



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL AUDIT

Montana Water Pollution Control and Drinking Water State Revolving Fund Programs

Department of Environmental Quality
Department of Natural Resources and Conservation
For the Fiscal Year Ended June 30, 2008

FEBRUARY 2009

09-25

REPORT SUMMARY

The State of Montana Water Pollution Control and Drinking Water State Revolving Fund (SRF) programs provide lower than market interest rate loans to build wastewater treatment facilities and drinking water treatment facilities. As of June 30, 2008 the State Revolving Program had 263 outstanding loans to 118 participants. Our audit identified a weakness in the programs internal controls over financial reporting.

Context

The SRF programs are jointly administered by the Department of Natural Resources and Conservation and the Department of Environmental Quality.

The SRF program is funded by grants from the federal Environmental Protection Agency (EPA) and matching funds from the state of Montana. The EPA requires an annual audit of the programs financial statements. As of June 30, 2008, the EPA has awarded grants of \$126,884,365 to the state of Montana for the water pollution control program; \$230,681,347 has been drawn from federal and state funds for loans and administrative expenses. As of June 30, 2008, the EPA has awarded grants of \$102,206,788 to the State of Montana for the drinking water program; \$118,689,924 has been drawn from federal and state funds for loans and administrative expenses. Montana has issued general obligation bonds, RANs, and BANs totaling \$25,490,000 for use as state matching funds for the water pollution control program and \$16,095,000 for use as state matching funds in the drinking water program.

Results

While performing the audit over the financial statements and the related notes, we considered agency internal controls and their ability to ensure complete and accurate financial reporting. The SRF programs did not accurately compile its notes to the financial statements which we determined to be attributable to a weakness in internal controls over the preparation of the notes to the financial statements.

For further information on the recommendation related to the control issue identified in this audit, please refer to the 08-16, Department of Environmental Quality financial compliance audit.

| Recommendation Concurrence | |
|----------------------------|---|
| Concur | 1 |
| Partially Concur | 0 |
| 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.