

Department of Military Affairs

Summary of Audit Work in Support of Statewide and Single Audits Audit Periods Ending June 30, 2023

To: Legislative Audit Committee

From: Jennifer Erdahl

Cc: Major General J. Peter Hronek

Date: September 2024

Re: Single Audit and Statewide Audit Support Work: Montana Department of Military Affairs

Introduction

The Department of Military Affairs (department) oversees all activities of the Army and Air National Guard, Disaster and Emergency Services Division, and coordinates with other agencies in providing services for discharged veterans and their families. The department also operates STARBASE, a 5-day STEM program for fifth graders, and the Youth Challenge Academy, which is a structured academic intervention program for 16 to 18 year olds.

Summary of Audit Work in Support of Single Audit

We audited two federal programs administered by the department. The results of our audit work over the National Guard Operations and Maintenance (O&M) Projects major program were reported in the #22-25 audit report which was presented to the committee at the October 2023 meeting. The related findings are also included in the Single Audit report. The Disaster Grants – Public Assistance (Presidentially Declared Disasters) program did not meet the threshold of a major program until after the #22-25 audit was completed. Therefore, the results of our audit work over this program are only included in the Single Audit report.

The following describes the purpose of each federal program and depicts normal grant expenditures in comparison to Covid-related expenditures for the audit period.

Federal Program	Federal Expenditures		Purpose	% COVID-related
	FY2022	FY2023		
National Guard Operations and Maintenance (O&M) Projects reference: ALN 12.401	\$26M	\$26M	Provides support to the Army and Air National Guard for minor construction, maintenance, repair, or operation of facilities.	0%
Disaster Grants – Public Assistance (Presidentially Declared Disasters) reference: ALN 97.036	\$8M	\$22M	Provides assistance to state, tribal, territorial, local governments, and certain types of private nonprofit organizations so communities can quickly respond to and recover from major disasters or emergencies declared by the president	56%

We identified the following issues related to the department’s administration of its federal programs.

National Guard Operations and Maintenance (O&M) Projects

AUDITOR’S OPINION – QUALIFIED



No Questioned Costs

Finding 2023-003

Material Weakness in Internal Control and Material Non-Compliance

The Department of Military Affairs (department) did not have controls in place to consistently seek reimbursement for the federal portion of O&M grant expenditures in the time period required by federal regulations. This was included in the #22-25 Department of Military Affairs report and discussed at the October 2023 Audit Committee Meeting.

Department response: Concur

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

AUDITOR’S OPINION – QUALIFIED



No Questioned Costs

Finding 2023-073

Material Weakness in Internal Control and Material Non-Compliance

The department did not have controls in place to prevent or detect various errors, omissions, or duplications in submitted Federal Funding Accountability and Transparency Act (FFATA) reports.

Department response: Concur

Finding 2023-074

Material Weakness in Internal Control and Material Non-Compliance

The department’s internal controls did not ensure subrecipients were provided required information to identify their subaward. Additionally, the department did not review subrecipient audit reports as required by federal regulations.

Department response: Concur

The #22-25 audit report also includes a finding related to two non-major federal programs. We completed audit work over financial activity that was material to the department’s financial schedules, including auditing federal expenditures for non-major federal programs. We identified

approximately \$91,000 in questioned costs for these federal funds. This is reported in the Single Audit report at 2023-075.

Other Single Audit Related Information

The Disaster program reached the threshold for a major federal program in the last two single audits as a result of COVID funding provided to the state. While disasters related to fire, flooding, and storms are common most years, these types of disasters have typically not resulted in spending in excess of the major program threshold.

Summary of Audit Work in Support of Statewide Audit

The scope of our audit work for the department can be found in the separately issued #22-25 Department of Military Affairs audit report. The only audit work completed specifically in support of Statewide Audit was related to amounts reported on the Schedule of Expenditures of Federal awards (SEFA) for the two major programs explained above.

Prior Audit Recommendations

Our prior Financial-Compliance audit of the department (#20-25) contained four recommendations. We determined the implementation status of these recommendations as follows:

Fully Implemented: 3

Partially Implemented: 1

See the #22-25 Department of Military Affairs audit report for more details on the prior audit recommendations.

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THE HONORABLE GREG GIANFORTE
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MAJOR GENERAL J. PETER HRONEK
ADJUTANT GENERAL

May 31, 2024

Angus Maciver
Legislative Auditor
PO Box 201705
Helena MT 59620-1705

Dear Mr. Maciver:

In response to the 22-23 Single Audit for the two fiscal years ended June 30, 2023, received by Department of Military Affairs (DMA), we are submitting the following responses to the Recommendations received.

Recommendation #2023-073

We recommend the Department of Military Affairs:

- A. Document and implement internal controls to ensure the timely and accurate submission of Federal Funding Accountability and Transparency Act reports.
- B. Submit Federal Funding Accountability and Transparency Act reports in accordance with federal regulations.

Concur – Disaster and Emergency Services Division (DES) will update FFATA reporting procedures to ensure proper controls are in place for timely and accurate submissions. Due to limitations of the reporting mechanisms in the FFATA system, copies of submitted reports will be obtained by DES. DES will reach out to federal partners for additional guidance and training. *Implementation date: 07/01/2024.*

Recommendation #2023-074

We recommend the Department of Military Affairs:

- A. Implement controls to ensure the ALN is communicated to subrecipients when awarding grants and subrecipient audit reports are obtained and reviewed.
- B. Communicate the ALN to all subrecipients awarded disaster funds.
- C. Obtain and review audit reports of entities receiving grants.

Concur – During the change from the previous DES Program Manager, the ALN was inadvertently removed from the documents provided to subrecipients. The agency has implemented controls by updating the subrecipient funding documents template to include the ALN in compliance with 2 CFR 200.332(a)(1). *Implementation date: the process to review subrecipient audit reports will be documented by 12/31/2024.*

Major General J. Peter Hronek, Director
Department of Military Affairs