

MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT Office of the Secretary of State For the Two Fiscal Years Ended June 30, 2016

DECEMBER 2016

16-19

REPORT SUMMARY

The Office of the Secretary of State provides diverse services to Montana's voters, business community, and governmental agencies. These services include elections administration, administrative rule, corporate and Uniform Commercial Code filing, and records and information management. The office collected approximately \$5.3 million and \$6.3 million in revenue for services provided in fiscal years 2015 and 2016, respectively. This report does not contain any recommendations, but contains a qualified opinion on the office's financial schedules due to the effect of errors made in capitalizing the cost of the office's new computer system.

Context

Services provided by the Office of the Secretary of State (office) include maintaining the official records of the executive branch and the acts of the legislature; reviewing, maintaining, and distributing public-interest records of businesses and nonprofit organizations; filing administrative rules adopted by the state departments, boards, and agencies; filing and maintaining records of secured financial transactions, such as liens; and commissioning notaries public.

The office's main source of revenue is charges for services, derived from fees charged for corporate and Uniform Commercial Code (UCC) filings. Charges for Services revenue totaled \$5.3 million and \$6.3 million in fiscal years 2015 and 2016, respectively. Expenditures of the office totaled approximately \$7 million in each fiscal year. Personal services and operating expenses made up approximately 83 percent and 95 percent of total expenditures in fiscal years 2015 and 2016, respectively. Other significant expenditures in fiscal year 2015

included equipment expenditures related to recording construction work in progress for the office's new computer system.

Results

Our audit effort focused on significant revenue and expenditure activity including charges for services, personal services, and contracted services expenditures. We also reviewed transactions recording construction work in progress during the audit period. We audited this activity through sampling, analytical procedures, and testing the office's significant internal controls.

The report does not contain recommendations and we issued an unmodified opinion on five of the office's financial schedules for fiscal years 2015 and 2016. We issued a qualified opinion on the Schedule of Changes in Fund Equity for fiscal year 2015.

For a complete copy of the report (16-19) 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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