

Minutes
AUDIT SUBCOMMITTEE
Legislative Audit Commission
January 15, 2020

Members Present:

Senator Mary Kiffmeyer
Senator Michelle Benson
Senator Ann H. Rest
Representative Sondra Erickson

Other Members Present:

Representative Rick Hansen

Senator Mary Kiffmeyer, Chair, called the Legislative Audit Commission (LAC) Audit Subcommittee meeting to order at 9:01 a.m. The purpose of the meeting was to hear presentations for two Office of the Legislative Auditor (OLA) Financial Audit Division reports: *Minnesota Department of Health Office of Medical Cannabis – Internal Controls and Compliance Audit, July 2016 through December 2018* and *Regenerative Medicine Minnesota – Internal Controls and Compliance Audit, July 2014 through February 2019*.

Senator Kiffmeyer introduced Jim Nobles, Legislative Auditor. Mr. Nobles briefly explained the order of the report presentations and acknowledged the OLA auditors who worked on and would present the reports. Mr. Nobles then turned the meeting over to Valerie Bombach, Audit Director, to present the *Office of Medical Cannabis* report. Ms. Bombach gave a brief history of the legal requirements for the medical cannabis program and described its oversight by the Minnesota Department of Health. Ms. Bombach said that the audit found that the department generally complied with select legal requirements but that internal controls were generally not adequate to safeguard assets and ensure compliance with legal requirements and that oversight of the program needs to be strengthened before any further expansion to the program. Ms. Bombach also explained the recommendations OLA has for the Department of Health's oversight of the program, as well as a statutory change to the program for the Legislature to consider.

Senator Kiffmeyer then welcomed Jan Malcolm, Commissioner of the Minnesota Department of Health, to the committee. Commissioner Malcolm introduced Chris Tholkes, Director of the Office of Medical Cannabis (OMC). Commissioner Malcolm thanked OLA for its work in reviewing the Office of Medical Cannabis and added that the department does concur with the great majority of the recommendations in the report. Commissioner Malcolm said the program was built in record time, having been ready a year after the legislation was passed, with Minnesota becoming one of the first states to develop a medical model; however, she noted that there is a lack of best practices in medical cannabis programs across the country. Commissioner Malcolm explained the responsibilities and challenges of the program. She also discussed the changes OMC had been focusing on since it began, specifically, internal controls. Commissioner Malcolm added that the department differed with OLA on who is served under Medical Assistance.

Mr. Nobles was then invited back to the table for the *Regenerative Medicine Minnesota* (RMM) report. Mr. Nobles explained that the RMM partnership program had been established in 2014 between the University of Minnesota and the Mayo Clinic. Mr. Nobles added that the law was very specific as to what the money should be spent on, and that the OLA audit found that the partnership used a broader interpretation of the law. Mr. Nobles then turned the presentation over to Lori Leysen, Audit Director. Ms. Leysen then explained the five-member oversight board, the funding for the program, and the program's grant process. Ms. Leysen said the audit found that internal controls were generally not

adequate to safeguard assets and ensure compliance with legal requirements and that they generally did not comply with finance-related legal requirements. Ms. Leysen said the report highlighted questionable grants that went to K-12 and higher education purposes, which were not authorized in law as an allowed use. Ms. Leysen presented the recommendations specific to RMM and in addition, said the report recommended that RMM seek a change in law if they want to continue awarding educational grants.

Susan Kratz, Office of the General Counsel, University of Minnesota, spoke in response to the OLA report. Ms. Kratz said the RMM partnership disagrees with OLA as to how to interpret the law. She explained the RMM partnership has, since its beginning, believed they were using their funds for “regenerative medicine research, clinical translation, and commercialization.”

Mr. Nobles returned to the table and said he would be sending all members of the Legislature an update on OLA reports in progress.

Senator Kiffmeyer adjourned the meeting at 10:48 a.m.

Senator Mary Kiffmeyer, Audit Subcommittee Chair

Maureen Garrahy, Recording Secretary