



LEGISLATIVE AUDIT COMMITTEE
65th Montana Legislature

Room 160 Capitol Building * P.O. Box 201705 * Helena, MT 59620-1705 * (406) 444-3122 * FAX (406) 444-9784

SENATE MEMBERS

DEE BROWN
TERRY GAUTHIER
BOB KEENAN
MARGARET MACDONALD
MARY MCNALLY, Chair
GENE VUCKOVICH

HOUSE MEMBERS

KIM ABBOTT
DAN BARTEL
RANDY BRODEHL
TOM BURNETT, Vice Chair
VIRGINIA COURT, Secretary
DENISE HAYMAN

COMMITTEE STAFF

ANGUS MACIVER, Director
DEBORAH BUTLER, Legal Counsel
CANDACE RADOVICH, Assistant

MINUTES LOG April
19-20, 2018
Room 137, Capitol Building
Helena, Montana

Please note: This document is a Minutes Log and provides a notation 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 record 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 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 <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with 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.

COMMITTEE MEMBERS PRESENT

SEN. DEE BROWN
SEN. TERRY GAUTHIER
SEN. BOB KEENAN
SEN. MARGARET MACDONALD
SEN. MARY MCNALLY

REP. KIM ABBOTT
REP. DAN BARTEL
REP. RANDY BRODEHL
REP. TOM BURNETT
REP. VIRGINIA COURT
REP. DENISE HAYMAN

COMMITTEE MEMBERS EXCUSED

SEN. GENE VUCKOVICH

STAFF PRESENT

ANGUS MACIVER, Director
DEBORAH BUTLER, Legal Counsel
CANDACE RADOVICH, Administrative Assistant
JOE MURRAY, Deputy Legislative Auditor
CINDY JORGENSON, Deputy Legislative Auditor

VISITORS' LIST ([Attachment 1](#))

AGENDA ([Attachment 2](#))

CALL TO ORDER AND ROLL CALL ([Attachment 3](#))

00:00:08 The Legislative Audit Committee met April 19, 2018, in room 137 of the State Capitol Building. Chair, Sen. McNally called the meeting to order at 1:07 p.m., noting the presence of a quorum. Sen. Gene Vuckovich was excused by Sen. McNally.

APPROVAL OF THE MINUTES

Motion

00:01:41 Rep. Court moved to approve the February 2018 minutes.

Vote

The motion passed unanimously on a voice vote.

INFORMATION SYSTEMS AUDIT SCOPE & OBJECTIVES

01:13:41 Lottery Security 2018 ([Exhibit 1](#))
Presented by Miki Cestnik, Information Systems Senior Auditor

AUDIT REPORTS

MONTANA STATE LOTTERY, FINANCIAL-COMPLIANCE AUDIT (17-30A)

00:04:40 **Report presented by:** Jennifer Erdahl, CPA, Financial-Compliance Audit Manager

Present from the agency:

Angela Wong, Director
Armond Sergeant, Financial Services Director

Committee Questions of LAD Staff

00:09:08 Sen. Brown asked Ms. Erdahl about the \$12.8 million being a static amount or if that was always dependent on the previous year. Sen Brown followed up to her original question and asked if that amount was always dependent on the previous year.

00:09:54 Rep. Burnett asked Ms. Erdahl for table clarification on page A27. Ms. Erdahl suggested the department answer. Ms. Jorgenson stepped up to podium to answer.

- 00:12:09 Rep. Burnett asked Ms. Jorgenson about page A26 regarding net OPEB obligation percent change.
- 00:13:20 Sen. Brown followed up on Rep. Burnett's question and asked Ms. Jorgenson about the number of retirees that were affected by the percentage increase. Ms. Jorgenson will gather this information and get it to committee members. (Answered at 03:42:44 by Ms. Jorgenson)
- 00:14:08 **Committee Request.** Legislative Auditor Maciver suggested briefing on OPEB liabilities at the June meeting, Chair McNally agreed and there were no objections.

Agency Response

- 00:15:47 Agency response presented by Director Wong and she introduced Armond Sergeant, Financial Services Director.
- 00:16:26 Director Wong clarified on earlier question on the CAP for general fund.

Committee Questions of Lottery

- 00:16:43 Sen. Brown asked Director Wong about the half million dollars that went to
- 00:17:10 STEM. Sen. Brown asked Director Wong about changing vendors, the interlock and vendor fee increase.
- 00:18:04 Rep. Burnett asked Director Wong if the Lottery tracked vehicles with GPS.
- 00:18:43 Rep. Bartel asked Director Wong why revenue was down on online sales.
- 00:19:57 Rep. Bartel asked Director Wong about operating revenues and payroll, wanted to know how Lottery adjusted for the cost of business.
- 00:20:59 Sen. McNally asked Director Wong about Fee increase for bids.
- 00:21:20 Sen. Brown followed-up on Sen. McNally question and asked Director Wong about comparison agreement with other states regarding percentage paid.

Public Comment

None

Motion

- 00:22:26 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Keenan; **motion carried.**

Vote

- 00:22:54 The motion passed unanimously on a voice vote.

MONTANA WATER POLLUTION CONTROL AND DRINKING WATER STATE REVOLVING FUND PROGRAMS, FINANCIAL AUDIT (17-25A)

- 00:23:19 **Report presented by:** Mary Currin, Financial-Compliance Senior Auditor

Present from the agency:

Department of Environmental Quality

Tom Livers, Director

Mark Smith, Acting Engineering Bureau Chief

Department of Natural Resources and Conservation

Patricia Greiberis, Chief Financial Officer

Anna Miller, Loan and Financial Management Bureau Chief

Lorna Gregory, Accountant

Committee Questions of LAD Staff

00:26:06 Rep. Hayman asked Ms. Currin about loan forgiveness funds.

Agency Response

00:27:21 DEQ agency response presented by Director Livers.

Committee Questions of DEQ and DNRC

00:28:32 Sen. Brown asked Director Livers how a city would submit that they need money for a project. Redirected question to Ms. Miller with DNRC. ([Exhibit 2](#) - Billings Heights)

00:30:00 Ms. Miller relayed that Director Tubbs was in DC and sent his apologies. Rep.
00:43:06 Brodehl asked Ms. Miller about loan forgiveness.
Rep. Brodehl followed up to his original question with a comment wanting the listeners to understand that loan forgiveness was in addition to the U.S. debt.

00:45:45 Sen. Gauthier asked Ms. Miller about the length of an average loan, what percent of interest and form of default loans.

00:47:23 Sen. MacDonald had a comment about oversight committee.

00:49:11 Rep. Bartel asked Ms. Miller about Yellowstone boys and girls ranch water and sewer district.

00:50:21 Sen. Brown asked Ms. Miller about small community rates. ([Exhibit 3](#) - Draft Rate Survey)

00:53:19 Sen. Brown asked Ms. Miller about whether DNRC had talked to these small communities as far as parceling out costs.

00:55:57 Rep. Burnett made a comment about Phillipsburg EPA issues, asked Ms. Miller about future relief for regulatory burden.
Rep. Burnett followed up to his own question and added to it asking if there was interest in rural states banning together and moderating regulations. Ms. Miller redirected the question to Director Livers.

01:04:59 Rep. Court asked Director Livers if there was any innovation for the communities as far as grey water, question was redirected to Mr. Smith.

1:07:52 Rep. Court followed up to her original question asked Mr. Smith if any of the innovations were in the state of MT.

01:08:43 **Committee Request:** Rep. Bartel requested Ms. Miller provide a copy of the draft survey. Per Ms. Miller it would be ready May 15, 2018.

01:09:31 Sen. MacDonald requested Ms. Miller give a big picture on water authority.

01:10:53 Rep. Burnett asked Director Livers about bond repayment within towns and wanted to know if so, would that of been a state or federal regulation.

01:12:39 Sen. Gauthier asked Dir. Livers about rural Montana and other small communities whether DEQ ever had to tell a community that their drinking water would need shut off.

Public Comment

None

Motion

01:15:30 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Court; **motion carried.**

Vote

01:15:44 The motion passed unanimously on a voice vote.

MONTANA SINGLE AUDIT REPORT (16-02)

01:16:15 **Report presented by:** Kelly Zwang, CPA, Financial-Compliance Senior Auditor ([Exhibit 4](#) - Power Point)

Present from the agency:

Governor's Office of Budget and Program Planning

Sonia Powell, Single Audit Coordinator

Department of Administration

John Lewis, Director

Cody Pearce, State Accountant & Bureau Chief

Committee Questions of Lad Staff

01:28:01 Sen. Brown asked Ms. Zwang for clarification on number of programs not complying with federal requirements and as to how the single audit report compares to the one two years ago by percentage of federal non-compliance.

01:30:04 **Committee Request:** Rep. Brodehl asked Ms. Zwang how the state of Montana compared to other states with percentages with non-compliance. Requested he get nation or surrounding state comparison.

Agency Response from Governor's Office of Budget and Program Planning

01:31:21 Agency response presented by Ms. Powell.

Committee Questions of Governor's Office of Budget and Program Planning

01:34:14 Rep. Brodehl asked Ms. Powell if the agency went through an internal audit process over the two-year period biennium.

01:35:21 Rep. Brodehl inquired of Ms. Powell if the auditors and agency were aware of regulations.

01:36:06 Rep Brodehl commented that Director Villa's signature was on both letters, inquired of Ms. Powell if he was unavailable.

01:36:22 Sen. Brown commented on percentage of non-compliance going up in this audit, inquired of Ms. Powell if this was because of changing regulations and people not being aware of said changes.

01:37:00 Sen. Brown commented on the departments increase in errors, inquired of Ms. Powell what the department was doing to make sure these issues are corrected in a timely manner.

01:38:27 Sen. Brown wished to ask Legislative Auditor Maciver if single audit reports can be compared from one biennium to another.

01:41:06 Rep. Bartel asked Ms. Powell to confirm which agency she worked for, and then asked if the Governor had given a response as far as programs having financial issues.

01:42:26 Rep. Burnett commented on page C10-C11 tables of summarization of non-compliance by program name, asked of Ms. Zwang referring to page C2 and the Medicaid cluster, if there were any numbers related to allowable costs in Medicaid.

- 01:44:42 Rep. Abbott wished to follow up on Rep. Burnett question asking Ms. Zwang about the \$180,000 in question costs if there was a sense of total Medicaid payments as part of the audit. Ms. Zwang was unsure of this answer, Ms. Jorgenson stepped up to the podium to answer question.
- 01:46:55 Sen. Brown inquired of Ms. Jorgenson if the \$1.4 billion dollars included federal money.
- 01:47:29 Rep. Hayman asked Ms. Jorgenson about the \$2.3 billion and \$156,000 and requested a percentage as far as the errors.
Rep. Hayman followed up on her original question to Ms. Jorgenson clarifying that the percent is a small amount as far as the question costs.
- 01:49:43 Chair McNally asked DOA if they wish to speak, Ms. Pearce declined. Legislative Auditor Maciver noted that this audit is a significant body of work and is an invaluable resource, and encouraged it be used as such. Also commented that the audit is a heavy lift for the audit team and that the staff should be commended. Chair McNally concurred with Legislative Auditor Maciver, and thanked the staff.
- 01:49:56
- 1:53:30 Chair McNally brought up Director Villa being absent and encouraged he be present in the future.

Public Comment

None

Motion

- 01:54:15 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. Brown; **motion carried.**

Vote

- 01:54:28 The motion passed unanimously on a voice vote.

Break

01:54:44

MONTANA DEPARTMENT OF TRANSPORTATION, FINANCIAL-COMPLIANCE AUDIT (17- 17)

- 02:03:37 **Report presented by:** Karen E. Simpson, CPA, Financial-Compliance Senior Auditor
([Exhibit 5](#) - Federal Regulations)

Present from the agency:

Mike Tooley, Director
Dwane Kailey, Highways and Engineering Division Administrator
Lynn Zanto, Administrator, Rail, Transit & Planning Division
Larry Flynn, Chief Financial Officer
Keni Grose, Human Resources and Occupational Safety Division Administrator
Dave Hamer, Accounting Controls Bureau Chief

Committee Questions of LAD Staff

- 02:18:16 Sen. Brown asked Ms. Simpson about DBE, if she as the auditor looked at the contracts, if so, could a department contract include a statement stating if they were non-compliant the vehicle could be returned at full cost. Ms. Simpson stated that would be a question for the department.
- 02:19:07 Sen. Brown asked Ms. Simpson when the audit started.
Sen. Brown followed up to her original question and asked for further clarification on the actual start date of audit.
- 02:20:23 Rep. Hayman asked Ms. Simpson for clarification on change orders and notifying the federal government .
Rep. Hayman followed up to her original question looking for further clarification on accountability and federal dollars.
- 02:24:48 Rep. Brodehl brought up page 10 stated his interpretation was that the department staff were aware of rules but decided not to abide by them, inquired of Ms. Simpson if he understood that correctly.
- 02:26:15 Sen. Brown followed up on Rep. Brodehl's question and asked Ms. Simpson what kind of money the department decided would not be cost effective. Sen.
- 02:27:02 Brown inquired of Ms. Simpson if she had a sense that there was some complacency in the office.
- 02:28:19 Sen. McNally referred to Exhibit 5, item C, the purple text, asked Ms. Simpson for clarification as far as state regulations versus federal.

Agency Response

- 02:29:33 Presented by Director Tooley and he introduced Greg Jergeson, Transportation District Commissioner for Great Falls.
- 02:32:15 Director Tooley introduced Dwane Kailey, Highways and Engineering Division Administrator.
- Director Tooley passed out two documents ([Exhibit 6](#) - FHWA letter) and ([Exhibit 7](#) - 104.02.3 MCA)

Committee Questions of MDT

- 02:38:03 Sen. Brown asked Mr. Kailey about bid estimate increase versus decrease. Also asked if there was ever incentive for contractors to work faster and more efficiently. Sen. Brown commended MDT specifically regarding a bridge project in her home city.
- 02:40:56
- 02:41:52 Rep. Brodehl brought attention to Exhibit 6, inquired of Mr. Kailey about the \$900,000 being audited, how much was looked at and what was a general overview.
- 02:44:02 Rep. Brodehl referred again to Exhibit 6, asked about program software and quantity changes and looked for clarification.
- 02:46:43 Sen. McNally referred to Exhibit 7, and concurred that the language within the MCA code could be clearer and asked Mr. Kailey if he thought non-compliance could be solved by making that code clearer. Mr. Kailey asked Ms. Simpson what she thought about this and Ms. Simpson stated it would be something they would look at with the next audit.

Public Comment

None

Motion

02:48:36 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Hayman; **motion carried.**

Vote

02:49:06 The motion passed unanimously on a voice vote.

PERFORMANCE AND INFORMATION SYSTEMS AUDIT FOLLOW-UP

02:50:04 **STAARS (18SP-04)**
Presented by Hunter McClure, Information Systems Auditor
02:54:30 Sen. Brown commented on the STAARS acronym.

02:55:10 **Regulation of Independent Contractors (18SP-02)**
Presented by Alyssa Sorenson, Performance Auditor

Committee Questions of LAD Staff

03:00:18 Sen. Brown asked Ms. Sorenson if the Department of Labor and Industry ever asked the contractor for their employee names.
03:01:19 Legislative Auditor Maciver commented on concepts of growth and federal changes.

STATUS UPDATE- Licensing Real Estate Professionals Follow-up (17SP-23)

03:03:01 Presented by Nick Hill, Performance Senior Auditor ([Exhibit 8](#) - Follow-Up)

Present from the agency:

Department of Labor and Industry
Galen Hollenbaugh, Commissioner
Todd Younkin, Division Administrator
Board of Realty Regulation
Ric Smith

Committee Questions of LAD Staff

03:06:53 Sen. Brown asked Mr. Hill if the Realty Board could be cut. Mr. Hill stated that would be a question for the department.
03:07:50 Rep. Hayman commented that she was not inclined to let the board off the hook.

Agency Response from DOLI and the Board

03:08:40 Todd Younkin introduced himself and Ric Smith then handed out a memo. ([Exhibit 9](#) - Status Update Memo)
03:10:30 Sen. McNally asked Mr. Younkin to clarify on which recommendations were resolved.
03:11:01 Ric Smith introduced himself and board members.

Committee Questions of the Board

- 03:13:43 Sen. Brown asked Mr. Smith if in a years time would the audit findings that had not been addressed, be addressed in that time frame. Sen. Brown displayed concern regarding the audit and she asked the same question again.
- 03:16:04 Sen. McNally commented that the concern is how seriously had the audit recommendations been taken.
- 03:17:22 Rep. Court asked Mr. Smith if there was anyway to take a survey of what changes the realtors felt had been made by the board. Mr. smith stated that would be a question for the department.
- 03:19:11 Rep. Court commented that most issues raised were how the board operated.
- 03:19:55 Rep. Hayman expressed concern as she had been made aware of realtors giving inaccurate information to buyers. Rep. Hayman asked Mr. Smith how the board processed a legitimate complaint from a consumer against a realtor.
- 03:21:50 Rep. Hayman asked Mr. Smith when a license would get pulled from a realtor. Rep. Hayman commented on incompleteness and lack of knowledge.
- 03:22:58 Rep. Brodehl commented on the boards due diligence and recommended they
03:25:09 be careful and have consistency.
- 03:25:29 Sen. Gauthier inquired of Mr. Smith if there could be some language on the realtor websites where one could click on a link and be taken to the board's page and then be able to submit their complaint. Mr. Smith stated he would bring it up at the next board meeting.
- 03:29:38 Sen. McNally commented that herself and along with rest of the LAC feel this issue was not resolved and this still needed to be pursued. Sen. McNally asked Legislative Auditor to speak on options for going forward.
- 03:30:15 **Committee Request:** Legislative Auditor Maciver suggested we consider this further and would like to see a summary of where progress had or hadn't been made. Suggests LAD staff review the status update from the board and possible legislation change ideas. Chair McNally agreed and would also like to review the status update, and spoke on inviting the board back before the interim session is out. This would most likely be addressed at the October meeting.

Public Comment

- 03:35:19 Mark Simonich Chief Executive Officer for the Montana Association of Realtors.
- 03:37:55 Mr. Simonich addressed complaint questions.
- 03:40:43 Sen. McNally thanked the department for the update.

FINANCIAL AUDIT STATUS UPDATE

- Presented by Cindy Jorgenson, CPA, Deputy Legislative Auditor
([Exhibit 10](#) - 2017/2018 Audit Cycle)
- 03:41:54 Ms. Jorgenson addressed Rep. Burnett's question from earlier regarding how many retirees participate in the state health plans.
- 03:53:24 Sen. Brown requested a key as to what the colors mean regarding exhibit 10.
- 03:53:50 Rep. Hayman asked Ms. Jorgenson where the Office of Public Instruction fell on the audit cycle.

- 03:54:14 **Committee Request.** Rep. Bartel requested Ms. Jorgenson provide a cheat sheet for acronyms. Ms. Jorgenson stated she would follow up with Legislative Auditor Maciver.
- 03:55:11 Sen. Gauthier asked Ms. Jorgenson if the leads normally do two audits per year also asked if they normally audit the same department on the next biennium.

PERFORMANCE AND INFORMATION SYSTEMS AUDIT UPDATE ([Exhibit 11](#) – Project Status Update)

03:58:26 **Presented by Joe Murray, Deputy Legislative Auditor**

03:58:47 Mr. Murray introduced a new employee Shane Somerville, Information Systems Auditor

Committee Questions of LAD Staff

04:04:18 Sen. McNally asked Mr. Murray about employee termination agreements.

04:05:04 Sen. Gauthier asked Mr. Murray about the upcoming audit on unmanned aerial systems and asked how that came to be an audit.

Recess

04:07:37 Chair McNally called the committee to recess and will continue Friday, April 20, 2018 at 9:00 a.m.

Friday, April 20, 2018

CALL TO ORDER

00:00:03 Chair McNally called day two of the Legislative Audit Committee to order.

Visitors list - ([Attachment 4](#))

DEPARTMENT OF FISH, WILDLIFE & PARKS, FINANCIAL-COMPLIANCE AUDIT (17-18)

00:00:43 **Report presented by: Kelly Zwang, CPA, Financial-Compliance Senior Auditor**

Present from the agency:

Martha Williams, Director

Dustin Temple, Chief of Administration

Jennifer Thompson, Financial Operations Supervisor

Committee Questions of LAD Staff

00:11:41 Sen. Brown inquired of Ms. Zwang if there was a cost to an agency, what would be a reason these agencies did not balance their books.

00:13:55 Sen. Brown referred to page 2 and 3, asked Ms. Zwang if HB2 needed adjusted. Ms. Zwang deferred question to the department.

00:13:59 Sen. Keenan asked Ms. Zwang if the LAD was exempt from the law about public disclosure of cost.

Agency Response

00:14:44 Director Williams thanked LAD staff and spoke of strengthening the department's internal controls.

Committee Questions of FWP

00:16:04 Sen. Brown repeated her earlier question about page 2 of the report and possible change in HB2. Director Williams referred the question to Ms. Thompson.

00:17:30 Sen. Brown asked Ms. Thompson about the present maximum.

00:18:10 Sen. Brown asked Director Williams to address the postponement of the drawings and asked why it wasn't done ahead of time.

00:20:12 Sen. Brown asked Director Williams specifically why they didn't have the drawing ready a month ago and commented that she hoped there is better planning in the future. Sen. Brown also asked if other people could apply in the meantime. The Question was referred to Mr. Temple.

00:22:21 Sen. Brown asked Mr. Temple about testing time frame.

00:23:28 Senator Gauthier inquired of Director Williams about flux of fuel.

00:25:28 Legislative Auditor Maciver brought attention to page 2 of the report, commented that FWP had 650 cars, trucks, and vans noting this was the biggest agency in terms of fleet management.

00:26:24 Rep. Court asked Director Williams how many state parks collected fees. Rep. Court also asked how many sub recipients they had on the recreational trail. Director Williams redirected question to Ms. Thompson.

- 00:28:22 Rep. Burnett commented on the fleet size being considerable and asked Director Williams about GPS tracking consideration.
- 00:29:42 **Committee Request:** Rep. Burnett urged state agencies to consider proper usage of fleet management. Rep. Burnett brought attention to page 11 regarding sub recipients, asked if the department would provide a list with names and dollar amounts.
- 00:30:56 Rep. Bartel asked Director Williams about page S1 and the alternative livestock ranches and asked that she explain what that was.

Public Comment

None

Motion

- 00:32:09 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Court; **motion carried.**

Vote

- 00:32:25 The motion passed unanimously on a voice vote.

MANAGEMENT OF MONTANA'S STATE PARKS SYSTEM, PERFORMANCE AUDIT (17P- 01)

- 00:32:38 **Report presented by: John Harrington, Performance Senior Auditor**
([Exhibit 12](#) - power point)

- 00:33:39 Mr. Harrington commented that Angie grove could not be present but would be happy to be present and the June meeting if asked.

Present from the agency:

Department of Fish Wildlife, & Parks

Martha Williams, Director

Dustin Temple, Chief of Administration

Beth Shumate, Administrator, Parks Division

Committee Questions of LAD Staff

- 00:52:36 Sen. Brown referred to page 28 of the report and asked Mr. Harrington if by direction of the director could the tracking of necessary maintenance projects have been made more consistent.
- 00:54:20 Rep. Brodehl referred to the \$11 million in funds and asked Mr. Harrington who knew that was there, why there was a lack of communication between the legislature and the agency.
- 00:56:28 Rep. Brodehl still referred to the \$11 million and asked Mr. Harrington about internal auditing within the agency.
- 00:57:03 Rep. Burnett referred to page 27 of the audit report and asked Mr. Harrington about low visitation at the parks as far as logical closure and data availability.

Agency Response

- 00:52:27 Presented by Director Williams, LAD staff was commended.

Committee Questions of FWP

- 01:02:46 Sen. Keenan asked Director Williams what administration fishing access was under.
- 01:03:36 Sen. Keenan referred to park advocates and asked Director Williams where class four North Shore Region 1 was.
- 01:04:54 Sen. Brown referred to page 15 corporation of parks and web presence, suggested the Google search only bring up Montana areas. Sen. Brown also referred to the climate survey and asked Director Williams if that was a priority.
- 01:10:07 Rep. Court asked Director Williams about the \$97,000 that was spent on the software program. Question was redirected to Mr. Thompson.
- 01:11:54 Rep. Bartel asked Director Williams about state parks classification 1-4 and whether she would have kept that classification or not.
- 01:14:02 Rep. Bartel referred to problems between different divisions within FWP and asked Director Williams what her approach was to fix these issues.
- 01:17:32 Rep. Brodehl referred to the December 2019 response time line recommendations and asked Director Williams how that date came about.
Committee Request: Rep. Brodehl requested an updated time line with specific dates. Rep. Brodehl referred to the new group of enforcement officers turning into game wardens and commented that it seems like they only monitor fishing violations, but doesn't see that they move around the park to enforce the rest of the parks. Asked Director Williams if those officers had been trained to know that they are responsible for the whole park and not just fishing violations.
- 01:21:10 Rep. Brodehl asked Director Williams if there was any documentation that wardens are doing something in the parks other than monitoring fishing
- 01:21:43 violations.
Rep. Brodehl asked Director Williams if the Parks Division and Fisheries Division would ever be combined, if there was a federal funding mechanism that decided they are separate or was it just the agencies.
- 01:26:15 Rep. Brodehl commented that fisheries and parks divisions are providing same services, asked Director Williams if the two divisions would ever run concurrently.
- 01:27:29 Rep. Brodehl asked Director Williams about the agencies internal audit process.
- 01:32:12 Question was redirected to Mr. Temple.
Rep. Burnett referred to the \$11 million dollars that's been asked about, inquired of Mr. Temple if the software program was before his time and if that meant he would be answering for past actions.
- 01:32:47 Rep. Burnett commented he was worried about latent software around the state, asked Mr. Temple about satisfactory implementation and lost money.

Public Comment

None

Motion

- 01:37:02 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. MacDonald; **motion carried.**

Vote

01:37:21 The motion passed unanimously on a voice vote.

Break

01:37:51

DEPARTMENT OF COMMERCE, FINANCIAL-COMPLIANCE AUDIT (17-16)

01:46:31 **Report presented by: Delsi Osmanson, Financial-Compliance Senior Auditor**

Present from agency:

Pam Haxby-Cote, Director

Marty Tuttle, Interim Deputy Director, Chief Legal Counsel

Teri Juneau, Accounting Fiscal Manager

Craig Woods, Accountant, Office of Accounting & Budget

David Ewer, Executive Director, Board of Investments

Committee Questions of LAD Staff

01:55:26 Sen. Brown referred to page 9 and asked Ms. Osmanson about the directors grants and land trust grants.

01:56:19 Sen. Burnett asked Ms. Osmanson to explain Table 1.

Agency Response

01:57:18 Presented by Director Haxby-Cote and LAD staff was commended.

Committee Questions of DOC

02:01:23 Sen. Brown referred to page 9 of the report and asked Director Haxby-Cote about bed tax and the competitive bid process.

02:02:46 Sen. Brown referred again to page 9 and asked Director Haxby-Cote about directors grant awards.

02:04:03 Sen. Brown referred to the \$500,000 bed tax money that went to FWP and asked Director Haxby-Cote what that was used for. The question was redirected to Mr. Tuttle.

02:04:50 Sen. Brown referred again to page 9, table 1 and commented on agency monetary transfers asked Director Haxby-Cote about following through with the second and third columns in the chart so that money was accounted for.

02:06:14 Rep. Brodehl followed up to Sen. Brown's question regarding the half million dollars asked Director Haxby-Cote if that money was originally requested through Section D and appropriations were not appropriated so they went to the department for additional funds.

02:07:12 Rep. Burnett asked Director Haxby-Cote about competitiveness in the future.

02:08:25 Rep. Burnett inquired of Director Haxby-Cote about future funding money.

02:08:41 Rep. Burnett asked Director Haxby-Cote if the department could go in after the fact and find out where that money was spent that was not documented.

02:09:17 Rep. Abbott looked for clarification on re-shifting the program as far as reimbursements/expenditures.

02:10:07 **Committee Request:** Sen. McNally requested Director Haxby-Cote provide to the committee in writing a more detailed explanation on what will be happening going forward. Director Haxby-Cote stated she would send to committee members since time was running short to go over it presently.

Public Comment

None

Motion

02:11:17 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Brodehl; **motion carried.**

Vote

02:11:33 The motion passed unanimously on a voice vote.

UNIVERSITY OF MONTANA, FINANCIAL AUDIT (17-10A)

02:12:28 Chair McNally commented on the importance of those in charge of agencies be present for audit presentations. Chair McNally noted that President Bodnar had obligations at the University that made him unable to be present at this committee, but he would be present via phone.

02:14:13 President Seth Bodnar on the phone and he thanked the committee for the accommodations of a remote participation.

02:15:29 **Report presented by: John Fine, CPA, Financial-Compliance Audit Manager**

Present from University:

Seth Bodnar, President (By phone)

Rosi Keller, Vice President, Administration and Finance

Kathy Burgmeier, Internal Audit Director

University Response

02:24:35 Presented by President Bodnar (via phone) LAD staff was commended.

Committee Questions of the University

02:26:14 Sen. McNally asked President Bodnar if he could speak on the big picture of revenue shortfalls the University was facing.

Public Comment

None

Motion

02:38:42 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Sen. MacDonald; **motion carried.**

Vote

02:39:08 The motion passed unanimously on a voice vote.

FLATHEAD VALLEY COMMUNITY COLLEGE (17C-07)

02:39:48 **Report presented by: Jodi Daugherty, CPA, Audit Partner, Eide Bailly**

Present from college:

Dr. Jane Karas, President
Beckie Christiaens, Vice President/Chief Financial Officer, Finance &
Administration

College Response

02:46:05 Presented by President Karas, Eide Bailly and LAD staff were thanked.

Committee Questions of the College

02:46:46 **Committee Request.** Rep. Burnett made a point about community colleges without extension and research, that they should be significantly less to operate, asked President Karas to explain that. President Karas stated she would send an analysis in writing.

02:49:08 Rep. Hayman asked President Karas about the future of FVCC.

MILES COMMUNITY COLLEGE (17C-08)

02:51:09 **Report presented by: Jodi Daugherty, CPA, Audit Partner, Eide Bailly**

Present from college:

Dr. Stacy Klippenstein, President

02:54:15 Rep. Burnett referred to page 46 and asked Ms. Daugherty to please explain.

College Response

02:55:11 President Klippenstein echoed the thanks President Karas gave.

Committee Question of the College

02:56:45 Rep. Hayman asked President Klippenstein about the colleges vision and what programs students were interested in.

DAWSON COMMUNITY COLLEGE (17-06)

02:59:24 **Report presented by: Jodi Daugherty, CPA, Audit Partner, Eide Bailly**

Present from college:

Dr. Scott R. Mickelsen, President and Vice President-Academics
Kathleen O'Leary, Vice President of Administration
Jennifer King, Controller

College Response

03:06:09 Presented by President Mickelsen, he thanked Eide Bailly and specifically Ms. Daugherty.

Committee Questions of the College

03:05:56 Rep. Burnett brought attention to page 14, the operating expenses, asked President Mickelsen to please explain rations. Question was redirected to Ms. O'Leary.

03:10:29 Sen. Gauthier asked President Mickelsen about communication expenses.

- 03:11:10 Rep. Hayman inquired of President Mickelsen about operating at a loss. Question was redirected to Ms. O'Leary and Rep. Hayman realized she had read that wrong, the college was not operating at a loss.
- 03:12:05 Rep. Hayman asked President Mickelsen about the future curriculum, and what students were interested in at the college.
- 03:15:10 Sen. McNally assumed some of the difficulties with audit being completed had to do with unfilled positions, asked President Mickelsen to give assurance on this for future.

Public Comment

None

Motion

- 03:16:34 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Hayman; **motion carried.**

Vote

- 03:16:58 The motion passed unanimously on a voice vote.

MONTANA STATE UNIVERSITY, FINANCIAL AUDIT (17-11A)

- 03:17:36 **Report presented by: Nolan Preeshl, Financial-Compliance Auditor**

Present from university:

Dr. Waded Cruzado, President

Daniel Adams, Director of Audit Services

Laura Humberger, Associate Vice President for Financial Services

University Response

- 03:22:36 Presented by President Cruzado, commented she was delighted to be present.

Committee Questions of the University

- 03:23:57 Rep. Hayman asked President Cruzado what the future plans were for MSU.
- 01:31:28 Rep. Burnett commented that he had dined at the Miller Dining Commons and it was amazing, asked President Cruzado if the eatery was self-sustained.
- 03:27:59 Sen. McNally asked President Cruzado to speak to the MSU Billings struggle.

Public Comment

None

Motion

- 03:30:58 Report received, reviewed, filed, and copies distributed in accordance with law. Motion by Rep. Hayman; **motion carried.**

Vote

- 03:31:23 The motion passed unanimously on a voice vote.

LEGISLATIVE AUDITOR MACIVER COMMENTS

- 03:31:50 Letter from the Department of Corrections regarding Board of Crime Control transition. ([Exhibit - 13](#))

03:34:01 Memo from the Department of Revenue regarding committee request from February. ([Exhibit - 14](#))
03:35:02 Memo from SITSD regarding committee request from February. (Exhibit - 15)
03:36:48 New performance audit schedule will be presented at the June meeting.
03:39:10 Next audit committee meeting scheduled for June 25-26, 2018.
03:39:20 **Committee Request.** Rep. Abbott requested she get a copy of the auditing standards.

ADJOURNMENT

03:40:11 There being no further business, the meeting was adjourned at 12:43 p.m.

Signed: _____
Secretary