



LEGISLATIVE AUDIT COMMITTEE 67th Montana Legislature

SENATE MEMBERS

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

HOUSE MEMBERS

Kim Abbott
Dan Bartel
Denise Hayman
Emma Kerr-Carpenter
Terry Moore
Matt Regier

COMMITTEE STAFF

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

MINUTES LOG

March 09, 2021

Room 303, State Capitol Building & Remotely

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)
Sen. Jason Ellsworth, Vice Chair (R)
Rep. Kim Abbott (D)
Sen. John Esp (R)
Sen. Pat Flowers (D)
Sen. Tom Jacobson (D)
Rep. Emma Kerr-Carpenter (D)
Sen. Tom McGillvray (R)
Sen. Mary McNally (D)
Rep. Terry Moore (R)

MEMBERS EXCUSED:

Rep. Dan Bartel (R)
Rep. Matt Regier (R)

STAFF PRESENT:

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

AGENDA (Attachment 1)

VISITORS' LIST (Attachment 2)

CALL TO ORDER/ROLL CALL (Attachment 3)

14:59:44 The Legislative Audit Committee met in room 303 of the State Capitol Building and remotely. Chair Hayman called the meeting to order at 2:59 p.m. noting the presence of a quorum. The committee secretary took roll and Rep. Regier and Rep. Bartel were excused.

APPROVE MINUTES

15:01:07 Sen. Ellsworth moved the committee approve the minutes from December 9, 2020, LAC meeting.

Vote:

15:01:08 Carried unanimously by voice vote.

MONTANA BOARD OF HOUSING (19-07B)

15:02:31 Presented by Nolan Preeshl, Senior Financial-Compliance Auditor

Present from agency:
Cheryl Cohen, Director
Ginger Pfankuch, Accounting and Finance Manager

Committee Questions of Staff

15:04:16 Sen. Ellsworth asked Mr. Preeshl for clarity on page A22 regarding the balances. It was noted there was an error on Note 7. of the Board of Housing's financial statements.

15:06:43 Sen. Ellsworth asked Mr. Preeshl about a previous program's financials. The question was deferred to the board.

15:07:54 Sen. McGillvray asked Mr. Preeshl about the forbearance loans on page A7. The question was deferred to the Board.

Agency Response

15:09:05 Presented by Director Cohen.

15:09:21 Director Cohen answered the question that Sen. McGillvray asked earlier regarding forbearance loans.

Committee Questions of Agency

15:11:49 Sen. Ellsworth asked Director Cohen further about forbearance loans.

15:13:19 **Committee Request:** Sen. Ellsworth asked Director Cohen several questions regarding the down payment assistance program, single family program, mortgage portfolio composition, and mortgage forbearance requests. Director Cohen provided a letter to the committee on March 10, 2021, and that email was provided to all committee members.

Public Comment

None

Motion

15:17:58 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:

15:17:58 Carried unanimously by voice vote.

TEACHERS' RETIREMENT BOARD (20-09A)

15:18:35 Presented by Kelly Zwang, CPA, Financial-Compliance Audit Supervisor

Present from agency:
Shawn Graham, Director
Nolan Brilz, Accounting and Fiscal Manager
Present from Bartel Associates
Mary Beth Redding, FSA, Vice President

Committee Questions of Staff

- 15:26:12 Sen. McNally asked Ms. Zwang for clarification on the note disclosure.
- 15:28:32 Legislative Auditor Maciver took the podium and asked that Cindy Jorgenson, Financial-Compliance Deputy Legislative Auditor, to speak to Sen. McNally's question.
- 15:34:09 Sen. Ellsworth asked Ms. Jorgenson about page A46, specifically general wage growth, investment rate of return, and several other questions. The question was deferred to Ms. Redding.

Agency Response

- 15:40:43 Presented by Director Graham.
- 15:43:50 Sen. Ellsworth referenced page A37 and asked Director Graham to explain the significant fluctuation of the market rate of return.
- 15:47:24 Rep. Moore asked Director Graham about the board's response to audits recommendation.
- 15:50:21 Rep. Moore asked Director Graham when the board's actuary would reassess assumptions, and in what year.
- 15:55:32 Sen. Ellsworth referenced page A-37 and asked Mr. Graham about the actual contributions.
- 15:57:32 Sen. Ellsworth gave his opinion on learning new information.

Public Comment

None

- 15:59:49 Sen. Ellsworth 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:

- 15:59:49 Carried unanimously by voice vote.

PUBLIC EMPLOYEES' RETIREMENT (20-08A)

- 16:00:10 Presented by Kelly Zwang, CPA, Financial-Compliance Audit Supervisor
(EXHIBIT 1)

Present from agency:
Dore Schwinden, Executive Director
Hollie Resler, Fiscal Services Bureau Chief.

Committee Questions of Staff

- 16:08:13 Sen. Ellsworth asked Ms. Zwang for clarification on the assumed rate of return.

Agency Response

- 16:11:03 Presented by Director Schwinden.
- 16:14:10 Rep. Moore asked Director Schwinden about constitutional and state laws.
- 16:14:39 Rep. Moore asked Director Schwinden about the 30-year obligation and where it was built into.
- 16:15:24 Rep. Moore commented on the pension plans.
- 16:17:33 Sen. McGillvray asked Director Schwinden if there was a conversation with the governor when he spoke to the legislature.
- 16:19:33 Sen. Ellsworth spoke about being actuarially sound and rate of returns.
- 16:21:41 Legislative Auditor Maciver took the podium and spoke about GASB 67 & 68.

Public Comment

None

Motion

16:24:18 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:

16:24:20 Carried unanimously by voice vote.

MONTANA BOARD OF INVESTMENTS (20-04A)

16:25:14 Presented by Jessica Curtis, CPA, Financial-Compliance Audit Supervisor

Present from agency:
Dan Villa, Executive Director

Committee Questions of Staff

None

Agency Response

16:29:25 Presented by Director Villa.

Committee Questions of Agency

16:31:02 Sen. McGillvray asked Director Villa about how much of the board's CARES act money remained. Sen. McGillvray was provided an email with that information on March 10, 2021.

Public Comment

None

Motion

16:34:17 Sen. Ellsworth 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:

16:34:22 Carried unanimously by voice vote.

OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION (20-06)

16:34:50 Presented by Jessica Curtis, CPA, Financial-Compliance Audit Supervisor

Present from agency:
Clayton Christian, Commissioner
Tyler Trevor, Deputy Commissioner
Lindsey Mueller, Accounting and Student Assistance Analyst

Committee Questions of Staff

None

Agency Response

16:39:44 Presented by Commissioner Christian.

Committee Questions of Agency

16:44:29 **Committee Request:** Rep. Hayman requested that the committee be notified when recommendation #1 was implemented.

Public Comment

None

Motion

16:45:28 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:

16:45:39 Carried unanimously by voice vote.

STATE OF MONTANA (20-01A)

16:46:29 Presented by Karen E. Simpson, Financial-Compliance Audit Supervisor ([EXHIBIT 2](#))

Present from Department of Administration:

Misty Ann Giles, Director

Cody Pearce, CPA, State Accountant

Cheryl Grey, CPA, Administrator, State Financial Services Division.

Present from Governor's Office of Budget and Program Planning:

Kurt Alme, Director

Sonia Powell, CPA, Single Audit Coordinator

Amy Sassano, Deputy Budget Director.

Present from Department of Public Health and Human Services:

Adam Meier, Director

Erica Johnston, Operations Services Branch Manager

David Crowson, Chief Information Officer.

Committee Questions of Staff

16:57:03 Sen. Ellsworth asked Ms. Simpson when the next financial Department of Public Health and Human Services audit would be published.

16:57:50 Sen. Ellsworth asked about increased sample size in the next Department of Public Health and Human Services audit. The question was deferred to Legislative Auditor Maciver.

17:00:07 Sen. Jacobson asked Ms. Simpson if the committee had received an answer for final resolution from the federal government.

17:01:54 Sen. Jacobson asked if the same set of criteria would be used for the future financial Department of Public Health and Human Services audit.

17:02:55 **Committee Request:** Sen. Jacobson asked that the committee be provided the compliance supplements - outlining the federal government program requirements and what compliance they want the state to test.

17:03:37 Sen. McNally referenced page three of the audit report and asked Legislative Auditor Maciver for clarification on changes in compliance requirements.

Governor's Office of Budget and Program Planning Response

17:06:08 Presented by Director Alme.

Committee Questions of Agency

None

17:08:43 Sen. Ellsworth thanked Director Alme.

Department of Administration Response

17:09:52 Presented by Director Giles.

Committee Questions of Agency

None

Department of Public Health and Human Services Response

17:12:58 Presented by Director Meier.

Committee Questions of Agency

17:15:16 Sen. Ellsworth thanked Director Meier.

17:16:02 Sen. Esp asked Director Meier about strengthening their internal audit division.

Motion

17:17:49 Sen. Jacobson 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:

17:18:02 Carried unanimously by voice vote.

CHILD CARE UNDER THE BIG SKY (CCUBS) SYSTEM MODERNIZATION AND SECURITY (19DP-04)

17:18:02 Presented by Hunter McClure, Associate Information Systems Auditor
(EXHIBIT 3)

Present from the Department of Health and Human Services:
Adam Meier, Director
Erica Johnston, Operations Services Branch Manager
David Crowson, Chief Information Officer

Committee Questions of Staff

17:33:25 Sen. McNally asked Mr. McClure for details regarding his measurement and model used for the audit.

17:34:40 Sen. McNally asked Mr. McClure about comparisons with other states' research.

Agency Response

17:35:57 Presented by Director Meier and Mr. Crowson.

Public Comment

None

Motion

17:40:29 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:

17:40:38 Carried unanimously by voice vote.

PROFESSIONAL DEVELOPMENT CENTER (20P-02)

17:41:10 Presented by Amber Robbins, Management Program Analyst
Supervisor (EXHIBIT 4)

Present from the Department of Administration:
Misty Ann Giles, Director
Mark Bruno, Finance Manager
Anjenette Schafer, Administrator, State Human Resources Division

Committee Questions of Staff

17:55:09 Sen. McNally asked Ms. Robbins about internal and external processes.

17:56:07 Sen. Flowers asked Ms. Robbins about the fixed cost recommendation. The question was deferred to Legislative Auditor Maciver.

Agency Response

17:58:54 Presented by Director Giles.

Committee Questions of Agency

18:01:22 Sen. McNally commented about the low pay scale relative to other sources.

18:01:57 Sen. Esp asked Director Giles if their agency had done any work in the first half of session regarding the fixed cost model.

Public Comment

None

Motion

18:03:24 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:

18:03:24 Carried unanimously by voice vote.

FINANCIAL AUDIT STATUS UPDATE

18:04:12 Presented by Cindy Jorgenson, CPA, Deputy Legislative Auditor. (EXHIBIT 5)

PERFORMANCE AND INFORMATION SYSTEMS AUDIT STATUS UPDATE

18:07:25 Presented by William Soller, Deputy Legislative Auditor. (EXHIBIT 6)

OTHER BUSINESS

18:10:34 Legislative Auditor Maciver brought attention to a previous committee request regarding the Department of Revenue. (EXHIBIT 7)

18:11:18 Legislative Auditor Maciver thanked our committee members and touched on missed opportunities gathering with people. John Fine will be retiring in April and thanks was given to him for everything he did for LAD and the State of Montana.

Public Comment

None

18:15:07 Sen. Ellsworth thanked Chair McNally.

ADJOURNMENT

18:15:22 With there being no further business Chair Hayman adjourned the meeting.

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