

FINANCIAL-COMPLIANCE AUDIT

Department of Revenue

For the Two Fiscal Years Ended June 30, 2012

OCTOBER 2012

12-14

REPORT SUMMARY

The Montana Department of Revenue (department) administers state tax laws, enforcing regulations for more than 30 state taxes and fees. In fiscal year 2011-12, the department collected approximately \$1.7 billion in taxes. Of this, over \$211 million was distributed to local governments. Our recent audit identified potential overpayments by payers of individual income tax.

Context

In addition to tax administration, the department oversees liquor distribution and licensing operations in the state and administers the one-stop licensing program and bad debt collections on behalf of state agencies. The department also manages unclaimed property, returning property to its rightful owners. For fiscal year 2011-12, the department had 661 authorized full-time equivalent employees.

Accounting policy requires funds to have positive cash balance at the end of a fiscal year. One of the department’s federal funds does not sustain a positive cash balance at fiscal year-end without a loan or advance from another fund. Rather than obtain a short-term loan each year, the department obtained a long-term loan from the liquor fund. The liquor fund should not be used for this purpose.

Results

State law allows for an inflation factor to be applied to personal tax exemptions and the standard deduction each year. We found the factor was not accurately calculated resulting in an approximate \$700,000 overpayment by individual income tax payers to the department.

State law also prescribes procedures for administering unclaimed property. An auction should be held for property unclaimed after three years, if prudent to do so. We found the last auction was held over ten years ago.

Recommendation Concurrence	
Concur	3
Partially Concur	1
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (12-14) 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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