

HOUSE COMMITTEE ON AUDITS

January 27, 2005 Hearing Room D

8:30 A.M. Tapes 10 - 11

MEMBERS PRESENT: **Rep. Jerry Krummel, Chair**

Rep. Tom Butler, Vice-Chair

Rep. Diane Rosenbaum, Vice-Chair

Rep. Alan Brown

Rep. Jackie Dingfelder

STAFF PRESENT: **Jim Keller, Committee Administrator**

Kellie Whiting, Committee Assistant

MEASURES/ISSUES HEARD:

Department of Administrative Services – Informational Meeting

HB 2166 – Public Hearing

HB 2028 – Public Hearing

HB 2029 – Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
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TAPE 10, A

- 003 Chair Krummel Calls the meeting to order at 8:44 a.m.
- 010 Chair Krummel Refers to the draft letter in regard to the University System Audit **(EXHIBIT A)** and asks the committee members for a consensus to send it as a committee statement to the Ways and Means Committee.
- 019 Rep. Butler States his position on the overall findings in regards to the University Systems Response. Refers to paragraph two, page two.
- 056 Chair Krummel Clarifies the Audits Division had stated the roll up costs were more than the Oregon University System was anticipating.
- 068 Rep. Butler Responds to the second recommendation on **(EXHIBIT A)**.
- 086 Rep. Rosenbaum Concurs with Rep. Butler.
- 091 Rep. Dingfelder Comments she is concerned with section one on page two.
- 108 Chair Krummel Asks Rep. Butler if the recommendations should be taken off.
- 114 Rep. Butler Responds the recommendations should be system wide for the entire state. Notes the recommendations may have already been referred to the Joint Legislative Audit Committee.
- 170 Chair Krummel Inquires if the committee would mind if he takes paragraph one out. States he thinks paragraph two is important to the transparency.
- 193 Rep. Butler Responds.
- 211 Chair Krummel Opens the informational meeting on the continuation with the Department of Administrative Services.

DEPARTMENT OF ADMINISTRATIVE SERVICES - INFORMATIONAL MEETING

- 214 George Dunford Internal Audit Manager, Department of Administrative Service (DAS). Continues presenting the ten audits DAS conducted in the past

two years (**EXHIBIT B**). Explains the finding for the audits.
Describes the different findings and recommendations.

- 316 Rep. Butler Inquires if there has been changes made in regard to software used.
- 318 Dunford Concurs. Presents recommendation #25.
- 367 Rep. Butler Inquires if the internal control is an adequate resource in regards to the 16 pages of recommendations.
- 380 Dunford Comments they are aware of the situations and are addressing them as best they can.
- 398 Rep. Butler Inquires if the internal controls in place have been independently tested.
- 409 Dunford Responds not all the internal controls have been tested. States in order to assure the testing is adequate and responsible, they have identified four private firms to test the internal controls.

TAPE 11, A

- 004 Rep. Butler Inquires if the mentioned firms will examine the internal controls and confront security issues.
- 006 Dunford Concurs. States the emergency board has authorized funds to look at the security issues and are currently ongoing.
- 012 Rep. Butler Comments if the internal controls are working, there should not be any security breaches.
- 054 Chair Krummel Closes the informational meeting on the Department of Administrative Services and opens the public hearing on HB 2166.

HB 2166 – PUBLIC HEARING

- 055 Jim Keller Committee Administrator. Reads HB 2166.
- 062 Phil Hopkins Audit Manager, Secretary of State Audits Division. Testifies in support of HB 2166. States the bill will update the language.

119	Rep. Butler	Inquires if the implementation date is when the changes would be made.
123	Hopkins	Concurs.
124	Rep. Butler	Inquires if the State Board of Accountancy is weighed in and inquires what the position of the American Institute is in regards to the bill.
133	Hopkins	Comments the bill was brought before the Board of Accountancy and had no impact to the board. States he thinks the American Institute of Certified Public Accountants would support the bill because of the updated terminology.
150	Rep. Butler	Comments the American Institute looks at Oregon in regards to inexperience and is the only state with this language.
169	Rep. Butler	Inquires if any other state or country has a requirement for a municipal ticket for a municipal audit.
170	Hopkins	Responds that 48 out of 50 states are required to undergo some form of audit.
183	Rep. Butler	States Oregon is the only state in the nation that requires a municipal audit ticket. Comments the bill is proposes modifications in part to the municipal audit program. Explains the Secretary of Audits Division should get together on the issue of the municipal audit tickets. Suggests a recommendation in regards to the language. Comments that Oregon is unique in regards to who can conduct audits.
238	Rep. Brown	Inquires about the obstacles they have to go through to acquire the tickets.
242	Rep. Butler	Responds they have to pass more examinations, which are unified internationally. Comments he does not have concerns with the removal of obsolete language, but suggests taking the opportunity to address the issue of the uniqueness of Oregon's license requirements.
180	Chair Krummel	Requests Rep. Butler to provide language for the members to address the mentioned issues.

- 299 Hopkins Responds the additional licensing requirements are governed and issued by the Board of Accountancy.
- 326 Chair Krummel Closes the public hearing on HB 2166 and opens the public hearing on HB 2028.

HB 2028 – PUBLIC HEARING

- 351 Rep. Vicki Berger House District 20. Testifies in opposition of HB 2028.
- 404 Rep. Steve March House District 46. Testifies in opposition of HB 2028 and suggests modifications to the language of the bill.

TAPE 10, B

- 014 Dallas Whelan Legislative Fiscal Office. Testifies in opposition to HB 2028 and makes suggestions for the language of HB 2028. Refers to section two, page two and suggests changes he would make in regards to not making changes to audit reports. Refers to line 37 and makes a suggestion.
- 069 Rep. Butler Comments they would examine the risks posed in the performance and program audits, not assess the risks by way of failure to conduct audits or evaluations.
- 077 Whelan Reiterates the suggestions.
- 080 Cathy Pollino Secretary of State Audits Division. Concurrs with the suggestions and notes she would support the bill with the amendments.
- 100 Chair Krummel Clarifies the language is stated multiple times in the bill.
- 110 Pollino Clarifies it is a balance of how many tasks the legislature can delegate with certain resources. Comments it is brought as a cautionary issue.
- 121 Chair Krummel Responds the tasks could become contingent upon resources.
- 125 Pollino Concurrs.
- 130 Chair Krummel

		Inquires if the resources were needed, DAS could make a case to the Joint Audit Committee.
137	Pollino	Concurs.
140	Chair Krummel	Inquires what the result would be if the Joint Audit Committee delegated the task without resources.
146	Pollino	Responds that question will be sought out and if resources are not available in order to conduct audits, it would be a question of legality.
150	Chair Krummel	Inquires what the criteria is to ensure a task is indeed feasible.
181	Rep. Butler	Comments about the disclosure of findings and the dedication of resources.
210	Whelan	Comments there is an even split in the Joint Ways and Means Committee and they represent both parties.
262	Rep. Butler	Comments this is bicameral and non-partisan.
320	Chair Krummel	Notes for the record the committee is a non-partisan committee.
365	Chair Krummel	Closes the public hearing on HB 2028 and opens the public hearing on HB 2029.

HB 2029 – PUBLIC HEARING

372	Jim Keller	Committee Administrator. Reads HB 2029.
378	David Plunkett	Executive Director, Oregon Board of Optometry. Testifies in support of HB 2029.
390	Patti Glenn	Executive Director, Oregon Massage Board. Testifies in favor of HB 2029. States the semi-independent administrators who attend the meetings are in support of HB 2029.

TAPE 11, B

040	Lynn Partin	Governor's Office. Comments on section one of HB 2029 and notes the date has a potential burden.
060	Plunkett	Comments the timing of reports being reviewed is important.
069	Rep. Butler	Inquires about section one, page one and asks what the language is describing in regards to the auditing of boards.
075	Adrienne Sexton	Legislative Fiscal Office. Clarifies the language would be applicable to any audit conducted of the board's activity.
085	Rep. Butler	Comments in regards to the financial audit.
100	Sexton	Explains the itemization of the current language and the rationale behind the changes. States it can be submitted to the committee.
136	Rep. Butler	States when they are taking about the most recent audit of the board, it includes all the audits in that interim, including financial audits and when they are taking about financial audits, they include a copy of the management advisory letter.
141	Chair Krummel	Closes the public hearing on HB 2029 and adjourns at 10:30 a.m.

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EXHIBIT SUMMARY

- A. Oregon University System, draft letter, Rep. Krummel, 2 pp
- B. Department of Administrative Services, Audit Report Summary, George Dunford, 16 pp