

MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT Montana Facility Finance Authority For the Two Fiscal Years Ended June 30, 2012

DECEMBER 2012

12-12

REPORT SUMMARY

The Montana Facility Finance Authority (authority) provides access to various debt financing or refinancing instruments at reduced rates to Montana nonprofit private and public health care institutions or prerelease centers and to for-profit or nonprofit small manufacturing facilities for purchases of capital equipment and buildings. The authority issued over \$400 million in bonds, notes, and loans during fiscal years 2012 and 2011.

Context

The authority facilitates financing under the Direct Loan, Equipment Revenue Note, Master Loan, Trust Fund Loan, and Stand-Alone Bond programs. The authority also provides grants to eligible facilities through the Montana Capital Assistance program.

The Direct Loan and Montana Capital Assistance programs are financed by authority monies, and activity under these programs is recorded for the authority on the state's accounting records. In fiscal years 2011 and 2012, the authority issued \$104,500 and \$243,702, respectively, of loans under the Direct Loan Program and committed \$40,174 and \$60,000, respectively, for grants to be provided under the Montana Capital Assistance Program.

The Equipment Revenue Note, Master Loan, and Stand-Alone Bond programs are financed with conduit debt, which is not a debt or obligation of the authority. The activity under these programs is not recorded on the state's accounting records. The outstanding balances of conduit debt for fiscal years 2011 and 2012 were \$1,087,927,712 and \$1,131,299,619, respectively. The Trust Fund Loan program is authorized in state law, and allows the authority

to lend up to \$15 million of the Permanent Coal Tax Trust funds. The outstanding balances of loans made against the coal tax trust were \$8,286,258 and \$6,175,640 for fiscal years 2011 and 2012, respectively.

Results

This report contains one recommendation to the authority on improving internal control over accounting and financial reporting of nonroutine activity. Our audit identified two nonroutine situations arising during the audit period, the settlement of a prevailing wage claim and two loans entering into default status. Based on our review, the authority's controls were not sufficient to ensure these situations were properly recorded on the state's accounting records and reported in the authority's financial statements.

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 (12-12) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>

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