

FINANCIAL-COMPLIANCE AUDIT
State Auditor's Office

For the Two Fiscal Years Ended June 30, 2012

DECEMBER 2012

12-20

REPORT SUMMARY

The State Auditor's Office (office) collected over \$65 million in General Fund revenue in each of the fiscal years 2010-11 and 2011-12. While the office's operations provide significant revenue streams to the General Fund, it uses no General Fund money for its operations. The results of the audit indicate accounting errors related to the office's insurance policyholder trusts.

Context

The State Auditor's Office regulates the insurance and securities industries in Montana. Its duties include, but are not limited to, resolving consumer inquiries and complaints, licensing companies and individuals, conducting routine examinations, investigating code and rule violations, and prosecuting violators.

The office also acts as a revenue collection agency for the state's General Fund. In this capacity, the office collected over \$65 million in General Fund revenue in each of the fiscal years 2010-11 and 2011-12. The office distributed about \$25 million and \$26 million of insurance premium taxes collected to the Firefighters' Unified Retirement System, the Volunteer Firefighters pension trust fund, and local police and fire department pension trust funds as nonemployer contributions in fiscal years 2010-11 and 2011-12, respectively.

The office continued to administer the Insure Montana Program. The program expended approximately \$11.5 million and \$9 million in fiscal years 2010-11 and 2011-12, respectively, in health insurance premium assistance and tax credit benefits.

Results

This report contains the audited financial schedules for the two fiscal years ended June 30, 2012. Our audit identified accounting errors involving the office's private-purpose trust fund and direct entries to fund balances. As discussed in the report, the office used an incorrect fund classification in 2010-11 and did not report the private-purpose trust fund in its entirety in 2011-12. Additionally, the report describes a control deficiency over insurance premium tax collections where the office did not separate the custody of assets duties with record keeping duties.

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

For a complete copy of the report (12-20) 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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