

LEGISLATIVE COUNCIL  
JOINT LEGISLATIVE OVERSIGHT COMMITTEE  
HOUSE CAUCUS ROOM - STATEHOUSE - BOISE, ID

JANUARY 7, 1994

MINUTES

The meeting was called to order at 9:00 A.M. by Chairman Bruce Sweeney. All committee members were present. They include Co-chair Representative Bruce Newcomb; Senators Atwell Parry, Grant Ipsen and Sue Reents; and Representatives Kitty Gurnsey, Gino White and John Alexander. Staff present were Carl Bianchi, Sheila Ison and Rusti Horton.

Chairman Sweeney welcomed the committee and expressed his gratitude that each member was able to attend. He explained that this committee is unique in that it represents equal political party representation. He further explained the quorum requirement and that voting is determined by a majority of the members present.

Following discussion regarding recruitment of a performance evaluator, Chairman Sweeney stated that Representative Newcomb has drafted a letter outlining what has transpired and what will occur. Both Co-chairs stressed their hopes that this committee will remain nonpartisan throughout its efforts as a means of ensuring a successful outcome.

Representative Newcomb said he thought there were some mistakes made when the performance evaluator job description was originally distributed and that it was probably unethical to put out a job description before there was funding. However, he said that he also feels that it was a good learning experience, and doesn't think it was time wasted because important aspects were learned.

Chairman Sweeney asked Mr. Bianchi to review the statutory responsibility regarding the position. Mr. Bianchi cited the sections of House Bill 439 that set up the performance evaluation function. These are the sections of the bill which set up this function as a fourth major area of Legislative Staff Services.

On Page 2 of the bill in the folder, this committee was created under the direction of the Legislative Council even though it is bipartisan in nature. The Legislative Council does appoint the co-chairs. The committee shall submit its findings, conclusions and reports to the Legislative Council, the legislature and the Governor, no later than the second week of each regular session of the legislature.

The Legislative Council by a 75 percent vote appoints the Legislative Management Systems Analyst. That is a generic name,

and the name Supervisor - Performance Evaluations has been used. This person shall serve at the pleasure of the Joint Legislative Oversight Committee. The council appoints the person, but thereafter that persons serves at the pleasure of the committee.

The Council shall initially set the compensation, and thereafter the compensation shall be established by the Committee.

The terms performance "audit" or "evaluation" have been used interchangeably throughout the literature. It's looking at effectiveness and success. Examinations include several items, one in specific is the development of indicators by which the success or failure of a program may be gauged.

The term "state agency" is very encompassing. The areas where evaluations can be undertaken include state boards, commissions, departments, offices, and includes any city, county, district or other political subdivision of the state which has the authority to levy, collect or spend taxes. This is a very broad grant of authority. There are no exemptions apparent.

The term of membership of this joint committee is for a term as provided by the Legislative Council, which has been determined to coincide with the current term of office. Thereafter there will be appointments or reappointments.

Actual and necessary expenses or per diem shall be allowed by the Legislative Council and shall be paid from the legislative account.

Powers of the committee include directing the management system analyst and the staff in a number of activities. The committee will give direction to the staff about how to carry out their day-to-day activities, not supervising the activities. These activities include developing evaluation surveys and work plans, reviewing performance outcomes, reviewing reports, and presenting those to this committee, to prepare requests for proposal and carry out evaluations. The report further gives the committee responsibility to contract with private individuals. The committee also has the authority to examine witnesses and command the appearance of any person.

In order to conduct and issue performance reports the management system analyst must conduct a survey to get an overview of the agency or program that would be evaluated. In consultation with the agency or program the legislative system analyst will develop a performance evaluation work plan. It appears to intend that there be contact with the agency heads and give and take to develop the evaluation, and coordinate necessary data, etc. Further, when a report is done, prior to the presentation of a performance evaluation to the committee, the evaluated agency, the Governor, and the State Auditor can review the evaluation findings

and issue a response. That response shall be included in the performance evaluation when a final report is presented to the committee.

All the work of the performance evaluator and the report are confidential until the report is released. Giving out any information can be a misdemeanor. Once they are released, the reports are public record. Work in progress is exempted from the public record law.

When a report is finalized it must be signed by the co-chairmen, include the committee recommendations and be submitted to the Governor, State Auditor and each member of the legislature, and to the official officer or person in charge of the examined state agency.

The program staff may call upon the Attorney General, the administrator in the Division of Financial Management and the State Auditor to assist in their activities.

Chairman Sweeney stated that a key item was where it says "such RFP shall be submitted for bids to independent contractors to conduct a final performance evaluation." That leaves some leeway in what the staff can do in preparation for a final performance evaluation.

Representative Newcomb pointed out in subsection 4 it allows the staff to develop questions and then contract out a portion of the work needed. It could then be brought all back together and assembled by the staff.

Representative Gurnsey observed that the reason people were not interested in the job is that they wanted their own staff to make the program work. Contracting out was not the way to go. In legislative audits when we go outside what we get back is nothing beneficial. In order to make this work we need to change this. What chance is there to get the Governor to allow a staff to assist this person. The response by Chairman Sweeney was that first of all we have to contract some portion out until the law is changed. By the language of this, however, we are free to decide what portion we want to contract out. That is much more flexible than may have been originally intended. These are the rules by which we'll have to operate.

When the job was intended for one person, the applicants were very apprehensive that they would be able to do the job. Since it was a new job they felt it was extremely important they do it properly. There were two very qualified applicants who didn't feel they could be successful and the job would be eliminated before they had a good chance to start. It was evident in interviews that they needed to have additional staff in order to be successful and to do the job as required by staff.



Carl also mentioned that on Page 5 there is an organization chart which shows how the performance evaluation program was incorporated into the general Legislative Services organization. It points out the independence of the program and shows that it is a fourth major function of the Legislative Services office. However, there is a direct line from the Legislative Council to the Joint Legislative Oversight Committee and then to the performance evaluator, and then there's a dotted line to the Legislative Services Office, which shows it can be in a supportive role, but would never be in an authority role.

Representative White stated that a key element in performance audits is communication. When an outside consultant does an audit there is no staff there to communicate to the legislature. He has a concern about performance audits, and he and Representative Newcomb have gone back and forth about it. His concerns are related to some costs. Some sort of specialist must be on the front end saying what to look for, and someone must be on the tail end communicating what the results were.

Chairman Sweeney stated one of the things that came up in the interview with Susan Massart and Mr. Monson that they wanted to be involved if contracting out was done, to follow the contractors around and be involved in what they are doing. That was one concern with one person being able to do the job.

Rep. Alexander stated that he did a lot of contracting in performance audits. Internal audits can be very successful, but the key to a quality audit is someone who can use fresh ideas and concepts to an agency. There is no way we can make a staff that is that diverse to serve all the different areas. He would like to look at a system that builds memory in the staff and can keep and control the information as it goes through. The information will be gathered by someone who is impartial and has expertise in the field. He does not believe it is possible for one staff to be able to audit all the different areas without outside help.

Chairman Sweeney mentioned that in the interviews he discovered that in order to be successful in conducting the audits, you had to go in with a spirit of cooperation to the person who is being audited. It should not be a confrontational type of situation, but one of mutual assistance.

Discussing ensued about what other states were doing. Todd Bunderson reported on what other states were doing. He shared research that has been in the works for over a year about these performance evaluations. The research looked at what type of characteristics made for a successful operation, and looked at current wisdom with various practitioners around the nation, as well as academic studies, and a survey sent out to all 40 states which currently conduct some type of evaluations. The survey was very successful.

In the 40 states that engage in evaluations there are 50 offices. 47 offices responded to the survey, representing all 40 states involved. The first item that was important was credibility of the entire staff. If the committee and evaluation function are respected and seen as credible, then the evaluations are more likely to be used in the legislative process. The evaluations would then be acted on. A couple of comments were that an evaluation function needs to call them as they see them, and not pull punches when they issue reports. Credibility ranked very high in the scoring. Staffing is also very important to the success of the program, because evaluations are hard work. In order to structure things in a way that make sense and are constructive, the staff has to be bright and well structured. There is no one best background for evaluators. There is a need for diversity to draw on.

Partisanship is not a part of good evaluations. There must be a sensitivity to the political environment, but partisanship should be removed from this function. None of the 40 states responding has a partisan office.

On procedures issue, they looked at about 8 procedures, which have to do with how the committee and staff operate. A couple of important things are that the oversight committee have some type of link to the budget committee. In our case we have the co-chairs of the budget committee on this committee. Additionally, the follow up procedures have to do with the idea that recommendations are checked up on and made sure they are followed through. The legislature should participate in selecting topics in a general sense. The evaluations should be focused and clear about the end result desired and not be too general. There is a national trend to make evaluations more circumspect.

No other states do evaluations strictly by contract. In fact, 36 of the offices reporting do exclusively in-house auditing. Evaluators contract for a service when they don't have a specific expertise. The reasons for this basically have to do with continuity and institutional memory in the staffing. Follow up is more successful.

Most states follow some sort of standards, whether it be GAO Yellow Book, or other professional sets of standards. Standards are important.

Evaluations should be scheduled out about six months. And time spent conducting one was about six months. The scheduling was strongly related to success scores in the surveys.

Evaluators should probably be evaluated themselves to determine how thorough they are accomplishing their mission. Communication is important in any evaluation. Reports should be concise and condensed and get to the point. Communication has a

lot to do with keeping close interaction with the evaluators and legislature.

One mechanism was that 26 other states use public hearings to facilitate an interest in communication of the reports findings. Computerization is also important. Most offices are highly computerized. Evaluation is a computer-intensive sort of work. Large amounts of data are typically involved.

Independence is important in that not only does the committee and staff have to be independent, but that the topic also has to be non-political. The committee process has to be insulated from the political process, but not removed from the legislative happenings. The most successful committees for states were those that reported to a standing committee. He thinks this has less to do with the independence issue and more to do with the power issue. A standing committee can introduce legislation if they need to see changes made based on the reports.

Two important points on committee membership; one that legislative leaders be on the committee, and be in a position to make changes. Also, experienced membership and membership continuity are very important.

The power of the committee is important to the success of the unit. The power to raise legislation was strongly related to success. 31 committees around the nation can introduce legislation directly. None of the states had restrictions to the accounting system.

The legislative leadership support is the most important characteristic of the ones listed in the report. Most people that wrote articles stressed something about the need for legislative support. Even if everything else took place as it should be, without legislative leadership support, the program will not be very successful. The membership needs to be committed to the whole value of the exercise.

In conclusion, Mr. Bunderson, shares the belief that the proper place for an oversight and evaluation function is very much with the legislature; that it is a very powerful tool in accomplishing objectives, serving constituents and making sure legislative judgement is reflected on how government operates. In terms of justifying the expenditure of the function, Virginia looked at the tax gap in their state and found that an annual tax gap of about \$500 million existed. They recommended improvement to the collection methods and suggested that \$150 million could be collected if the recommendations were followed. The next two years \$65 million was identified as actual new revenue as a result of the implementation of the changes. Idaho does not have a recent amount of the tax gap. He has heard \$90 million as recently as four years ago. Money was spent in the early 80s to improve collection



activities, but it was at a lower rate than might be obtained using the methods Virginia used.

Evaluation is not just about saving big blocks of money. It's about improving government and economizing and making more efficient. Virginia very carefully tracks their savings in evaluations, and can show \$12 saved for every one dollar spent.

As a final note on staffing, Mr. Bunderson, stressed that the quality of people that make for a successful evaluation is very important.

TAPE CHANGE - DISCUSSION OMITTED

Evaluations may not make dramatic changes over night, it takes time. Some times it will cost more money, sometimes less. There is more to good government than good laws.

Representative White mentioned that in information sent out to them there was a National Conference of State Legislatures (NCSL) article about performance evaluations that made reference to a study they had done. He asked if that was referenced in the study. Mr. Bunderson replied that he was not sure which particular study Representative White was talking about, but he did use the report of the Association of Government Accountants (AGA) task force on performance audits. NCSL did do a national report that profiled some characteristics and that was shared with Mr. Bunderson.

Representative White asked to look at that report it if were available. Carl stated that he had the report and offered it for review.

Representative Newcomb discussed the correctness of the study done by NCSL. The AGA task force report discussed some of the same standards.

Mr. Bunderson mentioned that the standards in the '88 version of the Yellow Book is under revision right now. This should adjust the structure away somewhat from the financial aspect. The other standards are some that are put out by the Evaluation Research Society that are more social in nature. There are also some new ones called Program Evaluation Standards, put together by a cooperative group of people in the profession. It is referred to as a Joint Committee on Standards for Educational Evaluation, but the contention is they can be used interchangeably. For the lack of something better, most states have followed the Yellow Book.

Senator Ipsen mentioned that the last part sent out by Carl mentions the Yellow Book and the use of it by performance auditors. The most common complaint of the Yellow Book is that it is not relevant enough to performance audits. It also states that the task force agrees it needs revision, it relies too much on

financial concepts and terminology. The committee needs to work with breaking away from the financial concepts.

Carl stated that the performance evaluation standards are due out in the Spring of '94. They are recommended by the National Program Evaluation Society as being something better than the Yellow Book standards. A copy will be obtained as soon as possible.

Senator Ipsen mentioned that he believes who we have start this program is very important. Representative Gurnsey agrees credibility is the key to this program. Legislative audits in the past have been somewhat performance audits. The people working on the them say they don't think what has happened is credible. How do we establish credibility with an agency and their employees.

Representative Alexander responded that he believes that many times the results come back and do not mirror what the average person at the working level sees. He believes credibility falls down there. A lot of insight is gained from conversation in the prelim, but when the results do not mirror the reality of what the employees see, that's when credibility is lost.

Co-chair Newcomb stated that in addressing the AGA task force report, you must first ask questions in the performance evaluation as to the importance to the policy makers and agency. What's important to legislatures and the agency must be established. The cooperation of the staff and agency is imperative. In the past a hatchet man has come in to make someone look bad. In this instance we are trying to review if something can be made more efficient. The only way to do it, is to do it.

Senator Ipsen mentioned that we had to get good people, but also people that are in a position to establish their credibility. Competence alone won't do it. There must be cooperation with the people working with. If the manager of the agency says we are going to have a performance audit, please cooperate, and the auditor does a good job and sells it, it should create an air of cooperation.

Representative Gurnsey shared an experience of a constituent who made a suggestion that his job be combined with another job. That was proven and that man lost his job. This whole arena, the personnel policies and how people are protected and what happens when they do this, people are so well protected that poor employees are not encouraged to be good employees. There is no easy way to get rid of them.

Credibility comes from independence. This will be important at the onset.

Todd Bunderson was congratulated on his report and research.



A ten minute break was taken.

Chairman Sweeney asked Carl for a report on recruitment. Carl responded that in terms of the status of recruitment; he wouldn't be there if they had been successful. After House Bill 439 was passed the Council made the decision that they would hire a Director of Legislative Services and take the second step of creating a performance evaluator. Carl became the Director on September 1 and began recruitment efforts using a four-person screening committee on the Council. What was discovered early on was that there was no money in the budget for salaries, no office space etc. There was a need to get some type of supplemental appropriation to get the program going this year. He put together a request that would create a two-person unit, the evaluator, a secretary, the support equipment, and part-time assistance from Legislative Services. Legislative Services staff can fill in on an as-needed basis.

He built an FY-95 appropriation request as to how the program would run as originally planned. It would include the performance evaluator, administrative secretary and some basic office expenses. It also included a contract RFP amount of \$150,000. That was broken down into a supplemental request based on the thought we would have a performance evaluator on in January or February and this was six-month expense projection. A continuing cost of \$256,000 was determined, predicated on getting the supplemental request.

They then undertook a nationwide recruitment. Three top applicants were determined. They decided they needed experienced people for the job. There were some good applicants. Two finalists were interviewed in November. He was a little uncomfortable because an appropriation was not yet in place. The job was turned down by both people because of the lack of staff. After the November Legislative Council meeting it was decided to develop a job description, which is contained in the report, and to see if there was any way to use the existing staff to supplement the performance evaluator. Carl met with his staff supervisors and it was determined that they could come up with maybe a half a person for six months. Everybody else was so busy there was no way to provide staff. He was also asked to continue the dialogue with Susan Massart to find out what had changed in her mind from the time she applied to the time she actually came out and turned down the job, and how she would use staff, and would she reconsider if staff became available. He also talked with Craig Monson, the other candidate who had turned down the job, and two of the state people.

Susan Massart said when she got here and found out they were still trying to decide on funding the program she began to feel there wasn't a firm commitment to fund this program. When she thought about how to make this program work, and how to interface

with contractors, to get it done right she would be spending a lot of time with the contractors, working in the field, designing reports, finalizing reports, she felt she couldn't do it alone. She felt the RFP resources could be better used for staff. She followed up with a letter, which has been provided to the committee. If the committee could adjust and provide staff, Ms. Massart would still be interested in pursuing the position.

She outlined what she felt would be needed for a minimum program. Two full-time equivalent positions as evaluation analysts are necessary. We also need funding in-state travel, and out-of-state training NCSL programs. Carl confirmed with NCSL that that's the best program, and it's next offered in May of this year in Phoenix. If we had people on staff they should be sent to that program.

In talking with Craig Monson, his reaction was similar. He said that we don't want to be dependent on the product of the contractor for the success of the program. Our staff has to help design the program, assemble the data, and help write the reports. Both individuals felt similarly in this area. He also felt at least 2 people are needed, and maybe 3 to five. He may still be interested in the position if changes were made.

He talked with Judith Frye, the senior evaluator in Wisconsin, and Nancy Ryme at NCSL, who staffs the Legislative Program Evaluation Society. They gave very similar analyses of the situation. It is possible to start out with one person, but unlikely success would be achieved. The information was brought back to the co-chairs, the Pro Tem and the Speaker, he talked with Senator Ipsen and Reents, and that led to a recommendation to the Speaker and Pro Tem that we hold off on recruiting until this meeting and some recommendations can be made to the Council.

In retrospect he has the same feelings that Representative Newcomb has, that we may have been premature in recruiting before funding was obtained. But it was also a great learning experience. If we go forward now we will have a better program than if we had gone on earlier.

Carl had an alternative budget proposal put together. On Page 20, taking Susan Massart recommendation for two staff people, and considering the delay in hiring which will reduce '94 expenses, what would it cost to do the program right, at a minimum. The management analyst costs are the same, except for the FY-94 are reduced because of later starting date. There are two analysts at a \$30,000 and \$25,000, in line with Susan's recommendations. The travel costs and furniture, a one-time expense which would increase FY-94. The RFP amount was the same. The total unit cost was \$358,000. Some of those being one-time expenses. It is interesting to note that it is not that different in terms of additional costs from the original proposal. There is only an

increase of \$13,500 on the general account in FY-94. In terms of continuing costs of \$340,000 a year, it's only about \$84,000 more than the original proposal. There are some program options, some budget options that are available to the Committee.

Chairman Sweeney asked Representative Newcomb to expand on the letter he wrote, which is before the members. Representative Newcomb responded that the letter is only for discussion, it's some ideas he had. His comfort level was greater after trying to compromise with Ms. Massart rather than with Mr. Monson. He found her to be much more confident. Why should we go out and try to hire somebody else now. It doesn't make sense to go out and again go through the recruiting process. Maybe we should look at the criticisms offered and make changes to attract those two people, or people like them.

There are some changes during the time that the bill was passed, including the decision to transfer the legislative post audit program to the Auditor. There are three positions that were not filled at the time we thought they would be. He had hoped there would be current staff more available. He is very firm on establishing this program, and does not want to see it die for want of some money. Compromises can be made. He still thinks it is doable.

Chairman Sweeney called for discussion. Representative Gurnsey stated that last year when the appropriation was looked at, she felt, and believed Senator Parry did as well, that we were over appropriating in view of the fact that we had lost 21 legislators. But we were constantly told there needed to be enough for Bruce's program. Is there enough money in the general account to fund this program. Representative Newcomb can't answer that. He was under the impression it was funded. Representative Gurnsey felt that's how it was funded, was through the legislative account. Representative Newcomb had to put a fiscal impact on it to get it by the Governor. He is not sure if the money is there.

The Pro Tem responded with a couple of things he wanted to say to the committee. It should keep in mind that it would have been relatively easy to juggle numbers and cut staff had the post audit function been moved to the Auditor's office, they could have cut 20+ auditors out of the staff, and could have said to the public we've reduced that and add for the audit function and still been below the past. The most cost effective way to perform this function is for the post-audit function to stay with the legislature and to add the performance audit. That's the bottom line. The public expects a performance audit group. He doesn't want to start quibbling over how to do it. We should go ahead and implement this performance audit group. The people deserve and want to see some accountability. They won't buy that we didn't do it because we didn't want to spend the money.



We should look to see what type of funding it will take to implement this procedure and make that recommendation to the Legislative Council. The post-audit group will probably be kept in the legislative parameter.

Senator Parry is concerned that we are building another bureaucracy. He made a statement during the summer that never showed up in the minutes. He disagrees with the Pro Tem and says if it's only \$100,000 or only \$84,000, we have agencies all through this state that budget this way. Before we're through we've spent a ton of money. He's impressed with this program and what Carl has done. He agrees with Representative Newcomb that we don't need to go out and look for other people, he believes Ms. Massart should be complimented. He asked about the three positions in the auditors office that were filled just before the auditor left. He thinks we should go back and see how long those positions were empty. He would approve something of this nature if by attrition that these three positions were empty for a long time, it's kind of a trade off. He wants to keep the post audit in the legislature. We must be careful we don't get in the mode of minimizing extra dollars spent. Can we do it another way?

Representative Newcomb responded that by attrition some of this will occur. In '95 when we go to a statewide audit that will necessitate that there will be positions probably open. As people retire or leave we can look at those cost savings. We need to bear in mind fiscal conservation, but also cost benefit analysis.

Chairman Sweeney stated we really have two questions. Before we decide where the money comes from, we need to decide what program we want. Once we determine that we decide how to fund it. Those are the central issues to start with.

Senator Parry believes there's a real value in this program, but we're treading new ground. The way we put it together now will affect the state for many years. If there's cost savings available, we should look at it now, instead of just looking for new dollars.

TAPE CHANGE - DISCUSSION OMITTED  
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TAPE 3:

Senator Reents asked if there were sufficient resources to the legislative branch to deal with funding. The Council needs to make that decision. We may able to be make some suggestions, but that is more in the purview of Legislative Council. It's this committee's job to see what needs to be done to get the performance audit function going, and to give it a high likelihood of success.

Chairman Sweeney asked Carl about the three positions being filled and the status of that. Carl stated his reaction was

similar to Senator Parry's. What he found out was that we were behind in our post-audits and we've had a practice of allowing them to get up to two years before an agency was audited, maybe three years. That is not acceptable. We are in a catch up mode. The problem is that we are now switching from the way we used to do post-audits to a new state-wide audit, and we will have a state-wide financial statement that will be audited by the staff if the Constitutional amendment passes. What that will mean is that in order to begin that state-wide process, we will have to have all our old audits caught up. Because we were behind we have a two-year period to bring all audits current. By the end of fiscal year '95, we can take the state-wide financial statement and do a statewide audit. By the Spring of '96 we should see a decline in the numbers of positions we need for post-audit. And we can start taking advantage at that time of attrition. We are in this period now of asking the post-audit staff to get caught up so we can move to the statewide audit.

Senator Ipsen confirmed what Carl said. By keeping the post audit in the legislature we will save in the future between \$250,000 and \$500,000 a year. But it does take time to transfer to the state-wide audit. Another point he sees, he thinks the oversight committee also ought to be an audit oversight committee and have eventual responsibility for both the post audit and performance audit. We should save a lot of money and effort. The post audit can uncover areas that the performance audit can pursue.

Representative Alexander stated that in this aspect we need to hit a home run on this thing. If we don't the credibility will be damaged. He believes the program should be set up right at the beginning. The committee needs to set a feeling that the money will be used wisely. The committee needs to set a theme for the type of system we want, and we want our agencies to be frugal, we must be frugal. But we also have to provide the capability to function.

The Pro Tem also confirmed that he had inquired of the three positions that were filled. He had asked Senator Ipsen to keep an eye in the post audit function and believes he has done a good job. It is important that we keep up with the post audit function.

Representative White stated that it seemed to him that the post-audit and performance audit should be one and the same. Do other states combine these two types of audits? The Chairman responded that he understood that the post-audit function was somewhat limited in terms of what they look at. The performance part of it could be a part of some of the financial part and it was limited to that. The post-audit is somewhat more general than the performance audit. He asked for confirmation. Senator Ipsen stated that they should be separate but have a high degree of cooperation. They need to be separate to maintain their

independence. But the post-audit can locate areas of weakness that can trigger a performance audit. He would not in favor of combining, but they can work in conjunction. This committee can work with both types of audits.

Representative Newcomb asked that the committee recognize that it is really not necessary to have the post audit and performance audit under this committee. He thinks we can get cooperation as it's set now anyway. But he agrees they can serve each other. One of the things we must be careful about is to recognize that a post-audit by it's nature is financial. The performance audit is a small part financial, but the rest is very diverse, not just CPA functions.

Senator Ipsen stated we should also keep in mind that the post-audit is not closed until we have laws reversing what was done last year, and hopefully a constitutional amendment. The situation is somewhat tenuous now, but looks as if it will work out.

Chairman Sweeney asked if we are at a point we can look at what program should be recommended. Representative Gurnsey stated that she felt three people should be a maximum. She believes there may be some room for some reorganization in current staff. She's not convinced Carl Bianchi needs a full-time assistant. Maybe his person can work part-time for the performance audit evaluator. The reason we got in our present structure was to be efficient and have our staff work together. Maybe people can be rotated around to serve. Agencies must be cooperative in this regard.

Chairman Sweeney stated it is important that we figure out how to make this thing work properly. Senator Parry asked Representative Gurnsey if she was stating that management system analyst and the legislative analyst have a secretary work back and forth. Representative Gurnsey stated this person could have two support staff, including the secretary. That person may determine there is already someone on staff who can do this.

TAPE CUT OUT - DISCUSSION OMITTED (THIS HAPPENED SEVERAL TIMES THROUGHOUT THESE TAPES)

Representative Newcomb asked Carl about staff. He's not sure if we need to quibble over \$34,000 if we have someone who can be freed up to assist as a secretary. Maybe someone could play a dual role. How does Carl see the configuration of the existing staff? Carl responded that in looking at it in the amount of correspondence, scheduling, reports, etc., he doesn't see any way a three person unit can do performance evaluations and not give them a secretary. In Legislative Services there is not enough staff to give assistance in this area. In the Budget and Policy Analysis area there is one secretary for the entire unit. In the rest of the operation there is one secretary/receptionist for the entire basement floor, a couple of DP entry people in the



legislative auditor's area, and one data entry person in the former Legislative Council. What he did when he came in is said let me try to get by using existing staff. He went through that for about two and a half months before he decided that was impossible. He couldn't even get ready for meetings, prepare correspondence. There is not enough clerical personnel throughout the office, he sees no way to provide clerical support.

Senator Ipsen stated that in speaking with the heads of the departments, they indicated that they had five years work ahead of them. They are loaded. They have a staff of 23, but we're talking about a start. He talked about hiring what was absolutely needed now, and get things started and add the additional people as it becomes absolutely necessary. Maybe we should hire the initial person and have that individual have input on the additional staff necessary.

Senator Reents asked Representative Gurnsey about her willingness to support a proposal of three people. Is she talking a bottom line figure of around \$318,000? Representative Gurnsey said yes. That's where she's coming from. She doesn't think we should spell out who this person has to hire, and give them x number of dollars and let them decide who they have to hire. She maintains a maximum of three people and then look at it down the road.

Representative Alexander stated that when the first person comes on that person can feel the environment and then determine the type of people they want to hire and what their functions will be. He comes back to the fact that Ms. Massart has impressed a number of people, and is she says this is what is necessary, it might be unwise to overlook her recommendations. We should encourage her to look at less, but not tie her hands. He hopes to have some control as to the staff, but leave it flexible to be willing to adjust.

Senator Parry asked about the \$150,000 RFP, is that enough or too small or enough for a year. Representative Newcomb stated that it's probably close depending on the number of performance audits you want to do. In looking at 2 or 3 performance evaluations, depending on the scope that would serve. Carl stated that is the softest figure in the budget because there is no way to really know. He came up with that figure by talking with Judith Frye, but it is just a guess. Part of it depends on the scope, and part of it depends on how much the staff will do.

Senator Sweeney asked that question to the committee. Do we get these two analysts so we reduce the need to contract out a great deal. He wants to find out what is reality.

Senator Parry asked when an RFP is put out, how long does it take to be up and running. If we hire someone and put people on

board in the first of April, when can we be going. Senator Ipsen said that was nebulous. It's hard to say how long it would take to get the program up and running. It also depends on the scope of each evaluation. An RFP can take anywhere from two weeks to several months.

Representative Alexander stated that the State of Idaho, once something has been submitted to the procurement group it would ordinarily take 30 to 60 days. Senator Ipsen reiterates that there is a lot of preliminary work to get done. Another thing that would dictate costs is the time of year you are negotiating with the firms. If there were flexibility of timing to get the best deal for the money that might be worth looking at. There also must be correlation between the internal and external staff.

Senator Parry asked what the catchers expect from this committee as to the recommendations to the Legislative Council? Do we make a recommendation, do we come up with a figure, what are the expectations. Chairman Sweeney stated that we need to make a recommendation to the Council what we believe is necessary in terms of staff that will accomplish our goal. Representative Newcomb that his charge from the Speaker and Pro Tem was that we come up with a recommendation as far as staff and dollars.

Representative Alexander asked where we would locate these people. Carl responded that he recognized the lack of space. The best way to use the staff is to keep them together. We want to make that as easy as possible. It makes sense to keep them in the Capitol building. There is a remodel project put together in an empty hallway leading into the area where the old legislative auditor's office is. There will be three very small offices put there. The space will be ready by the end of March.

Senator Ipsen does not believe the auditors need to have big spaces because ordinarily they will be out in the agency offices. It was suggested that there is also a need for a conference area. Carl agrees. There is a very small conference room in the legislative audit area. It is filled with computer equipment now, but hopefully can be used for meetings.

Chairman Sweeney found in discussions with Ms. Massart and Mr. Monson that there needed to be some good direction. We can't expect someone to leave a good position and ask them to come in to an unknown. There can be some time element. All these people won't be on board until we need them there.

Representative Newcomb commented that it seems to him that we do need to make a commitment if we want quality people. He would suggest that we hire the management systems analyst and let them decide who else needs to be hired, and he also expanded to say let them make a decision about coming up with an administrative secretary. He suggested that we're hiring someone who has spent

their career looking at efficiency. Maybe we should give them the spending authority of the \$358,000 and let them determine if they want to hire an administrative secretary, and how many FTEs they can have. Both candidates felt there had not been a strong commitment. Do we want to quibble over a few dollars, or make a commitment to a project, and give the analyst the authority? He feels confident with both candidates.

Senator Parry remembers that one of the things that struck him from the Council was that in setting up a performance audit we need to start with a home run. The program needs a budget to work from. He motioned that the committee recommend to Legislative Council to hire a Management Systems Analyst and give them \$325,000. Give them the money as a budget for the first year, let them spend it as they see fit, and come up with the money to fund the one-time costs. They will then have the opportunity to resubmit a budget later on. Chairman Sweeney asked if FY-1995 would be \$325,000 and that the FY-94 would be what we had. Senator Parry said yes, if that was what was necessary. Representative Alexander seconded the motion. Chairman Sweeney called for discussion.

Representative Gurnsey stated that she was still of the opinion that there's plenty of money in this year's legislative account that will take care of the supplemental appropriation.

Representative Newcomb stated that he didn't feel there was leeway in the budget. Representative Newcomb feels the committee's position is not to determine what it is going to do, but make a recommendation to the Council.

Senator Parry also understood there was money in the legislative account for this program. There can be a supplemental if the money is determined not to be there.

Senator Reents supported the motion . . .

TAPE CHANGE - DISCUSSION OMITTED

Everyone will not be hired at the same time, and it will give that person time to look at the overall budget and decide whether there needs to go into the contract RFP category or for a position for a second analyst.

Chairman Sweeney recalled in looking at the legislation that created the committee that it is to make a recommendation to the Legislative Council and the Council will then say they will fund it or not, or recommend to JFAC that they will do something.

Carl asked about the motion and if it incorporated the thought that the performance evaluator would have the authority to hire the staff, but encourage them to use the money wisely. Senator Parry stated that his motion gave the analyst \$325,000 for 1995, to spend



it as they see fit.

Representative White stated he thinks we're headed into a situation where there will be some costs. The majority vote of both houses was to do performance audits. What he's learned about those types of audits is that they won't be free, but the upside can be positive. If we're going to do it, we should do it right.

Chairman Sweeney repeated the motion, that FY-1995 will contain \$325,000 in an amount to be used in the performance audit section to hire a management system analyst and allow that person the authority to expend the funds and hire the staff as they see fit, including their salary. Chairman Sweeney called roll call vote: Senator Sweeney, Senator Parry, Senator Ipsen, Senator Reents, Representative Newcomb, Representative Gurnsey, Representative White, Representative Alexander all voted in favor of the motion.

Chairman Sweeney asked what type of recommendation we would make to the Legislative Council as it pertains to this year. Representative Alexander stated that we should recommend that the Legislative Council see that this performance evaluation program gets rolling as soon as possible.

Senator Reents made the motion that we request the Legislative Council authorize up to \$66,200 for the performance audit function for '94, and that a supplemental budget request be made if there are not sufficient resources in the legislative account. Representative Gurnsey seconded the motion. She came up with that figure by subtracting the amount for the second analyst position.

Chairman Sweeney called for discussion. Senator Parry agreed with the motion. We should look at the legislative account very thoroughly. Chairman Sweeney felt we would be hard-pressed to spend that amount by the time we get to the point of having that person on board.

Chairman Sweeney called for vote. Vote carried unanimously.

Representative Alexander commented that a lot of folks sitting in the room don't feel comfortable with what a performance audit will be like and what will happen. Should we figure out how that is resolved? If the committee is going to oversee the audits maybe it should have an idea of what to expect. Chairman Sweeney responded that he felt the same way, but when he talked with the two applicants, he felt comfortable with their ability. If we get one of the two, or someone comparable, there will be someone that can get the point across.

Senator Ipsen said the purpose of performance evaluation is to be able to service more people with the same staff or effort, or to cut down what is there if it is not necessary. The performance

evaluation needs to establish the mission of the department and then find the most efficient way to that goal.

Senator Parry responded by saying this committee's responsibility is to suggest where and what should be audited. The person responsible should be able to run with that.

Representative Alexander agreed and commented that he feels that the committee should get the agency directors and boards and commission to start thinking of a mission, a vision, plans for the future.

Senator Reents stated that when some sat through interviews she was concerned that she thought the top two candidates had done a good job selling them, but she didn't feel Idaho had sold itself. She feels now on much firmer ground, and there is a lot of learning to do, but hiring a good person to head this up and letting that person know of the commitment to establish a good program.

Senator Ipsen stated that this summer several members attended a conference in Texas about performance audits. Chuck Moss stated that goal setting had been started some time back, but does not seem to be widely known or used.

Representative Gurnsey stated that she didn't feel it was widely publicized. She wants to establish in her mind if the committee is going to recommend to offer the job again to Susan and then the other fellow, or are we going to offer it to Monson and then to Susan? Representative Newcomb felt that was a good question. The original charge was to hire Monson and then Massart. Now, after everything that went on, he feels Massart is a great deal better for the job.

Representative White commented that as a legislative body often goals and objectives are not clear. The future isn't what it once was because the committee will have to come to a consensus as to expectations.

Representative Alexander didn't talk to Ms. Massart, but did speak with Monson on the telephone. During the entire conversation Monson was making almost excuses on how he would not be successful. He got the impression he would spend more time smoozing the legislature than coming up with a good end product.

Senator Parry doesn't feel it's this committee's responsibility to make that recommendation. From what he's hearing and with the new information it wouldn't surprise him if there wasn't a complete reversal on preference.

Carl agrees, but feels the committee should recommend either new recruiting, or finish up the details so that the program can be presented as a commitment. He would prefer that.

Senator Parry recommend that we not go through the application process again until the two top candidates take another look at the position, and make sure the program is on firm ground. Chairman Sweeney stated that he felt the most confident about Ms. Massart.

Senator Reents asked if it were a consensus that the committee would like to see the appropriation request for next year expedited so that Legislative Council is on stronger ground when the offer is made. Chairman Sweeney responded that they don't want to go through the position again of not having a definite program.

Representative Newcomb asked if we needed a motion to say that we recommend first having the appropriation, then offering the job again to the two people before pursuing anyone else. Senator Parry did not feel the need for the motion.

Chairman Sweeney asked Carl to cover the next item on the agenda. Carl asked the committee to begin thinking about how it might measure its own program. It might be wise in the planning process to set some expectations to be met. On Page 21 he identified some possible measures to look at. It will be necessary to evaluate the performance evaluation program.

Chairman Sweeney then called for comments on the report to go to Legislative Council. Carl suggested looking at page 22. Anticipating a short deadline, he put together a brief outline of what could be used to prepare the report. It would cover the appointment of the committee, the review of statutory responsibilities, include the surveys and Todd's report, and then a discussion of the recommendations made today. Carl felt that he and Sheila can come up with a draft of a report to be agreed upon by the Committee. Distribution is required to the legislature, although it could be just noticed to the legislators that it is available upon request.

Senator Ipsen asked when the committee would next meet. Chairman Sweeney asked if there was any objection to Carl writing up a proposed report? Hearing none, Carl will take that action. Senator Reents asked that instead of distributing to the legislature, the report be made available upon request. It was decided for Senator Ipsen and Carl to get together and come up with a mission statement.

Representative Newcomb stated he felt good progress had been made. The meeting was adjourned.