Minutes
AUDIT SUBCOMMITTEE
Legislative Audit Commission
July 15, 2021

Members Present:
Senator Michelle Bensen
Senator Nick A. Frentz
Senator Ann H. Rest
Representative Connie Bernardy
Representative Duane Quam

Other LAC Members Present:
Senator Matt D. Klein
Senator Mark W. Koran
Representative Tina Liebling

Member Absent:
Representative Nels Pierson

Senator Ann H. Rest, Chair, called the Legislative Audit Commission (LAC) Audit Subcommittee to order at 9:01 a.m. and welcomed members to the meeting. Chair Rest introduced Lori Leysen, Deputy Legislative Auditor for the Office of the Legislative Auditor's (OLA's) Financial Audit Division. Ms. Leysen then introduced Joel Alter, Director of Special Reviews for OLA.

Mr. Alter began with a background on what constitutes a special review. He explained that OLA tries to be responsive to the public's concerns, complaints, or allegations, and also to legislative requests, and after review of such issues, OLA then determines what issues can be moved forward, as resources allow.

Mr. Alter then presented the special review, *State Payments to Two Companies for COVID-19 Testing*. He said the review was undertaken due to billing concerns brought forward in March 2021 for certain COVID-19 tests. Based on the state's early months of COVID-19 testing and billing, the review found no evidence that the state or its contracted insurers made excessive payments to Vault Medical Services, P.A. (Vault) and Infinity BiologiX LLC (IBX), the two companies the state had contracted its testing with. He added, however, that the number of claims processed at the time of OLA's analysis was limited, and recommended that state and health plan officials review future claims carefully. Mr. Alter pointed out that OLA did not examine claims submitted by Vault and IBX to insurers on behalf of privately insured people, and therefore, OLA does not know how carefully those insurers scrutinized those bills. OLA had access to only the bills paid by the Department of Human Services (DHS), the Department of Management and Budget (MMB), the Minnesota Department of Health (MDH), and the state's contracted health providers.

Mr. Alter then said that all but the Department of Human Services, which had chosen not to do so, had submitted response letters to the review. He added that while IBX had included a detailed response letter in the report, they were currently without a Communication Coordinator and had thus chosen not to be present at the meeting.

Chair Rest then introduced Jan Malcolm, Commissioner of the Minnesota Department of Health. Commissioner Malcolm thanked the Audit Subcommittee for the opportunity to speak and thanked Mr. Alter for a thorough and diligent review. Commissioner Malcolm spoke regarding Minnesota's testing partnerships with its state's health systems, the University of Minnesota (U of M), and the Rochester Mayo Clinic, in the early months of COVID-19. She said the state sought to build a robust, diverse, barrier-free, no-cost, and accessible testing system as quickly as possible. She said because capacity within the public health systems was tapped out, MDH looked for ways to expand the testing capabilities statewide and therefore contracted with Vault and IBX. She explained that MDH required a laboratory be in Minnesota as part of the contract, so that MDH would have more control over the supply chain and reduce the time for test results.

Chair Rest asked if a representative from the Department of Management and Budget would like to speak. With no response, she then welcomed Lucas Nesse, President and CEO of the Minnesota Council of Health Plans. Mr. Nesse spoke to the formal response his organization submitted in the report. He added that council members worked hard to improve Vault and IBX's billing practices and to make sure the testing services were coded appropriately, adding that, of payments made, the health plans typically agreed to pay well under half of the original billed amount. Mr. Nesse thanked OLA for their diligent work on behalf of Minnesotans.

Chair Rest introduced and welcomed Vault representatives Chris Goldsmith, Chief Operating Officer, and Dr. Alexander Pastuszak, Chief Clinical Officer, to the meeting.

Senator Klein asked Commissioner Malcom to again state Minnesota's current testing rank; Commissioner Malcom said that Minnesota currently had the 15th highest per capita testing in the nation. Chair Rest asked if any IBX representatives were available to speak; seeing no one, she referred members to the IBX report response from Mary Storella, Vice President and General Counsel for IBX. Senator Frentz then thanked the members and testifiers for discussing the report and comparing the results to the taxpayers in terms of testing and lives saved.

Mr. Alter mentioned that representatives Julie Marquardt, Interim Assistant Commissioner of Health Care Operations with the Department of Human Services, and Lorna Smith, Enterprise Director of Employee Insurance with the Department of Management and Budget, were present to speak. During subsequent discussion, Senator Benson requested that both notify her and the legislature if they see payments in excess of those in the OLA report.

Chair Rest concluded the Special Review portion of the agenda and moved to the Financial Audit Division agenda item. Chair Rest introduced James Nobles, Legislative Auditor for the Office of the Legislative Auditor. Mr. Nobles thanked Chair Rest for this meeting. He explained that the Financial Audit Division is in transition and currently struggling with resources. He also thanked Chair Rest and members for allowing OLA to discontinue the Single Audit work, now with the Department of Management and Budget. He then called on Deputy Legislative Auditor, Lori Leysen.

Chair Rest said she was cognizant of the time but hoped all could stay longer for a fuller discussion. Ms. Leysen reviewed FAD's audit jurisdiction, as well as the audit of the state's three pension plans. She also listed both the high priority and required audits FAD must do and explained how discretionary audits for the year are determined, and the process for seeking input from the Legislative Audit Commission in choosing discretionary audits. Chair Rest asked Ms. Leysen if FAD would look again at previous audits that had serious findings to see whether or not those findings have been resolved. Deputy Leysen responded, yes, along with considering the severity and number of the previous findings.

Ms. Leysen explained that there are 30 financial audit division staff and nine vacancies. She said FAD has five lines of business that staff operate under, which may be adjusted in the future to better suit the needs of state government. Chair Rest asked about required experience and licensure for the auditors and if it was still common for some applicants to work for state government for a short time and leave, using that experience for other careers. Ms. Leysen responded that FAD does continue to support certifications such as a Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), and Certified Fraud Examiner (CFE). Currently, OLA has 13 CPAs, 2 CISAs, and 3 CFEs. FAD is actively seeking to fill its open positions.

Chair Rest told members and OLA staff that if there are audit reports that do not have findings, she will not hold a subcommittee meeting but rather, hold subcommittee meetings for only those reports with findings that need to be explored publicly. Chair Rest added that if any member wants to hear one of the future audits,

please let Ms. Leysen know and it will be added to the schedule. Representative Bernardy requested OLA follow up with her regarding the Trunk Highway Fund activity.

Chair Rest asked Mr. Nobles for any closing remarks. Mr. Nobles said he was grateful to have Ms. Leysen as Deputy and that her leadership of the division has been outstanding, to which she brings a great deal of skill, talent, and experience. He said he was grateful to be a part of government's role in accountability, as it is an essential foundation to building trust with the public. But, he added, OLA's work is only a part of overall accountability, and therefore, OLA tries to be very supportive of mechanisms within state agencies, such as their internal audit departments. He thanked Chair Rest for her follow-up on OLA's work and for this hearing.

With no further discussion, Chair Rest adjourned the meeting at 10:42 a.m.

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Senator Ann H. Rest, Chair
Audit Subcommittee

Bridget Grabowski, Recording Secretary