



## LEGISLATIVE AUDIT COMMITTEE 68th Montana Legislature

### SENATE MEMBERS

Jason Ellsworth  
Pat Flowers  
Chris Friedel  
Denise Hayman  
Kathy Kelker  
Forrest Mandeville

### HOUSE MEMBERS

Lyn Hellegaard  
SJ Howell  
Emma Kerr-Carpenter  
Fiona Nave  
Jerry Schillinger  
Laura Smith

### COMMITTEE STAFF

Deb Butler - Attorney  
Angus Maciver - Legislative Auditor  
Candace Radovich - Secretary

# MINUTES LOG

June 07, 2023  
Room 172  
Helena, Montana

Please note: This document is a Minutes Log and provides annotation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video recording of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of the meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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### **MEMBERS PRESENT:**

Sen. Chris Friedel (R)  
Rep. Laura Smith (D)  
Sen. Kathy Kelker (D)  
Rep. SJ Howell (D)  
Sen. Forrest Mandeville (R)  
Rep. Fiona Nave (R)  
Sen. Jason Ellsworth (R)  
Sen. Denise Hayman (D)  
Rep. Lyn Hellegaard (R)  
Sen. Pat Flowers (D)  
Rep. Emma Kerr-Carpenter (D)

### **MEMBERS EXCUSED:**

Rep. Jerry Schillinger (R)

### **STAFF PRESENT:**

Deb Butler, Attorney  
Angus Maciver, Legislative Auditor  
Candace Radovich, Secretary

**AGENDA (Attachment 1)**

**CALL TO ORDER/ROLL CALL**

12:33:20 Chair Hayman called the meeting to order at 12:30 p.m. noting the presence of a quorum. The committee secretary took roll. (Attachment 2)

**MINUTES APPROVAL**

**Motion**

12:34:27 Sen. Flowers moved the December 9, 2022, minutes be approved.

**Vote:**

12:34:27 Carried unanimously by voice vote.

**NEW STAFF AND COMMITTEE MEMBERS**

12:35:48 Legislative Auditor Maciver introduced new committee members.

12:38:41 Sen. Ellsworth spoke on the role of the committee.

12:39:40 New financial compliance auditors introduced by Ms. Jorgenson, Renee Luster, Alison Obrien, and (intern) Adam Kolokotronis.

12:43:30 New information systems auditor Deborah Stratman introduced by Mr. Soller.

**SABHRS SECURITY ASSESMENT 22DP-01**

12:45:20 Presented by Tyler J. Julian, Associate Information Systems Auditor  
(Exhibit 1) power point  
Present from DOA:  
Misty Ann Giles, Director  
Emily Irish, Internal Auditor

**Committee Question of Staff**

none

**Agency Response**

12:55:26 Presented by Director Giles.

**Committee Questions of Agency**

12:58:17 Sen. Ellsworth asked Director Giles about longevity of SABHRS.

13:00:46 Sen. Friedel asked Director Giles about working with other states to purchase a package deal.

13:02:26 Rep. Smith asked Director Giles about recruitment.

13:04:16 Rep. Hellegaard asked Director Giles about operational approval.

**Public Comment**

none

**Motion**

13:07:06 Sen. Flowers moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

13:07:06 Carried unanimously by voice vote.

**EGOVERNMENT SERIES 2: ACCOUNTABILITY THROUGH AGENCY COORDINATION AND EFFECTIVE REPORTING 23DP-01**

13:08:33 Presented by Hunter McClure, Senior Information Systems Auditor

(Exhibit 2) power point  
Present from DOA:  
Misty Ann Giles, Director  
Kevin Gilbertson, CIO, SITSD

**Committee Question of Staff**

- 13:13:49 Sen. Flowers asked Mr. McClure about previous metric details reflected in HB10.  
13:14:47 Rep. Smith asked Mr. McClure about reporting requirements.  
13:15:47 Sen. Hayman asked Mr. McClure about other states IT participation.

**Agency Response**

- 13:23:38 Presented by Director Giles.

**Committee Questions of Agency**

- 13:26:43 Sen. Flowers asked Director Giles about recommendation concurrence. The question was deferred to Gilbertson spoke.  
13:30:04 **Committee Request:** Sen. Flowers requests of Ms. Giles a report to Section A and LAC, with a commitment to initial budget request and project updates.  
13:34:03 Sen. Hayman asked Mr. Giles about vehicle titles.  
13:36:12 Mr. Gilbertson spoke on security.  
13:37:17 Legislative Auditor Maciver spoke about findings relative to recommendations to the legislature.

**Public Comment**

none

**Motion**

- 13:39:31 Sen. Flowers moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

- 13:39:31 Carried unanimously by voice vote.

**MONTANA STATE UNIVERSITY 22-11**

- 13:40:33 Presented by Mary Currin, Financial-Compliance Audit Supervisor  
(Exhibit 3) power point  
Present from MSU:  
Dr. Waded Cruzado, President  
Brad White, Director of Audit Services  
Terry Leist, VP, Administration and Finance  
Aaron Mitchell, Associate VP, Financial Services

**Committee Question of Staff**

- 13:47:14 Sen. Hayman asked Ms. Currin about operations at MSU. The question was deferred to the university.

**Agency Response**

- 13:48:21 Presented by President Cruzado  
13:51:21 Legislative Auditor Maciver pointed out financial statement findings.

**Public Comment**

none

**Motion**

- 13:54:01 Sen. Flowers moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

13:54:01 Carried unanimously by voice vote.

**Break**

13:55:19

**UNIVERSITY OF MONTANA 22-10**

14:12:44 Presented by Jeane Carstensen-Garrett, CPA, Financial-Compliance Audit Manager (**Exhibit 4**) power point  
Present from UM:  
Seth Bodnar, President  
Anta Coulibaly, Director, Internal Audit & Enterprise Risk

**Committee Question of Staff**

14:13:40 Sen. Kelker commented on the growth of the university.

**Agency Response**

14:14:46 Presented by President Bodnar.

**Committee Questions of Agency**

14:26:27 Sen. Friedel asked President Bodnar about conversations with students.

**Public Comment**

none

**Motion**

14:36:52 Sen. Flowers moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

14:36:52 Carried unanimously by voice vote.

**TEACHERS' RETIREMENT BOARD 22-09**

14:38:23 Presented by Delsi Osmanson, Financial-Compliance Audit Supervisor (**Exhibit 5**) power point  
Present from TRS:  
Shawn Graham, Executive Director  
Nolan Brilz, Accounting Fiscal Manager

**Committee Question of Staff**

14:44:20 Sen. Ellsworth asked Ms. Osmanson about investment loss. The question was deferred to Legislative Auditor Maciver.

14:47:23 Sen. Flowers asked for context from Ms. Osmanson on rate of return. The question was deferred to the agency.

**Agency Response**

14:48:45 Presented by Executive Director Graham.

**Committee Questions of Agency**

14:51:03 Sen. Flowers asked Executive Director Graham for clarification and context on discount rates.

14:54:43 Sen. Hayman asked Executive Director Graham about time of retirement.

14:56:44 Sen. Ellsworth asked Mr. Graham about concerns over liability. Sen. Ellsworth commented on rate of return.

14:58:50 Point of personal privilege Rep. Kerr-Carpenter regarding personal politics and sticking to the audit.

**Public Comment**

none

**Motion**

14:59:26 Sen. Flowers moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

14:59:26 Carried unanimously by voice vote.

**PUBLIC EMPLOYEES' RETIREMENT BOARD (22-08)**

15:01:29 Presented by Courtney P. Johnson, CPA, Financial-Compliance Audit Supervisor (**EXHIBIT 6**) power point  
Present from PERB:  
Dore Schwinden, Executive Director  
Bill Holahan, Deputy Director  
Hollie Resler, Fiscal Services Bureau Chief

**Committee Question of Staff**

15:08:19 Rep. Kerr-Carpenter asked Ms. Johnson about recommendation two.  
15:11:11 Sen. Kelker asked Ms. Johnson about ways to understand audit reports. The question was deferred to Legislative Auditor Maciver.  
15:16:39 Sen. Ellsworth mentioned a study resolution on pensions.

**Agency Response**

15:12:08 Presented by Executive Director Schwinden.  
15:14:58 Sen. Ellsworth asked Mr. Schwinden about amortization rates.  
15:16:22 Rep. Kerr-Carpenter asked Mr. Schwinden for clarification on the audit period.

**Public Comment**

none

**Motion**

15:23:32 Rep. Smith moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

15:23:32 Carried unanimously by voice vote.

**DEPARTMENT OF REVENUE 22-14**

15:25:01 Presented by Kelly Zwang, CPA, Financial-Compliance Audit Supervisor (**Exhibit 7**) power point  
Present from DOR:  
Brendan Beatty, Director  
Scott Mendenhall, Deputy Director  
Tracy Morano, Operations Director  
Dave Stewart, Chief Legal Council  
Kristan Barbour, Cannabis Control Division Administrator  
Derek Bell, Business and Income Taxes Division Administrator  
Robert Finstad, Technology Services Division Administrator  
Jill Hamilton, Information Management and Collections Division Administrator  
Kory Hofland, Property Assessment Division Administrator  
Becky Schlauch, Alcoholic Beverage Control Division Administrator  
Kristin Gutowsky, IMCD Bureau Chief

**Committee Question of Staff**

15:33:35 Sen. Kelker asked Ms. Zwang about difficulty regarding FTE, the question was deferred to the department.

**Agency Response**

15:34:57 Presented by Director Beatty.

**Committee Questions of Agency**

15:37:13 **Committee Request:** Rep. Smith asked Director Beatty about working relationships with DOA, and what changes happened. Provide in writing to the committee a time frame including details of the communication between both agencies. The question was deferred to Kristin Gutowsky. The department stated they would get that information to the committee.

**Public Comment**

none

**Motion**

15:40:11 Rep. Smith moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

15:40:11 Carried unanimously by voice vote.

**REAL PROPERTY TAX EXEMPTIONS: IMPROVING INFORMATION MANAGEMENT AND INFORMING POLICY DECISIONS 21P-06**

15:41:37 Presented by David W. Singer, Associate Management & Program Analyst.  
**(Exhibit 8)** power point  
Present from DOR:  
Brendan Beatty, Director  
Scott Mendenhall, Deputy Director  
Tracy Morano, Operations Director  
Kory Hofland, Property Assessment Division Administrator  
Robin Rude, Property Assessment Division Deputy Administrator  
Bryce Kaatz, Property Assessment Division Bureau Chief  
Tiffany Pouliot-Harris, Property Assessment Division Unit Manager

**Committee Question of Staff**

16:01:47 Rep. Kerr-Carpenter asked Legislative Auditor Maciver how interim committees get information related to policy.  
16:04:00 Rep. Kerr-Carpenter asked Mr. Singer about recommendation three.  
16:06:25 Sen. Flowers asked Mr. Singer for an estimate of tax loss associated with mistakes.  
16:09:02 Legislative Auditor Maciver spoke about audit findings.  
16:13:17 Sen. Flowers asked Mr. Singer about sampling and recommendation four. The question was deferred to the department.  
16:14:38 Sen. Kelker asked Mr. Singer about the technical nature of recommendation eight.  
16:17:33 Sen. Hayman asked Mr. Singer about recommendations.

**Agency Response**

16:19:27 Presented by Director Beatty.

**Committee Questions of Agency**

16:15:48 Rep. Smith asked Director Beatty about properties that lacked documentation. The question was deferred to Mr. Kaatz.  
16:21:09 Sen. Flowers asked Director Beatty about statute regarding FWP, the question was deferred to Ms. Rude.  
16:24:44 **Committee Request:** Sen. Hayman requested a corrective action plan. (received 9/18/2023)  
16:26:25 Legislative Auditor Maciver commented on legislative oversight.

**Public Comment**

none

**Motion**

16:29:10 Rep. Smith moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

**Vote:**

16:29:10 Carried unanimously by voice vote.

**LAD OPERATING PLAN APPROVAL**

16:29:33 Presented by Legislative Auditor Maciver (**EXHIBIT 9**)

**Committee Question of Staff**

16:36:13 Sen. Friedel asked Legislative Auditor Maciver about the travel budget in relation to technology.

**Motion**

16:38:26 Rep. Kerr-Carpenter moved the committee approve the budget.

**Vote:**

16:38:26 Carried unanimously by voice vote.

**Recess**

16:40:12 With there being no further business, the committee was adjourned until June 8, 2023, at 9:00 a.m.

*/s/ Chris Friedel*

Secretary:

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Sen. Chris Friedel