

FINANCIAL-COMPLIANCE AUDIT

State Auditor's Office

For the Two Fiscal Years Ended June 30, 2016

APRIL 2017

16-20

REPORT SUMMARY

Insure Montana was a program designed to assist small businesses with cost of health insurance. This program was funded through December 2015 and is no longer available.

Context

The mission of the State Auditor's Office (office) is to protect Montana's consumers through insurance and securities regulation. The elected Montana State Auditor serves as the Commissioner of Securities and Insurance.

The office is organized into three divisions: Central 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. The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana. This includes registration of securities issuers, sales people, investment advisers, brokers-dealers, and investment adviser representatives, and conducting investigations.

Total revenues collected by the office were approximately \$125 million and \$130 million in fiscal years 2015 and 2016, respectively. Primary revenue sources include insurance premium tax and securities and insurance licenses, permits, and fees. Approximately 64 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 represents state contributions to firefighter and police retirement systems, Insure Montana tax credits (fiscal year 2015), and premium assistance.

We focused our audit effort primarily on insurance and securities revenues, including premium insurance tax, licenses, permits, and fees. We also audited the related expenditures activity including payments of local assistance in support of the Firefighters' Unified Retirement System, the Volunteer Firefighters' Pension trust fund, and the Municipal Police Officers' Retirement System administered by the Montana Public Employees' Retirement Administration. Throughout the audit, we reviewed and tested the office's control systems and determined compliance with selected state laws and regulations.

Results

The current report contains no recommendations. The prior report contained three recommendations. One prior audit recommendation is no longer applicable since it was related to the Insure Montana program. Recommendations related to computer access and documentation required to register as a securities agent were implemented by the office.

For a complete copy of the report (16-20) 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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