



LEGISLATIVE AUDIT COMMITTEE 67th Montana Legislature

SENATE MEMBERS

Jason Ellsworth
John Esp
Pat Flowers
Tom Jacobson
Tom McGillvray
Mary McNally

HOUSE MEMBERS

Kim Abbott
Denise Hayman
Emma Kerr-Carpenter
Terry Moore
Matt Regier
Jerry Schillinger

COMMITTEE STAFF

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

MINUTES LOG

April 26, 2022
Room 317
Helena, Montana

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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MEMBERS PRESENT:

Rep. Denise Hayman, Chair (D)
Rep. Kim Abbott (D)
Sen. John Esp (R)
Sen. Pat Flowers (D)
Sen. Tom McGillvray (R)
Sen. Mary McNally (D)
Rep. Terry Moore (R)
Rep. Matt Regier (R)
Rep. Jerry Schillinger (R)

MEMBERS EXCUSED:

Sen. Tom Jacobson (D)
Rep. Emma Kerr-Carpenter (D)
Sen. Jason Ellsworth, Vice Chair (R)

MEMBERS ABSENT:

STAFF PRESENT:

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

CALL TO ORDER

09:01:51 Chair Hayman called day two of the meeting to order at 9:01 a.m. noting the presence of a quorum.

DEPARTMENT OF COMMERCE (21-16)

09:02:10 Presented by Shandell VanDonsel, CPA, Financial-Compliance Audit Supervisor.
Present from agency:
Scott Osterman, Director
Jenny Pelej, Administrator, Office of Tourism & Business Development
Renee Lemon, Administrator, Community Development Division
Ingrid Mallo, Financial Manager
Adam Schafer, Deputy Director
Craig Woods, Budget Manager
Cheryl Cohen, Administrator, Housing Division
Jan Stoddard, Bureau Chief, Office of Tourism

Committee Question of Staff

09:14:37 Sen. Esp asked Ms. VanDonsel for the total awarded for that program.
09:15:35 Rep. Hayman asked Ms. VanDonsel asked about the tourism expenditure dollars.
09:16:49 Rep. Hayman asked Ms. VanDonsel about rental assistance.
09:18:16 Sen. Flowers asked Ms. VanDonsel about specific audit standards.
09:20:31 Sen. McNally asked Ms. VanDonsel if there were total expenditures and what was actually awarded. If that information was available somewhere.
09:22:28 Rep. Abbott asked Ms. VanDonsel about reporting requirements.
09:23:12 Rep. Hayman asked Ms. VanDonsel about funds eligible for Warm Springs.
09:23:46 Rep. Moore asked Ms. VanDonsel about the findings and samples sizes.
09:27:43 Legislative Auditor Maciver explained federal testing.
09:31:15 Rep. Hayman asked Legislative Auditor Maciver about additional information that could be included outside of this report if Audit were to do the work on a separate basis.
09:32:40 Sen. Flowers spoke about reports available in other committees that would include more detail.

Agency Response

09:33:41 Presented by Director Osterman.

Committee Questions of Agency

09:35:57 Sen. McGillvray asked Director Osterman about the Tourism Safety Program. The question was deferred to Ms. Pelej.
09:39:43 Sen. McGillvray asked Director Osterman about the Emergency Rental Assistance potential fraud unit.
09:42:20 Sen. McGillvray asked Director Osterman about national versus Montana regarding the potential fraud unit.
09:42:48 Rep. Abbott asked Director Osterman about fraudulent claims.
09:43:18 Rep. Moore asked Director Moore about claims to recover funds. The question was deferred to Ms. Cohen.
09:45:49 Rep. Schillinger asked Director Osterman about recovery attempts if the state paid for that.
09:50:45 Sen. Flowers commended the department.
09:52:24 Rep. Hayman asked Director Osterman about eligibility of Warm Springs and funds.

- 09:52:55 Rep. Schillinger asked Director Osterman about nursing homes across the state, the question was deferred to Ms. Cohen.
09:54:03 Sen. Ellsworth commended the department.

Public Comment

Motion

- 09:55:31 Sen. McNally moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

- 09:55:31 Carried unanimously by voice vote.

INFORMATION SECURITY IN THE MONTANA UNIVERSITY SYSTEM (20DP-03)

- 09:57:51 Presented by Miki Cestnik, CISA, Information Systems Audit Manager.
[\(EXHIBIT 9\)](#) power point
Present from agency:
Office of the Commissioner of Higher Education
Tyler Trevor, Deputy Commissioner
Margaret Wallace, Director of Assurance and Enterprise Risk
John Thunstrom, MUS, IT Director
Montana State University
Terry Leist, Vice President for Administration and Finance
Ryan Knutson, Vice President for University Information Technology
Aaron Mitchell, Assistant Vice President, Financial Services
Ila Saunders, Interim Director of Audit Services
Justin van Almelo, Manager of Information Technology
Janell Booth, Director of Government Affairs
University of Montana
Seth Bodnar, President
Paul Lasiter, Vice President
Zach Rossmiller, Chief Information Officer
Dave Kuntz, Director of Strategic Communications
Anta Coulibaly, Director of Internal Audit

Committee Question of Staff

- 10:17:09 Sen. Flowers asked Ms. Cestnik about additional security software.
10:18:31 Rep. Hayman asked Ms. Cestnik if the audit looked at the structure of security in other states. She also asked about success rates in other states.

Agency Response

- 10:19:50 Office of the Commissioner of Higher Education - presented by Commissioner Clayton.

Committee Questions of Agency

- 10:27:10 **Committee Request:** Rep. Moore requested an update in six months on this audit including a corrective action plan with dates. (LAD reached out to let the department know we expected that document in the October time frame)
10:29:26 Sen. Flowers asked Ms. Cestnik about spending on cybersecurity to reduce risk. He also asked if there was an industry standard on how to approach an acceptable level of risk.

Agency Response

- 10:33:10 Montana State University - presented by Mr. Knutson.

Committee Questions of Agency

- 10:34:25 Rep. Hayman asked Mr. Knutson if the universities and OCHE would work collaboratively.

Agency Response

10:34:59 University of Montana - presented by President Bodnar.

Committee Questions of Agency

10:36:12 Rep. Hayman asked President Bodnar if the system put in place would be used throughout all the universities.

10:38:37 Rep. Hayman mentioned adding a new curriculum to cater to information security.

Public Comment

Motion

10:42:57 Sen. McGillvray moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

10:42:57 Carried unanimously by voice vote.

Break

10:43:25 Reconvened at 10:57:46

UNIVERSITY OF MONTANA (21-10A)

10:57:46 Presented by Nolan Preeshl, Senior Financial-Compliance Auditor

Present from Agency:
Seth Bodnar, President
Paul Lasiter, Vice President
Anta Coulibaly, Director of Internal Audit
Dan Jenko, Controller
Tara Scott, Financial Manager

Committee Question of Staff

11:05:32 Rep. Schillinger asked Mr. Preeshl about research dollars.

11:06:49 Legislative Auditor Maciver spoke about the audits that would be available at the June Meeting.

Agency Response

11:07:32 Presented by President Bodnar.

Committee Questions of Agency

Public Comment

Motion

11:14:00 Sen. McGillvray moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

11:14:00 Carried unanimously by voice vote.

MONTANA STATE UNIVERSITY (21-11A)

11:14:40 Presented by Katie Majerus, CPA, Financial-Compliance Audit Supervisor

Present from Agency:
Terry Leist, VP for Administration and Finance
Ryan Knutson, Chief Information Officer
Aaron Mitchell, Assistant VP, Financial Services
Ila Sanders, Interim Director of Audit Services
Janell Booth, Director of Government Affairs

Committee Question of Staff

- 11:26:13 Sen. Esp asked Ms. Majerus about a transfer of funds from work in progress to the actual asset.
- 11:27:32 Rep. Hayman asked Ms. Majerus about reduced credit rating referenced in the report.
- 11:28:25 Legislative Auditor Maciver spoke on the credit rating question.

Agency Response

- 11:29:35 Presented by Mr. Leist.

Committee Questions of Agency

- 11:31:03 Rep. Hayman asked Mr. Leist for details about the reduced credit rating referenced in the report.
- 11:32:36 Rep. Hayman asked what the credit rating was for the university.

Public Comment

- 11:33:20 Rep. Hayman noted the expectation to see President Cruzado at their next audit.

Motion

- 11:33:47 Sen. Esp moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

- 11:33:46 Carried unanimously by voice vote.

INFORMATION SYSTEMS AUDIT SCOPE & OBJECTIVES - MERLIN COMPLIANCE (21DP-01)

- 11:34:24 Presented by Jemma Z. Hazen, Associate Information Systems Auditor
[\(EXHIBIT 10\)](#)

Committee Question of Staff

- 11:38:00 Sen. Flowers asked Ms. Hazen who the stake holders were.
- 11:38:49 Sen. Flowers asked Ms. Hazen if the audit would look at interface specifically.
- 11:40:14 Legislative Auditor Maciver and Ms. Cestnik spoke on the approach of the audit.
- 11:41:16 Rep. Hayman spoke about her experience with trying to renew her driver's license.
- 11:43:08 Sen. Esp asked Ms. Cestnik to clarify the purpose of the audit. The question was deferred to Legislative Auditor Maciver
- 11:46:43 Sen. Esp commented on expected findings.
- 11:47:17 Legislative Auditor Maciver spoke on presenting scope and objectives.

PERFORMANCE AUDIT SCOPE & OBJECTIVES - INMATE WELFARE FUND (22P-03)

- 11:48:17 Presented by Amber Robbins, Management & Program Analyst Supervisor
[\(EXHIBIT 11\)](#)

Committee Question of Staff

- 11:51:21 Sen. McGillvray asked Ms. Robbins about phone fees for inmates.

Lunch

- 11:53:57 Reconvened at 13:00:07

STATE OF MONTANA (20-01B)

- 13:00:08 Presented by Karen E. Simpson, CPA, Financial-Compliance Audit Manager
[\(EXHIBIT 12\)](#) power point

Present from agency:
Department of Administration
Misty Ann Giles, Director
Yvette Englert, Deputy Director
Chery Grey, CPA, Administrator
Kristen Reynolds, Finance Manager
Frank Cornwell, CPA, State Accounting & Financial Reporting Manager
Governor's Office of Budget and Program Planning
Chris Heggem, Chief of Staff
Sonia Powell, CPA, Single Audit Coordinator
Amy Sassano, Deputy Budget Director
Chet McLean, CPA, Internal Controls Coordinator
Department of Public Health and Human Services
Kim Aiken, Chief Financial Officer
Department of Labor and Industry
Erin Weisgerber, Centralized Services Division Administrator
Lenore Hardie, Accounting Bureau Chief

Committee Question of Staff

13:34:29 Sen. Flowers asked Ms. Simpson about the business stabilization grants.

13:35:21 Sen. McGillvray asked Ms. Simpson how the state tracked revenue and if new hires were needed for that.

Agency Response

13:37:28 Department of Administration - presented by Director Giles.

Committee Questions of Agency

Agency Response

13:40:39 Governor's Office of Budget and Program Planning - presented by Mr. Heggem.

Committee Questions of Agency

Agency Response

13:42:06 Department of Public Health and Human Services - presented by Ms. Aiken.

Committee Questions of Agency

Agency Response

13:43:15 Department of Labor and Industry - presented by Ms. Weisgerber.

Committee Question of Staff

Public Comment

Motion

13:44:34 Sen. McGillvray moved the Committee acknowledge receipt of the audit report, that it was reviewed by the Committee, filed, and that copies of the audit report be distributed in accordance with law.

Vote:

13:44:34 Carried unanimously by voice vote.

FINANCIAL AUDIT STATUS UPDATE

13:45:22 Sen. Esp asked Legislative Auditor Maciver if the five recommendations from the State of Montana Audit were a typical amount, considering previous audits.

13:47:54 Presented by Cindy Jorgenson, CPA, Deputy Legislative Auditor ([EXHIBIT 13](#)) & ([EXHIBIT 14](#))

Committee Question of Staff

13:53:13 Sen. McGillvray asked Ms. Jorgenson about timeframe for the Public Service Commission audit.

PERFORMANCE AND INFORMATION SYSTEMS AUDIT STATUS UPDATE

13:54:41 Presented by William Soller, Deputy Legislative Auditor ([EXHIBIT 15](#)).

Committee Question of Staff

- 13:57:34 Sen. McGillvray asked Mr. Soller what the asterisk meant next to the Public Service Commission topic.
- 13:58:27 Sen. Esp asked Mr. Soller for about what happened if LAD and the audited agency disagreed on scope/planning of an audit.
- 13:59:47 Legislative Auditor Maciver spoke about the 90/10 approach when auditing.
- 14:01:40 Sen. Esp spoke about Director Osterman's comment earlier in the meeting regarding "push and pull".
- 14:02:26 Rep. Hayman reminded members the next committee meeting was scheduled for June 28-29.

Public Comment

None

ADJOURNMENT

14:03:23 With there being no further business, the meeting was adjourned.

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