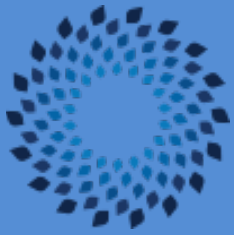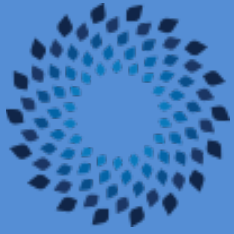# Legislative Post Audit

Chris Clarke
Legislative Post Auditor
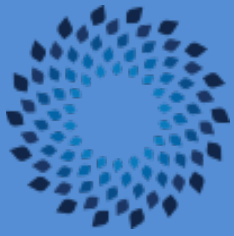
April 2024

Items to Cover

- Background on Legislative Post Audit

- Types of Audits
  - What is a performance audit?
  - What is the process?
  - What is an IT security audit?
  - What are the laws regarding access to information?
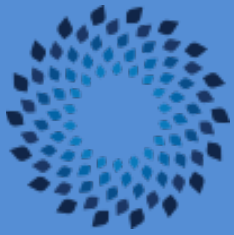- Legislative updates

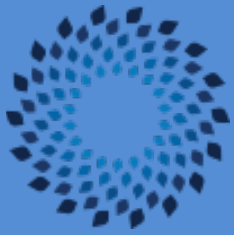# Background on
Legislative Post Audit

Background on Legislative Post Audit

- LPA is the non-partisan audit arm of the Kansas Legislature. We're basically their eyes and ears.

- We are similar to the U.S. Government Accountability Office (GAO).

- Our staff conduct about 10-12 performance audits and 8-10 IT security audits each year.

Staffing

- We have a total of 26 staff, including:
  - 17 performance audit staff
  - 3 IT audit staff

- Our auditors come from a variety of backgrounds including:
  - Public Administration
  - Law
  - Political Science
  - Business
 - Other social sciences

Post Audit Committee

- We report to the Legislative Post Audit Committee.
  - 10-member, bi-partisan joint committee
  - Hires (and fires) the Post Auditor
  - Selects the topics for performance audits
  - Directs the distribution of audit reports
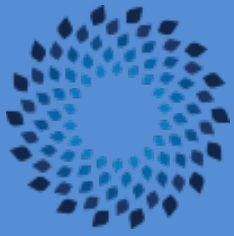 - Only legislative committee with dedicated staff agency
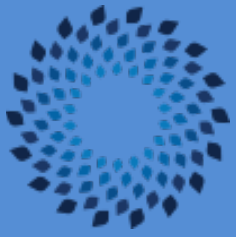
What is a Performance Audit?

- A performance audit is an evaluation of how well a government function, program, or activity is working.

  - Auditors gather evidence to describe the current condition.

  - To identify problems, they compare what is happening to what should be happening.

  - They make recommendations to address the root causes of any problems.
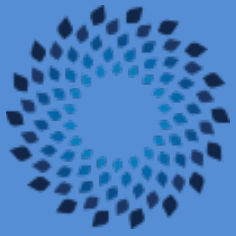
What is a Performance Audit?

- Performance audits provide the legislature and agency management with independent evaluations of state and local programs and operations.

- **Bottom Line: Is government working and how can we make it work better?**
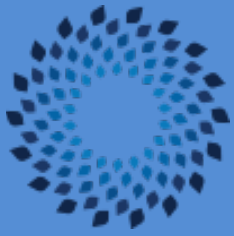
Audit Universe

- LPA has the authority to audit <u>any state agency</u> in the executive or judicial branch.

- We also have the authority to audit <u>local units of government</u>, including cities, counties, and school districts.

- We can audit anyone who <u>contracts</u> with or receives a <u>grant</u> from the state (limited to the grant or contract).

- We can also audit most entities that are <u>regulated</u> or <u>licensed</u> by the state (limited to the regulated or licensed activities).
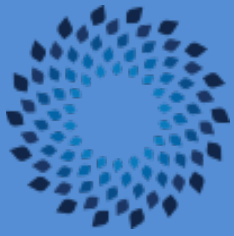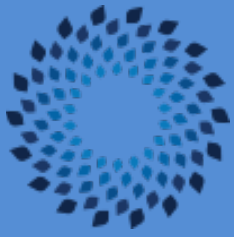
Audit Universe

- LPA can audit just about any government function.
  - *inspection programs*
  - *prisons*
  - *highway construction*
  - *schools and universities*
  - *information technology*
 - *foster care*
  - *benefits programs*

Types of Audits

- There are four basic types of performance audits:
  - <u>Effectiveness</u> – Is the agency or program producing the expected results?
  - <u>Efficiency</u> – Is the agency or program making good use of its resources?
  - <u>Compliance</u> – Is the agency or program following applicable requirements?
  - <u>Prospective</u> – What would be the effect of a change to the agency or program?

- In practice, most performance audits are a combination of these different types.
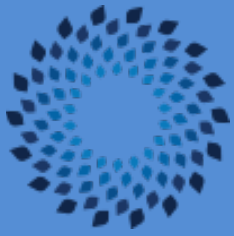
Examples of Audit Objectives

- Effectiveness

  - Election Security – Do county election offices have adequate policies and practices to ensure the accuracy and security of...elections?

  - Child Support – Is DCF's child support system effective in collecting support payments?

- Efficiency

  - Centralized IT – Does KISO provide cost-effective security services to state agencies?
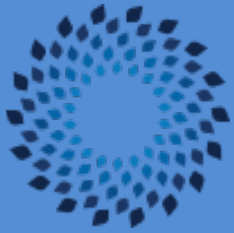
Examples of Audit Objectives

- Compliance
  - At Risk – How did school districts spend funding and did districts and KSDE act in accordance with statutes related to at-risk programs?
  - IT Security – Do state agencies and school districts comply with certain IT security standards and best practices?

- Prospective
  - Cost Study – What is the estimated cost to educate all students to meet performance outcome standards?
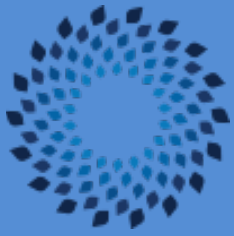
What are the Rules?

- We follow Generally Accepted Government Auditing Standards (GAGAS).
  - Published by the GAO
  - Known as the Yellow Book
  - Establishes the general framework for conducting audits. It covers:
    - Auditor independence and competence
    - Standards of evidence (sufficient and appropriate)
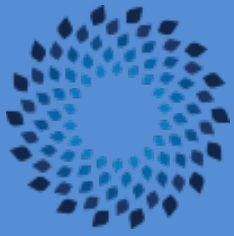   - Planning, supervision, fieldwork and reporting requirements
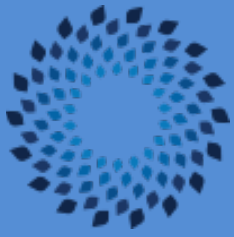
Performance Audit Process

- Selecting Topics

- Planning (3 weeks)

- Fieldwork (4-? Weeks)

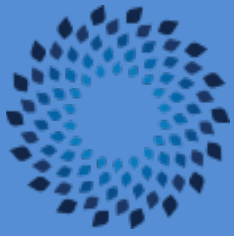- Writing and Review (4 weeks)

- Presenting Results

Selecting Audits

- Performance audits may be <u>requested</u> by:
  - *Legislators*
  - *Legislative committees*
  - *The Governor*
- We work with requestor to define scope, develop answerable questions, develop preliminary methodology, estimate time and resources.
- Performance audit requests are reviewed by the Legislative Post Audit Committee, who then <u>selects</u> topics for us to review.
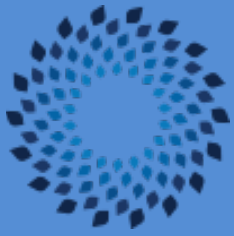
Planning the Audit

- Objective of planning is to:
  - Develop a better understanding of what we are going to audit, identify data available, conduct background research
  - Develop an audit plan assigning steps to team members to answer the questions
  - Assess and minimize audit risk (winding up with the wrong answer)
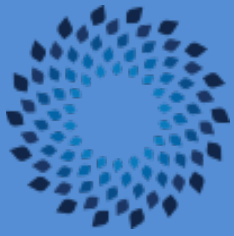 - Identify stakeholders

Planning the Audit

- Planning involves:
  - Background reading – other similar audits, news articles about the issue, agency reports and publications, laws and regs, research articles
  - Initial meetings with agency or officials – how the program or process works, sources of information and data, other concerns, etc.
  - Lots of internal discussion about possible methodologies, sources of outside data
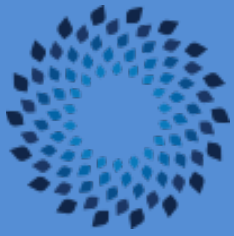
Fieldwork

- Fieldwork is the meat of the audit project.

- Fieldwork can take a few weeks or up to several months, depending on the audit.

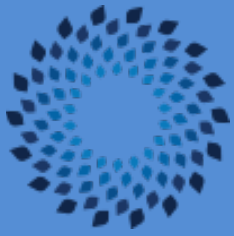- This is the part that takes up most of the agency or program staff time.

Conducting Fieldwork

- Gather audit evidence
  - Interviews
  - Documents
  - Surveys
  - Data – spreadsheets, databases, etc.
  - Observations

- Analyze and synthesize evidence into findings
  - Findings are our determinations
  - Findings must be supported with sufficient and appropriate evidence

- Share preliminary results with agency staff

Preparing the Report

- Internal preparation and review:
  - The audit team writes a draft of the report with findings and recommendations.
  - LPA management reviews the draft and provides feedback (tone, clarity, brevity, etc.), re-reviews if needed.
  - The Post Auditor conducts the final review before sending the draft report to the agency.
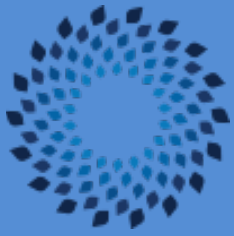
Preparing the Report

- Agency officials may receive a briefing on the findings at an exit meeting (this is optional).
- Agency officials get a confidential draft copy to review and respond to.
  - Technical changes regarding factual errors, word choice and tone are dealt with informally.
  - The agency's official response is its formal position regarding the audit, the findings and recommendations.
  - The official response is included as an appendix in the final report.
- For agencies with oversight boards, KORA and KOMA may come into play because the draft report is and remains confidential.
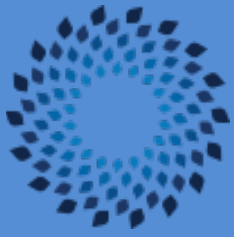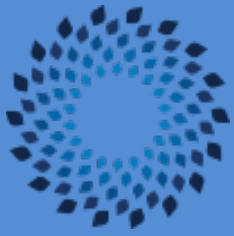
Recommendations

- We make recommendations to the agency for identified root-cause problems, such as:
  - Lack of staff training
  - Lack of clear/written policies
  - Inefficiencies, etc
- We make recommendations to the legislature to clarify statute or to consider amending statute, etc
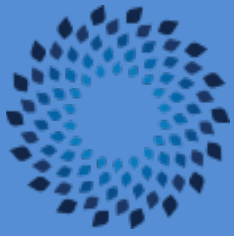- We do not recommend policy

Presenting the Results

- Audits are presented to our legislative committee before releasing to the public.
  - Agency officials are invited to the meeting to respond or answer questions.
  - Once the meeting starts the report is public.
- After the presentation, the committee "accepts" the report, ending the project.
- All the reports are posted to our website.
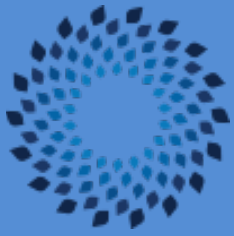- All legislators get an electronic copy.

Follow Up

- Several months after the audit is completed, we follow up for an update on implementation of any agency recommendations.

- We provide a status update to our committee annually, and post on our website.
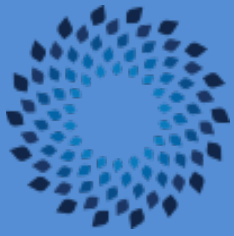
IT Security Audits

- We also have a team that conducts IT security audits of state agencies and school districts.

- This team has extra security credentials.

- All of the audit standards apply to this work.

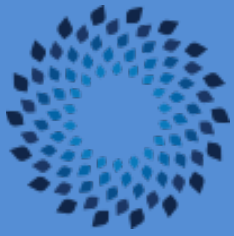- These audits also have recommendations and follow-up.

IT Security Audits

- These audits are much shorter in duration.

- These reports are confidential and remain confidential.

- We sometimes issue public reports regarding IT security but individual agencies are not identified.

IT Security Audits

- Areas typically covered:
  - Security Awareness Training of staff
  - Account Security
  - Network, Boundary and Data Protection
  - Vulnerability Remediation
  - Data Center Security
  - Data Backup
  - Incident Response
  - Continuity Of Operations Planning (COOP)
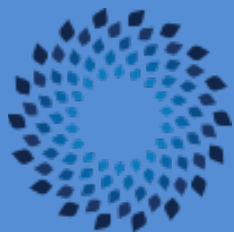
Legal Access to Information

- To do our work, we need access to information.

- That includes access to records and access to staff for interviews and follow-up questions.

- Sometimes, the records we need to look at are confidential or privileged.
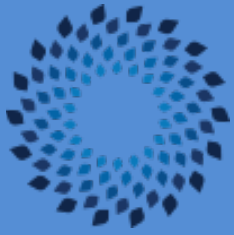
Access to Information

Statutory

- LPA has statutory access to all agency or program records "confidential or otherwise."

- Specifically, K.S.A. 46-1114 gives the Post Auditor access to "all books, accounts, records, files, documents and correspondence, confidential or otherwise…"

Access to Information

Federal

- Both HIPPA and FERPA have exceptions for audit access.

- IRS or tax data also allows audit access, but there are several additional requirements.
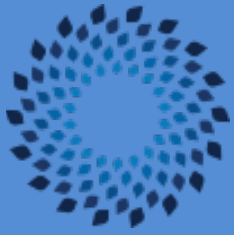
AG Opinions

- The Kansas statutory access has been consistently interpreted broadly through several AG opinions:
  - 92-101 confirmed our access to privileged records
  - 91-158 confirmed our access to private entities running programs on behalf of government
  - 11-007 confirmed that audit firms under contract with LPA have access to confidential records
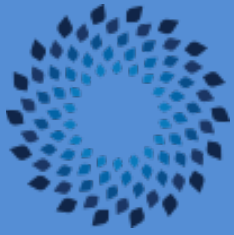
Record Status

- Records maintain their status.
  - If they are confidential when the agency has them, they remain confidential even during our access.
  - Our staff are subject to the same penalties as agency staff for the unauthorized release of confidential information.
- We ask that agencies identify whether information that we are asking for is confidential or privileged.
 - We will take appropriate steps to keep the record closed.
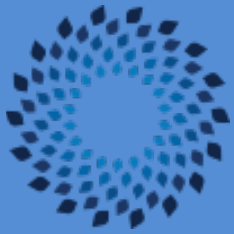
Steps We Take

- If we work with original records, we work on agency premises.

- We have secure data transfer protocols.

- If data is toxic, we keep it encrypted and segregated.

- Only certain staff can access the data.

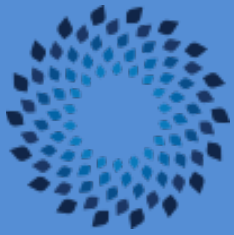- We securely destroy all data at project completion.
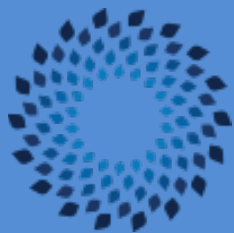
Additional Steps

- Sometimes there are special steps we need to take to get access.
  - Example: sign access forms, work on premises

- Access to federal records often requires us to jump through additional hoops like entering into a signed written agreement.
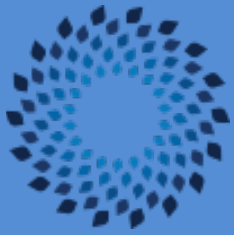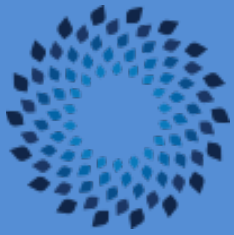
Access to Staff

- Agency staff are a primary source of information.

- People who want to talk to us:
  - The Kansas Whistleblowers Act prohibits an agency from interfering and protects staff from retribution.

- People we want to talk to:
  - Our policy is to have unrestricted and unmonitored access to relevant staff.
 - The law does not guarantee us access to staff.

Access to Staff

- If we are unable to access relevant staff:
  - Report the situation to the Legislative Post Audit Committee.
  - In the written audit report, cite the denial of access as an external impairment (required by the Generally Accepted Government Auditing Standards).

Current Events

- Just a few weeks ago the Legislature passed SB 488 which expands the scope of Attorney General office of Inspector General to include all state cash, food and health assistance programs. (Currently the IG covers Medicaid)
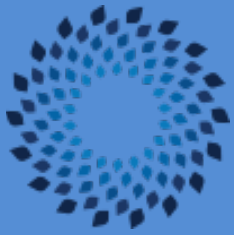
Current Events

Differences from LPA

- IG has the power to subpoena, administer oaths, and execute search warrants.

- IG investigates crimes and refers for prosecution.

- This IG reports to an elected official.
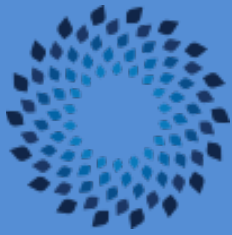
Questions?

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P.S. We're hiring: www.kslpa.org