

# LEGISLATIVE AUDIT COMMITTEE

## MINUTES SUMMARY

June 29, 2012

*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](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.*

<u>Members Present</u>	Present
Sen. Debby Barrett	P
Sen. Gary Branae	P
Sen. Taylor Brown	P
Sen. Cliff Larsen	P
Sen. Fredrick (Eric) Moore	P
Sen. Mitch Tropila	P
Rep. Randy Brodehl	P
Rep. Tom Burnett	P
Rep. Mary McNally	P
Rep. Trudi Schmidt	P

<u>Members Absent</u>	
Rep. Wayne Stahl	A
Rep. Virginia Court	A

Staff Present  
Tori Hunthausen, Legislative Auditor  
Deborah F. Butler, Legal Counsel  
Cindy Jorgenson, Deputy Legislative Auditor  
Angie Grove, Deputy Legislative Auditor  
Ann Hernandez, Admin Support Supervisor

The Legislative Audit Committee met June 29, 2012, in Room 172 of the State Capitol. Chairman, Senator Mitch Tropila called the meeting to order at 9:00 a.m., noting the presence of a quorum.

### AUDIT REPORTS

#### **MOTOR VEHICLE TITLE AND REGISTRATION PROCESS (11P-07)**

00:03:01 **Report presented by:** Diedra Murray, Performance Auditor

**00:22:56 Present from the agency:** Department of Justice  
Tim Burton, Deputy Director

Brenda Nordlund, Motor Vehicle Division Administrator  
Bob Pestia, Operation and Customs Support Chief

**Agency response presented by:** Tim Burton, Deputy Director

**Handouts:** All County September 2011 Fee Adjustment Analysis; and Motor Vehicle Division Management Action Plan for June 19, 2012.

00:27:10 **Committee comments and questions:**  
Briefing of the \$10.5 million of fee adjustments which could not be explained; discussion on steps taken to correct duplicate plates; the cost of the action plan; percentage of online registration; and online registration efficiency.

**Committee requests:** none

00:54:36 **Public Comment:** Kimberly Buchanan, Gallatin County Treasurer

**Actions taken:** none

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

**PHOTOCOPIER DATA SECURITY (12DP-01)**

00:58:01 **Report presented by:** Kent Rice, Information Systems Auditor

01:02:18 **Present from the agency:** Department of Administration  
Dick Clark, State Chief Information Officer  
Warren Dupuis, Statewide Interoperability Coordinator  
Marvin Eicholtz, General Services Division Administrator

**Agency response presented by:** Dick Clark, State Chief Information Officer

**Handouts:** none

01:02:55 **Committee comments and questions:**  
Concerns with small agency procedures for copier tracking of the hard drive.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

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

**STRENGTHENING PROCESSES RELATED TO IT GOVERNANCE (11DP-13)**

01:05:39 **Report presented by:** Kent Rice, Information Systems Auditor

**Present from the agency:** Department of Administration

Dick Clark, State Chief Information Officer  
Tammy LaVigne, Deputy Chief Information Officer

**Agency response presented by:** Dick Clark, State Chief Information Officer

**Handouts:** none

01:30:03 **Committee comments and questions:**  
Discussions on IT projects that are over estimated and under estimated; where the agency gets funding or budgeting for projects; and the \$500,000 threshold.

01:40:18 **Committee requests:** Director Kelly to be present at the next committee meeting for a review on the Office Supply report. (11P-09)

**Public Comment:** none

**Actions taken:** none

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

**STATE OF MONTANA (11-01A)**

01:45:09 **Report presented by:** Jennifer Erdahl, Financial-Compliance Auditor

01:57:04 **Present from the agency:** Department of Administration  
Budget Director Dan Villa will attend on behalf of the department

**Agency response presented by:** Dan Villa, Budget Director

**Handouts:** none

01:57:29 **Committee comments and questions:**  
Discussion on how to report Montana State Fund's Old Fund claims liability; General fund sacrificing resources to pay the \$64 million;

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

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

**MONTANA SINGLE AUDIT REPORT (10-02)**

02:26:42 **Report presented by:** Jennifer Erdahl, Financial-Compliance Auditor

**Present from the agency:** Mark Bruno, Single Audit Coordinator

**Agency response presented by:** Mark Bruno, Single Audit Coordinator

**Handouts:** none

02:34:5 **Committee comments and questions:** concerns with the other subsequent events; settlement of the Libby Mine Claims advanced amounts of \$26.8 million state advanced and \$16.1 million NIC, state insurer advanced, whether 2013 Legislature will have to appropriate the monies; Montana Board of Regents \$25 million gift; any further information on the PPL Montana rent for operating hydroelectric dams; and the Department of Environmental Quality receiving \$1.06 million from ExxonMobil if settlement will go into the General Fund.

**Committee requests:** none

**Public Comment:** none

**Actions taken:**

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

**MONTANA MEDICAL LEGAL PANEL (12C-07)**

02:38:39 **Report presented by:** Larissa Warren, CPA, Junkemier, Clark, Campanella, Stevens P.C.

**Present from the agency:** Kathy Stepp, Associate Director  
Carl Deitchman, Fiscal Director

**Agency response presented by:** Carl Deitchman, Fiscal Director

**Handouts:** none

02:40:07 **Committee comments and questions:** concerns on the fund balance up 10 percent.

**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.**

**FLATHEAD VALLEY COMMUNITY COLLEGE (11C-05)**

02:43:04 **Report presented by:** Jennifer Erdahl, Financial-Compliance Auditor

**Present from the agency:** none

**Agency response presented by:** none

**Handouts:** none

02:44:15 **Committee comments and questions:** 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 Schmidt; **motion carried.**

**Minutes Approval** – Feb 8, 2012, Minutes were approved. Motion by Senator Brown: **motion carried.**

03:57:14 **LUNCH**

**MONTANA STATE VETERANS' HOMES (12P-03)**

03:57:22 **Report presented by:** Ross Johnson, Performance Auditor

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

**Agency response presented by:** Anna Whiting Sorrell, Director

**Handouts:** none

04:30:07 **Committee comments and questions:** Difference in the allocation of the cigarette tax funds between the Columbia Falls and Glendive homes; are the cigarette tax funds also distributed to other homes outside of the two Veteran's Homes in Montana; identify any cost savings besides laundry; veteran's qualify for funds from other states if in Montana homes; could we bring the homes to a five star without bringing in more funds; and prioritize Montana's veterans over other state's veterans for the Montana homes.

**Committee requests:** none

**Public Comment:** Terry Minow, represents MEA-AFT

**Actions taken:** none

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

**IMPROVING STATEWIDE CONSISTENCY OF KEY PROCESSES FOR THE OFFICE OF THE STATE PUBLIC DEFENDER (11P-03)**

04:51:10 **Report presented by:** Megan Coy, Performance Auditor

**Present from the agency:** Public Defender Commission  
 Richard “Fritz” Gillespie, Chair  
Office of the State Public Defender  
 William Hooks, Chief Public Defender  
 Harry Freebourn, Administrative Director  
 Peter Ohman, Regional Deputy Public Defender – Region 8 (Bozeman)

**Agency response presented by:** William Hooks, Chief Public Defender  
 Richard “Fritz” Gillespie, Chair

**Handouts:** none

05:13:02 **Committee comments and questions:** discussion on worker’s compensation coverage by independent contract attorneys; ten percent of income verifications; contractor pool for attorneys; of the open 30,000 plus cases, how many will public defender close and per case cost; concerns with organized, efficient, and complying with statute; required proof of worker’s compensation with contract attorneys; oil boom increasing crime; formalized policies and procedures with contract attorneys and concerns with determining of eligibility.

**Committee requests:** Rep. Schmidt requested a follow-up on the recommendations.

**Public Comment:** Scott Crichton, Executive Director, Montana ACLU

**Actions taken:** none

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

**MONTANA STATE LOTTERY (10-30B)**

06:04:40 **Report presented by:** Jeane Carstensen-Garrett, Financial-Compliance Auditor

**Present from the agency:** Angela Wong, Lottery Director  
 Armond Sergeant, Finance Services Director  
 John Tarr, Security Director  
 Jo Berg, Marketing and Sales Director

**Agency response presented by:** Angela Wong, Director

**Handouts:** none

06:14:22 **Committee comments and questions:** Lottery is comparable with Vermont; unclaimed prizes returned to the General Fund.

**Committee requests:** none

**Public Comment:** none

**Actions taken:** none

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

**06:22:40 BREAK**

**FOLLOW-UP MEMOS:**

06:35:25 **Report presented by:** Megan Coy, Performance Auditor  
Improving Controls over the Property Reappraisal Process (12SP-15)  
Montana Professional Tow Truck Act (12SP-12)  
Inspection and Enforcement Activities for Retail Food Establishments (12SP-31)  
Analysis of Retirement Benefit Inflation in Montana’s State Pension Systems (12SP-34)

**OTHER BUSINESS:**

06:50:59 Performance Audit List discussed by Angus Maciver  
2013 Operating Plan discussed by Angie Lang  
Sen. Tropila moved to approve the 2013 operating plan, **motion carried**  
2014-15 Budget Discussion by Tori Hunthausen, Legislator Auditor

**Legislative Auditor Reappointment –**

Sen. Tropila moved for the reappointment of Tori Hunthausen to the position of Legislative Auditor for a two-year term in accordance with §5-13-302 Montana Code Annotated. Ms. Hunthausen pay and benefits will remain consistent with her previous term, **motion carried.**

Ms. Hunthausen accepted the reappointment as Legislative Auditor.

Next Meeting

There being no further business, the meeting was adjourned at 4:30 p.m.

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Signed: \_\_\_\_\_  
Sen. Cliff Larsen, Secretary