



LEGISLATIVE AUDIT COMMITTEE 65th Montana Legislature

Room 160 Capitol Building * P.O. Box 201705 * Helena, MT 59620-1705 * (406) 444-3122 * FAX (406) 444-9784

SENATE MEMBERS

DEE BROWN
TERRY GAUTHIER
BOB KEENAN
MARGARET MACDONALD
MARY McNALLY, Chair
GENE VUCKOVICH

HOUSE MEMBERS

KIM ABBOTT
DAN BARTEL
RANDY BRODEHL
TOM BURNETT, Vice Chair
VIRGINIA COURT, Secretary
DENISE HAYMAN

COMMITTEE STAFF

ANGUS MACIVER, Legislative Auditor
DEBORAH BUTLER, Legal Counsel
CANDACE RADOVICH, Admin. Assistant

MINUTES LOG December 10-11, 2018 Room 172, Capitol Building Helena, Montana

Please note: This document is a Minutes Log and provides a notation 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 record 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 meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

Please contact the Legislative Audit Division at 406-444-3122 for more information.

MEMBERS PRESENT

SEN. DEE BROWN
SEN. BOB KEENAN
SEN. MARGARET MACDONALD
SEN. MARY McNALLY
SEN. GENE VUCKOVICH
REP. DAN BARTEL
REP. RANDY BRODEHL
REP. TOM BURNETT
REP. DENISE HAYMAN

December 10

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December 11

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MEMBERS EXCUSED

SEN. TERRY GAUTHIER
REP. KIM ABBOTT
REP. VIRGINIA COURT

Excused
Excused
Excused

Excused
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Excused

STAFF PRESENT

ANGUS MACIVER, Legislative Auditor
DEBORAH BUTLER, Legal Counsel
JOE MURRAY, Deputy Legislative Auditor

CINDY JORGENSON, Deputy Legislative Auditor
CANDACE RADOVICH, Administrative Assistant

VISITORS' LIST ([Attachment 1](#))

AGENDA ([Attachment 2](#))

COMMITTEE ACTIONS

Minutes Approved from the October 5, 2018, committee meeting.

CALL TO ORDER AND ROLL CALL ([Attachment 3](#))

13:00:43 The Legislative Audit Committee met December 10, 2018, in room 152 of the State Capitol Building. Chairwoman McNally called the meeting to order at 1:00 p.m., noting the presence of a quorum. The committee administrative aide called roll.

APPROVAL OF THE MINUTES

13:01:41 Sen. Brown asked about updates on committee requests from the October meeting noted in the minutes.

13:02:08 Legislative Auditor Maciver brought attention to the tabbed items in the back of the committee members packets under "other business". The first request he went over was in response to Sen. McNally's question about DEQ's water pollutant permitting processes. ([Exhibit 1](#))

13:04:25 Legislative Auditor Maciver also went over Sen. Brown's request regarding the Health Care and Benefits appeal report. ([Exhibit 2](#))

13:05:47 Legislative Auditor Maciver also noted that Ms. Jorgenson would be updating committee members on the request regarding the University of Montana Fitness program.

13:06:30 Sen. Brown brought attention to the fold out in the memo regarding DEQ's water pollutant permitting processes and asked Legislative Auditor Maciver to explain the permit process expiration date of 2012, wondered why it was so far back. Legislative Auditor Maciver noted that Sarah A. Carlson, Senior Performance Auditor, would be listening and get that answer. (Ms. Carlson did follow-up with Sen. Brown during the break)

13:08:17 Rep. Burnett asked Legislative Auditor Maciver for an update on Sen. Brown's question regarding the Health Care and Benefits payments made to the top five Montana Hospitals. Legislative Auditor Maciver noted that there was a memo sent out regarding that.

Motion

13:08:54 Sen. Brown moved to approve the minutes from the October 5, 2018, Legislative Audit Committee meeting.

Vote

13:08:58 The motion passed unanimously on a voice vote

AUDIT REPORTS

DEPARTMENT OF REVENUE (18-14)

13:09:10 **Report presented by:**
Chris G. Darragh, Financial-Compliance Senior Auditor

Present from the agency:
Gene Walborn, Director
Steve Austin, Administrator, Citizen Services and Resource Management Division
Tracy Morano, Bureau Chief, Citizens Services Financial Asset Management Bureau

Committee Questions of LAD Staff

- 13:14:39 Sen. Brown brought attention to page A16, the second paragraph that stated, "The Alcoholic Beverage Control Division receives language appropriate for funds necessary to maintain adequate inventories". Sen. Brown asked Mr. Darragh to explain what that meant and Mr. Darragh deferred the question to the department.
- 13:15:09 Rep. Brodehl brought attention to page 10 of the audit report and asked Mr. Darragh if the GenTax upgrades were appropriated correctly through the Legislative process.
- 13:16:25 Rep. Hayman asked Mr. Darragh about the mill levy allocations.
- 13:18:24 Rep. Hayman had a follow-up question and asked Mr. Darragh how the department would fix misappropriated funds.
- 13:20:34 Sen. McNally asked Mr. Darragh about the county collection reports being something that was looked at often.
- 13:21:10 Rep. Burnett brought attention to the table on page 9 of the audit report and asked Mr. Darragh if the understated by \$420,488 was a composite number.
- 13:21:40 Sen. Vuckovich inquired of Mr. Darragh what was being done when errors were found, would there be follow-up.
- 13:23:01 Sen. Vuckovich had a follow-up question and asked Mr. Darragh if he was correct that once an error was found there was no repercussion other than they were told to be more careful. The question was deferred to Legislative Auditor Maciver.
- 13:23:44 Legislative Auditor Maciver spoke on the question that Sen. Vuckovich had about repercussions. He reminded committee members that these situations were exactly why the department showed up, to answer questions, and state what they intended to do as we cannot force them to do so. He also noted it was the executive branch's responsibility in this specific instance to see issues through.

Agency Response

- 13:26:28 Director Walborn introduced himself and thanked the LAD for their professionalism. Director Walborn noted the agency did concur with all recommendations, and gave some explanations where his department stood on recommendations.

Committee Questions of Department of Revenue

- 13:32:47 Rep. Hayman asked Director Walborn about mistakes made and money that wasn't properly dispersed. She asked him how to fix or balance out the errors after they had been discovered.
- 13:37:09 Rep. Hayman requested a follow-up she didn't feel like her question was being answered. She asked if Legislative Auditor could give some direction.
- 13:38:07 Legislative Auditor Maciver stated he would have Deputy Legislative Auditor Jorgenson speak on the questions asked.
- 13:38:23 Deputy Legislative Auditor Jorgenson took the podium to explain Rep. Hayman's questions on the accounting side.
- 13:40:52 Legislative Auditor Maciver spoke on what the department was actually responsible for stating they were responsible for collecting other state revenue, but they were not necessarily responsible for distribution as it would get handed off to another agency within the executive branch. **Committee Request:** Legislative Auditor Maciver noted the committee's request being that they would like an explanation on the source of taxation operationally, programmatically, and what the impact would be on the school district. Ms. Jorgenson stated she would get the information and provide an answer to the committee.
- 13:44:02 Rep. Bartel asked Ms. Jorgenson if OPI had a statement showing (x) that would be coming from the department.
- 13:44:50 Rep. Bartel asked Ms. Jorgenson if OPI had a balance sheet to work off to track incoming revenue.
- 13:47:06 **Committee Request:** Rep. Brodehl asked Director Walborn for a timeline for completion/implementation of the three audit recommendations identified. Director Walborn stated he would get something in writing.
- 13:47:54 Sen. Brown asked her previous question that was deferred to the department regarding page A16 the second paragraph that stated, "The Alcoholic Beverage Control Division

receives language appropriate for funds necessary to maintain adequate inventories.”
Sen. Brown asked Director Walborn to explain what that meant.

Public Comment

None

Motion

13:50:08 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Hayman; **motion carried.**

Vote

13:50:29 The motion passed unanimously on a voice vote.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION (18-17)

13:51:08 **Presented by:** Jessica Curtis, CPA, Financial-Compliance Senior Auditor

Present from the agency:

John E. Tubbs, Director
Kerry Davant, Deputy Director
Tricia Greiberis, Chief Financial Officer

Committee Questions of LAD Staff

13:56:28 Sen. Brown asked Ms. Curtis if the Flathead Basin Commission employees were paid from department funds.

Agency Response

13:57:18 Director Tubbs introduced himself and commended the LAD along with his own staff members.

Committee Questions of Department of Natural Resources and Conservation

14:00:35 Sen. Brown brought up the Flathead Basin Commission and asked Director Tubbs about possible legislation in 2019.

14:01:18 Sen. Brown asked Legislative Auditor Maciver if there was a similar situation in the past regarding a commission with these same types of issues.

14:01:45 Legislative Auditor Maciver echoed Director Tubbs in that the commission themselves brought the issue to the LAD, noting it was a proactive thing to do. He also stated there were relatable situations in the university systems.

14:03:52 Rep. Brodehl inquired of Director Tubbs if all recommendations had been completed.

14:04:57 Ms. Greiberis took the podium to explain that they are in the process of completing one of the recommendations that it needs clarity and will be redistributed at that time.

Public Comment

None

Motion

14:05:39 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Brown; **motion carried.**

Vote

14:05:50 The motion passed unanimously on a voice vote.

OFFICIAL LEGISLATIVE AUDIT COMMITTEE PICTURE (barrel vault)

14:06:26 Legislative Auditor Maciver spoke about the bi-annual LAC picture day.

BREAK

14:07:20

DEPARTMENT OF ADMINISTRATION (18-13)

14:30:28 **Presented by:** Karen E. Simpson, CPA, Financial-Compliance Senior Auditor

Present from the agency:

John Lewis, Director
Mike Manion, Deputy Director and Chief Legal Counsel
Mark Bruno, Office of Finance and Budget Bureau Chief
Chuck Richardson, Financial Quality Analyst, Directors Office
Anjenette Schafer, Administrator, State Human Resources Division
Brett Dahl, Administrator, Risk Management and Tort Defense Division
Amy Jenks, Acting Administrator, Health Care and Benefits Division

Committee Questions of LAD Staff

14:42:22 Sen. Brown asked Ms. Simpson about findings in the audit being a part of the statewide audit.
14:43:35 Sen. Brown asked Ms. Simpson about the lowering of a bond rating.
14:44:02 Legislative Auditor Maciver spoke on bond rating agencies and the CAFR.
14:45:23 Rep. Burnett asked Ms. Simpson about the “other means” in obtaining the desired transparency within the department.
14:46:14 Rep. Burnett asked Ms. Simpson about the department’s spreadsheet being publicly available.
14:46:58 Rep. Brodehl brought up recommendation #3 that the department did not concur with and asked Ms. Simpson about similar instances in state government.
14:48:18 Rep. Brodehl asked Ms. Simpson about looking at the audit from a higher level.

Agency Response

14:49:01 Director Lewis stated he was present to speak on the financial-compliance audit of his department, he thanked his staff and also commended the LAD staff.

Committee Questions of Department of Administration

14:56:18 Sen. Brown mentioned the wellness incentive program and asked Mr. Lewis about adding more locations to make it easier for those who didn’t live in the cities with health clinics. The question was deferred to Ms. Jenks.
14:58:10 Sen. Brown referred to page 20 of the audit report specifically the IT Capital Projects and asked Director Lewis what his department did with a finding that showed there was \$8 million unspent Department of Transportation funds. The question was deferred to Mr. Bruno.
15:00:13 **Committee Request:** Sen. Brown referred to the \$8 million in unspent Department of Transportation appropriated funds and asked Mr. Bruno how that affected tax payers and if interest was being earned. Mr. Bruno stated he would report back to the committee with information as to why the Department of Transportation had not spent most of their appropriated IT funds.
15:01:51 Rep. Burnett referred to pay roll function/accounting and stated he was concerned about being up to date with raw data gathering and asked Director Lewis if he thought their department was modern in that area. Rep. Burnett also asked Director Lewis if he could picture ways of getting the cost of offering the wellness benefit information out as a cost that had been borne. The question was deferred to Ms. Schafer.
15:05:30 Rep. Burnett asked Legislative Auditor Maciver if the wellness incentive program was found not to be improving health or not reducing costs for the state, what would the legislative answer be how would it be reversed.
15:09:55 Sen. McNally thanked Director Lewis for his outline on the corrective action plan.

Public Comment

None

Motion

15:10:20 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Hayman; **motion carried.**

Vote

15:10:41 The motion passed unanimously on a voice vote.

ADMINISTRATION OF STATE PROCUREMENT AND CONTRACT MANAGEMENT (17P-04)

(EXHIBIT 3)

15:12:17

Presented by: Nick Hill, Performance Senior Auditor

Present from the agency:

Department of Administration

John Lewis, Director

Mike Manion, Deputy Director

Cheryl Grey, Administrator, State Financial Services Division

Matt Pugh, Deputy Administrator, State Financial Services Division

Meghan Holmlund, Chief, State Procurement Bureau

Amber Conger, Communications Director

Committee Questions of LAD Staff

15:32:27 Sen. Brown asked Mr. Hill if the state had an Amazon Prime account.

15:32:49 Sen. Brown asked Mr. Hill what the process was for procurement staff to make sure the relationship with the vendor and agency was fair.

15:34:05 Sen. Brown brought up the fact that the state wasn't the last one to sign the contracts, and asked Mr. Hill how easy it would have been to change wording and the state not be aware of it.

15:34:57 Rep. Burnett mentioned page A1 of the audit report and asked Mr. Hill about staff experience presently required.

15:35:55 Rep. Burnett asked Mr. Hill if it was possible to set realistic parameters on what experience was required for staff.

15:36:25 Rep. Hayman asked Mr. Hill if all agencies had a procurement officer, liaison, and contract manager.

15:38:15 Rep. Hayman commented on how she had handled procurement in her previous life and asked Mr. Hill about details on the contract manager role.

Agency Response

15:39:51 Director Lewis thanked Mr. Hill for his professionalism during the audit and noted staff that he had present.

Committee Questions of Department of Administration

15:42:57 Sen. Brown thanked Director Lewis for having a corrective action plan with dates noting the committee appreciated that. Sen. Brown asked Director Lewis about the vendor fair and how to reach out to cities other than Helena.

15:44:50 Ms. Holmlund took the podium to answer the vendor fair question that Sen. Brown had earlier.

15:45:15 Sen. Brown encouraged the department to reach out to the Department of Commerce to invite them to the vendor fair.

15:46:44 Sen. MacDonald asked Ms. Holmlund about existing state policy in terms of the forms that are filled out internally that would be in violation of an existing policy.

15:47:55 Rep. Brodehl stated his appreciation for the corrective action plan, the detail that it had, and actions that had already been made. Rep. Brodehl asked Director Lewis about agencies not complying with contract management, what could the department do to bring agencies into compliance. The question was deferred to Ms. Holmlund.

- 15:51:15 Rep. Brodehl asked Director Lewis if he was prepared to do whatever he needed to bring agencies back into compliance.
- 15:52:14 Rep. Burnett noted his appreciation for the presentation of what the department was doing to solve problems.
- 15:52:41 Sen. McNally brought attention to agencies already having their own contract systems in place before EMACS was implemented and asked her to speak on that.

Public Comment

None

Motion

- 15:55:12 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. MacDonald; **motion carried**.

Vote

- 15:55:27 The motion passed unanimously on a voice vote.

OTHER BUSINESS

- 15:56:02 Legislative Auditor Maciver brought attention to the potential legislation memo from the October 5, 2018, meeting and noted that committee members who raised interest received letters via mail summarizing options for legislative action.
- 15:57:45 Legislative Auditor Maciver also brought attention to the LAD employee engagement survey in the committee packets and summarized how it provided a better explanation on views of employees relative to their work environment and professional lives. ([Exhibit 4](#))
- 15:59:47 Legislative Auditor Maciver handed out a “Key Performance Indicators” document and explained how it was primarily focused at the organizational level and provided means of assessing the division’s progress toward goals measured against established benchmarks. ([Exhibit 5](#))

RECESS

- 16:03:25 With there being no further business Chair McNally called the meeting to recess until tomorrow morning December 11, 2018, at 9:00 a.m.

Tuesday, December 11, 2018

CALL TO ORDER

9:00:29 Sen. McNally called day two of the meeting to order at 9:00 a.m., noting the presence of a quorum.

PERFORMANCE AUDIT SCOPE & OBJECTIVES

State Employee Settlements

09:01:00 **Presented by:** Joe Murray, Deputy Legislative Auditor ([Exhibit 6](#))

09:04:55 Sen. McNally brought up settlements through the Department of Environmental Quality and asked Mr. Murray if that would be in the scope, she also asked what the timeline was for completion.

Montana Office of Tourism

09:06:18 **Presented by:** Kyle Hartse, Performance Auditor

09:08:43 Sen. Brown asked Mr. Hartse if the University of Montana contract would be looked at.

09:09:31 Sen. Brown inquired of Mr. Hartse about the 2017-time frame review.

09:10:35 Sen. Brown asked Mr. Hartse when she could expect regional marketing efforts.

09:11:54 Sen. Brown asked Mr. Hartse if the scope would look at the distribution of money.

09:12:59 Rep. Burnett asked Mr. Hartse about the audit objective regarding the "Department of Commerce monitoring the impact of its tourism and marketing activities."

09:14:21 Rep. Burnett inquired of Mr. Hartse how many bed tax dollars were involved annually in the tourism marketing. Mr. Hartse stated he had that information in his work papers and would get that information to Rep. Burnett.

CALENDAR YEAR 2019 INFORMATION SYSTEMS AUDIT PRIORITIZATION ([Exhibit 7](#))

09:16:06 **Presented by** Diedra Murray, Information Systems Audit Manager

09:26:19 Sen. Brown asked Ms. Murray if she could get a printed copy of the score sheet separate from her packet. Senator Brown also brought up the question she had earlier about the Department of Transportation's \$8 million in unspent IT funds, and asked Ms. Murray if that subject could be a materiality issue for a potential information systems audit.

09:28:38 Rep. Burnett asked Ms. Murray about the numbers used in the scoring process as in how the votes were tallied statistic wise.

09:29:32 Sen. McNally asked Ms. Murray how many audits would get completed off the associated list.

PERFORMANCE AND INFORMATION SYSTEMS AUDIT FOLLOW-UP

Montana Heritage Commission (18SP-19) ([Exhibit 8](#))

09:30:37 **Presented by** Sarah A. Carlson, Performance Senior Auditor

09:37:07 Rep. Hayman would like to see a copy of the email that the commission sent on December 10, 2018.

09:37:48 Sen. Brown asked Ms. Carlson about implementation status and if the committee was going to continue to follow-up.

09:38:19 Legislative Auditor Maciver noted the email sent by the commission was sent to new committee email addresses that may not be getting checked, and that we would be sure to get the committee copies. Legislative Auditor Maciver spoke to committee members about options on what to do about a follow-up, or asking the commission to come back to another meeting.

09:40:05 **Committee Request:** Sen. McNally along with all committee members agreed to invite the commission members to the June 2019 meeting to discuss further.

09:40:29 Rep. Burnett asked Ms. Carlson what the risk of fire on the assets was.

09:41:54 Sen. McNally commented that the commission possibly didn't have enough knowledge to solve the problems found in the audit. Sen. McNally asked Ms. Carlson about her thoughts on what to do about that.

Integrated Justice Information Sharing (IJIS) Broker (19SP-03)

09:44:08 **Presented by** Miki Cestnik, Information Systems Senior Auditor

09:49:30 Rep. Brodehl asked Ms. Cestnik why the attorney general's opinion took so long.

09:50:22 Rep. Brodehl asked if the attorney general knew what information was needed to finish the opinion date.

09:50:58 Rep. Brodehl brought attention to page two of the follow-up report and asked Ms. Cestnik to expand on money being spent before they decided what they were doing with the money.

09:51:43 Rep. Brodehl inquired of Ms. Cestnik about applying for funds versus funds not being available.

09:52:20 Rep. Brodehl asked Ms. Cestnik if the attorney general's office gave a time frame for an expected opinion completion.

09:52:43 Rep. Brodehl asked Ms. Cestnik if the attorney general's office issues had anything to do with budget or if it was just a time issue.

09:53:29 Sen. Brown suggested the committee continue to ask these types of questions in the future.

09:54:05 Legislative Auditor Maciver explained "being implemented" meant it was actually being worked on and soon to be completed, he noted the Department of Justice was taking this seriously and progress had been made.

09:56:03 Rep. Hayman asked Ms. Cestnik about recommendation #2, she stated her concerns about protection and no contact orders falling through the cracks, and looked for clarification on how that information was captured. Ms. Cestnik explained what information the audit looked at, and that her question was outside of the scope.

09:58:31 Legislative Auditor Maciver spoke on programmatic elements that would be in the realm of a performance audit.

DEPARTMENT OF ENVIRONMENTAL QUALITY (18-16)

09:59:46 **Report Presented by:**
Delsi Osmanson, Financial-Compliance Senior Auditor

Present from the agency:

Shaun McGrath, Director

George Mathieus, Deputy Director

Peggy MacEwen, Centralized Services Division Administrator

Committee Questions of LAD Staff

10:12:33 Rep. Brodehl commented on the 75 vacant positions and asked Ms. Osmanson to expand on the value of vacancy savings and what the agency had done with that money. The question was deferred to the agency.

10:13:53 Sen. Brown asked Ms. Osmanson how many internal auditors the department had.

10:14:22 Rep. Hayman asked Legislative Auditor Maciver when the last performance audit was done at the department.

10:14:37 Legislative Auditor Maciver reminded committee members that the last performance audit on the department was heard at the October meeting and it was the Water Permitting Discharge Permitting Compliance program.

10:15:31 Rep. Hayman suggested a performance audit on the department to get a deeper look at how the department was being managed.

10:16:08 Sen. Brown asked Legislative Auditor Maciver about inter entity loans being against the law. Legislative Auditor Maciver stated he assumed that piece was part of the compliance testing done on the department. Ms. Osmanson took the podium to answer Sen. Brown's question.

10:17:45 Sen. Brown brought attention to page 13 of the audit report and asked Legislative Auditor if the separating agreements would be part of a future audit.

Agency Response

10:19:11 Director McGrath introduced himself and noted he looked forward to working with the committee in the future. Director McGrath introduced the staff members he had with him and stated the audit was being taken seriously and controls were being put in place for better management going forward. Director McGrath handed out a printed version of an excel spreadsheet labeled "Audit Memo Work Plan." ([Exhibit 9](#))

Committee Questions of Department of Environmental Quality

10:23:57 Rep. Hayman welcomed Director McGrath and asked where she could find people labeled as "bad actors" on the excel spreadsheet.

10:24:51 Rep. Hayman asked Director McGrath where exactly on page two of the spreadsheet she could find the "bad actors." Rep. Hayman noted she could not read the fine print and asked Director McGrath to verbally explain. Director McGrath handed out a screen shot from the department's workflow labeled "Banned Principals." ([Exhibit 10](#))

10:28:07 Sen. Brown asked Director McGrath how many employees were within the department.

10:28:23 **Committee Request:** Sen. Brown asked Director McGrath about plans to increase the number of internal auditors. Director McGrath stated he could get that information at a later date.

10:29:09 Sen. Brown brought attention to page eight of the audit report and asked Mr. Mathieu if staff who were in management positions that made poor decisions with compliance had any consequence.

10:29:54 Sen. Brown asked Mr. Mathieu for specifics on the consequences mentioned above. Mr. Mathieu stated that was personnel information and he didn't wish to make that public. Mr. Mathieu stated he would get back to Sen. Brown with that specific information.

10:31:01 Sen. Brown asked Mr. Mathieu what the "performance partnership grant" was.

10:32:18 Sen. Brown asked Mr. Mathieu if it was common practice for the department to have asked for million-dollar loans while there were cash flow problems.

10:32:47 Rep. Brodehl asked Director McGrath about the 75 FTE vacancy savings positions, as far as where that money went. The question was deferred to Mr. Mathieu.

10:35:40 Rep. Brodehl brought up House Bill 2 and asked Mr. Mathieu about fully funded positions.

10:37:04 Rep. Brodehl suggested following the state guidelines regarding vacancy savings for other means.

10:39:27 Rep. Hayman asked Mr. McGrath about the "bad actor" or "banned principal" language. The question was deferred to Mr. Mathieu.

10:42:10 Rep. Hayman stated she looked forward to the department's planned implementations as it was the key for future hard rock mining in the state.

10:42:41 Sen. McNally stated her appreciation for the plan the department provided, but had concerns regarding disclosure issues, and she had never seen a financial audit with as many disclosure issues. Sen. McNally asked Mr. McGrath to elaborate on the internal service fund and how things like that wouldn't appear next time around. Director McGrath stated he would send the electronic version of the spreadsheet handed out.

10:45:39 Rep. Abbott had comments on the disclosure issues and also stated how she had never seen so many disclosure issues within a financial audit. Rep. Abbott also stated that those issues should be flagged for the legislature.

Public Comment

None

Motion

10:46:47 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Keenan; **motion carried.**

Vote

10:47:02 The motion passed unanimously on a voice vote.

OFFICE OF THE STATE PUBLIC DEFENDER (18-28)

10:47:34 **Report Presented by:**
Shandell VanDonsel, CPA, Financial-Compliance Senior Auditor

Present from the agency:
Rhonda Schaffer, Director
Carleen Green, Central Services Division Administrator

Committee Questions of LAD Staff

None

Agency Response

10:55:33 Director Schaffer introduced herself along with Ms. Green and thanked Ms. VanDonsel and the audit staff. Director Schaffer spoke on the recommendations and what the office had done to implement those recommendations.

Committee Questions of State Public Defender

10:58:00 Sen. Brown asked Director Schaffer about lawyers being paid a static rate.
10:59:01 Sen. Brown asked Director Schaffer if every person who had filled out documents were paid the same rate.
10:59:40 Rep. Brodehl stated his appreciation to the response of recommendations and efforts made by the office.
11:00:34 Sen. McNally echoed what Rep. Brodehl stated and gave her appreciation for the office and their efforts.

Public Comment

None

Motion

11:01:07 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. MacDonald; **motion carried.**

Vote

11:01:21 The motion passed unanimously on a voice vote.

BREAK

11:01:54

MONTANA CHIROPRACTIC LEGAL PANEL (18C-10) (Exhibit 11)

11:14:47 **Report Presented by:**
Shandell VanDonsel, CPA, Financial-Compliance Senior Auditor

Present from the panel:
Gail A Tronstad, Director

Present from the Chiropractic Association:
None

11:19:07 Morgan Scarr, CPA, with Amatics CPA Group presented her piece of the audit.
11:24:25 Rep. Hayman asked Ms. Scarr if the panel would be one that could be combined with another group or be placed under the authority of another group. Ms. VanDonsel took the podium to answer the question for Ms. Scarr.

Committee Questions of LAD Staff

- 11:26:45 Sen. Brown asked Ms. VanDonsel about dissolving the panel and removal of the requirement for a biannual audit.
- 11:27:42 Rep. Brodehl asked Ms. VanDonsel if input was sought from the court for solutions.

Chiropractic Legal Panel Response

- 11:28:51 Director Tronstad introduced herself and she asked Sen. Brown to restate her question from earlier. Director Tronstad also mentioned that the issues raised in this audit have been around since the original audit back in 1991.

Committee Questions of Chiropractic Legal Panel

- 11:29:05 Sen. Brown asked Director Tronstad if the panel had any interest in legislation for the future.
- 11:30:28 Sen. Brown asked Legislative Auditor Maciver who had the power to initiate any request for legislation.
- 11:30:50 Legislative Auditor Maciver took the podium to answer Sen. Browns question and explained that the committee would have to pursue legislation to make any change.
- 11:32:13: Sen. Brown asked Director Tronstad if the Chiropractic Association had made any suggestions on the audit findings.
- 11:32:44 Sen. Brown commented that committee members needed to make a bill draft.
- 11:33:03 Rep. Brodehl asked Director Tronstad why the person who could make changes wasn't present.
- 11:33:47 Rep. Brodehl asked Beth McLaughlin, Supreme Court Administrator, about administrative attachment and the role the Supreme Court had.
- 11:35:09 Rep. Brodehl asked Ms. McLaughlin if she knew of court cases that hadn't moved ahead because of the Chiropractic Association.
- 11:35:55 Rep. Hayman asked Ms. McLaughlin about the duties/role of the Chiropractic Association and the Chiropractic Legal Panel.
- 11:37:59 Rep. Abbott mirrored what Legislative Auditor Maciver said stating that legislation was the next step and that someone needed to pursue that.
- 11:38:54 Sen. McNally noted this type of audit was not acceptable and wanted it noted on the record. Sen. McNally also stated the committee or single committee member would pursue legislation.

Public Comment

None

Motion

- 11:39:50 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Brown; **motion carried.**

Vote

- 11:40:04 The motion passed unanimously on a voice vote.

STATUS UPDATE – DEPARTMENT OF FISH, WILDLIFE AND PARKS AUDIT RESPONSE

- 11:40:19 Legislative Auditor Maciver explained the background on the necessity of a status update and gave specifics on why the status update was warranted.

Present from agency:

Paul Sihler, Deputy Director
Quentin Kujala, Wildlife Management Section Chief
Beth Shumate, State Parks Administrator

- 11:42:25 Deputy Director Sihler introduced himself and opened himself up to questions from the committee.

- 11:42:51 Rep. Hayman asked Deputy Director Sihler about plans the department had for Brucellosis and how it would be managed. The question was deferred to Mr. Kujala and he took the podium.
- 11:52:20 Rep. Hayman asked Mr. Kujala what other states were doing about brucellosis management and thanked Mr. Kujala for his outline.

LEGISLATIVE AUDIT DIVISION STRATEGIC PLANNING INFORMATION

Presented by Angus Maciver, Legislative Auditor

- 11:55:45 Legislative Auditor Maciver brought attention to Exhibit 4 that he touched on the previous day and discussed the results of that employee engagement survey along with Exhibit 5 the key performance indicators document that was also touched on the day before.
- 11:57:05 Sen. Brown thought the survey was a great first effort and she thought staff worked hard on it. Sen. Brown asked Legislative Auditor Maciver what the language “value added impacts” meant.
- 11:59:22 Sen. Brown asked Legislative Auditor Maciver about employee absentee rates that dropped.
- 12:01:38 Rep. Brodehl asked Legislative Auditor Maciver about employee absentee rates and asked if staff had more opportunity to work from home than in the past.
- 12:03:10 Rep. Brodehl asked Legislative Auditor Maciver about stabilization as far as working from home, and if the number of employees who used it had increased.
- 12:03:26 Rep. Hayman asked Legislative Auditor Maciver about the metrics as far as recommendation implementation by agencies.
- 12:06:40 Rep. Abbott asked Legislative Auditor Maciver about concurrence rates with agency implementation.
- 12:07:42 Rep. Brodehl shared his opinion that the committee should be asking for more corrective action plans and hopefully see more implementation by agencies with that.
- 12:09:53 Rep. Burnett commented on the amount of metrics in the key performance indicator document provided, and asked Legislative Auditor Maciver if other agencies were doing similar things.
- 12:11:56 Sen. McNally asked Legislative Auditor Maciver where the bench mark numbers came from.
- 12:14:24 Rep. Burnett asked Legislative Auditor Maciver what inflation rate was being used for comparison.
- 12:15:23 Rep. Brodehl mentioned status implementation by agencies and asked Legislative Auditor about follow through from the committee.
- 12:17:30 Sen. McNally inquired of Legislative Auditor Maciver how often the strategic plan would be updated.

FINANCIAL STATUS UPDATE

Presented by Cindy Jorgenson, CPA, Deputy Legislative Auditor

- 12:18:40 Ms. Jorgenson brought attention to the financial status update ([Exhibit 12](#)) and she spoke on audit schedules and cycles.
- 12:21:40 Next Ms. Jorgenson referred to ([Exhibit 13](#)) early release schedules for reports.
- 12:22:31 Ms. Jorgenson noted that Rep. Bartel was not present for the committee, but she did supply committee members with ([Exhibit 14](#)) an updated acronym list that Rep. Bartel had requested.
- 12:22:55 Ms. Jorgenson took the podium to talk about a committee request from the last committee regarding what type of people (staff/students/etc) actually had use of the fitness center at the University of Montana. There was no update to provide from the university, but the LAD will ask for an update before the next committee meeting.

PERFORMANCE AND INFORMATION SYSTEMS AUDIT UPDATE ([Exhibit 15](#))

12:25:07 **Presented by** Joe Murray, Deputy Legislative Auditor

12:28:00 Sen. Brown asked Mr. Murray about auditing charity care.
12:29:16 Rep. Hayman asked Mr. Murray about the Montana Developmental Center audit.
12:30:02 Mr. Murray reminded committee members that they received an email from Mr. Soller, Performance Audit Manager, regarding a prioritization survey for committee members to complete.

COMMITTEE MEMBER PRESENTATIONS

Presented by Angus Maciver, Legislative Auditor

12:30:48 Legislative Auditor Maciver recognized the two committee members that were leaving due to retirement. The two receiving members were Rep. Randy Brodehl and Rep. Virginia Court. Legislative Auditor Maciver thanked the members for all their hard work over the years and noted they would be missed. Rep. Brodehl and Rep. Virginia were recognized with certificates noting their time and commitment to the committee.

12:35:05 Rep. Brodehl took the podium to thank the LAD and give his appreciation to staff and committee members.

12:37:15 Sen. McNally took the podium to thank Rep. Brodehl for all his guidance along the way and she stated how he was a great role model and mentor.

12:38:21 Rep. Hayman spoke about starting out in the committee and how gracious and inviting Rep. Brodehl had been.

12:38:42 Legislative Auditor Maciver noted the certificate that Rep. Court would have received if she were present, and that it would be transported to Billings and presented in person by Sen. McNally.

12:40:33 Legislative Auditor Maciver spoke about financial-compliance audits that would be coming out during session and whether a meeting would be necessary or not. It was left that the meeting would be contingent.

([Exhibit 16](#)) was a letter Legislative Auditor Maciver received December 2, 2018, regarding a request from Representative Curdy for a performance audit on the Aeronautics Division of the Montana Department of Transportation. The exhibit was included in the committee member packets but was not verbalized during the meeting.

ADJOURN

12:42:15 There being no further business, the meeting was adjourned at 12:42 p.m.

Secretary: _____
Sen. Margaret MacDonald