

FINANCIAL-COMPLIANCE

Department of Natural Resources and Conservation

For the Two Fiscal Years Ended June 30, 2010

OCTOBER 2010

10-17

REPORT SUMMARY

The Department of Natural Resources and Conservation (DNRC) manages trust lands totaling over 5.1 million surface acres, 6.2 million mineral acres, and 6,000 miles of navigable waterways. DNRC establishes statewide forestry programs and provides wildfire suppression on over 50 million acres of state and private property; manages several loan and grant programs for local communities, local governments, state agencies and private citizens; issues drilling permits and classifies and inspects wells for the state's oil and gas programs; and manages and maintains the state-owned dams, reservoirs, and canals.

Context

DNRC categorizes its expenditures in seven expenditure programs, the largest of which (Trust Funds) reflects the transfer of trust earnings to the beneficiaries of the twelve land trusts administered by the department. Total revenues earned by the trusts exceed \$120 million annually.

Fire costs in the past four years have ranged from \$5.9 million to \$81.5 million.

Loan programs include State Revolving Fund program loans to communities for water and waste water systems, Coal Severance Tax loans to governmental entities, and loans to private entities for water development projects. Loans outstanding exceed \$297 million at June 30, 2010.

The department is authorized to employ approximately 575 full time staff in Helena and at locations around the state.

Results

Areas for improvement discussed in the report are related to three main topics: Trust Lands Administration, Fire Expenditures, and compliance with state laws.

Regarding Trust Lands Administration, we identified instances where the state land trusts and trust beneficiaries have not been properly compensated for use of trust lands, including three state parks currently occupying state trust lands and cabin site lease rates

that do not achieve fair market value. The report also discusses identification of administrative costs incurred on behalf of each trust through fiscal year 2008-09.

Weaknesses in DNRC's internal controls over fire expenditures, including documentation of fiscal year-end fire estimates and proper authorization for fire expenditures, are outlined in the report. In addition, the department's practice of paying for meals for employees assigned to fires at rates in excess of those allowed under state law is also discussed.

We noted instances where the department did not review, prepare, or submit reports for two programs.

The audit report also includes a disclosure issue related to a State Board of Land Commissioners resolution to use settlement funds to purchase additional state land, which is not authorized by the Montana Constitution or state law.

Recommendation Concurrence	
Concur	7
Partially Concur	2
Do Not Concur	2
Source: Agency audit response included in final report.	