

MINUTES

AUDIT SUBCOMMITTEE OF THE LEGISLATIVE MANAGEMENT COMMITTEE

The Audit Subcommittee of the Legislative Management Committee met in Room 131, State Capitol Building, Salt Lake City, Utah, July 16, 2001, from 1:30 p.m. until 3:30 p.m.

Committee Members Present:

President Al Mansell, Co-Chairman
Speaker Martin R. Stephens, Co-Chairman
Representative Brad King
Senator Mike Dmitrich

Legislative Audit Staff:

Wayne L. Welsh, Auditor General
John M. Schaff, Deputy Auditor
Tim Osterstock, Audit Manager
Maria Stahla, Lead Auditor
Deanna Herring, Performance Auditor
Derek Byrne, Performance Auditor
Ivan Djambov, Performance Auditor
Lynda Maynard, Recording Secretary

Other Interested Parties:

Rod Betit, Ex Director, Dept of Health (DOH)
General Brian Tarbet, Adjutant General, Utah
National Guard (UNG)
Stan Gordon, Deputy Adjutant Gen, UNG
LaVonne Willis, Director, Division of Veterans'
Affairs - UNG
Doug Springmeyer, Chief Legal Counsel, DOH
Shari Watkins, Director, Fiscal Operations, DOH
John Williams (DOH Liaison) Utah State
Veterans' Nursing Home
Terry Schow, Govt Veterans Council
Douglas Wadsworth, Veterans' Administration
Senator Michael Waddoups
Senator Howard Stephenson
Craig Dinsmore, Exec. Director, Hogle Zoo
James Hogle, Trustee, Hogle Zoo
John Jarman, Treasurer, Hogle Zoo
Paul Dougan, Vice Pres., Board of Trustees
Hogle Zoo

Jerry Good, CFO, Hogle Zoo
Stacey Phillips, Pub Relations Mgr., Hogle Zoo
Wes Quinton, Utah Taxpayers Association
Gene Baierschmidt, Dir, Utah Humane Society
Craig Cook, Utah Humane Society
Holly Sizemore
Emma Allen
Sheila Saul
Shawn Deaner
David Berg, UARC Leg Director
Lane Lyon, *Fox 13*
Kurt Smith, *KUTV*
Kerry Jensen, *KSL TV 5*
Nkoyo Lyamba, Intern *KSL*
John Hollenhorst, *KSL TV*
Lori Buttons, *SL Tribune*
Dan Harrie, *SL Tribune*
Dennis Romboy, *Deseret News*
And Others As Listed

1. Call to Order

Speaker Stephens called the meeting to order at 1:30 p.m.

2. Approval of Minutes

Senator Dmitrich made a motion that the minutes from the June 14th meetings be approved. The motion passed.

3. Utah Veterans' Nursing Home Transfer (Report #2001-06)

Presented by Darin Underwood, Audit Supervisor

On July 1, 2002 administrative oversight of the Utah Veterans' Nursing Home (UVNH) will transfer from the Department of Health (DOH) to the Utah National Guard (UNG). The transfer is part of a legislative effort to better serve Utah's veterans by consolidating all state veterans' affairs under one department—the Utah National Guard. In 2000, the Legislature passed HB 140 which elevated the existing Office of Veterans' Affairs to division status under the UNG. The legislation then authorized the transfer of the Veterans' Cemetery and the Utah

Veterans’ Nursing Home under the new Division of Veterans’ Affairs in fiscal year 2002 and fiscal year 2003, respectively.

Additional Funding Will Be Needed. We found that about \$160,600 in additional funding will be needed for the initial transfer year—\$132,600 for the UNG and \$28,000 for the Attorney General’s Office (AG’s)—to oversee on-going nursing home operations. Subsequent year funding should approximate this amount but will need to be determined as equipment replacement and capital needs are clarified. Figure 1 shows the funding needs for the initial transfer year, as well as known on-going funding needs.

Figure 1. Initial and On-going Funding Will be Needed for UVNH Oversight.

Funding Recipients	Transfer Year Amounts	On-going Amounts
Utah National Guard		
Personnel	\$92,000	\$92,000
Information Technology Equipment	20,000	See Footnote 1.
Capital Facility and Maintenance	20,600	See Footnote 2.
Subtotals	\$132,600	\$92,000
Attorney General’s Office (Personnel)	28,000	28,000
Totals	\$160,600	\$120,000

1. *On-going funding for information technology equipment will be based on the replacement cycle determined by the UNG. However, it is reasonable to conclude that an outlay similar to the \$20,000 may be needed in another three to five years.*

2. *The \$20,600 for facility needs is a total of transfer year maintenance estimates from a recent engineering review of the UVNH performed for the Division of Facilities and Construction Management. While on-going capital facility and maintenance funding will be needed, estimates differ.*

Initial and on-going funds will be necessary to replace the untracked cost of using DOH staff in the operation of the UVNH since its inception. We estimate that the DOH has used personnel support for the UVNH from its departmental budgets of approximately \$81,000 per fiscal year. Funding will also be needed for on-going equipment and capital facility needs as contingency funds have been depleted.

Funding Needs Can Be Addressed by Appropriations and/or Increased Fees.

Additional UVNH funding sources are limited to either the Legislature appropriating necessary funding each year or urging the UNG to reinstate a \$10 administrative fee which is collected from the federal per diem provided by the Department of Veterans’ Affairs (a per diem which pays a portion of residents’ daily rates). Currently, all but \$3 of the \$10 administrative fee is

waived for the contract health care provider. Should the Legislature decide not to increase state support to the UVNH, the option of reinstating the additional \$7 of the administrative fee shifts the burden to the resident. This is because the contractor would seek an off-setting \$7 increase for its daily rate and pass the increase on to residents.

Such a fee could address current transfer costs, fund the federally-required state facility officer, and aid in establishing on-going contingency funds needed for equipment and capital. For example, if the UNG and UVNH board advised the full reinstatement of the administrative fee effective September 1, 2001, an estimated \$225,000 should accrue by July 1, 2002—the start of fiscal year 2003. This accrual would likely provide sufficient funds for anticipated personnel, equipment and capital facility needs.

Recommendations. In the end, whether to provide needed funding for the UNG to administer the UVNH through direct state appropriations, or through increased resident fees, is a policy question for the Legislature. This is shown in the first recommendation.

1. We recommend the Legislature, for fiscal year 2003, consider creating an equitable mix of state funding support and resident fees that are sufficient to meet the needs of the Utah Veterans' Nursing Home. In determining the sources of funding, the Legislature should bear in mind the immediate funding needs for fiscal year 2003 listed in Figure 1 of this Digest.
2. We recommend the Legislature assure the remaining balance of the Utah Veterans' Nursing Home Expendable Trust Fund be transferred from DOH to the UNG for availability in fiscal year 2003, as required in *Utah Code* 71-11-8.
3. We recommend that the Legislature proceed with caution on recommending any future veterans' nursing homes until the current home has successfully been transferred from the DOH to the UNG and financial stability can be evaluated.

Discussion following presentation:

Rod Betit, Executive Director, Department of Health,

Motion: Senator Dmitrich made a motion that the Utah Veterans' Nursing Home Transfer audit (Report #2001-05) be approved and sent to the Law Enforcement and Criminal Justice Interim Committee. The motion passed unanimously.

4. Hogle Zoo Presentation

Motion: Senator Dmitrich made a motion that the request for an audit of Hogle Zoo be approved and placed at the top of the Other Approved Audits, with a completion date of December 15, 2001. The motion passed unanimously.

5. Other Business

Mr. Wayne Welsh, Auditor General, asked the Audit Subcommittee to set a date for the next Audit Subcommittee Meeting. August 29, 2001, at 1:30 p.m. was chosen for the next meeting.

Due to another appointment, Speaker Stephens turned the chair over to President Mansell to complete the meeting.

Mr. Welsh addressed the issue of including names of requesters of audits on the **Audits in Process** list. After some discussion it was decided that a “protected” copy of the **Audits in Process** list would be given to the Audit Subcommittee with the requesters names shown and the requester names would be left off of the **Audits in Process** list that is provided for the general public.

Mr. Welsh presented the Audit Subcommittee members with a copy of the *Interim Highlights* bulletin, published by the Office of Legislative Research and General Counsel, which now includes a list of the current and future approved audits being done by the Office of the Legislative Auditor General.

6. Adjournment

President Mansell adjourned the meeting at 3:30 p.m.