



# 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, 2009

FEBRUARY 2010

10-29A

REPORT SUMMARY

In early 2009, the U.S. Congress passed the American Recovery and Reinvestment Act (ARRA). The State of Montana Water Pollution Control and Drinking Water State Revolving Fund (SRF) programs received a total \$38,739,100 of ARRA funds for the fiscal years 2009 and 2010. Our audit included the loans provided to participants using these ARRA funds.

### Context

The SRF programs provide reduced interest rate loans for the construction of waste water pollution treatment facilities and drinking water treatment facilities. The programs are jointly administered by the Department of Natural Resources and Conservation and the Department of Environmental Quality. The Department of Natural Resources and Conservation has requested an annual financial audit as required by the federal Environmental Protection Agency (EPA).

The SRF programs have loaned funds to many public entities across the state. The largest loans are to Kalispell, Great Falls, Helena, Big Sky County Water & Sewer, and Billings. At June 30, 2009, the total outstanding loan principal for the two programs exceeded \$253 million.

### Results

The fiscal year 2007-08 financial audit of the SRF program identified a material weakness in internal controls over financial reporting. The fiscal year 2008-09 financial audit did not identify the same weakness in internal controls. This audit resulted in an unqualified opinion; financial statement users can rely on the information in the financial statements and notes.

Recommendation Concurrence	
Concur	0
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](mailto: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](mailto:lad@mt.gov).