STATE OF MONTANA SINGLE AUDIT
FISCAL YEARS 2020 & 2021

Karen Simpson
Financial-Compliance Audit Manager
PRESENTATION OUTLINE

✔ Report Overview & Audit Results

✔ Federal Spending Overview
  ▪ Audit Implications
  ▪ Major Program Determination
REPORT OVERVIEW AND AUDIT RESULTS

☑ State’s Basic Financial Statements and SEFA
  ▪ FY2021
    ▪ A numbered pages
    ▪ FY2021 SWA
  ▪ FY2020
    ▪ B numbered pages
    ▪ FY2020 SWA
REPORT OVERVIEW AND AUDIT RESULTS

✓ Report on Compliance and Internal Controls Over Compliance

- 24 Major Programs Audited
  - Unmodified – 6
  - Qualified – 16
  - Adverse – 2
Unmodified Opinions:

- Clean Water State Revolving Fund Cluster
- Drinking Water State Revolving Fund Cluster
- National Guard Military Operations & Maintenance (O&M)
- Low Income Home Energy Assistance Program
- Presidentially Declared Disaster Assistance to Individuals and Households – Other Needs
- Emergency Rental Assistance Program
REPORT OVERVIEW AND AUDIT RESULTS

- Report on Compliance and Internal Controls Over Compliance
  - References audit findings
  - Includes internal control tables
    - 44 material weaknesses
    - 19 significant deficiencies
REPORT OVERVIEW AND AUDIT RESULTS

✓ Audit Findings
  - Financial reporting findings – 2021-x numbering format
  - Federal compliance findings – 2021-xxx numbering format

<table>
<thead>
<tr>
<th>Identified Situation</th>
<th>Federal Compliance</th>
<th>Financial Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material Non-Compliance</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Material Weakness in Internal Controls</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Significant Deficiency in Internal Controls</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Questioned Costs in excess of $25K</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
AUDIT FINDINGS

Number of Findings

<table>
<thead>
<tr>
<th>Period</th>
<th>Compliance</th>
<th>Financial Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20 &amp; FY21</td>
<td></td>
<td>69</td>
</tr>
<tr>
<td>FY18 &amp; FY19</td>
<td>4</td>
<td>36</td>
</tr>
<tr>
<td>FY16 &amp; FY17</td>
<td>2</td>
<td>31</td>
</tr>
<tr>
<td>FY14 &amp; FY15</td>
<td>3</td>
<td>27</td>
</tr>
</tbody>
</table>

FY14 & FY15

Compliance

Financial Reporting
REPORT OVERVIEW AND AUDIT RESULTS

- Corrective Action Plan
- Summary Schedule of Prior Audit Findings
FEDERAL SPENDING OVERVIEW

✓ Including:
  - COVID impacts
  - Implications on audit work
  - Determining programs to audit
FEDERAL SPENDING OVERVIEW

SEFA Expenditures

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Expenditures ($ in Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY20 &amp; FY21</td>
<td>$11.53</td>
</tr>
<tr>
<td>FY18 &amp; FY19</td>
<td>$7.90</td>
</tr>
<tr>
<td>FY16 &amp; FY17</td>
<td>$7.27</td>
</tr>
<tr>
<td>FY14 &amp; FY15</td>
<td>$5.46</td>
</tr>
</tbody>
</table>
SIGNIFICANT EXPENDITURE CHANGES

- Increase in expenditures of $3.6 billion, or 46%

- Largely attributed to COVID Funding
  - $1.2 billion from CRF
  - $1.1 billion for expanded UI benefits
  - $106.7 million in education stabilization funds
PRACTICAL IMPLICATIONS ON AUDIT

✓ Trend of increases to the threshold to identify programs subject to audit

✓ Smaller programs are no longer audited
  ▪ Schools and Roads
  ▪ WIC
  ▪ Adoption Assistance
THRESHOLD

- FY20 & FY21: $30.00
- FY18 & FY19: $22.06
- FY16 & FY17: $20.25
- FY14 & FY15: $17.65

$ in Millions
New Programs Audited for FY20 & FY21:

- CRF
- Education Stabilization Fund
- Epidemiology
- Disaster Grants - Public Assistance
- FEMA Presidentially Declared Disasters
- Emergency Rental Assistance
PRACTICAL IMPLICATIONS ON AUDIT

✓ Increased audit effort
  ▪ Est additional 5,000 hours invested in current audit

✓ Federal reporting extensions
  ▪ OMB Memo M-21-20
    ▪ Six-month automatic extension
    ▪ 9/30/22 deadline
    ▪ 6/21/22 upload
MAJOR PROGRAM DETERMINATION

☑ Outlined in 2 CFR 200.518

- Risk-based approach
- Multiple-step process
- Includes a percentage of coverage requirement
**STEP 1: IDENTIFY TYPE A PROGRAMS**

<table>
<thead>
<tr>
<th>TOTAL FEDERAL AWARDS EXPENDED</th>
<th>TYPE A/B THRESHOLD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal to or exceed $750,000 but less than or equal to $25 million</td>
<td>$750,000</td>
</tr>
<tr>
<td>Exceed $25 million but less than or equal to $100 million</td>
<td>Total Federal awards expended times .03</td>
</tr>
<tr>
<td>Exceed $100 million but less than or equal to $1 billion</td>
<td>$3 million</td>
</tr>
<tr>
<td>Exceed $1 billion but less than or equal to $10 billion</td>
<td>Total Federal awards expended times .003</td>
</tr>
<tr>
<td>Exceed $10 billion but less than or equal to $20 billion</td>
<td>$30 million</td>
</tr>
<tr>
<td>Exceed $20 billion</td>
<td>Total Federal awards expended times .0015</td>
</tr>
</tbody>
</table>
IDENTIFYING LOW RISK TYPE A PROGRAMS

- Criteria outlined in federal regulations
- Will not be audited in current audit period
- Identified low-risk Type A programs:
  - Fish and Wildlife Cluster
  - Housing Voucher Cluster
  - Section 8 Project Based Cluster
IDENTIFYING REPLACEMENT PROGRAMS

✓ High-risk Type B programs
  ▪ Risk assessment process outlined in federal regulations
  ▪ ¼ replacement rule

✓ Identified high-risk Type B program:
  ▪ Emergency Rental Assistance
MAJOR PROGRAMS

- 24 programs
  - 18 previously subject to audit
  - 6 newly subject to audit

- Reported on page C-18