

# LEGISLATIVE AUDIT COMMITTEE

## MINUTES

January 23, 2008

*Please note: These are summary minutes. The minutes are also accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.*

*An electronic copy of these minutes and the audio recording may be accessed from the Legislative Audit Division homepage at [http://www.leg.mt.gov/css/audit/meeting\\_info.asp](http://www.leg.mt.gov/css/audit/meeting_info.asp).*

*To view the minutes, locate the meeting date and click on **Minutes**. To hear the audio recording, click on the date link at **Listen**. Note: You must have Real Player installed to listen to the audio recording.*

### Members Present

Sen. Joe Balyeat  
Sen. Greg Barkus  
Sen. Steve Gallus  
Sen. Dave Lewis  
Sen. Lynda Moss  
Sen. Mitch Tropila

Rep. Bill Beck  
Rep. Bill Glaser  
Rep. Hal Jacobson  
Rep. John Sinrud

### Members Excused

Rep. Betsy Hands  
Rep. Bill Wilson

### Staff Present

Scott Seacat, Legislative Auditor  
Tori Hunthausen, Chief Deputy Legislative Auditor  
Jim Gillett, Deputy Legislative Auditor  
Monica Huyg, Legal Counsel  
Becky Buckmaster, Administrative Support Manager

The Legislative Audit Committee met January 23, 2008, in Room 102 of the State Capitol. Senator Joe Balyeat, Chairman, called the first day's meeting to order at 9:00 a.m., noting the presence of a quorum.

**Minutes approval** – The November minutes were approved. Motion by: Senator Moss, **motion carried**.

**AUDIT REPORTS**

0:00:42 **STATE OF MONTANA, 07-01 (Financial Audit)**

**Report presented by:** Pearl Allen, Legislative Auditor

**Present from the agency:** Paul Christofferson, Administrative and Financial Services  
Division Administrator  
Julie Feldman, Accounting Bureau Chief  
Janet Atchison, Accounting  
Wendy Feth, Accounting

**Agency response presented by:** Paul Christofferson

**Handouts:** CAFR by Paul Christofferson

**Concerns/Discussion topics:** Investment disclosures; state and federal revenues/expenditures; fund balances; audit control deficiencies; improvements in infrastructure.

**Committee requests:** Pie chart showing state versus federal revenue breakdowns; a comparison of this year's unreserved undesignated fund balance to past years.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Senator Moss, **motion carried.**

0:34:24 **MONTANA SINGLE AUDIT REPORT, 07-02 (Federal Single Audit)**

**Report presented by:** Cindy Jorgenson, Legislative Auditor

**Present from the agency:** Mark Bruno, Lead Budget Analyst, Office of Budget and Program Planning

**Handouts:** Federal awards document from Cindy Jorgenson (Exhibit 1)

**Agency response presented by:** Mark Bruno

**Concerns/Discussion topics:** Additional findings not in the report, non-compliance issues; federal awards; danger of loss of federal funds; internal controls.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Representative Jacobson, **motion carried.**

0:54:48 **BOARD OF INVESTMENTS, 07-04 (Financial Audit)**

**Report presented by:** Vickie Rauser, Legislative Auditor

**Present from the board:** Carroll South, Executive Director  
Geri Burton, Deputy Director  
Gayle Moon, Accounting Fiscal Manager

**Board response presented by:** Carroll South

**Concerns/Discussion topics:** Investment areas; withdrawals from government agencies in the STIP; board member make-up and credentials; board investment process and direction; STIP and possible future legislation, board control in the STIP process, SIV defaults, liquidity issues; website yield postings; government subsidization of investments.

**Committee requests:** Notification as soon as possible of SIV default occurrences and other updates when available.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by: Senator Moss, **motion carried** with one member voting nay.

02:13:25 **PUBLIC EMPLOYEES' RETIREMENT BOARD, 07-08 (Financial Audit)**

**Report presented by:** Jeane Carstensen-Garrett, Legislative Auditor

**Present from the board:** Roxanne Minnehan, Executive Director  
Barbara Quinn, Fiscal Services Bureau Chief  
Diann Levandowski, Assistant Fiscal Services Bureau Chief

**Board response presented by:** Roxanne Minnehan

**Concerns/Discussion topics:** Employer contributions with regard to reduction or increase adjustments; funding amortization periods.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by: Senator Barkus, **motion carried**.

02:19:57 **THE UNIVERSITY OF MONTANA, 07-10 (Financial Audit)**

**Report presented by:** Laura Norris, Legislative Auditor

**Present from UM:** Dan Jenko, Assistant Director of Financial Services  
John Badovinac, Controller, Montana Tech of UM  
Kathy Burgmeier, Director, Internal Audit  
Mark Pullium, Director Business Services  
Robert Duringer, Vice President, Administration and Finance  
John McCormick, Associate Director, Business Services

**UM response presented by:** Robert Duringer

**Concerns/Discussion topics:** Tuition increases; UM investment strategies.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Senator Moss, **motion carried.**

02:26:51 **MONTANA STATE UNIVERSITY, 07-11 (Financial Audit)**

**Report presented by:** Chris Darragh, Legislative Auditor

**Present from MSU:** Laura Humberger, Assistant Vice President for Financial Services, MSU at Bozeman  
Craig Roloff, Vice President for Administration and Finance, MSU at Bozeman  
Ila Saunders, Interim Director of Internal Audit

**MSU response presented by:** Laura Humberger

**Concerns/Discussion topics:** None

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Senator Moss, **motion carried.**

02:30:11 **DAWSON COMMUNITY COLLEGE, 07C-09 (Contract Audit)**

**Report presented by:** Robert Denning of Denning, Downey & Associates

**Present from DCC:** Dr. James Cargill, President  
Justin M. Cross, Dean of Administrative Services

**DCC response presented by:** Robert Denning

**Concerns/Discussion topics:** Enrollment declines; college expansion costs and student tuition increases; previous audit deficiencies.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Senator Moss, **motion carried.**

02:40:18 **MONTANA GUARANTEED STUDENT LOAN PROGRAM, 07-06 (Financial Audit)**

**Report presented by:** Lena Tamcke, Legislative Auditor

**Present from MGSLP:** Bruce Marks, Director, Office of the Commissioner of Higher Education  
Robin Graham, Chief Financial Officer, Montana Guaranteed Student Loan Program

**MGSLP response presented by:** Bruce Marks

**Concerns/Discussion topics:** Student loan debt defaults; investments with Sallie Mae.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Senator Moss, **motion carried.**

02:44:36 **UNIVERSITY SYSTEM ENROLLMENT PROJECTIONS**

**Report presented by:** Sheila Stearns, Commissioner of Higher Education  
Tyler Trevor, Associate Commissioner

**Concerns/Discussion Topics:** Decreases in enrollment; building, university building projects; Native American centers; student services and opportunities.

**Handouts:** Statistical information (Exhibit 2)

**Actions taken:** None

04:32:35 **OFFICE OF PUBLIC INSTRUCTION, 07-19 (Financial-Compliance Audit)**

**Report presented by:** Jennifer Erdahl, Legislative Auditor

**Present from OPI:** Joan Anderson, Operations Assistant Supervisor  
Julia Dilly, Centralized Services Division Administrator

**OPI response presented by:** Joan Anderson

**Concerns/Discussion topics:** Software as an asset not expenditure.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Senator Barkus, **motion carried.**

04:43:07 **STATE GRAIN LABORATORY OPERATIONS AND FUTURE VIABILITY, MONTANA DEPARTMENT OF AGRICULTURE, 07P-10 (Performance Audit)**

**Report presented by:** Diedra Murray, Legislative Auditor

**Present from SGL:** Ron de Yong, Director  
Joel Clairmont, Deputy Director & Administrator, Agricultural Development Division  
Kathy Seacat, Administrator, Central Services Division  
Craig Essenbaggers, Chief, State Grain Laboratory Bureau

**SGL response presented by:** Ron de Yong

**Concerns/Discussion topics:** Fees; signage enforcement issues; surveys regarding viability; Montana Wheat and Barley Committee and other grants; private labs versus the state lab in testing issues.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by: Representative Jacobson, **motion carried.**

05:14:55 **STATE WEB SERVER SECURITY AUDIT, 08DP-02 (Information Systems Audit)**

**Report presented by:** Dale Stout, Legislative Auditor

**Present from the agency:** Janet R. Kelly, Director  
Dick Clark, Chief Information Officer  
Dawn Pizzini, Service Continuity Bureau Chief

**Agency response presented by:** Janet Kelly

**Concerns/Discussion topics:** Wireless network security issues

**Committee requests:** Update on the corrective actions regarding the two recommendations in the report as soon as they are implemented; copy of new security policy when available.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by: Senator Barkus, **motion carried.**

05:42:45 **STATEWIDE ACCOUNTING, BUDGETING, AND HUMAN RESOURCE SYSTEM, SABHRS, 08DP-03 (Information Systems Audit)**

**Report presented by:** Nathan Tobin, Legislative Auditor

**Present from the agency:** Janet R. Kelly, Director  
Paul Christofferson, Administrator, Administrative and Financial Services Division  
Ed Glenn, Finance Co-Manager

**Agency response presented by:** Janet Kelly

**Concerns/Discussion topics:** Corrective actions; Recommendation 2.

**Committee requests:** Periodic updates on the corrective actions as they are implemented.

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Representative Beck, **motion carried.**

05:53:10 **MONTANA STATE FUND, 07-05 (Financial Audit)**

**Report presented by:** Laurie Barrett, Legislative Auditor

**Present from the agency:** Laurence Hubbard, President/CEO  
Mark Barry, Vice-President of Corporate Support  
Patti Grosfield, Internal Auditor  
Rene Silverthorne, Controller  
Kevin McCaughey, Financial Analyst

**Agency response presented by:** Laurence Hubbard

**Concerns/Discussion topics:** None

**Actions taken:** None

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law.  
Motion by: Representative Jacobson, **motion carried.**

05:59:41 **Other Business**

The Montana Highway Patrol's annual report was handed out to the Committee with updates requested during an audit two years ago (Attachment 1). Scott Seacat asked the Committee to e-mail any questions regarding this to him. If necessary, a representative from the Montana Highway Patrol will be available at the next meeting.

The Committee acknowledged the retirement of Scott Seacat and discussed procedures, as well as actions that will need to be performed to provide for his replacement. A sub-committee will be appointed in the future for this undertaking.

Representative Sinrud inquired about the past Legislative Audit Division issue regarding branch security, specifically the Executive Branch having access to desktop computers that contain sensitive confidential information. Mr. Seacat responded that a security officer has been hired and there is a new network administrator that talked to LAD about the security that needs to be maintained. There are plans and actions being taken to secure the information.

Representative Beck asked about the status of the Insure Montana audit. He was assured that this was moved up on the list, a risk assessment will be done, and the Committee will be notified of the results.

**Next Meeting Date**

The next meeting of the Legislative Audit Committee will be at the call of the Chair sometime in late April/May timeframe.

There being no further business, the meeting was adjourned at 3:25 p.m.

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Signed:           /s/ Senator Lynda Moss            
          Sen. Lynda Moss, Secretary