



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, Director
DEBORAH BUTLER, Legal Counsel
CANDACE RADOVICH, Admin. Assistant

MINUTES LOG June 25-26, 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

COMMITTEE MEMBERS PRESENT

SEN. DEE BROWN
SEN. TERRY GAUTHIER
SEN. MARGARET MACDONALD
SEN. MARY McNALLY
SEN. GENE VUCKOVICH
REP. KIM ABBOTT
REP. DAN BARTEL
REP. RANDY BRODEHL
REP. TOM BURNETT
REP. VIRGINIA COURT
REP. DENISE HAYMAN

COMMITTEE MEMBERS EXCUSED

SEN. BOB KEENAN

STAFF PRESENT

ANGUS MACIVER, Legislative Auditor
DEBORAH F. BUTLER, Legal Counsel
JULIE JOHNSON, Legal Counsel
CANDACE RADOVICH, Administrative Assistant
JOE MURRAY, Deputy Legislative Auditor
CINDY JORGENSON, Deputy Legislative Auditor

VISITORS LIST ([Attachment 1](#))

AGENDA ([Attachment 2](#))

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

00:00:00 The Legislative Audit Committee met June 25, 2018 in room 172 of the State Capitol Building. Chair, Sen. McNally called the meeting to order at 1:00 p.m., noting the presence of a quorum.

APPROVAL OF THE MINUTES ([Attachment 4](#))

00:00:56 Legislative Auditor Maciver updated the committee on the format change of the minutes.

Motion

00:04:33 Chair McNally moved to approve the minutes from the April 19-20, 2018, meeting.

Vote

00:05:01 The motion passed unanimously on a voice vote.

INTRODUCTION OF NEW STAFF

00:05:22 Legislative Auditor Maciver introduced Julie Johnson as interim legal counsel as Deb Butler was out of the office June 25, 2018.

00:06:33 Mr. Murray introduced Crystal Armstrong, new performance auditor.

00:08:10 Mr. Murray recognized TREADS being awarded the 2018 Impact Award, staff members Amanda Saylor and Diedra Murray were recognized.

00:10:09 Ms. Jorgenson introduced Financial-Compliance Interns Ella Mullen, Nate Hense, and Cole Geschwind.

INFORMATION SYSTEMS AUDIT SCOPE & OBJECTIVES

00:14:39 **Unmanned Aerial Systems** ([Exhibit 1](#))

Presented by: Hunter McClure, Information Systems Auditor

00:16:44 Rep. Hayman asked Mr. McClure about privacy issues.

00:17:19 Rep. Hayman asked Mr. McClure if it was possible to add privacy issues to the current list.

00:18:02 Rep. Brodehl asked Mr. McClure about legislation change.

00:18:30 Sen. Brown asked Mr. McClure about staff being cross trained in each agency.

00:19:31 Sen. MacDonald asked Mr. McClure about disaster and emergency services use of drone technology.

00:20:12 Rep. Bartel asked Legislative Auditor Maciver how this audit had come about.

00:21:43 Rep. Burnett asked Mr. McClure about number of drones and asked if that would-be part of the audit.

00:22:23 Sen. McNally asked Mr. McClure about a list of agencies using the drones.

AUDIT REPORTS

STATE EFFORTS TO MITIGATE FRAUD, WASTE, AND ABUSE IN THE MONTANA MEDICAID PROGRAM (17P-02) ([Exhibit 2](#))

00:23:28 **Report presented by:** Amber Robbins, Performance Senior Auditor

Present from the agency:

Sheila Hogan, Director

Erica Johnston, Operations Services Branch Manager

Marie Matthews, Medicaid and Health Services Branch Manager

Committee Questions of LAD Staff

00:41:33 Rep. Brodehl referred to the agency response, asked Ms. Robbins if other agencies could access those records.

00:42:28 Sen. Brown asked Ms. Robbins about other agencies ability to access record information.

00:43:17 Sen. Brown asked Ms. Robbins if other states have had similar issues as Montana.

00:44:25 Sen. Brown looked for clarification on how a person would sign up for Medicaid and asked Ms. Robbins if the department would verify what a person claimed.

00:46:15 Sen. Abbott inquired of Ms. Robbins if the audit was looking for potential risk of fraud versus specific circumstances of fraud.

00:46:59 Rep. Burnett asked Ms. Robbins about households that were not married.

00:48:00 Rep. Burnett referred to tax data, asked Ms. Robbins about state law. Ms. Robbins suggested that the department answer that question.

00:48:43 Rep. Burnett asked Ms. Robbins about administrative efficiency

00:50:05 Sen. MacDonald asked Ms. Robbins for clarification on determination of states.

00:51:05 Rep. Hayman asked Ms. Robbins if the audit was compared to other states, also asked about the bigger picture program operations.

00:52:48 Rep. Hayman asked Ms. Robbins for clarification on verification of systems.

00:53:36 Sen. McNally referred to the first recommendation and asked Ms. Robbins if this information came from the federally facilitated marketplace

Agency Response

00:55:38 Director Hogan introduced herself and thanked LAD staff, Ms. Johnston was introduced and spoke on the audit.

Committee Questions of DPHHS

00:59:27 Rep. Bartel asked Director Hogan about prior verification of income before enrollment. Director Hogan referred the question to Ms. Matthews.

01:02:28 Rep. Bartel had a statement about an individual not applying if they knew there was more requirement in the beginning of enrollment.

01:03:00 Rep. Brodehl asked Ms. Matthews about post verification.

01:05:05 Rep. Brodehl asked Ms. Matthews about refunding/recovering money, if someone should not have been Medicaid eligible in the first place.

01:06:37 Rep. Brodehl asked how many people had the agency pursued as far as law enforcement in the past year. The question was referred to Ms. Robbins.

01:09:13 Rep. Brodehl made a statement about agency responsibility as far as following up on Medicaid fraud, and he thought the agency should look at this a little tighter.

01:10:01 Sen. MacDonald asked Ms. Johnston for clarification on the disconnect with tax records.

01:13:13 Sen. MacDonald asked Ms. Johnston about staffing level and comparison to last year or the year before.

01:14:27 Sen. Brown asked Ms. Johnston about overall state Medicaid funding and possible legislation change. The question was referred to Director Hogan.

01:17:21 Sen. Brown asked Director Hogan about current law as far as change being made to other MCA laws to service people who really need it.

01:18:38 Rep. Abbott asked Ms. Johnston about natural balance and assessing risk.

01:21:37 Rep. Hayman asked Ms. Johnston about the next session as far as Medicaid being funded or not and what they see for the future.

01:23:26 **Committee Request:** Rep. Brodehl asked Ms. Johnston if the 400 reduction vacant positions within the agency were there a year ago or within the last biennium.

01:25:49 Rep. Brodehl commented on the agency response on page A-2 and inquired of Legal Counsel Ms. Johnson for clarification on state versus federal law.

01:26:39 **Committee Request:** Rep. Burnett commented on the lower administrative cost in the Medicaid expansion and asked Ms. Johnston if she had that number. Ms. Johnston did not have that on hand but could gather that information quickly.

01:27:00 Rep. Burnett still referred to the Medicaid expansion number and asked Ms. Johnston if it had been compared to other expansion states to show the three ways that had facilitated further enrollment that had resulted in actual less administrative costs. Ms. Johnston

- stated she did not believe so and Rep. Burnett would like an analysis, proposed it for further work or a further report.
- 01:27:43 **Committee Request:** Rep. Burnett asked Director Hogan if the Child Support Division had access to not just 1099 data but income tax data. Director Hogan did not have an answer but would find out.
- 01:28:22 Sen. MacDonald asked Director Hogan for cost benefit analysis of covering people in the vulnerable population and how much was being spent on people on and off the bubble, either on or off the system. Director Hogan said she would look at having this done by a third party.
- 01:30:37 Sen. McNally asked Director Hogan about change of policy and policy review.
- 01:31:37 Sen. McNally commented on other states focused on the provider side, asked Director Hogan about breakdown of risk assessment.
- 01:32:54 Rep. Bartel asked Ms. Johnston same question Rep. Brodehl asked earlier about number of employees and vacancies, specifically how many employees were sitting in a chair in January 2016 and how many there was in the present. (already noted as a committee request).

Public Comment

None

Motion

- 01:36:27 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Brown; **motion carried**

Vote

- 01:36:45 The motion passed unanimously on a voice vote.

PERFORMANCE AUDIT FOLLOW-UP

- 01:37:23 **Brucellosis Management in the State of Montana (18SP-09)**
Presented by: Kyle Hartse, Performance Auditor
- 01:42:27 Sen. Brown asked Mr. Hartse about FWP having satisfied the original audit recommendations, the question was deferred to Mr. Murray.
- 01:47:22 Sen. Brown asked Mr. Murray about legislators asking or talking about Brucellosis.
- 01:48:33 Rep. Hayman asked if any FWP staff were present at the meeting.
- 01:49:13 **Committee Request:** Rep. Hayman commented she was unhappy with lack of planning for migratory elk herds. Rep. Hayman requested FWP come back and give the committee their plans.
- 01:50:17 Legislative Auditor Maciver made a comment about following up on follow-up's and legislation options.

BREAK

01:53:34

MONTANA STATE LIBRARY COMMISSION (17-23)

- 02:00:57 **Presented by:** Nolan Preeshl, Financial-Compliance Auditor

Present from agency:

Jennie Stapp, State Librarian
 Kris Schmitz, Central Services Manager

Committee Questions of LAD Staff

None

Agency Response

02:03:17 Presented by Ms. Stapp, she thanked LAD staff and mentioned Ms. Schmitz and her 35-year working anniversary.

Committee Questions of State Library

02:04:45 Sen. Brown asked Ms. Stapp about funds used from the estate and how they were used.
02:06:16 Sen. Brown asked Ms. Stapp about where funds were deposited as far as interest.
02:06:34 Rep. Hayman suggested the State Library hire a development company to raise funds.
02:07:13 Sen. McNally congratulated Ms. Schmitz and commended the library staff.

Public Comment

None

Motion

02:07:47 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Court; **motion carried**

Vote

02:08:05 The motion passed unanimously on a voice vote.

MONTANA ARTS COUNCIL (17-24) (Exhibit 3)

02:08:28 **Presented by:** Shenae Stensaas, Financial-Compliance Auditor

Present from agency:

Tatiana Gant, Executive Director
Jenifer Alger, Chief Financial Officer

Committee Questions of LAD Staff

None

Agency Response

02:16:28 Presented by Ms. Gant she expressed thanks to the LAD staff.

Committee Questions of Arts Council

02:19:49 Sen. Brown referred to the \$93,000 in grants that had been given away, asked Ms. Gant about an average grant amount.
02:20:45 Sen. Brown commented on the Arts Council taking advantage of positive Legislation.
02:21:20 Rep. Burnett asked Ms. Gant what percentage of council work was grant related.
02:21:43 Rep. Burnett referred to personal services on page A8 of the audit report, asked Ms. Gant if the ratio was high and asked if the Council had any sister organizations in other states that had similar costs. Ms. Gant stated she could do some research and compared Illinois to Montana stating that their staff size was like Montana and the grant point was much higher along with similar personnel cost.
02:23:36 Rep. Burnett wanted to clarify on federal processes.
02:24:09 Sen. McNally referred to recommendation number one and asked Ms. Gant about having a date for an available draft.

Public Comment

None

Motion

02:25:40 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Abbott; **motion carried**

Vote

02:25:55 The motion passed unanimously on a voice vote.

MONTANA STATE FUND (17-05B)

02:26:20 **Presented by:** Shandell VanDonsel, CPA, Financial-Compliance Senior Auditor

Present from agency:

Laurence Hubbard, President/CEO

Mark Barry, Vice President, Corporate Support

Committee Questions of LAD Staff

None

Agency Response

02:30:25 Presented by Mr. Barry, he thanked the LAD staff and opened himself to questions from the committee.

Committee Questions of Montana State Fund

02:30:58 Sen. Brown asked Mr. Hubbard about the summary page in the report and the decreased percentages.

02:32:08 **Committee Request:** Sen. Brown commented on appointed and administrative officials, asked if the Board of Directors can be added to the blue book for future including where they live.

02:33:01 Rep. Bartel referred to Senate Bill 4 asked Mr. Hubbard if he would request any money back.

02:34:10 Rep. Bartel asked Mr. Hubbard about purchased reinsurance.

02:35:06 Rep. Bartel asked Mr. Hubbard how much State Fund was charged by the Board of Board of Investments, for investments. The question was referred to Mr. Barry.

Public Comment

None

Motion

02:36:05 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. MacDonald; **motion carried**

Vote

02:36:17 The motion passed unanimously on a voice vote.

STATEWIDE ACCOUNTING, BUDGETING, AND HUMAN RESOURCE SYSTEM (SABHRS) GOVERNANCE AND SECURITY MANAGEMENT (17DP-03 & 17DP-04) (Exhibit 4)

02:36:44 **Presented by:** Aubrey J. Curtis, Information Systems Senior Auditor

Present from agency:

Department of Administration

John Lewis, Director, Directors Office

Mike Manion, Deputy Director and Chief Legal, Directors Office

Amber Conger, Communications Director, Directors Office

Andy Hanks, Chief Information Security Officer, State Information Technology Services Division

Matt Pugh, Deputy Administrator, State Financial Services Division

Cheryl Grey, Administrator, State Financial Services Division

Dean Mack, Deputy Administrator, State Human Resources Division

Anjenette Schafer, Administrator, State Human Resources Division

Martha Watson, HR Information Systems Manager, State Human Resources Division

Committee Questions of LAD Staff

- 03:02:15 Sen. Brown asked Mr. Curtis to elaborate on which recommendations the agency disagreed with.
- 03:04:23 Sen. Brown asked Mr. Curtis about redundancies within the agency.
- 03:05:10 Sen. McNally asked Mr. Curtis about audit standards.
- 03:06:25 Rep. Hayman looked for clarification from Mr. Curtis on specific audit recommendations.

Agency Response

- 03:07:51 Presented by Director Lewis, LAD staff was thanked, specifically Mr. Curtis. Director Lewis spoke in detail regarding the audit.

Committee Questions of Department of Administration

- 03:14:25 Sen. Brown asked Director Lewis about the 10-14-year time frame.
- 03:15:26 Sen. Brown inquired of Director Lewis if he agreed that the new recommendation came up with regards to the way life is now, for example, all the hacking/security issues.
- 03:16:41 Sen. Brown referred to the chart on page 25 and asked Director Lewis who she would ask about IT issues concerning the Department of Motor Vehicles. Sen. Brown also questioned the speed of SABHRS.
- 03:18:48 Ms. Grey and Ms. Watson took the podium to answer Sen. Brown's question about SABHRS history.
- 03:23:20 Legislative Auditor Maciver commented on the evolvement of SABHRS.

Public Comment

None

Motion

- 03:26:35 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Brodehl; **motion carried**

Vote

- 03:26:58 The motion passed unanimously on a voice vote.

STATUS UPDATE – MONTANA BOARD OF INVESTMENTS (Exhibit 5)

- 03:28:20 **Presented by:** David Ewer, Executive Director, Board of Investments
- 03:28:37 Director Ewer introduced himself and spoke on the Board's update in detail.
- 03:48:05 Sen. Brown noted Director Ewer's soon to be retirement and thanked him for the update.
- 03:48:51 Rep. Hayman referred to exhibit 5, asked about the last page's chart regarding the Structure Post C-CAPP Transition.
- 03:51:17 Sen. McNally thanked Director Ewer for attending and for the detailed update.

FY 2019 PERFORMANCE AUDIT PRIORITIZATION PROCESS

- 03:51:53 **Presented by:** Joe Murray, Deputy Legislative Auditor & William Soller, Performance Audit Manager
- 03:54:10 Sen. Brown asked Legislative Auditor Maciver about the number of performance audits typically done per year.
- 04:01:51 Sen. MacDonald asked Mr. Soller about the 2018 cut-off date.
- 04:03:04 Rep. Court looked for clarification from Mr. Soller on the drop plan.
- 04:04:06 Rep. Court asked Mr. Soller about who could use the UM fitness center.
- 04:04:41 Rep. Court asked Mr. Soller for a number on how many fishing access sites, the question was deferred to Legislative Auditor Maciver.
- 04:06:29 Rep. Hayman commented on the Montana Developmental Center.
- 04:08:12 Legislative Auditor Maciver commented on the MDC handout that was passed out. (Exhibit 6)
- 04:09:46 Sen. Brown asked Legislative Auditor Maciver about the Bed Tax audit.
- 04:10:02 Rep. Brodehl commented on the Office of Public Defender potential audit.

FINANCIAL AUDIT STATUS UPDATE (Exhibit 7)

- 04:11:24 **Presented by:** Cindy Jorgenson, CPA, Deputy Legislative Auditor
- 04:15:07 Ms. Jorgenson referred to tab "L" in the committee members packet which was an acronym list. (Exhibit 8)
- 04:15:52 Kelly Zwang talked about a request from the April 19-20, 2018, committee meeting a request from Rep. Brodehl regarding surrounding state comparison. (Exhibit 9)
- 04:18:16 Legislative Auditor made comments on surrounding state comparison document.
- 04:19:27 Rep. Brodehl thanked Ms. Zwang for the comparison document.
- 04:19:57 Sen. Brown asked Legislative Auditor Maciver about doing that type of comparison yearly.
- 04:20:39 Karen. E. Simpson took the podium to provide an update on the Department of Transportation's resolution of an audit finding from the April committee meeting, regarding change orders for construction projects.
- 04:22:25 Sen. Brown asked Ms. Simpson about asking the agency for further clarification.

PERFORMANCE AND INFORMATION SYSTEMS AUDIT UPDATE (Exhibit 10)

- 04:23:37 **Presented by:** Joe Murray, Deputy Legislative Auditor
- 04:27:32 Sen. MacDonald asked for clarification on titles of two different audits.
- 04:27:46 Sen. MacDonald asked Mr. Murray about where the public versus private audit was on the pipeline.

Committee Comments

- 04:30:21 Chair McNally reminded the committee about Legislative Auditor Maciver's re-appointment on June 26, 2018, and the strategic planning process need of being read over.
- 04:31:21 Rep. Bartel asked Chair McNally how to go about dealing with questions that are not actually answered by agencies.
- 04:33:40 Legislative Auditor Maciver spoke on Rep. Bartel's question about agency response and interpretation.
- 04:34:53 Sen. Brown commented on hesitancy of agency response and how to ask questions for future reference.

Recess

- 04:36:38 With there being no further business Chair McNally called the meeting to recess until tomorrow morning June 26, 2018, at 8:30 a.m.

Tuesday, June 26, 2018

CALL TO ORDER

00:00:00 Chair McNally called day two of the Legislative Audit Committee meeting to order at 8:31 a.m.

Visitors List ([Attachment 5](#))

MONTANA MEDICAL LEGAL PANEL (18C-05)

00:00:32 **Presented by:** Morgan Scarr, CPA, Amatics CPA Group

Present from agency:

Jean A. Branscum, Director
Joe Williams, Financial Director

Agency Response

00:02:28 Director Branscum introduced herself, Joe Williams and thanked LAD staff.

Committee Questions of Montana Medical Legal Panel

00:04:00 Rep. Hayman asked Director Branscum about focus of the panel.

00:05:35 Rep. Court asked Director Branscum about time lines for filing a case.

Public Comment

None

Motion

00:07:18 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. MacDonald; **motion carried**

Vote

00:07:38 The motion passed unanimously on a voice vote.

DEPARTMENT OF LIVESTOCK (17-22) ([Exhibit 11](#))

00:07:56 **Presented by:** Chris G. Darragh, Financial-Compliance Senior Auditor

Present from agency:

Mike Honeycutt, Executive Officer
Evan Waters, Finance & Accounting Bureau Chief (not present?)

Board Members

John Lehfeltdt, Chairman
John Scully, Vice Chairman
Nina Baucus
Susan Brown
Ed Waldner
Lila Taylor

Committee Questions of LAD Staff

00:17:28 Sen. Brown referred to prior audit recommendations and asked Mr. Darragh about how a livestock employee would seek help with accounting issues.

Agency Response

00:18:49 Presented by Mr. Honeycutt he thanked his board members for being present and thanked LAD staff, specifically Ms. Katie Majerus and Mr. Darragh.

Committee Questions of Department of Livestock

- 00:20:41 Sen. Brown asked Mr. Honeycutt about internal department conversations regarding the audit findings.
- 00:23:16 Sen. Brown inquired of Mr. Honeycutt about number of employees in the finance area.
- 00:24:27 Sen. Brown asked Mr. Honeycutt for a background on the new Chief Financial Officer.
- 00:26:14 Rep. Brodehl commented on the department having fixed all errors that were called out in the audit recommendations.

Public Comment

None

Motion

- 00:30:07 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Brown; **motion carried**

Vote

- 00:30:24 The motion passed unanimously on a voice vote.

DEPARTMENT OF AGRICULTURE (17-21)

- 00:31:28 **Presented by:** Mary V. Yurewitch, Financial-Compliance Auditor

Present from agency:

Cindy Trimp, Administrator
Cort Jensen, Chief Legal

- 00:32:21 Ms. Yurewitch stated Director Thomas was unable to be present due to scheduling conflicts.

Committee Questions of LAD Staff

None

Agency Response

- 00:36:07 Presented by Ms. Trimp she noted Director Thomas's absence due to being in Glasgow and thanked the LAD staff.

Committee Questions of Department of Agriculture

- 00:38:20 Chair McNally acknowledged Director Thomas's absence and looked forward to seeing him next time.

Public Comment

None

Motion

- 00:38:52 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Court; **motion carried**

Vote

- 00:39:06 The motion passed unanimously on a voice vote.

OTHER BUSINESS

- 00:40:53 Legislative Auditor Maciver went over a committee request from the April 19-20, 2018, committee meeting regarding Fish Wildlife & Parks timeline for completing audit recommendations. ([Exhibit 12](#))
- 00:42:22 Sen. Brown referred to recommendation number one and asked Legislative Auditor Maciver about future legislation change.

00:44:25 Rep. Brodehl reminded the committee of their ability to be able to ask agencies for specific dates.

00:45:37 Legislative Auditor Maciver went over a committee request from the April 19-20, 2018, meeting regarding Fish Wildlife & Parks grant subrecipient dollar amounts. ([Exhibit 13](#))

00:46:45 **Committee Request:** Sen. Brown commented on agencies giving money back to the Federal Government, asked if the state was a pass through for the Federal Government.

00:47:29 Legislative Auditor Maciver stated he would follow up with staff.

00:47:56 Legislative Auditor Maciver went over a committee request from the April 19-20, 2018, committee meeting regarding the Department of Commerce and their plans for grant programs. ([Exhibit 14](#))

00:49:17 Rep. Bartel asked Legislative Auditor Maciver if the request was specific to just the Directors Grant Programs.

00:50:21 Sen. Brown commented on the Department of Commerce website as far as grants and future development.

00:51:11 Sen. McNally commented things seemed to be moving in right direction

00:51:30 Legislative Auditor Maciver went over a committee request from the April 19-20, 2018, committee meeting regarding Flathead Valley Community College on operating expenses. ([Exhibit 15](#))

00:52:46 Rep. Burnett stated he appreciated the effort President Kara put into this request, but that he still didn't quite understand.

00:53:55 Legislative Auditor Maciver stated that there could be time later in the agenda to go over performance audit prioritization for FY19.

FUNDING MONTANA'S HIGHWAY INFRASTRUCTURE (17P-06) ([Exhibit 16](#))

00:54:55 **Presented by:** Jeremy Verhasselt, Performance Senior Auditor

Present from agency:

Mike Tooley, Director
 Vickie Murphy, Audit Services, Chief Auditor
 Jon Swartz, Administrator, Maintenance Division
 Lynn Zanto, Administrator, Rail, Transit and Planning Division
 Dwane Kailey, Administrator, Engineering Division
 Larry Flynn, Administrator, Administration Division

Committee Questions of LAD Staff

01:18:53 Sen. Brown asked Mr. Verhasselt about pavement analysis.

01:20:13 Sen. Brown asked Mr. Verhasselt about the cost of an overpass.

01:21:12 Rep. Brodehl asked Mr. Verhasselt about community input and decision-making processes.

Agency Response

01:22:44 Presented by Director Tooley and LAD staff was thanked

01:24:36 Director Tooley addressed earlier question about a roundabout.

Committee Questions of Montana Department of Transportation

01:25:53 Rep. Hayman referred to public comment, and asked Director Tooley if the Highway Patrol had contact with MDT, as far as how that process worked.

01:27:49 Rep. Hayman inquired of Director Tooley about traffic accident reports and how the department would follow up on areas with numerous accidents.

01:29:01 Rep. Hayman commented that her question about public input and community concern was not answered. Rep. Hayman asked Director Tooley about plans for fixing this issue.

01:32:59 Rep. Brodehl referred to over pass and roundabouts and asked Director Tooley about safety and removal.

01:35:31 Rep. Brodehl looked for clarification on the reserve intersection issue.

01:39:08 Sen. Brown asked Director Tooley if the Department was still considering putting in the roundabout east of Lewistown.

01:39:56 Sen. Brown asked Director Tooley about target date for legislation change
01:40:36 **Committee Request:** Sen. Brown requested the department keep statistics on pavement analysis, specifically the rumble strips with freezing thawing issues and doing something with the center lanes. Sen. Brown would also like information on traffic counts and associated cost after the fact on the project across the high line, the overpass going over the rail road track (East of Glasgow, North of Fort Peck). Director Tooley stated he would get that to the committee.

01:41:47 Rep. Burnett referred to page 12 of the audit report, the FTE classifications of managers and supervisors and asked Director Tooley about cleaning up positions/definitions (staff structure).

01:44:14 **Committee Request:** Rep. Burnett requested MDT keep the LAC informed of progress on staff structure. Director Tooley stated MDT was already working on an analysis and would update the committee.

01:44:26 Rep. Brodehl referred to agency response, asked Director Tooley about reasonable dates, possibly sooner than what was written in the department response. The question was referred to Ms. Zanto.

01:46:47 Rep. Bartel asked Director Tooley about revenues that had come out of HB 473, the question was referred to Mr. Flynn.

01:49:25 Rep. Bartel asked Mr. Flynn if counties could bank the money spoke of.
01:50:17 Sen. McNally referred to the departments corrective action plan and recommendations four and five, asked Director Tooley if he thought those changes would help some of the issues brought fourth, or if something else may need to be done.

01:52:30 Rep. Bartel asked Director Tooley about reconstruction of rumble strips, question was referred to Mr. Kailey.

01:55:00 Rep. Court had a comment about being number five in the nation as far as roads.

Public Comment

None

Motion

01:55:51 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Court; **motion carried**

Vote

01:56:07 The motion passed unanimously on a voice vote.

BREAK

01:56:41

AN EXAMINATION OF THE MONTANA DEPARTMENT OF TRANSPORTATION'S MAINTENANCE DIVISION (17P-07) (Exhibit 17)

02:18:56 **Presented by:** James Sutcliffe, Performance Auditor

Present from agency:

Mike Tooley, Director
Vickie Murphy, Audit Services, Chief Auditor
Jon Swartz, Administrator, Maintenance Division
Lynn Zanto, Administrator, Rail, Transit and Planning Division
Dwane Kailey, Administrator, Engineering Division
Larry Flynn, Administrator, Administration Division

Committee Questions of LAD Staff

02:41:18 Rep. Hayman asked Mr. Sutcliffe for clarification on page 14 and the chart associated.
02:43:06 Sen. Brown referred to page 11, and asked Mr. Sutcliffe about the equipment bureau.
02:44:44 Sen. Brown asked Mr. Sutcliffe about the pricing of equipment.

02:45:18 Sen. Brown asked Mr. Sutcliffe if he saw any instances of pressure from contractors and keeping employees employed.
02:46:26 Rep. Bartel asked Mr. Sutcliffe about building costs and replacement costs for tools and machinery.
02:47:40 Rep. Burnett commented on physical inventory, asked Mr. Sutcliffe how often the department checked their own inventory.
02:48:15 Rep. Burnett asked about GPS and ability to track equipment.
02:48:53 Rep. Hayman asked Mr. Sutcliffe about insurance within the department, asked about cost of insurance. Rep. Hayman also asked if the departments insurance rates would go up because keys were left in vehicles.

Agency Response

02:50:50 Presented by Director Tooley he thanked LAD staff again and introduced Mr. Swartz.

Committee Questions of Montana Department of Transportation

02:51:46 Rep. Brodehl asked Mr. Tooley about page 19 of the audit report as far as the push for contract jobs.
02:54:08 Rep. Brodehl asked Mr. Tooley how a contractor would put pressure on an agency.
02:55:31 Sen. Gauthier asked Mr. Tooley about contracting and cost savings.
02:56:59 Sen. Gauthier commented on MDT snow plow drivers, asked Mr. Tooley about inserting privatization.
02:59:44 Legislative Auditor Maciver noted page 5 of the audit report, and stated winter maintenance may be on a prioritization list for future audits.
03:00:47 Rep. Hayman asked Mr. Tooley about insurance rates going down with new department changes.
03:02:01 Sen. Gauthier asked Mr. Tooley about state insurance versus federal insurance.
03:03:07 Sen. Brown asked Mr. Swartz about fuel storage on site in the remote areas of MT, particularly diesel, and gas tanks next to maintenance buildings.
03:04:58 Sen. Brown asked Mr. Swartz how heavy equipment inventory was tracked.
03:06:04 Sen. Brown wanted to know why it would take a year to figure out which vehicles were needed versus not needed.
03:07:30 Sen. Brown commented on (PVMS) and stated she thought it was a huge concern and asked Mr. Swartz to comment on that.
03:09:03 Rep. Burnett commented on GPS tracking for vehicles and thought the department should consider GPS.
03:11:19 Sen. Gauthier asked Mr. Swartz about retiring/selling vehicles and where that money would go.

Public Comment

03:12:37 Kari Hegreberg with Montana Contractors' Association thanked legislators, LAD staff, and the MDT.
03:20:23 Sen. Brown asked Legislative Auditor Maciver if the audit would be passed to the Transportation Committee.

Motion

03:20:54 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Brown; **motion carried**

Vote

03:21:07 The motion passed unanimously on a voice vote.

OTHER POST-EMPLOYMENT BENEFITS (OBEP) – INFORMATION PRESENTATION ([Exhibit 18](#))

03:21:50 **Presented by:**
Jeane Carstensen-Garrett, CPA, Financial-Compliance Audit Manager
Karen E. Simpson, CPA, Financial-Compliance Senior Auditor
Mary Currin, Financial-Compliance Senior Auditor

Questions of LAD staff

- 03:39:51 Sen. Brown referred to fees and claim coverage and asked Ms. Simpson for clarification.
- 03:40:47 Sen. Brown asked about subsidizing employees and Legislative Auditor Maciver gave an explanation.
- 03:43:58 Rep. Burnett asked how many hours a part-time person must work to draw benefits and Ms. Carstensen-Garrett gave an explanation.
- 03:45:15 Rep. Burnett asked what age a person would have to be to draw benefits and Ms. Carstensen-Garrett gave an explanation.
- 03:45:44 **Committee Request:** Rep. Burnett commented about a person working 25 hours a week and having reached retirement age for their plan and asked Ms. Carstensen-Garrett if their benefit would be reduced proportionate to their working life contribution. Ms. Carstensen-Garrett stated she would research and provide that information.
- 03:46:20 Rep. Bartel asked about retirement and liability for the state and Ms. Currin answered yes.
- 03:47:15 Sen. Brown asked about supplementing different costs and Ms. Carstensen-Garrett gave an explanation.
- 03:48:03 Rep. Burnett asked if claimants could rely on the general fund versus the system and Ms. Simpson gave an explanation.
- 03:49:50 **Committee Request:** Sen. McNally requested the LAD send the power point to committee members via email.

OTHER BUSINESS

LEGISLATIVE AUDITOR RE-APPOINTMENT

- 03:50:36 Chair McNally discussed the subcommittee's unanimous vote to re-appoint Legislative Auditor Maciver for his next to two terms starting July 1, 2018 and ending June 30, 2020. The subcommittee also recommended a base salary increase and an additional 2 percent raise in a year contingent upon performance.

Motion

- 03:54:15 Chair McNally called for a motion on Legislative Auditor Maciver's re-appointment.

Discussion on the Motion

- 03:54:37 Rep. Hayman made a comment about her length of time serving on this committee and commended Legislative Auditor Maciver and stated she felt fortunate to have him.
- 03:55:39 Rep. Brodehl wished to second what Rep. Hayman said stating that Legislative Auditor Maciver has done a great job and turned requests around very quickly.
- 03:56:16 Sen. McNally commended Legislative Auditor Maciver for all his efforts and noted he was very helpful as she transitioned into her position as Chair, she also noted that it has been a pleasure to work with him.
- 03:57:01 Sen. Brown made a comment that she also appreciated Legislative Auditor Maciver and noted that his position was not easy, but he has done a great job in his transition.

Question Called

- 03:57:31 Sen. Brown called the question.

Vote

- 03:57:35 The motion passed unanimously on a voice vote, Sen. Brown relayed that Sen. Keenan voted 'yes' by proxy. ([Exhibit 19](#))
- 03:57:53 Legislative Auditor Maciver gave a brief thank you for the vote of confidence and extended his gratitude and appreciation to his staff.

LEGISLATIVE AUDIT DIVISION STRATGIC PLANNING PROCESS ([Exhibit 20](#))

Presented by: Angus Maciver, Legislative Auditor

03:58:51 Legislative Auditor Maciver summarized the draft Strategic Planning Process to committee members.

04:03:42 Sen. Brown asked Legislative Auditor Maciver how often the plan would be changed and updated.

04:05:28 Rep. Burnett commented that he was pleased and asked Legislative Auditor Maciver about implementation that was possibly out of his hands.

04:08:30 Rep. Brodehl referred to page 11 of the draft and commented on LAD responsibility and legislator responsibility.

04:09:44 Rep. Brodehl asked that the committee be updated with results of the Strategic Planning Process each biennium.

04:10:39 Rep. Hayman commented on the SABHRS audit, asked Legislative Auditor Maciver for more clarity on that type of audit.

04:14:18 Sen. Brown commented on the influence of the LAD.

04:15:24 Sen. Gauthier asked if any audits had ever been carried to legislation.

04:16:53 Legislative Auditor Maciver commented on legislation change.

04:18:05 Sen. Brown commented on interim committee bills.

04:18:59 Sen. McNally commended the draft, said she was pleased and thought it was helpful.

04:19:42 Sen. McNally asked committee members if they had any questions on the performance prioritization and reminded committee members to get that handed in.

04:19:59 Legislative Auditor Maciver noted that if there were any questions on the performance prioritization to get ahold of Mr. Soller or Mr. Murray as this process would allocate half the divisions operation capacity for the next year.

ADJOURNMENT

04:20:45 There being no further business, the meeting was adjourned at 12:51 p.m.

Signed: _____
Virginia Court, Secretary