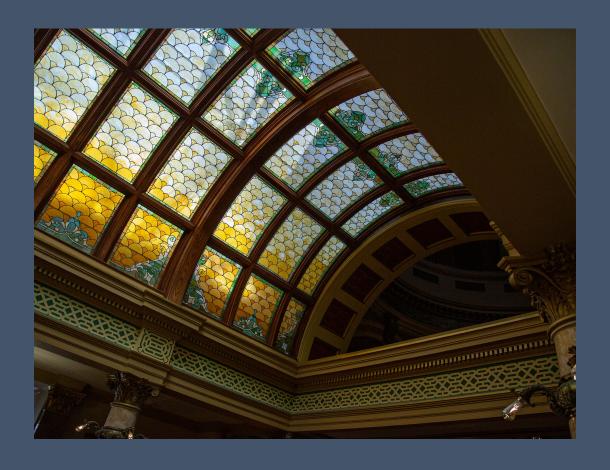
#### Financial-Compliance Audit

### State Auditor's Office



Alexa O'Dell Financial-Compliance Audit Manager

### Report Summary

- Qualified Opinion
- 7 Recommendations

- Accounting Errors
- Compliance with Federal Regulations



What is the Montana Reinsurance Association (MRA)?

## What is the MRA?

Subrecipient or Contractor?

Related Party?

Different at Office vs. Statewide Level?

### Subrecipient or Contractor?

### <u>Subrecipient</u>

- Determine eligibility
- Meet program objectives
- Makes programmatic decisions
- Adhere to federal program requirements
- Use federal funds program's public purpose

#### **Contractor**

- Provides similar goods and services to many different users
- Operates in a competitive environment
- Services are ancillary in nature
- Not subject to compliance requirements of the federal program

## Subrecipient Requirements Recommendations #4 and #5

Evaluate Monitor for Compliance

Communicate Award Identification and Requirements



- FFATA
- SEFA

# Classification for Financial Reporting Purposes?

Office Level Reporting

Related Party – the office's staff have the power to direct or shape the direction of management or policies of another entity

State's ACFR Level Reporting

Component Unit – the MRA is a legally separate, tax-exempt entity where its resources are significant to the state and directly benefit the state

### Funds Received From Insurance Companies

<u>Mandatory Non-</u> <u>Exchange Transaction</u>

Similar to taxes, payment is required by law

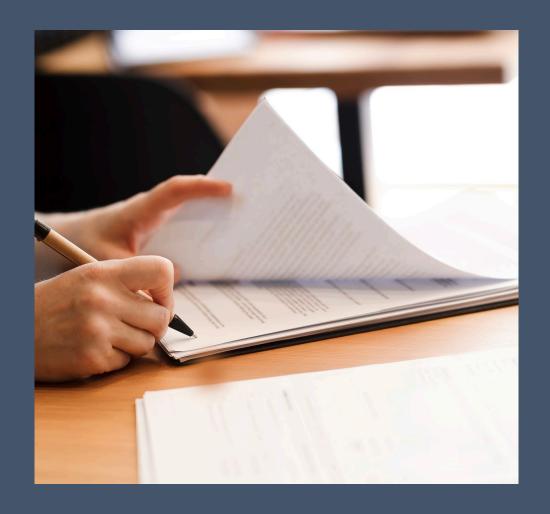
Property Held in Trust

Funds held on behalf of another entity

### Unnecessary Accounting Entries

Recommendation #2

Table 4 (page 5)	
Direct Entries to Fund Equity	Overstated \$10 million
Budgeted Expenditures & Transfers-Out	Understated \$12.1 million
Prior Year Expenditures & Transfers-Out	Overstated \$10.0 million
Total Reductions	Understated \$2.1 million
Ending Fund Equity	Understated \$7.9 million



Recommendation #1

## Retirement System Distributions

Meet definition of Intra-Entity expense

Between \$39 million and \$41 million misclassified annually

### Other Recommendations

Financial Disclosures – Recommendation #3
Written Policies for Cash Management – Recommendation #6
Review of Federal Reports – Recommendation #7

## Conclusion

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