

Minutes
AUDIT SUBCOMMITTEE
Legislative Audit Commission
June 5, 2018

Members Present:

Representative Sondra Erickson
Senator Ann H. Rest

Members Absent:

Representative Tina Liebling
Senator Michelle Benson

Other Members Present:

Representative Bob Dettmer
Representative Nels Pierson
Senator Bruce Anderson
Senator Mary Kiffmeyer
Senator Matt D. Klein
Senator Warren Limmer

Senator Ann Rest called the Legislative Audit Commission (LAC) Audit Subcommittee meeting to order at 8:48 a.m. The purpose of the meeting was to hear an update on the Financial Audit Division (FAD), to hear briefings on recently released FAD reports, and to release a financial audit, *Board of Water and Soil Resources* (BWSR).

Jim Nobles, Legislative Auditor, gave a brief overview of the Financial Audit Division. Mr. Nobles listed the audits and special reviews that were currently in progress. He also noted the priorities for the division going forward. Mr. Nobles then turned to Chris Buse, Deputy Legislative Auditor for FAD, to continue the presentation. Mr. Buse acknowledged two of the FAD Audit Directors who were with him: Tracy Gebhard and Scott Tjomsland.

Mr. Buse provided information about the financial statement work, which results in the *Comprehensive Annual Financial Report* (CAFR), and the federal program work, which results in the *Financial and Compliance Report on Federally Assisted Programs* (Single Audit Report). Ms. Gebhard said that the most significant audit finding from the Single Audit Report was that the Department of Human Services (DHS) requested federal reimbursement for unallowable Group Residential Housing costs. Gary Johnson, DHS Internal Audit Director, addressed the subcommittee and answered questions. He said that DHS was in the process of identifying the total that needs to be repaid to the federal government and that there would be no penalty for the error. He also said that the error occurred due to a database problem that had since been resolved.

Mr. Buse moved to the *Department of Veterans, Veterans Health Care Division, Internal Controls and Compliance Audit*. Mr. Tjomsland said that the department did not comply with the Administrative Procedures Act when it established guidelines that govern its Adult Day Center and Central Pharmacy. Douglas Hughes, Deputy Commissioner, Veterans Health Care Division, said that the department is looking to the private sector to recover any overpayments due back to the department.

The meeting turned to a discussion of the *Department of Corrections, Region 1 Correctional Facilities, Internal Controls and Compliance Audit*. Mr. Buse provided background information about the audit. Ms. Gebhard explained that the audit found that the department (1) did not properly charge counties for the cost of juveniles housed at the Red Wing facility, and (2) did not accurately reconcile inmate trust account balances. Chris Dodge, Department of Corrections Chief Financial Officer, addressed the subcommittee and answered questions. He said that the department had introduced new legislation that would help address the audit findings, but the language was vetoed during the legislative session.

Mr. Buse moved to the release of the *Minnesota Board of Water and Soil Resources, Internal Controls and Compliance Audit*. After he provided background information about the audit, Ms. Gebhard walked through the audit findings. The audit found that the board did not (1) establish appropriate fiscal oversight controls for administrative expenditures, (2) consistently resolve conflicts of interest, (3) have

appropriate controls to ensure compliance with funding use legal restrictions, and (4) follow state accounting policies. John Jaschke, BWSR Executive Director, and Angie Becker Kudelka, BWSR Assistant Director, addressed the subcommittee and answered questions. Mr. Jaschke said that corrections of the identified errors either have been made or are under way. He also stated that several of their processes have been updated and improved, including the conflict of interest form and the travel and special expense policy.

Senator Kiffmeyer expressed concern that none of the BWSR board members were in attendance, and she requested a response from the board.

Senator Rest reminded members that the subcommittee would meet on a quarterly basis. With no further business, Senator Rest adjourned the meeting at 10:31 a.m.

Senator Ann H. Rest, Audit Subcommittee Chair

Shelly Gilb, Recording Secretary