

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

The Audit Subcommittee of the Legislative Management Committee met in Room W030, State Capitol Complex, House Building, Salt Lake City, Utah, June 30, 2009 from 9:00 a.m. until 10:35 a.m.

Committee Members Present:	Speaker David Clark, Co-Chairman President Michael G Waddoups, Co-Chairman
Excused	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 Janice Coleman, Audit Supervisor Leah Blevins, Auditor in Charge Jesse Martinson, Performance Auditor Chris Otto, Sr Performance Auditor Deanna Herring, Audit Supervisor Mandeep Gill, Intern Auditor Anndrea Parrish, Intern Auditor Candace Ware, Intern Auditor
Other Interested Parties:	Commissioner William Sederburg, Ut System of Higher Ed Greg Stauffer, Assoc Commissioner, Finance, Higher Ed Commissioner Kent Michie, Dept of Insurance Armand Glick, Director, Insurance Fraud Division Brad McGarry, OSR Director, Dept of Human Services Shane Tiernan, Insurance Fraud Division David Stauffrer, Insurance Fraud Division Whitney Pugh, Utah State University Paul T. Brinkman, University of Utah Darren Marshall, Utah System of Higher Education Dave Buhler, Utah System of Higher Education Neal T. Gooch, Department of Insurance,

## 1. Call to Order

Speaker Clark called the meeting to order at 9:00 a.m.

## 2. Approval of Minutes

President Waddoups made a motion that the minutes from the April 7, 2009 meeting be approved. The motion passed unanimously.

### 3a. A Follow-up Audit of Higher Education Personnel Budgeting Practices

(Report #2009-11)

Presented by Brian Dean, Audit Supervisor

#### Discussion following Presentation

Commissioner William A Sederburg, Utah System of Higher Education, thanked the staff for their efforts and professionalism and for their constructive approach.

Commissioner Sederburg acknowledged that there are several areas where improvements can be made and they are working with their institutions to address these issues.

Greg Stauffer, Associate Commissioner, Finance, responded to the concerns with the Vacancy Report and told the members that there have been substantial changes in leadership in the commissioner's office. Mr. Stauffer said that as a finance person, he wants to have everything reconcile. With regard to the Vacancy Report, Mr. Stauffer explained that during June, there is a transition time in higher education and figures are not readily available.

Motion: President Waddoups made a motion that the **Follow-up Audit of Higher Education Personnel Budgeting Practices** (Report No. 2009-11) be accepted and referred to the Education Interim Committee and the Higher Education Appropriations Subcommittee. The motion passed unanimously.

### 3b. A Performance Audit of the Insurance Fraud Division

(Report #2009-09)

Presented by Janice Coleman, Audit Supervisor

#### Discussion following Presentation

Commissioner Kent Michie, Department of Insurance, commended the audit team and their process and thanked them for assisting management to serve the public interest and become more efficient and focused on detecting and eliminating fraud in the insurance market. Also, Commissioner Michie thanked John Schaff, Legislative Auditor General, for the tremendous service he and his staff give to all state agencies.

Commissioner Michie concluded by saying that he values the findings of the audit and values the recommendations that have been made.

Armand Glick, Director, Insurance Fraud Division, said that the Division recognizes their were established to fight insurance fraud and that their mission is to direct their investigations towards that end.

Director Glick told the Audit Subcommittee that, as a director, he wants to evaluate the training needs of his officers as well as the deficiencies in their training and provide that and, as an agency, make sure they have the tools and the training to adequately aid in their investigations.

Motion: Representative Litvack made a motion that the **Performance Audit of the Insurance Fraud Division** (Report No. 2009-09) be accepted and referred to the Business and Labor Interim Committee and the Commerce and Workforce Services Joint Appropriations Subcommittee. The motion passed unanimously.

### **3c. A Follow-up Audit of the Office of Services Review (OSR)**

(Report #2009-10)

Presented by Leah Blevins, Auditor in Charge

#### **Discussion following Presentation**

Brad McGarry, OSR Director, Department of Human Services, addressed the concerns and recommendations in the Office of Services Review audit. Mr. McGarry explained that,

- OSR is pleased that the audit staff once again found their error rate remains low and that there is no bias in the way questions were answered.
- OSR agrees with the recommendations and is working to implement them. They plan to include some federal review questions in the CPR in order to better prepare for upcoming federal reviews.

Motion: President Waddoups made a motion that the **Performance Audit of the Office of Services Review** (Report No. 2009-10) be accepted and referred to the Health and Human Services Interim Committee, the Health and Human Services Appropriations Subcommittee and the Child Welfare Legislative Oversight Panel. The motion passed unanimously.

### **4. New Audit Requests**

John Schaff, Auditor General, presented the following three new audit requests and gave a brief description of each,

- Salt Lake Community College Favoritism Allegations
- Public Safety Post-Retirement
- Drivers License Division

Mr. Schaff also referred to a sheet of five potential audit areas that had been given to members of the Audit Subcommittee

Motion: President Waddoups made a motion that the following new audit requests be added to Future Audits: #1, Public Safety Post Retirement; #2, Drivers License Division, #3, Utah Beverage Control Commission; and, #4, Fee Setting By Regulatory Agencies. The motion passed unanimously.

Motion: President Waddoups made a motion that the following new audit requests be added to Requested Audits (not prioritized):

- SLCC Favoritism Allegations
- Out-of-State Tuition for Universities
- Security of ITS for Quasi-Governments and Universities, and
- Motor Vehicle Taxes and Funding. The motion passed unanimously.

Motion: President Waddoups made a motion that the following older requested audits be removed from consideration:

- This Is The Place Heritage Park
- Identification of Critical Teacher Needs
- Law Enforcement Recruitment Needs, and
- Falcon Hill Development. The motion passed unanimously.

Speaker Clark asked the Auditor General's Office to contact the requester of the Pleasant Grove City Convention Center Project audit request and the Emergency Care in Utah audit request and find out the status of their requests.

## **5. Adjournment**

President Waddoups adjourned the meeting at 10:35 a.m.

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

The Audit Subcommittee of the Legislative Management Committee met in Room W030, State Capitol Complex, House Building, Salt Lake City, Utah, April 7, 2009 from 2:30 p.m. until 4:10 p.m.

Committee Members Present:           Speaker David Clark, Co-Chairman  
  President Michael G Waddoups, 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  
  Susan Verhoef, Legis Lead Auditor  
  Jesse Martinson, Performance Auditor  
  Craig Monson, Consultant

Other Interested Parties:               Patti Harrington, Superintendent, USOE  
  Larry Shumway, Deputy Superintendent, USOE  
  Carol Lear, School Law and Legis, USOE  
  Robert Newman, Executive Director, URS  
  Bruce Cundick, Chief Investment Officer, URS  
  Kim Kellersberger, Finance Director URS  
  Todd Rupp, Deputy Director, URS  
  Dan Anderson, URS  
  Kathy Jones, Price, URS Board  
  Kim Willette, GOPB  
  Sydnee Dickson, USOE  
  Brock Vergakis, *Associated Press*  
  Amy Stewart, *Deseret News*  
  Kristen Stewart, *SL Tribune*

**1. Call to Order**

Speaker Clark called the meeting to order at 2:30 p.m.

## 2. Approval of Minutes

Senator Jones made a motion that the minutes from the January 30, 2009 meeting be approved. The motion passed unanimously.

### 3a. A Performance Audit of Public Education Employees' Criminal Background Check Procedures

(Report #2009-08)

Presented by Brian Dean, Audit Supervisor

#### Discussion following Presentation

Larry Shumway, Deputy State Superintendent, responded to the audit presentation. Mr. Shumway said that he appreciated the recommendations made and intends to work quickly to move forward with implementation. Also, Mr. Shumway hoped that no one would lose sight of the effective work of thousands of outstanding teachers who have only the best interest of children in mind.

Mr. Shumway concluded by telling the Audit Subcommittee that the State Board of Education's primary process will be to take the rules under consideration, give direction to staff, develop rules as required by Statute and by the Constitution.

Motion: President Waddoups made a motion that the **Performance Audit of Public Education Employees' Criminal Background Check Procedures** (Report No. 2009-08) be accepted and referred to the Education Interim Committee and the Judicial, Law Enforcement and Criminal Justice Interim Committee. The motion passed unanimously.

### 3b. A Performance Audit of Utah Retirement Systems' Administrative Costs

(Report #2009-07)

Presented by Susan Verhoef, Auditor in Charge

#### Discussion following Presentation

Robert Newman, Executive Director, Utah Retirement System, introduced himself and Kim Kellersberger, Finance Director, Utah Retirement System.

Mr. Newman explained that—

- URS agrees with the recommendations made in the audit and will ensure that the recommendations are implemented.
- URS wants to operate a very efficient retirement system.
- URS will provide copies of CEM Benchmarking, Inc.'s reports, comparing public retirement systems.
- URS will continue to monitor their investment strategy and associated investment advisor fees.

- URS will evaluate salary and wage costs and compare the costs to systems of similar size and service level.
- Annually, the URS finance director will meet with department managers to ensure cost allocation models are properly assessing the DC plan and those costs that appropriately belong to it.
- The URS Internal Audit Department will annually review the allocation of costs to the DC plan to ensure the propriety of the allocation.

Motion: President Waddoups made a motion that the **Performance Audit of Utah Retirement Systems' Administrative Costs** (Report No. 2009-0) be accepted and referred to the Retirement and Independent Entities Interim Committee and the Business and Labor Interim Committee. The motion passed unanimously.

#### **4. New Audit Requests**

John Schaff, Auditor General, presented the following three new audit requests and gave a brief description of each,

- Business Programs and Initiatives
- Medicaid Managed Care
- Municipal Service Fund

Motion: President Waddoups made a motion that the following new audit requests be added to Future Audits: #3 - Municipal Service Funds and #4 - Medicaid Managed Care. Also, that the Auditor General's Office do a preliminary survey on the Business Programs and Initiatives audit request to get clarity and determine where to go with the request. The motion passed unanimously.

#### **5. Adjournment**

President Waddoups adjourned the meeting at 4:10 p.m.