



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

# *Department of Justice*

*For the Two Fiscal Years Ended  
June 30, 2010*

DECEMBER 2010

LEGISLATIVE AUDIT  
DIVISION

10-18

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# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

December 2010

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report for the Department of Justice for the two fiscal years ended June 30, 2010. Included in this report are recommendations concerning: highway patrol ammunition, cash handling, legal services rates, and revenue and expenditure misclassifications.

The written response to the audit recommendations is included at the end of the audit report. We thank the Attorney General and the department staff for their cooperation and assistance during the audit.

Respectfully submitted,

*/s/ Tori Hunthausen*

Tori Hunthausen, CPA  
Legislative Auditor



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## ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

**Department of Justice** Steve Bullock, Attorney General  
 Tim Burton, Deputy Director/Chief of Staff  
 Chris Tweeten, Chief Civil Counsel  
 Mark Mattioli, Chief Criminal Counsel

### Division Administrators

Kathy Seacat, Central Services  
 Roland Mena, Crime Control  
 Joe Chapman, Information Technology Services  
 Dave McAlpin, Forensic Science  
 Colonel Michael T. Tooley, Highway Patrol  
 Mike Batista, Criminal Investigation  
 Brenda Nordlund, Motor Vehicle  
 Rick Ask, Gambling Control  
 Ali Bovingdon, Legal Services

### **Montana Board of Crime Control**

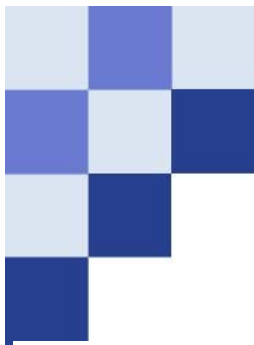
	<u>Representing</u>	<u>Term Expires</u>
Mike Anderson, Chair	Local Government	2013
Mikie Baker-Hajek	Citizen Member of Community Organizations	2013
Steve Bullock	Attorney General	2013
Pam Carbonari	Problems Facing Youth & Youth Justice Council	2013
Jim Cashell	Local Law Enforcement	2013
Brenda Desmond	Judiciary System	2011
Lynn Erickson	Local Law Enforcement	2013
Mike Ferriter	State Law Enforcement	2011

Harold Hanser	Public	2013
Randi Hood	Criminal Justice	2011
Rick Kirn	Tribal Government	2011
Steve McArthur	Community Corrections	2013
Sherry Matteucci	General Public	2011
Lois Menzies	Judicial System	2011
Nickolas Murnion	Local Law Enforcement	2013
Laura Obert	Local Government	2013
Angela Russell	Tribal Court	2011
Godfrey Saunders	Citizen	2011

For additional information concerning the Department of Justice, contact:

Kathy Seacat, Central Services Division Administrator  
302 North Roberts  
P.O. Box 201404  
Helena, MT 59620-1404  
(406) 444-5842  
e-mail: [kseacat@mt.gov](mailto:kseacat@mt.gov)





## FINANCIAL-COMPLIANCE AUDIT

## Department of Justice

For the Two Fiscal Years Ended June 30, 2010

DECEMBER 2010

10-18

REPORT SUMMARY

The largest source of revenue at the Department of Justice (department) is from the motor vehicle licensing and titling collections. Each year the department titles approximately 470,000 vehicles, registers one million vehicles, and licenses more than 162,000 drivers. The department has implemented the Montana Enhanced Registration and Licensing Information Network (MERLIN), which is a new computerized system to account for the motor vehicle licensing.

**Context**

The Attorney General is an elected official that heads the department. The department is primarily funded by the general fund (approximately 30%) and the state special revenue fund (approximately 60%) and is responsible for representation of the state's interest in legal matters, law enforcement, and other public safety related functions. The department provides legal, investigative, and administrative services; operates the Montana Highway Patrol and the Montana Law Enforcement Academy; provides testing and examination services at the State Forensic Lab; provides for driver and vehicle licensing and registration; and provides auditing, oversight, and investigation related to video and other gambling within the state of Montana.

The Montana Board of Crime Control is administratively attached to the department and is the designated state agency that administers federal grants dedicated to preventing and addressing crime statewide.

**Results**

There are four recommendations in this report. The first recommendation addresses incomplete highway patrol ammunition disbursement records. Since ammunition is highly sought after, the potential for undetectable fraud or theft occurring is increased. Another recommendation is directed to the Gambling Control Division who did not fully implement prior recommendations related to segregation of duties and timely cash deposits. The other two recommendations are related to legal services rates and revenue and expenditures misclassifications.

Recommendation Concurrence	
Concur	4
Partially Concur	0
Do Not Concur	0

Source: Agency audit response included in final report.



# Chapter I – Introduction

## **Introduction**

We performed a financial-compliance audit of the Department of Justice (department) for the two fiscal years ended June 30, 2010. The objectives of the audit were:

1. To obtain an understanding of the department's control systems to the extent necessary to support our audit of the department's financial schedules and, if appropriate, make recommendations for improvement in the internal and management controls of the department.
2. To determine if the department complied with selected state and federal laws and regulations.
3. To determine the implementation status of prior audit recommendations.
4. To determine if the department's financial schedules present fairly the results of the department for each of the fiscal years ended June 30, 2009, and June 30, 2010.

In accordance with §5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendations made in this report. Areas of concern deemed not to have a significant effect on the successful operations of the department are not specifically included in this report, but have been discussed with management.

As required by §17-8-101(6), MCA, we analyzed the rates charged and fund equity in the department's Internal Service Fund. The department's only Internal Service Fund is for the Agency Legal Services Bureau. Our audit work indicates fund equity is not reasonable and rates are not commensurate with costs. See page 7 for a report finding on this issue.

## **Background**

The Attorney General, who is elected to serve a four-year term, heads the department. The department's primary functions are to provide effective statewide law enforcement, legal services, and improve public safety.

The Board of Crime Control (board) is attached to the department for administrative purposes. The board is composed of 18 members appointed by the Governor and confirmed by the Senate. The board's operations are presented in the department's financial schedules as the Justice System Support Service Program.

The department's divisions are described below.

**Legal Services** (89.5 FTE) – provides legal research and analysis for the Attorney General; legal counsel for state government and state officials, bureaus, and boards; legal assistance to local governments; legal assistance, training, and support for county prosecutors; assistance through the offices of Consumer Protection, and Victim Services and legal advice and support for all state agencies. The Natural Resource Damage Litigation Program, which conducts litigation of claims arising from damages to natural resources in the Clark Fork River Basin between Butte and Milltown, operates in this division. It is attached to the department for administrative purposes.

**Gambling Control** (50.5 FTE) – licenses and regulates gambling activities and enforces gambling laws in the state of Montana. The division collects license fees, gambling taxes, and investigates applications and complaints relating to alcoholic beverage licensing.

**Motor Vehicle** (155 FTE) – licenses individual and commercial drivers; administers all driver license records, suspensions, revocations, and reinstatement actions including court-ordered suspensions and revocations; provides probationary driver licenses and driver license reinstatements; investigates special driver licensing problems; issues identification cards; issues motor vehicle registrations and titles; investigates motor vehicle titling and registration fraud; files and releases liens on motor vehicles; licenses and controls motor vehicle dealers; inspects and verifies vehicle identification numbers and provides training for county treasurers, motor vehicle dealers, and financial institutions. The Motor Vehicle Division (MVD) includes the Title and Registration Bureau in Deer Lodge and 49 driver licensing offices located statewide, as well as business partnerships with each of the 56 counties, the state's information portal provider, and numerous private and governmental entities.

**Highway Patrol** (289.05 FTE) – enforces commercial vehicle regulations and general traffic laws, investigates accidents and auto thefts, inspects vehicles, and provides motorist assistance.

**Criminal Investigation** (100 FTE) – includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, and the Law Enforcement Academy Bureau. The division maintains Montana's Sexual or Violent Offender Registry, the state reporting of criminal records and fingerprint information, and Montana's Criminal Justice Information Network.

**Central Services** (18 FTE) – provides centralized accounting, administrative, budgetary, human resources, payroll, and fiscal support for the department.

**Information Technology Services** (41 FTE) – provides a full range of services for the department and the criminal justice community. The division maintains several statewide criminal justice systems, including the state criminal history records system and the state criminal justice information network, that link law enforcement agencies in Montana with various state, regional, and national criminal justice databases. It also maintains several noncriminal justice computer systems, including the Vehicle Title and Registration System and the Driver Control System. The division provides project management for the Integrated Justice Information Sharing Broker and the Montana Enhanced Registration and Licensing Information Network (Merlin) Project.

**Forensic Sciences** (32.75 FTE) – performs scientific analyses of evidence submitted by law enforcement officials, coroners, and state agencies. The division promotes forensic science training, scientific criminal investigations, and manages a statewide system of death investigations.

**Crime Control** (20 FTE) – prepares and implements an annual plan for strengthening Montana's criminal and juvenile justice systems. The division provides support services to criminal justice agencies including data collection and research. The division is also responsible for the administration of various state and federal programs to help reduce crime and provide victim assistance and support.

### **Prior Audit Recommendations**

Our office performed the department's financial-compliance audit for the two fiscal years ended June 30, 2008. The report contained five recommendations. The department implemented three recommendations and partially implemented two. The two recommendations partially implemented relate to segregation of duties and deposits and are addressed in this report beginning on page 5.



## Chapter II – Findings and Recommendations

### **Inadequate Record Keeping for Ammunition**

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**The Montana Highway Patrol does not have complete documentation of ammunition distributions.**

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The Montana Highway Patrol Division (MHP) purchases ammunition which is stored at the headquarters for distribution to officers to carry on duty and for training. The MHP spent a total of approximately \$164,000 for ammunition in fiscal years 2009 and 2010. We found the documentation regarding the distribution of ammunition was not complete. Department personnel represented that some records could not be located due to pressure to get ammunition distributed and they are currently automating inventory records to replace hand written records.

State policy provides guidance for agencies to develop appropriate internal control procedures based upon their business processes. MHP does have procedures to track the distribution of the ammunition but was unable to find all of the documentation to support the activity during the audit period. Without complete records, it is difficult to establish full accountability of inventory and subsequent distribution. Based on the information provided by MHP, we determined documentation did not exist to support the distribution of approximately 155,000 rounds of ammunition with a value of at least \$43,817. Given the inherent danger involved with ammunition, it is important the department maintains full accountability to minimize the risk of theft.

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#### **RECOMMENDATION #1**

*We recommend the department maintain complete and accurate records of ammunition distributions.*

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### **Check Handling Prior Audit Recommendations**

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**The department did not fully implement two prior audit recommendations regarding segregation of duties and timely deposits.**

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The prior audit report included recommendations addressed to three divisions regarding their check handling procedures, specifically adequate segregation of duties and timely deposits. We determined the recommendations were not fully implemented at one division. Adequate segregation of duties over assets and timely deposits are both

included in state policy as important aspects of internal controls regarding check receipt processes. Section 17-6-105(6), MCA, generally requires state agencies to deposit funds when collections exceed \$750 each day. Timely deposits also maximize interest income on state funds.

## **Gambling Control Division (GCD)**

**Segregation of Duties** – Check receiving, custody, and recordkeeping functions at the GCD are not adequately segregated. State policy provides examples of incompatible duties that include situations where the same individual (or small group of people) is responsible for “managing custodial activities and recordkeeping for the same assets.” The tax and licensing specialists at the division have physical custody of checks while they credit the customer’s account in the division’s information system and gather the checks for deposit. No other documentation is maintained that a check has been received, such as a check log so the specialists have the ability to credit a customer’s account and not include the check in the deposit. As a result of these incompatible duties, the risk of errors or irregularities increases. Although other controls exist to minimize the risk, we believe the department has adequate resources to segregate these functions and should avoid placing employees in a position to perpetrate and conceal errors or irregularities in the normal course of their duties.

**Timely Deposits** – Although the GCD process for collecting various gambling revenues has shifted considerably from manual check processing to electronic fund transfers, the division manually processed over \$3.0 million in deposits during fiscal year 2010. Five out of ten manual deposits that we tested during fiscal year 2010 were not deposited in the time period required by state deposit law. The late deposits varied from one to four days after checks were received. The amounts of the checks ranged from \$750 to \$1,650. Division personnel indicated the late deposits were due to unusual demand on their tax specialists which caused a delay because the checks are not deposited until the specialists record the receipt on their system.

**Summary** – The GCD procedures regarding checking handling and deposit need to be evaluated and modified to ensure adequate segregation of duties is maintained and deposits are made in the time required by state law and policy.

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### **RECOMMENDATION #2**

*We recommend the department establish procedures at Gambling Control Division to ensure proper segregation of duties and deposits are made in the time period required by state law.*

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## **Agency Legal Services Internal Service Fund**

**Rates charged to state agencies for legal services are not covering all costs as required by state law.**

The Agency Legal Services Bureau (ALSB) provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. The attorneys and investigators bill clients for their services as well as case-related and incidental costs. ALSB funds 17 FTE from the revenues generated.

The fees charged by ALSB during fiscal years 2009 and 2010 did not cover all of the costs of providing the services as required by state law. Section 17-8-101(6), MCA, requires that fees and charges for services deposited in the internal service fund type must be based upon commensurate costs. In fiscal years 2009 and 2010, the expenditures exceeded the revenues by \$68,634 and \$30,876, respectively. The ending fund balance has continued to decrease as shown on Table 1.

Rates charged by the ALSB are approved by the legislature each biennium and the rates cannot be increased to more than was approved. Rates for both attorneys and investigators were increased by the 2009 Legislature, effective for fiscal years 2010 and 2011. As part of the budget preparation for fiscal years 2012 and 2013, department personnel determined the ALSB's rates needed to be raised by 12.9 percent for attorney and 15.8 percent for investigators. However, the rates will remain at the current level in the Governor's Budget presented to the 2011 Legislature. Department personnel explained the Governor's Office is not allowing increases in their internal service fund rates in the budget.

As a result, the department is not in compliance with the state law that requires its internal service fund rates to be commensurate with costs. Unless the ALSB takes steps to reduce its costs or is authorized to raise its rates, the department will remain noncompliant with state law mandating the rates be commensurate with costs.

Table 1  
**Agency Legal Services**  
**Fund Balance**

Fiscal Year	Ending Fund Balance
2008	(\$91,652)
2009	(160,151)
2010	(191,513)

**Source: Compiled by the Legislative Audit Division.**

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**RECOMMENDATION #3**

*We recommend the department comply with state law requiring internal service fund rates be commensurate with costs.*

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## **Revenue and Expenditure Misclassifications**

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**The department recorded transactions that misclassified revenue and expenditures on the accounting system.**

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State policy defines capital contributions as “Revenue received from the transfer of a capital asset from another fund/business unit or a donated asset from an outside party.” During the audit period, the department processed two transactions that recorded revenue to the capital contributions revenue class. We believe it was not the appropriate revenue class for the situations, both which are infrequent to the department.

In fiscal year 2009 the department received settlement funds and the legal decree required a transfer from one department fund to another. The transfer of invested assets was recorded as capital contribution revenue and other expenditures. State policy includes a revenue class and expenditure type specifically for nonrecurring or nonroutine transfers of equity between funds that do not involve capitalized assets. Since invested assets are not a capitalized asset, we believe the activity fits the transfer description in state policy. Department personnel stated that they were given guidance from the Department of Administration State Accounting Division to record the transaction as capital contributions and other expenditures. See Table 2 for the resulting misstatements.

In fiscal year 2010 the department was party to a settlement agreement that called for the department to receive an amount that was specifically for the reimbursement of legal costs and fees. The department recorded this transaction to the capital contribution revenue class. However, state accounting policy includes a revenue class for amounts received as monetary settlements. Personnel indicated the transaction was recorded near year-end and it had to be recorded to a nonbudgeted revenue account. When settlements funds are received under a different program at the department, the amounts received related to legal reimbursements are recorded as settlement revenue. See Table 2 for the resulting misstatements.

Table 2  
**Revenue/Expenditure Misclassification**

Fiscal Year	Revenue Class/Expenditure Account Level	Amount of Misstatement over/(under)
2009	Capital Contributions	\$5,859,824
2009	Transfers-In	(5,829,824)
2009	Other Expenditures	5,829,824
2009	Transfers-Out	(5,829,824)
2010	Capital contributions	2,837,259
2010	Settlement Revenue	(2,837,259)

**Source: Compiled by the Legislative Audit Division from SABHRS.**

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**RECOMMENDATION #4**

*We recommend the department record transactions related to settlement agreements in accordance with state accounting policy.*

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# **Independent Auditor's Report and Department Financial Schedules**



## LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances & Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Justice for each of the fiscal years ended June 30, 2010, and 2009. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express opinions on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in note 1, these financial schedules are prepared on the basis of Montana state accounting policy, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities, and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances & property held in trust of the Department of Justice for each of the fiscal years ended June 30, 2010, and 2009, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

*/s/ James Gillett*

James Gillett, CPA  
Deputy Legislative Auditor

November 1, 2010





DEPARTMENT OF JUSTICE  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	University Agency Fund
FUND BALANCE: July 1, 2009	\$ 22,852,592	\$ 271,388,350	\$ 397,385	\$ 248,897	\$ 229,614	\$ (160,317)	\$ -	\$ -
PROPERTY HELD IN TRUST: July 1, 2009							\$ -	
ADDITIONS								
Budgeted Revenues & Transfers-In	166,161,986	46,823,598	11,246,316		507,896	1,346,998	(425,478)	
Nonbudgeted Revenues & Transfers-In	5,789	31,380,185	1,807	900,066	190	66	106,648	1,347
Prior Year Revenues & Transfers-In Adjustments	3,226,058	(85,470)	431		27,002		319,190	270
Direct Entries to Fund Balance	(138,419,731)	36,116,547			1,369,854			(1,617)
Total Additions	30,974,102	114,234,860	11,248,554	900,066	1,904,941	1,347,064	360	-
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	32,526,973	44,843,024	11,207,450	430,793	1,784,987	1,344,093		
Nonbudgeted Expenditures & Transfers-Out	(71)	22,187,974	21,151		10,763	33,804		
Prior Year Expenditures & Transfers-Out Adjustments	25,377	381	4,690		(77,418)			
Reductions in Property Held in Trust							360	
Total Reductions	32,552,279	67,031,379	11,233,291	430,792	1,718,332	1,377,897	360	-
FUND BALANCE: June 30, 2010	\$ 21,274,414	\$ 318,591,831	\$ 412,648	\$ 718,170	\$ 416,223	\$ (191,151)	\$ 360	\$ -
PROPERTY HELD IN TRUST: June 30, 2010							\$ (360)	

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF JUSTICE  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund
FUND BALANCE: July 1, 2008	\$ 23,264,441	\$ 182,741,851	\$ 749,738	\$ 1,144,346	\$ 94,874	\$ (91,654)	0
PROPERTY HELD IN TRUST: July 1, 2008							-
ADDITIONS							
Budgeted Revenues & Transfers-In	17,898,234	21,289,829	9,891,772		528,025	1,302,182	973
Nonbudgeted Revenues & Transfers-In	7,853	91,121,505	2,058	930,043	227	112	
Prior Year Revenues & Transfers-In Adjustments	(26,656)	(3,676,655)	81,915		(36)		(973)
Direct Entries to Fund Balance	(146,934,474)	42,947,376	(115)		1,146,940		
Additions to Property Held in Trust			-				11,796,832
Total Additions	32,029,057	151,682,055	9,975,630	930,043	1,675,156	1,302,294	11,796,832
REDUCTIONS							
Budgeted Expenditures & Transfers-Out	32,395,519	44,418,574	10,328,852	1,833,892	1,517,600	1,307,438	
Nonbudgeted Expenditures & Transfers-Out	(1,887)	18,594,222	(25)		18,660	63,520	
Prior Year Expenditures & Transfers-Out Adjustments	47,275	22,760	(844)	(8,400)	4,156		
Reductions in Property Held in Trust		-	-				11,796,832
Total Reductions	32,440,907	63,035,556	10,327,983	1,825,492	154,416	1,370,958	11,796,832
FUND BALANCE: June 30, 2009	22,852,591	271,388,350	397,385	248,897	229,614	(160,318)	-

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional information is provided in the notes to the financial schedules beginning on page A-9.

DEPARTMENT OF JUSTICE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	University Agency Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS									
Licenses and Permits	\$ 110,946,959	\$ 25,379,383			\$ 484,681		\$ 360		\$ 136,811,383
Taxes	52,406,993	3,042,522	\$ 1,295	\$ 66	190	\$ 66			55,451,132
Charges for Services	3,427,392	4,117,288			45,874	1,346,998			8,937,552
Investment Earnings		25,409,781	4,443						25,414,224
Fines and Forfeits	38,876	117,997	12,252						169,125
Monetary Settlements	3,469,073	16,396,149							19,865,222
Capital Contributions		2,837,259							2,837,259
Sale of Documents, Merchandise and Property	(1,014,469)	10,987			4,343				(999,139)
Rentals, Leases and Royalties		3,140							3,140
Grants, Contracts, and Donations		122,918							122,918
Transfers-in		265	2,607,198	900,000					3,507,463
Capital Asset Sale Proceeds	8,561	124,673							133,234
Federal Indirect Cost Recoveries	106,402		55,914						162,316
Miscellaneous	4,045	524,153						\$ 1,617	529,815
Federal		31,798	8,567,452						8,599,250
Total Revenues & Transfers-In	169,393,832	78,118,313	11,248,554	900,066	535,087	1,347,064	360	1,617	261,544,894
Less: Nonbudgeted Revenues & Transfers-In	5,789	31,380,185	1,807	900,066	190	66	106,648	1,347	32,396,098
Prior Year Revenues & Transfers-In Adjustments	3,226,058	(85,470)	431		27,002		319,190	270	3,487,481
Actual Budgeted Revenues & Transfers-In	166,161,986	46,823,598	11,246,316	0	507,895	1,346,998	(425,478)	0	225,661,315
Estimated Revenues & Transfers-In	165,447,855	45,152,433	16,074,487		511,686	1,348,432	(423,478)		228,111,415
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 714,131	\$ 1,671,165	\$ (4,828,171)	\$ 0	\$ (3,791)	\$ (1,434)	\$ (2,000)	\$ 0	\$ (2,450,100)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS									
Licenses and Permits	\$ (39)	\$ (138,087)			\$ (2,791)	\$ (433)	\$ (2,000)		\$ (143,350)
Taxes	(14,046)	(2,808)							(16,854)
Charges for Services	(3,927)	(19,635)			(1,000)	(1,001)			(25,563)
Investment Earnings		(693,331)	\$ (75,426)						(768,757)
Fines and Forfeits	(2,505)	(328,462)	1,065						(329,902)
Monetary Settlements	(1,001)	(829)							(1,830)
Capital Contributions		2,837,258							2,837,258
Sale of Documents, Merchandise and Property	731,417	(1,001)							730,416
Grants, Contracts, and Donations		4,000							4,000
Transfers-in		(1,000)							(1,000)
Capital Asset Sale Proceeds	(1,000)	(9,115)							(10,115)
Federal Indirect Cost Recoveries	5,232		18,414						23,646
Miscellaneous		24,175							24,175
Federal			(4,772,224)						(4,772,224)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 714,131	\$ 1,671,165	\$ (4,828,171)	\$ 0	\$ (3,791)	\$ (1,434)	\$ (2,000)	\$ 0	\$ (2,450,100)

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DEPARTMENT OF JUSTICE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS								
Licenses and Permits	\$ 107,858,478	\$ 9,727,781			\$ 495,714	\$ (34,058)		\$ 118,047,915
Taxes	62,462,475	32,731	\$ 451	43	227	112		62,496,039
Charges for Services	3,779,212	4,445,709			32,275	1,336,240		9,593,436
Investment Earnings		9,334,294	17,446					9,351,740
Fines and Forfeits	71,435	75,778	26,787					174,000
Monetary Settlements	4,144,644	74,880,871						79,025,515
Capital Contributions		5,859,824						5,859,824
Sale of Documents, Merchandise and Property	282,244	30,213						312,457
Transfers-in		3,423,881	2,056,509	930,000				6,410,390
Capital Asset Sale Proceeds	14,752	86,820						101,572
Federal Indirect Cost Recoveries	85,149		36,604					121,753
Miscellaneous	265,142	835,022						1,100,164
Federal		1,755	7,837,948					7,839,703
Total Revenues & Transfers-In	178,982,331	108,734,679	9,975,745	930,043	528,216	1,302,294	0	300,434,508
Less: Nonbudgeted Revenues & Transfers-In	7,853	91,121,505	2,058	930,043	227	112		92,061,798
Prior Year Revenues & Transfers-In Adjustments	(26,656)	(3,676,655)	81,915		(36)		\$ (973)	(3,622,405)
Actual Budgeted Revenues & Transfers-In	178,982,334	21,289,829	9,891,772	0	528,025	1,302,182	973	211,995,115
Estimated Revenues & Transfers-In	162,860,963	20,809,722	14,041,135		141,200	1,350,000	40,000	199,243,020
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 16,121,371	480,107	\$ (4,149,363)	0	\$ 386,825	\$ (47,818)	\$ (39,027)	\$ 12,752,095
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS								
Licenses and Permits	\$ 21,305,273	1,540,251			\$ 394,750		\$ (19,027)	\$ 23,221,247
Taxes	(5,193,044)	6,037					(10,000)	(5,197,007)
Charges for Services	457,615	(2,032,247)			(7,825)	(47,818)	(10,000)	(1,640,275)
Investment Earnings			\$ 885					885
Fines and Forfeits	(71,511)	(1,389,423)	(173,213)					(1,634,147)
Monetary Settlements	148,644	1,630,871						1,779,515
Sale of Documents, Merchandise and Property	(83,135)	9,723			(100)			(73,512)
Transfers-in		50,598	(1,907,472)					(1,856,874)
Capital Asset Sale Proceeds	8,752	10,520						19,272
Federal Indirect Cost Recoveries	(1,635)		(19,296)					(20,931)
Miscellaneous	(449,588)	654,022						204,434
Federal		(245)	(2,050,267)					(2,050,512)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ 16,121,371	480,107	\$ (4,149,363)	0	\$ 386,825	\$ (47,818)	\$ (39,027)	\$ 12,852,095

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DEPARTMENT OF JUSTICE SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT FOR THE FISCAL YEAR ENDED JUNE 30, 2010													
	AGENCY LEGAL SERVICES	CENTRAL SERVICES DIVISION	COUNTY ATTORNEY PAYROLL	DIVISION OF CRIMINAL INVESTIGATION	FORENSIC SCIENCE DIVISION	GAMBLING CONTROL DIVISION	HIGHWAY PATROL DIVISION	INFORMATION TECHNOLOGY SERVICE	LEGAL SERVICES DIVISION	MOTOR VEHICLE DIVISION	OFFICE OF CONSUMER PROTECTION	JUSTICE SYSTEM SUPPORT SERVICE	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT													
Personal Services													
Salaries	\$ 890,335	\$ 779,399		\$ 4,447,577	\$ 2,135,858	\$ 2,276,670	\$ 14,684,970	\$ 1,801,122	\$ 3,649,132	\$ 4,417,658	\$ 431,676	\$ 943,826	\$ 36,458,223
Hourly Wages		(687,538)				103	537	116	145	49			(686,588)
Employee Benefits	248,463	261,804	\$ 22,048	1,640,567	623,520	811,406	8,012,079	575,735	1,066,974	2,147,425	137,279	303,594	15,850,894
Personal Services-Other	(3,892)					8,778							4,886
Other Compensation												5,200	5,200
Total	<u>1,134,906</u>	<u>353,665</u>	<u>22,048</u>	<u>6,088,144</u>	<u>2,759,378</u>	<u>3,096,957</u>	<u>22,697,586</u>	<u>2,376,973</u>	<u>4,716,251</u>	<u>6,565,132</u>	<u>568,955</u>	<u>1,252,620</u>	<u>51,632,615</u>
Operating Expenses													
Other Services	86,237	(1,654,303)		1,473,975	181,289	206,009	1,406,828	371,166	18,486,535	4,702,289	2,904,629	528,197	28,692,851
Supplies & Materials	18,831	20,990		718,584	439,185	102,178	2,406,231	317,475	168,766	914,249	29,899	139,594	5,275,982
Communications	24,394	23,857		256,405	66,375	91,926	661,433	99,417	157,824	1,149,012	45,706	59,307	2,635,656
Travel	3,480	289		284,523	33,116	39,670	569,942	7,546	130,232	75,625	28,164	105,940	1,278,527
Rent	66,565	109,373		650,993	25,638	263,820	592,284	123,071	293,357	645,836	38,243	119,174	2,928,354
Utilities				82,199	136,645		15,519	355		19,772			254,490
Repair & Maintenance	4,240	7,048		244,843	166,586	23,220	722,518	117,055	20,938	79,291	571		1,386,310
Other Expenses	13,207	4,465		276,009	32,110	35,465	285,072	26,401	221,143	67,636	11,262	42,424	1,015,194
Goods Purchased For Resale				331	(647)								(316)
Total	<u>216,954</u>	<u>(1,488,281)</u>		<u>3,987,862</u>	<u>1,080,297</u>	<u>762,288</u>	<u>6,659,827</u>	<u>1,062,486</u>	<u>19,478,795</u>	<u>7,653,710</u>	<u>3,058,474</u>	<u>994,636</u>	<u>43,467,048</u>
Equipment & Intangible Assets													
Equipment		2,431,209		255,131	288,203	79,900	1,664,325	90,135		66,973		13,042	4,888,918
Capital leases - equipment									21,151				21,151
Intangible Assets				44,956									44,956
Total		<u>2,431,209</u>		<u>300,087</u>	<u>288,203</u>	<u>79,900</u>	<u>1,664,325</u>	<u>90,135</u>	<u>21,151</u>	<u>66,973</u>		<u>13,042</u>	<u>4,955,025</u>
Capital Outlay													
Total													
Local Assistance													
From State Sources			2,594,724			1,996,972							4,591,696
Total			<u>2,594,724</u>			<u>1,996,972</u>							<u>4,591,696</u>
Grants													
From State Sources												913,050	913,050
From Federal Sources												4,507,735	4,507,735
From Other Sources												50,000	50,000
Total												<u>5,470,785</u>	<u>5,470,785</u>
Benefits & Claims													
To Individuals									1,170,904		77,050		1,247,954
Total									<u>1,170,904</u>		<u>77,050</u>		<u>1,247,954</u>
Transfers-out													
Fund transfers										923,729		1,399,639	2,323,368
Total										<u>923,729</u>		<u>1,399,639</u>	<u>2,323,368</u>
Debt Service													
Loans									8,774	450,235			459,009
Capital Leases				7,236									7,236
Installment Purchases					150,579	960							151,539
Total				<u>7,236</u>	<u>150,579</u>	<u>960</u>			<u>8,774</u>	<u>450,235</u>			<u>617,784</u>
Other Post Employment Benefits													
Other Post Employment Benefits	37,696												37,696
Total	<u>37,696</u>												<u>37,696</u>
Total Expenditures & Transfers-Out	\$ <u>1,389,556</u>	\$ <u>1,296,593</u>	\$ <u>2,616,772</u>	\$ <u>10,383,329</u>	\$ <u>4,278,457</u>	\$ <u>5,937,077</u>	\$ <u>31,021,738</u>	\$ <u>3,529,594</u>	\$ <u>25,395,875</u>	\$ <u>15,659,779</u>	\$ <u>3,704,479</u>	\$ <u>9,130,722</u>	\$ <u>114,343,971</u>
EXPENDITURES & TRANSFERS-OUT BY FUND													
General Fund	\$ 32,313	\$ 495,296	\$ 2,616,772	\$ 5,445,764	\$ 3,531,756		\$ 1,566,297	\$ 3,392,694	\$ 5,497,104	\$ 7,560,822		\$ 2,413,461	\$ 32,552,279
State Special Revenue Fund		729,203		3,126,084	308,006	4,816,187	28,142,059	121,229	18,894,763	7,101,764	3,704,479	87,605	67,031,379
Federal Special Revenue Fund				1,811,481	438,695		1,313,382	2,268	1,004,008	33,801		6,629,656	11,233,291
Capital Projects Fund										430,793			430,793
Enterprise Fund		58,000				1,120,890		6,843		532,599			1,718,332
Internal Service Fund	1,357,243	14,094						6,560					1,377,897
Total Expenditures & Transfers-Out	<u>1,389,556</u>	<u>1,296,593</u>	<u>2,616,772</u>	<u>10,383,329</u>	<u>4,278,457</u>	<u>5,937,077</u>	<u>31,021,738</u>	<u>3,529,594</u>	<u>25,395,874</u>	<u>15,659,779</u>	<u>3,704,479</u>	<u>9,130,722</u>	<u>114,343,971</u>
Less: Nonbudgeted Expenditures & Transfers-Out	33,804					10,763			18,470,913	850,953	2,837,259	49,929	22,253,621
Prior Year Expenditures & Transfers-Out Adjustments		61		(9,892)	(19,602)	808	19,149	30,089	9,937	(73,256)	(4,263)		(46,969)
Actual Budgeted Expenditures & Transfers-Out	<u>1,355,752</u>	<u>1,296,532</u>	<u>2,616,772</u>	<u>10,393,221</u>	<u>4,298,059</u>	<u>5,925,506</u>	<u>31,002,589</u>	<u>3,499,505</u>	<u>6,915,025</u>	<u>14,882,082</u>	<u>871,483</u>	<u>9,080,793</u>	<u>92,137,319</u>
Budget Authority	1,474,461	2,075,567	2,669,528	13,365,035	4,533,926	7,371,623	32,345,188	4,006,845	8,326,749	24,354,338	11,512,905	19,531,876	131,568,041
Unspent Budget Authority	\$ <u>118,709</u>	\$ <u>779,035</u>	\$ <u>52,756</u>	\$ <u>2,971,814</u>	\$ <u>235,867</u>	\$ <u>1,446,117</u>	\$ <u>1,342,599</u>	\$ <u>507,340</u>	\$ <u>1,411,724</u>	\$ <u>9,472,256</u>	\$ <u>10,641,422</u>	\$ <u>10,451,083</u>	\$ <u>39,430,722</u>
UNSPENT BUDGET AUTHORITY BY FUND													
General Fund	\$ 0	\$ 357,615	\$ 52,756	\$ 306,115	\$ 46,711		\$ 61,014	\$ 135,996	\$ 738,733	\$ 358,488		\$ 66,743	\$ 2,124,171
State Special Revenue Fund		421,420		662,937	7,539	1,441,134	544,424	553	462,455	2,137,840	10,641,422	128,252	16,447,976
Federal Special Revenue Fund				2,002,762	181,617		737,161	370,791	210,536	1,208,378		10,256,088	14,967,333
Capital Projects Fund										5,749,679			5,749,679
Enterprise Fund						4,983				17,871			22,854
Internal Service Fund	118,709												118,709
Unspent Budget Authority	\$ <u>118,709</u>	\$ <u>779,034</u>	\$ <u>52,756</u>	\$ <u>2,971,814</u>	\$ <u>235,867</u>	\$ <u>1,446,117</u>	\$ <u>1,342,599</u>	\$ <u>507,340</u>	\$ <u>1,411,724</u>	\$ <u>9,472,256</u>	\$ <u>10,641,422</u>	\$ <u>10,451,083</u>	\$ <u>39,430,722</u>

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DEPARTMENT OF JUSTICE  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	AGENCY LEGAL SERVICES	CENTRAL SERVICES DIVISION	COUNTY ATTORNEY PAYROLL	DIVISION OF CRIMINAL INVESTIGATION	FORENSIC SCIENCE DIVISION	GAMBLING CONTROL DIVISION	HIGHWAY PATROL DIVISION	INFORMATION TECHNOLOGY SERVICE	LEGAL SERVICES DIVISION	MOTOR VEHICLE DIVISION	OFFICE OF CONSUMER PROTECTION	JUSTICE SYSTEM SUPPORT SERVICE	TOTAL
Personal Services													
Salaries	\$ 827,031	\$ 754,055		\$ 4,183,315	\$ 2,203,068	\$ 2,240,191	\$ 13,631,000	\$ 1,709,572	\$ 3,529,062	\$ 4,324,846	\$ 341,196	\$ 941,471	34,684,807
Other Compensation												5,600	5,600
Hourly Wages						20	221	1,242		30,000			31,483
Employee Benefits	235,789	246,841	\$ 5,812	1,491,602	620,012	767,427	7,268,386	534,250	1,029,596	2,072,595	108,930	296,936	14,678,176
Personal Services-Other	16,995	(6,884)				12,620							22,731
Total	1,079,815	994,012	5,812	5,674,917	2,823,080	3,020,258	20,899,607	2,245,064	4,558,658	6,427,441	450,126	1,244,007	49,422,797
Operating Expenses													
Other Services	120,217	54,734		2,402,206	198,003	243,370	1,663,817	1,435,298	9,101,354	6,384,485	51,890	292,429	21,947,803
Supplies & Materials	10,711	12,816		450,468	523,369	45,611	2,055,094	474,341	100,058	545,519	25,584	43,196	4,286,767
Communications	14,659	12,199		160,345	38,016	67,964	532,403	76,773	98,253	573,253	22,309	33,106	1,629,280
Travel	6,952	1,127		305,932	56,463	69,635	632,105	7,038	166,096	66,642	12,441	123,742	1,448,173
Rent	61,647	64,895		584,259	34,946	256,664	551,607	114,060	238,636	677,781	66,074	110,803	2,761,372
Utilities		64		124,875	144,590	21	16,316	1,280	316	21,758			309,220
Repair & Maintenance	4,053	9,236		347,723	208,953	25,967	531,300	38,563	22,784	96,448	1,823		1,286,850
Other Expenses	8,430	5,206		268,309	46,466	72,521	268,608	38,699	5,977,721	53,088	18,629	19,935	6,777,612
Goods Purchased For Resale				10,988	5,500								16,488
Total	226,669	160,277		4,655,105	1,256,306	781,753	6,251,250	2,186,052	15,705,218	8,418,974	198,750	623,211	40,463,564
Equipment & Intangible Assets													
Equipment				360,993	208,819	73,522	1,831,363	234		16,997			2,491,928
Intangible Assets							189,421						189,421
Total				360,993	208,819	73,522	2,020,784	234		16,997			2,681,349
Capital Outlay													
Land & Interest In Land									265,300				265,300
Total									265,300				265,300
Local Assistance													
From State Sources			2,381,377			1,961,324							4,342,701
Total			2,381,377			1,961,324							4,342,701
Grants													
From State Sources												1,160,972	1,160,972
From Federal Sources												3,900,185	3,900,185
Total												5,061,157	5,061,157
Benefits & Claims													
To Individuals									1,260,838		1,600,698		2,861,536
Total									1,260,838		1,600,698		2,861,536
Transfers-out													
Fund transfers									3,359,284	930,000		341,265	4,630,549
Total									3,359,284	930,000		341,265	4,630,549
Debt Service													
Loans									51,283	617,286			668,569
Capital Leases				7,235									7,235
Installment Purchases					86,191	1,440							87,631
Total				7,235	86,191	1,440			51,283	617,286			763,435
Other Post Employment Benefits													
Other Post Employment Benefits	48,923												48,923
Total	48,923												48,923
Total Expenditures & Transfers-Out	\$ 1,355,407	\$ 1,154,289	\$ 2,387,189	\$ 10,698,250	\$ 4,374,396	\$ 5,838,298	\$ 29,171,641	\$ 4,431,350	\$ 25,200,581	\$ 16,410,698	\$ 2,249,574	\$ 7,269,640	110,541,312
EXPENDITURES & TRANSFERS-OUT BY FUND													
General Fund		\$ 423,664	\$ 2,387,189	\$ 5,806,303	\$ 3,782,759	\$ 993	\$ 1,545,587	\$ 3,191,397	\$ 5,455,600	\$ 7,540,918		\$ 2,306,497	32,440,907
State Special Revenue Fund		668,327		3,668,845	352,902	4,671,656	26,067,795	121,781	18,688,608	6,360,905	\$ 2,249,574	185,163	63,035,556
Federal Special Revenue Fund				1,223,102	238,735		1,558,259	1,104,851	1,056,373	368,683		4,777,980	10,327,983
Capital Projects Fund										1,825,492			1,825,492
Enterprise Fund		53,267				1,165,648		6,801		314,700			1,540,416
Internal Service Fund	\$ 1,355,407	9,031						6,520					1,370,958
Total Expenditures & Transfers-Out	1,355,407	1,154,289	2,387,189	10,698,250	4,374,396	5,838,298	29,171,641	4,431,350	25,200,581	16,410,698	2,249,574	7,269,640	110,541,313
Less: Nonbudgeted Expenditures & Transfers-Out	65,813	(7,022)		(974)	(347)	22,954	(3,962)	(278)	17,694,642	853,913	(34)	49,787	18,674,492
Prior Year Expenditures & Transfers-Out Adjustments		(2,778)		(4,231)	(869)	18,634	17,553	(1,215)	(22,575)	60,427			64,946
Actual Budgeted Expenditures & Transfers-Out	1,289,594	1,164,089	2,387,189	10,703,455	4,375,612	5,796,709	29,158,050	4,432,843	7,528,514	15,496,358	2,249,608	7,219,853	91,801,874
Budget Authority	1,380,876	2,182,002	2,437,184	12,556,456	4,532,726	7,200,367	32,464,199	4,942,621	11,299,603	30,034,757	3,014,702	32,278,399	144,323,892
Unspent Budget Authority	\$ 91,282	\$ 1,017,913	\$ 49,995	\$ 1,853,001	\$ 157,114	\$ 1,403,658	\$ 3,306,149	\$ 509,778	\$ 3,771,089	\$ 14,538,399	\$ 765,094	\$ 25,058,546	52,522,018
UNSPENT BUDGET AUTHORITY BY FUND													
General Fund		\$ 207,178	\$ 49,995	\$ 106,812	\$ 61,715	\$ 1	\$ 29,159	\$ 137,863	\$ 2,743,995	\$ 237,539		\$ 122,592	3,696,849
State Special Revenue Fund		534,095		1,044,190	10,302	1,387,048	2,399,055		326,058	7,050,200	\$ 765,094	11,822	13,527,864
Federal Special Revenue Fund		234,617		701,999	85,097		877,935	371,915	701,036	798,764		24,924,132	28,695,495
Capital Projects Fund										6,180,470			6,180,470
Enterprise Fund		42,023				16,609				271,426			330,058
Internal Service Fund	\$ 91,282												91,282
Unspent Budget Authority	\$ 91,282	\$ 1,017,913	\$ 49,995	\$ 1,853,001	\$ 157,114	\$ 1,403,658	\$ 3,306,149	\$ 509,778	\$ 3,771,089	\$ 14,538,399	\$ 765,094	\$ 25,058,546	52,522,018

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.  
Additional informations provided in the notes to the financial schedules beginning on page A-9.



## Department of Justice Notes to the Financial Schedules For the Two Fiscal Years Ended June 30, 2010

### 1. Summary of Significant Accounting Policies

#### **Basis of Accounting**

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, Capital Projects). In applying the modified accrual basis, the department records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the department to record the cost of employees' annual and sick leave when used or paid.

The department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) and Fiduciary (Agency) fund categories. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

#### **Basis of Presentation**

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment. In order to reflect the total operations of the department, the administratively attached Crime Control Division is combined on the financial schedules with the Department of Justice. Each is reflected separately on the state's accounting system.

The department uses the following funds:



## Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund. Significant General fund activity for the department includes motor vehicle and legal services.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Department State Special Revenue Funds include Highway Patrol operations, collections of gambling license revenues, Montana Law Enforcement Academy operations, Natural Resources Damage Litigation Program, Consumer Protection Program, and Motor Vehicle Information Technology System account. Beginning in fiscal year 2010 the department established a new State Special Revenue Fund to account for the Montana Mental Health Settlement Trust.
- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department Federal Special Revenue Funds include Federal Crime Victims Benefits, Medicaid Fraud Control Unit, Juvenile Justice, Juvenile Assistance and Violence against Women.
- ♦ **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The department uses this fund to account for the costs related to developing the information technology system related to the production and maintenance of motor vehicle title and registration records and driver's license records.

## Proprietary Fund Category

- ♦ **Internal Service Fund** – to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. The department Internal Service Funds is for the Agency Legal Services Bureau, which provided requested legal services to other state agencies.
- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Department Enterprise Funds include MVD State Information Portal, MVD Electronic Commerce, and the Liquor Division, which is used to fund part of the Gambling Division's operations, and is administered by the Department of Revenue.

## **Fiduciary Fund Category**

- ♦ **Agency Fund** – to account for resources held by the state in a custodial capacity. Agency funds may be used on a limited basis for internal to the State clearing account activity but these must have a zero balance at fiscal year-end. The department agency funds include county collections.

## **2. General Fund Balance**

The department has authority to pay obligations from the statewide General Fund within its appropriation limits. The department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund balances for each of the fiscal years ended June 30, 2010, and June 30, 2009. These balances reflect the results of the activity of the department and not the fund balance of the statewide General Fund.

## **3. Direct Entries to Fund Balance**

Most direct entries to fund balances in the General, Special Revenue and Enterprise funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

## **4. Agency Fund Activity**

In April 2009, the department implemented a new motor vehicle computer system (MERLIN), however the revenue reporting module was not fully functional. At June 30, 2009, department personnel recorded a liability in the agency fund for an estimate of the amounts owed to other business units including the university system. The reconciliation of fiscal year 2009 revenues received was not completed until June 2010. All but \$360 of the amounts recorded as revenue, prior year revenue and nonbudgeted revenues on the Schedule of Changes in Fund Balance & Property Held in Trust in the Agency Fund for fiscal year 2010 relates to this revenue and reversal of the accrual recorded after the reconciliation was complete.

## **5. Change in Revenue Activity**

In fiscal year 2010, related to the full implementation of the MERLIN system, approximately \$13.2 million of State Special Revenue Fund revenue is now being recorded on the department's accounting records. This revenue has been collected by the department for a number of years but was previously recorded on several different agencies' accounting records instead of the department's. Of the \$13.2 million, approximately \$10.2 million is in the licenses and permits revenue class and \$3.0 million is in the taxes revenue class on the Schedule of Revenues and Transfers-In.



DEPARTMENT OF JUSTICE

DEPARTMENT RESPONSE



STATE OF MONTANA

Steve Bullock  
Attorney General



B-1  
Department of Justice  
215 North Sanders  
PO Box 201401  
Helena, MT 59620-1401

December 10, 2010

RECEIVED

DEC 10 2010

LEGISLATIVE AUDIT DIV.

Tori Hunthausen  
Legislative Auditor  
Legislative Audit Division

Dear Tori:

The Department of Justice and the Crime Control Division thank your audit team for their professionalism while conducting this financial compliance audit. The audit provides valuable and timely information for us to evaluate our programs and accounting processes.

Following are the responses to the audit recommendations presented in your audit report for the two fiscal years ended June 30, 2010.

Recommendation #1

**We recommend the department maintain complete and accurate records of ammunition distributions.**

We concur. The MHP has internal control procedures for tracking the distribution of ammunition and was able to find all of the documentation and account for the entire 155,000 rounds of ammunition undocumented during the financial compliance audit. We will ensure that these records are kept on file in an organized and accessible manner in the future.

Recommendation #2

**We recommend the department establish procedures at Gambling Control Division to ensure proper segregation of duties and deposits are made in the time period required by state law.**

We concur. The GCD has implemented a check log to document receipt of incoming checks and processes have been reviewed, evaluated and modified to ensure deposits are made within established state law and policy.

Recommendation #3

**We recommend the department comply with state law requiring internal service fund rates be commensurate with costs.**

We concur. The department will continue to streamline services and manage contracts within the ALSB. Adjusted rates will be presented for consideration to the 2013 Legislature.

Recommendation #4

**We recommend the department record transactions related to settlement agreements in accordance with state accounting policy.**

We concur. Department accountants will continue to make every effort to insure that proper accounting procedures will be used to account for settlement agreements in accordance with state policy.

Sincerely,

A handwritten signature in black ink, appearing to be "Steve Bullock", with a long horizontal flourish extending to the right.

Steve Bullock  
Attorney General

SB:sj