

# ARIZONA STATE LEGISLATURE

## JOINT LEGISLATIVE AUDIT COMMITTEE

Minutes of the Meeting

October 3, 2013

9:00 a.m., Senate Hearing Room 109

### Members Present:

Senator Chester Crandell, Chairman  
Senator Judy Burges  
Senator David Farnsworth

Representative John Allen, Vice-Chairman  
Representative Paul Boyer  
Representative Andrea Dalessandro  
Representative Martin Quezada  
Representative Kelly Townsend

### Members Absent:

Senator Steve Gallardo  
Senator Katie Hobbs  
President Andy Biggs, Ex-officio

Speaker Andrew Tobin, Ex-officio

### Staff:

Sharon Langford, Senate Research Analyst

Chairman Crandell called the meeting to order at 9:00 a.m. and attendance was taken.

### Approval of Minutes

**Senator Crandell stated that without objection, the minutes of January 31, 2013 were approved.**

### Assignment of Sunrise Reports to Committees of Reference

**Sharon Langford, Senate Research Analyst**, explained the following Sunrise applications were received for the Joint Legislative Audit Committee (JLAC) to assign to the Committees of Reference (COR):

Arizona Association of Chiropractic  
Arizona Optometric Association  
Arizona Association of Midwives  
Arizona Non-Medical Homecare Association

Ms. Langford stated that the President of the Senate and the Speaker of the House of Representatives recommended that the Sunrise Reports be assigned to the Senate Health and Human Services COR and the House Health COR.

**Representative Allen moved that JLAC assign the four Sunrise applications to the Senate Health and Human Services COR and the House Health COR. The motion carried by a voice vote.**

### **Assignment of Department of Fire, Building and Life Safety Sunset Review**

**Kim Hildebrand, Performance Audit Administrative Manager, Arizona Office of the Auditor General**, explained the Department of Fire, Building and Life Safety sunset review could be assigned to the Office of the Auditor General or to a COR. Ms. Hildebrand outlined the proposal in a handout titled "A Report to the Arizona Legislature" (Attachment A, Tab 2).

**Representative Allen moved that JLAC assign the sunset review of the Department of Fire, Building and Life Safety to the COR. The motion carried by a voice vote.**

### **Assignment of Committees of Reference for Public Hearing of Auditor General's Follow-up Reports relating to the Arizona Department of Veterans' Services**

Ms. Hildebrand explained that a COR must be assigned to hold a public hearing to review the Auditor General's sunset review recommendations for the Arizona Department of Veterans' Services. The recommendations were outlined in the handout (Attachment A, Tab 3).

**Representative Allen moved that JLAC assign the public hearing of the Auditor General's follow-up reports relating to the Arizona Department of Veteran's Services to the Senate Commerce, Energy and Military COR and the House Public Safety, Military and Regulatory Affairs COR. The motion carried by a voice vote.**

### **Consideration and Approval of 2014-2015 Performance Audit and Sunset Review Schedule**

**Dale Chapman, Director of the Performance and Audit Division, Arizona Office of the Auditor General**, outlined the proposed 2014-2015 sunset review schedule in the handout (Attachment A, Tab 4). Mr. Chapman explained that the Auditor General's Office does not have the resources to perform sunset reviews for all the agencies on the cycle and recommended that CORs perform reviews for the remaining agencies. He also answered questions from the Committee.

Senator Farnsworth cited past problems in the Department of Emergency and Military Affairs and wanted to verify that necessary changes were made to the audit system.

**Debbie Davenport, Auditor General, Arizona Office of the Auditor General**, reassured the Committee that the audit system has been tightened and they remain vigilant for any future problems.

Further discussion was held by Committee Members.

Representative Townsend further clarified the audit schedule.

**Representative Allen moved that JLAC approve the proposed performance audit and sunset review schedule for 2014 and 2015. The motion carried by a voice vote.**

### **Consideration and Approval Committees of Reference Assignments**

Ms. Hildebrand explained that JLAC is required to assign agencies to a COR regardless of whether the Auditor General's Office or the CORs conduct the sunset review. She outlined the proposed 2014 and 2015 COR recommendations from the Senate President and Speaker of the House of Representatives in the handout (Attachment A, Tab 5).

**Representative Allen moved that JLAC approve the CORs as recommended by the President of the Senate and Speaker of the House for the 2014 and 2015 sunset review and performance audits. The motion carried by a voice vote.**

### **Presentation of the Arizona Department of Economic Security Children's Support Services audit schedule for 2013-2014**

Mr. Chapman returned to the podium and explained the audit schedule for the DES Children's Support Services in 2013-2014 (Attachment A, Tab 6). He also clarified the three target areas for this report and answered questions from the Committee.

Representative Allen asked if the audit results would be used to compare Arizona to other states.

Mr. Chapman stated the results would compare Arizona's practices to other states but would not look at costs.

Further discussion was held by Committee Members.

Representative Dalessandro requested that after the results are released, the agency meet with her and interested Committee members.

### **Presentation of Financial Audit Schedule and Consideration of Cost Reimbursement Audits for Fiscal Year 2014**

**Jay Zsorey, Financial Audit Division Director, Arizona Office of the Auditor General**, presented the financial audit schedule in the handout (Attachment A, Tab 7). Mr. Zsorey also stated the audits were done for federal compliance and are reimbursable.

Senator Farnsworth asked how much the audits are costing state agencies.

Mr. Zsorey clarified the average costs for agencies vary, but on average are in the \$1,000 range and are reimbursable.

**Representative Allen moved that JLAC approve the Auditor General to perform federally mandated work on a cost-reimbursement basis for certain political subdivisions as outlined in Attachment B. The motion carried by a voice vote.**

Senator Farnsworth explained his vote.

### **Presentation and Status Update of School-Wide Audit Team Schedule for 2014-2015**

**Ross Ehrick, Director of the Division of School Audits, Arizona Office of the Auditor General**, updated the Committee on current audits and listed the scheduled audits for 2014-2015. Mr. Ehrick also outlined the school district performance audits in the handout (Attachment A, Tab 8). He also answered questions from the Committee.

Senator Burges asked if there has been an audit done on the Common Core State Standards.

Mr. Ehrick stated this was not something done to date, but could be considered in the future.

Senator Farnsworth asked if more oversight is warranted after recent fraud cases involving school districts.

Mr. Ehrick outlined how potential fraud issues are handled by the Office of the Auditor General.

Representative Townsend raised concerns about transportation costs contributing to waste in schools and how new audits can be requested.

Representative Allen raised questions about oversight of school bond programs.

Further discussion was held by Committee Members.

### **Open Discussion**

Representative Dalessandro requested a discussion on AHCCCS funding.

Ms. Davenport explained that AHCCCS has been extended for 10 years and would not come up for another performance audit until the end of that term. She did clarify that AHCCCS is still subject to annual audits in compliance with federal grant requirements.

Senator Crandell stated that after consulting with staff, the Committee would not discuss AHCCCS at this time, since it was not an agenda item. He explained that AHCCCS would need to be scheduled on a future agenda to warrant any further discussion.

**Public Testimony**

**Beth Hallgren, Pinal County Republican Committee Chair, District 5**, thanked the Committee and staff members for being present and working to serve constituents.

There being no further business, the meeting was adjourned at 9:58 a.m.

Respectfully submitted,

Jeffrey Ong  
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)