

# LEGISLATIVE AUDIT COMMITTEE

## MINUTES SUMMARY

October 26, 2012

*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/audit/meeting\\_info.asp](http://www.leg.mt.gov/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.*

<u>Members Present</u>	Present
Sen. Debby Barrett	P
Sen. Gary Branae	P
Sen. Taylor Brown	P
Sen. Cliff Larsen	P
Sen. Mitch Tropila	P
Rep. Randy Brodehl	P
Rep. Tom Burnett	P
Rep. Mary McNally	P
Rep. Trudi Schmidt	P
Rep. Virginia Court	P
Rep. Wayne Stahl	P

<u>Members Absent</u>	Excused
Sen. Fredrick (Eric) Moore	Excused

### Staff Present

Tori Hunthausen, Legislative Auditor  
Deborah F. Butler, Legal Counsel  
Cindy Jorgenson, Deputy Legislative Auditor  
Angus Maciver, Deputy Legislative Auditor  
Ann Hernandez, Admin Support Supervisor

The Legislative Audit Committee met October 26, 2012, in Room 172 of the State Capitol. Chairman, Senator Mitch Tropila called the meeting to order at 8:35 a.m., noting the presence of a quorum.

**Minutes Approval** – June 19, 2012, Minutes were approved. Motion by Rep. Schmidt: **motion carried**.

## AUDIT REPORTS

### **DEPARTMENT OF ADMINISTRATION (12-13)**

00:04:39 **Report presented by:** Alexa O'Dell, Senior Financial-Compliance Auditor

**Present from the agency:** Janet R. Kelly, Director  
Paul Christofferson, Administrator, State Accounting  
Division

00:20:12 **Agency response presented by:** Janet R. Kelly, Director

**Handouts:** none.

**Committee comments and questions:**

Discussion on \$11 million in contractor payments made without review for Davis Bacon requirements, whether the proper controls were in place for the funds, concerns with both the expenditure and the reimbursement (as a revenue) should be included in the budget contrary to state accounting policy, and shared accounts with inappropriate access exists, and timely deposits responsibilities.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Brodehl; **motion carried.**

**UPDATE ON IMPROVING MONTANA’S OFFICE SUPPLY ACQUISITION PROCESSES (11P-09) PERFORMANCE**

**FOLLOW-UP MEMOS:**

00:36:17 **Presented by:** Megan Coy, Performance Auditor

Recording of Livestock Brand Ownership (12SP-06)

Sexual or Violent Offender Registry (12SP-38)

**DEPARTMENT OF REVENUE (12-14)**

00:53:46 **Report presented by:** Jennifer Erdahl, Financial-Compliance Auditor

**Present from the agency:** Dan Bucks, Director  
Alan Peura, Deputy Director  
Steve Austin, Citizen Services and Resource Management  
Division Administrator  
Gene Walborn, Business & Income Taxes Division  
Administrator  
Cathy Fitzgerald, Citizen Services Bureau Chief

01:00:48 **Agency response presented by:** Dan Bucks, Director  
Steve Austin, Citizen Services and Resource Management  
Cathy Fitzgerald, Citizen Services Bureau Chief

**Handouts:** none

**Committee comments and questions:** concerns with administrative cost compared with other states, state compliance, unclaimed property, and last auction in 2001.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep Schmidt; **motion carried.**

**ONE-STOP BUSINESS LICENSING PROGRAM (12P-05)**

01:44:39 **Report presented by:** Torry van Slyke, Performance Auditor

**Present from the agency:** Department of Revenue  
Dan Bucks, Director  
Steve Austin, Citizen Services and Resource Management  
Division Management  
Cathy Fitzgerald, Citizen Services Bureau Chief

02:07:30 **Agency response presented by:** Dan Bucks, Director

**Handouts:** none

**Committee comments and questions:** concerns of delinquent notices of selling liquor and wine, is it statute for the Department of Livestock to attend Board of Review meetings, and businesses getting delinquent notices involving duplication and advanced notification.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep Schmidt; **motion carried.**

**OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES (12-21)**

02:41:15 **Report presented by:** John Fine, Financial-Compliance Auditor

**Present from the agency:** Jim Murry, Commissioner  
Mary Baker, Program Supervisor

02:44:45 **Agency response presented by:** Jim Murry, Commissioner

**Handouts:** none

**Committee comments and questions:** none

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

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

02:47:46 **PICTURES (MAIN STAIR CASE)**

**LUNCH**

**THE HIGHWAY SAFETY IMPROVEMENT PROGRAM (12P-07)**

04:00:02 **Report presented by:** William Soller, Performance Auditor

**Present from the agency:** Department of Transportation  
Tim Reardon, Director  
Dwane Kailey, Acting Administrator, Highways and Engineering  
Kraig McLeod, Supervisor, Traffic Safety Section  
Vickie Murphy, Internal Audit Unit Manager

04:10:05 **Agency response presented by:** Tim Reardon, Director

**Handouts:** none

**Committee comments and questions:** concerns on the \$80 million if spent on impaired driving imposed to highway safety programs, areas of improvement, 60 percent increase of program, and department staff primary goal of the HSIP obligation of federal funding and avoid situations where the department reverts funds to the federal government, high priority areas funds are used.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep Schmidt; **motion carried.**

**DEPARTMENT OF MILITARY AFFAIRS (12-25)**

04:34:24 **Report presented by:** Chris Darragh, Financial-Compliance Auditor.

**Present from the agency:** Adjutant General Quinn  
Brigadier General Livingston  
Karen Revious, Administrator, Centralized Services Division

04:37:18 **Agency response presented by:** Adjutant General Quinn

**Handouts:** yes

**Committee comments and questions:** concerns with improper recruitment and selection practices hiring policy in place, minimum education or experience qualifications whether occurs regularly, and payments to local governments.

**Committee requests:** how many requirements of hiring were made without qualifications? Go back two years from the report date.

**Public Comment:** Harold Blattie, Executive Director, MaCo

**Actions taken:** none

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

**DEPARTMENT OF MILITARY AFFAIRS CONTRACT MANAGEMENT FOLLOW-UP (12SP-39)**

**DEPARTMENT OF CORRECTIONS (12-15)**

05:05:11 **Report presented by:** Paul O’Loughlin, Financial-Compliance Auditor

**Present from the agency:** Gayle Lambert, Administrator, Montana Correctional Enterprises

05:15:25 **Agency response presented by:** Gayle Lambert, Administrator, Montana Correctional Enterprises

**Handouts:** none

**Committee comments and questions:** discussion on documentation of testing of internal controls, and deposits to inmate welfare account.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep Schmidt; **motion carried.**

**ADMINISTRATION OF MONTANA’S UNEMPLOYMENT INSURANCE PROGRAM (12P-01)**

05:21:50 **Report presented by:** Sarah Carlson, Performance Auditor

**Present from the agency:** Department of Labor and Industry  
Keith Kelly, Commissioner  
Roy Mulvaney, Administrator, Unemployment Insurance Division  
Sandy Bay, UI Contributions Bureau Chief  
Kim Moog, Central Services

05:30:07 **Agency response presented by:** Keith Kelly, Commissioner

**Handouts:** none

**Committee comments and questions:** concerns on the department’s review of a claim, “claims issues,” state law and policy for the collection of accounts receivable, \$4.1 million in uncollected UI taxes remove from the department’s accounts receivable balance were determined uncollectable, and department management were not involved in how these accounts should be handled and decisions were made by individual collection staff, Montana’s and other states’ eligibility determination process, overpayment recovery, and delinquent tax collections.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep Brodehl; **motion carried.**

**OFFICE OF THE STATE PUBLIC DEFENDER (12-18)**

06:30:15 **Report presented by:** Zac Yates, Financial-Compliance Auditor

**Present from the agency:** Public Defender Commission  
Richard “Fritz” Gillespie, Chair  
Office of the State Public Defender  
William Hooks, Chief Public Defender  
Harry Freebourn, Administrative Director  
Wade Zolynske, Chief Appellate Defender

06:44:35 **Agency response presented by:** Richard “Fritz” Gillespie, Chair

**Handouts:** none

**Committee comments and questions:** implementing the internal controls, payments received by mail, priority restitution and assessment requirements, accounts to the Department of Revenue or outside collection agency with state policy, and comply with state policy on pay decisions, and discussion on the general fund.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep Schmidt; **motion carried.**

**UPDATE ON IMPROVING STATEWIDE CONSISTENCY OF KEY PROCESSES FOR THE OFFICE OF THE PUBLIC DEFENDER (11P-03)**

**DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION (12-17)**

07:35:24 **Report presented by:** Brenda Kedish, Financial-Compliance Auditor

**Present from the agency:** Mary Sexton, Director  
Shawn Thomas, Administrator, Trust Land Management Division  
Tricia Schiltz, Chief Financial Officer  
Sue Clark, Budget and Facilities Management  
Tim Davis, Administrator, Water Resources Division  
Kerry Davant, Human Resources Officer

07:40:48 **Agency response presented by:** Mary Sexton, Director

**Handouts:** none

**Committee comments and questions:** concerns on American Recovery and Reinvestment Act, the loans forgiven and determination of who is forgiven of the loans, and reserved water rights and trust revenues for land utilized, beneficiaries and funding for the schools.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

**Motion:** Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep Schmidt; **motion carried.**

**FOLLOW-UP MEMOS:**

08:03:43 **Presented by:** Megan Coy, Performance Auditor

Insure Montana Program (12SP-36)

**Committee requests:** update or follow-up on 12SP-31 2-5-8-9 in six months

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

**Agency response presented by:** Jill Sark

Combined Healthcare Information and Montana Eligibility Systems for Medicaid (12SP-26)

**OTHER BUSINESS**

Next Meeting

There being no further business, the meeting was adjourned at 5:02 p.m.

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Signed: \_\_\_\_\_  
Sen. Cliff Larsen, Secretary