



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

LEGISLATIVE AUDIT  
DIVISION

2011-2013

ALL AUDITS

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# *Legislative Resource Book on Audit Issues*

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*Summaries of Issues Identified  
and Disclosed in All Audits Issued  
Between January 1, 2011 and  
January 1, 2013*

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JANUARY 2013

**LEGISLATIVE AUDIT  
DIVISION STAFF**

TORI HUNTHAUSEN,  
LEGISLATIVE AUDITOR

CAROLYN ARRINGTON  
LISA BLANFORD  
DAVID BRAMMER  
DEBORAH BUTLER  
SARAH CARLSON  
JEANE CARSTENSEN-GARRETT  
JEFF CLARKE  
MEGAN C. COY  
CHRIS G. DARRAGH  
STEVEN E. ERB  
JENNY ERDAHL  
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NATALIE GIBSON  
TATIYANA GROTHO  
KATHERINE GUENTHER  
JOHN HARRINGTON  
ANN HERNANDEZ  
ROSS JOHNSON  
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KAREN E. SIMPSON  
WILLIAM SOLLER  
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ZAC YATES

**LEGISLATIVE AUDIT COMMITTEE**

The Legislative Audit Committee is a bicameral and bipartisan standing 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. A member of the committee shall serve until the member's term as a legislator ends or until a successor is appointed, whichever occurs first.

**CURRENT MEMBERS**

**REPRESENTATIVES**

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RANDY BRODEHL  
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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)  
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03/1991 SENATOR GREG JERGESON (D)  
05/1989 REPRESENTATIVE JOHN COBB (R)  
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12/1984 SENATOR MATT HIMSL (R)  
03/1983 REPRESENTATIVE KATHLEEN McBRIDE (D)  
01/1981 SENATOR MATT HIMSL (R)  
03/1979 SENATOR MATT HIMSL (R)  
02/1977 REPRESENTATIVE HAROLD GERKE (D)

# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors  
Cindy Jorgenson  
Angus Maciver

January 2013

The 63<sup>rd</sup> Montana State Legislature:

Welcome members of the 63<sup>rd</sup> Montana State Legislature.

This document is a biennial compilation of audit report summaries, for audits issued since the 62<sup>nd</sup> legislative session and is divided into sections comprised of like-function agencies, similar to the legislative subcommittee structure.

As legislators and administrators try increasingly to allocate public resources effectively and make government work more efficiently, the need for independent, objective, fact-based evaluations of the stewardship, performance, and cost of government policies, programs, and operations is essential.

It is the responsibility of the Legislative Audit Division to conduct financial and compliance, performance, and information systems audits of state agencies or their programs, including the university system.

The highly qualified staff of the Legislative Audit Division provide vital information to stakeholders and the public through its audit reports. It is the mission of the office to conduct independent audits, and provide factual and objective information to the legislative and executive managers of the public trust, while providing useful recommendations that help legislators and others make informed decisions.

We hope this document provides useful resourceful information. Please feel free to contact us any time we can be of assistance, during session or during the interim.

Respectfully submitted,

Tori Hunthausen, CPA  
Legislative Auditor  
Capitol Building, Room 160  
(406) 444-3122  
thunthausen@mt.gov



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# LEGISLATIVE AUDIT DIVISION

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Tori Hunthausen, Legislative Auditor  
Deborah F. Butler, Legal Counsel



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Cindy Jorgenson  
Angus Maciver

The Legislative Audit Division is one of the three permanently staffed divisions of the Legislative Branch of Montana. 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.

The Legislative Audit Committee is a bicameral and bipartisan standing 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.

As legislators and administrators try increasingly to allocate public resources effectively and make government work more efficiently, the need for independent, objective, fact-based evaluations of the stewardship, performance, and cost of government policies, programs, and operations is essential. The Legislative Auditor and staff have the statutory authority to examine, at any time, all the books, accounts, and records, confidential or otherwise, of a state agency. It is the responsibility of the Legislative Audit Division to conduct financial and compliance, performance, and information system audits of state agencies or their programs, including the university system, in accordance with Governmental Auditing Standards.

Any member of the Legislature may request an audit by the Legislative Auditor of activity of state government. In addition, the Legislative Auditor and staff shall assist any member of the Legislature, its committees, and its members by gathering and analyzing information when requested.

The Legislative Audit Division is comprised of administrative staff and three operational components:

- ◆ Financial and Compliance Audits
- ◆ Information Systems Audits
- ◆ Performance Audits

### **Financial and Compliance Audits**

Financial and Compliance audits determine if an agency's financial operations are properly conducted; if the agency has complied with applicable laws and regulations; and if the financial reports are presented fairly. Financial and compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The primary objectives of financial-compliance audits are to ascertain that agencies:

- 1) Make expenditures only in furtherance of authorized activities and in accordance with the requirements of applicable laws and regulations.
- 2) Collect and account properly for all revenues and receipts arising from their activities.
- 3) Maintain adequate safeguards and accountability for assets in their custody.
- 4) Submit reports and financial statements to the Governor, the Legislature, and central control agencies which disclose fully the nature and scope of the activities conducted, and provide a proper basis for evaluating the agencies' operations.

### **Information Systems Audits**

Information Systems audits are designed to assess controls in an information system (IS) environment. With the increase in computerization of state government, IS controls provide assurance over the accuracy, reliability, and integrity of the information processed. From the audit work a determination is made as to whether controls exist and are operating as designed. Controls are examined to determine whether assets are adequately safeguarded and to determine the reliability of computer-generated information and reports.

Information Systems audits include an annual audit of the state's information processing facility and Statewide Accounting, Budgeting and Human Resource System (SABHRS). Information Systems audit staff also audit state departments' data processing functions and participate in planning and conducting work on various financial-compliance and performance audits. Members of the IS audit staff hold degrees in disciplines including business, accounting, education, computer science, mathematics, political science, and public administration.

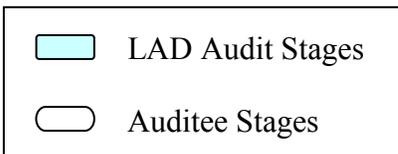
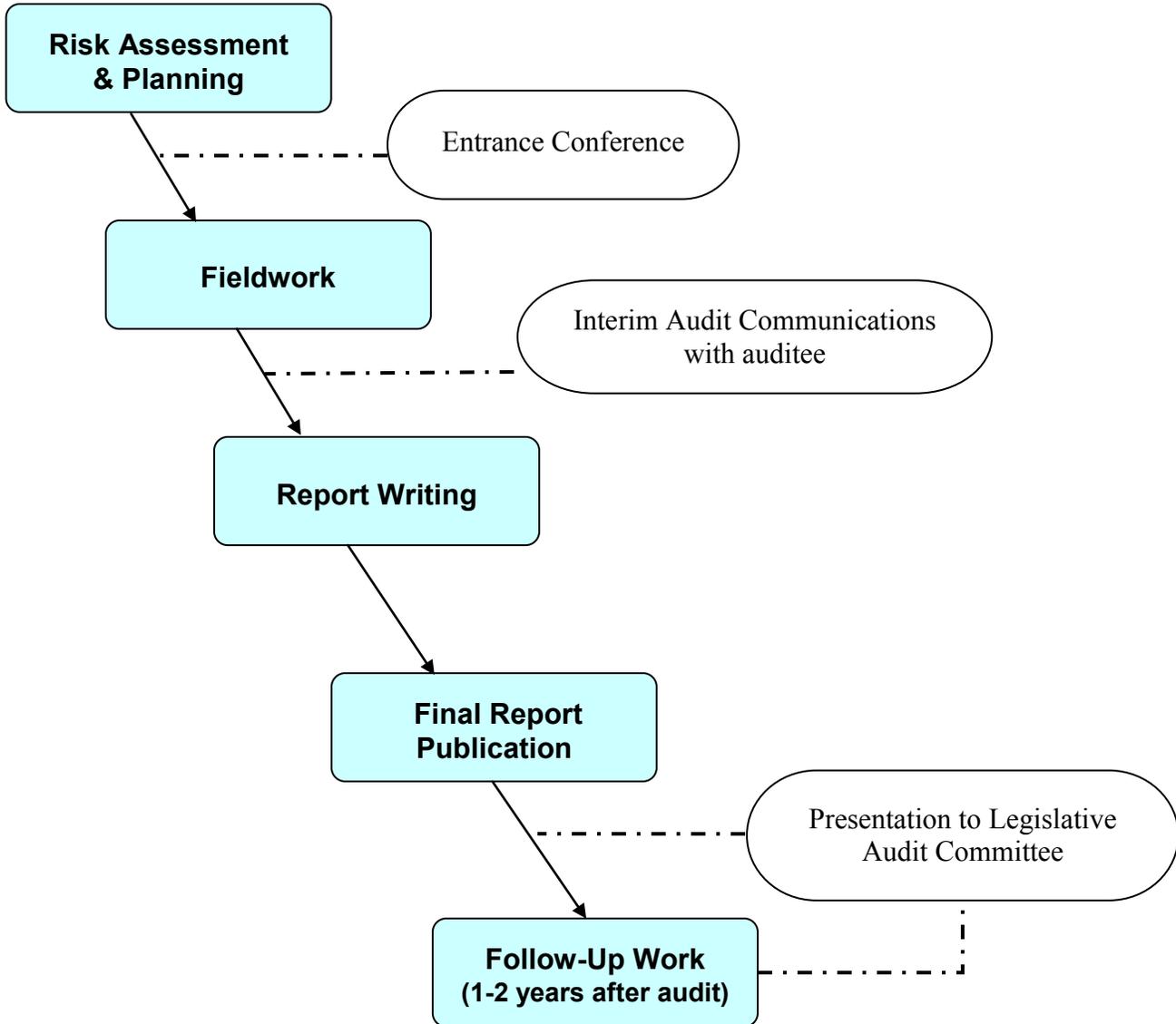
### **Performance Audits**

Performance audits assess the effectiveness and efficiency of the operations of state government. In order to fulfill this purpose the members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, journalism, accounting, economics, sociology, finance, political science, English, anthropology, international relations/security, and chemistry.

The performance audit process starts with a review of statutory directives and program goals and objectives. Audit criteria are established and the program is evaluated in relation to whether statutory directives are met and associated goals achieved. The program is also evaluated to determine if directives and goals can be achieved with greater efficiency and economy while being properly controlled and managed.

# Audit Process

Audits are conducted in accordance with generally accepted government auditing standards set forth by the United States Government Accountability Office (GAO). Audits progress through the following distinct stages:



## Agency Groupings

### GENERAL GOVERNMENT

Legislative Branch  
Consumer Counsel  
Governor's Office  
Secretary of State  
Commissioner of Political Practices  
State Auditor  
Revenue  
Administration  
Commerce  
Labor & Industry  
Military Affairs

### HEALTH AND HUMAN SERVICES

Public Health and Human Services

### NATURAL RESOURCES AND TRANSPORTATION

Fish, Wildlife and Parks  
Environmental Quality  
Livestock  
Natural Resources and Conservation  
Agriculture  
Transportation

### CORRECTIONS AND PUBLIC SAFETY

Judiciary  
Crime Control Division  
Justice  
Public Service Regulation  
Office of Public Defender  
Corrections

### EDUCATION

Office of the Commissioner of Higher  
Education/Board of Regents  
Office of Public Instruction  
Board of Public Education  
School for the Deaf and Blind  
Montana Arts Council  
State Library Commission  
Montana Historical Society  
University Units and College of Technology  
Community Colleges  
Agricultural Experiment Station  
Extension Service  
Forestry and Conservation Experiment Station  
Bureau of Mines & Geology  
Fire Services Training School