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LEGISLATIVE AUDIT COMMITTEE
67th Montana Legislature

SENATE MEMBERS

Dee Brown
Jason Ellsworth
John Esp
Pat Flowers
Tom Jacobson
Mary McNally

HOUSE MEMBERS

Kim Abbott
Dan Bartel
Tom Burnett
Denise Hayman
Emma Kerr-Carpenter
Matt Regier

COMMITTEE STAFF

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

MINUTES LOG

January 13, 2020
1:00 PM

Room 102, State Capitol Building

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.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <https://leg.mt.gov/>. From the home page, select the "Committees" drop down menu at the top, then select Administrative or Interim, and the appropriate committee. The written minutes log can be located by expanding the accordion menu for the date of the meeting. Links to the audio/video files can be located by selecting the Video/Audio button on the same page, then the "past/current recordings" button. From there, use the calendar to select the date of the meeting you wish to view/listen to. The written Minutes Log, along with links to 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, Chair (R)
Rep. Denise Hayman, Vice Chair (D)
Rep. Kim Abbott (D)
Rep. Tom Burnett (R)
Sen. Jason Ellsworth (R)
Sen. John Esp (R)

Sen. Pat Flowers (D)
Rep. Emma Kerr-Carpenter (D)
Sen. Mary McNally (D)
Rep. Matt Regier (R)

Members Excused:

Rep. Dan Bartel (R)
Sen. Tom Jacobson (D)

Staff Present:

Deb Butler, Attorney
Angus Maciver, Legislative Auditor
Candace Radovich, Secretary
Joe Murray, Deputy
Cindy Jorgenson, Deputy

Visitor's List ([Attachment 1](#))

Agenda (Attachment 2)

CALL TO ORDER/ROLL CALL (Attachment 3)

13:02:13 The Legislative Audit Committee met in room 102 of the State Capitol Building. Chair Brown called the committee to order at 1:00 p.m. noting the presence of a quorum. The secretary took role and Rep. Bartel and Sen. Jacobson were excused.

APPROVE MINUTES

13:04:02 Rep. Burnett asked about previous meeting requests. **Committee Request:** Rep. Burnett asked for follow-up on his questions relating to bed tax at the Department of Commerce (18P-03).

Motion

13:04:42 Sen Esp moved the committee approve the minutes from the October 30, 2019, minutes.

Vote:

13:04:50 Carried unanimously by voice vote.

DISCUSSION

13:05:25 Legislative Auditor Maciver addressed issues relating to federal compliance testing and use of audit opinions in bidding solicitations. **(Exhibit 1)**

13:11:40 Sen. Brown spoke on the press release regarding the Department of Health and Human Services and the Governor's Office.

13:12:18 Sen. Ellsworth spoke about blue book reports and the process of releasing them.

- 13:12:49 Legislative Auditor Maciver added that audits are conducted within the standards and reporting is not complete until there is a public hearing.
- 13:14:05 Sen. Flowers asked Chair Brown and Legislative Auditor Maciver if the audit spoke of was incomplete.
- 13:15:20 Sen. Flowers asked Legislative Auditor Maciver how he was able to comment on bonding without drawing conclusions publicly.
- 13:17:41 Sen. Flowers asked if the role of the committee was oversight.
- 13:18:18 Sen. Flowers made comments pertinent to the CAFR and independent actions.
- 13:20:48 Rep. Hayman had a statement about DPHHS's contract with CMS.
- 13:24:09 Rep. Kerr-Carpenter asked Legislative Auditor Maciver if the audit being discussed was a financial-compliance audit.
- 13:24:57 Rep. Kerr-Carpenter asked if there were specific guidelines for specific types of audits in the *Governmental Auditing Standards*.
- 13:26:39 Rep. Kerr-Carpenter asked Legislative Auditor Maciver to explain the difference between performance audits and financial audits, and how they pertained to AICPA and the *Governmental Auditing Standards*.
- 13:28:54 Sen. Esp appreciated the timeline and explanation from the memo from the Legislative Audit Division.
- 13:29:33 Sen. Jacobson asked Legislative Auditor Maciver about DPHH'S participant eligibility.
- 13:31:34 Sen. McNally commented on independence.
- 13:34:20 Sen. McNally spoke on reissuing with disclaimers.
- 13:36:07 Sen. Brown commented on bonding going forward and that everything was going to work out.

MONTANA DEPARTMENT OF TRANSPORTATION (19-17)

- 13:37:57 Presented by Karen E. Simpson, CPA, Financial-Compliance Audit Manager
Present from the agency:
Kevin Christensen, Chief Operating Officer
Larry Flynn, Chief Financial Officer
Dwane Kailey, Chief Engineer
Matt Wagner, Accounting Controls Bureau Chief
Jennifer Andrews, Accountant, Rail, Transit, and Planning Division

Committee Questions of LAD Staff

- 13:50:55 Sen. Brown asked Ms. Simpson about present contracts.
- 13:51:56 Sen. Brown asked Ms. Simpson if while she was working at MDT if there should be concern about the amount overrides.

Agency Response

13:52:56 Kevin Christensen, Chief Operating Officer introduced himself and spoke on the audit on behalf of Director Tooley.

Committee Questions of Agency

13:53:51 Sen. Brown asked Mr. Christensen about the 25% and 50% overrides.

13:56:00 Sen. Brown referenced page 9 and asked Mr. Christensen about submitting payroll to subcontractors.

13:57:28 Sen. Brown asked Mr. Christensen if the department kept a log of bad actors in the contracting fields.

13:59:08 Rep. Kerr-Carpenter asked Mr. Christensen about federal partners.

14:00:56 Sen. Brown noted how she appreciated the corrective action plan the department provided.

Public Comment

None

Motion

14:01:40 Sen. Ellsworth moved the committee acknowledge receipt of the report, that it was reviewed by the committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

14:01:40 Carried unanimously by voice vote.

PUBLIC EMPLOYEES' RETIREMENT BOARD (18-08A)

14:02:16 Presented by Shandell VanDonsel, CPA, Financial-Compliance Senior Auditor

Present from the agency:

Dore Schwinden, Executive Director

Bill Holahan, Chief Legal Counsel

Hollie Resler, Fiscal Services Bureau Chief

Committee Questions of LAD Staff

None

Agency Response

14:07:09 Presented by Executive Director Schwinden.

Committee Questions of the Agency

14:11:13 Rep. Burnett asked Director Schwinden about the payoff time.

14:13:21 Rep. Burnett commented on investment returns and asked Director Schwinden about counteracting.

14:14:19 Sen. Ellsworth asked Director Schwinden if there was a significant difference with Highway Patrol and the State.

14:15:52 Sen. Ellsworth asked Director Schwinden about systems flowing the same way.

14:17:23 Sen. Brown asked Director how much their department was paying the Board of Investments.

14:18:05 Sen. Ellsworth had a statement about the Board of Investments return rate.

Public Comment

None

Motion

14:19:56 Sen. Esp moved the committee acknowledge receipt of the report, that it was reviewed by the committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

14:19:56 Carried unanimously by voice vote.

TEACHERS' RETIREMENT BOARD (18-09B)

14:20:42 Presented by Leslie Lahti, Financial-Compliance Auditor
Present from the agency: Shawn Graham, Executive Director
Nolan Briz, Accounting and Fiscal Manager

Committee Questions of LAD Staff

None

Agency Response

14:24:32 Presented by Shawn Graham, Executive Director.

Committee Questions of the Agency

14:28:14 Sen. Brown asked how much the department paid the Board of Investments.

14:29:48 Sen. Ellsworth asked Director Graham what the rate of return with existing funds were.

14:30:39 Sen. Ellsworth asked Director Graham what the SMP500 for last year was.

14:31:16 Sen. Esp asked Director Graham about OPEB.

Public Comment

None

Motion

14:32:03 Sen. Flowers moved the committee acknowledge receipt of the report, that it was reviewed by the committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

14:32:03 Carried unanimously by voice vote.

Break

reconvened at 14:50:02

Performance Audit Follow-up -Tax Increment Financing Administration and Impact (19SP-17)

14:50:32 Presented by Alyssa Sorenson, Performance Auditor

14:53:52 Rep. Burnett complimented the agency and then asked Ms. Sorenson about maturity of a tax district.

Information Systems Audit Follow-up - Statewide Accounting, Budgeting, and Human Resources System (SABHRS) Governance and Security Management (20SP-01)

- 14:55:18 Presented by Amanda Sayler, Information Systems Auditor.
- 14:59:56 **Committee Request:** Sen. Brown asked for an email when the Department of Administration completed recommendation #5.
- 15:00:38 Legislative Auditor Maciver noted that Mr. Murray would speak about the Performance and Information Systems Audit Status Update as a time filler.
- 15:01:38 Mr. Murray, Deputy Legislative Auditor presented the Performance and Information Systems Audit Status Update. **(Exhibit 2)**

DEPARTMENT OF LABOR AND INDUSTRY (19-15)

- 15:04:52 Presented by Jenny Erdahl, CPA, Financial-Compliance Audit Manager
Present from the agency: Tom Lopach, Commissioner as of January 2020
Kathleen O'Leary, Deputy Commissioner
Natalie Smitham, Administrator, Centralized Services Division
Brenda Nordlund, Administrator, Unemployment Insurance Division
Eric Strauss, Administrator, Employment Relations Division
Todd Younkin, Administrator, Business Standards Division
Lenore Hardie, Fiscal Support, Bureau Chief

Committee Questions of LAD Staff

- 15:12:48 Sen. Brown asked Ms. Erdahl why there was a delay with recommendation implementation.

Agency Response

- 15:13:20 Presented by Tom Lopach, Commissioner as of January 6, 2020.

Committee Questions of the Agency

- 15:14:29 Sen. Brown asked Commissioner Lopach how long he had been with the department and what his background was.
- 15:15:24 Sen. Ellsworth welcomed Commissioner Lopach and wanted to confirm that recommendations would be followed up on.
- 15:16:06 Rep. Kerr-Carpenter complimented the department on their detailed response.
- 15:17:10 Sen. Brown asked Commissioner Lopach to ensure recommendations would be completed in a timely manner in the future. The question was deferred to Ms. Smitham.

Public Comment

None

Motion

- 15:19:01 Sen. Ellsworth moved the committee acknowledge receipt of the report, that it was reviewed by the committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

- 15:19:01 Carried unanimously by voice vote.

MONTANA BOARD OF HOUSING (19-07A)

15:19:44 Presented by Nolan Preeshl, Financial-Compliance Auditor
Present from agency: Bruce Brensdal, Executive Director
Virginia Pfankuch, CPA, Accounting and Finance Manager
Cheryl Cohen, Operations Manager

Committee Questions of LAD Staff

15:21:53 Sen. Brown suggested a five year look back (visual-graph) portfolio.

Agency Response

15:23:04 Presented by Executive Director Brensdal.

Committee Questions of the Agency

None

Public Comment

None

Motion

15:24:34 Sen. Esp moved the committee acknowledge receipt of the report, that it was reviewed by the committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

15:24:34 Carried unanimously by voice vote.

RECESS

15:25:19 With no further business, the meeting was recessed until January 14, 2020, at 9:00 a.m.

Committee Secretary:

Rep. Kerr Carpenter