

Financial-Compliance Audit

State Auditor's Office



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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?

Subrecipient

- 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
Risk



Monitor for
Compliance



Communicate Award
Identification and
Requirements



Report Activity

- 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

Mandatory Non-Exchange Transaction

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

