ARIZONA STATE LEGISLATURE
Forty-sixth Legislature – Second Regular Session

JOINT LEGISLATIVE AUDIT COMMITTEE

Minutes of Meeting
Thursday, October 7, 2004
House Hearing Room 3 -- 2:00 p.m.

Chairman Huppenthal called the meeting to order at 2:00 p.m. and attendance was noted by the secretary.

Members Present

Senator Rios
Senator Verschoor
Senator Blendu, Cochair
Representative Downing
Representative Yarbrough
Representative Huppenthal, Cochair

Members Absent

Senator Giffords
Senator Weiers
President Bennett (Ex-Officio)
Representative Boone
Representative Clark
Speaker Flake (Ex-Officio)

Speakers Present

Kim Hildebrand, Manager, Performance Audit Division, Office of the Auditor General
Melanie Chesney, Director, Performance Audit Division, Office of the Auditor General
Dennis Mattheisen, Financial Audit Director, Office of the Auditor General
Sharron Walker, Director, Division of School Audits, Office of the Auditor General
Debra Davenport, Auditor General

Senator Blendu moved that the minutes of the September 25, 2003 Joint Legislative Audit Committee (JLAC) meeting be approved as written. The motion carried.

Kim Hildebrand, Manager, Performance Audit Division, Office of the Auditor General, presented the Sunrise Report from the Naturopathic Physician's Board to increase their scope of practice and noted that a Committee of Reference needs to be assigned (COR) (Attachment 1, Tab 1).

Senator Blendu moved that the Naturopathic Physician's Board of Medical Examiner's Sunrise Report be assigned to the Senate and House Health Committees of Reference. The motion carried.

Melanie Chesney, Director, Performance Audit Division, Office of the Auditor General, requested approval of the 2006/2007 Proposed Audit Schedule (Attachment 1, Tab 2, 3rd Page).

Chairman Huppenthal asked why Pinal County is high on the list for selected audits. Ms. Chesney responded that when authority was given for counties and other jurisdictions to pass transportation excise taxes, a requirement was put in place for an audit after 10 years and every 5 years thereafter. These are 20-year taxes, so three audits are conducted during the duration of the taxes. An excise audit was already conducted on the excise taxes in Gila and Maricopa counties. The auditors found that some jurisdictions did not use excise tax monies as required by statute and recommendations were made for changes in order to comply with statute. She advised Senator Rios that the Pinal County excise tax was adopted in a public vote.

Regarding the sunset audits shown in orange, Ms. Chesney advised Chairman Huppenthal that the larger agencies are at the top of the list and the smaller agencies are at the bottom. If a recommendation had to be made to remove any of the agencies, those at the top would probably be retained.

Senator Blendu moved that JLAC approve the 2006/2007 Performance Audit Schedule and assignments as proposed by the Office of the Auditor General. The motion carried.

Dennis Mattheisen, Financial Audit Director, Office of the Auditor General, presented the 2005/2006 Financial Audit Schedule that is authorized in statute and does not require Committee action (Attachment 1, Tab 3, 3rd Page). He noted that the Auditor General's Office is mandated by the Single Audit Act to perform certain work on federal programs. The work is billed to the entities who are reimbursed by the federal grantors, but the Committee's approval is needed to bill the entities for the federal work (Attachment 1, Tab 3, 2nd Page).

Senator Blendu moved that JLAC assign federally mandated work on a cost reimbursement basis for the 2005/2006 Single Audit Schedule. The motion carried.

Sharron Walker, Director, Division of School Audits, Office of the Auditor General, presented the 2004 School District Audit Schedule showing the current status and the 2005 School District Audit Schedule of school districts randomly selected for audits (Attachment 1, Tab 4, 2nd Page).

Chairman Huppenthal commented that when these audits were included as part of Proposition 301, his initial impression was that it was a mistake and would be an extra burden for the school districts, but instead, the audits turned out to be enormously beneficial. He thanked the auditors for their work and former Senator Rusty Bowers for inclusion of the requirement in Proposition 301.

Ms. Walker advised Mr. Downing that the Division has a database containing all of the school districts and information such as student counts, expenditures, revenues, etc. A software package is used to randomly select slightly more school districts than the auditors can work on during the year. The top districts are taken off the list according to the resources the Office has available to conduct audits, and a few remain from the bottom of the list in case it is possible to conduct more audits than originally intended.

Debra Davenport, Auditor General, stated that the three-person team assigned to Child Protective Services (CPS) in the Arizona Department of Economic Security (DES) was funded beginning July 1, 2004 (Attachment 1, Tab 5). The team is composed of very experienced individuals who began preliminary work on data reliability this week. The three areas for review were chosen after interviewing legislative members, legislative staff, and stakeholders.

She related to Senator Blendu that the amount of cooperation received from the agencies varies; however, the auditors are receiving very good cooperation from the DES Director David Berns and the staff during the audit of CPS. Entrance conferences are held with clients and directors where it is explained that the intent of the audit is to make government more efficient and more effective by reviewing issues they do not have time to study on a day-to-day basis. They are also asked for input as to what areas the auditors should study. There is generally very good cooperation from the directors with more of a consulting-partnering-type relationship, and some very good topic areas are obtained from the directors.

Chairman Huppenthal noted that during the CPS Special Session, data from the National Child Abuse and Neglect Data System, which collects data from all 50 states, showed that Arizona had a very low child abuse death rate, the ninth lowest in the nation, and adjusting the data for childhood poverty, Arizona was fourth lowest. However, a Child Fatality Review Team in the Arizona Department of Health Services (DHS) operates under different criteria that showed a completely dissimilar death rate that seemed to imply that accidental deaths of children were due to abuse or neglect. Afterward those were supposed to be squared up so that if the Review Team was going to classify death as due to neglect or abuse, a criminal charge or CPS abuse charge had to be filed. He asked if those systems could be reviewed to make sure everything was squared up properly.

Senator Rios asked if the CPS auditor will determine what paperwork can be eliminated so caseworkers have more time to do real casework. Ms. Davenport responded that those kinds of issues would be reviewed under data reliability.

Chairman Huppenthal remarked that he made a number of trips to CPS and remembers a large room where CPS workers had stacks of paperwork from a single case. He questioned how the Committee can move Senator Rios' concern to a higher point. Senator Blendu recommended asking the directors what paperwork is necessary and surmised that coupling their input with what the Auditor General concludes might be helpful.

Mr. Downing remarked that he visited an agency once where a young lady began to cry when he asked questions because she was in the office for two years and he was the first person to ask for data that she had been collecting. He asked if the audit would determine if the paperwork generated is used. Ms. Davenport responded that the auditors review those kinds of issues, for example, in CPS investigative rates and timeliness, whether reports that are generated are mandated and used. A similar project was conducted in DHS where reports generated on a monthly basis were reviewed to determine if any could be eliminated or consolidated. The problem is that the state and federal governments have many mandates on the agencies, and much of the work done at CPS is because of federal mandates, but if a way can be found to streamline, consolidate or eliminate those, recommendations are made.

Senator Rios remarked that in looking at timeliness, there are many functions and mandates the agencies have to meet, and it is incumbent upon the Auditor General and JLAC to determine which are the least effective and do away with those.

Senator Blendu moved that the Board of Executive Clemency Sunset Review be assigned to the Senate and House Judiciary Committees of Reference. The motion carried.

Senator Blendu moved that the Committee recess into Executive Session for discussion of the Auditor General Reappointment. The motion carried.

THE MEETING RECESSED AT 2:28 P.M. THE MEETING RECONVENED AT 2:41 P.M. WITH THE SAME MEMBERS PRESENT.

Senator Blendu moved that JLAC reappoint Debra K. Davenport as the Auditor General for the State of Arizona. The motion carried.

Without objection, the meeting adjourned at 2:42 p.m.

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Linda Taylor, Committee Secretary
October 13, 2004

(Original minutes, attachment, and tape are on file in the Office of the Chief Clerk.)