



LEGISLATIVE AUDIT COMMITTEE

66th 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

Angus Maciver - Legislative Auditor
Candace Radovich - Secretary
Deborah F. Butler - Legal Counsel
Joe Murray - Deputy
Cindy Jorgenson - Deputy

DRAFT MINUTES LOG

June 26, 2019
8:30 a.m.
172

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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Please contact the Legislative Services Division at 406-444-3064 for more information.

MEMBERS PRESENT:

Sen. Dee Brown, Chair (R)
Rep. Denise Hayman, Vice Chair (D)
Rep. Kim Abbott (D)
Rep. Dan Bartel (R)
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:

Sen. Tom Jacobson

STAFF PRESENT:

Angus Maciver, Legislative Auditor
Candace Radovich, Admin Assistant
Deborah F. Butler, Legal Counsel
Joe Murray, Deputy Legislative Auditor
Cindy Jorgenson, Deputy Legislative Auditor

CALL TO ORDER

08:31:33 Chairwoman Brown called day two of the Legislative Audit Committee meeting to order at 8:30 a.m. noting the presence of a quorum.

Visitors List

[\(Attachment 4\)](#)

UNMANNED AIRCRAFT SYSTEMS DEPLOYMENT AND OVERSIGHT (17DP-05)

08:32:05 **Presented by** Hunter McClure, Information Systems Auditor ([Exhibit 7](#))

Present from agency:
Office of the Governor
Raphael Graybill, Chief Legal Council

Committee Questions of LAD Staff

08:46:29 Sen. Ellsworth asked Mr. McClure why the aircraft program at the University of Montana was so extensive, was there a program in place for learning. Sen. Ellsworth also asked if that program was part of their curriculum.

08:48:11 Sen. Brown asked Mr. McClure about aircraft numbers at the University of Montana compared to how many aircraft operators they had.

08:49:53 Sen. Brown asked Mr. McClure for general size of the aircrafts and asked about housing them in the committee room.

08:51:14 Rep. Hayman asked Mr. McClure for an exact definition of line of sight. She also asked how a pilot would know if they were flying over the height limit.

08:54:04 Rep. Hayman raised concern with drones interfering with commercial flights and asked Mr. McClure what the state was doing to prevent that.

08:55:38 Sen. McNally referred to page 7 the privacy issues, and asked Mr. McClure what other states were looked at, what kind of regulations were out there to protect that.

08:57:32 Sen. Brown asked Mr. McClure for details about the private flyers.

08:59:07 Sen. Ellsworth stated he was a private pilot himself and was also familiar with drones.

09:00:57 Sen. Flowers asked Mr. McClure who regulated under the 400 feet height limit.

Agency Response

09:02:10 Mr. Graybill introduced himself and commented on how thankful he was to LAD, specifically Mr. McClure. He spoke on what the office was going to do to address recommendations. He also stated he would give updates to the LAC.

Committee Questions of Agency

09:04:49 Sen. Ellsworth asked Mr. Graybill about reaching out to Montana State University or the Department of Justice to collaborate efforts.

09:06:00 Sen. Brown asked Mr. Graybill if he thought there was a need for legislation.
09:07:52 Legislative Auditor Maciver took the podium and spoke about the nature of information systems, their focus, and that the Audit Act referenced technology risk. He encouraged members to use audit function to address emergent technology in order to make the state government enterprise more efficient.

Public Comment
None

Motion
9:10:15 Sen. McNally 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:
09:10:35 Carried unanimously by voice vote.

MONTANA STATE LOTTERY (17-30B)

09:11:01 **Presented by** Jenny Erdahl, CPA, Financial-Compliance Audit Manager

Present from agency:
Angela Wong, Director
Armond Sergeant, Finance Services Director

Committee Questions of LAD Staff
None

Agency Response

09:15:38 Angela Wong, Director, introduced herself and her staff. She thanked the LAD and opened herself up for questions from the committee.

Committee Questions of Agency

09:17:52 Rep. Burnett asked Director Wong about an update on tracking vehicles with GPS monitoring.
09:18:46 Rep. Regier referred to HB 725 that enabled sports betting and asked Director Wong what Lottery's plan was for managing that.
09:20:12 Rep. Regier asked who Lottery's contract was with vendor wise and how long they've had the contract, as well as how long ago it was signed.
09:20:43 Rep. Regier commented on how to maximize profits for the state, as he didn't recall the state even looking at sports betting in 2016.

Public Comment
None

Motion
09:22:21 Rep. Regier 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:
09:22:39 Motion carried 11 - 1 by voice vote with Sen. Esp voting no.

LOTTERY SECURITY (18DP-02) - STATUS UPDATE - PREVIOUS MEETING REQUEST

- 09:23:03 Legislative Auditor Maciver reminded members that at the October 5, 2018, meeting committee members had asked Lottery to come back and give an update on Lottery Security.
- 09:23:53 Ms. Wong took the podium and introduced Bryan Costigan, Security Director, and Philip Charpentier, IT Director. Ms. Wong addressed findings, verbalized all updates to committee members and had two handouts for the committee. ([Exhibit 8](#))
- 09:27:00 **Committee Request:** Sen. Brown thanked Director Wong for the request for an update and taking the update seriously. Sen. Brown requested Lottery drop a note to Audit when the final two recommendations were completed.

JUDICIAL BRANCH (18-27)

- 09:28:24 **Presented by** Jenny Erdahl, CPA, Financial-Compliance Audit Manager

Present from agency:
Beth McLaughlin, Court Administrator
Cathy Pennie, Financial Services Director

Committee Questions of LAD Staff

- 09:35:57 Sen. Brown asked Ms. Erdahl about page 9 and asked when the next DOA audit would be.

Agency Response

- 09:36:47 Presented by Beth McLaughlin, Court Administrator, introduced herself and thanked the LAD staff specifically Ms. Erdahl.

Committee Questions of Agency

- 09:42:20 Sen. McNally asked for clarification from Ms. McLaughlin on the WINGS program.
- 09:43:25 Sen. Brown noted a gap in the 2017 session where nothing happened with legislation.
- 09:45:37 Sen. Esp commented on appointed officials and noted that process didn't take very long.

Public Comment
None

Motion
9:47:06

Rep. Regier 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
09:47:21

Carried unanimously by voice vote.

09:47:36

Sen. Brown reminded committee members to hand in their performance prioritization voting sheets.

09:48:01

Rep. Abbott asked for clarification on what leaving a score blank would mean, referring to the performance prioritization.

OFFICE OF THE SECRETARY OF STATE (18-19)

- 09:48:53 **Presented by** Shenae Stensaas, Financial-Compliance Senior Auditor

Present from the agency:

Christi Jacobsen, Chief of Staff
Julie Lake, Chief Operations Officer
Dana Corson, Elections Director
Brandi Pierson, Chief Fiscal Officer
Austin James, Chief Legal Counsel
Kellee English, IT Director

Committee Questions of LAD Staff

09:58:23 Rep. Hayman asked Ms. Stensaas about the HAVA grant and looked for specific dates.

Agency Response

10:01:06 Christi Jacobsen, Chief of Staff, introduced herself and noted the Secretary of State Corey Stapleton's absence and thanked the LAD staff.

Committee Questions of Agency

10:04:34 Sen. McNally looked for clarification from Ms. Jacobsen on the response from the agency that the argument was there was no commuting.

10:05:10 Sen. McNally noted according to the audit 27,000 miles were commuting not teleworking and asked Ms. Jacobsen for clarification.

10:05:30 Sen. McNally asked Ms. Jacobsen if per her agency there was no misuse of the vehicle.

10:05:58 Sen. Ellsworth asked Ms. Jacobsen how the agency used the vehicle as telework.

10:06:42 Sen. Ellsworth asked Ms. Jacobsen if the person resided in Helena, how did the vehicle get used for teleworking.

10:07:49 Sen. Ellsworth inquired of Ms. Jacobsen if his understanding was correct that the person lived in Helena and used the vehicle to go to a remote site (Billings).

10:08:21 Sen. Ellsworth asked Ms. Jacobsen if he understood her correctly that the person was living in Helena and drove the state vehicle to drive to Billings to then telework.

10:09:09 Rep. Hayman asked Ms. Corson about the federal funding accounting error with the HAVA grant.

10:12:29 Rep. Hayman commented about lack of accountability within the SOS office.

10:13:11 Sen. Brown asked Ms. Stensaas when the \$3 million in federal funding was deposited (time frame). *Ms. Stensaas got that information to the committee before the end of the meeting.

10:13:56 Rep. Burnett asked Ms. Jacobsen about employee duties.

10:14:54 Rep. Burnett brought up GPS tracking in vehicles and asked Ms. Jacobsen if that type of tracking would have justified or refuted the employee claims of appropriate use of vehicles.

10:16:44 Rep. Burnett asked Ms. Stensaas if any other vehicles were leased out to the SOS office and he followed up with multiple questions regarding methods of motor pool tracking and odometer readings.

10:18:00 Sen. Flowers referred to the agency response on recommendation #1 and asked Ms. Jacobsen if long distance telework was an option for employees as a legitimate source.

10:19:00 Sen. Esp referred to SOS visiting different cities and asked Ms. Jacobsen if they made a stop in Belgrade.

- 10:20:11 Sen. Esp made a comment that he appreciated SOS stopping and visiting businesses in other cities.
- 10:20:34 Sen. McNally asked for clarification from Ms. Stensaas that concern of travel in the audit didn't include the visiting of constituents that those miles were separate.
- 10:21:42 Sen. McNally confirmed from Ms. Stensaas that the 27,000 miles recorded were not tied to connecting to businesses or constituents.
- 10:22:22 Sen. McNally asked Ms. Jacobsen if services by their office had declined since the return of the vehicle was previously used for teleworking.
- 10:23:34 Sen. Ellsworth looked for clarification from Ms. Jacobsen that their office considered leaving Helena in state vehicle and traveling to a remote site to then work was their definition of telework.
- 10:24:23 Rep. Bartel asked Ms. Jacobsen if it was in statute that the the SOS was to reside in Helena.
- 10:24:45 Rep. Emma Kerr-Carpenter referred to recommendation #3 with regards to non-disclosure of office relationships and asked Ms. Jacobsen how their office addressed those issues, or any policies that were put in place. Question was deferred to Julie Lake.
- 10:29:16 Rep. Emma Kerr-Carpenter asked if the office had a policy in place for when a relationship was identified as an internal control deficiency.
- 10:29:57 Rep. Emma Kerr-Carpenter asked Ms. Lake where the breakdown was within their office since there was a finding related to relationships that affected proper segregation of duties.
- 10:30:20 Sen. Brown asked Ms. Lake what were the relationships identified as weakness in the audit.

Public Comment
None

Motion

- 10:31:19 Rep. Regier 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

- 10:31:20 Carried unanimously by voice vote.
- 10:31:40 Sen. Brown noted the 11:45 agenda item would flip to the 10:40 agenda item.

BREAK

- 10:32:11 Reconvened at 10:44:26

PERFORMANCE AND INFORMATION SYSTEMS SCOPE & OBJECTIVES

- 10:44:38 ***Charity Care in Montana Hospitals***
Presented by Sarah A. Carlson, Performance Senior Auditor ([Exhibit 9](#))
- 10:49:51 Rep. Regier asked Ms. Carlson about the four non-profit hospitals.
- 10:50:30 Rep. Regier asked Ms. Carlson if the laws in place were MCA or Federal.
- 10:51:17 Rep. Regier suggested that Ms. Carlson and the audit team consider how the costs were determined.

- 10:52:15 Rep. Abbott had commented about how she wasn't sure how much information the audit team could really acquire that wasn't already public information.
- 10:52:56 Legislative Auditor Maciver commented that Rep. Abbott raised a good question and spoke about how the audit may turn out with possible lack of ability to request information.
- 10:55:49 Sen. Brown asked if the hospitals had to report to the Federal Government and how often.
- 10:57:03 Rep. Bartel asked Ms. Carlson for the definition of Charity Care.
- 10:58:41 Sen. Esp asked Ms. Carlson about a specific charge his brother had received while hospitalized.
- 11:00:33 Legislative Auditor Maciver took the podium and spoke on how this was the time to discuss what the audit couldn't and could determine.
- 11:02:57 Rep. Hayman wanted to know how to make families aware that they can rebut charges made by a hospital.
- 11:04:45 Sen. Ellsworth spoke on the committee looking for what was identified as Charity Care.

STATE AUDITORS OFFICE (18-20)

11:06:00 **Presented by** Glenda G. Waldburger, Financial-Compliance Auditor

Present from agency:
Kris Hansen, Deputy State Auditor
Staci Litschauer, Administrator

Committee Questions of LAD Staff

- 11:08:42 Rep. Burnett asked Ms. Waldburger about amounts referred to the general fund.
- 11:10:23 Sen. Ellsworth looked for clarification from Ms. Waldburger about the total of program expenditures.

Agency Response

11:11:40 Kris Hansen, Deputy State Auditor, introduced herself and excused State Auditor Rosendale's absence. Ms. Hansen also thanked the LAD staff, and her own employees.

Committee Questions of Agency

- 11:14:12 Rep. Burnett asked Ms. Hansen about the total personal services benefits now compared to years in the past. Question was deferred to Ms. Litschauer.
- 11:17:35 Sen. Ellsworth referred to page A7 and complimented the agency on the positives standout with employee benefits and salaries.

Public Comment

None

Motion

11:18:56 Rep. Regier 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

11:19:13 Carried unanimously by voice vote.

OFFICE OF THE COMMISSIONER OF POLITICAL PRACTICES (18-21)

11:19:26 **Presented by** Shandell VanDonsel, CPA, Financial-Compliance Senior Auditor

Present from agency:
Jeff Mangan, Commissioner
Kym Trujillo, Compliance Supervisor

Committee Questions of LAD Staff

11:24:26 Sen. Ellsworth referred to page A10 and asked Ms. VanDonsel why there wasn't a further break out of operating expenditures. Sen. Ellsworth was provided more information with Legislative Request #19L-4295.

11:26:11 Legislative Auditor Maciver took the podium and spoke to how the financial schedules were formatted and that if legislators need further information, that could be obtained via SABHRS.

Agency Response

11:27:10 Jeff Mangan, Commissioner, introduced himself and thanked the LAD staff.

Committee Questions of Agency

11:37:09 Rep. Emma Kerr-Carpenter commented she appreciated that Commissioner Mangan stated he was working to establish a relationship with DOA. Sen. Brown followed up to that and asked Commissioner Mangan if they had a specific point of contact at DOA.

11:39:03 Rep. Burnett referred to the Commissioner stating he would deliver the deposits to the bank himself and asked Ms. VanDonsel if it was standard procedure for one person to do that, or if another person was needed.

11:40:13 Rep. Burnett asked Ms. VanDonsel about personal safety regarding one person dropping off a deposit. The question was deferred to Commissioner Mangan.

11:41:25 Sen. Ellsworth took the podium and spoke on the fact that everyone in the CPP office had been very helpful. He asked Commissioner Mangan if a lot of the issues raised in the audit were because of staff turnover.

11:44:01 Sen. Ellsworth referred to the seasonal push the office received and asked Commissioner Mangan if he thought there was anything legislation could do to fix any of that.

11:46:03 Sen. Brown spoke on her appreciation that Commissioner Mangan took the audit seriously and how he admitted to some of the faults. Sen. Brown hoped that the needed contact at DOA would be established. **Committee Request:** Sen. Brown would like to be made aware when recommendations were completed. Commissioner Mangan stated he would update the committee through their own process.

Public Comment

None

Motion

11:48:08 Rep. Kerr-Carpenter 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

11:48:24 Carried unanimously by voice vote.

11:48:31 Legislative Auditor Maciver reminded committee members that if they had any questions regarding the performance prioritization now was the time.

LUNCH

11:49:50

Reconvened at 13:03:12.

BUDGET AND OPERATING PLAN APPROVAL FISCAL YEARS 2020-2021 ALLOCATION TO THE RESERVE ACCOUNT

- 13:03:01 Legislative Auditor Maciver took the podium to explain the Budget and Operating Plan Approval. ([Exhibit 10](#))
- 13:13:23 Sen. Brown asked Legislative Auditor Maciver about office supply cost at LAD compared to other agencies.
- 13:15:29 Sen. Ellsworth requested fiscal years 18-19 for comparative reasons.
- 13:16:44 Sen. Brown asked Legislative Auditor Maciver to explain differences in previous years compared to this year as far as the operating budget.
- 13:17:34 Sen. Ellsworth inquired of Legislative Auditor Maciver about the 4.5 percent if it was biannual or annually.
- 13:17:57 Rep. Emma Kerr-Carpenter asked about the recruiting section of the budget.

Motion

13:19:38 Sen. Esp moved the committee approve the operating plans for the 2021 Biennium Budget Operating plan.

Vote

13:20:00 Carried unanimously by voice vote.

13:20:01 Legislative Auditor Maciver referenced the Legislative Audit Division's carryforward appropriation.

13:23:39 Sen. Ellsworth asked what the carry forward amount was currently.

Motion

9:10:15 Sen. Esp moved the committee approve the carryforward appropriations to set up the reserve account.

Vote

13:24:48 Carried unanimously by voice vote.

PERFORMANCE AND INFORMATION SYSTEMS AUDIT FOLLOW-UP

Montana Department of Transportation

• ***FUNDING MONTANA'S HIGHWAY INFRASTRUCTURE (19SP-15)***

13:25:21 **Presented by** Jeremy Verhasselt, Performance Senior Auditor

13:33:31 Sen. Brown asked Mr. Verhasselt about recommendation # 1 as far as anticipated finish date.

• ***AN EXAMINATION OF THE MONTANA DEPARTMENT OF TRANSPORTATION'S MAINTENANCE DIVISION (19SP-14)***

13:35:18 **Presented by** William Soller, Performance Audit Manager

13:39:06 Rep. Burnett asked Mr. Soller about GPS tracking and asked Mr. Soller if it could help with recommendation #1.

13:40:13 Sen. Ellsworth asked for clarification from Mr. Soller on Recommendation #5.

13:42:00 Legislative Auditor Maciver spoke to Recommendation #5.

13:45:06 Sen. Brown commended Director Tooley and Jon Swartz.

13:45:25 Rep. Burnett asked Mr. Soller about the contracted services.

OVERSIGHT OF STATE AGENCY PROCUREMENT CARD USE (18P-02)

13:48:26 **Presented by** Margaret Wallace, Performance Auditor – ([Exhibit 11](#))

Present from agency:
Department of Administration
Mike Manion, Deputy Director
Meghan Holmlund, Chief Procurement Officer/Bureau Chief
Mark Bruno, Bureau Chief, Office of Finance & Budget

Committee Questions of LAD Staff

13:58:10 Sen. Brown commented on the rebate percentage.

Agency Response

13:59:00 Mike Manion, Deputy Director introduced himself and explained Director Lewis's absence from the meeting. Mr. Manion also thanked the LAD staff, specifically Ms. Wallace.

Committee Questions of Agency

14:07:47 Sen. Brown noticed on the division's corrective action plan that Meghan Holmlund was the person responsible, and asked Ms. Holmlund what tools she had been given to oversee completion of recommendations.

Public Comment

None

Motion

14:10:08 Sen. McNally 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

14:09:56 Carried unanimously by voice vote.

DEPARTMENT OF CORRECTIONS

14:10:37 **Presented by** Katie Majerus, CPA, Financial-Compliance Senior

Present from agency:
John Daugherty, Division Administrator, Administrative Services
Kimberly Timm, Bureau Chief, Financial Services

14:10:25 Sen. Brown took the podium to talk about how the LAC in the past would not have accepted a written response from an agency without the signature of a Director.

14:11:41 Sen. Ellsworth asked what options the committee had.

14:12:21 Rep. Hayman asked why the director did not sign the audit.

14:12:43 Legislative Auditor Maciver made the committee aware of what things could of possibly lead to the director not signing their written response letter.

14:14:04 Rep. Abbott voted to go ahead with the hearing.

14:15:03 **Committee Request:** Sen. Esp agreed with Sen. Brown that the audit hearing would proceed but that the LAC would ask for the Director to be present at the October 2019 meeting.

14:16:00 Sen. Ellsworth commented that the thought the committee should post pone the meeting until the Director could be present.

14:17:05 Sen. McNally noted that the director was out of state, and the deputy had a prior commitment but was willing to put the meeting off if LAC had wished. Sen. McNally also commented on the fact that there were other agencies that did not have the director show up (without a good excuse) and the hearing went on anyway.

Committee Questions of LAD Staff

14:31:14 Rep. Burnett asked Ms. Majerus about the DPHHS's Lewistown and Riverside moves. Ms. Majerus stated that would be a question for the agency.

14:31:56 Sen. Brown asked Ms. Majerus about the Riverside facility.

14:33:42 Rep. Hayman referred to page A15 and asked Ms. Majerus about the increase with changing agencies.

Agency Response

14:35:21 John Daugherty, Division Administrator of Administrative Services introduced himself and explained the Director and Deputy Director's absences. Mr. Daugherty thanked LAD staff and spoke on the recommendations.

Committee Questions of Agency

14:41:02 Sen. McNally referred to the attempt to bring legislation in 2017 and asked Mr. Daugherty why nothing was done in 2019.

14:41:56 Sen. McNally asked Mr. Daugherty if there was any interest in pursuing legislation in the future

14:42:42 Rep. Hayman asked Mr. Daugherty if the conflicting state laws played a part in the issues with Pine Hills.

14:44:41 Legislative Auditor Maciver took the podium to explain the LAD's position on the comments from Mr. Daugherty, that there was no conflict of laws.

14:45:23 Rep. Hayman asked Kimberly Timm about differences in financial figures on page A15.

14:47:02 Sen. Brown asked Mr. Daugherty if there was discussion within their department about consolidated facilities.

14:50:29 **Committee Request:** Sen. Brown asked that when the Director appeared before the October 30, 2019, meeting that he break down of the facilities statistics on incarceration rates etc. Mr. Daugherty noted that information was published on their website and that he had extra copies of their 2019 biennial report that he would provide to members.

14:51:35 **Committee Request:** Sen Esp. referred to §53-1-201, MCA, and §53-1-202, MCA, and the distinct differences between adult and youth correctional facilities and noted that in code Pine Hills was designated as a youth facility, yet Corrections claimed that they had flexibility to change that. Sen. Esp asked that when Corrections would be present at the future October meeting that they bring their legal counsel and explain that to him.

Public Comment

None

Motion

14:52:51 Rep. Bartel 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

Carried 11 - 1 by voice vote with Sen. Ellsworth, voting no.

14:53:58

BREAK

15:04:02

Reconvened at 15:04:08

DEPARTMENT OF JUSTICE (18-18)

15:04:26

Presented by John Fine, CPA, Financial-Compliance Audit Manager

Present from agency:

Liz Bangerter, Administrator, Central Services Division

Bryan Lockerby, Administrator, Criminal Investigation Division

Natacha Bird, Financial Manager

Melissa Schlichting, Deputy Attorney General

Committee Questions of LAD Staff

15:16:07

Rep. Regier asked Mr. Fine about HB 650.

Agency Response

15:18:29

Ms. Bangerter excused Director Milburn's absence and thanked the LAD staff.

Committee Questions of Agency

15:18:29

Sen. Brown made DOJ aware that at the time of the next audit the committee may not accept a written response that wasn't signed by their director.

15:19:19

Committee Request: Rep. Regier asked Ms. Bangerter about the value of the consumer protection account. Ms. Bangerter noted that value had been posted and that she would get that information to him.

15:20:25

Committee Request: Rep. Regier asked Ms. Bangerter for the consumer protection account value that was given to non-profits.

15:21:00

Sen. Brown asked what kind of non-profit organizations would receive money from the government.

Public Comment

None

Motion

15:21:45

Rep. Regier 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

15:21:40

Carried unanimously by voice vote.

OTHER BUSINESS

15:22:31

Legislative Auditor Maciver went through previous meeting requests that were included in the committee member packets.

- Request from Oct. 5, 2018, meeting regarding clarification on gym memberships at UM. ([Exhibit 12](#))
- Request from Dec. 10, 2018, meeting regarding a finding related to school funding at DOR. ([Exhibit 13](#))
- Request from Dec. 10, 2018, meeting Sen. Brodehl had asked DOR for a time-line on completion/implementation of audit recommendations. ([Exhibit 14](#))

- Request from December 10, 2018, meeting regarding unspent IT funds within MDT resulting from a DOA audit. ([Exhibit 15](#))
- Request from December 11, 2018, meeting regarding a follow-up to the Montana Heritage Commission. ([Exhibit 16](#))
- Request from December 11, 2018, meeting regarding number of internal auditors at DEQ. ([Exhibit 17](#))
- Request from February 6, 2019, meeting Rep. Regier had requested DOA appear before the committee again to give an update and answer questions regarding State Employee Health Clinics Contract Management and Oversight. ([Exhibit 18](#))

MONTANA HISTORICAL SOCIETY (18-24)

15:30:10 **Presented by** Nolan Preeshl, Financial-Compliance Senior Auditor

Present from agency:
Bruce Whittenberg, Director
Denise King, Centralized Services Division

Committee Questions of LAD Staff

15:36:07 Rep. Kerr-Carpenter referred to HB 2 and asked Mr. Preeshl for a solution.

Agency Response

15:36:53 Bruce Whittenberg introduced himself and Ms. King and thanked the LAD staff and spoke on the audit recommendations.

15:39:09 Ms. King went into detail regarding recommendations and the disclosure issue.

15:41:21 Sen. Brown looked for clarification on the law and state accounting policy.

Committee Questions of the Agency

15:42:17 Sen. Brown asked Director Whittenberg about number of volumes. Sen. Brown also asked if the other buildings used for storage were owned by the Historical Society.

15:44:56 Sen. Brown asked Director Whittenberg how much they paid to rent their storage type facilities.

Public Comment

None

Motion

15:45:55 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

15:46:09 Carried unanimously by voice vote.

DEPARTMENT OF PUBLIC SERVICE REGULATION (18-26)

15:46:41 **Presented by** Jessica Curtis, CPA, Financial-Compliance Senior Auditor

Present from agency:
Bob Lake, Commission Vice Chair
Mandi Hinman, Administrator, Centralized Services Division

Committee Questions of LAD Staff

- 15:53:17 Sen. Brown asked Ms. Curtis about page 12 regarding a consultant paid directly by a utility. Sen. Brown also asked how many consultants had been hired by the agency.
- 15:54:44 Sen. Brown asked Ms. Curtis to explain state accounting policy regarding recognized revenue on page 10.
- 15:56:41 Legislative Auditor Maciver spoke on public service regulation.

Agency Response

- 15:59:11 Vice Chair Bob Lake introduced himself and stated he was happy to be present at committee. Mr. Lake also stated they were already working on recommendations and would be implement a corrective action plan.
- 16:00:33 Ms. Hinman spoke on how much she learned during the audit and commented on her appreciation to Ms. Curtis and the LAD staff. Ms. Hinman spoke about how they had concurred with all recommendations and that they would implement a corrective action plan for the future.

Committee Questions of Agency

- 16:03:18 Rep. Emma Kerr-Carpenter asked Ms. Hinman if their agency did reach out to DOA, if they proved to be a good resource.
- 16:04:24 **Committee Request:** Sen. McNally commented on the continued issues of internal control. Sen. McNally asked if the agency could present the committee with a follow-up or outline on recommendation implementation.
- 16:06:51 Rep. Burnett asked Ms. Hinman if their agency had a internal policy in place before September 2019 surrounding controls over direct entries to fund equity.
- 16:08:49 Vice Chair Lake wanted to give one clarification on the outside council issue.

Public Comment

None

Motion

- 16:09:44 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

- 16:10:07 Carried unanimously by voice vote.

MONTANA BOARD OF HOUSING (17-07B)

- 16:10:34 **Presented by** Jill Morasko, CPA, CMA, Senior Financial-Compliance Auditor
- Present from the agency:
 Bruce Brensdaal, Executive Director
 Virginia Pfankuch, CPA, Accounting & Finance Manager
 Cheryl Cohen, Operations Manager

Committee Questions of LAD Staff

None

Agency Response

- 16:13:10 Bruce Brensdaal, Executive Director, thanked his staff and the LAD staff. Executive Director Brensdaal went into detail regarding recommendations.

Committee Questions of Agency

16:14:25 Sen. Brown commented about page 3 of the audit report and commended BOH staff for their foreclosure rate.

Public Comment

None

Motion

16:15:30 Sen. McNally 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

16:15:26 Carried unanimously by voice vote.

BIENNIAL SCHEDULE

16:16:28 Legislative Auditor Maciver brought attention to the draft biennial schedule and let members know this was the time to note times or dates of preference. ([Exhibit 19](#))

16:21:37 Sen. Brown directed committee members to let Legislative Auditor Maciver know about preference dates for meetings by July 15.

OTHER BUSINESS

16:22:39 Legislative Auditor Maciver drew members attention the the memo in their packets regarding the LAD's focus group. ([Exhibit 20](#))

16:25:13 Sen. Brown asked Legislative Auditor about inviting the press to the focus group.

16:26:35 Rep. Burnett asked if the LAD had a Facebook page.

FINANCIAL STATUS UPDATE

16:28:00 **Presented by** Cindy Jorgenson, CPA, Deputy Legislative Auditor ([Exhibit 21](#)) ([Exhibit 22](#))

PERFORMANCE AND INFORMATION SYSTEMS AUDIT STATUS UPDATE

16:33:05 **Presented by** Joe Murray, Deputy Legislative Auditor ([Exhibit 23](#))

16:37:21 Rep. Emma Kerr-Carpenter asked Mr. Murray how Information-Systems audits were prioritized.

16:38:31 Sen. Brown gave some clarification on job titles of staff.

PUBLIC COMMENT

None

ADJOURNMENT

16:40:04 There being no further business the meeting was adjourned at 4:40 p.m.

Secretary:

Rep. Kerr-Carpenter