

LEGISLATIVE AUDIT COMMISSION

Legislative Audit Commission

October 8, 2020

10:00 a.m.

Remote Hearing

AGENDA

- I. Parting words from Greg Hubinger, LCC Director
- II. Report from Executive Subcommittee on plan for legislative auditor performance review
- III. Updates from OLA
 - Single Audit
 - Financial Audit Division Deputy
 - Budget
- IV. Schedule for remaining 2020 LAC meetings

1 LEGISLATIVE AUDIT COMMISSION (LAC)

2
3 Legislative Auditor Performance Evaluation Policy

4
5 **Annual Evaluation.**

6 The chair and vice-chair of the LAC, acting jointly, must conduct an annual
7 performance assessment of the legislative auditor. The assessment must cover a period
8 of one year commencing with the date of the auditor's appointment. Additional
9 performance assessments must cover each year following the anniversary date of the
10 appointment. If the vice-chair is a member of same political party as the chair, the
11 LAC must designate an alternative member of the LAC, who is a member of a
12 different political party than the chair, to work with the chair in conducting the
13 assessment.

14 The purpose of the assessment is to review the work of the auditor, and to review
15 the organization and function of the auditor's office generally. The assessment must
16 result in a report that may be used by the LAC in guiding the work of the office. In the
17 year before the auditor's term expires, the assessment may be used for making
18 decisions about the appointment of the auditor.

19 **Assessment Components.**

20 The assessment must be guided by the following principles and procedures:

- 21 • No later than 30 days before initiating the performance assessment, the
22 executive subcommittee must adopt a timetable and work plan to guide the
23 assessment process.
- 24 • The assessment must include a comprehensive analysis of the auditor's work
25 that includes, at a minimum, a written self-reflection prepared by the auditor
26 and must include observations and feedback provided by the auditor's staff,
27 legislators, and other interested stakeholders.

- 1 • At the discretion of the executive subcommittee, the assessment may include
2 other procedures for conducting a performance assessment of senior legislative
3 staff, as recommended by the National Conference of State Legislatures.
- 4 • The assessment must include an in-person meeting that includes the chair,
5 vice-chair (or the designees of the LAC), to discuss the work of the auditor
6 and the auditor's office, and the results of the comprehensive analysis.
- 7 • The assessment is complete after the chair and vice-chair deliver a report of the
8 assessment to each member of the LAC. In the year preceding the expiration
9 of the auditor's term, the report may include a recommendation regarding the
10 reappointment of the auditor, and may also recommend areas of the auditor's
11 performance for follow-up or monitoring. The report must not disclose
12 information that is protected by law.
- 13 • After the third year of the auditor's term, the executive committee shall approve
14 a work plan and schedule for an independent, comprehensive analysis of the
15 auditor's performance to be conducted by an independent entity that is not
16 part of the legislative, judicial, or executive branch. The independent entity must
17 provide a report to each member of the LAC.

18 **Review of Deputy Auditors.**

19 The auditor, in consultation with the chair and the vice-chair, must conduct an annual
20 comprehensive performance assessment of each deputy auditor that covers one year of
21 work. The auditor must provide a report regarding these assessments, including any
22 recommendations, to the chair and vice-chair of the LAC. Each deputy auditor may
23 separately make the deputy auditor's performance assessment available to the public.

CPA firms conduct at least a portion of the Single Audit in most states.

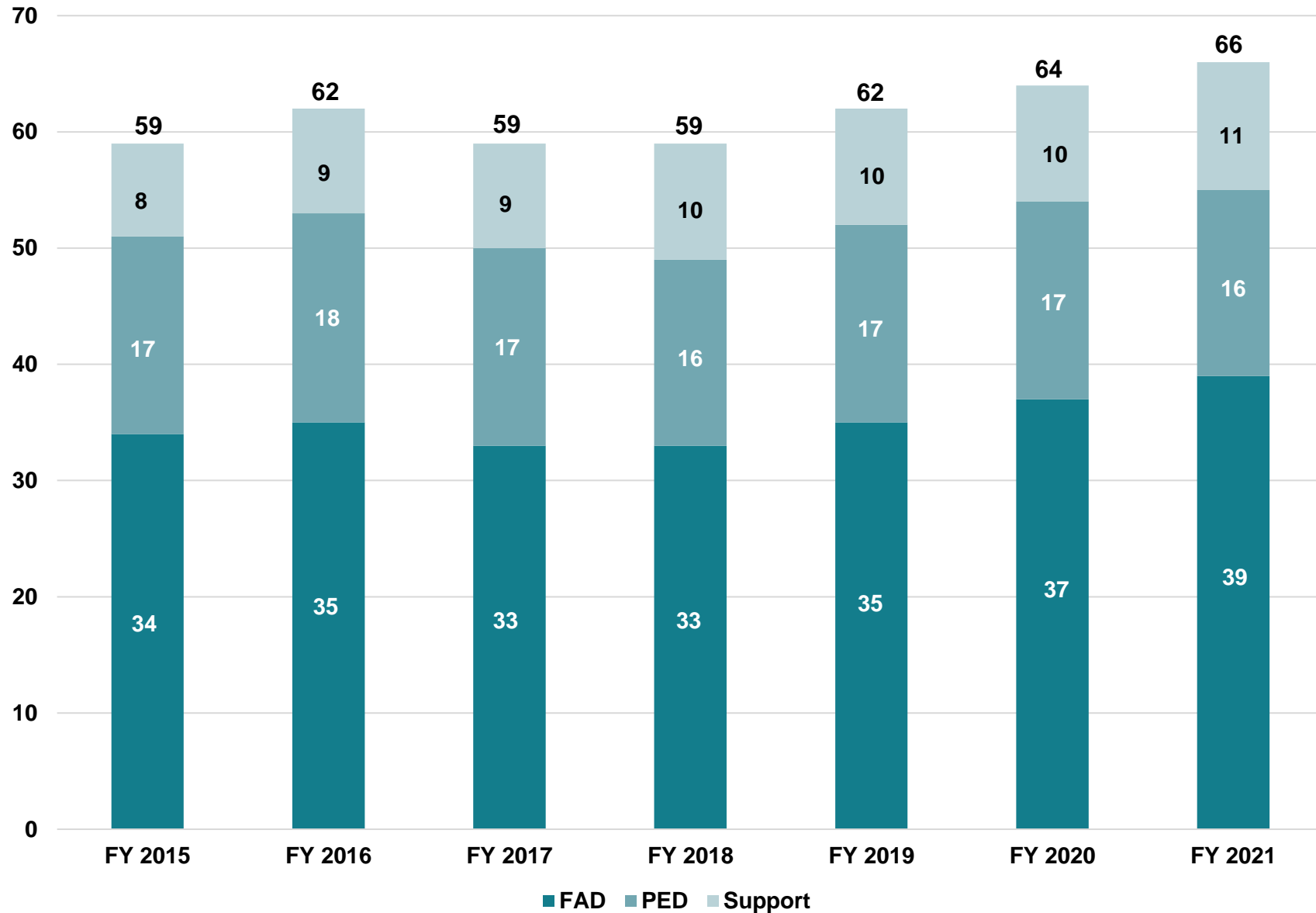
State or Legislative Auditor Conducts All of Single Audit (17)	State or Legislative Auditor and CPA Firm Jointly Conduct Single Audit (18)	CPA Firm Conducts All of Single Audit (14)
Connecticut	Alabama	California
Florida	Alaska	Delaware
Idaho	Arizona	Hawaii
Indiana	Arkansas	Illinois
Iowa	Colorado	Kansas
Kentucky	Georgia	Maryland
Louisiana	Michigan	Massachusetts
Maine	Minnesota ^a	Nevada
Montana	Mississippi	New Hampshire
Nebraska	Missouri	New Jersey
North Carolina	New Mexico	New York
Ohio	North Dakota	Vermont
Oregon	Oklahoma	West Virginia
Tennessee	Pennsylvania	Wyoming
Virginia	South Carolina	
Washington	South Dakota	
Wisconsin	Texas	
	Utah	

NOTES: Information was not available for Rhode Island; both Guam and Puerto Rico rely on a CPA firm to conduct the single audit. Who selects the CPA firm varies by state; sometimes the auditor selects the CPA firm, sometimes the state agency (such as MMB or others) selects the firm, and sometimes the agency selects the CPA firm with input from the auditor.

^a The Office of the Legislative Auditor conducts most of the state's single audit; Minnesota State contracts with a CPA firm to conduct the single audit for the federal funds it receives.

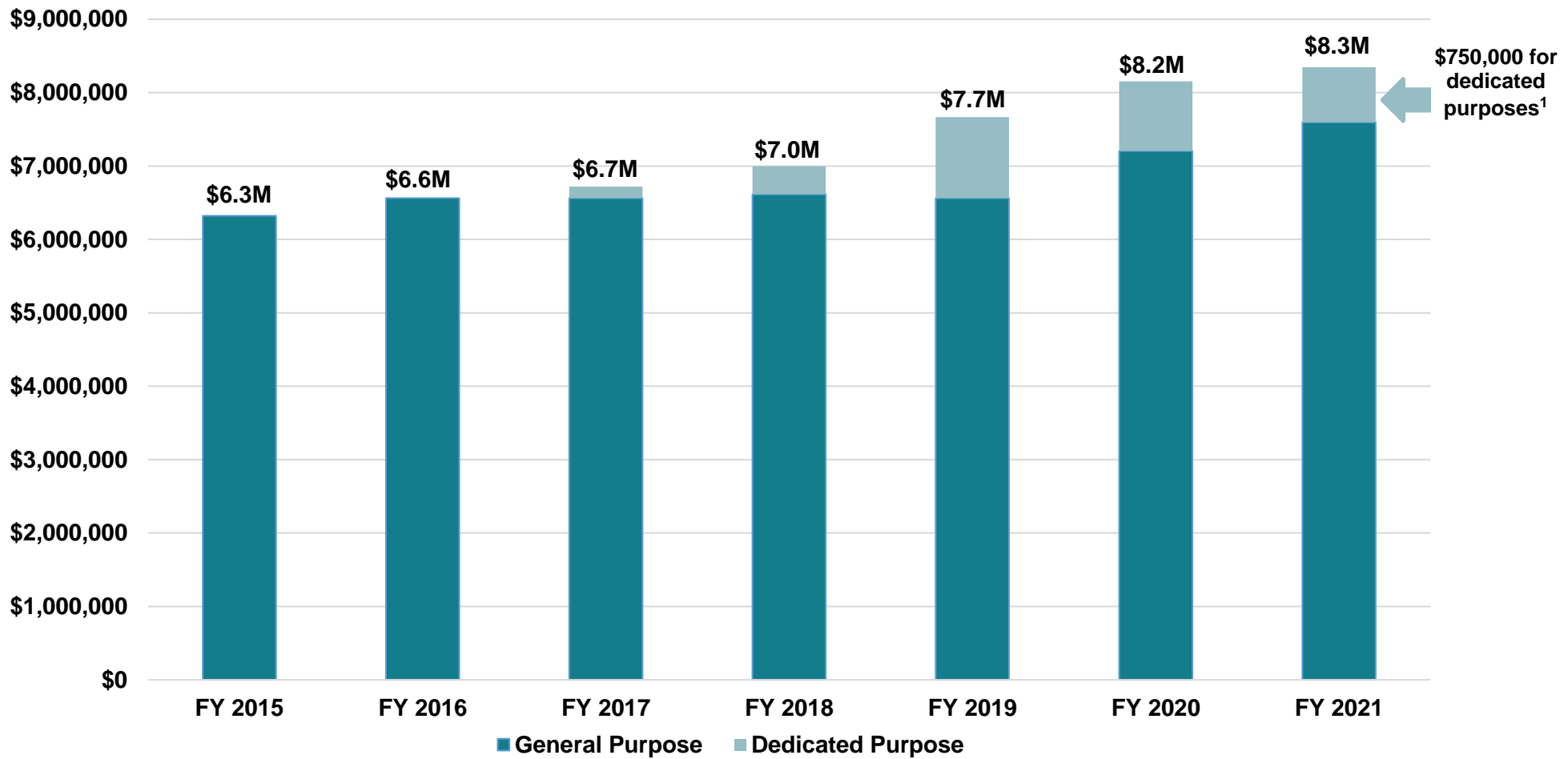
SOURCE: National Association of State Auditors, Comptrollers and Treasurers, *Auditing in the States, A Summary 2020 Edition*, Table 4, pp. 16-18, https://www.nasact.org/files/Member_Content/Publications/Auditing_in_States/2020_AIS.pdf, accessed September 25, 2020.

OLA Staff Summary



NOTES: Support staff include the Legislative Auditor, Legal Counsel, Legal Assistant, Special Review Director, three IT staff, and four administrative staff. OLA currently has six vacant positions.

OLA Appropriations



¹ \$400K is for DHS eligibility audits, \$300K is for MCO audits, and \$50K is for VTRS audits.

Expenditure Summary

	FY21	FY20	FY19	FY18	FY17	FY16	FY15
Expenditures							
Personnel (91.6%)	\$ 7,258,355	\$ 7,106,272	\$ 6,502,229	\$ 6,340,201	\$ 5,934,132	\$ 5,952,022	\$ 5,557,859
Lease (3.8%)	\$ 277,989	\$ 272,856	\$ 266,600	\$ 259,085	\$ 250,310	\$ 251,765	\$ 252,313
IT (2.1%)	\$ 167,500	\$ 159,251	\$ 173,540	\$ 123,363	\$ 128,123	\$ 112,250	\$ 142,987
Other (2.5%)	\$ 170,600	\$ 131,603	\$ 162,418	\$ 181,553	\$ 130,692	\$ 227,982	\$ 237,294
Total Expenditures	\$ 7,874,444	\$ 7,669,982	\$ 7,104,786	\$ 6,904,201	\$ 6,443,256	\$ 6,544,019	\$ 6,190,453

Personnel amount for FY21 includes funding for filling vacant positions, but does not include possible salary increases (cost of living and performance).

OLA Budget Options

OLA was asked to prepare budget options for the Legislative Audit Commission to discuss. The table below reflects possible budget options for FY 2022.

	Explanation	Annual Appropriation	Comments
Option 1	10% Reduction	\$7,466,400	Would result in 9-10 positions eliminated
Option 2	5% Reduction	\$7,881,200	Would result in 4-5 positions eliminated
Option 3	Status Quo	\$8,296,000	Additional flexibility regarding DHS dedicated funds and Single Audit may allow us to dedicate more staff to special reviews or other priorities.
Option 4	Add 2 Special Review Staff	\$8,483,178	Would create a team of 3 staff to handle special reviews
Option 5	Add 2 IT Audit Staff	\$8,547,390	Would create a team of 4 IT auditors to provide oversight of state's IT systems

NOTES: Figures assume current salary levels and use FY 2021 appropriations as the base.