

FINANCIAL-COMPLIANCE

Department of Administration

For the Two Fiscal Years Ended June 30, 2010

NOVEMBER 2010

10-13

REPORT SUMMARY

The Department of Administration (department) is crucial to state government in that it is responsible for providing the following services to other state agencies: accounting and financial reporting, payroll and employee benefits, warrant writing, capitol complex maintenance, state treasury, insurance and risk management, information systems development, personnel management, purchasing, statewide leasing, and surplus property administration.

Context

The department is fairly unique in that it accounts for activity from nearly every funding source applicable to a government. The department is heavily funded through internal service, enterprise, capital projects, debt service, federal special revenue and general funds, the largest of which are the internal service funds.

In fiscal years 2009-10 and 2008-09, the department received revenues from internal service fund operations of approximately \$230.1 million and \$220.6 million, respectively. Department internal service funds include: Information Technology Services Division; Intergovernmental Training; Rent and Maintenance; Print & Mail Services; Central Stores; Agency Insurance; Management Services; Group Benefits; Payroll; Warrant Writing; Statewide Accounting, Budgeting, and Human Resources System; and Workers' Compensation Management. We reviewed the rates charged for each internal service fund as required by §17-8-101(6), MCA.

Results

The report contains six recommendations related to Voluntary Employees' Beneficiary Association (VEBA) expenses, fund balance classification errors, accounting errors, Davis-Bacon Act requirements, internal service fund fees commensurate with costs, and state compliance issues. This report also contains a disclosure issue related to cost allocations for general and automobile liability insurance, and rent and maintenance.

Our prior audit report for the two fiscal years ended June 30, 2008, contained 11 recommendations. The department implemented four, partially implemented five, and did not implement two. The recommendations not implemented relate to unconstitutional payments from the General Fund and rent and maintenance fees commensurate with costs.

The unconstitutional payments from the General Fund has been included in our last two audit reports. The issue still exists but we are not making a further recommendation in this report.

The second recommendation has also been included in our prior two audit reports and the department has not fully reimbursed the group benefits internal service fund for VEBA administrative costs.

The disclosure issue related to the cost allocations for general and automobile liability insurance, and rent and maintenance is included for the purpose of providing information to the Legislature and we do not make any recommendation.

Recommendation Concurrence	
Concur	5
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.