



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

State Auditor's Office

For the Two Fiscal Years Ended June 30, 2014

OCTOBER 2014

14-20

REPORT SUMMARY

The mission of the State Auditor's Office is to protect Montana's consumers through insurance and securities regulation.

Context

The elected Montana State Auditor serves as the Commissioner of Securities and Insurance. The State Auditor's Office (office) is organized into three divisions: Centralized Management, Insurance, and Securities.

The Insurance Division investigates insurance code and rule violations, collects taxes, resolves complaints, provides insurance licenses, reviews rates, and provides continuing education. This division also includes the Insure Montana Program that provides assistance with the cost of health insurance to small businesses.

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana. This includes registration of securities issuers, salespeople, investment advisers, brokers-dealers, investment adviser representatives, and conducting investigations.

Total revenues collected by the office were approximately \$111 million and \$120 million in fiscal years 2013 and 2014, respectively. Primary revenue sources include insurance premium tax, and securities and insurance licenses, permits, and fees. Approximately 60 percent or more of total revenues are deposited into the General Fund annually.

Total annual expenditures approximate \$52 million. Primary office expenditures include local assistance, which represent

state contributions to firefighter and police retirement systems, Insure Montana tax credits, and premium assistance.

We focused our audit effort primarily on reviewing these revenue and expenditure activities and related account balances. Throughout the audit, we reviewed and tested the office's control systems and determined compliance with selected state laws and regulations.

Results

The current audit report contains three recommendations. We identified a deficiency in access controls within the office's internally developed computer system used as the basis for recording revenues and expenditures. We also identified a control deficiency in the calculation of tax credits for the Insure Montana program. The office also does not collect all required registration documents per state law for securities issuers.

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 (14-20) 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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