

# LEGISLATIVE AUDIT COMMITTEE

## MINUTES SUMMARY

June 23, 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](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	A
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	A
Rep. Wayne Stahl	P
Sen. Mitch Tropila	P
Rep. Bill Wilson	A

*P= present, A=absent*

### 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

00:05:25 The Legislative Audit Committee met on June 23, 2010, in Room 172 of the State Capitol. Chairman Sen. Mitch Tropila called the meeting to order at 9:00 a.m., noting the presence of a quorum.

**Minutes Approval** – The March 1-2, 2010, Minutes were approved. Motion by Sen. Brenden; **motion carried**. The minutes were signed by Vice Chair, Rep. Dee Brown.

00:06:37 Chair Tropila read comments from an earlier memo from Director Mike Ferriter of the Department of Corrections and thanked him for his comments regarding the department's plan of corrective action. Chair Tropila also thanked the LAC members for giving due diligence to Legislative audit staff and their audits.

Director Ferriter provided handouts (att. #1) to the Committee and answered questions regarding them. Rep. Brown asked about the term “routing and approval process” within the Policy Directive handout. Director Ferriter explained that these directives are in draft form and before they are signed, they are distributed to the management team and others involved in the process for review and input.

Sen. Brown next asked about medical liability and whether the problem of offenders placed in contracted companies had been cleared up. Director Ferriter stated that the DOC has always accepted medical liability for serious medical issues for offenders that are placed in contracted facilities.

Sen. Tropila asked Director Ferriter if those items in red within the handouts addressed the report issues raised during the March 2010 meeting. Director Ferriter assured that all is a top priority and on target.

Rep. Brown asked the Committee to review the DOC handouts and set a timeframe to respond to the Corrective Action Plan. Sen. Tropila suggested this be taken up under other business today.

## **AUDIT REPORTS**

### **MONTANA PUBLIC VEHICLE FUELING PROGRAM, PERFORMANCE AUDIT (10P-02)**

00:22:11 **Report presented by:** Nick Hill, Performance Auditor

**Present from the agency:** Department of Administration  
Janet R. Kelly, Director  
Marvin Eicholtz, Administrator, General Services Division  
Brad Sanders, Bureau Chief, State Procurement Bureau  
Department of Transportation  
Jim Lynch, Director

00:48:25 **Agency response presented by:** Janet R. Kelly, Dept. of Administration

**Concerns/Discussion topics:** Solutions for better controls on non-locked bulk fuel pumps and the need for these; charge card assignments, limits on charging, and what is being charged; motor pool/car maintenance procedures; the need for definite fuel card policies

01:12:11 **Agency response presented by:** Jim Lynch, Dept. of Transportation

**Committee requests:** Chair Tropila asked Director Lynch and Director Kelly to attend the next meeting to give an update on this audit.

**Public Comment:** None

**Actions taken:** None

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

**STATEWIDE ACCOUNTING, BUDGETING, AND HUMAN RESOURCES SYSTEM (SABHRS),  
INFORMATION SYSTEMS AUDIT (10DP-03)**

01:52:00 **Report presented by:** Dale Stout, Information Systems Senior Auditor

**Present from the agency:** Janet R. Kelly, Director, Dept. of Administration  
Julie Feldman, Bureau Chief, State Accounting Bureau  
Paula Stoll, Administrator, State Human Resources Division  
Cheryl Grey, Finance Analyst Section Manager, SABHRS  
Finance & Budget Bureau  
Randy Morris, Special Projects Manager, Human Resources  
Information Services Bureau

02:00:00 **Agency response presented by:** Janet R. Kelly, Dept. of Administration

**Concerns/Discussion topics:** SABHRS user access concerns; department internal audit system checks and balances

**Handouts:** None

**Committee requests:** Julie Feldman was asked to submit ideas or suggestions to the next Committee meeting for moving Recommendation #2 from conditional to concur.

**Public Comment:** None

**Actions taken:** None

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

**OTHER BUSINESS:**

02:15:14 **CHIP Eligibility Progress Memo** – Tori Hunthausen reported that a memorandum had been requested from DPHHS to address the status of a 12 percent ineligibility rate of CHIP applications reported during the November 2009 meeting. The memo did not arrive but Ms. Hunthausen spoke to the department and they had responded that this is something they do not track. Sen. Brown requested the agency report on this ahead of time to present at the next Committee meeting.

**PERFORMANCE AUDIT FOLLOW-UP:**

02:17:06 **WEED MANAGEMENT AT STATE PARKS & FISHING ACCESS SITES, DEPT. OF FISH, WILDLIFE & PARKS** (original report 08P-11)

**Presented by:** Joe Murray, Performance Audit Manager

**Concerns/Discussion:** Lack of FWP department response to previous audit recommendations

**Actions taken:** The Committee would like the FWP department to e-mail their weed management action plans to the auditor who will then forward them to the Committee for review by the end of July. The Committee can then decide if representatives from the department need to attend the upcoming September meeting to speak to what needs to be done to follow through on the weed management plan. It was mentioned that Administrator Chas Van Genderen and Rep. Stahl had met for lunch recently and Mr. Van Genderen had

apologized for not completing the plan. He stated that they intend to have it completed by fiscal year 2010.

**OTHER BUSINESS** (continued):

02:26:22 **Proposed Legislation** – Monica Huyg reviewed with the Committee proposed legislation regarding the Lottery Observation drawing, Privatization Review Act, Background Checks for employees of LAD, and Loaning Employees (att. #2). Ms. Huyg suggested that placeholders be put in for the proposed legislation and to work more specifically on the language in September.

Rep. Mendenhall moved that placeholders be put in place for draft legislation; **motion carried.**

**Draft LAC Rule Revisions** – Ms. Huyg had not received any responses for request for changes, so there were no changes to report.

02:33:03 **Potential Performance Audit List** – Angie Grove referenced the Potential Performance Audit list provided to the Committee and encouraged the Committee to prioritize and return these by the end of Committee today. Sen. Larsen discussed three potential audit topics he submitted: Irrigation Dams and Facilities State Control; Aging Services; Military Department Deployment and Return. Ms. Grove recommended to the Committee that as different write-in audit topics are received by LAD, they be sent to the Committee as a whole for review. Sen. Brown mentioned a topic he would like to suggest regarding purchasing practices for procurement of products used in multiple agencies and multiple locations. Ms. Grove assured the Committee that all audit ideas are welcomed at any time and will be incorporated in as resources allow. Tori Hunthausen mentioned the fact that she had passed out to the Committee a request from the Law and Justice Interim Committee (att. #3) who will be meeting next week to vote on whether they will make a formal request for an audit regarding the Merlin System at the Department of Justice for title and licensing.

**WATER RIGHTS ADJUDICATION, PERFORMANCE AUDIT (08P-09)**

04:08:26 **Report presented by:** Angus Maciver, Performance Audit Manager

**Present from the agency:** Department of Natural Resources & Conservation  
 Mary Sexton, Director  
 Tom Schultz, Administrator, Water Resources Division (interim)  
 John Peterson, Bureau Chief, Water Adjudication  
 Jan Langel, Operations Manager, Water Resources Operations  
Reserved Water Rights Compact Commission  
 Chris Tweeten, Chairman  
 Susan Cottingham, Staff Director  
Montana Water Court  
 Bruce Loble, Chief Water Judge  
 Sandy Palakovich, Court Administrator

**Agency responses presented by:**

04:31:22 Mary Sexton, DNRC  
 04:40:53 Chris Tweeten, Compact Commission  
 04:50:55 Judge Bruce Loble, Water Court

**Concerns/Discussion topics:** Projected completion timeframes; department staff adjustments; development of future transitional plans

**Handouts:** None

**Committee requests:** As transitional plans develop, the Audit Committee would like to be included in the list of informants.

**Public Comment:** None

**Actions taken:** None

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

**CONTRACT AUDIT:**

**MONTANA MEDICAL LEGAL PANEL (10C-05)**

05:01:06 **Report presented by:** Brian Wickens representing Junkermier, Clark, Campanella & Stevens, P.C.

**Present from the agency:** Kathy Stepp, Assistant Director, MMLP

05:03:58 **Agency response presented by:** Kathy Stepp

**Concerns/Discussion topics:** Montana Medical Legal Panel's existence and role; court caseload trends; medical provider assessments

**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.**

**OTHER BUSINESS (continued):**

05:07:05 **2011 Operating Plan** – Angie Lang presented and explained the LAD Operating Plan for fiscal year 2011. She requested that funds from the Branch Retirement Reserve account, established in 2007, be transferred to LAD to fund the retirement payouts in fiscal year 2010. Also, she wanted a transfer of \$250 from operating expense to benefits and claims to pay the deductible claim on damage incurred to a motor pool vehicle involved in an accident.

Rep. Brown moved to allow transfer of the two funds as stated by Ms. Lang in her fiscal year 2010 operating plan, **motion carried**.

Sen. Cooney moved to approve the 2011 operating plan, **motion carried**.

05:20:00 **Budget Development 2012-2013** – Tori Hunthausen stated that the books of 2009-2010 have not closed as yet, so the 2012-2013 budget will be developed in the coming months. State department directors have been instructed to submit their budgets at 95 percent of base budget (starting point). A rough estimate of what that would mean for LAD is a reduction in fiscal year 2012 of approximately \$59,000, as well as an additional reduction of \$92,000 in fiscal year 2013. This is an estimated reduction totaling \$151,000. To be consistent with this directive, Ms. Hunthausen asked the Committee to approve LAD's starting base at 95 percent as well or, if they are not in favor of the reduction, to give guidance to her for planning the budget.

Rep. Mendenhall moved that the Legislative Audit Committee provide guidance to the Legislative Auditor (Tori Hunthausen) to present a flat budget and not endorse the 95 percent base budget cut.

After much discussion regarding global budget cuts, budget timeframes, and taxpayer expectations, it was decided that Ms. Hunthausen prepare two budgets – one with the 95 percent base budget and the other a flat budget. The Committee will review these in the coming weeks before the September LAC meeting and decide then which direction will be taken.

After this discussion, **a motion was then made** by Sen. Brenden that Rep. Mendenhall's motion be tabled and further discussion on the budget be brought to the September meeting. Because of the close voice vote, a roll-call vote was called for by Chair Tropila and the **motion carried** with 5 yes and 4 no votes. (Voting yes: Sen. Brenden, Sen. Cooney, Rep. Hands, Sen. Larsen, and Sen. Tropila. Voting no: Rep. Brown, Sen. Brown, Rep. Mendenhall, and Rep. Stahl)

05:54:27 **Department of Corrections CAP** – Vice Chair Brown had wanted the DOC report checked and some suggestions made. However, due to time constraints, Chair Tropila asked if this could be reviewed in the coming weeks and ideas sent to Ms. Hunthausen to be discussed at the September meeting. Vice Chair Brown did not want the ideas/suggestions to be held up until September and so it was agreed that these will be e-mailed to Ms. Hunthausen to be forwarded on to Director Ferriter. The Committee will be kept aware of the transactions and decisions.

05:55:45 **CHIP Eligibility Progress Memo Update** – Ms. Hunthausen passed out a memo that was hand-delivered this afternoon. She asked the Committee to review the contents and let her know if they would still require a representative at the September meeting or not.

06:31:40 **Legislative Auditor Reappointment** – Chairman Tropila informed the Committee that the Subcommittee appointed to evaluate the reappointment of the Legislative Auditor position had voted unanimously to reappoint Tori Hunthausen with pay and benefits to remain at the current level. The Subcommittee plans to conduct an interview with Ms. Hunthausen in the coming weeks and a report will be given to the Committee.

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's pay and benefits will remain consistent with her previous term, **motion carried.**

Ms. Hunthausen accepted the reappointment as Legislative Auditor.

**Next Meeting:** The last week in September, possibly September 27, will be considered. Ms. Hunthausen will send the Committee further date suggestions when it is decided how long the meeting will need to be.

There being no further business, the meeting was adjourned at 2:52 p.m.

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Signed: \_\_\_\_\_