



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 29, 2022
Room 172
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.

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:

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 McGillvray (R)
Sen. Mary McNally (D)
Rep. Terry Moore (R)
Rep. Matt Regier (R)
Rep. Jerry Schillinger (R)
Rep. Emma Kerr-Carpenter (D)

MEMBERS EXCUSED:

Sen. Tom Jacobson (D)

STAFF PRESENT:

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

VISITORS' LIST (Attachment 7)

CALL TO ORDER

08:59:09 Chair Hayman called the meeting to order at 8:59 a.m.

DEPARTMENT OF LABOR AND INDUSTRY (21-15)

08:59:37 Presented by Delsi Osmanson, Financial-Compliance Audit Supervisor
(EXHIBIT 12) power point
Present from agency:
Laurie Esau, Commissioner; Erin Weisgerber, Centralized Services Division
Administrator; Paul Martin, Unemployment Insurance Division Administrator
Rachel Bawden, Unemployment Insurance Division Deputy Administrator

Committee Questions of Staff

09:21:31 Sen. Ellsworth asked Ms. Osmanson for the percent increase in claims.
09:22:48 Sen. Ellsworth asked Ms. Osmanson about pandemic related costs.
09:23:19 Sen. McGillvray asked Ms. Osmanson for clarification on the purpose column
payments.
09:25:20 Rep. Moore asked Ms. Osmanson about PUA Payments.
09:28:10 Sen. Flowers asked Ms. Osmanson about errors related to the potential
deceased.
09:29:42 Legislative Auditor Maciver spoke on the "do not pay".
09:32:39 Sen. Flowers spoke about evidence of underpayment and asked Ms. Osmanson
about following up on those for correction.
09:33:34 Rep. Hayman asked Ms. Osmanson for clarification on duplicate payments. Ms.
Osmanson deferred the question to the agency.

Agency Response

09:36:00 **Committee Request:** Rep. Regier asked Commissioner Esau for the number of
unemployment insurance claims filed for 2022. The question was deferred to Mr.
Martin. (received 8/16/22)
09:37:52 Sen. Ellsworth asked Mr. Martin for an explanation on software impacting
training employees, or any other factors.
09:40:10 **Committee Request:** Rep. Moore asked Mr. Martin for a status report from the
audit period end to current including the amount of potential recovery of the
claimants pursued, progress made, and risk to the state for no ability to recover
fraudulent activity. (received 8/16/22)
09:43:00 Rep. Hayman requested of Mr. Martin to be sure and provide the requested
material to the LAD.

Committee Questions of Agency

09:45:43 Rep. Hayman let Mr. Martin know the committee was interested in being
appraised of any updates and status reports.
09:46:43 Sen. Flowers recognized the period of crisis during the audit and commended
the agency for their efforts.

Public Comment

n/a

MOTION

09:48:17 Rep. Schillinger 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:

09:48:35 Carried unanimously by voice vote.

Break

09:50:10 Reconvened at 09:58:50

OFFICE OF PUBLIC INSTRUCTION (21-19)

09:58:50 Presented by Jessica Curtis, CPA, Financial-Compliance Audit Supervisor
(EXHIBIT 13) power point
Present from agency:
Elsie Arntzen, Superintendent
Jay Phillips, Chief Financial Officer **(EXHIBIT 14)**

Committee Questions of Staff

10:12:40 Sen. Ellsworth asked Ms. Curtis for explanation on her use of "cash".
10:14:14 Sen. Ellsworth asked Ms. Curtis for clarification on subrecipients.
10:14:50 Rep. Hayman inquired of Ms. Curtis if the division was contacted by any schools.
10:15:39 Sen. McGillvray referenced page A12 and asked Ms. Curtis about unspent budget authority.

Agency Response

10:17:00 Presented by Superintendent Arntzen.
10:20:26 Rep. Moore asked Mr. Phillips about sample grants and insufficient documentation.

Committee Questions of Agency

10:23:59 Rep. Hayman asked Mr. Phillips if any schools were waiting on any federal funds at this time.
10:24:53 Sen. McNally asked Mr. Phillips for an update on vacancies.
10:28:18 **Committee Request:** Rep. Hayman thanked OPI for their updated response to the audit but asked to incorporate a timeline. (received 8/24/22)

Public Comment

n/a

MOTION

10:29:12 Rep. Schillinger 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:

10:29:03 Carried unanimously by voice vote.

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES (21-14)

10:29:31 Presented by Katie Majerus, CPA, Financial-Compliance Audit Supervisor
(EXHIBIT 15) power point
Present from agency:
Adam Meier, Director; Kim Aiken, Administrator, Business & Financial Services Division
Erica Johnston, Operations Services Branch Manager
Corrine Kyler, Administrator, Business and Financial Services Division
Gene Hermanson, Administrator, Human and Community Services Division

Committee Questions of Staff

- 10:58:28 Sen. Esp asked Ms. Majerus about the four recommendations that were not implemented in the last audit.
- 10:59:43 Sen. Esp asked Ms. Majerus several questions for clarification.
- 11:02:35 Rep. Hayman asked Ms. Majerus about the foster care recommendation. The question was deferred to Alexa O'Dell, CPA, Financial-Compliance Audit Manager.

Agency Response

- 11:05:03 Presented by Director Meier.

Committee Questions of Agency

- 11:08:09 Presented by Ms. Aiken.

Committee Questions of Agency

- 11:14:22 **Committee Request:** Sen. Ellsworth asked Director Meier how many auditors (exact number) PHHS had in house. (received 9/20/22)
- 11:15:45 Sen. Esp asked Ms. Johnston several questions about eligibility.
- 11:23:56 Rep. Abbott asked Ms. Johnston about potential liability with the federal government.
- 11:25:58 Rep. Regier asked Ms. Johnston about House Bill 2.
- 11:26:34 Rep. Hayman asked Ms. Johnston what happened to children that age out. The question was deferred to Mr. Hermanson.
- 11:28:52 Sen. McGillvray asked Director Meier about Medicaid fraud conviction being unaddressed, and if legislation was needed. The question was deferred to Ms. Johnston.
- 11:31:40 Sen. McGillvray asked Ms. Johnston asked if PHHS had an internal system that looked for fraud.
- 11:33:33 Sen. Esp asked Ms. Johnston several questions about error rates.
- 11:37:02 Rep. Schillinger asked Ms. Johnston about investigated accounts, and if they were flagged.
- 11:39:20 Rep. Moore asked Director Meier about lack of internal controls.
- 11:42:15 Sen. McNally clarified there was a bill from the last session that failed, and she hoped for follow-up on that.

Public Comment

n/a

MOTION

- 11:43:32 Rep. Schillinger 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:

- 11:43:32 Carried unanimously by voice vote.
- 11:44:29 Legislative Auditor Maciver discussed an agenda item swap.

PUBLIC SERVICE REGULATION MANAGEMENT (22P-01) - SCOPE & OBJECTIVES

- 11:45:11 Presented by Julia Connelley, Associate Management & Program Analyst
(EXHIBIT 16)

Committee Questions of Staff

- 11:48:00 Sen. Flowers asked Ms. Connelley about potential stakeholders including audit involvement.
- 11:49:30 Sen. McNally had the same question as Sen. Flowers.

**STATEWIDE ACCOUNTING, BUDGETING, AND HUMAN RESOURCES (SABHRS)
SECURITY AND COMPLIANCE (22DP-01) - SCOPE AND OBJECTIVES**

11:50:05 Presented by Tyler J. Julian, Information Systems Auditor (**EXHIBIT 17**)

Committee Questions of Staff

11:52:01 Rep. Hayman asked Mr. Julian when the audit would be complete.

**TRENDS IN ENFORCEMENT AT FISH, WILDLIFE & PARKS (22P-02) - SCOPE &
OBJECTIVES**

11:52:29 Presented by Jeremy Verhasselt, Management & Program Analyst Supervisor (**EXHIBIT 18**)

Committee Questions of Staff

11:56:03 Sen. McGillvray asked Mr. Verhasselt what type of questions stakeholders would get asked.

11:58:32 Sen. Flowers asked Mr. Verhasselt about types of violations enforcement staff faced.

11:59:43 Sen. Esp asked Mr. Verhasselt about culture of the agency.

12:01:33 Rep. Hayman asked Mr. Verhasselt when the audit would be finished.

Public Comment

n/a

LUNCH & BARREL VAULT PHOTO

12:02:17

MONTANA STATE UNIVERSITY (21-13)

12:55:54 Presented by Chris G. Darragh, Financial-Compliance Audit Supervisor (**EXHIBIT 19**) power point

Present from agency:

Dr. Waded Cruzado, President

Ila Saunders, Interim Director of Audit Services

Terry Leist, Vice President of Administration and Finance

Chris Kearns, Vice President for Student Success

James Broscheit, Director, Office of Financial Aid Services

Jason Carter, Vice President for Research, Economic Developmental and Graduate Education

Committee Questions of Staff

13:03:25 **Committee Request:** Sen. McGillvray asked Mr. Darragh about a breakdown cost of allocation between campus's, citing page 7 of the report. (received 8/8/2022)

Agency Response

13:04:27 Presented by President Cruzado

Committee Questions of Agency

13:06:05 Rep. Moore asked President Cruzado about challenges with implementation dates. The question was deferred to Mr. Leist

13:07:50 Sen. Flowers asked President Cruzado if high cost of living in Bozeman was affecting enrollment.

13:09:47 Rep. Hayman asked President Cruzado for the number of students who were unable to pay their student loans.

Public Comment

n/a

MOTION

13:11:52 Sen. Flowers 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:

13:11:52 Carried unanimously by voice vote.

MONTANA SINGLE AUDIT REPORT (20-02)

13:14:12 Presented by Karen E. Simpson, CPA, Financial-Compliance Audit Supervisor
(EXHIBIT 20) power point **(EXHIBIT 21)**
Present from Office of Budget and Program Planning:
Ryan Osmundson, Budget Director
Amy Sassano, Deputy Budget Director
Chet McLean, Internal Controls Coordinator
Sonia Powell, Single Audit Coordinator

Committee Questions of Staff

13:31:44 Rep. Hayman asked Ms. Simpson about the adverse category.
13:36:19 Legislative Auditor Maciver spoke about fundamental differences.
13:38:21 Sen. Ellsworth asked Legislative Auditor Maciver about reconciling.

Agency Response

13:42:45 Presented by Director Osmundson.

Committee Questions of Agency

13:46:20 Sen. Ellsworth asked Jennie Stapp, State Librarian, about the State Library's response to the federal finding recommendation.
13:52:23 Sen. Ellsworth asked Legislative Auditor Maciver to explain further.
13:55:32 Rep. Abbott commented on the committee's role and processes.
13:56:38 **Committee Request:** Rep. Kerr-Carpenter requested the federal outcome on the State Library recommendation be sent to the committee. (LAD staff will forward this upon receipt.)
13:58:01 Sen. Flowers spoke about strategy on addressing retainage of state employees.

Public Comment

n/a

MOTION

14:00:31 Sen. Flowers 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:

14:00:31 Carried unanimously by voice vote.

2021 STATE OF MONTANA EMPLOYEE GROUP BENEFITS CLAIM AUDIT (21C-09)

14:01:11 Introduced by Legislative Auditor Maciver.
14:02:46 *Allegiance – Medical*
Presented by Dan Montgomery, Account Executive, Claim Technologies Incorporated **(EXHIBIT 22)** power point
Present from Department of Administration:
Misty Ann Giles, Director
Amy Jenks, Administrator, Health Care and Benefits Division

Committee Questions of Claim Technologies

- 14:17:06 Rep. Moore asked Mr. Montgomery about contrast rates.
- 14:18:51 Sen. McGillvray asked Mr. Montgomery how many state employees were covered under the Allegiance plan. The question was deferred to Ms. Jenks.
- 14:20:24 *Delta Dental- Dental*
Presented by Mr. Montgomery

Committee Questions of Claim Technologies

- 14:26:38 Rep. Hayman asked Mr. Montgomery for an explanation on different contractors for this audit.
- 14:27:28 *Pharmacy*
Presented by Kelly Tanner, Director of Auditing & Shaidikia DeVaughn, Pharmacy Audit Specialist, Pillar RX Consulting (**EXHIBIT 23**) power point

Committee Questions of Pillar RX Consulting

n/a

Agency Response

- 14:35:28 Presented by Director Giles.

Committee Questions of Agency

n/a

- 14:37:10 Jennifer Erdahl, CPA, Financial-Compliance Audit Manager, made members aware that the “draft” stamped at the top of the financials within the report, should have been removed.

Public Comment

n/a

MOTION

- 14:37:45 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:

- 14:37:45 Carried unanimously by voice vote.
- 14:39:01 Legislative Auditor Maciver spoke about contracting out for specialized needs.

LEGISLATIVE AUDITOR REAPPOINTMENT

- 14:41:27 Rep. Hayman spoke about the Management Advisory Workgroup and the Legislative Auditor Contract.
- 14:42:37 Deborah F. Butler, Legal Counsel, reminded members of procedure.
- 14:43:06 Rep. Hayman noted the agreeance of the Management Advisory Workgroup to reappoint Legislative Auditor Maciver for the next two years.
- 14:43:45 Kelly Dasilva, HR of the Legislative Branch spoke on pay.

MOTION

- 14:44:49 Sen. Ellsworth moved the LAC management advisory subcommittee met in the last few months to review Angus Maciver’s performance and potential reappointment. The subcommittee’s recommendation to the full Legislative Audit Committee is to reappointment Angus Maciver as the Legislative Auditor for a two-year term beginning July 1, 2022, with pay and benefits in accordance with the Legislative Branch Pay Plan.

Vote:

- 14:44:49 Carried unanimously by voice vote. For the record Rep. Abbott left the meeting and did not vote.
- 14:45:47 Rep. Hayman was thankful to have Legislative Auditor Maciver as LAD's Director.
- 14:46:21 Sen. McNally appreciated Legislative Auditor Maciver's ability to be open, listen, try new things, and to have his level of expertise.
- 14:46:55 Sen. Ellsworth commented on the level of professionalism displayed by Legislative Auditor Maciver.

Public Comment

n/a

FISCAL YEAR 2023 PERFORMANCE AUDIT PRIORITIZATION PROCESS

14:48:05 Presented by William Soller, Deputy Legislative Auditor ([EXHIBIT 24](#))

Committee Questions of Staff

- 14:59:08 Sen. McGillvray asked Mr. Soller about the fire protectant assessment fee item. Several back and forth between Sen. McGillvray and Legislative Auditor Maciver.
- 15:04:20 Rep. Regier asked Legislative Auditor Maciver about FY22 ranking. The question was deferred to Mr. Soller.
- 15:06:04 Legislative Auditor Maciver noted the lack of resources for audit completion dates.
- 15:07:37 Mr. Soller spoke about staffing.
- 15:08:08 Sen. Flowers asked Mr. Soller to send an electronic version of the voting sheet.
- 15:08:42 Rep. Hayman spoke on her added topic to the ranking "Addition of New Construction to Property Tax Rolls".
- 15:09:51 Sen. Ellsworth agreed with Rep. Hayman and suggested the recreational marijuana topic.

Public Comment

15:10:59 Bart Crabtree

FINANCIAL AUDIT STATUS UPDATE

15:12:07 Presented by Cindy Jorgenson, CPA, Deputy Legislative Auditor ([EXHIBIT 25](#))

PERFORMANCE AND INFORMATION SYSTEMS AUDIT UPDATE

15:14:50 Presented by William Soller, Deputy Legislative Auditor Maciver ([EXHIBIT 26](#))

Public Comment

None

ADJOURNMENT

15:17:28 With there being no further business, the meeting was adjourned.

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