

ARIZONA STATE LEGISLATURE

JOINT LEGISLATIVE AUDIT COMMITTEE

Minutes of the Meeting
Wednesday, August 31, 2005
2:30 p.m., House Hearing Room 1

Members Present:

Senator Robert Blendu, Chair	Representative Laura Knaperek, Vice-Chair
Senator Carolyn Allen	Representative Tom Boone
Senator John Huppenthal	Representative Pete Rios
Senator Harry Mitchell	Representative Steve Yarbrough

Members Absent:

President Ken Bennett, Ex-Officio	Speaker Jim Weiers, Ex-Officio
Senator Gabrielle Giffords	Representative Ted Downing

Staff:

Nadine Sapien, Senate Research Analyst
Steve Moortel, House Research Analyst

Chairman Blendu called the meeting to order at 2:36 p.m. and attendance was taken.

APPROVAL OF MINUTES

Senator Allen moved that the minutes of May 24, 2005, be approved as distributed. The motion CARRIED by voice vote.

CONSIDERATION OF SPECIAL AUDIT REQUEST

Debra Davenport, Arizona State Auditor General, explained that the Joint Legislative Audit Committee (JLAC) has the authority to direct the Auditor General to conduct special performance audits. The Office of the Auditor General received a request to audit the National School Lunch Eligibility Program (NSLEP) (Attachment A), which was to be divided into two phases:

1. Reviewing and reporting on Arizona's Program that is administered state-wide.
2. Verification of eligibility of students enrolled in the NSLEP.

Ms. Davenport stated that upon reviewing this request, the Office of the Auditor General determined that it would take approximately 4,000 hours to complete and would require the postponement of two school district performance audits until 2007.

Senator Blendu announced that item number four on the agenda, Assignment of Sunrise Reports to Committee of Reference, was going to be held until the next meeting.

In response to Senator Allen, Ms. Davenport remarked that Deer Valley and Avondale, would be the selected schools for the postponed audit, approximated to be completed in 2007. Ms. Davenport added that these two schools were selected randomly and that she was not aware of any reason for concern regarding the postponement.

Representative Knaparek asked Ms. Davenport to explain the process for picking the school districts for the requested audit. Ms. Davenport told the Committee that it was individual schools, not districts that were randomly selected by computer.

Senator Allen moved that the Auditor General conduct a special audit of eligibility in the National School Lunch Program. The motion CARRIED by voice vote.

PRESENTATION AND STATUS UPDATE OF SCHOOL-WIDE AUDIT TEAM SCHEDULE FOR 2006

Sharron Walker, Director, Division of School Audits, Auditor General's Office, referred the Committee to tab two of Attachment A. She noted that the Auditor General's Office is required by statute to randomly select school districts for an audit and to present that selection to the Committee for review. She also noted that the Committee was not required to approve that selection. Ms. Walker presented the 2005 and 2006 School District Audit Schedule to the Committee. She stated that her office also allowed time in this year's schedule (2005) to do preliminary work on the audit of the Technology Assisted Project Based Instruction (TAPBI), scheduled to be released November 1, 2007.

In response to Representative Knaparek, Ms. Walker stated that the Office of the Auditor General had produced a total of 17 audit reports within the last three years. Ms. Walker added that most schools audited need to make improvements on monitoring their internal operations.

Senator Blendu requested that Ms. Walker take a look at certain issues with dollars spent for administration, such as company cars and clothing allotments.

In response to Senator Allen, Ms. Walker told the Committee that verification of eligibility for the School Lunch Program had not been performed in the school audit. Ms. Walker added that an application for the School Lunch Program was required for eligibility.

Ms. Walker explained to the Committee that the United States Department of Agriculture had performed studies on eligibility verification for School Lunch Programs on a national level and had found that 20% or more were ineligible.

Representative Boone clarified that the high ineligibility rate of the School Lunch Program was determined through a nationwide study. He made note of the margin for error in this study, due to the low percentage rate of cases studied.

Representative Rios asked if the audit performed by the Auditor General would have a category to list non-respondents. Ms. Walker stated that her report would list the number of non-respondents and reminded the Committee that everyone enrolled in the School Lunch Program was required to respond.

Representative Boone stated that caution should be taken when dealing with the non-respondents and their eligibility status.

In response to Senator Allen's question, Ms. Walker explained that parents were made aware of the benefits available through the School Lunch Program by letters to the parents and school publications.

Senator Blendu added that the Auditor General's audit should have a separate category for non-respondents.

CONSIDERATION AND APPROVAL OF COMMITTEE OF REFERENCE ASSIGNMENTS FOR THE 2006 SUNSET CYCLE AND THE 2006 NON-SUNSET AUDITS

Melanie Chesney, Performance Audit Director, Auditor General's Office, referred the Committee to tab three of Attachment A, listing the agencies and programs selected for review.

In response to Representative Knaperek's question, Ms. Chesney explained that the non-sunset audits were required by legislation.

Senator Blendu expressed concern about the audit process in terms of looking beyond checks and receipts and making sure certain items were actually purchased.

Ms. Chesney pointed out that such an audit would fall under the financial audit, not under the performance audit required of the Auditor General's Office.

Senator Blendu opined that a good check and balance of the schools financial system was lacking.

Representative Boone remarked that the lack of checks and balances of the financial system would hold true to many of the state agencies and not exclusively to schools.

Senator Allen moved that the Joint Legislative Audit Committee approve Committee of Reference assignments for the 2006 Sunset

Cycle and the 2006 Non-Sunset Audits as proposed by the Office of the Auditor General. The motion CARRIED by voice vote.

There being no further business, the meeting was adjourned at 3:23 p.m.

Respectfully submitted,

Jeff Turner
Committee Secretary

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