

FINANCIAL-COMPLIANCE AUDIT

Department of Commerce

For the Two Fiscal Years Ended June 30, 2015

OCTOBER 2015

15-16

REPORT SUMMARY

The Department of Commerce received approximately \$51.9 million and \$47.2 million in federal funds in fiscal years 2014 and 2015, respectively, mostly to fund the Section 8 Housing programs. Landlords were paid in excess of \$60,000 for ineligible Section 8 participants in the program during fiscal years 2014 and 2015.

Context

The Department of Commerce (department) provides financing for businesses, homeownership, and rental assistance; promotes tourism, travel, and filmmaking in Montana; manages the state's investment activity; manages and preserves historical cultural properties and artifacts; and regulates the live and simulcast horse racing industry.

The department's financial schedules include activity that we audit as part of other engagements. The Board of Housing provides housing for low-income families and individuals by issuing tax-exempt bonds to investors and using the proceeds to purchase mortgages, and is in the 13-07B and 15-07A blue cover audit report. The department's financial schedules also include approximately \$867.3 million and \$919.7 million in fiscal years 2014 and 2015, of the state's investment activity managed by the Board of Investments, and is included in the 14-04A and 14-04B reports. The Facility Finance Authority issues tax-exempt bonds for facilities at interest rates significantly below those that would be available at taxable bond rates and is included in the 14-12 report.

Other testing included, but was not limited to, expenditure transactions related to the grants from state and federal sources, operating expenses, bond activity, contracted services,

personal services, and the Board of Horse Racing activity. This included understanding the department's internal control policies and procedures, performing analytical procedures, and reviewing accounting transactions. We also reviewed and tested compliance with selected state laws and federal regulations.

Results

During the audit we determined the department was not in compliance with federal regulations and department policy related to the Section 8 Housing Choice Vouchers Program (program) which led to over \$60,000 in federal questioned costs. We made two recommendations related to this program.

We reviewed the six recommendations that were made in the prior financial-compliance audit of the department for the fiscal years 2012 and 2013. We found the department implemented five of the recommendations. One recommendation, related to noncompliance with state law on meal allowances during travel status, was partially implemented and is a recommendation in this report.

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The Board of Horse Racing (board) moved from the Department of Livestock to the Department of Commerce as of July 1, 2013. There were two recommendations related to the board in the Department of Livestock's audit report (13-22) for the two fiscal years ended June 30, 2013. The recommendations in that report were addressed to the department. The department concurred with the two recommendations and included a response in that report. The department did take steps to implement these recommendations, however, the recommendations were not fully addressed and are recommendations in this report.

Recommendation Concurrence	
Concur	3
Partially Concur	0
Do Not Concur	2
Source: Agency audit response included in final report.	

For a complete copy of the report (15-16) 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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