



LEGISLATIVE AUDIT COMMITTEE 67th Montana Legislature

SENATE MEMBERS

Jason Ellsworth, Vice Chair
John Esp
Pat Flowers
Tom Jacobson
Tom McGillvray
Mary McNally

HOUSE MEMBERS

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

COMMITTEE STAFF

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

MINUTES LOG

February 08, 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. Kim Abbott (D)
Sen. Jason Ellsworth (R)
Sen. John Esp (R)
Sen. Pat Flowers (D)
Rep. Denise Hayman (D)
Sen. Tom Jacobson (D)
Rep. Emma Kerr-Carpenter (D)
Sen. Tom McGillvray (R)
Sen. Mary McNally (D)
Rep. Terry Moore (R)
Rep. Matt Regier (R)
Rep. Jerry Schillinger (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

09:32:58 The Legislative Audit Committee met in room 317 of the State Capitol Building and via zoom. Chair Hayman called the meeting to order at 9:31 a.m. noting the presence of a quorum. The committee secretary took role. **(Attachment 3)**

APPROVE MINUTES

Motion

09:33:11 Sen. Ellsworth moved the committee accept the October 20,2021, minutes.

Vote:

09:33:12 Carried unanimously by voice vote.

KIDS IN CARE: ANALYSIS OF POPULATION TRENDS AND MANAGEMENT PROCESSES IN MONTANA'S FOSTER CARE SYSTEM (19P-01)

09:34:00 Presented by Jeremy Verhasselt, Management & Program Supervisor **(EXHIBIT 1 power point)**
Present from agency: Adam Meier, Director
Erica Johnston, Economic Security Services Executive Director
Nicole Grossberg, Acting Child and Families Services Division Administrator

Committee Questions of Staff

09:56:33 Rep. Schillinger asked a Mr. Verhasselt several questions regarding training, child interviews, and implementation of SAMS.

10:00:39 **Committee Request:** Sen. McGillvray asked Mr. Verhasselt for the data regarding removals, and what the other factors were. (emailed Rep. McGillvray 2/10/22)

10:02:07 Rep. Kerr-Carpenter asked Mr. Verhasselt for the amount of time kids spent in care, per the audit. She also asked about the rise in percentage of removals and several other follow-up questions. **Committee Request:** Rep. Kerr-Carpenter asked for the data that covered the entire audit period. (emailed Rep. Kerr-Carpenter 2/22/22)

10:09:39 Legislative Auditor Maciver took the podium and weighed in on data and trends.

10:11:05 Rep. Regier asked Mr. Verhasselt a few questions regarding switching vendors, fidelity reviews, issues with case management, and regional data comparisons.

10:17:14 Sen. Flowers asked Mr. Verhasselt about the criteria regarding differences in referral rate and higher investigation rate. **Committee Request:** Sen. Flowers requested the difference between referral and investigation be described. (emailed Sen. Flowers 2/10/22)

10:21:06 Rep. Abbott asked Mr. Verhasselt about case load/staffing levels, and turnover. She also asked about legal landscape regarding length in care.

10:25:48 **Committee Request:** Sen. Ellsworth asked Mr. Verhasselt for information on how we compare to states with similar demographics. Sen. Ellsworth also reminded the committee of their expected decorum. (emailed Sen. Ellsworth 2/10/22)

10:29:39 Rep. Hayman asked Mr. Verhasselt about extension of children's time in care, if staff turnover played a role.

- 10:33:21 Sen. Jacobson asked Mr. Verhasselt if anyone had looked at the number of judges per region to keep up with caseloads. Is there a way to summarize the top mitigating factors to help with future legislation?
- 10:38:02 Rep. Kerr-Carpenter asked Mr. Verhasselt why the division used survey data from staff at CFSD not data they collect on actual cases. She also asked about implementation of SAMS, and who the stakeholders were that received interviews. Comment about quality of the report leading up to key points.

Agency Response

- 10:41:53 Presented by Director Meier and Ms. Grossberg. **(EXHIBIT 2)**

Committee Questions of Agency

- 10:53:28 Sen. Esp asked Director Meier if their department agreed with the methodology and outcome of the audit.
- 10:55:32 Sen. Esp asked Ms. Grossberg about increase of kids removed from homes for drug and alcohol since the audit was finished.
- 10:56:24 Sen. Flowers asked Director Meier about the department's response to recommendation number four.
- 10:59:19 Rep. Abbott asked Ms. Grossberg about a corresponding decrease with lower removals and court actions.
- 11:00:16 Rep. Kerr-Carpenter asked Ms. Grossberg about case management.
- 11:03:40 Sen. McNally asked Director Meier about their internal evaluation of the SAMS Model, she also asked who oversaw that. **Committee Request:** Provide the committee a copy of that internal evaluation upon completion.

Public Comment

- 11:07:50 Joshua Butterfly **(EXHIBIT 3)**
- 11:12:37 Representative Dennis Lenz
- 11:16:12 Denise Johnson (inaudible) **(EXHIBIT 4)**

Motion

- 11:17:24 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:

- 11:17:24 Carried unanimously by voice vote.

NEW STAFF INTRODUCTIONS

- 11:19:08 Rich Campbell and Brenda Keller were introduced as new Financial-Compliance Associate Auditors. Jemma Hazen as the new Associate Information Systems Auditor, and Tina Chamberlain the new Associate Management and Program Analyst.

MONTANA BOARD OF HOUSING (21-07A)

- 11:23:01 Presented by Mary V. Yurewitch, Senior Financial-Compliance Auditor
Present from agency: Cheryl Cohen, Executive Director
Ginger Pfankuch, Accounting & Finance Manager
Vicki Bauer, Homeownership Program Manager
Nicole McKeith, Multifamily Program Manager.

Committee Questions of Staff

- 11:29:19 Sen. Ellsworth asked Ms. Yurewitch about forbearance.

Agency Response

11:31:04 Presented by Director Cohen.

Committee Questions of Agency

11:32:42 Sen. McGillvray asked Director Cohen about low-income housing tax and sales.

11:34:00 Sen. Ellsworth asked Director Cohen about the forbearance issue, and internal loans.

11:36:32 Sen. Ellsworth asked Director Cohen about down payment assistance programs.

11:37:52 Rep. Moore asked Director Cohen about cash positions. The question was deferred to Ms. Pfankuch.

11:40:07 Sen. Jacobson asked Director Cohen about cash flow projection impact and operating net income loss. The question was deferred to Ms. Pfankuch.

11:42:28 Sen. Jacobson asked Ms. Pfankuch what would be projected for future years.

11:47:17 Several back and forth between Sen. Jacobson and BOH staff.

11:50:37 Sen. Ellsworth asked Ms. Pfankuch about decline in asset value.

11:57:11 Legislative Auditor Maciver took the podium.

11:57:26 Sen. Jacobson asked Legislative Auditor Maciver about comparative statements.

11:59:33 Rep. Moore asked Ms. Pfankuch about potential for excess investment.

12:01:49 Rep. Hayman asked Ms. Pfankuch about low-income tax credits.

Public Comment

None

Motion

12:03:59 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:

12:03:59 Carried unanimously by voice vote.

Break

12:05:03 Legislative Auditor Maciver took the podium to announce a quick break and that lunch was delivered.

12:05:40 Reconvened at 12:23 p.m.

COMMITTEE EDUCATION

12:23:51 Presented by Alexa O'Dell, CPA, Financial-Compliance Audit Manager; William Soller, Deputy Legislative Auditor; Miki Cestnik, Information Systems Audit Manager. **(EXHIBIT 5)**

Committee Questions of Staff

12:35:14 Rep. Moore asked Ms. O'Dell about communication to LAC regarding materiality.

12:37:35 **Committee Request:** Rep. Emma Kerr-Carpenter asked for Ms. O'Dell to provide a written version of her presentation regarding quantitative materiality information.

12:38:47 Sen. McNally asked if there was a threshold for discussion regarding materiality.

12:47:31 Rep. Moore asked Ms. O'Dell to what extent legislators would be aware of certain types of risks.

12:49:04 Rep. Kerr-Carpenter asked Ms. O'Dell about testing for risk, and if there was a list available.

13:01:55 Rep. Kerr-Carpenter asked Mr. Soller about scope of audits.

Committee Questions of Staff

13:11:49 Sen. McGillvray asked Mr. Soller about risk assessment and Legislative Auditor Maciver helped answer the question.

13:17:37 Rep. Kerr-Carpenter asked Mr. Soller about internal conversations regarding scope and objectives.

13:21:32 Rep. Moore asked Mr. Soller about comparable offering.

Committee Questions of Staff

None

Public Comment

None

MONTANA DEPARTMENT OF TRANSPORTATION (21-17)

13:33:33 Presented by Courtney P. Johnson, CPA, Financial-Compliance Audit Supervisor

Present from agency:

Julie Brown, Deputy Director

Matt Wagner, Chief Accountant

Larry Flynn, Administrator, Administration Division

Natalie Gibson, Audit Services, Chief Auditor

Dustin Rouse, Acting Highways & Engineering Administration

Adam Kraft, Transit Supervisor

Brenda Crawford, External Audit Manager

David Jacobs, Grant Bureau Chief.

Committee Questions of Staff

13:42:50 Rep. Hayman asked Ms. Johnson about relief funds.

13:43:43 Sen. Ellsworth asked Ms. Johnson how big the internal audit function was within MDT.

Agency Response

13:44:52 Presented by Deputy Director Brown.

Committee Questions of Agency

13:46:10 Sen. Ellsworth asked Ms. Brown how many FTE their internal audit function had. The question was deferred to Ms. Gibson.

13:47:01 Sen. Ellsworth asked Ms. Gibson for clarification regarding 8 of the 76 grantees reviewed in August 2021, including only one of the six grants receiving a grant after a no fund recommendation.

13:51:20 Sen. Ellsworth asked Ms. Gibson if grants were deemed unallowable do those funds get recovered. **Committee Request:** Sen Ellsworth asked Ms. Gibson what recourse there was for unreceived funds. (emailed Sen. Ellsworth 3/23/22)

13:52:19 Sen. McNally asked Ms. Gibson about unsupported cost.

13:54:13 Rep. Hayman asked MDT to please contact her regarding a potential traffic light problem in Bozeman.

13:54:54 Sen. McNally asked Ms. Brown why MDT was awarded the live entertainment venue grant.

Public Comment

None

Motion

13:57:24 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:

13:57:23 Carried 11 - 1 by voice vote with Sen. Ellsworth, voting no.

Motion

13:59:07 Sen. Ellsworth moved the committee invite MDT to come back to next meeting, so the director could be present. Motion failed 6-6

Vote:

13:59:07 Tied 6 - 6 by voice vote

COST AND MANAGEMENT OF THE STATE MOTOR POOL (21P-03)

14:01:39 Presented by Amber Robbins, Management & Program Analyst Supervisor
(EXHIBIT 6 power point)
Present from agency:
Jon Swartz, Administrator, Maintenance Division

Committee Questions of Staff

14:19:18 Sen. Jacobson asked Ms. Robbins about rates.
14:19:43 Rep. Moore asked Ms. Robbins several questions about how motor pool vehicles were procured, maintained, and funded.
14:23:19 Legislative Auditor Maciver took the podium.
14:25:19 Rep. Moore spoke about valued alternative cost of funds.
14:27:28 Sen. McGillvray asked Ms. Robbins about GPS monitoring on state vehicles.
14:28:42 Rep. Schillinger asked Ms. Robbins for clarification on gas cost for motor pool versus private.
14:31:51 Sen. Esp asked Ms. Robbins if she recalled the average day rate for 2019.

Agency Response

14:33:19 Presented by Mr. Swartz.

Committee Questions of Agency

14:35:56 Rep. Kerr-Carpenter asked Mr. Swartz about flexibility regarding downsizing vehicles.

Public Comment

None

Motion

14:37:47 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:

14:37:47 Carried unanimously by voice vote.

LAD STRATEGIC PLANNING

14:39:20 Presented by Legislative Auditor Maciver; Miki Cestnik, Information Systems Audit Manager; Amber Robbins, Management & Program Analyst Supervisor; Jennifer Erdahl, CPA, Financial-Compliance Audit Manager; Alyssa Sorenson, Senior Management & Program Analyst & Deborah F. Butler, Legal Counsel.
(EXHIBIT 7).

- 14:46:25 Sen. McNally asked Legislative Auditor Maciver about yearly evaluations.
- 14:56:34 Rep. Hayman asked Ms. Sorenson for an example of a paired down performance audit.
- 14:58:38 Legislative Auditor Maciver took the podium.
- 15:06:38 Sen. McGillvray asked Ms. Butler about agencies not providing requested information.
- 15:08:41 Rep. Kerr-Carpenter asked Legislative Auditor Maciver about rule making authority for audit.
- 15:09:59 Rep. Abbott asked Ms. Butler about criminal penalties for agencies withholding information and asked the committee to be kept apprised of the process.
- 15:11:25 Sen. Esp appreciated the information.
- 15:12:07 Legislative Auditor Maciver touched on surveys. [\(EXHIBIT 8\)](#) [\(EXHIBIT 9\)](#)

Public Comment

None

EFFECTIVENESS OF CONTRACTED COMMUNITY CORRECTIONS PROGRAMS IN REDUCING RECIDIVISM (21SP-20)

15:15:12 Presented by Amber Robbins, Management & Program Analyst Supervisor

Committee Questions of Staff

- 15:21:42 Rep. Hayman asked Ms. Robbins if Corrections was developing a program in terms of tracking. Rep. Hayman asked the committee to be kept informed.
- 15:23:36 Sen. Flowers asked Ms. Robbins for a refresher on rationale for the department not reviewing contracts regarding empty bed space. He also asked for a comparison with other states.

A COMPARITIVE EVALUATION OF STATE-OPERATED AND CONTRACTED MEN'S PRISONS (21SP-26)

15:27:03 Presented by Julia Connelley, Associate Management & Program Analyst

Committee Questions of Staff

- 15:31:59 Rep. Hayman asked Legislative Auditor Maciver about following up on implementation.
- 15:32:39 Legislative Auditor Maciver took the podium and explained the implementation language.
- 15:33:39 Rep. Hayman thought follow-up audits would be a good committee discussion and asked that it be an agenda item and the next committee meeting.
Committee Request: Invite Corrections to the April meeting and be available for questions.
- 15:34:40 Rep. Abbott asked Legislative Auditor Maciver about the process of requesting agencies coming back to a future meeting.

STATE EMPLOYEE SETTLEMENTS: TRENDS, TRANSPARENCY, AND ADMINISTRATION (21SP-27)

15:36:01 Presented by Chelsea Rayfield, Senior Management & Program Analyst.

Committee Questions of Staff

- 15:40:14 Sen. Esp asked Ms. Rayfield about reporting to the state website.

Break

MONTANA BOARD OF INVESTMENTS (20-04B)

15:56:30 Presented by Jessica Curtis, CPA, Financial-Compliance Audit Supervisor.
Present from agency:
Dan Villa, Executive Director

Committee Questions of Staff

16:00:35 Rep. Moore asked Ms. Curtis about the reserve account.

Agency Response

16:03:03 Presented by Director Villa

16:05:12 Sen. Ellsworth asked Director Villa about the assumptions.

16:11:39 Rep. Moore asked Director Villa about the enterprise fund.

Public Comment

None

Motion

16:15:38 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:

16:15:37 Carried unanimously by voice vote.

REAL PROPERTY TAX EXEMPTIONS

16:16:14 Presented by David W. Singer, Associate Management & Program Analyst
(EXHIBIT 10)

Committee Questions of Staff

16:20:06 Rep. Kerr-Carpenter asked Mr. Singer about intent to answer the question regarding exemptions.

EGOVERNMENT SERVICES

16:21:43 Presented by Miki Cestnik, Information Systems Audit Manager (EXHIBIT 11)

Committee Questions of Staff

None

Public Comment

None

OTHER BUSINESS

16:24:42 Rep. Hayman refreshed committee members on statute for the Director's re-appointment that is coming up in June.

FINANCIAL AUDIT STATUS UPDATE

16:26:07 Presented by Cindy Jorgenson, CPA, Deputy Legislative Auditor (EXHIBIT 12)

Committee Questions of Staff

None

PERFORMANCE AND INFORMATION SYSTEMS AUDIT STATUS UPDATE

16:31:29 Presented by William Soller, Deputy Legislative Auditor (EXHIBIT 13)

Committee Questions of Staff

None

PREVIOUS COMMITTEE REQUEST

- 16:34:42 Presented by William Soller, Deputy Legislative Auditor (**EXHIBIT 14**) Petro Board Update
- 16:35:39 Sen. Esp asked Mr. Soller asked if there was potential legislation.

Public Comment

- 16:37:29 Legislative Auditor Maciver brought attention to the turnover rate for LAD. (**EXHIBIT 15**)
- 16:39:01 Sen. Flowers commended Legislative Auditor Maciver on his efforts with recruitment and retention.

ADJOURNMENT

- 16:39:43 With there being no further business, the meeting was adjourned at 4:39 p.m.

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