



# Legislative Audit Division

## Who We Are & What We Do

Legislative Audit Division  
Room 160; west end, first floor of the Capitol  
406-444-3122; [lad@mt.gov](mailto:lad@mt.gov)  
[www.leg.mt.gov/css/audit](http://www.leg.mt.gov/css/audit)

*January 2015*

## Legislative Auditor



*Thank you for the opportunity to work with you to promote accountability, integrity and openness in state government. The Legislative Audit Division (LAD) takes seriously our role of providing state government and our citizenry with assurance and accountability as the independent auditor of state operations. Independent audits provide essential accountability and transparency. The highly qualified staff of LAD provide vital information to management, the governing body, public stakeholders, and you as legislators when assessing the government's stewardship of public resources and compliance with law.*

*This publication introduces you to the Legislative Audit Division, including recent work and work-in-progress. Under consultation and advisement with our bipartisan Legislative Audit Committee, we release our reports to the public, stakeholders and legislative body, as completed.*

*Welcome to Helena. The Legislative Audit Division staff look forward to working with you in the coming months.*

**—Legislative Auditor Tori Hunthausen**

***Documented  
policy impacts  
are required  
to receive an  
Impact Award***

### Recent Audit Awards

**2014 Impact Award:** School Transportation Funding and Safety (13P-01)

**2013 Impact Award:** Department of Military Affairs Contract Management (11P-06)

**2012 Impact Award:** Sexual or Violent Offender Registry (11DP-08)

**2011 Impact Award:** State Vehicle Fleet Management (9P-04)

**2010 Impact Award:** Upland Game Bird Enhancement Program (8P-01)

*Awards are given by the National Legislative Program Evaluation Society, which includes employees of state legislative agencies engaged in program evaluation or performance auditing.*

## Legislative Audit Division



Article V, Section 10(4) of the Montana Constitution mandates a legislative post-audit function. The Legislative Audit Act, contained in Title 5, Chapter 13, MCA, establishes the Legislative Audit Committee of the Montana Legislature and the Legislative Audit Division. Managed by a Legislative Auditor appointed by the committee, the division provides the legislature, its committees and its members, with factual and timely information. The intent of the Act is that each agency of state government be audited for the purpose of furnishing the legislature with factual information vital to the discharge of its legislative duties. Per state law, the auditor conducts a financial and compliance audit of each state agency at least every two years. In addition, the auditor selects and prioritizes agencies and programs for audits with consideration given to the agency's or program's financial, operational, and technological risks associated with meeting its intended purpose, goals, objectives, and legal mandates.

## Audit Committee

The Legislative Audit Committee is a bicameral and bipartisan standing and administrative committee of the Montana Legislature. It consists of six members of the Senate and six members of the House of Representatives. The Audit Committee appoints, consults with, and advises the Legislative Auditor. The Audit Committee reviews the audit reports submitted by the Legislative Auditor, releases the audit reports to the public, and serves as the conduit between the Legislative Auditor and the Legislature.



*The 2013-2014 Audit Committee Members and staff pictured above are Front Row L to R: Deputy Legislative Auditor C. Jorgenson, Legal Counsel D. Butler, Sen. S. Malek, Legislative Auditor T. Hunthausen, Rep. J.P. Pomnichowski, Rep. M. Cuffe, Back Row L to R: Sen. T. Brown, Sen. M. Tropila, Sen. E. Moore, Rep. M. McNally, Sen. G. Jergeson, Sen. D. Brown, Deputy Legislative Auditor A. Maciver, and Rep. R. Brodehl. Members not pictured: Rep. V. Court, Rep. R. Osmundson.*

## A Message from the Current Audit Committee Chairman



“The Montana Constitution designates the Legislative Audit Committee as the only committee that must be established, signifying the importance of the Committee. We meet year round, and serve as a watchdog for the people of Montana, verifying that the taxpayer’s dollars are spent wisely, prudently, and according to the Legislature.”

***-Representative Randy Brodehl***

## Legislators Request Audits & Research Assistance from LAD

Any member of the Legislature may request the Legislative Auditor audit any activity in state government. In addition to conducting audits, the Legislative Audit Division is a research resource to legislators. The auditor and staff assist the legislature, its committees, and its members by gathering and analyzing information relating to the operations of state government. Commonly referred to as legislative requests, these are generally small projects undertaken to provide members of the legislature with information regarding a specific question or analysis about an agency or program. In Fiscal Years 2013 and 2014, the division completed 35 legislative requests on various topics.

**Any Legislator  
may request an  
audit of state  
government  
activity.**

## Fraud Hotline Calls

The auditor maintains a toll-free telephone number (1-800-222-4446) and an on-line form for use by Montana residents for the reporting of fraud, waste, and abuse in state government. Any information received concerning a governmental entity other than state government may also be referred by the auditor to an appropriate federal, state, or local government agency. In fiscal years 2013 and 2014, the division received 96 hotline calls regarding alleged fraud, waste, and abuse in state government.

### Legislative Audit Division Mission Statement:

*To provide government leaders and citizens, through a disciplined approach and an independent and objective manner, reliable information to improve accountability, efficiency, effectiveness, and compliance and to promote financial and operational integrity of operations of state agencies, the judicial branch and higher education institutions.*

## Who Audits the Auditors?

Auditing standards set by the U.S. Government Accountability Office (GAO) require a peer review of the Legislative Audit Division every three years. A review team traveled to Montana in June 2014 to evaluate the division's work. They concluded that LAD has suitably designed, and complies with, a system of quality control that provides reasonable assurance the office is performing and reporting in conformity with applicable standards in all material respects. The review team included staff from state audit organizations in Connecticut, Colorado, Oklahoma, Indiana, and Tennessee, as well as the U.S. Department of Health and Human Services. A peer review generally includes a review of audit documentation, review of policies and procedures, and staff interviews. The next peer review of the LAD will occur in 2017.



## Recent Performance and Information Systems Audits



**Senior Performance Auditor Will Soller presenting to the Audit Committee.**

From January 2013 to December 2014, LAD issued 13 Performance and Information Systems (IS) audits. In addition, the Committee heard updates on the implementation status (follow ups) for 16 Performance and IS audits; examples of the audits are listed below. All staff at LAD conducting performance and IS audits hold bachelor's degrees in various disciplines appropriate to the audit process; many have master's degrees. Areas of expertise include public administration, business, journalism, accounting, English, and computer science.

Performance audits review and analyze state programs to determine if the programs are achieving the intended results, being conducted efficiently and economically, and in compliance with related statutes and regulations. Performance audits result in recommendations that increase the effectiveness or efficiency of the program.

IS audits examine both general and business process controls associated with an information system. IS audits determine the effectiveness of these controls in ensuring that the information provided by the system or application is complete, accurate, valid, confidential, and readily available.

### Recent Performance and IS Audits

- ◆ Block Management
- ◆ Property Tax Relief
- ◆ Childhood Immunization Requirements
- ◆ School Transportation Funding and Safety
- ◆ Offender Management Information System
- ◆ State Investment Governance
- ◆ Medicaid Recipient Prescription Fraud
- ◆ Trust Land Oil & Gas Leasing
- ◆ Vital Statistics Information
- ◆ Public Employee Retirement Information System (PERIS)
- ◆ Workers' Compensation Premiums
- ◆ Universal System Benefits
- ◆ Montana Lottery Security

### Recent Performance and IS Follow Up Reports

- ◆ Child Care Licensing
- ◆ Mine Safety
- ◆ Unemployment Insurance
- ◆ Motor Vehicle Title and Registration
- ◆ Montana State Veterans' Homes
- ◆ Water Rights Adjudication
- ◆ Security of Laptop Data
- ◆ Alternative Energy Revolving Loan Program
- ◆ State Public Defender
- ◆ Board of Oil and Gas
- ◆ Montana's Office Supply Acquisition
- ◆ One-Stop Business Licensing
- ◆ Highway Safety
- ◆ State Government-Wide Information Technology Governance

*To get more information or request a copy of any audit, contact LAD in room 160 of the Capitol, at 444-3122, or [lad@mt.gov](mailto:lad@mt.gov).  
Electronic copies of audits are also available at [www.leg.mt.gov/css/audit](http://www.leg.mt.gov/css/audit).*

## Recent Financial and Compliance Audits

State law requires that LAD conduct a financial and compliance audit of each state agency at least every 2 years. Consequently, from January 2013 to December 2014, LAD issued more than 30 financial and financial-compliance audit reports. Most staff members working on financial-compliance audits at LAD hold a Certified Public Accountant (CPA) license.

Financial and compliance audits are conducted to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. Financial audits are conducted to determine if the financial statements included in a report from an agency are presented fairly and the agency has complied with laws and regulations having a direct and material effect on determination of financial statement amounts.



*Financial-Compliance Audit Manager Jennifer Erdahl presenting to the Audit Committee.*

LAD also issues a statewide biennial Single Audit Report by the end of March of even-numbered years. The Single Audit work is required for state agencies to receive federal funding. It includes reports on compliance with requirements applicable to select federal programs.

### Examples of Financial and Compliance Audits Issued January 2013–December 2014

#### *Entities administering significant federal awards for the state are:*

- ◆ Montana State University
- ◆ University of Montana
- ◆ Department of Administration
- ◆ Department of Commerce
- ◆ Department of Fish, Wildlife, & Parks
- ◆ Department of Labor & Industry
- ◆ Department of Military Affairs
- ◆ Department of Public Health & Human Services
- ◆ Office of Public Instruction
- ◆ Department of Transportation

#### *Other entities audited:*

- ◆ Department of Agriculture
- ◆ Department of Corrections
- ◆ Office of the Commissioner of Higher Education
- ◆ Department of Livestock
- ◆ Department of Natural Resources & Conservation
- ◆ Department of Revenue
- ◆ Public Employees' Retirement Board
- ◆ Teachers' Retirement System
- ◆ Board of Investments
- ◆ Guaranteed Student Loan Program
- ◆ Lottery
- ◆ State Fund
- ◆ Water Pollution Control & Drinking Water State Revolving Fund Program
- ◆ Dawson Community College
- ◆ Flathead Community College
- ◆ Miles Community College
- ◆ Medical Legal Panel
- ◆ Arts Council
- ◆ Board of Housing
- ◆ Library Commission



# Recent Audits Topics Organized by Legislative Committee – Senate

## Agriculture, Livestock, and Irrigation

Block Management Program	13P-04
Department of Agriculture	13-21
Department of Livestock	13-22

## Business Labor and Economic Affairs

Workers' Compensation Insurance	
Premium Review	13P-05
Board of Housing	13-07A
State Fund	12-05B, 13C-03
Department of Commerce	13-16
Department of Labor and Industry	13-15
State Auditor's Office	14-20

## Education and Cultural Resources

School Transportation Funding and Safety	13P-01
Montana State University	13-11A, 13-13
University of Montana	13-10, 13-12
Office of the Commissioner of Higher Education	13-20
Office of Public Instruction	13-19
Historical Society	12-24
Dawson Community College	12C-06, 13C-06
Flathead Valley Community College	12C-07, 13C-07
Miles Community College	12C-08, 13C-08
Arts Council	13-24
Guaranteed Student Loan Program	13-06
Library Commission	13-23
Montana School for the Deaf and Blind	14-22B
Board of Public Education	14-22A

## Energy and Telecommunications

Universal System Benefits Program	13P-06
Consumer Counsel	13C-10
Department of Public Service Regulation	14-26

## Fish and Game

Block Management Program	13P-04
Department of Fish, Wildlife & Parks	13-18

## Highways and Transportation

Department of Transportation	13-17
Department of Public Service Regulation	14-26

## Judiciary

Offender Management Information System	13DP-04
Department of Justice	14-18
Office of the State Public Defender	14-28
Judicial Branch	14-27
Department of Corrections	14-15

## Natural Resources

Management of Oil and Gas & Commercial Leasing on State Trust Lands	13P-03
Water Pollution Control and Drinking Water State Revolving Fund Programs	11-25-B, 13-25A
Department of Environmental Quality	14-16
Department of Natural Resources and Conservation	14-17

## Public Health Welfare and Safety

Childhood Immunization Requirements in Montana	13P-07
Vital Statistics Information Management System	13DP-02
Detection and Resolution of Suspected Medicaid Recipient Prescription Fraud and Abuse	12P-12
Department of Public Health and Human Services	13-14

## State Administration

Public Employee Retirement Information System (PERIS) Development Life Cycle	14DP-03
State Investment Management and Governance Practices	12P-10
Workers' Compensation Insurance Premium Review	13P-05
Montana Legislative Branch	13C-11
Montana Single Audit Report	12-02
State of Montana	11-01B, 13-01A
Lottery	12-30, 13-30A
Montana Lottery Security	13DP-01
Board of Investments	12-04B
Public Employees' Retirement Board	12-08A, 12-08B
Teachers' Retirement System	12-09A, 12-09B
Department of Administration	14-13
Office of the Commissioner of Political Practices	14-21
Office of the Governor and Lieutenant Governor	14-23
Department of Military Affairs	14-25

## Taxation

Property Tax Relief	14P-02
Department of Revenue	14-14



# Recent Audits Topics Organized by Legislative Committee – House

## Agriculture

Block Management Program	13P-04
Department of Agriculture	13-21
Department of Livestock	13-22

## Business and Labor

Workers' Compensation Insurance Premium Review	13P-05
Board of Housing	13-07A
State Fund	12-05B, 13C-03
Department of Commerce	13-16
Department of Labor and Industry	13-15
State Auditor's Office	14-20

## Education

School Transportation Funding and Safety	13P-01
Montana State University	13-11A, 13-13
University of Montana	13-10, 13-12
Office of the Commissioner of Higher Education	13-20
Office of Public Instruction	13-19
Historical Society	12-24
Dawson Community College	12C-06, 13C-06
Flathead Valley Community College	12C-07, 13C-07
Miles Community College	12C-08, 13C-08
Arts Council	13-24
Guaranteed Student Loan Program	13-06
Library Commission	13-23
Montana School for the Deaf and Blind	14-22B
Board of Public Education	14-22A

## Federal Relations, Energy, and Telecommunications

Universal System Benefits Program	13P-06
Consumer Counsel	13C-10
Department of Public Service Regulation	14-26

## Fish, Wildlife and Parks

Block Management Program	13P-04
Department of Fish, Wildlife & Parks	13-18

## Human Services

Childhood Immunization Requirements in Montana	13P-07
Vital Statistics Information Management System	13DP-02
Detection and Resolution of Suspected Medicaid Recipient Prescription Fraud and Abuse	12P-12
Department of Public Health and Human Services	13-14

## Judiciary

Offender Management Information System	13DP-04
Universal System Benefits Program	13P-06
Department of Justice	14-18
Office of the State Public Defender	14-28
Judicial Branch	14-27
Department of Corrections	14-15

## Natural Resources

Management of Oil and Gas and Commercial Leasing on State Trust Lands	13P-03
Water Pollution Control & Drinking Water State Revolving Fund Programs	11-25-B, 13-25A
Department of Environmental Quality	14-16
Department of Natural Resources and Conservation	14-17

## State Administration

Public Employee Retirement Information System (PERIS) Development Life Cycle	14DP-03
State Investment Management and Governance Practice	12P-10
Workers' Compensation Insurance Premium Review	13P-05
Montana Legislative Branch	13C-11
Montana Single Audit Report	12-02
State of Montana	11-01B, 13-01A
Lottery	12-30, 13-30A
Montana Lottery Security	13DP-01
Board of Investments	12-04B
Public Employees' Retirement Board	12-08A, 12-08B
Teachers' Retirement System	12-09A, 12-09B
Department of Administration	14-13
Office of the Commissioner of Political Practices	14-21
Office of the Governor and Lieutenant Governor	14-23
Department of Military Affairs	14-25

## Taxation

Property Tax Relief	14P-02
Department of Revenue	14-14

## Transportation

Department of Transportation	13-17
Department of Public Service Regulation	14-26



*LAD does not have jurisdiction over local governments so generally there are no audits that directly pertain to the Local Government Committees. However, many of the best governance practices recommended in other audits could be adapted for use by Local Governmental entities.*

# Recent Audits Topics Organized by Joint Appropriations/Finance & Claims Subcommittees

## General Government (Section A)

Universal System Benefits Program	13P-06
Public Employee Retirement Information System (PERIS) Development Life Cycle	14DP-03
Property Tax Relief	14P-02
State Investment Management & Governance Practices	12P-10
Workers' Compensation Insurance Premium Review	13P-05
Montana Lottery Security	13DP-01
Consumer Counsel	13C-10
Montana Legislative Branch	13C-11
Montana Single Audit Report	12-02
State of Montana	11-01B, 13-01A
Lottery	12-30, 13-30A
Board of Housing	13-07A
State Fund	12-05B, 13C-03
Board of Investments	12-04B
Public Employees' Retirement Board	12-08A, 12-08B
Teachers' Retirement System	12-09A, 12-09B
Department of Military Affairs	14-25
Department of Commerce	13-16
Department of Labor and Industry	13-15
State Auditor's Office	14-20
Department of Administration	14-13
Office of the Commissioner of Political Practices	14-21
Office of the Governor and Lieutenant Governor	14-23
Department of Revenue	14-14

## Health and Human Services (Section B)

Childhood Immunization Requirements in MT	13P-07
Vital Statistics Information Management System	13DP-02
Department of Public Health & Human Services	13-14
Detection and Resolution of Suspected Medicaid Recipient Prescription Fraud and Abuse	12P-12

## Natural Resources and Transportation (Section C)

Block Management Program	13P-04
Management of Oil and Gas and Commercial Leasing on State Trust Lands	13P-03
Water Pollution Control and Drinking Water State Revolving Fund Programs	11-25-B,13-25A
Department of Transportation	13-17
Department of Agriculture	13-21
Department of Fish, Wildlife & Parks	13-18
Department of Livestock	13-22
Department of Environmental Quality	14-16
Department of Natural Resources & Conservation	14-17

## Judicial Branch, Law Enforcement & Justice (Section D)

Universal System Benefits Program	13P-06
Offender Management Information System	13DP-04
Department of Justice	14-18
Department of Public Service Regulation	14-26
Office of the State Public Defender	14-28
Judicial Branch	14-27
Department of Corrections	14-15

## Education (Section E)

School Transportation Funding and Safety	13P-01
Montana State University	13-11A, 13-13
University of Montana	13-10, 13-12
Office of the Commissioner of Higher Education	13-20
Office of Public Instruction	13-19
Historical Society	12-24
Dawson Community College	12C-06, 13C-06
Flathead Valley Community College	12C-07, 13C-07
Miles Community College	12C-08, 13C-08
Arts Council	13-24
Guaranteed Student Loan Program	13-06
Library Commission	13-23
Montana School for the Deaf and Blind	14-22B
Board of Public Education	14-22A

## Long-Range Planning (Section F)

Department of Natural Resources & Conservation	14-17
Department of Environmental Quality	14-16



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*The unique alpha-numeric identifiers listed after each audit title can be used to help identify specific audits.*

# What's Down the Road for the Audit Committee?



The membership of the Audit Committee will be determined before the end of the 2015 session. A member of the committee serves until their term of office ends or until a successor is appointed, whichever comes first. The new committee will meet as often as necessary throughout the biennium to review financial-compliance, information systems, and performance audit reports. Public comment is taken after each audit is presented and discussed at Audit Committee meetings. Committee meetings can be viewed as they occur via the Legislative web page; video and audio archives of recent meetings are available also.

## Audit Committee Chairpersons

11/2013 Representative Randy Brodehl (R)  
09/2009 Senator Mitch Tropila (D)  
06/2009 Senator Mike Cooney (D), Acting  
08/2007 Senator Joe Balyeat (R)  
06/2005 Representative John Musgrove (D)  
06/2003 Representative Jeff Pattison (R)  
06/2001 Senator Jon Tester (D)  
04/1999 Representative Bruce Simon (R)  
06/1997 Senator Linda Nelson (D)  
04/1995 Representative Ernest Bergsagel (R)  
03/1991 Senator Greg Jergeson (D)  
05/1989 Representative John Cobb (R)  
05/1985 Senator Judy Jacobson (D)  
12/1984 Senator Matt Himsl (R)  
03/1983 Representative Kathleen McBride (D)  
03/1979 Senator Matt Himsl (R)  
02/1977 Representative Harold Gerke (D)



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