

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/20/2015**

Bill/Resolution No.: SB 2317

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

No fiscal impact on the Office of the State Auditor's appropriation. However, due to a potential need for a consultant, the Department of Human Services (DHS) would pay for the costs, estimated at \$100,000.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

While there is no fiscal impact on the Office of the State Auditor, current resources may restrict additional performance audits being conducted in the 2015-2017 biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Due to the specific areas required to be reviewed as part of this performance audit, it is anticipated that an outside consultant will need to be hired. The Office of the State Auditor would request approval from the Legislative Audit and Fiscal Review Committee to hire a consultant. The Department of Human Services would pay for the consultant. The estimated amount is \$100,000 and is based on the requested areas to review and past amounts paid to consultants.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Ed Nagel

**Agency:** Office of the State Auditor

**Telephone:** 328-4782

**Date Prepared:** 01/21/2015

**2015 SENATE HUMAN SERVICES**

**SB 2317**

# 2015 SENATE STANDING COMMITTEE MINUTES

Human Services Committee  
Red River Room, State Capitol

SB 2317  
1/27/2015  
22583

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Katie Oliver for Don Moller*

## Explanation or reason for introduction of bill/resolution:

A bill to require performance audit of the state hospital; and to declare an emergency

## Minutes:

3 Attachments

Senator Warner: District 4, introduced the bill (attachment #1) (:46-2:12)

Senator John Grabinger: District 12, spoke in favor of SB 2317 (attachment #2) (2:37-4:00)

No more testimony in favor

Opposition - None

Neutral

Jason Wahl: State Auditor Office, testified neutral to SB 2317 (attachment #3) (4:39-6:47)

Senator Dever: This is referred to as a performance audit, is the purpose how to adjust to a new emphasis on behavioral health. How does that involve the state auditor's office?

Jason Wahl: Performance audits go outside the realm of financial audit. It could encompass a number of different things in this case it would relate to all four items that are specified in the bill, or perhaps in our preliminary review of the state hospital there is something else that may be brought to our attention that should be reviewed. Our office doesn't have the expertise, in relation to mental health issues, and we would have to contract with an outside party to do this audit.

Senator Warner: \$100,000 is rounded off number; the Schulte report, which was a statewide survey, was \$45,000. \$100,000 seems like a large number.

Jason Wahl: Yes, the people who do their homework to do an RFP will find out what is available, and bids come in at what is appropriated usually. The \$100,000 amount is based on passed consultants our office has hired in regards to doing additional work. The last time we hired someone in medical field was in 2007 for the UND Medical School that was

\$73,000. We would anticipate that these costs have increased significantly and we would need to the legislative audit and fiscal review committee to request permission to hire a consultant up to what we anticipate to be \$100,000. It's the best estimate that we have at this time; these consultants will be high cost. We do require them to report to fiscal and audit committee and Department of Human Services.

Chairman Judy Lee: On the Schulte report, the \$45,000 we got a great bang for the buck. It included 400 stakeholders who assembled the information. What was the long term care study, \$200,000? In looking at what we've seen, \$100,000 is not unreasonable. In the case of the Schulte report is it more complete then it ever would have been if we hadn't had a lot of folks around the state that came in and put in a lot of effort into it.

Jason Wahl: Obviously our office we would hope could do less than that. But until we issue an RFP, it is hard to know.

Chairman Judy Lee: Can you provide clarification on standard audit and performance audit.

Jason Wahl: Our office does conduct various types of audits. The bill in front of you is a performance audit which is one section of our office. The department also has financial auditors who review the financial side of things, look at transactions, look at expenditures, and look at revenue. Our office would do work in relation to financial aspects of the state hospital for the Department of Human Services audit. Department of Human Services is a very large entity, of which state hospital is a part of. Performance audit would focus on what was identified in the bill and what we find in background. Efficiency, compliance to rules and regulations not fiscally related. The auditors did the school of medicine 8 years ago, and outside consultant provided information to move that entity forward. If legislative audit and fiscal committee said no consultant, then there are things in the bill that we could not do.

Chairman Judy Lee: How often do you do the regular standard audits?

Jason Wahl: DHS is on a 2 year cycle. Performance audits are as we can get to them. Not every entity has had it. Most recent in Department of Human Services is fraud and abuse division. Have done SPED and Child Support previously.

Chairman Judy Lee: When standard audits are brought to legislative fiscal and audit, there are recommendations that are brought forward. The entity that is audited can also answer to the report. If there is a report back, are you fixing the things that the audit report asked?

Jason Wahl: The financial aspect is more work in relation to controls, such as management of fiscal operations, doing what they are supposed to on significant laws, rules, and policies.

V. Chairman Oley Larsen: If you are going to do a performance audit on state hospital, you don't have the expertise to do that.

Jason Wahl: Correct, that is the reason for a consultant.

Chairman Judy Lee: If I understand correctly you don't have the expertise to talk about how the facility would be used to deliver behavioral health services and correction services in the most effective way. I did pull up SB 2041 a bill from the Government Services for Department of Human Services to develop a master plan in conjunction with the Department of Corrections and Rehabilitation for the state hospital and the James River Corrections Center and to provide reports to legislative management. Is someone from the department would be willing to be to fill us in on what they see that being.

Alex Schweitzer: State Hospital, SB 2041 is result of interim committee study looking at entire campus, including buildings. This study would not only look at building infrastructure, but employees, operations.

Chairman Judy Lee: Is there a consultant involved?

Alex Schweitzer: Yes it is likely, while we have been audited performance, we are a joint accredited - most things in the bill have been reviewed on a 3-year audit.

Senator Howard Anderson, Jr.: None of these things are without cost to the institution - time, energy of the staff. If we have two studies, it will require more.

Alex Schweitzer: That is correct, it will require staff.

V. Chairman Oley Larsen: What comes out of the 3 year audits?

Alex Schweitzer: Accreditation reviews, infrastructure, employees, credentials, how they treat patients, and can get sited for joint conditions. We've had some of those in the past.

Chairman Judy Lee: Same as hospitals.

Alex Schweitzer: Yes, they accredit us under inpatient psych and hospitals are under general care.

Senator Howard Anderson, Jr.: What was the genesis of this bill and the question?

Senator Warner: Just that there was awareness that there was a transition happening and I would like to see some legislative viewing of the process.

Chairman Judy Lee: What we may want to consider is how what Senator Warner goals are might fit into what is going on in 2041. Perhaps they could be melded together, and not duplicate.

There was no further testimony or questions, Chairman Judy Lee closed the public hearing on SB 2317.

# 2015 SENATE STANDING COMMITTEE MINUTES

Human Services Committee  
Red River Room, State Capitol

SB 2317  
2/2/2015  
23008

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Donald Mueller*

## Explanation or reason for introduction of bill/resolution:

A bill to require performance audit of the state hospital; and to declare an emergency

## Minutes:

"Click to enter attachment information."

These are minutes from the Senate Human Services Committee meeting February 2, 2015.

**Senator Howard Anderson, Jr.** made a motion to DO NOT PASS on SB 2317. The motion was seconded by **Senator Dever**.

### Discussion

**Senator Howard Anderson, Jr.** indicated as explained in testimony, the state hospital is accredited; they are reviewed by joint commission periodically. There is not much to be gained by spending time and energy on an audit.

**Senator Dever** in addition, the auditor's office indicated they will not have time to do it. Most performance audits they can do in a biennium is 3. There is a study going forward to consider the use of the state hospital with the James River Correctional Center, and perhaps this could fit with that.

**Chairman Judy Lee** indicated that she was agreeable to be with that other bill. Consider an amendment for Femi looking at the function, when that site plan is being addressed.

**Senator Warner** indicated there is money in that bill, but it is not in this committee.

**Senator Dever** indicated it is in his other committee. Senator Warner indicated that this bill does not need to go forward, even though he will vote no on the bill being killed.

### Roll Call Vote

4 Yes, 2 No, 0 Absent. Motion passed to DO NOT PASS SB 2317.

**Senator Howard Anderson, Jr.** will carry the bill to the floor.

Date: 02/02 2015  
Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE**  
**ROLL CALL VOTES**  
BILL/RESOLUTION NO. SB 2317

Senate Human Services Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar  
Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Anderson Seconded By Dever

Senators	Yes	No	Senators	Yes	No
Senator Judy Lee (Chairman)	✓		Senator Tyler Axness		✓
Senator Oley Larson (V-Chair)	✓		Senator John M. Warner		✓
Senator Howard C. Anderson, Jr.	✓				
Senator Dick Dever	✓				

Total (Yes) 4 No 2

Absent 0

Floor Assignment Anderson

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2317: Human Services Committee (Sen. J. Lee, Chairman)** recommends **DO NOT PASS** (4 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2317 was placed on the Eleventh order on the calendar.

**2015 TESTIMONY**

**SB 2317**

Attach # 1  
SB 2317  
01/27/15

Senate Bill 2317  
Senator John Warner  
Before the Senate Human Services Committee  
27 January 2015

Madam Chair, Members of the Committee,

It has been widely reported this session that there will be major leadership changes in the way that the state delivers mental health services in the coming months. This bill is part of a series of bills to smooth the transition, to allow an outside set of eyes to make recommendations and to allow some information to flow to the legislature which determines how state money can be most effectively spent.

The bill specifies four areas for study, security, best practice, cost effectiveness and communication. These are areas in which there are broad national discussions and are not generated by specific concerns at the state hospital

The bill as written calls for the office of the auditor to conduct the audit and there is no appropriation contained but as the discussion advances I hope that one of the questions would be if money should be added to hire a consultant with more professional expertise in mental health delivery.

The emergency clause was added to the bill, in part, so that the current leadership of the institution would be available to assist the auditor but also so that information would be available to coordinate with the bill containing the proposed master plan which is SB 2041. I believe this could provide a valuable resource to the selection process for a new director and helpful direction as we "reboot" this institution.

Madam Chair, members of the committee, I hope you will give this proposal serious consideration and a Do Pass recommendation.

Attach 2  
SB 2317  
01/27/15

Madame Chair and committee members, my name 2.1 is Sen. John Grabinger from district twelve in Jamestown. I come before this committee in support of this bill. When I first was approached about this bill I will admit, I did have some reservations about it. Thinking it could possibly be a witch hunt or fishing effort just looking to find some fault. After visiting for a while with the distinguished Senator from district 4, I soon realized that was not the case at all. That the intent was nothing sinister at all, but rather simply questioning whether or not what we are doing in our treatment facility for our mental health patients is the best we can afford these citizens or not. Whether or not changes can be made to update our procedures or methods we utilize in the treatment of these patients. With a proposal on the table to look at the state hospital facilities, a possible changing of the guard, so to speak and after spending considerable time discussing this with some state hospital employees who deal with this every day, it just

makes sense to take a deeper look at this also. I personally think our staffs at the state hospital are some of the best state employees we have and their dedication to the patients is undeniable, but if we can do a better job and avoid future problems, we certainly should. I ask that you move this bill forward with a do pass. Thank you



Attach #3  
SB 2317  
01/27/15  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
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**TESTIMONY BEFORE THE  
SENATE HUMAN SERVICES COMMITTEE**  
**Senator Judy Lee, Chair**

January 27, 2015

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S.B. No. 2317

Testimony - Presented by:  
Jason Wahl, State Auditor's Office

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The Office of the State Auditor welcomes the opportunity to conduct performance audits as requested through legislation. Based on the requirements included in Senate Bill 2317, we anticipate the audit will require a consultant with expertise in certain areas. As indicated in the fiscal note, we estimate the cost to the Department of Human Services would be \$100,000 for this consultant.

We would like to identify to the Committee if this Senate Bill were to pass as well as House Bill 1259 (requires performance audits of the Oil and Gas Division of the Industrial Commission and the state Department of Health), we believe all our current performance audit resources for the 2015-2017 biennium would need to be used to complete the three audits.