

FINANCIAL-COMPLIANCE AUDIT

Montana Facility Finance Authority

For the Two Fiscal Years Ended June 30, 2016

MARCH 2017

16-12

REPORT SUMMARY

The Montana Facility Finance Authority loaned approximately \$1.2 million of its own money, and helped to facilitate an additional \$259 million from other financing sources, for eligible facilities in fiscal years 2015 and 2016, combined. This report contains one recommendation to the authority related to internal controls over financial reporting.

Context

The Montana Facility Finance Authority (authority) works with Montana private and public nonprofit health care institutions and pre-release centers to secure financing for the purchase of capital equipment and buildings. Financing can be in the form of revenue bonds and notes, loans from the Permanent Coal Tax Trust Fund, or loans from the authority's monies. The authority also funds, from its own monies, a grant program to help critical access hospitals, small rural hospitals, and other eligible health care facilities in determining the feasibility of potential capital expenditures.

The authority is self-supporting, and received no general fund appropriations in fiscal years 2015 or 2016.

Revenue bonds and notes issued by the authority under its various programs are considered conduit (no-commitment) debt, and therefore are not recorded on the authority's accounting records. The authority financed conduit debt of approximately \$258.7 million under its various programs during the audit period. The outstanding balances of conduit debt as of June 30, 2015, and 2016, were approximately \$1 billion and \$970 million, respectively. While these amounts are not reported on the authority's accounting records, they are disclosed in the notes.

During the audit period, the authority issued one new loan from the Permanent Coal Tax Trust Fund, and repaid the fund for a loan that had been in default for several years. As of June 30, 2015, and 2016, the outstanding balances of loans made against the coal tax trust were approximately \$2.7 million and \$2.2 million, respectively. State law allows the authority to lend up to \$15 million from the fund. Loans from the Permanent Coal Tax Trust Fund are recorded on the state's accounting records as investments of the fund, but do not appear in the authority's financial statements.

Additionally, the authority loaned out approximately \$1.2 million of its own funds during the audit period. These loans are reported as assets of the authority on the authority's financial statements, and are further disclosed in the note disclosures. As of June 30, 2015, and 2016, the loan balances were approximately \$834,000 and \$1.6 million, respectively.

Results

Our audit work included analyzing the financial statements and note disclosures, examining the underlying financial activity, and reviewing and testing selected control activities. These audit efforts were focused

primarily on activity related to notes receivable, cash and cash equivalents, service fee revenues and their related accounts receivable, and personal services expenses. Throughout the audit, we also tested compliance with selected state laws.

Through this work, we determined the authority's internal controls were not sufficient to ensure accurate and complete financial reporting in accordance with generally accepted accounting principles. This report contains one recommendation to the authority related to this control deficiency.

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 (16-12) 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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