



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

June 28, 2022
Room 172 & Zoom
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)
Sen. Jason Ellsworth, Vice Chair (R)
Rep. Kim Abbott (D)
Sen. John Esp (R)
Rep. Emma Kerr-Carpenter (D)
Sen. Mary McNally (D)
Rep. Terry Moore (R)
Rep. Matt Regier (R)
Rep. Jerry Schillinger (R)

MEMBERS EXCUSED:

Sen. Pat Flowers (D)
Sen. Tom Jacobson (D)
Sen. Tom McGillvray (R)

MEMBERS ABSENT:

STAFF PRESENT:

Deb Butler, Attorney

Angus Maciver, Legislative Auditor
Candace Radovich, Secretary

AGENDA (Attachment 1)

VISITORS' LIST (Attachment 2)

CALL TO ORDER/ROLL CALL

10:59:49 Chair Hayman called the meeting to order at 10:59 a.m. noting the presence of a quorum. The committee secretary took roll. Sen. Flowers was excused. Sen. Jacobson was excused and left his proxy with Rep. Hayman (Attachment 3). Rep. Kerr-Carpenter was late and left her proxy with Rep. Hayman (Attachment 4). Sen. McGillvray was excused and left his proxy with Sen. Esp (Attachment 5).

APPROVE MINUTES

MOTION

11:01:07 Sen. Ellsworth moved the committee approve the April 2022 minutes.

Vote:

11:01:09 Carried unanimously by voice vote.

NEW EMPLOYEE INTRODUCTIONS

11:01:32 William Soller, Deputy Legislative Auditor, introduced Jen Bergner as a new Performance Auditor

11:04:05 Cindy Jorgenson, CPA, Deputy Legislative Auditor, Introduced Cerena Everest as a new Financial-Compliance Audit Intern.

EIDE BAILLY CONSULTING REPORT

11:05:55 Introduction by Legislative Auditor Maciver. (EXHIBIT 1) (EXHIBIT 2)

Staff from the Department of Administration:

Misty Ann Giles, Director

Chery Grey, Division Administrator

Jen Thompson, Financial Manager-State Accountant

11:10:22 Presented by Eric S. Berman, MSA, CPA, CGMA & Kimberly K. Higgins, CPA, Partner, Eide Bailly LLP (EXHIBIT 3) power point

Committee Questions of Staff

11:34:09 Rep. Moore asked Mr. Berman about benchmarks. Legislative Auditor Maciver expanded for Mr. Berman.

11:39:23 Sen. Esp asked Mr. Berman if there was a priority level within the recommendations given.

11:44:40 Sen. Esp asked Mr. Berman for their opinion on accountability for each side.

11:47:04 Sen. McNally asked Legislative Auditor if the LAD had ever consulted for a report like this before.

11:48:27 Sen. McNally appreciated the effort but did ask Mr. Berman who the state peers were.

11:49:26 Sen. McNally asked Mr. Berman about the internal control recommendations. Legislative Auditor commented.

11:56:54 Rep. Abbott asked Mr. Berman to expand on accessing and engaging specialists for the division.

- 12:02:30 Director Giles thanked the LAD staff and noted support from her division.
12:04:58 Amy Sassano, Deputy Budget Director, OBPP gave their division perspective.

Committee Questions of Staff

- 12:12:30 Sen. Ellsworth asked Ms. Sassano about internal audit staff within agencies.
12:16:42 Sen. Ellsworth appreciated Ms. Sassano's answer and asked if she agreed on a yearly single audit.
12:17:33 Rep. Regier asked Ms. Sassano what the budget perspective benefits would be from an annual single audit. The question was deferred to Sonia Powell, Single Audit Coordinator, OBPP.
12:21:48 Rep. Regier asked Legislative Auditor Maciver about the workload impact on the division.
12:23:27 Chair Hayman reminded members we would be going over this information again in October.

LUNCH

- 12:24:36 Reconvened at 13:16:14.

FEDERAL SINGLE AUDIT OVERVIEW

- 13:16:14 Presented by Alexa O'Dell, CPA, Financial-Compliance Audit Manager
(EXHIBIT 4) power point (EXHIBIT 5)

Committee Questions of Staff

- 13:45:33 Sen. Esp asked Ms. O'Dell for clarification on navigating the single audit blue book.
13:47:32 Rep. Abbott asked Ms. O'Dell about questioned costs in a sample.

Public Comment

None

COMMITTEE EDUCATION

- 13:49:25 Presented by John Harrington, Management & Program Analyst Manager
(EXHIBIT 6)

Committee Questions of Staff

- 14:03:44 Rep. Hayman asked Mr. Harrington about non-implemented recommendations. The question was deferred to Legislative Auditor Maciver.
14:06:15 Sen. Esp spoke on the committee's ability to assist agencies with legislation.
14:07:15 Presented by Kelly Zwang, CPA, Financial-Compliance Audit Supervisor

Committee Questions of Staff

- 14:16:19 Sen. McNally referenced the previous Public Service Commission audit and asked Ms. Zwang about the disclaimer of opinion, the question was deferred to Ms. Jorgenson

Public Comment

None

UNIVERSITY OF MONTANA (21-12)

- 14:17:37 Presented by Jeane Carstensen-Garrett, CPA, Financial-Compliance Audit Manager (EXHIBIT 7) power point
Present from university:
Seth Bodnar, President
Anta Coulibaly, Director, Internal Audit and Enterprise Risk
Dave Kuntz, Director, Strategic Communications

Committee Questions of Staff

n/a

Agency Response

14:31:23 Presented by President Bodnar.

Committee Questions of Agency

14:32:49 Rep. Moore asked President Bodnar about implementation dates of recommendations.

14:35:11 Sen. McNally asked President Bodnar about recommendation #3 and the dual student enrollment piece.

14:38:12 **Committee Request:** Sen. McNally would like to be notified when recommendation #3 is implemented, specifically the dual enrollment subject. (received 6/30/22)

14:39:23 Rep. Hayman asked President Bodnar about unexpected federal funds.

MOTION

14:42:11 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:

14:42:11 Carried unanimously by voice vote.

Public Comment

None

EGOVERNMENT SERIES: SECURITY CONSOLIDATION (20DP-04)

14:42:37 Presented by Hunter McClure, Senior Information Systems Auditor (**EXHIBIT 8**)
power point
Present from agency:
Misty Ann Giles, Director
Andy Hanks, Chief Information Security Officer, SITSD
Kevin Gilbertson, Chief Information Officer, SITSD

Committee Questions of Staff

14:57:57 Sen. Esp asked Mr. McClure if the new ePass system was included.

14:58:28 Sen. McNally asked Mr. McClure about comparison to other states.

Agency Response

14:59:47 Presented by Mr. Gilbertson for Director Giles.

Committee Questions of Agency

15:03:44 Sen. Ellsworth asked Mr. Gilbertson about larger scheme of privatization as well as keeping things in-house.

15:04:55 Rep. Moore commented on moving forward with IT security and oversight throughout state agencies and asked Mr. Gilbertson about resources, leadership, and commitment to successful implementation of IT strategy.

15:08:51 Rep. Moore asked for a timeline for implementation of strategy and or make that information public.

15:09:21 **Committee Request:** Rep. Hayman asked for a timeline with dates for recommendations.

15:09:51 Sen. McNally appreciated the response but asked Mr. Gilbertson for a strategy in written form.

MOTION

15:11:53 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:

15:11:57 Carried unanimously by voice vote.

BREAK

15:12:45 Reconvened at 15:19:09

INMATE WELFARE FUND (22P-03)

15:19:09 Presented by Amber Robbins, Management & Program Analyst Supervisor
(EXHIBIT 9) power point
Present from agency:
Brian Gootkin, Director
Cynthia Wolken, Deputy Director
Natalie Smitham, Chief Financial Officer
Amber Long-Thorvilson, Senior Accounting Manager

Committee Questions of Staff

15:34:54 Sen. Esp asked Ms. Robbins about the sample used.

Agency Response

15:36:10 Presented by Director Gootkin.

Committee Questions of Agency

15:37:23 Sen. Esp asked Director Gootkin about indigent kids, the question was deferred to Ms. Smitham.
15:38:10 Sen. Esp asked Director Gootkin if he agreed with the audit.
15:39:43 Rep. Moore asked Director Gootkin if the department reimbursed the corrected funds. The question was deferred to Ms. Smitham.

Public Comment

15:41:05 Joshua Butterfly

15:45:40 Sen. Esp commented on the new format of the focused evaluation report.

15:46:16 Legislative Auditor Maciver spoke on the new series of performance audits.

MOTION

15:48:18 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:

15:48:18 Carried unanimously by voice vote.

MONTANA ARTS COUNCIL (21-24)

15:50:42 Presented by Jennifer Erdahl, CPA, Financial-Compliance Audit Manager
(EXHIBIT 10) power point
Present from agency:
Tatiana Gant, Director

Committee Questions of Staff

n/a

Agency Response

15:58:29 Presented by Director Gant.

Committee Questions of Agency

15:59:24 Rep. Moore asked Ms. Gant about the history and origin of the permanent fund.

MOTION

16:02:59 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:

16:03:01 Carried unanimously by voice vote.

MILES COMMUNITY COLLEGE

16:03:53 Legislative Auditor Maciver gave a brief overview.

16:04:32 Presented by Tony Gerhartz, CPA, Senior Manager, Wipfli LLP.

Committee Questions of Staff

16:08:10 Rep. Hayman asked Mr. Gerhartz about savings via the new contracting method.

Agency Response

16:09:44 Presented by President Slinger.

Committee Questions of Agency

16:11:10 Rep. Hayman asked President Slinger about enrollment.

16:14:12 Rep. Hayman asked Legislative Auditor Maciver for clarification on why no motion was needed.

MOTION

16:14:20 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:

16:15:39 Carried unanimously by voice vote.

AUDIT ACCESS LEGAL RESEARCH

16:16:18 Presented by Deborah F. Butler, Legal Counsel (**EXHIBIT 11**)

Committee Questions of Staff

16:22:40 Rep. Abbott asked Ms. Butler to expand on the need to change the Legislative Audit Act.

16:30:23 Rep. Abbott asked about other state comparisons.

16:32:05 Rep. Abbott asked Ms. Butler about approaching and providing clarity to the statute.

16:36:24 Legislative Auditor Maciver spoke about agencies that withhold information for months, that do eventually get it to LAD, but then the validity of the documentation is questioned.

16:40:11 Sen. Esp asked Ms. Butler about clarifying the statute.

16:44:07 Sen. Esp suggested the Management Advisory Workgroup spearhead this.

16:44:42 Rep. Kerr-Carpenter asked Ms. Butler how many other states had actually used their statute.

16:46:21 Rep. Kerr-Carpenter asked Ms. Butler about best practices across the country.

16:47:24 Legislative Auditor Maciver spoke about the yellow book standards.
16:49:45 Rep. Hayman spoke on timing of attempting to change the Audit Act.
16:51:44 Sen. McNally liked the idea of language that would help LAD get the requested information.
16:53:48 Sen. Ellsworth agreed with Sen. McNally and Sen. Esp about strengthening the Audit Act.
16:55:02 Sen. McNally spoke on timing.
16:55:36 Rep. Abbott spoke on caution.
16:56:54 Sen. Esp spoke on providing clarity and keep good working relationships.
16:58:10 Rep. Kerr-Carpenter spoke on consequences.
16:59:19 Rep. Hayman requested a statement by committee members to be presented at the October meeting, with clear language.

MOTION

17:00:59 Rep. Kerr-Carpenter moved the Advisory Workgroup come up with a proposal for the October meeting.

Vote:

17:00:59 Carried unanimously by voice vote. Rep. Schillinger voted aye by proxy
(Attachment 6)
17:02:09 Legislative Auditor Maciver asked the committee if they wanted the Advisory Workgroup to put something together or create a separate group.
17:03:48 Sen. McNally thought that was a good idea for a stand-alone issue. She also thanked Ms. Butler for her work.

ADJOURNMENT

17:06:10 With there being no further business, the meeting was recessed until Wednesday, June 29, 2022 at 9 a.m.

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