

FINANCIAL-COMPLIANCE AUDIT

Montana Facility Finance Authority

For the Two Fiscal Years Ended June 30, 2014

JANUARY 2015

14-12

REPORT SUMMARY

The Montana Facility Finance Authority did not have adequate internal controls in place to ensure accurate and complete financial reporting for fiscal years 2013 and 2014.

Context

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 for the purchase of capital equipment and buildings. The authority also provides grants to eligible facilities through the Montana Capital Assistance program.

The authority's Direct Loan and Montana Capital Assistance programs are financed by authority moneys, and activity under these programs is recorded on the authority's accounting records. In fiscal years 2013 and 2014, the authority issued \$532,848 and \$169,614, respectively, of loans under the Direct Loan Program and paid \$49,288 and \$57,000, respectively, for grants 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, but rather of the financed entity. The activity under these programs therefore is not recorded on the state's accounting records. The outstanding balances of conduit debt for fiscal years 2013 and 2014 were \$1,088,971,632 and \$1,057,681,871, 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 \$5,072,194 and \$3,150,920 for fiscal years 2013 and 2014, respectively. These loans are recorded on the state's accounting records as investments of the Permanent Coal Tax Trust Fund.

Results

We focused our audit effort on loan receivable balances under the Direct Loan Program, service fee revenues generated, operating expenses incurred, and cash and cash equivalents held by the authority. Throughout the audit, we also reviewed and tested select control systems and determined compliance with selected state laws and regulations.

This report contains one recommendation to the authority related to a material weakness in internal controls over financial reporting. The audit identified instances in which internal controls were not adequate to ensure accurate and complete financial reporting in accordance with generally accepted accounting principles.

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 (14-12) 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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