



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

October 20, 2021
Room 317, State Capitol Building & 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. Kim Abbott (D)
Sen. John Esp (R)
Sen. Pat Flowers (D)
Rep. Denise Hayman (D)
Rep. Emma Kerr-Carpenter (D)
Sen. Tom McGillvray (R)
Sen. Mary McNally (D)
Rep. Terry Moore (R)
Rep. Jerry Schillinger (R)

MEMBERS EXCUSED:

Sen. Tom Jacobson (D)
Rep. Matt Regier (R)
Sen. Jason Ellsworth, Vice Chair (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

09:02:25 The Legislative Audit Committee met in room 317 of the State Capitol Building and via zoom. Chair Hayman called the meeting to order at 9:02 a.m. noting the presence of quorum. The committee secretary took roll. [\(Attachment 3\)](#)

APPROVE MINUTES

09:03:36 Sen. Esp moved the committee accept the June 7-8, 2021, minutes.

Vote:

09:03:36 Carried unanimously by voice vote.

NEW STAFF INTRODUCTION

09:04:17 Eric Seidle was introduced as the division's Digital Content Editor.

MONTANA'S MILK INDUSTRY: AN ANALYSIS OF THE STATE-REGULATED MARKET (20P-03)

09:06:41 Presented by Julia Connelley, Associate Management & Program Analyst
[\(EXHIBIT 1\)](#) power point
Present from agency: Mike Honeycutt, Director
Brian Simonson, Deputy Executive Director
Darryl Ford, Milk Control Program Manager
Ken Bryan, Chair, Montana Board of Milk Control

Committee Questions of Staff

09:14:15 Sen. Ellsworth arrived.

09:22:16 Rep. Kerr-Carpenter asked Ms. Connelley about the timeframe that the audit took place.

09:23:04 Sen Flowers asked Ms. Connelley about the producer's happiness regarding high quotas.

09:24:16 Sen. Flowers had a follow-up question for Ms. Connelley regarding the milk industry standpoint on higher quotas.

09:25:40 Sen. McGillvray asked Ms. Connelley why there was a need for the Board of Milk Control.

09:28:22 Rep. Moore asked Ms. Connelley about federal oversight.

09:30:10 Rep. Regier asked Ms. Connelley about overlapping federal markets.

Agency Response

09:31:04 Presented by Director Honeycutt.

Committee Questions of Staff

09:41:37 Sen. Flowers asked Director Honeycutt about the primary benefactor.

09:44:33 Rep. Moore asked Director Honeycutt about states that are unregulated.

09:46:15 Rep. Kerr-Carpenter asked Director Honeycutt about milk sold out of state.

09:48:24 Rep. Kerr-Carpenter asked Director Honeycutt about price difference with selling out of state. The question was deferred to Mr. Ford.

09:49:21 Rep. Hayman asked Director Honeycutt about organic milk.

09:50:37 Rep. Schillinger asked Director Honeycutt what percent of milk was actually produced in Montana.

09:51:59 Rep. Schillinger asked Director Honeycutt about milk that is imported into the state.

09:53:48 Rep. Abbott has arrived

Public Comment

09:56:21 Krista-Lee Evans, Montana Milk Producers Association.

- 10:06:18 Rep. Regier asked Ms. Evans about an unrelated status like North Dakota.
 10:07:38 Sen. McGillvray asked Ms. Evans about self and state regulation.
 10:09:56 Rep. Hayman spoke on the board's access to the audit.

Motion

- 10:10:25 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:

- 10:10:31 Carried unanimously by voice vote.

MONTANA STATE FUND (21-05A)

- 10:11:16 Presented by Shandell VanDonsel, CPA, Financial-Compliance Audit Supervisor
Present from agency:
 Laurence Hubbard, President/CEO
 Patti Grosfield, Internal Auditor
 Rene Martello, Controller
 Mark Burzynski, Vice-President, Corporate Support.

Committee Questions of Staff

None

Agency Response

- 10:14:29 Presented by Ms. Grosfield.

Committee Questions of Agency

- 10:18:05 Rep. Moore asked Ms. Grosfield and Director Hubbard several questions about the unique accounting issues.
 10:27:31 Sen. McGillvray asked Director Hubbard a few questions about their investment pool.

Public Comment

None

Motion

- 10:30:21 Rep. Moore 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:

- 10:30:24 Carried unanimously by voice vote.

Break

- 10:33:02 Reconvened at 10:38:42.

OFFICE OF THE SECRETARY OF STATE (20-19)

- 10:39:27 Presented by Karen. E. Simpson, CPA, Financial-Compliance Audit Manager.
Present from agency:
 Christi Jacobsen, Secretary of State;
 Angela Nunn, Operations Director
 Austin James, Chief Legal
 Brandi Pierson, Chief Fiscal Officer.

Committee Questions of Staff

None

Agency Response

- 10:45:35 Presented by Secretary Jacobsen.

Committee Questions of Agency

- 10:46:45 **Committee Request:** Rep. Hayman asked Secretary Jacobsen how many counting machines were requested with the HAVA money. (LAC received an email 10/20/21 from SOS)
 10:48:49 Sen. McNally asked Secretary Jacobsen about money spent on their IT system.

Public Comment

None

Motion

10:51:25 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:

10:51:31 Carried unanimously by voice vote.

FISCAL YEAR 2022 PERFORMANCE AUDIT PRIORITIZATION RESULTS

10:52:25 Presented by William Soller, Deputy Legislative Auditor ([EXHIBIT 2](#))

Committee Questions of Staff

10:54:43 Rep. Regier asked Mr. Soller how many audits off the list staff would be able to get to this year.

10:55:16 Sen. Esp spoke about the Judicial Standards Commission.

10:57:00 Legislative Auditor Maciver spoke about the process.

COMMITTEE EDUCATION

11:00:45 Presented by William Soller, Deputy Legislative Auditor
Cindy Jorgenson, CPA, Deputy Legislative Auditor
Deborah F. Butler, Legal Counsel. ([EXHIBIT 3](#))

Committee Questions of Staff

11:09:55 Sen. Esp spoke on the importance of ethical principles and independence.

11:23:02 Rep. Moore asked Mr. Soller if there had been any past accusations from other agencies that questioned professional judgement/ethics of an audit. He also asked if there was, how that was handled by the division.

11:25:18 Sen. Esp asked Mr. Soller about undue influence. Legislative Auditor Maciver assisted in answering the question.

11:28:33 Rep. Kerr-Carpenter asked Mr. Soller for details on how audit staff weren't allowed to write corrective action plans for agencies.

11:45:53 Rep. Moore asked Ms. Jorgenson about the peer review reports.

11:47:59 Sen. McNally asked Ms. Jorgenson about information systems audit standards. The question was deferred to the Legislative Auditor.

STATUS UPDATE - MONTANA UNIVERSITY SYSTEM COORDINATION OF STUDENT ENROLLMENT AND ADMINISTRATIVE SERVICES (21SP-14)

12:07:06 Legislative Auditor Maciver reminded committee members they had requested OCHE to come back and discuss recommendation implementation of numbers three and four along with reporting relationships.

Agency Response

12:08:53 Presented by Clayton Christian, Commissioner of Higher Education.

Committee Questions of Agency

12:17:25 **Committee Request:** Sen. Esp asked Commissioner Christian to provide their template of framework in relation to IT to the committee. (received via email 12/18/21)

12:18:18 Rep. Hayman asked Commissioner Christian if there were any federal funds available for their IT needs.

Lunch

12:20:01 Reconvened at 13:01:00

ACCOUNTABILITY, COMPLIANCE, AND TRANSPARENCY - REPORTING AND RESOLVING ALLEGATIONS OF FRAUD, WASTE, AND ABUSE IN MONTANA STATE GOVERNMENT (21ACTHOTLINE)

13:01:16 Presented by Deborah F. Butler, Legal Counsel

Amber Robbins, Management & Program Analyst Supervisor.
(EXHIBIT 4) power point

Committee Questions of Staff

- 13:14:47 Rep. Kerr-Carpenter asked Ms. Robbins about reporting.
13:16:06 Sen. Flowers commented on the low allegation number of fraud, waste, or abuse within the state of Montana.
13:16:54 Rep. Moore asked Ms. Robbins about state policy and nepotism. The question was deferred to Legislative Auditor Maciver.

Public Comment

- 13:21:33 Lee McDonald via zoom
13:25:14 Sen. Esp asked that public comment speakers identify themselves for the record.

ADMINISTRATION OF THE PETROLEUM TANK RELEASE CLEANUP FUND (20P-01)

- 13:26:38 Presented by John Harrington, Management & Program Analyst Supervisor
(EXHIBIT 5) power point
Present from the Department of Environmental Quality:
Chris Dorrington, Director
George Mathieus, Deputy Director; Jenny Chambers, Administrator, Waste and Remediation Division
Present from the Petroleum Tank Release Compensation Board:
Terry Wadsworth, Executive Director
Keith Schinder, Chair.

Committee Questions of Staff

- 13:42:02 Sen. Flowers asked Mr. Harrington about other states solutions to private insurance.
13:43:52 Rep. Hayman asked Mr. Harrington about the process for new/current tanks.
13:45:21 Rep. Regier asked Mr. Harrington about details on the insurance questions.

Agency Response – Department of Environmental Quality

- 13:47:03 Presented by Director Dorrington.

Committee Questions of Staff

- 13:49:35 Sen. Flowers asked Director Dorrington about mitigating leaks in other states. The question was deferred to Ms. Chambers.
13:52:40 Rep. Hayman asked Ms. Chambers about tank owners that had no interest in remediation.
13:54:26 Rep. Kerr-Carpenter asked Ms. Chambers about the transfer of the fund.

Agency Response – Petroleum Tank Release Compensation Board

- 13:55:59 Presented by Chair Schnider.

Committee Questions of Agency

- 13:57:05 Rep. Hayman asked Chair Schinder to clarify his response to the audit.
14:00:54 Legislative Auditor Maciver spoke on the board response.
14:02:45 Rep. Kerr-Carpenter asked Chair Schnider about the reserve account and any conversations about the funding mechanism.
14:05:46 Rep. Kerr-Carpenter asked Chair Schnider when their next board meeting was.

Agency Response – Petroleum Tank Release Compensation Board

- 14:06:23 Presented by Mr. Wadsworth.

Committee Questions of Agency

- 14:11:29 Sen. Esp asked Mr. Wadsworth about allowable leaks, and if the board would be willing to work with DEQ to become competitive.
14:14:22 Sen. Esp asked Mr. Mathieus if DEQ would be willing to work with the board.
14:15:11 Sen. McGillvray asked Mr. Wadsworth several questions about the fund and releases.
14:20:09 Sen. McGillvray asked Legislative Auditor how to act on proposed legislation.

- 14:21:49 **Committee Request:** Rep. Hayman requested for the Board and DEQ come appear before the committee in a year with a game plan/update.
- 14:22:28 Sen. Esp asked Mr. Mathieus what his legislative solution would be to move the program forward.
- 14:24:38 **Committee Request:** Sen. McNally would like to see a plan or timeline for accountability for recommendation number one. (LAC received an email 12/14/21)
- 14:27:04 **Committee Request:** Rep. Kerr-Carpenter would like to see the work plan requested by Sen. McNally by our next LAC meeting. (LAC received an email 12/14/21)
- 14:33:23 **(EXHIBIT 6) (EXHIBIT 7)** Handouts from Mr. Wadsworth
- 14:38:13 Legislative Auditor Maciver provided assurance to the committee that the aspects outlined by Mr. Wadsworth were known well by the auditors.

Public Comment

- 14:40:21 Greg Cross via zoom
- 14:41:38 Mark Johnson via zoom
- 14:48:35 Public Comment written testimony from Daniel R. Kenney, Alyssa Ragsdale, and Greg Cross. **(EXHIBIT 8) (EXHIBIT 9) (EXHIBIT 10)**

Motion

- 14:48:39 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:

- 14:48:39 Carried unanimously by voice vote.

DEPARTMENT OF ENVIRONMENTAL QUALITY (20-16)

- 14:49:21 Presented by Delsi Osmanson, Financial-Compliance Audit Supervisor
Present from agency:
 Chris Dorrington, Director
 George Mathieus, Deputy Director
 Cassy Anderson, CFO.

Committee Questions of Staff

None

Agency Response

- 15:00:51 Presented by Director Dorrington with a corrective action plan. **(EXHIBIT 11)**

Committee Questions of Agency

- 15:02:55 Sen. McNally asked Director Dorrington about the prior audit recommendation that was not implemented.
- 15:04:55 Rep. Kerr-Carpenter asked Director Dorrington what CFDA meant.

Public Comment

None

Motion

- 15:06:19 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:

- 15:06:19 Carried unanimously by voice vote.

MONTANA HISTORICAL SOCIETY (20-24)

- 15:07:36 Presented by Steven Althoff, Associate Financial-Compliance Auditor
Present from agency:
 Molly Kruckenberg, Director
 Denise C. King, Administrator.

Committee Questions of Staff

- 15:10:53 Sen. McGillvray asked Mr. Althoff why this audit had no balance sheet.

15:11:35 Rep. Moore asked Mr. Althoff about disclosure of capital assets.

Agency Response

15:13:05 Presented by Ms. King on behalf of Director Kruckenberg.

Committee Questions of Agency

None

Public Comment

None

Motion

15:15:01 Rep. Kerr- Carpenter 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:

15:15:01 Carried unanimously by voice vote.

DAWSON COMMUNITY COLLEGE (20C-06)

15:16:48 Presented by Tony Gerharz, Manager, Wipfli LLP

Agency Response

15:22:31 Presented by Interim President Kathleen O'Leary.

Committee Questions of Agency

15:26:19 Rep. Kerr-Carpenter asked Interim President O'Leary to expand on how she felt about the legislation change, having the college's in charge of their own contracts.

15:28:03 Rep. Moore asked Interim President O'Leary several questions about the financial statements.

Public Comment

None

Motion

15:30:50 Rep. Kerr-Carpenter 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:

15:30:52 Carried unanimously by voice vote.

FLATHEAD VALLEY COMMUNITY COLLEGE (20C-07)

15:31:41 Presented by Barry Weber, Senior Manager, Eide Bailly LLP
(EXHIBIT 12) power point

Agency Response

15:39:47 Presented by Jane A. Karas, President

Committee Questions of Agency

15:41:08 Rep. Kerr-Carpenter asked President Karas for an update on the recent legislation change and how it affected the college.

Public Comment

None

15:42:40 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:

15:42:40 Carried unanimously by voice vote.

MILES CITY COMMUNITY COLLEGE (20C-08)

15:43:47 Presented by Presented by Tony Gerharz, Manager, Wipfli LLP

Agency Response

15:45:18 Presented by President Ron Slinger.

Committee Questions of Agency

- 15:46:18 Rep. Kerr-Carpenter asked President Slinger for an update on how the new legislation had affected the college.
15:47:28 Sen. McNally asked President Slinger about enrollment and workforce training.

Public Comment

None

Motion

- 15:50:20 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:

- 15:50:29 Carried unanimously by voice vote.

STATUS UPDATE - DEPARTMENT OF PUBLIC SERVICE REGULATION (20-26)

- 15:51:06 Legislative Auditor Maciver reminded committee members they had asked the PSC to return and give an update on the previous audit.

Agency Response

- 15:52:40 Presented by James Brown, Chair and Commissioner Jennifer Fielder, Public Service Commission. **(EXHIBIT 13)** power point

Committee Questions of Agency

- 16:14:22 Corrective action document. **(EXHIBIT 14)**
16:18:03 Sen. Flowers asked Chair Brown about the new organization structure.
16:20:05 Sen. McNally thanked the PSC.

LOTTERY SECURITY (20DP-01)

- 16:22:58 Presented by Miki Cestnik, Information Systems Audit Manager. **(EXHIBIT 15)** power point

Present from agency:

Scott Sales, Director
Bryan Costigan, Security Director
Phil Charpentier, Information Technology Director.

Committee Questions of Staff

- 16:41:29 Rep. Hayman asked Ms. Cestnik about the department's response citing March 2022 as implementation dates.

Agency Response

- 16:43:23 Presented by Director Sales.

Committee Questions of Agency

- 16:47:23 Rep. Regier asked Director Sales about the Intralot contract.
16:48:13 Rep. Hayman asked Director Sales if there was a possibility to implement recommendation one and two before March 2022.

Public Comment

None

Motion

- 16:52:31 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:

- 16:51:43 Carried unanimously by voice vote.

DATA SECURITY AND OPERATIONAL PERFORMANCE OF MONTANA'S COMPUTER-ASSISTED MASS APPRAISAL AND TAX SYSTEM (ORION) (21SP-23)

- 16:53:33 Presented by Tyler J. Julian, Associate Information Systems Auditor.

Committee Questions of Staff

None

LAD STRATEGIC PLANNING

17:00:21 Presented by Legislative Auditor Maciver (**EXHIBIT 16**)

PERFORMANCE AUDIT SCOPE & OBJECTIVES (EXHIBIT 17)

CHILD CARE AND DEVELOPMENT FUND

17:03:21 Presented by Sarah. A. Carlson, Senior Management & Program Analyst

17:07:04 Rep. Kerr-Carpenter had suggestions for the audit.

PRIVATIZATION OF THE STATE MOTOR POOL

17:08:35 Presented by Amber Robbins, Management & Program Analyst

ACCURACY OF WATER RIGHTS OWNERSHIP DATA SCOPE

17:10:35 Presented Associate Management & Program Analyst.

MDT AERONAUTICS DIVISION SCOPE

17:13:13 Presented by Chelsea Rayfield, Associate Management & Program Analyst

Committee Questions of Staff

17:15:58 Sen. Flowers asked Ms. Rayfield how she defined feasibility. He also suggested expansion on impact of the community be apart of the audit.

Public Comment

None

FINANCIAL AUDIT STATUS UPDATE

17:19:21 Presented by Cindy Jorgenson, CPA, Deputy Legislative Auditor (**EXHIBIT 18**)

PERFORMANCE AND INFORMATION SYSTEMS AUDIT UPDATE

17:27:09 Presented by William Soller, Deputy Legislative Auditor (**EXHIBIT 19**)
(**EXHIBIT 20**)

Committee Questions of Staff

17:30:27 Sen. Flowers asked Mr. Soller about audit phases.

LEGISLATIVE AUDITOR CONTRACT

17:37:18 Rep. Hayman filled in committee members on the Legislative Auditor pay discussion that was had at the Advisory Group meeting that consisted of: Rep. Regier, Sen. Ellsworth, Rep. Hayman, and Sen. Flowers.

Motion

17:38:50 Sen. Esp moved the committee increase the Legislative Auditor pay to 2% and be retroactive to July 2021.

Vote:

17:38:58 Carried unanimously by voice vote.

Public Comment

17:40:49 Lee McDonald via zoom

17:42:12 Randy Adams via zoom

17:42:43 Sen. McNally appreciated the committee education.

ADJOURNMENT

17:43:49 With there being no further business, the meeting was adjourned at 5:43 p.m.

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