

LEGISLATIVE AUDIT COMMITTEE

MINUTES SUMMARY

September 29, 2009

Please note: These are summary minutes. The minutes are also accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Audit Division homepage at http://www.leg.mt.gov/audit/meeting_info.asp.

*To view the minutes, locate the meeting date and click on **Minutes**. To hear the audio recording, click on the date link at **Listen**. Note: You must have Real Player installed to listen to the audio recording.*

Members Present

Sen. Greg Barkus via conference call
Sen. John Brenden via conference call
Rep. Dee Brown
Sen. Taylor Brown
Sen. Mike Cooney
Rep. Betsy Hands
Sen. Cliff Larsen via conference call
Rep. Scott Mendenhall
Rep. Carolyn Pease-Lopez
Rep. Wayne Stahl
Sen. Mitch Tropila
Rep. Bill Wilson

Staff Present

Tori Hunthausen, Legislative Auditor
Jim Gillett, Deputy Legislative Auditor
Angie Grove, Deputy Legislative Auditor
Monica Huyg, Legal Counsel
Becky Buckmaster, Administrative Support Manager

The Legislative Audit Committee met, September 29, 2009, in Room 172 of the State Capitol. Chair pro tem, Senator Mike Cooney confirmed Senators Barkus, Brenden, and Larsen were connected and present via conference call. Following voice roll-call he called the meeting to order at 8:36 a.m., noting the presence of a quorum.

Minutes Approval – June 23, 2009 Minutes were approved. Motion by Rep. Wilson: **motion carried**. The minutes were signed by Sen. Mike Cooney.

Organization – Election of Officers

Nominations were accepted from the Committee for the position of Chair of the Legislative Audit Committee:

Rep. Bill Wilson nominated Sen. Mitch Tropila
Rep. Scott Mendenhall nominated Rep. Dee Brown
Rep. Dee Brown declined the nomination

Motion by Rep. Wilson to accept the nomination of Sen. Tropila by acclamation.

Roll-call voice vote for Sen. Mitch Tropila to chair the Audit Committee resulted in a unanimous vote.

Sen. Mitch Tropila took the position of Chair.

Nominations were accepted from the Committee for the position of Vice Chair of the Legislative Audit Committee:

Sen. Barkus nominated Rep. Dee Brown

Motion by Sen. Brown to accept the nomination of Rep. Brown by acclamation.

Roll-call voice vote for Rep. Dee Brown as Vice Chair of the Audit Committee resulted in a unanimous vote.

Rep. Dee Brown took the position as Vice Chair

Nominations were accepted from the Committee for the position of Secretary of the Legislative Audit Committee:

Rep. Dee Brown nominated Rep. Mendenhall
Rep. Mendenhall declined
Sen. Cooney nominated Rep. Bill Wilson
Rep. Bill Wilson accepted

Roll-call voice vote for Rep. Bill Wilson as Secretary of the Audit Committee resulted in a unanimous vote.

OTHER BUSINESS:

00:24:00 **Performance Audit List** – Angie Grove briefed the Committee on the ranking of performance audits

Next Meeting – The Committee concurred on a full day and half-day the week of November 16. The office will send out a poll for reference of date.

The Legislative Auditor gave an explanation of previous Committee meeting requests:
FWP Upland Game Bird License Sales
Expenditure of Federal HAVA Funds

AUDIT REPORTS

**REIMBURSEMENT OFFICE BUSINESS PRACTICES, PERFORMANCE AUDIT (08P-12)
DEPT. OF PUBLIC HEALTH & HUMAN SERVICES**

00:33:00 **Report presented by:** Diedra Murray, Performance Auditor

Present from the agency: Bill Alger, Chief, Business Services Bureau; Laurie Lamson, Operations Services Branch Manager; Marie Matthews, Administrator, Business and Financial Services Division; Stacy Roope, Fiscal Manager, Reimbursement & Financial Investigations

Agency response presented by: Marie Matthews

Handouts: Business & Financial Services Division timeline of the department's past, present, future (Exhibit #1)

00:52:55 **Concerns/Discussion topics:** historical perspective of reimbursement recovery and comparison with other states; new management position, if the department was receiving any inter-agency loans; aging of accounts receivables, cause of range of reimbursement from different facilities (referring to Table 1); lack of staff meetings and performance appraisals in past five years and determining priorities

Committee requests: November update from department on timeframe for implementation of audit recommendations. Ms. Matthews agreed and noted the correct implementation of Recommendation #12 is September 2010.

Public Comment: None

Actions taken: None

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

**MANAGEMENT INFORMATION & COST RECOVERY SYSTEM (MICRS): CLAIMS PROCESSING,
INFORMATION SYSTEMS AUDIT (09DP-06)
DEPT. OF PUBLIC HEALTH & HUMAN SERVICES**

01:19:00 **Report presented by:** Nate Tobin, Information Systems Auditor

Present from the agency: Bill Alger, Chief, Business Services Bureau; Laurie Lamson, Operations Services Branch Manager; Marie Matthews, Administrator, Business and Financial Services Division; Stacy Roope, Fiscal Manager, Reimbursement & Financial Investigations

Agency response presented by: Marie Matthews

Handouts: None

Concerns/Discussion topics: None

Committee requests: None

Public Comment: None

Actions taken: None

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

OFFICE OF PUBLIC INSTRUCTION, FINANCIAL-COMPLIANCE AUDIT (09-19)

01:36:00 **Report presented by:** John Fine, Financial-Compliance Auditor

Present from the agency: Joan Anderson, Asst. Superintendent, Dept. of Operations; Julia Dilly, Administrator, Centralized Services Division

Agency response presented by: Joan Anderson

Handouts: None

01:46:35 **Concerns/Discussion topics:** lack of on-site review of driver education programs; clarification of involvement of Center’s for Disease Control & Prevention in statewide evaluation of driver education programs (referring to pg B-4 of office response)

Committee requests: Clarification of involvement of Center’s for Disease Control & Prevention—information received later on in the day (05:07:49) Rep. Dee Brown read an e-mail she had just received answering her question regarding the Center’s for Disease Control & Prevention.

Public Comment: None

Actions taken: None

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

MONTANA STATE LIBRARY COMMISSION, FINANCIAL-COMPLIANCE AUDIT (09-23)

01:51:20 **Report presented by:** David Brammer, Financial-Compliance Auditor

Present from the agency: Kris Schmitz, Central Services Manager

Agency response presented by: Kris Schmitz

Handouts: None

01:55:20 **Concerns/Discussion topics:** guidance concerning where funds received from MT Shared Catalog Program are to be recorded came from Dept. of Administration

Committee requests: None

Public Comment: None

Actions taken: None

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

**CONSOLIDATED ENVIRONMENTAL DATA ACCESS & RETRIEVAL SYSTEM (CEDARS): VERIFICATION OF DATA ACCURACY AND INTEGRITY, INFORMATION SYSTEMS AUDIT (09DP-01)
DEPT. OF ENVIRONMENTAL QUALITY**

02:12:00 **Report presented by:** Stephen Daem, Information Systems Auditor

Present from the agency: Richard Opper, Director; Tom Livers, Deputy Director; Dan Chelini, Chief Information Officer; Dept. of Administration, Dick Clark, State CIO

Agency response presented by: Richard Opper

Handouts: None

02:21:15 **Concerns/Discussion topics:** plan of a timeline of documenting costs associated with future development of CEDARS and future documentation of costs; data recovery responsibility and ITSD Service Level Agreement (SLA); department nonconcurrence of audit recommendation #2 data is being backed up, recommendation refers to lack of documentation regarding implementation process for the interim between disaster and full production

Committee requests: Chairman Tropila requested Dick Clark have the SLA updated, Mr. Clark agreed

Public Comment: None

Actions taken: None

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

**MONTANA'S SUBSEQUENT INJURY FUND, PERFORMANCE AUDIT (09P-03)
DEPT. OF LABOR & INDUSTRY**

02:33:25 **Report presented by:** Steve Erb, Performance Auditor

Present from the agency: Mary Beth Linder, Employment Relations Division

Agency response presented by: Mary Beth Linder

Handouts: None

02:47:20 **Concerns/Discussion topics:** twenty-two percent of claims coming from one employer; if program is effective and critical to Montana, possibility of a private company option to do

away with state involvement, what employer is injury history attributed to; awareness of SIF program among both employers and employees

Committee requests: List of organizational contacts to address viability of SIF in Montana

Public Comment: None

Actions taken: None

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

**FANTASY SPORTS PARIMUTUEL GAMBLING, PERFORMANCE AUDIT (09P-02)
BOARD OF HORSE RACING, MONTANA STATE LOTTERY**

03:00:30 **Report presented by:** Angus Maciver, Performance Auditor

Present from the agency: Board of Horse Racing
Ryan Sherman, Executive Secretary
Sherry Meador, Contracted Legal Counsel
Al Carruthers, Chairman
Susan Egbert, Board Member
Montana State Lottery, George Parisot, Director; Jeri Duran,
Sales and Marketing Director

Agency response presented by: Sherry Meador, George Parisot

Handouts: None

03:19:20 **Concerns/Discussion topics:** revenue distribution, is the board to be licensing applicants or contracting for services according to procurement process as outlined by Dept. of Administration (DOA); procurement act does not apply; future options going forward 1) legislation, 2) board amend agreement, if possible, 3) consider applications from other interested licensees; 3-year extension to the main vendor contract, where the vendor supplies all their games; overview of how the game works; applicability of Attorney General Bullocks letter to NCAA, statement date, June 23, 2009; legislative intent of HB616; legal opinions and letters available on both sides of the issue

Committee requests: Requested Sherry Meader ask Attorney General for statement whether the Board has right to go into contract agreement (licensure vs. contracts needs to be clarified through an AG statement of whether Board has a right to do so under law, and also licensure vs. contract agreements specifically toward interagency agreements)

03:49:45 **Public Comment:** Mark Staples, Montana Tavern Association

Actions taken: The Committee directed the Legislative Auditor request follow-up on mitigation measures between now and the next legislative session for the November meeting

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

**STATE VEHICLE FLEET MANAGEMENT, PERFORMANCE AUDIT (09P-04)
MULTIPLE AGENCIES**

05:08:23 **Report presented by:** Ross Johnson, Performance Auditor

Present from the agency: Department of Administration
Janet R. Kelly, Director
Brad Sanders, Chief, State Procurement Bureau
Department of Corrections
Rhonda Schaffer, Administrator, Administrative & Financial Services Division
Department of Environmental Quality
Terry Lazure, Budgeting Manager
Department of Fish, Wildlife and Parks
Sue Daly, Administrator, Centralized Services
Art Noonan, Deputy Director
Department of Labor and Industry
Tammy LaVigne, Administrator, Centralized Services
Department of Public Health and Human Services
Laurie Lamson, Operations Services Branch Manager
Department of Transportation
Mike Bousliman, Chief Administrative Officer
Governor's Office of Budget and Program Planning
Amy Sassano, Assistant Budget Director

Agency response presented by: Janet R. Kelly responded on behalf of the Administration, representing the Dept. of Administration and the six other departments who were part of the audit.

Handouts: None

05:23:12 **Concerns/Discussion topics:** audit found infractions related to emergency use related to all agencies, referring to HB602; source of inventory for number of registered vehicles to the state of Montana and exact number of vehicles, applicability of §2-17-202, MCA, requirement to document personal property as opposed to real; audit unable to obtain maintenance documentation on 24 percent of state vehicles, referred to §2-17-422, MCA

Committee requests: number of vehicles in database registered to the state of Montana; follow-up Corrective Action Plans provided to the Committee as Director Kelly receives information regarding number of vehicles from all state agencies

Public Comment: None

Actions taken: None

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

UNIVERSITY OF MONTANA (ALL CAMPUSES), FINANCIAL-RELATED AUDIT (09-12)

05:37:30 **Report presented by:** Cindy Jorgenson, Financial-Compliance Auditor

Present from the agency: The University of Montana
Bob Duringer, Vice President for Administration & Finance,
University Vice President
Kathy Burgmeier, Director, Internal Audit
Mark Pullium, Director of Business Services
Katie Dalessio, Accountant
Montana Tech of The University of Montana
Maggie Peterson, Vice Chancellor for Development and Student
Services
John Badovinac, Controller/Business Manager
The University of Montana-Helena College of Technology
Russ Fillner, Assistant Dean for Fiscal and Plant Operations
Office of the Commissioner of Higher Education
Mick Robinson, Deputy Commissioner for Administrative and
Fiscal Affairs

Agency response presented by: Bob Duringer

Handouts: President Dennison letter (Exhibit #2), UM Corrective Action Plan (Exhibit #3)

05:46:50 **Concerns/Discussion topics:** expected date of request for Attorney General opinion regarding the applicability of the constitutional provision on the investment of public funds, and whether or not the endowments would be considered public moneys for the purposes of the constitution; investment of endowment money if deemed public money and impact if not found to be public funds

Committee requests: None

Public Comment: None

Actions taken: None

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

MONTANA STATE UNIVERSITY (ALL CAMPUSES), FINANCIAL-RELATED AUDIT (09-13)

05:54:36 **Report presented by:** John Fine, Financial-Compliance Auditor

Present from the agency: MSU - Bozeman
Daniel Adams, Director of Internal Audit
Craig Roloff, Vice President for Administration and Finance
Laura Humberger, Assistant Vice President for Financial Service
MSU - Billings
LeAnn Anderson, Director of Financial Services
MSU- Great Falls College of Technology

Mary Ellen Baukol, Associate Dean of Administration and Finance

MSU - Northern

Sue Ost, Director of Business Services

Office of the Commissioner of Higher Education

Mick Robinson, Deputy Commissioner for Administrative and Fiscal Affairs

06:10:40 **Agency response presented by:** Craig Roloff

Handouts: None

06:05:09 **Concerns/Discussion topics:** supporting documentation for overtime reported; prior audit recommendation: criminal background checks not implemented, process now in place for implementation; university and Commissioner's plan to resolve excess waivers and Office's compliance with 20-24-241, MCA; possibility of risk of nonresidents pushing resident students out due to nonresident waivers

Committee requests: None

Public Comment: None

Actions taken:

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

INTEROPERABILITY PRESENTATION

DEPT. OF ADMINISTRATION, GOVERNOR'S OFFICE, INTEROPERABILITY MONTANA

06:45:25 **Overview by:** Angus Maciver, Performance Auditor

Present from the agency: Kevin Bruski, Executive Director, Interoperability Montana; Carl Hotvedt, Bureau Chief, Dept. of Administration, ITSD, Public Safety Services Bureau; Dick Clark, Chief Information Officer, Dept. of Administration, ITSD

Presented by: Dick Clark, Carl Hotvedt, Kevin Bruski

Handouts: PowerPoint presentation (Exhibit #4)

Concerns/Discussion topics: plan to present to 2011 Legislature to include resource allocation

