



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Department of Labor and Industry

For the Two Fiscal Years Ended June 30, 2009

NOVEMBER 2009

09-15

REPORT SUMMARY

The Department of Labor & Industry received American Recovery & Reinvestment Act funds during fiscal year 2008-09 in support of its Unemployment Insurance (UI) Program. UI benefits during fiscal year 2008-09 exceeded \$234 million, a 259 percent increase over the prior year.

Context

The department operates as part of a national employment, unemployment insurance, and training system. In addition, it is charged with enforcing labor laws and providing services to industry, including professional and occupational licensing.

The department classifies its expenditure activity in seven expenditure programs. The two largest of these are the Unemployment Insurance Division and Workforce Services Division. These two divisions employ just over 56 percent of the department's full-time equivalent employees and accounted for almost 89 percent of the department's fiscal year 2008-09 expenditures.

The department experienced significant increases in UI claims activity beginning in fiscal year 2007-08 and continuing through fiscal year 2008-09.

Not only does the department have a presence in Montana communities through the unemployment benefits it distributes, but also through its workforce centers.

Results

One of the report sections related to UI concerns a federally mandated function that includes review of UI claims decisions for compliance with state and federal law. At the end of January 2009, department management redirected all employees from this function to assist with processing UI claims activity,

which increased the risk of undetected errors in UI claims processed during the remainder of the year.

Two report sections discuss internal control issues related to personal services, travel, and procurement. Department employees did not follow established control procedures, which resulted in the department erroneously charging expenditures to various state and federal programs. Because department employees were not following established procedures, there is a high risk that there are more errors than those we identified. These issues affect all of the department's programs and funding sources. We believe the costs erroneously charged to federal assistance programs exceeded \$10,000.

Expenditures erroneously charged to federal programs are at risk of being denied for federal reimbursement. The federal government has been informed of these charges and may request reimbursement from the department.

Recommendation Concurrence	
Concur	9
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the website at <http://leg.mt.gov/audit>. Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE Call toll-free 1-800-222-4446, or e-mail lad@mt.gov.