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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

June 15, 2020
1:00 PM

Room 317, State Capitol Building & Via Zoom

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)
Sen. Tom Jacobson (D)
Rep. Emma Kerr-Carpenter (D)
Sen. Mary McNally (D)
Rep. Matt Regier (R)

Members Excused:

Rep. Dan Bartel (R)

Members Absent:

Staff Present:

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

Visitor's List (n/a)

Agenda ([ATTACHMENT 1](#))

ROLL CALL/CALL TO ORDER

13:00:28 The Legislative Audit Committee meet in room 317 of the State Capitol Building and via zoom. Chair Brown called the meeting or order noting the presence of a quorum. The secretary took roll and Rep. Bartel was marked excused. ([ATTACHMENT 2](#))

APPROVE MINUTES

Motion

13:01:39 Sen. Esp moved the committee approve the minutes from May 20, 2020.

Vote:

13:01:39 Carried unanimously by voice vote.

13:02:07 Chair Brown introduced Hunter McClure, Information Systems Auditor, Zoom Manager.

13:02:18 Mr. McClure gave a brief overview regarding the hybrid meeting.

SHORT TERM LODGING AND RENTAL VEHICLE TAXES: KEEPING PACE WITH AN EVOLVING MARKETPLACE (18P-06)

13:03:23 Presented by John Harrington, Performance Senior Auditor ([EXHIBIT 1](#))
Present from Department of Revenue:
Gene Walborn, Director
Shauna Helfert, Deputy Director
Dan Whyte, Chief Legal Counsel

Committee Questions of LAD Staff

- 13:22:27 Rep. Hayman asked Mr. Harrington if there was a study completed on states in the region for comparison on tax amounts.
- 13:23:49 Rep. Abbott asked Mr. Harrington about the significance of Helena properties.
- 13:26:04 Sen. McNally also asked Mr. Harrington about what other states had done.
- 13:28:40 Sen. Ellsworth referenced page 9 and asked Mr. Harrington to expand on the 20 unique owners used in the sample.
- 13:29:53 Sen. Ellsworth asked Mr. Harrington how many owners were not in the database.
- 13:30:23 Sen. Flowers asked Mr. Harrington if the LAD or the department extrapolated statewide taxes that were not collected with peer to peer.
- 13:31:48 Sen. Brown spoke of income taxes and asked Mr. Harrington about collected percent's. Sen. Brown gave her opinion on what needed to be looked at during session regarding rental tax and income tax.

Agency Response

- 13:35:11 Presented by Director Walborn.

Committee Questions of Agency

- 13:51:37 Rep. Kerr-Carpenter asked Director Walborn about audit provisions with peer to peer platforms.
- 13:54:01 Sen. Esp asked Director Walborn how many FTE were specific to audit purposes.
- 13:55:46 Sen. Brown inquired of Director Walborn about sampling.
- 13:58:47 Sen. Brown asked Director Walborn about coordination with other cities and short-term rentals.
- 13:59:43 Sen. Brown asked Director Walborn how to go about having property managers update their own information. She also asked if the department would be willing to work with legislators on improvements needed that were identified in the audit.

Public Comment

None

Motion

- 14:02:30 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:

- 14:02:19 Carried unanimously by voice vote.

DATA SECURITY AND OPERATIONAL PERFORMANCE OF MONTANA'S COMPUTER-ASSISTED MASS APPRAISAL AND TAX SYSTEM (ORION) (19DP-03)

- 14:02:58 Presented by William Hallinan, Information Systems Auditor (**EXHIBIT 2**) Present from the Department of Revenue Gene Walborn, Director

Dan Whyte, Chief Legal Counsel
Manuel Soto, Chief Information Officer
Gordy Conn, Property Assessment Division Administrator

Committee Questions of LAD Staff

- 14:20:43 Sen. Brown asked Mr. Hallinan about geographically dispersed staff.
- 14:22:18 Sen. Jacobson asked Mr. Hallinan several questions about specific context of the report.
- 14:29:33 Sen. McNally asked Mr. Hallinan about appeals referenced in the report.

Agency Response

- 14:31:59 Presented by Director Walborn.

Committee Questions of Agency

- 14:47:27 Sen. Brown looked for clarification from Director Walborn on appeals and parcels.
- 14:48:21 Rep. Kerr-Carpenter asked Director Walborn about the written response from the department that spoke about FTE.
- 14:49:26 Sen. Ellsworth asked Mr. Hallinan about confidential information.
- 14:50:50 Sen. Esp referenced the chart on page 11 and had suggestions on a broader picture and accuracy.
- 14:53:01 Sen. Brown asked Director Walborn about property tax deduction based on income.
- 14:55:48 **Committee Request:** Sen. Brown asked Director Walborn for the number of property assessment appeals by year. (received email)

Public Comment

None

- 14:56:12 Legislative Auditor Maciver took the podium and asked Mr. Hallinan to go over details about the LAD's survey process using department employees.

Motion

- 14:58:34 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:

- 14:58:34 Carried unanimously by voice vote.

BREAK

- 14:59:07 Reconvened at 15:08:20.

DAWSON COMMUNITY COLLEGE (19C-06)

- 15:08:27 Presented by Matt Hjelm, Senior Manager, Wipfli, LLP
Present from College:
Scott R. Mickelsen, President

Jennifer M. King, Director of Business Operations

Agency Response

15:12:05 Presented by President Mickelsen.

Committee Questions of Agency

15:13:55 Rep. Hayman asked President Mickelsen about the college's vision.

15:16:12 **Committee Request:** Sen. Brown asked President Mickelsen for a time frame for resolution of continued audit findings. The question was deferred to Ms. King. Sen. Brown requested an email when both were rectified. (received email)

Public Comment

None

Motion

15:17:37 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:

15:17:37 Carried unanimously by voice vote.

MONTANA BOARD OF INVESTMENTS (18-04B)

15:18:09 Presented by Katie Majerus, CPA, Financial-Compliance Senior Auditor
Present from Agency:
Dan Villa, Executive Director/Acting CIO

Committee Questions of LAD Staff

None

Agency Response

15:22:34 Presented by Director Villa.

Committee Questions of Agency

15:23:51 Rep. Burnett asked Director Villa what the value of investments were as of the present.

15:25:41 Rep. Burnett asked Director Villa to explain the department's value of investment as of the present from what the audit reported.

Public Comment

None

Motion

15:26:58 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:

15:26:58 Carried unanimously by voice vote.

OFFICE OF PUBLIC INSTRUCTION (19-19)

15:27:16 Presented by Kelly Zwang, CPA, Financial-Compliance Senior Auditor
Present from agency:

Elsie Arntzen, Superintendent
Ken Bailey, Chief Financial Officer
Jay Phillips, Centralized Services Division Administrator

Committee Questions of LAD Staff

- 15:41:07 Rep. Hayman spoke about the Title 1 federal program and asked Ms. Zwang if there were ramifications for the department on lack of fund oversight.
- 15:44:58 Sen. Brown followed up to Rep. Hayman's concerns and asked Ms. Zwang about monetary amounts.
- 15:46:13 Rep. Burnett referenced page 11 and asked Ms. Zwang about issues reported to the federal government.
- 15:47:05 Sen. Brown looked for clarification on what agency staff referred to as "high priority" she also asked about documentation.

Agency Response

- 15:48:41 Presented by Superintendent Arntzen.

Committee Questions of Agency

- 15:51:56 Mr. Phillips introduced himself to the committee.
- 15:52:15 Mr. Bailey introduced himself to the committee.
- 15:52:55 Sen. Brown asked Mr. Phillips about page 14 the estimated versus actual revenue.
- 15:55:00 Rep. Burnett asked Mr. Bailey if the agency had responded and if they did what was the response to the Title I.
- 15:57:19 Sen. Brown asked Mr. Bailey about the technology and advisory committee - who was on that committee and what expertise did they have in order to advise their agency.
- 15:58:40 Rep. Kerr-Carpenter asked if Mr. Bailey could expand on page six, the piece about risk assessment.
- 16:04:47 Sen. Jacobson referenced page six and asked Mr. Bailey how much money would be at risk of being returned to the federal government.
- 16:07:39 Sen. Brown looked for clarification on the department's corrective action plan.

Public Comment

None

Motion

- 16:09:02 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:

- 16:09:02 Carried unanimously by voice vote.

STATE OF MONTANA (19-01)

16:09:42 Presented by Jeane Carstensen-Garrett, CPA, Financial-Compliance Audit Manager
Present from the agency:
Department of Administration
John Lewis, Director
Cheryl Grey, Administrator, State Financial Services Division
Cody Pearce, State Accountant, Statewide Accounting Bureau Chief
Governor's Office of Budget and Program Planning
Sonia Powell, CPA, Single Audit Coordinator

Committee Questions of LAD Staff

16:26:20 Sen. Brown asked Ms. Carstensen-Garrett about the Cares Act.

16:26:56 Sen. Esp asked for clarification from Ms. Carstensen-Garrett on page A24.

16:28:21 **Committee Request:** Rep. Kerr-Carpenter asked Ms. Carstensen-Garrett for the definition of materiality specific to the audit and what the dollar amount used was. (A memo was sent out to Rep. Kerr-Carpenter after the meeting regarding this question)

16:30:15 Rep. Hayman asked Ms. Carstensen-Garrett for the definition of reasonably possible and rationale pertinent to a separate audit.

16:32:58 Rep. Burnett asked if he could have a copy of the CEFA spreadsheet if there were one. (Ms. Carstensen-Garrett emailed this to Rep. Burnett after the meeting).

Agency Response

16:33:54 Presented by Director Lewis.

16:35:54 Sen. Brown gave kudos to the DOA.

Agency Response

16:36:14 Presented by Ms. Powell.

Committee Questions of Agency

None

Public Comment

None

Motion

16:37:44 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:

16:37:49 Carried 10 - 1 by voice vote with Rep. Hayman, voting no.

FEDERAL SINGLE AUDIT - INTRODUCTION AND OVERVIEW

16:38:22 Presented by Cindy Jorgenson, Deputy Legislative Auditor (**EXHIBIT 3**)

17:06:07 Sen. Brown asked Ms. Jorgenson about new programs within the federal government and how agencies would adapt.

- 17:07:30 Rep. Burnett asked Ms. Jorgenson for past federal management decisions for last 10-20 years.
- 17:08:45 Rep. Burnett asked Ms. Jorgenson when (most recently) the federal government requested money be repaid by an agency.
- 17:10:07 Rep. Burnett asked when the SNAP decision was made.
- 17:11:06 Rep. Kerr-Carpenter asked Ms. Jorgenson what the materiality definition used in the Single Audit was. (noted as a committee request on page 7 - A memo was sent out to Rep. Kerr-Carpenter after the meeting regarding this question)
- 17:12:16 Legislative Auditor Maciver addressed questions asked previously regarding the federal government and SNAP.
- 17:14:05 Chair Brown noted the meeting was going into personnel discussion and would be closed to the public.

ADJOURNMENT

- 17:14:15 With there being no further business, the meeting was recessed until June 16, 2020, at 8:30 a.m.

Secretary: /s/ Rep. Emma Kerr-Carpenter
Rep. Emma Kerr-Carpenter