

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office
Rough Draft

Appropriations Committee
February 08, 2018

[AGENCY 10]

SENATOR STINNER: We will now open the hearing for Agency 10, State Auditor. Good afternoon. [AGENCY 10]

CHARLIE JANSSEN: Good afternoon, Chairman, committee. My name is Charlie Janssen, C-h-a-r-l-i-e J-a-n-s-s-e-n. I'm the Auditor of Public Accounts, appearing before you today. We will agree with the budget recommendations, and we can adhere to them. Like the other offices, we've already made some preliminary cuts and some provisions to make sure that we could live within the constraints of that. It's pretty simple. Program 10, which is me, essentially it's a reduction of...I also got to apologize. You get the B team today because Mary Avery, who usually does our budget, is not here today. So she gave me notes, though. It's a reduction in my personal insurance next year, which is really minimal to no effect since I've never taken it previously since I've been the Auditor. And again, that's...it's no issue there and will have no impact on our office unless I decide to take it, which I don't think that's going to happen. And then in 506, shift audit resources to cash-funded programs to enhance review of local government, this will cause a reduction in state appropriations audits and any special request activities, which you've seen. Most of you have seen over the years special requests from senators and public officials we always try to respond to within our current budget. So that could limit that. And then 525, shift audit resources to cash-funded program to enhance review of local government, this allows for additional audits that are reimbursed by any political subdivision, entities, or federal funds, which we also get requests from various elected officials, employees, anonymous whistle-blowers sometimes to go look at certain counties, cities, and whatnot. But generally, that's at their expense. So certainly we'll take what you can give us but we will get the job done one way or the other. [AGENCY 10]

SENATOR STINNER: Thank you very much. Questions? Senator Wishart. [AGENCY 10]

SENATOR WISHART: Well, thank you, Charlie, for being here today. [AGENCY 10]

CHARLIE JANSSEN: Sure. [AGENCY 10]

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SENATOR WISHART: My office sent a letter to you just giving you a heads up that I was going to ask some questions in regards to an audit that was...that came up in one of the hearings we had on Monday in regards to Title X. [AGENCY 10]

CHARLIE JANSSEN: Uh-huh. [AGENCY 10]

SENATOR WISHART: It was brought up by the Department of Health and Human Services, their director of Administrative Services. And when he was asked question...follow-up questions he was unable to answer to some of the details of that audit. So I wanted to take this opportunity, since we will be making decisions in LB944 on Title X, so it's important that we have some details on these specific audits for making those decisions. [AGENCY 10]

CHARLIE JANSSEN: Sure. [AGENCY 10]

SENATOR WISHART: So one of the questions I had is, can you talk the committee through the audit your office conducted on some recipients of Title X funding in 2015 and 2016? [AGENCY 10]

CHARLIE JANSSEN: If I could, Senator, I did prepare...I got that late yesterday afternoon, so. [AGENCY 10]

SENATOR WISHART: You did, yes. [AGENCY 10]

CHARLIE JANSSEN: And our audit manager is out on a different...that did the audit is out on a different audit today, so... [AGENCY 10]

SENATOR WISHART: Okay. [AGENCY 10]

CHARLIE JANSSEN: ...they were unable to get here. I did put in order the questions that you and Senator Vargas had sent to my office. [AGENCY 10]

SENATOR WISHART: Yes. [AGENCY 10]

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CHARLIE JANSSEN: Could I just read that? [AGENCY 10]

SENATOR WISHART: Right. Yeah, that would be helpful. [AGENCY 10]

CHARLIE JANSSEN: And then I'll do it and these...it should go right down the letter, which you could give or I have the letter... [AGENCY 10]

SENATOR WISHART: Okay. [AGENCY 10]

CHARLIE JANSSEN: ...that you sent to me that asked those specific questions... [AGENCY 10]

SENATOR WISHART: Great. [AGENCY 10]

CHARLIE JANSSEN: ...and the answers. But I'll read your questions and then I'll answer them. [AGENCY 10]

SENATOR WISHART: Okay. Thank you. [AGENCY 10]

CHARLIE JANSSEN: Question one: According to an April 23, 2016, article in the Omaha World-Herald, Planned Parenthood's response to the audit was that the expenditures were made with private funds and were miscoded as a result of staff members' errors. Was there documentation or an explanation provided to your office as part of the audit? Our reply: The 2015 audit noted employee time for two hours of on-call time related to abortion services that were charged to the grant. This was not paid with private funds but paid with the federal grant. Two thousand fifteen also noted program income expenditures that were related to abortion services. Program income is from patient fees, donations, private insurance, etcetera, and expenditures made from program generated funds are required to adhere to federal regulations. These appeared to be coding errors and that was the explanation that was provided to us. The 20...in the 2016 noted \$250 in abortion-related payroll charged to the grant and also program income and expenditures that were related to abortion services due to coding error, and they said they were...they replied that they were worker errors. Your question two, if I may proceed? [AGENCY 10]

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SENATOR WISHART: Yes. [AGENCY 10]

CHARLIE JANSSEN: Question two: Both reports caution that there may be increased risk or misuse of federal funds and noncompliance with federal regulations, which could result in federal sanctions. Were there any sanctions imposed? We are not aware of any federal sanctions that have been imposed. So that's that question, I believe. And let's see, oh, the original...I just added this. It wasn't one of your specific questions. The reason the program was initially selected as a major program was because the federal government had issued a report with findings and that...with findings and that is one of the things that triggered it being a high-risk program. After the first year, it continued to be high-risk because of the material weakness that we found the first year. Generally, when we find something the first year we look into it the next year to make sure that it's corrected. [AGENCY 10]

SENATOR WISHART: Okay. And, Charlie, do you know this? And if you don't know off the top of your head, would be interested in a follow-up on this. Just following up to that, was there an audit done in 2017 to ensure that corrective actions were taken? [AGENCY 10]

CHARLIE JANSSEN: We're currently doing...well, the 2017 audit has not been released yet. So... [AGENCY 10]

SENATOR WISHART: Okay. [AGENCY 10]

CHARLIE JANSSEN: ...in a public forum, I prefer not to talk about that. [AGENCY 10]

SENATOR WISHART: That's okay, yeah. [AGENCY 10]

CHARLIE JANSSEN: We can meet individually with senators due to a bill that thankfully you all passed for us that allows us to talk about specific needs within audits, especially for emergency needs, because sometimes audits take a long time to get done. [AGENCY 10]

SENATOR WISHART: Okay. [AGENCY 10]

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CHARLIE JANSSEN: And that usually rises to a level of something that needs to be immediately corrected, which I wouldn't see right here. [AGENCY 10]

SENATOR WISHART: And do you know when that audit will be released? [AGENCY 10]

CHARLIE JANSSEN: They haven't told me yet, but... [AGENCY 10]

SENATOR WISHART: Okay. And then just one more follow-up: There were recommendations in both reports for the Department of Health and Human Services to implement procedures to ensure expenditures were made for allowable activities. Are you aware if DHHS has gone through with those recommendations? [AGENCY 10]

CHARLIE JANSSEN: Well, based on the two audits we're talking about,... [AGENCY 10]

SENATOR WISHART: Yeah. [AGENCY 10]

CHARLIE JANSSEN: ...it got better. [AGENCY 10]

SENATOR WISHART: Uh-huh. [AGENCY 10]

CHARLIE JANSSEN: To be clear, they were using the wrong funds and the wrong code, so sometimes miscoding gets passed over. It's still using the wrong money in the wrong section. But I believe they put...I believe they put in implementation...implemented some programs and some guidance that I think will correct it. [AGENCY 10]

SENATOR WISHART: Okay. Thank you. Thank you so much. [AGENCY 10]

SENATOR STINNER: Additional questions? I have one and I just, if you know this or don't know this, Title X funds, the providers actually apply for the Title X funds and they're granted and then they use those funds and come up with the documentation almost afterwards, right? [AGENCY 10]

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CHARLIE JANSSEN: Well, in this particular case, when the funds were... [AGENCY 10]

SENATOR STINNER: Well, at least go through that (inaudible). [AGENCY 10]

CHARLIE JANSSEN: I can't go through the exact fund because I don't...I can get that information. I don't have the exact usage for it but there are certain (inaudible). [AGENCY 10]

SENATOR STINNER: In other words, they don't incur the cost and then submit for recovery. They actually... [AGENCY 10]

CHARLIE JANSSEN: Right. Right. [AGENCY 10]

SENATOR STINNER: ...are granted funds. [AGENCY 10]

CHARLIE JANSSEN: Yes, I'm sorry. [AGENCY 10]

SENATOR STINNER: That's what I'm... [AGENCY 10]

CHARLIE JANSSEN: Yes, I'm agreeing with you now. [AGENCY 10]

SENATOR STINNER: Okay. [AGENCY 10]

CHARLIE JANSSEN: Yes. [AGENCY 10]

SENATOR STINNER: I just wanted to get that clarification. [AGENCY 10]

CHARLIE JANSSEN: Yeah. And in this case where the funds were used from a grant for abortion-related services, that's where federal regulations could be triggered in that situation. And they were used there and it was miscoded. So after the fact, it was moved back into...paid for in a different manner. I guess I'll put it that way. [AGENCY 10]

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SENATOR STINNER: Is there anything that's in the current proposed law that's going to change your audit procedures at all? [AGENCY 10]

CHARLIE JANSSEN: With...in regards to this or with the state's... [AGENCY 10]

SENATOR STINNER: Right. [AGENCY 10]

CHARLIE JANSSEN: ...single audit or... [AGENCY 10]

SENATOR STINNER: Well, to looking at Title X funds and compliance with federal regs. [AGENCY 10]

CHARLIE JANSSEN: We pulled it out as I noted when I was talking to Senator Wishart about how we got a memo from federal government saying this is a high-risk program so we looked at it. If you recall, that was a high-risk program about three years ago. It was in the media quite a bit. That's probably what led to that. And you know, but there's nothing that's changed for us. [AGENCY 10]

SENATOR STINNER: Okay. Additional questions? Senator Wishart. [AGENCY 10]

SENATOR WISHART: I did want to follow up on 8Ds...well, that's in ours, on Program 525, the shifting of your resources to cash-funded programs. So this would take away some of your time and energy that's spent on auditing state entities and put that time and energy into more local audits? [AGENCY 10]

CHARLIE JANSSEN: Yeah, pretty much it would take away from state entities, the state appropriation, when it goes down there. But it's really a shift into local agencies, which I can't disagree with one way or the other. I'd like to have, you know, of course we'd all like to have all the money in the world to audit everything. In this case, we have seen, at least in my three years here, I've seen a lot more of abuse, waste, abuse, and fraud with the local political subdivisions, and we're concentrating more and more on those right now. You've seen...you've probably seen several articles about small villages, cities misappropriations, not misappropriate, just basically

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theft. And sometimes they do use...they creatively move their money around. So when I hear even agencies and even cities saying, well, it all netted out, well, it doesn't matter if it nets out. If it's in the wrong division, you can pull from each...you know, you can pull money that you're not supposed to pull money out of a certain category and that's not the way it's meant to be. So that is a weakness, a material weakness in the accounting world to do it that way. But we will be fine with the budget recommendation and I think we'll get the results that you should expect.

[AGENCY 10]

SENATOR WISHART: And just to follow-up with that, by shifting these funds, I mean what are we and is the public missing out on in terms of oversight on the state level? [AGENCY 10]

CHARLIE JANSSEN: Well, I mean the CAFR and the state single are still going to be done and that's required. It will be additional, like I had noted earlier. I was asked by senators to do a comprehensive audit pretty much on Corrections my first year in office and that, if I recall, that took 19 percent of our budget, our appropriated budget. So that was quite a bit of work. And then of course the budget went down so we had to work through that. But we've been really reaching out to counties and trying to say we're not here to get you; we're here to help you. So we have more and more counties and political subdivisions now that are requesting our audit services and they pay for them with cash funds. [AGENCY 10]

SENATOR WISHART: Okay. Well, thank you for the work you do. [AGENCY 10]

CHARLIE JANSSEN: Thank you, Senator Wishart. [AGENCY 10]

SENATOR STINNER: Additional questions? Senator Clements. [AGENCY 10]

SENATOR CLEMENTS: Thank you, Mr. Chairman. Thank you, Mr. Janssen. I just wanted to comment that in my district one of the villages had a village clerk that misappropriated funds that was around \$100,000. In a very small village it has a big impact (inaudible). [AGENCY 10]

CHARLIE JANSSEN: Misappropriated into her pocket. (Laugh) [AGENCY 10]

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SENATOR CLEMENTS: Yes, very...and that wasn't the only village this clerk... [AGENCY 10]

CHARLIE JANSSEN: Correct. [AGENCY 10]

SENATOR CLEMENTS: ...was working... [AGENCY 10]

CHARLIE JANSSEN: That's an ongoing case, I believe, Senator, yes. [AGENCY 10]

SENATOR CLEMENTS: ...at. And I appreciate the fact that you are going to enhance the local government reviews because this village wanted to fix some streets and now they don't have the money to fix the street. [AGENCY 10]

CHARLIE JANSSEN: Yeah, that's a very sad case that we found and we really rely, and I try to...I push this, is people, our anonymous tip line letting us know about this. In this case, it was...again, talking about coding, person was putting the numbers in, in there, showing it to the chairman. And we all know, a lot of us came form local political subdivisions. You show up once every other week and somebody throws a spreadsheet in front of you and says here's the money we have. So that was a very unique case and it's still ongoing, believe it was even in the media today. I should say I'm a little upset that Senator Wishart didn't say I looked a movie star or anything up here today, but... (Laughter) [AGENCY 10]

SENATOR CLEMENTS: Thank you, Mr. Janssen. [AGENCY 10]

CHARLIE JANSSEN: (Inaudible). [AGENCY 10]

SENATOR STINNER: Any additional questions? Seeing none, thank you. [AGENCY 10]

CHARLIE JANSSEN: Thank you. [AGENCY 10]

SENATOR STINNER: Are there any additional proponents? Any opponents? Anybody in the neutral capacity? Seeing none, that concludes our hearing for Agency 10, State Auditor.
[AGENCY 10]