# ARIZONA STATE LEGISLATURE
# INTERIM MEETING NOTICE

## JOINT LEGISLATIVE AUDIT COMMITTEE

**Minutes of the Meeting**
**Tuesday, May 14, 2002**
**8:30 a.m., House Hearing Room 3**

**Members Present:**

President Randall Gnant, Ex-Officio
Senator Pete Rios
Senator Tom Smith
Representative Roberta Voss, Chair
Representative Gabrielle Giffords
Representative Barbara Leff
Representative James Sedillo

**Members Absent:**

Senator Ken Bennett, Vice Chair
Senator Herb Guenther
Senator Dean Martin
Speaker Jim Weiers, Ex-Officio
Representative Robert Blendu

**Staff:**

Nadine Sapien, Senate Research Analyst
Tami Stowe, House Research Analyst

Representative Voss called the meeting to order at 8:40 a.m. and attendance was noted.

### Approval of Minutes

Without objection, the minutes of the meeting of October 2, 2001 were approved as distributed.

Representative Voss announced that testimony would be heard first and approval would be done at the end of the meeting as two members have another committee, but will return for voting for approval of actions.

### Consideration of Special Research Request

**Debbie Davenport, Auditor General,** stated that the Legislature has passed S.B. 1177 and the Governor signed it two weeks ago, which allows the Legislature to assign the Auditor General with a now called Special Research Request. These requests come in front of the Joint Legislative Audit Committee (JLAC) for approval and designation to have the Auditor General do that work. She presented a handout entitled "Joint Legislative Audit Committee" (Attachment A) which has all five actions to be taken. Her testimony came directly from the handout on Tab 1. She further stated that the Auditor General is permitted to have update discussions with the President of the Senate, Speaker of the House or their designees and the JLAC Chair.

Representative Giffords asked how someone makes a request. Ms. Davenport stated that it is done through a formal written document.

Senator Rios asked about getting updates to the person who requests a special research project because of confidentiality. Ms. Davenport stated that it is illegal to give out information unless the person is designated a designee. She stated that their work is confidential under the law and it is a class 5 felony to divulge any information during an audit. Senator Rios further asked if there is a final report to JLAC. Ms. Davenport stated that the bill does not preclude them from issuing a written report. A typical report takes about 2,200 hours and the average is 1,750 hours for an audit.

Senator Smith stated that updates should be very carefully screened until the final report is given. Ms. Davenport agreed that is a problem.

Representative Leff stated that the President and Speaker cannot act on information given to them until the final report is issued because they cannot divulge the information. It is also a class 5 felony for them to divulge that information.

President Gnant stated that the Auditor General's staff is trained to do Special Research Requests. However, the Auditor General was reluctant because she felt that the request fell under the same rules and regulations that apply to audits. However, he did not want an audit. He wanted someone to go out and talk to the people and if need be, an audit would be conducted. He stated he had a bid from outside to do the work for $70,000. He further stated that he would exempt the Auditor General from certain rules and regulations. The Auditor General assigns someone to talk to people. He felt this could be done in a couple of weeks. Also, someone should report back to determine if an audit is needed or not.

In response to Representative Leff, President Gnant stated that directions should come from the Chair to the Auditor General. The Special Research Request should be approved and he would meet with Ms. Davenport and no more than 300 to 400 hours should be expended before coming back for further approval.

Senator Smith stated that everything the Auditor General is required to do should be in writing.

President Gnant stated that he would like to spend $2,000 to $3,000 first to see if an audit is needed.

In response to Representative Sedillo, Representative Voss stated that a process needs to be set up to provide the Auditor General with some direction and use President Gnant's suggestions.

## Consideration of Performance Audit Schedule for 2003

**Melanie Chesney, Auditor General's office,** stated that she is appearing before JLAC to request consideration of the proposed 2003 Sunset review schedule. Her testimony came directly from the same handout on Tab 2. The proposed Audit Schedule does include the proposed School Facilities Board Special Research Request of which was just spoken about.

## Consideration of Committee of Reference Assignments for the 2003 Sunset Audit Cycle and 2003 Non-Sunset Audits and Evaluations

**Kim Hildebrand, Auditor General's office,** stated that all of her agencies are identified in the previous handout under Tab 3. Her testimony came directly from this Tab section.

## Consideration of the School-Wide Audit Team Schedule for 2002-2003

Ms. Davenport stated that Proposition 301 that was approved by the voters levied an additional 0.6 percent tax that was to go directly to the school districts. The underlying bill to that proposition was S.B. 1007 which directed the Auditor General's office to do a performance audit of the school districts once every five years. They have received in 2002 about 25 percent of the needed resources to conduct these audits. They will be working with about 25 percent of the resources that they had originally estimated would be needed to do the performance audits in the school districts once every five years. Ms. Davenport referred to the School District Audit Schedule in the same handout Tab 4.

In response to Representative Voss, Ms. Davenport stated that there is concern about the desegregation expenses and how it affects the property levy limits in the districts but also how it applies and affects the general fund. A bill was passed this year that established a Legislative Committee to study desegregation expenses and how it affects the general fund. However, there are no resources to do this. JLAC approval is not needed.

## Presentation of Financial Audit Schedule and Consideration of Cost Reimbursement Audits

**Dennis Mattheson, Auditor General,** stated that statute requires this Committee authorize their office to bill State, colleges and counties for certain work done on federal grants. His testimony came directly from the handout under Tab 5.

> **Senator Smith moved that JLAC approve the Special Preliminary Research Request of the School Facilities Board consisting of 400 hours and a written letter outlining areas for further review. The motion CARRIED by a voice vote.**

**Senator Smith moved that JLAC approve the 2003 Audit Cycle Schedule. The motion CARRIED by a voice vote.**

**Senator Smith moved that JLAC approve the Committee of Reference Assignments for the 2003 Sunset Cycle and Non-Sunset Audits and Evaluations. The motion CARRIED by a voice vote.**

**Senator Smith moved that JLAC approve the Cost Reimbursement Audits and Financial Audit Schedule. The motion CARRIED by a voice vote.**

In response to Representative Sedillo, Representative Voss stated that she would get with Representative Giffords to submit a letter to get the issues she would like to discuss at the next meeting.

There being no further business, the meeting was adjourned at 9:25 a.m.

Respectfully submitted,

Debbee Kennedy
Committee Secretary

(Tapes and attachments on file in the Secretary of the Senate's Office/Resource Center, Room 115.)