

LEGISLATIVE AUDIT COMMITTEE

MINUTES SUMMARY

September 28, 2010

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/Absent

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

P= present, A=absent

Staff Present

Tori Hunthausen, Legislative Auditor
Jim Gillett, Deputy Legislative Auditor
Angie Grove, Deputy Legislative Auditor
Monica Huyg, Legal Counsel
Ann Hernandez, Word Processor, Supervisor

The Legislative Audit Committee met on September 28, 2010, in Room 172 of the State Capitol. Chairman, Senator Mitch Tropila called the meeting to order at 8:30 a.m., noting the presence of a quorum.

Minutes Approval – June 23, 2010, Minutes were approved. Motion by Rep Wilson; **motion carried**. The minutes were signed by Rep Dee Brown, Vice Chair.

AUDIT REPORTS**MONTANA HISTORICAL SOCIETY (10-24)**

00:00:01 **Report presented by:** Natalie Gibson, Financial-Compliance, Senior Auditor

Present from the agency: Richard Sims, Director
Denise King, Administrator, Centralized Service Division

00:04:38 **Agency response presented by:** Richard Sims, Director, Montana Historical Society

00:10:07 **Concerns/Discussion topics:** Rep. Brown asked about the backlogs for inventory. Are we making progress? Can we get the rate faster than one an hour (which was calculated by Rep Brown)? Director Sims stated with additional two to three employees it will take up to two to three years. Senator Tropila commented on whether the risk of errors in bookkeeping in the future could still increase or has the risk been fixed. Senator Barkus suggested that all 61 employees could do a blitz of just cataloging, and could hold off on other areas. Rep. Mendanhall questioned the dispute or change of heart with the investment in private corporate capital stock and Ms. King informed Rep Mendanhall everything is correct.

Handouts: None

Committee requests: None

Public Comment: None

Actions taken: None

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

MONTANA LOTTERY SECURITY (10DP-06)

00:24:21 **Report presented by:** Sean Edgar, Information Systems Senior Auditor

Present from the agency: George Parisot, Director
John Tarr, Director of Security

00:31:40 **Agency response presented by:** George Parisot, Director, Montana Lottery Security

00:32:55 **Concerns/Discussion topics:** Rep. Brown asked if the ineligible players for lottery consist of Legislative Audit Division and Lottery employees. Legislative Audit Committee can play per Auditor Hunthausen. Rep. Brown asked if adopting rules or legislation was needed to take care of the performance check of activation of scratch tickets. Parisot has informed committee software and process changes have been made.

Handouts: None

Committee requests: None

Public Comment: None

Actions taken: None

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

DEPARTMENT OF CORRECTIONS (10-15)

00:37:07 Report presented by: Jennifer Erdahl, Financial-Compliance, Audit Manager

Present from the agency: Mike Ferriter, Director, Department of Corrections
Rhonda Schaffer, Administrator of Administrative and Financial Services Division
Gayle Lambert, Administrator of Montana Correctional Enterprises

00:46:47 **Agency response presented by:** Mike Ferriter, Director, Department of Corrections

00:59:33 **Concerns/Discussion topics:** Rep. Brown questioned whether management concurred with Rec. #1. Director Ferriter stated they concur but do not accept the fact they were violating the Montana Constitution, as such they are partially concurring. Rec. #8 target date is eight months out for sex offenders being appropriately monitored. Sex offenders are being supervised by GPS and finalizing the rules is all that is left. Senator Chair Tropila asks Director Ferriter if he can assume these rules are now a high priority, Director Ferriter stated yes. Senator Larsen questioned how audits feed into their ability to do a better job with being a large agency? Ms. Schaffer stated that when auditors view what we are doing it is a positive thing for their agency.

Handouts: Corrective Action Plan Status

Committee requests: Provide rules to rec. #8 at next committee.

Public Comment: None

Actions taken: None

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

01:18:35 Other Business

Monica Huyg, Legal Council: informs committee that the draft legislation will be ready by November meeting she will be providing a draft of each bill that was discussed. Senator Brenden asked which bills are being drafted listed below:

Back ground check

Loaning Employees between agencies

Lottery

Privatization

FOLLOW-UP AUDIT REPORTS:**INFORMATION SYSTEMS FOLLOW-UP**

01:20:12 **INTEGRATED REVENUE INFORMATION SYSTEM PROCESSING OF INDIVIDUAL INCOME AND CORPORATE TAX RECORDS (ORIGINAL REPORT (10DP-07))**

Presented by: Dale Stout, Information Systems Senior Auditor

Discussion & Actions taken: Senator Barkus asked if in 2005 session they appropriated the construction of a redundant site and doesn't this provide the back-up. Auditor Hunthausen stated that the data center has been reconstructed in Miles City and yes that Senator Barkus was correct.

01:25:32 **Break 01:42:00**

MONTANA PROFESSIONAL TOW TRUCK ACT (09P-15)

01:42:49 Report presented by: Jason Mohr, Performance Auditor

Present from the agency: Department of Justice
Tim Burton, Chief of Staff, Attorney General's Office
Kelly Hubbard, Assistant Attorney General, Office of Consumer Protection
Captain Gary Becker, Montana Highway Patrol

02:01:06 **Agency response presented by:** Kelly Hubbard, Assistant Attorney General, Office of Consumer Protection

02:08:09 **Concerns/Discussion topics:** Senator Brenden suggested turning the inspection over to Department of Transportation (DOT). Mr. Becker stated that the DOT does the mechanical inspections and MHP does the equipment part. Rep Hands wanted to know if the fee structure recommendation helps consumers. Rep Mendenhall questioned the limit owners to a single rotation spot and asked about pg 23 who had the 25 rotation spots. Improving the rotation systems and a greater flexibility in the timing of inspections was discussed among the committee and Ms. Hubbard.

Handouts: Letter from Rep. Elsie Arntzen

Committee requests: None

Public Comment: Jim Dunsenberry wanted to concur with the findings also stated this audit had very good findings especially with the rotation and inspections. Joann Blyton, under the current part of the rotation plan she is part of the problem and wants to fix it. Usually when there is an accident with five vehicles, five tow trucks come out. This is a hazard and only one tow company should respond to accident and maybe we should look at patrol zones. Pg 7 under in addition bullet three states a company can be bypassed on the rotational list if a trooper at the scene of the wreck determines that the company is unable to handle the wrecked or disabled vehicle, or if the company cannot respond in a timely manner. To Rep. Brown each company has different expenses and that is how fee structure is needed.

Actions taken: None

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

IMPROVING CONTROLS OVER THE PROPERTY REAPPRAISAL PROCESS (10P-11)

02:45:34 Report presented by: Joe Murray, Performance Audit Manager

Present from the agency: Department of Revenue
Dan Bucks, Director
Allan Peura, Deputy Director
Cynthia Moneau-Morre, Administrator, Property Assessment
Division
Margaret Kauska, Administrator, Information Technology and
Processing

03:13:57 **Agency response presented by:** Dan Bucks, Director, Department of Revenue

03:19:05 **Concerns/Discussion topics:** Senator Brenden questions why property taxes are appraised different per counties. Director Bucks stated the appraisal is done by land use and soil by the level of productivity. The department is strengthening the controls for documenting reappraisal activities by developing an administrative procedure and completing the transition from paper to electronic property records and improving the Orion computer system controls. Rep. Mendenhall referred to pg. 14 concerns with the 2,400 instances where property value overrides were used. Per rec. #4 Director Bucks mentioned they are improving their documenting with supervisory review. The department will continue to look at the Orion and is currently working on a solution.

Handouts: 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 Hands **motion carried.**

00:00:00 **Lunch Break back at 04:42:47**

DEPARTMENT OF ENVIRONMENTAL QUALITY (10-16)

04:43:56 Report presented by: John Fine, Financial-Compliance, Audit Manager

Discussion & Actions taken:

Present from the agency: Richard Opper, Director
Tom Livers, Deputy Director
Dean Rude, Chief Financial Officer
John North, Chief Legal Counsel
Bill Kirley, Chief Remediation Counsel

04:50:16 **Agency response presented by:** Richard Opper, Director, Department of Environmental Quality
Tom Livers, Deputy Director

05:03:54 **Concerns/Discussion topics:** The committee discussed the reclamation cost recovery and was all in favor of the Department reimbursing the General Fund from payments made by responsible parties for remediation costs incurred. Rep Stahl informed the department that the legislative intent of law is the letter of the law and should be followed. Senator Tropila believed the audit rec. #1 is the best way to handle the reimbursing and best course of action is to allow the legal counsel to decide the law and resolve.

Handouts: None

Committee requests: None

Public Comment: None

Actions taken: None

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

LAND BANKING PROGRAM (10P-08)

05:20:48 Report presented by: William Soller, Performance Senior Auditor

Present from the agency: Department of Natural Resources and Conservation
Mary Sexton, Director
Joe Lamson, Deputy Director
Tom Schultz, Administrator, Trust Land Management Division
Jeanne Holmgren, Bureau Chief, Real Estate Management Bureau
John Grimm, Real Estate Section Supervisor, Real Estate Management Bureau

05:33:14 **Agency response presented by:** Mary Sexton, Department of Natural Resources and Conservation

05:46:34 **Concerns/Discussion topics:** Questions were asked of Director Sexton about the appraisals process. Does property with or without legal access sell the same? Director Sexton informed the committee that both properties sell with no problem. Rep. Senator Larsen asked how the transactions are made public when bidding. Director Sexton informed bids are done through advertisement and newspaper and more often there is one bidder. The land board sets a minimum bid and if no bidders then parcel does not sell.

Handouts: 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 Cooney **motion carried.**

OFFICE OF THE STATE PUBLIC DEFENDER (10-28)

05:59:38 Report presented by: Vickie Rauser, Financial-Compliance, Audit Manager

Present from the agency: Randi Hood, Chief Public Defender
Harry Freebourn, Administrative Director
Richard "Fritz" Gillespie, Chairman of the Public Service Commission

06:04:40 **Agency response presented by:** Randi Hood, Chief Public Defender

06:06:44 **Concerns/Discussion topics:** None

Handouts: 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 Sthal **motion carried.**

HOME AND COMMUNITY BASED SERVICES WAIVER PROGRAM (10P-05)

06:07:35 Report presented by: Lisa Blanford, Performance Audit Manager

Present from the agency: Department of Public Health and Human Services
Anna Whiting Sorrell, Director,
Marie Matthews, Administrator, Business and Financial Services Division
Kelly Williams, Administrator, Senior and Long Term Care Division

06:25:59 **Agency response presented by:** Anna Whiting Sorrell, Department of Public Health and Human Services

06:31:41 **Concerns/Discussion topics:** Senator Larsen concerns on the amount of people being moved from their homes to nursing care that are eligible to benefit from home based care. Could they get one of the slots? Ms. Williams stated that the waiting list of individuals is currently 287 clients. Rep Hands questioned how to increase waiver funding? Ms. Williams said by Legislation. Discussions were centered on wait list effectiveness. The chair encouraged the department to protective recommendation #8 under their corrective action plan.

Handouts: Chapter III-Waiver Cost Effectiveness, and DPHHS 2010 Home and Community Based Services Waiver Program Performance Audit Corrective Action Plan (updated 9-28-10)

Committee requests: None

Public Comment: Rose Hughes representing the nursing homes and assisted living facilities handed out the Chapter III Waiver Cost Effectiveness which relates to the comparison between waiver services and nursing homes services. Rose explained the two are different care needs.

Actions taken: None

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

MONTANA SCHOOL FOR THE DEAF AND BLIND (10-22A)

06:49:59 Report presented by: David Brammer, Financial-Compliance Senior Auditor

Present from the agency: Montana School for the Deaf and Blind
Steve Gettel, Superintendent
Bill Sykes, Business Manager

06:54:07 **Agency response presented by:** Bill Sykes, Business Manager

06:57:14 **Concerns/Discussion topics:** When money is needed for activities at the Montana School for the Deaf and Blind the staff submits a request to its foundation for the expenditure, then the program manager reviews and approves or disapproves the request and passes it to the business manager. The purchase order is generated and the activity is funded. The bookkeeper prepares the foundation checks and passes them to one board member who signs them.

Handouts: None

Committee requests: None

Public Comment: Steve Gettel thanks Audit Division and the Montana School for the Deaf and Blind for job well done.

Actions taken: None

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

BOARD OF PUBLIC EDUCATION (10-22B)

06:59:14 Report presented by: David Brammer, Financial-Compliance Senior Auditor

Present from the agency: Board of Public Education
Steve Meloy, Executive Secretary
Carol Will, Administrative Officer

07:01:39 **Agency response presented by:** Steve Meloy, Executive Secretary, Board of Public Education

07:07:37 **Concerns/Discussion topics:** None

Handouts: 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 Senator Brown **motion carried.**

07:08:41 **Break**

FOLLOW-UP AUDIT REPORTS:

INFORMATION SYSTEMS FOLLOW-UP

07:21:30 PAYMENT CARD INDUSTRY DATA SECURITY STANDARD AND RELATED CONTROLS
(original report 09DP-02)

Presented by: Dale Stout, Information Systems Senior Auditor

Discussion & Actions taken: None

PERFORMANCE FOLLOW-UPS

07:21:54 **UPLAND GAME BIRD ENHANCEMENT PROGRAM (UGBEP)** (original report 08P-01)

Presented by: Nick Hill, Performance Audit Manager

Discussion & Actions taken: Requested a future status of UGBEP on the recommendations not fully implemented.

OTHER BUSINESS:

07:29:00 **Performance Audit List:** Angie Grove discussing the top ten choices of the audit committee. —

07:42:56 **Budget Submission discussed by Auditor Hunthausen and motion by Cooney motion carried.** (One opposed: Senator Brenden)

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

Next Meeting: anticipated for 15 or 16 of November Auditor Hunthausen will get with committee members for date.

There being no further business, the meeting was adjourned at 07:58:22 p.m.

Signed: _____