

# UPDATE

## Office of the Legislative Auditor

September 9, 2019

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We provide a periodic update to members of the Legislative Audit Commission and other legislators on the audits, evaluations, and special reviews OLA has on its work schedule. As shown in this update, that schedule is full.

### Financial Audits

OLA's Financial Audit Division is currently conducting audits focused on legal compliance and internal financial control concerns related to these organizations, programs, and processes:

- AELSLAGID Board\*
- Department of Administration: Small Agency Resource Team (aka SmART Program)
- Department of Corrections: MINNCOR Industries
- Department of Human Services: Minnesota Eligibility Transaction System (METS)
- Department of Natural Resources: State Park Revenues
- Department of Public Safety: Bulk Data Sales
- Disability Services
- Disaster Recovery Strategies for Critical IT Systems
- Managed Care Organizations: Mental Health and Dental Claims Encounter Data
- Medical Cannabis Program
- Minnesota Licensing and Registration System / Vehicle Title Registration System
- Regenerative Medicine Grants
- U.S. Bank Stadium Reserve Account

The Financial Audit Division will begin releasing reports for these projects in September. In August, the division began work on two of its largest annual financial audit projects:

- State of Minnesota's Comprehensive Annual Financial Report
- Financial and Compliance Report on Federally Assisted Programs

The Division plans to complete its work on the Comprehensive Annual Financial Report in December. Work on the Financial and Compliance Report on Federally Assisted Programs will be finalized the following March.

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\*The acronym stands for the Minnesota Board of Architecture, Engineering, Land Surveying, Landscape Architecture, Geoscience, and Interior Design.

## **Program Evaluations**

Program Evaluation Division staff continue to conduct research related to the six evaluation topics selected by the LAC in April, including:

- Compensatory Education Revenue
- DHS Oversight of Personal Care Assistance
- Minnesota Department of Human Rights
- Pesticide Regulation
- Public Utilities Commission's Public Engagement Processes
- Safety in State Correctional Facilities

Our work plans call for reports on all of these topics to be released in February 2020.

## **Special Reviews**

OLA conducts special reviews when concerns about a public program or official arise, and we decide that OLA needs to investigate. Concerns come to us in various ways; legislators bring some, as do members of the public and whistleblowers within state government. We also sometimes initiate a special review in response to media reports. The following is a list of the special reviews we have in progress or under consideration.

### **Department of Human Services – Unauthorized Payments for Opioid Treatment**

**Medications.** OLA is currently investigating DHS's unauthorized payments to the Leech Lake Band of Ojibwe and the White Earth Nation for a drug—Suboxone—used in the tribes' opioid treatment programs. We are determining why the unauthorized payments occurred and why DHS did not detect them sooner. We are reviewing documents and interviewing DHS officials. We plan to issue a report in mid-October.

**MnDOT Oversight of For-Hire Passenger Vehicles.** The review is focusing on MnDOT's regulation and oversight of companies and vehicles that provide services for elderly and disabled persons, limousine services, and other for-hire passenger services, such as tour buses. We are examining how well MnDOT fulfills its responsibility to ensure the safety of these operations. We plan to issue a report in early 2020.

**Administration of School Trust Land.** We started this review in 2018 but had to put it on hold because the staff working on it left OLA. We will assess the governance structure for school trust lands the Legislature mandated in 2012. We will also assess the policies that determine the availability of school funding derived from school trust lands. Our plan is to complete the review and issue a report before the beginning of the 2020 legislative session.

**PolyMet NorthMet Permitting.** Representative Rick Hansen asked OLA to examine alleged actions by officials at the Minnesota Pollution Control Agency that may have resulted in the exclusion of certain information from the PolyMet NorthMet permitting written record. The

issue is also currently being considered in a lawsuit filed with the Minnesota Court of Appeals in May 2019. In response, the Court of Appeals ordered the Ramsey County District Court to hold an evidentiary hearing on the allegation and determine whether there were “irregularities” in the PolyMet NorthMet permitting process. In addition to monitoring the case, we are reviewing documents and may interview key participants in the permitting process. However, given the ongoing court case and OLA’s other projects, we have not established a firm schedule for completing a review.

**Minnesota Department of Education “Review and Comment” Process for Construction Projects.** State law requires the department to review and comment on school district building proposals prior to bond issues or solicitation of construction bids. In response to a complaint, OLA is examining the adequacy of this review process. OLA intends to issue a report in late 2019.

**Minnesota Department of Health – Testing and Reporting on N-nitrosodimethylamine (NDMA).** Representative Jean Wagenius asked OLA to examine what the department has done to address concerns about NDMA contamination in the Upper Mississippi and Crow Rivers. More specifically, Representative Wagenius asked OLA to address what she believes is the department’s lack of concern about the NDMA threat to the primary source of drinking water for Minneapolis and St. Paul, and the department’s lack of transparency related to its testing for NDMA. In response, OLA has gathered some information, but given other projects, we have not yet established a scope and schedule for a review.

**Minnesota Department of Labor and Industry – Oversight of Building Permit Data.** Representative Jim Nash asked OLA to examine whether the department has fulfilled its statutory responsibilities to require government entities to report on the amounts they are charging to issue building permits. Representative Nash, other legislators, and the Housing Affordability Institute raised concerns about the fees and their impact on the affordability of housing. They also criticized Labor and Industry for not enforcing reporting requirements related to the fees. OLA is in the initial stages of gathering information, but we have not yet established a scope and schedule for this review.

**Sarah Walker and the Veterans Defense Project.** Several legislators asked OLA to examine allegations that Sarah Walker, former deputy commissioner of the Department of Corrections, used her state position to advocate for an appropriation to the Veterans Defense Project, a nonprofit organization operated by her husband. Legislators also asked OLA to audit the Project’s use of the state funding it previously received. We have gathered information from the Department of Corrections and other sources, but given other projects and commitments, we have not yet established a scope and schedule for this review.

**Minnesota Pollution Control Agency – Water Gremlin Company.** On August 28, 2019, Senator Roger Chamberlain asked OLA to investigate the actions of officials at the Minnesota Pollution Control Agency (MPCA) and the Water Gremlin Company relative to the company’s discharge of an industrial solvent called trichloroethylene (TCE). According to MPCA and the Minnesota Department of Health, the discharge has created a significant health hazard for people

in the White Bear Lake area. In response to Senator Chamberlain's request, OLA agreed to examine MPCA's responsibilities and actions related to the pollution caused by the Water Gremlin Company. Given our current obligations, however, we have not been able to establish a scope and schedule for a review.

**Retaliation Against State Agency Whistleblowers.** Several legislators have asked for this review. In addition, we have grown concerned about the number of state employees who have come forth to OLA claiming that they have been retaliated against because they have raised issues about various functions and operations within their agency. We have, however, not yet been able to establish a scope and schedule for a review of these concerns.