPIA has been doing to rectify their problems and what they have learned from their mistakes and concluded by explaining the following—

- UTOPIA has a large debt with 11 cities participating in this project.
- UTOPIA has not been successful, residentially, in Midvale City but has been successful to the business community.
- UTOPIA accepts the recommendations in the audit, with many problems already corrected and will continue the work to bring UTOPIA into compliance.

In answer to Speaker Lockhart's question as to whether the people, who have taken the risk, will be paying for UTOPIA services far into the future, Mr. Loader said that the only way out of the problems is to work their way out, or build their way out of the problems by making their network

successful—by building it correctly. If UTOPIA had started out correctly, in the beginning, they would not be in the situation they are currently in.

Alex Jensen, City Manager, Layton City, concurred with Mr. Loader. Mr. Jensen said that the building of infrastructure is a difficult and expensive task but the cities involved with UTOPIA are committed to the task and since 2008 there has been a significant shift in direction, with much of the day-to-day operations being brought in-house in order to develop UTOPIA's own expertise and a more direct oversight operations and we believe in UTOPIA and we believe in its future.

Todd Marriott, CEO, UTOPIA, told the Audit Subcommittee that UTOPIA is very appreciative of the audit. Mr. Marriott also said that UTOPIA, in its very essence, is an extension of the cities involved.

Mr. Schaff, Auditor General, told the Audit Subcommittee that his staff has tried to verify the "take rates" of UTOPIA and have been unable to do this because UTOPIA does not have the documentation.

Ron Russell, Mayor, Centerville City, addressed the Audit Subcommittee and said that the build-out in Centerville is going very well and is available to most all areas with the take-rates at about 20%.

Motion: President Waddoups made a motion that the **Performance Audit of the Utah Telecommunication Open Infrastructure Agency (UTOPIA)** (2012-08) be approved and referred to the Business, Economic Development and Labor Appropriations Subcommittee; the Public Utilities and Technology Interim Committee; the Revenue and Taxation Interim Committee and the Political Subdivisions Interim Committee. The motion passed unanimously.

#### **4. A Performance Audit of Inmate High School Education**

(Report #2012-11)

Presented by Susan Verhoef, Audit Supervisor

##### **Discussion following Presentation**

Brenda Hales, Associate Superintendent, USOE, commended the Legislative Auditor General's Office for their time spent working with the USOE and for the information that was given USOE.

Ms. Hales addressed the concerns of the excess hours of education afforded to some of the inmates:

- Additional hours for inmates that already have a high school diploma—students who already have their high school diploma, but still struggle in different subjects, have been helped with additional hours,

- Inmates in some of the facilities get credit for taking education as part of their “I’m a good prisoner-type program”,
- USOE is in the process of writing guidelines to address the issues of excess hours; however, sometimes the excess hours are necessary for the individual inmate that is struggling, and
- USOE believes it is time to look at their funding policies and make changes to their formulas in order to better serve the inmates.

Motion: President Waddoups made a motion that the **Performance Audit of Inmate High School Education (2012-11)** be approved and referred to the Law Enforcement and Criminal Justice Interim Committee and the Education Interim Committee. The motion passed unanimously.

## 5. A Performance Audit of the Medicaid Fraud Control Unit

(Report #2012-13)

Presented by Janice Coleman, Audit Supervisor

### Discussion following Presentation

Robert Steed, Director, Medicaid Fraud Control Unit (MFCU), told the Audit Subcommittee that his unit has been very pro-active in the pharmaceutical area and have recovered over \$65 million. Mr Steed said that one of the major accomplishments of MFCU is the addition of 4 additional staff.

Mr Steed explained that fraud is the most complex form of criminal enforcement there is; that MFCU is the tool of last resort and MFCU does not pursue cases without hard evidence. MFCU is very pro-active in building alliances with other sister state agencies (i.e. DSPD, Adult Protective Services (APS) and the Office of the Inspector General (OIG)). MFCU tries to find ways to close areas of vulnerability in order to save the state money.

Speaker Lockhart made a request that when MFCU found ways or had ideas where the Legislature could clarify policy or address statute to please inform the Legislature so they will be able to strengthen policies and give direction.

Motion: President Waddoups made a motion that the **Performance Audit of the Medicaid Fraud Control Unit (2012-012)** be approved and referred to the Social Services Appropriations Subcommittee and the Health and Human Services Interim Committee. The motion passed unanimously.

Speaker Lockhart noted that the **Performance Audit of State Printing Costs & Practices (2012-12)** would not be presented to the Audit Subcommittee but is available to the public.

Motion: President Waddoups made a motion that the **Performance Audit of State Printing Costs & Practices (2012-12)** be approved and referred to the Government Operations Interim Committee and the Higher Education Appropriations Subcommittee. The motion passed unanimously.

## **6. New Audit Requests**

John Schaff, Auditor General explained the new audit request his office had received:

- **Surplus Property Program** - It appears Surplus Property is operating at a loss—Are competitive forces involved; how efficiently are they transporting materials; and, is Surplus Property's website more profitable than the private sector.

Motion: President Waddoups made a motion that the requests for audits of the Surplus Property Program and Higher Education Scholarships be approved and moved to "Future Audits". The motion passed unanimously.

## **7. Other Business**

After a discussion it was decided that the next Audit Subcommittee Meeting would be held on Tuesday, September 11, at 9:00 a.m.

## **8. Adjournment**

Motion: President Waddoups made a motion that the meeting be adjourned. The motion passed unanimously. (11:50 a.m.)