

HOUSE COMMITTEE ON AGENCY OVERSIGHT AND EFFICIENCY

January 28, 1997 Hearing Room H-170

1 P.M. Tapes 6 - 7

MEMBERS PRESENT:

Rep. Jane Lokan, Chair

Rep. Richard Devlin, Vice-Chair

Rep. Ryan Deckert

Rep. Steve Harper

Rep. Eldon Johnson

Rep. Mike Lehman

MEMBER EXCUSED:

Rep. Tom Brian

STAFF PRESENT:

Brian Griffin, Administrator

Valerie Luhr, Administrative Support

Jennifer Peck, Committee Clerk

MEASURE/ISSUES HEARD:

Roles of Secretary of State and Legislative Fiscal Office in Audits

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
TAPE 6, A		
004	Chair Lokan	Calls the meeting to order at 1 p.m. Rep. Brian is excused, and Rep. Johnson will arrive late. Reviews the day's agenda
025	Brian Griffin	Committee Administrator. Reviews the committee's agenda for its January 30, 1997, meeting.

035	Chair Lokan	Opens the informational meeting.
<u>ROLES OF SECRETARY OF STATE AND LEGISLATIVE FISCAL OFFICE IN AUDITS</u>		
048	Phil Keisling	Secretary of State. Submits and reads written information [EXHIBIT A] on the audit functions of the Secretary of State.
098	Keisling	Continues testimony.
140	Chair Lokan	Asks how often the statewide audit is done.
143	Keisling	Explains every year. Continues testimony.
195	Keisling	Continues testimony.
218	Chair Lokan	Committee is at ease to allow visiting students to enter the room.
223	Chair Lokan	Reopens the meeting at 1:22 p.m. Asks who follows up on the recommendations of audits.
238	Keisling	Comments on procedures for following up on audits and the involvement by the Secretary of State, Department of Administrative Services, the public, and the legislature
281	Sam Cochran	Deputy State Auditor. Believes that Secretary Keisling has done a thorough job of answering the Chair Lokan's questions on follow-up procedures.
301	Rep. Lehman	Says he sees three types of audits: financial, performance, and legislative intent or performance review. Asks for clarification.
314	Keisling	Comments on banning the term "performance auditing." The legislature can do program review. Sees a moving away from predominant emphasis on financial balance sheet auditing.
372	Rep. Lehman	Asks what are we going to see as a result of the Department of Education audit.
382	Keisling	Comments on the reasons for the audit of the Department of Education.
TAPE 7, A		
0013	Keisling	Continues response to Rep. Lehman's question about the Department of Education audit and also comments on audits of school districts.
024	Vice- Chair Devlin	Asks if there is a need to formalize the process on compliance audits.

035	Keisling	Comments on the work of the Secretary of State and communicating with the legislature.
051	Vice-Chair Devlin	Advantages of using in-house as opposed to contract auditors.
064	Keisling	Comments on keeping the legislature informed. Does not see the need to pass a law.
054	Vice-Chair Devlin	Asks Mr. Keisling to comment on the benefits of using in-house versus contracted auditors.
066	Keisling	Says he has been pleased with both types of auditors. Comments on the types of audits done and when to use in-house or contract auditors. Uses Department of Higher Education as an example.
095	Cochran	Comments on his experience working with contract auditors in California and Oregon.
115	Vice-Chair Devlin	In terms of financial accountability for the funds administered by a state agency, asks Mr. Keisling what steps are taken when the agency is not in compliance with an audit.
123	Keisling	Says he has not had the experience of an agency being out of compliance.
129	Cochran	Does not recall an instance through financial audit work where an agency was out of compliance. There have been agencies out of compliance with federal standards.
142	Vice-Chair Devlin	Does the Secretary of State have a greater capability for requirements of financial compliance.
150	Keisling	Comments on the municipal audit law. Will provide additional information to the committee.
157	Rep. Harper	Says we are struggling with the compliance aspect of the whole system, developing a tracking system, having legislative hearings to ask questions. Asks if there are other ideas at which the legislature ought to look.
163	Keisling	Says it is not complicated to follow up on recommendations. Policy choices may be difficult to take. Comments on a committee formalized by the Department of Administrative Services to review audits.
194	Rep. Deckert	Asks for a listing of where the committee should focus its efforts to provide recommendations to the legislature to achieve savings.
201	Keisling	Will be happy to work with the committee. There will be cases where specific statutory issues are raised and also issues of oversight and management.

211	Chair Lokan	Asks how the Secretary of State is influenced when it audits another state agency.
226	Keisling	Explains they are an independent function, and their ability to audit another agency is unimpeded by that. They have constitutional authority. Objectivity has been exemplary.
252	Chair Lokan	How do you determine you have to go out to find the expertise needed for a program audit.
268	Keisling	Looks for specialized knowledge. Comments on the audit of the Public Employees Retirement System (PERS).
294	Cochran	Regarding the types of decisions they make, uses the audit of motor fuel quality in Oregon as an example.
321	Keisling	Says the fuel quality audit was not popular, but the legislature did implement a quality testing program.
337	Chair Lokan	Asks Mr. Keisling for his explanation of "risk assessment."
348	Keisling	Comments on HB 2861 from the 1995 session about doing audit on a risk assessment basis. Comments on the audits of the state payroll and personnel system as a whole across agencies.
420	Cochran	Audits are done according to risk-based principles. Auditing can be expensive. To maximize use of scarce resources, they employ a management risk technique, which has been adopted by the National State Auditors Association. It originated in the Oregon Audits Division.
TAPE 6, B		
005	Cochran	Continues comments on assessment of management controls.
024	Chair Lokan	Comments on the legislature and Secretary of State working to achieve compliance with oversight by DAS.
028	Keisling	Agrees with Chair Lokan's comments. Comments on credibility in government.
037	Chair Lokan	Asks if the Legislative Audit Committee receives copies of all the audits.
040	Keisling	Yes. Will work with the committee on any legislative concepts they want to bring forward.
060	Leslie Lewis	State Representative, District 29, and alternate member of the Joint Legislative Audit Committee, 1995-96 Interim. Reviews the role of the Joint Legislative Audit Committee: * review financial and compliance audits and make recommendations

		<p>* set priorities for performance audits and program evaluations and reviews</p> <p>* establish criteria for type of audit, evaluation, or review</p> <p>* determine scope of an audit, evaluation, or review</p> <p>* staffing</p>
100	Rep. Lewis	Says the committee looked at whether there should be an audit general's office. The Executive Branch would not be looking at the Executive Branch's functions. Comments on conclusions from the audit of the Department of Education.
140	Chair Lokan	Asks if an audit general's office would be similar to the federal Government Accounting Office.
144	Rep. Lewis	It would be similar; explains.
1520	Chair Lokan	The function then would deal primarily with program audits, not financial audits.
155	Rep. Lewis	It should do both.
168	Rep. Lehman	Comments on spans of control over dollars.
182	Rep. Lewis	Comments on block grants and spans of control.
206	Vice-Chair Devlin	Comments on the three branches of government and wherein the Secretary of State's Office fits. Asks if there was an auditor general's office, how would it be independent being part of the legislature versus being part of the Executive Branch.
225	Rep. Lewis	Comments on oversight and control by the legislature.
241	Vice-Chair Devlin	Comments on issues of autonomy and control by the legislature.
254	Chair Lokan	Asks how can we bring more oversight from the legislature under the present system.
285	Rep. Lewis	Comments on the audit report being brought before the audit committee and taking an ongoing look at what an agency says it will do in response to an audit.
314	Chair Lokan	Asks who should do the follow up for compliance.
429	Rep. Lewis	Responds that it could be done through the Joint Legislative Audit Committee to maintain continuity.

327	Chair Lokan	Comments on the audit functions of other states. There is a close tie between the legislature and the audit and compliance functions. Oregon has its work cut out for them.
339	Rep. Lewis	Responds to Chair Lokan's remarks.
365	Chair Lokan	Declares the meeting adjourned at 2:24 p.m.

Submitted by, Reviewed by,

Valerie H. Luhr Brian Griffin

Administrative Support Specialist Administrator

EXHIBIT SUMMARY

A - Roles of the Secretary of State and the Legislative Fiscal Office in Audits, written material, Phil Keisling, 4 pp