

Legislative Audit Division

Report Summary

Department of Environmental Quality

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 2004 Audit # 04-16

We performed a financial-compliance audit of the Department of Environmental Quality (department) for the two fiscal years ended June 30, 2004. The department implemented four and partially implemented two of the six prior audit recommendations.

This report contains nine recommendations where the department could improve accounting and enhance compliance with state policies and laws.

We issued a qualified opinion on the financial schedules contained in this report. The opinion on page A-3 discusses reclamation bond misstatements in the agency fund. The reader should use caution when analyzing the presented financial information and the supporting data on the Statewide Accounting, Budgeting, and Human Resources System (SABHRS).

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendaton #1 We recommend the department record supplemental environmental project revenue and expenditures in accordance with state policy. Page 6.

Department Response: Concur. See page B-4.

Recommendaton #2 We recommend the department:

- A. Develop a policy for communicating settlements to the Office of Financial Services.
- B. Record all equipment and buildings awarded to it through settlements on the accounting records as required by state accounting policy. Page 6.

Department Response: Concur. See page B-4.

Recommendaton #3 We recommend the department record the reclamation bond, principal and interest, if applicable, in the private-purpose trust fund in accordance with state accounting policy. Page 8.

Department Response: Concur. See page B-4.

Recommendaton #4 We recommend the department properly record deferred revenue received for mine reclamation. Page 8.

Department Response: Concur. See page B-5.

Recommendaton #5 We recommend the department make correcting entries for the outstanding balances in the federal special revenue, state special revenue, and general funds. Page 10.

Department Response: Concur. See page B-5.

Recommendaton #6 We recommend the department:

- A. Revise its policy to require each unit to submit cash collections to the office of Financial Services on a daily basis.
- B. Deposit cash collections in accordance with state law. Page 10.

Department Response: Concur. See page B-6.

Recommendaton #7 We recommend the department accurately record and monitor its revenue estimates. Page 12.

Department Response: Concur. See page B-6.

Recommendaton #8 We recommend the department develop outcome measures for the Alternative Energy System Loan Program as required by section 75-25-103, MCA. Page 12.

Department Response: Concur. See page B-7.

Recommendaton #9 We recommend the department establish fees that are commensurate with costs for the review of public water or sewage system plans and specifications as required by section 75-6-108(3), MCA. Page 13.

Department Response: Concur. See page B-7