

Minutes
AUDIT SUBCOMMITTEE
Legislative Audit Commission
January 17, 2019

Members Present:

Senator Ann H. Rest
Senator Michelle Benson
Representative Sondra Erickson
Representative Tina Liebling

Other Members Present:

Senator Mary Kiffmeyer

Members Absent:

Senator Ann H. Rest called the Legislative Audit Commission (LAC) Audit Subcommittee meeting to order at 11:30 a.m. The purpose of the meeting was to hear an update on the Financial Audit Division (FAD) and to hear briefings on recently released FAD reports.

Senator Rest introduced Chris Buse, Deputy Legislative Auditor for FAD. Mr. Buse stated FAD's audit schedule consists of two-thirds dedicated audit work and one-third discretionary audits. FAD is currently finalizing the discretionary audits that they will be conducting during the upcoming months.

Mr. Buse then turned the meeting over to Tracy Gebhard, FAD Audit Director. Ms. Gebhard discussed the results of the recent audit of the financial statements, which are included in Minnesota's *Comprehensive Annual Financial Report (CAFR)*. Ms. Gebhard concluded that there were no issues with the financial statements in the CAFR and the financial statements in the retirement organizations, which include Minnesota State Retirement System, Public Employees Retirement Association, and the Teachers Retirement Association. Ms. Gebhard stated the investors need to know the state's financial picture to ensure fiscal accountability. Senator Rest inquired who was looking at these CAFR statements to which Ms. Gebhard replied, "rating agencies."

Mr. Buse then briefly discussed FAD's report on the *Department of Human Services, Medical Assistance Eligibility – Adults Without Children*. Mr. Buse stated that there was a mandate by the Legislature that OLA audit public health care program eligibility. Mr. Buse stated that government funded health care costs have a major impact on the budget; nearly 1.5 million Minnesota citizens received assistance through public health care programs, with expenditures exceeding \$12 billion. Approximately 297,000 citizens were in the category of Adults Without Children.

Mr. Buse turned the discussion over to Valerie Bombach who is the FAD Audit Director that oversaw the health care program eligibility report. Ms. Bombach stated that the Department of Human Services and the counties generally complied with the eligibility requirements; however, some enrollees did not meet the eligibility requirements due to the enrollees not reporting changes in circumstances, such as a change of address out of state. Ms. Bombach stated that for 60 out-of-state enrollees, 24 did not report a change of address. Senator Rest inquired if other states were in this predicament where enrollees did not notify change of addresses. Ms. Bombach said it was very likely other states were affected by this situation. Ms. Bombach also stated that some other states do routine mailings for address checking. Ms. Bombach stated that the ineligible enrollees were not the ones receiving the money, but the managed care organizations were. Overpayments resulted in over \$32,000 in payments to managed care organizations for ineligible enrollees. Senator Benson indicated that the Health and Human Services Committee will be hearing about this report at a future time.

Senator Rest then turned the meeting over to Judy Randall, Deputy Legislative Auditor for the Program Evaluation Division, to discuss *MNLARS Quarterly Report Verification: Outages and System Slowdowns*. Ms. Randall stated that she would be presenting this financial audit report since OLA is very serious on independence issues. Since Mr. Buse was a former commissioner from MNIT Services, he recused himself for one year from overseeing MNIT Services. On December 3, 2018, the one year had expired, and Mr. Buse can now oversee MNIT Services.

Ms. Randall introduced Mark Mathison, FAD IT Audit Director, who was responsible for the accuracy reported in the MNLARS report. Mr. Mathison reported that motor vehicle revenue exceeded \$1.6 billion in Fiscal Year 2018. Due to the problems encountered with the Department of Public Safety's Minnesota Licensing and Registration System (MNLARS), the Legislature directed OLA to assess the accuracy of information in MNLARS quarterly reports; the technical assessments of the system, including project plans; and assess MNLARS funding needs. Mr. Mathison concluded that DPS and MNIT materially complied with provisions in law that required them to develop and implement a communication plan. Also, DPS and MNIT accurately reported, in all material respects, system slowdowns, outages, and other performance issues. However, Mr. Mathison discussed the four audit findings that were presented in the report. He noted that a 7-hour outage was not reflected in DPS's quarterly report. In addition, Mr. Mathison reported that monitoring tools were not updated. He stated that he considered it a positive report, but more needs to be done. Ms. Randall informed the Audit Subcommittee that there will soon be a special review released by OLA on *Factors that Contributed to MNLARS Problems*.

Senator Benson inquired of Ms. Randall as to whether DPS was transparent in dealing with the audit. Ms. Randall replied that for the first quarterly report there was a lot of interaction and a good working relationship with DPS. However, Ms. Randall stated that recently they learned DPS had a data breach, and it was a struggle to receive some information. Jim Nobles, Legislative Auditor, stated the he had to issue a subpoena after waiting two weeks to receive the data breach information. The subpoena was delivered to DPS on a Friday, and the following Monday, DPS provided OLA with the requested information.

Mr. Nobles concluded the meeting by informing the Audit Subcommittee that OLA would be issuing a special review on fraud in the childcare assistance program in early to mid-February. He expected that there would be referrals to law enforcement as a result of the special review.

Senator Rest adjourned the meeting at 12:35 p.m.

Senator Ann H. Rest, Audit Subcommittee Chair

Mary Moser, Recording Secretary