



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Department of Justice

*For the Two Fiscal Years Ended
June 30, 2022*

AUGUST 2023

LEGISLATIVE AUDIT
DIVISION

22-18

LEGISLATIVE AUDIT COMMITTEE

REPRESENTATIVES

LYN HELLEGAARD

Lyn.Hellegard@legmt.gov

SJ HOWELL

SJ.Howell@legmt.gov

EMMA KERR-CARPENTER

Emma.KC@legmt.gov

FIONA NAVE

Fiona.Nave@legmt.gov

JERRY SCHILLINGER

Jerry.Schillinger@legmt.gov

LAURA SMITH, VICE CHAIR

Laura.Smith@legmt.gov

SENATORS

JASON ELLSWORTH, CHAIR

Jason.Ellsworth@legmt.gov

PAT FLOWERS

Pat.Flowers@legmt.gov

CHRIS FRIEDEL

Chris.Friedel@legmt.gov

DENISE HAYMAN

Denise.Hayman@legmt.gov

KATHY KELKER

Kathy.Kelker@legmt.gov

FORREST MANDEVILLE

Forrest.Mandeville@legmt.gov

MEMBERS SERVE UNTIL A
MEMBER'S LEGISLATIVE TERM
OF OFFICE ENDS OR UNTIL A
SUCCESSOR IS APPOINTED,
WHICHEVER OCCURS FIRST.

§5-13-202(2), MCA

FRAUD HOTLINE
(STATEWIDE)
1-800-222-4446
(IN HELENA)
444-4446
LADHotline@legmt.gov
www.montanafraud.gov

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2021, was issued June 21, 2022. The submission deadline for the Single Audit Report for the two fiscal years ended June 30, 2023, is March 31, 2024.

AUDIT STAFF

CHRIS G. DARRAGH
COURTNEY P. JOHNSON
LESLIE LAHTI
BRENDA KELLER

ALEXA O'DELL
JENNA STAMPER
SHANDELL VANDONSEL

Reports can be found in electronic format at:
<https://leg.mt.gov/lad/audit-reports>

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

August 2023

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Justice (department) for the two fiscal years ended June 30, 2022. Included in this report are two recommendations to the department related to collecting fees commensurate with costs in its Agency Legal Services Internal Service Fund and accrual of expenditures in its Custodial Fund.

The department's written response to the audit recommendations is included in the audit report on page C-1. We thank the Attorney General and department staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

TABLE OF CONTENTS

Figures and Tables.....	ii
Elected, Appointed, and Administrative Officials.....	iii
Report Summary	S-1
CHAPTER I – INTRODUCTION AND BACKGROUND	1
Introduction.....	1
Background.....	2
Department Divisions.....	2
Prior Audit Recommendations.....	3
CHAPTER II – FINDINGS AND RECOMMENDATIONS.....	5
Agency Legal Service Fees.....	5
Custodial Fund Accounting Errors	6
INDEPENDENT AUDITOR’S REPORT AND DEPARTMENT FINANCIAL SCHEDULES	
Independent Auditor’s Report	A-1
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2022	A-5
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2021	A-6
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2022	A-7
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2021.....	A-8
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2022.....	A-9
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2021	A-10
Notes to the Financial Schedules	A-11
REPORT ON INTERNAL CONTROL AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>	B-1
DEPARTMENT RESPONSE	
Department of Justice	C-1

FIGURES AND TABLES

Tables

Table 1 Internal Service Fund Historical Data 5

ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

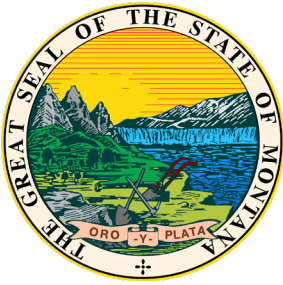
Department of Justice Austin Knudsen, Attorney General
David Ortley, Deputy Attorney General
William Selph, Chief of Staff
Rusty Gackle, Deputy Chief of Staff

Division Administrators

Stephanie Cote, Central Services
Michael Harris, Information Technology Services
Travis Spinder, Forensic Sciences
Colonel Steve Lavin, Highway Patrol
Bryan Lockerby, Criminal Investigation
Laurie Bakri, Motor Vehicle
Jason Johnson, Gambling Control
Christian Corrigan, Solicitor General's Office

For additional information concerning the Department of Justice, contact:

Nate Thomas, Chief Financial Officer
Central Services Division
840 Helena Avenue
Helena, MT 59620
(406) 437-3468
e-mail: nthomas@mt.gov



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Department of Justice

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2022

A report to the Montana Legislature

BACKGROUND

The Department of Justice, led by the Attorney General, is Montana's leading legal and law enforcement agency. The department provides investigation and forensic services to county and local law enforcement, administers the Highway Patrol, motor vehicle titling and registration, and provides regulation of electronic gambling. Department lawyers defend the state of Montana in court and bring suit on parties who have wronged the state or its people through its Office of Consumer Protection and Natural Resources Damages Program.

The department operates with eight divisions. These are the Legal Services Division, Division of Criminal Investigation, Forensic Services Division, Montana Highway Patrol, Motor Vehicle Division, Gambling Control Division, Information Technology Division, and Central Services Division.

**Attorney General and
Department Director:**
Austin Knudsen

In fiscal year 2022, the Department of Justice (department) collected \$131.5 million in motor vehicle license and permit revenue and \$77.8 million in electronic gambling taxes. The department expended \$45.2 million from the general fund and \$125.0 million from the state special revenue fund in fiscal year 2022. Personal Services and Operating Expenditures total 90 percent of total expenditures for the department. Highway Patrol Division personal services is the highest division total with \$33.5 million, and Legal Services Division has the highest operating expenses with \$14.6 million. This report contains two recommendations to the department for improving compliance.

AUDITOR'S OPINION (page A-1) – UNMODIFIED:

We found the department's financial schedules and note disclosures presented fairly the activity of the department in all material respects and issued unmodified opinions. This means the reader can rely on the information presented and the underlying financial records.

For the full context of the department's financial activity, see the financial schedules and notes beginning on page A-4.

RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the department: 2

To the legislature: 0

In this report, we determined the implementation status of recommendations in the prior audit:

Fully Implemented: 0

Partially Implemented: 0

Not Implemented: 2

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

leg.mt.gov/lad

Room 160, State Capitol
PO Box 201705
Helena, MT 59620-1705
(406) 444-3122

The mission of the Legislative Audit Division is to increase public trust in state government by reporting timely and accurate information about agency operations, technology, and finances to the Legislature and the citizens of Montana.

To report fraud, waste, or abuse:

Online
www.Montanafraud.gov

Email
LADHotline@legmt.gov

Call
(Statewide)
(800) 222-4446 or
(Helena)
(406) 444-4446

Text
(704) 430-3930

RECOMMENDATION #1 (page 6):

State Compliance

The department needs to seek an increase in fees and/or decrease expenses to maintain sufficient working capital in its Agency Legal Services Internal Service Fund and comply with the state law requirement to charge fees commensurate with costs. In fiscal year 2022 there are some improvements and revenues did exceed expenditures, but working capital is still negative.

Department response: **Concur**

RECOMMENDATION #2 (page 7):

State Compliance/Control

The department collects vehicle fees and taxes for counties and vanity license plate fees for nonprofits. To comply with generally accepted accounting principles and state law, the department must record a liability and accrue expenses in the Custodial Fund for the amounts collected but not yet dispersed to counties and nonprofits. This compliance issue was a recommendation in the 2020 report.

Department response: **Concur**

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page B-1):

In this report, we identified the following:

Material Weaknesses in Internal Control: 0

Significant Deficiencies in Internal Control: 1

Material Non-Compliance: 0

Other Matters: 0

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page B-1.

Chapter I – Introduction and Background

Introduction

We performed a financial-compliance audit of the Department of Justice (department) for the two fiscal years ended June 30, 2022. The objectives of the audit were to:

1. Obtain an understanding of the department's control systems to the extent necessary to support our audit of the department's financial schedules and, if appropriate, make recommendations for improvement in the management and internal controls of the department.
2. Determine whether the department's financial schedules present fairly the results of operations for each of the fiscal years ended June 30, 2022, and 2021.
3. Determine whether the department complied with selected state and federal laws and regulations.
4. Determine the implementation status of prior audit recommendations.

The department's significant revenue sources include motor vehicle licenses and permits and tax revenue from gambling operations. These are both major sources of general fund revenue. Personal services costs and operating expenditures comprise the bulk of the expenditures. Our audit effort focused on auditing these activities. Audit procedures included control testing, testing transactions processed on the state accounting system, sampling, and analytical procedures. We also tested compliance with provisions of selected laws governing the department's operations.

As required by §17-8-101(6), MCA, we reviewed the fees charged and the fund equity balances of the department's internal service fund. We discuss the results of this testing in Recommendation #1 beginning on page 5.

Chapter 5, Laws of 2021, moved the Board of Crime Control from the Department of Corrections to the Department of Justice, effective as of July 1, 2021. However, the Department of Administration (DOA) made changes effective early. As a result, fund equity is overstated, and direct entries are understated on the fiscal year 2021 Schedule of Changes in Fund Equity by about \$2.4 million. The auditor's opinion is not modified due to this misstatement. Additional details can be found in the DOA (22-13) report, Recommendation #4.

Additionally, in fiscal year 2022, DOA recorded approximately \$13.6 million as purchases of Intangible Assets on the Schedules of Expenditures & Transfers-Out and Inception of Lease/Installment Contracts on the Schedule of Revenues & Transfers-In. These amounts were improperly recorded while implementing a new Governmental Accounting Standards Board statement and should not have been recorded. The auditor's opinion is not modified due to these misstatements. Additional details can be found in the DOA (22-13) report, Recommendation #4.

Background

The Attorney General, who is elected to serve a four-year term, heads the department. The department's primary functions include:

- ♦ Providing effective statewide law enforcement.
- ♦ Furnishing legal services on behalf of the state.
- ♦ Improving public safety.

The department had 825.65 authorized full-time equivalent (FTE) employees in fiscal year 2022. The following section describes the divisions presented on the Schedules of Expenditures & Transfers Out.

Department Divisions

Legal Services (56.0 FTE) provides legal research and analysis for the Attorney General; legal counsel for state government and state officials, bureaus, and boards; legal assistance to local governments; legal assistance, training, and support for county prosecutors; assistance through the offices of Consumer Protection and Victim Services Bureau; and legal advice and support for all state agencies through the Agency Legal Services Bureau.

The Natural Resource Damage Program prepares natural resource damage assessments and lawsuits to recover damages to natural resources caused by the release of hazardous substances. It develops and implements restoration plans that guide the expenditure of settlement proceeds on restoration projects.

Gambling Control (43.99 FTE) licenses and regulates gambling activities and enforces gambling laws in Montana. The division collects license fees, gambling taxes, and investigates applications and complaints relating to alcoholic beverage licensing.

Motor Vehicle (151.05 FTE) licenses individual and commercial drivers, administers all driver license records, and issues registrations and titles. The Motor Vehicle Division includes the Title and Registration Bureau and driver licensing offices statewide.

Montana Highway Patrol (314.09 FTE) enforces commercial vehicle regulations and general traffic laws, investigates accidents and auto thefts, inspects vehicles, provides motorist assistance, and administers a drug interdiction program with a K-9 unit.

Criminal Investigation (132.74 FTE) includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, the Children's Justice Center, and the Law Enforcement Academy Bureau. The division maintains Montana's Sexual or Violent Offender Registry, the state reporting of criminal records and fingerprint information, and Montana's Criminal Justice Information Network. The division's Public Safety Officer Standards and Training Council comprises 13 members appointed by the governor and is responsible for establishing basic and advanced qualification and training standards for the employment of Montana's public safety officers.

Central Services (21.49 FTE) provides centralized accounting, administrative, budgetary, human resources, payroll, and fiscal support for the department.

Information Technology Service (42.99 FTE) provides services for the department and the criminal justice community. The division maintains several statewide criminal justice systems, including the state criminal history records system and the state criminal justice information network, that link law enforcement agencies in Montana with various state, regional, and national systems, including the Montana Enhanced Registration and Licensing Information Network and the Driver Control System.

Forensic Services (45.80 FTE) performs scientific analyses of evidence submitted by law enforcement officials, coroners, and state agencies. The division promotes forensic science training and scientific criminal investigations and manages a statewide system of death investigations.

Prior Audit Recommendations

Our office performed the department's financial-compliance audit for the two fiscal years ended June 30, 2020. This report included two recommendations to the department related to collecting fees commensurate with costs in its Agency Legal Services Internal Service Fund and accrual of expenditures in its Custodial Fund. We determined these two recommendations are not implemented and are included as Recommendations #1 and #2 on pages 6 and 7, respectively.

Chapter II – Findings and Recommendations

Agency Legal Service Fees

The Agency Legal Services Internal Service Fund continued to experience negative working capital and fees were not commensurate with costs in fiscal years 2021 and 2022.

Per §17-8-101(6), MCA, we reviewed fees charged and fund equity balances in the department's Agency Legal Services Internal Service Fund to determine whether fees were commensurate with costs and fund balance was reasonable. The Agency Legal Services Bureau provides legal counsel to state government officials and state agencies. Attorneys in the bureau represent other agencies in civil actions ranging from liability lawsuits to personnel issues. In our analysis, we generally consider fees to be reasonable and commensurate with costs if a fund's working capital is positive and does not exceed 60 days of expense activity.

State accounting policy defines working capital as the amount of cash that would remain if all the current assets were converted, and all the current liabilities paid, at their book value. Fund equity is reasonable if the balance not associated with capitalized assets was positive and did not exceed 60 days of working capital once adjusted for non-cash liabilities for pension and other post-employment benefits and noncurrent liabilities.

We reviewed the Internal Service Fund account for Agency Legal Services. The table below shows revenue and expenditures for fiscal years 2019 through 2022. Fiscal year 2022 is the only year that revenues exceed expenditures. Fiscal years 2021 and 2022 continue a trend of negative working capital and fees not commensurate with costs. Due to this, fund equity is not reasonable.

Table 1
Internal Service Fund Historical Data

	2019	2020	2021	2022
Working Capital	(3,746)	(179,453)	(530,472)	(729,450)
Revenues	1,679,661	1,535,654	1,326,735	1,554,566
Expenditures	1,727,629	1,744,726	1,592,673	1,541,025

Source: Compiled by the Legislative Audit Division.

Department staff indicated that they are monitoring this fund. Agency Legal Services continued to experience high levels of turnover in staff. This resulted in staff not meeting the anticipated billable hours which contributed to reduced revenues. The department has adjusted rates for future periods and plans to continue to adjust rates as needed. The department is also working on managing staff to ensure all revenue is billed and collected. The table above does show that revenue is starting to exceed expenditures, but it will take some time to reverse the negative working capital. To fully address this issue, the department will need to continue to monitor working capital and billing rates.

RECOMMENDATION #1

We recommend the Department of Justice comply with state law by continuing to increase revenue and/or decrease expenses to achieve positive fund equity balances and ensure fees are commensurate with costs in its Agency Legal Services Fund.

Custodial Fund Accounting Errors**The department did not record activity in the County Collection Custodial Fund as required by state accounting policy.**

The department has the Justice County Collection Custodial Fund, which is used to record activity associated with vehicle fees and taxes collected on behalf of the counties and personalized plate and fees collected on behalf of nonprofit organizations. At fiscal year-end, the department must record a liability and corresponding expense for fees collected that have not yet been remitted to the counties and nonprofit organizations.

Within the custodial fund, state accounting policy:

- ◆ Requires the balance in the property held in trust account at fiscal year-end to be zero.
- ◆ Allows for the use of temporary accounts (clearing accounts) to aggregate amounts being transferred.
- ◆ Requires all activity in clearing accounts be correctly classified and removed from these accounts at fiscal year-end.
- ◆ Requires the property held on behalf of parties external to the state be recorded as a liability.

Contrary to state accounting policy, the department had a balance of \$2,511,638 in the clearing account at fiscal year-end and did not record activity in the Due from Local Government account as expected.

In fiscal year 2022, the department did not properly reclassify activity in the property held in trust and clearing accounts within the custodial fund leaving these accounts overstated and a liability account understated at fiscal year-end. The department's assets are understated by \$481,434, and the liabilities are understated by \$2.44 million. As a result, at fiscal year-end 2022, ending fund equity is overstated \$1.96 million in the fund.

The prior audit report from fiscal year 2020 contained a recommendation to the department to record liabilities in the custodial fund when a valid obligation exists. The department did correctly record this activity in fiscal year 2021. However, due to staff turnover, this activity is misstated in fiscal year 2022.

The department should implement controls to ensure that this activity is recorded as required by state accounting policy regardless of turnover. Some examples of controls the department could implement include:

- ◆ Develop detailed written procedures to ensure compliance.
- ◆ Update or add more detail to a fiscal year-end checklist.
- ◆ Provide training for employees.
- ◆ Solicit input from state accounting when in need of guidance.

We consider this to be a significant deficiency in internal control as described in more detail in the report starting on page B-1.

RECOMMENDATION #2

We recommend the Department of Justice develop and implement internal controls and procedures to properly record year-end transactions for the Custodial Fund in accordance with state accounting policy.

Independent Auditor's Report and Department Financial Schedules

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

REPORT ON THE AUDIT OF FINANCIAL SCHEDULES

Opinions

We have audited the financial schedules of the Department of Justice, which are comprised of the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out for each of the fiscal years ended June 30, 2022, and 2021, and the related notes to the financial schedules.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial schedules, presents fairly, in all material respects, the results of operations and changes in fund equity for each of the fiscal years ended June 30, 2022, and 2021, in conformity with the basis of accounting described in Note 1.

Adverse Opinions on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles" section of our report, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the department as of June 30, 2022, and 2021, or changes in financial position or cash flows for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Schedules section of our report. We are required to be independent of the department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinions on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial schedules, the financial schedules are prepared by Department of Justice from the transactions posted to the state's primary accounting system without adjustment, in the regulatory format prescribed by the Legislative Audit Committee. This is a basis of accounting other

than accounting principles generally accepted in the United States of America. The financial schedules are not intended to, and do not, report assets, deferred outflows of resources, liabilities, and deferred inflows of resources and cash flows.

The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial schedules, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Schedules

Our objectives are to obtain reasonable assurance about whether the financial schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial schedules.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial schedules.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial schedules.

- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

May 11, 2023

DEPARTMENT OF JUSTICE
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund
FUND EQUITY: July 1, 2021	\$ 30,374,920	\$ 230,886,205	\$ 3,008,401	\$ 928	\$ 726,302	\$ (976,591)	\$ 665,264
ADDITIONS							
Budgeted Revenues & Transfers-In	214,369,670	81,127,216	16,507,034		837,928	1,554,567	2,682,698
Nonbudgeted Revenues & Transfers-In	6,007,917	6,394,833	732,566				24,840,482
Prior Year Revenues & Transfers-In Adjustments	49,650	212,072	(7,028)		1,759		(392,234)
Direct Entries to Fund Equity	(179,489,642)	35,508,090	(2,335,276)		1,336,838		
Total Additions	40,937,595	123,242,211	14,897,296	0	2,176,526	1,554,567	27,130,946
REDUCTIONS							
Budgeted Expenditures & Transfers-Out	39,318,828	93,626,760	16,374,045		1,890,709	1,556,123	
Nonbudgeted Expenditures & Transfers-Out	5,962,314	32,182,008	756,883		(101,662)	(30,071)	24,477,259
Prior Year Expenditures & Transfers-Out Adjustments	(71,411)	(764,138)	(17,943)				
Total Reductions	45,209,730	125,044,631	17,112,986	0	1,789,047	1,526,052	24,477,259
FUND EQUITY: June 30, 2022	\$ 26,102,785	\$ 229,083,786	\$ 792,711	\$ 928	\$ 1,113,781	\$ (948,077)	\$ 3,318,951

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund
FUND EQUITY: July 1, 2020	\$ 19,110,539	\$ 244,139,542	\$ 564,468	\$ 928	\$ 360,392	\$ (709,952)	\$ 2,173,137
ADDITIONS							
Budgeted Revenues & Transfers-In	215,775,497	81,384,436	5,925,087		833,454	1,326,736	423,353
Nonbudgeted Revenues & Transfers-In	5,909	7,065,173	58		8,200		24,281,526
Prior Year Revenues & Transfers-In Adjustments	253,481	3,752,182	(189)				(1,963,145)
Direct Entries to Fund Equity	(162,833,959)	3,850,044	2,346,157		1,454,431		
Total Additions	53,200,929	96,051,836	8,271,112	0	2,296,085	1,326,736	22,741,734
REDUCTIONS							
Budgeted Expenditures & Transfers-Out	42,006,825	77,323,144	5,828,423		2,002,236	1,694,715	
Nonbudgeted Expenditures & Transfers-Out	(37,623)	28,478,613	(742)		(72,054)	(101,378)	24,249,607
Prior Year Expenditures & Transfers-Out Adjustments	(32,654)	3,503,416	(502)		(8)	38	
Total Reductions	41,936,548	109,305,173	5,827,179	0	1,930,174	1,593,375	24,249,607
FUND EQUITY: June 30, 2021	\$ 30,374,920	\$ 230,886,205	\$ 3,008,401	\$ 928	\$ 726,302	\$ (976,591)	\$ 665,264

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Total
Licenses and Permits	\$ 126,716,443	\$	\$	\$ 789,691		\$ 785,650	\$ 181,758,095
Taxes	77,881,279	6,530,801	\$ 4,420			1,454,496	85,870,995
Charges for Services	4,663,325	13,282,516	7,012	49,126	\$ 1,554,567	23,858	19,580,404
Investment Earnings		(3,113,279)	4,084				(3,109,195)
Fines and Forfeits	56,628	99,562					156,190
Monetary Settlements	3,425,861	2,219,089					5,644,950
Sale of Documents, Merchandise and Property	280,973	36,939		870			318,783
Rentals, Leases and Royalties		17,239					17,239
Grants, Contracts, and Donations		67,352					67,352
Transfers-in	1,295,707	7,503,662	3,083,009				11,882,377
Capital Asset Sale Proceeds		143,275					143,275
Inception of Lease/Installment Contract	6,004,974	6,846,269	736,170				13,587,414
Federal Indirect Cost Recoveries	75,371	14,169					89,540
Miscellaneous	26,676	620,152				24,866,942	25,513,770
Federal		64	13,397,878				13,397,942
Total Revenues & Transfers-In	220,427,237	87,734,121	17,232,573	839,688	1,554,567	27,130,946	354,919,130
Less: Nonbudgeted Revenues & Transfers-In	6,007,917	6,394,833	732,566			24,840,482	37,975,798
Prior Year Revenues & Transfers-In Adjustments	49,650	212,072	(7,028)	1,759		(392,234)	(135,782)
Actual Budgeted Revenues & Transfers-In	\$ 214,369,670	\$ 81,127,216	\$ 16,507,034	\$ 837,928	\$ 1,554,567	\$ 2,682,698	\$ 317,079,114

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS							
Licenses and Permits	\$ 122,195,717	\$		\$ 783,545		\$ (573,303)	\$ 173,814,882
Taxes	74,917,334	6,312,828	\$ 4,526			(919,235)	80,315,453
Charges for Services	4,278,571	12,525,183	59,452	48,899	1,326,736	(24,712)	18,214,128
Investment Earnings		2,304,890	798				2,305,688
Fines and Forfeits	60,699	173,883					234,582
Monetary Settlements	13,195,961	5,691,143		9,211			18,887,105
Sale of Documents, Merchandise and Property	243,611	34,385					287,207
Rentals, Leases and Royalties		16,995					16,995
Grants, Contracts, and Donations		2,189,136					2,189,136
Transfers-in	1,133,250	7,133,533	3,562,619				11,829,402
Capital Asset Sale Proceeds	4,677	224,189					228,866
Inception of Lease/Installment Contract		3,635,549					3,635,549
Miscellaneous	1,068	554,949				24,258,985	24,815,001
Federal		205	2,297,560				2,297,765
Total Revenues & Transfers-In	216,034,887	92,201,792	5,924,956	841,654	1,326,736	22,741,734	339,071,759
Less: Nonbudgeted Revenues & Transfers-In	5,909	7,065,173	58	8,200		24,281,526	31,360,865
Prior Year Revenues & Transfers-In Adjustments	253,481	3,752,182	(189)			(1,963,145)	2,042,330
Actual Budgeted Revenues & Transfers-In	\$ 215,775,497	\$ 81,384,436	\$ 5,925,087	\$ 833,454	\$ 1,326,736	\$ 423,353	\$ 305,668,564

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment.
Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Agency Legal Services	Board of Crime Control	Central Services Division	Division of Criminal Investigation	Forensic Services Division	Gambling Control Division	Information Technology System	Legal Services Division	Montana Highway Patrol	Motor Vehicle Division	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT											
Personal Services											
Salaries	\$ 1,044,727	\$ 1,290,338	\$ 1,452,517	\$ 8,681,062	\$ 3,918,945	\$ 2,186,561	\$ 2,759,468	\$ 6,064,228	\$ 21,765,433	\$ 7,026,177	\$ 56,189,457
Other Compensation							(1,071)				(1,071)
Employee Benefits	299,945	415,762	476,770	3,223,207	1,156,822	798,107	852,403	1,815,338	11,817,602	3,050,341	23,906,297
Personal Services-Other	(17,889)					1,363					(16,526)
Total	1,326,783	1,706,101	1,929,286	11,904,269	5,075,767	2,986,031	3,610,801	7,879,566	33,583,035	10,076,518	80,078,157
Operating Expenses											
Other Services	59,006	505,441	597,553	2,296,721	411,749	211,393	426,377	13,513,311	2,461,938	7,477,921	27,961,410
Supplies & Materials	10,164	151,668	74,008	924,999	784,273	54,669	405,756	277,842	4,212,515	984,512	7,880,406
Communications	11,642	5,813	19,437	343,383	81,540	68,592	75,853	160,289	674,188	1,737,926	3,178,665
Travel	3,738	47,869	16,540	403,492	32,248	34,919	3,535	107,375	1,144,927	183,009	1,977,651
Rent	79,163	122,592	4,149	258,864	30,365	171,706	172,105	244,491	250,091	668,524	2,002,051
Utilities				140,097	145,257			5,265	243,147	6,511	540,276
Repair & Maintenance		225	(63,789)	1,156,841	278,792	14,099	872,656	72,080	1,113,953	592,577	4,037,434
Other Expenses	30,768	39,523	24,519,068	253,569	40,268	65,814	93,310	276,179	388,031	78,328	25,784,856
Goods Purchased For Resale			11				19,967		17		19,994
Total	194,482	873,130	25,166,975	5,777,967	1,804,492	621,191	2,049,593	14,676,798	10,488,807	11,729,309	73,382,744
Equipment & Intangible Assets											
Equipment			(9,024)	391,756	570,099		359,379		3,515,325	52,226	4,879,761
Livestock									49,000		49,000
Intangible Assets			751,637	4,352,740	1,823,230	395,023		958,060	4,649,698	1,066,139	13,996,528
Total			742,613	4,744,496	2,393,328	395,023	359,379	958,060	8,214,023	1,118,365	18,925,289
Capital Outlay											
Buildings			(226,573)					(66,600)			(293,173)
Total			(226,573)					(66,600)			(293,173)
Local Assistance											
From State Sources			3,843,083			1,739,123				24,110	5,606,316
Total			3,843,083			1,739,123				24,110	5,606,316
Grants											
From State Sources		742,698	10,779,422	6,250							11,528,370
From Federal Sources		8,848,037		120,065				32,833			9,000,936
Grant To Governmental Entities			300,000	12,500							312,500
Grant To Non-Governmental Ent									618,000		618,000
Total		9,590,735	11,079,422	138,815				650,833			21,459,805
Benefits & Claims											
To Individuals				637,566				201,215			838,781
Total				637,566				201,215			838,781
Transfers-out											
Fund transfers		1,090,897	873,888	11,295	150,000			3,261,062	4,000,000	1,439,125	10,826,267
Total		1,090,897	873,888	11,295	150,000			3,261,062	4,000,000	1,439,125	10,826,267
Debt Service											
Loans					45,706				37,932		83,638
Capital Leases				(156)							(156)
Installment Purchases					205,074				1,833,610		2,038,684
Lease Liability	3,729		149,352	717,365	129,028	102,495		173,020	819,838	201,350	2,296,177
Total	3,729		149,352	717,209	379,808	102,495		173,020	2,691,380	201,350	4,418,343
Post Employment Benefits											
Other Post Employment Benefits	18,383					8,674					27,058
Employer Pension Expense	(17,325)					(92,556)					(109,881)
Total	1,059					(83,882)					(82,823)
Total Expenditures & Transfers-Out	\$ 1,526,052	\$ 13,260,864	\$ 43,558,047	\$ 23,931,618	\$ 9,803,396	\$ 5,759,980	\$ 6,019,773	\$ 27,733,955	\$ 58,977,244	\$ 24,588,777	\$ 215,159,706
EXPENDITURES & TRANSFERS-OUT BY FUND											
General Fund		\$ 2,018,226	\$ 6,412,137	\$ 12,192,146	\$ 7,412,976		\$ 4,700,468	\$ 7,055,414	\$ 2,920,592	\$ 2,497,771	\$ 45,209,730
State Special Revenue Fund		267,413	12,586,757	8,471,300	1,669,544	\$ 4,578,371	1,312,799	20,148,401	54,499,625	21,510,422	125,044,631
Federal Special Revenue Fund		10,975,224	33,980	3,268,172	720,875		2,668	530,141	1,557,027	24,899	17,112,986
Enterprise Fund			47,915			1,181,609	3,838			555,685	1,789,047
Internal Service Fund	\$ 1,526,052										1,526,052
Custodial Fund			24,477,259								24,477,259
Total Expenditures & Transfers-Out	1,526,052	13,260,864	43,558,047	23,931,618	9,803,396	5,759,980	6,019,773	27,733,955	58,977,244	24,588,777	215,159,706
Less: Nonbudgeted Expenditures & Transfers-Out	(30,071)		26,105,034	4,445,362	1,880,569	282,824		19,430,980	8,830,830	2,301,203	63,246,732
Prior Year Expenditures & Transfers-Out Adjustments			(325,944)	12,127	(39,563)	(500)		(499,598)	(14)	0	(853,491)
Actual Budgeted Expenditures & Transfers-Out	1,556,123	13,260,864	43,237,107	19,474,129	7,962,389	5,477,656	6,019,773	8,802,573	50,146,428	22,287,574	152,766,465
Budget Authority	1,686,156	22,522,766	20,431,189	24,453,767	9,033,901	5,931,641	6,029,966	10,413,061	51,841,216	23,002,160	175,345,824
Unspent Budget Authority	\$ 130,033	\$ 9,261,903	\$ 2,652,232	\$ 4,979,638	\$ 1,071,512	\$ 453,985	\$ 10,193	\$ 1,610,489	\$ 1,694,788	\$ 714,586	\$ 22,579,358
UNSPENT BUDGET AUTHORITY BY FUND											
General Fund		\$ 26,204	\$ 157,008	\$ 54,001	\$ 15,556		\$ 2,267	\$ 85,170	\$ 33,206	\$ 48,970	\$ 422,381
State Special Revenue Fund		10,285	2,361,486	233,631	15,508	\$ 418,142	948	780,731	304,127	647,070	4,771,928
Federal Special Revenue Fund		9,225,414	132,452	4,692,006	1,040,448			744,588	1,357,455	10,000	17,202,363
Enterprise Fund			1,286			35,843				8,546	45,675
Internal Service Fund	\$ 130,033						6,978				137,011
Unspent Budget Authority	\$ 130,033	\$ 9,261,903	\$ 2,652,232	\$ 4,979,638	\$ 1,071,512	\$ 453,985	\$ 10,193	\$ 1,610,489	\$ 1,694,788	\$ 714,586	\$ 22,579,358

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Agency Legal Services	Central Services Division	Division of Criminal Investigation	Forensic Services Division	Gambling Control Division	Information Technology System	Legal Services Division	Montana Highway Patrol	Motor Vehicle Division	Total
Personal Services										
Salaries	\$ 1,168,593	\$ 1,411,132	\$ 7,908,475	\$ 3,695,527	\$ 2,526,607	\$ 3,056,055	\$ 6,402,864	\$ 19,872,101	\$ 7,409,453	\$ 53,450,807
Employee Benefits	350,684	508,555	3,217,087	1,208,006	969,831	1,058,389	2,116,073	11,664,929	3,544,930	24,638,484
Personal Services-Other	(105,131)				(16,710)					(121,841)
Total	1,414,146	1,919,686	11,125,562	4,903,533	3,479,728	4,114,445	8,518,937	31,537,030	10,954,383	77,967,450
Operating Expenses										
Other Services	26,890	953,298	1,544,601	610,652	133,544	144,383	18,050,851	2,217,801	10,830,534	34,512,556
Supplies & Materials	4,910	298,629	888,054	754,659	39,629	332,190	367,958	3,367,495	618,877	6,672,401
Communications	10,907	23,612	423,607	78,555	64,641	178,376	163,763	679,673	1,507,039	3,130,173
Travel	3,836	7,731	180,165	12,712	24,113	3,665	93,399	1,043,911	155,109	1,524,641
Rent	77,989	152,279	907,368	159,330	300,984	164,033	412,751	1,105,874	831,083	4,111,691
Utilities			131,370	135,614			5,474	47,948	6,010	326,417
Repair & Maintenance		125,977	368,170	205,585	12,901	785,584	60,231	977,899	134,405	2,670,751
Other Expenses	21,034	24,267,799	368,592	33,117	38,730	115,932	310,538	224,692	89,804	25,470,236
Total	145,566	25,829,326	4,811,927	1,990,224	614,542	1,724,163	19,464,964	9,665,293	14,172,862	78,418,866
Equipment & Intangible Assets										
Equipment		(16,450)	181,814	276,728	31,484	199,499	(9,652)	2,935,166	161,255	3,759,843
Livestock								5,500		5,500
Capital leases - equipment								3,635,549		3,635,549
Intangible Assets			559,091				236,414	633,092		1,428,597
Total		(16,450)	740,905	276,728	31,484	199,499	226,762	7,209,307	161,255	8,829,488
Capital Outlay										
Buildings		226,573					41,406			267,979
Total		226,573					41,406			267,979
Local Assistance										
From State Sources		3,582,617			1,793,117					5,375,734
Total		3,582,617			1,793,117					5,375,734
Grants										
From Federal Sources			216,083				134,746			350,829
Grant To Non-Governmental Ent							71,219			71,219
Total			216,083				205,965			422,048
Benefits & Claims										
To Individuals							873,522			873,522
Total							873,522			873,522
Transfers-out										
Fund transfers			44,757	15,000			8,357,228	132,400	1,323,612	9,872,997
Total			44,757	15,000			8,357,228	132,400	1,323,612	9,872,997
Debt Service										
Loans				45,707				(858,721)		(813,014)
Capital Leases			9,763	211,781	1,885		2,079	4,260		229,769
Installment Purchases								3,368,275		3,368,275
Total			9,763	257,488	1,885		2,079	2,513,814		2,785,029
Post Employment Benefits										
Other Post Employment Benefits	(26,660)				(67,355)					(94,015)
Employer Pension Expense	52,687				70,270					122,957
Total	26,027				2,915					28,942
Total Expenditures & Transfers-Out	\$ 1,585,739	\$ 31,541,752	\$ 16,948,997	\$ 7,442,973	\$ 5,923,671	\$ 6,038,106	\$ 37,690,863	\$ 51,057,844	\$ 26,612,111	\$ 184,842,056
EXPENDITURES & TRANSFERS-OUT BY FUND										
General Fund		\$ 5,794,109	\$ 7,674,876	\$ 5,037,387		\$ 4,949,964	\$ 7,656,476	\$ 1,836,687	\$ 8,987,049	\$ 41,936,548
State Special Revenue Fund		1,176,070	6,857,739	1,727,375	\$ 4,623,896	1,073,404	29,024,935	47,845,183	16,976,571	109,305,173
Federal Special Revenue Fund		290,122	2,416,382	678,212			1,009,452	1,375,974	57,037	5,827,179
Enterprise Fund		31,843			1,299,775	7,102			591,454	1,930,174
Internal Service Fund	\$ 1,585,739					7,636				1,593,375
Custodial Fund		24,249,607								24,249,607
Total Expenditures & Transfers-Out	1,585,739	31,541,752	16,948,997	7,442,973	5,923,671	6,038,106	37,690,863	51,057,844	26,612,111	184,842,056
Less: Nonbudgeted Expenditures & Transfers-Out	(101,378)	24,243,403	72,086	(8,263)	(72,873)	(2,961)	26,922,164	351,058	1,113,187	52,516,423
Prior Year Expenditures & Transfers-Out Adjustments	38	(18)	(18,949)	(6,612)	(26,729)	(1,423)	(15,003)	3,586,869	(47,883)	3,470,290
Actual Budgeted Expenditures & Transfers-Out	1,687,079	7,298,367	16,895,860	7,457,849	6,023,273	6,042,490	10,783,702	47,119,917	25,546,807	128,855,343
Budget Authority	1,929,835	8,229,202	20,551,097	8,747,776	6,069,200	6,086,130	11,863,604	49,351,156	25,670,719	138,498,717
Unspent Budget Authority	\$ 242,756	\$ 930,835	\$ 3,655,236	\$ 1,289,927	\$ 45,927	\$ 43,640	\$ 1,079,902	\$ 2,231,239	\$ 123,912	\$ 9,643,374
UNSPENT BUDGET AUTHORITY BY FUND										
General Fund		\$ 191,235	\$ 18,081	\$ 1,659		\$ 1	\$ 25,655	\$ 84,500	\$ 5,935	\$ 327,066
State Special Revenue Fund		517,189	113,445	3,147	\$ 42,129	40,974	435,328	330,157	82,877	1,565,247
Federal Special Revenue Fund		222,398	3,523,711	1,285,120		2,635	618,919	1,816,581	34,899	7,504,263
Enterprise Fund		13			3,798	30			201	4,042
Internal Service Fund	\$ 242,756									242,756
Unspent Budget Authority	\$ 242,756	\$ 930,835	\$ 3,655,236	\$ 1,289,927	\$ 45,927	\$ 43,640	\$ 1,079,902	\$ 2,231,239	\$ 123,912	\$ 9,643,374

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

Department of Justice

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2022

1. Summary of Significant Accounting Policies

Basis of Accounting

The Department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue, and Capital Projects). In applying the modified accrual basis, the Department records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the Department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Department to record the cost of employees' annual and sick leave when used or paid.

The Department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) and Custodial fund categories. Under the accrual basis, as defined by state accounting policy, the Department records revenues in the accounting period when realizable, measurable, and earned, and records expenses in the period incurred when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format was adopted by the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The Department uses the following funds:

Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources (other than private-purpose trusts or major capital projects) that are legally restricted to expenditures for specific state program purposes. Department State Special Revenue Funds include Highway Patrol operations, statewide 911 service administration, public service radio, collections of gambling license revenues, Montana Law Enforcement Academy operations, Natural Resources Damage Litigation Program, Consumer Protection, Criminal Justice Information Network, Crime Victims Compensation, Criminal Records Information Systems, Forensic Sciences Division, the Motor Vehicle Information Technology System, Motor Vehicle administration, and Board of Crime Control domestic violence prevention.

- ♦ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Department Federal Special Revenue Funds include:

Agreement Type	Program Name	Agreement Type	Program Name
Federal Award	24/7 Sobriety Program Coordinator	Federal Award	Juvenile Justice Council
Federal Award	Breath Alcohol Analysis Instrumentation	Federal Award	Office of Violence Against Women programs
Federal Award	Commercial Driver's License Audit Software	Federal Award	Residential Substance Abuse
Federal Award	Commercial Driver's License Help Desk Improvement	Federal Award	Juvenile Assistance Grants
Federal Award	COPS Anti-Methamphetamine Program (CAMP)	Federal Award	Justice System Enhancements
Federal Award	Paul Coverdell Forensic Sciences Improvement	Federal Award	Prescription Drug Monitoring
Federal Award	Crime Victim Benefits Compensation	Federal Award	OVW Elder Abuse Services
Federal Award	DNA Backlog Reduction Program	Federal Award	NCS X Implementation
Federal Award	Domestic Violence Fatality Review Commission	Federal Award	OJJDP Delinquency Prevention
Federal Award	Eastern Montana Drug Task Force	Federal Award	Project Safe Neighborhoods
Federal Award	High Intensity Drug Trafficking Areas	Federal Award	BJA Mental Health Collaboration
Federal Award	Internet Crimes Against Children Task Force	Federal Award	Enforcement of Underage Drinking Laws
Federal Award	Intervention, Networks, Training, Enforcement, Response, and Collaborative Efforts Develop Effectiveness (INTERCEDE)	Federal Award	John R Justice
Federal Award	Medical Examiner Office Accreditation	Federal Award	Comprehensive Opioid Abuse
Federal Award	Law Enforcement Mental Health and Wellness Act	Federal Award	Adam Walsh Implementation
Federal Award	International Association of Chiefs of Police	Federal Contract	Alcohol, Tobacco, Firearms and Explosives Task Force Overtime
Federal Award	Cooperative Disability Investigations Social Security Administration	Federal Contract	Big Sky Safe Streets Task Force Overtime
Federal Award	Montana Analysis and Technical Information Center	Federal Contract	DEA Drug Diversion Task Force Overtime
Federal Award	Montana Sexual Assault Forensic Evidence - Inventory, Tracking and Reporting Program	Federal Contract	DEA Task Force Overtime
Federal Award	National Criminal History Improvement Program	Federal Contract	Federal Forfeitures
Federal Award	Office of the Child and Family Ombudsman	Federal Contract	Flathead County High Intensity Drug Trafficking Areas Overtime
Federal Award	Selective Traffic Enforcement Programs	Federal Contract	Homeland Security Overtime
Federal Award	Sex Offender Registration and Notification Act Reallocation Funds	Federal Contract	Organized Crime Drug Enforcement Task Force
Federal Award	Sexual Assault Kit Initiative	Federal Contract	US Marshall Overtime
Federal Award	SMART Adam Walsh Act Implementation	Federal Contract	George Mason University Coroner Liaison to Medical Examiners Office
Federal Award	Southwest Montana Drug Task Force	State MOU	DOT Courts of Limited Jurisdiction
Federal Award	Special Traffic Safety Enforcement Team	State MOU	DOT Justice Courts Reporting System
Federal Award	State Medicaid Fraud Control Units	State MOU	DPHHS MOU - Child Protection Prosecution
Federal Award	Traffic Safety Resource Officer	State MOU	DPHHS MOU - Criminal Forensic Interview Training
Federal Award	Traffic Safety Resource Prosecutor	State MOU	DPHHS MOU- Overdose Data to Action program
Federal Award	Web Based Crash Trainer	Federal Award	Covid relief funds & Section 602 funds

- ♦ **Capital Projects Fund** – to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The Department has used this fund in years past for the costs related to developing the information technology system related to the production and maintenance of MERLIN.

Proprietary Fund Category

- ♦ **Internal Service Fund** – to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. Department Internal Service Fund includes Agency Legal Services, which provides legal services to other state agencies.
- ♦ **Enterprise Fund** – to account for operations (a) financed and operated in a manner similar to private business enterprises, where the Legislature intends that the Department finance or recover costs primarily through user charges; (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate; (c) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (d) when laws or regulations require that the activities' cost of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. Department Enterprise Funds include MVD state information portal, MVD electronic commerce, and the Liquor License, which is used to fund part of the Gambling Divisions operations and administered by the Department of Revenue.

Fiduciary Fund Category

- ♦ **Custodial Fund** – to account for resources held by the state in a custodial capacity. Custodial Funds include activity for county and sponsored organization license plate fee collections, and monies seized and held pending court case decisions.

During this performance period the Department of Administration (DOA) implemented GASB 87 which required reclassification of leases and was fully implemented in FY2022. Under DOA guidance DOJ will be implementing the GASB 94 and 96 once methodology is finalized in 2023.

DOJ works very closely with DOA on guidelines and MoM policies as applicable.

2. General Fund Equity Balance

The Department has authority to pay obligations from the statewide General Fund within its appropriation limits. The Department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund equity balances for each of the fiscal years ended June 30, 2011, and June 30, 2022. These balances reflect the results of the activity of the Department and not the fund equity balance of the statewide General Fund.

3. Direct Entries to Fund Equity

Direct entries to fund equity in the General, Special Revenue, and Enterprise funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

The 2021 legislature moved the statutory 911 program found in 10-4-101 MCA from the Department of Administration to the Department of Justice. Two journals processed 11/16/2021 to complete the transfer of the 911 program initiated by DOA, ISD2022026 and ISD2022027. These journals increased DOJ fund balance by \$13,035,683 associated with the administration of the 911 program at DOJ.

In implementing the transfer for the Montana Board of Crime Control from Department of Corrections to Department of Justice that is further discussed in note 4, fund equity and cash was overstated for the Department of Justice in FY 2021. This is addressed in the Annual Comprehensive Financial Report Audit as well. The fund change requests were submitted to DOA to add the Department of Justice (DOJ) during FY 2021 in preparation for the full transition to take place as of FY 2022. State Accounting Bureau (SAB) at that time added DOJ and made DOJ the responsible business unit on the same request, which lead to this error. In May/June each year, SAB also sends a reminder to agencies to review the funds they are responsible for and if any corrections are needed, MBCC will work during the next clean up cycle to catch any lingering errors or misstatements

4. Transfers

The Department transferred \$1,119,549.50 to the State General Fund, from Motor Vehicle Administration State Special Revenue Fund, on August 10, 2020 per 61-3-321 23(b) MCA.

The Department transferred \$1,235,063.36 to the State General Fund, from the Motor Vehicle Division's State Special Revenue Fund, on August 18, 2021 per 61-3-321 23 (b) MCA.

5. Settlements

The Department signed a multi-state civil consent order and judgement 11/18/2020 with Apple Inc. regarding operation of performance management and its impact on the iPhone battery and performance for a total of \$1,160,895.98 has been received in total. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department signed a multi-state civil consent order and judgement 3/23/2021 with Boston Scientific Corporation regarding surgical mesh a total of \$1,334,374 has been received in total. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department signed a multi-state civil consent order and judgement 9/18/2020 with CR Bard Inc. regarding urogynecologic surgical mesh a total of \$636,966 has been received in total. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department received a settlement on September 3, 2020, as a result of the State of Montana, ex rel. Tim Fox, Attorney General vs. Honda Motor Company, Inc., and Honda of America Mfg., Inc., in the amount of \$974,966.88. The settlement was a result of an investigation and subsequent Complaint and Consent Judgement over allegations Honda concealed safety issues related to defects in the frontal airbag systems installed in certain Honda and Acura vehicles sold in the United States. The systems were designed and manufactured by Takata Corporation, a long-time Honda supplier, and were first

installed in Honda vehicles in the 2001 model year. The amount was deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

The Department received a settlement on February 5, 2021, as a result of the matter with McKinsey & Co. in the amount of \$1,862,041.22. The settlement was a result of an multistate lawsuit related to prescribing in treatment opioid substances. The amounts are to be deposited into a state special revenue fund for the Office of Consumer Protection, Legal Services Division.

In January 2022, the State of Montana received \$78.6 million from National Indemnity Company as the result of asbestos litigation.

6. Subsequent Events

As part of the National Opioid Settlement (Settlement), on August 16, 2022, and October 4, 2022, the Montana Attorney General partially finalized settlement agreements with certain opioid distributors and manufacturers totaling \$78.0 million. Additional negotiations are expected to finalize the Settlement, which the State has determined an additional \$57.9 million is reasonably possible to be awarded. The Settlement will be used to combat the opioid crisis, with a 15.0% allocation to the State, a 15.0% allocation to Montana local governments, and a 70.0% allocation to The Montana Opioid Abatement Trust (Trust) established by the Attorney General. The State is currently evaluating the reporting nature of the Trust entity.

On January 4, 2023, the Montana Attorney General signed a consent judgment that secured approximately \$6.3 million for the State, to resolve a multi-state investigation over marketing and sales practices with JUUL Labs, an e-cigarette manufacturer. The settlement will be paid out over a period of six to ten years.

On January 10, 2023, a proposed settlement was filed in the U.S. Bankruptcy Court requiring W.R. Grace & Co. to pay \$18.5 million to resolve the Montana Department of Environmental Quality's claims for the Libby Asbestos Superfund Site. (This could be DNRC-Check to see if they reported.)

On February 28, 2023, the U.S. Supreme Court (Court) ruled that unclaimed MoneyGrams are similar to money orders, and are governed by the Disposition of Abandoned Money Orders and Traveler's Check Act (Federal Disposition Act or FDA). This Act requires that unclaimed MoneyGrams escheat to the state in which they were purchased. The amount Montana will receive as a result of this case is undetermined.

In the 2023 biennium, DOJ began the replacement of the MERLIN driver's license and automobile titling system by entering into a contract with FAST Enterprises on a system called Credentialing and Registration System (CARS). The new system is expected to be available for use in the 2023 biennium. To secure appropriations for the project, DOJ has appropriations in House Bill 10, the Long-Range Information Technology Program legislation. The new system will have ongoing annual maintenance costs of \$2.6 million once released that was requested in House Bill 2. This project was discussed and authorized by the 2021 Legislature via 17-7-402 MCA and was presented to the 2023 legislature for full consideration in House Bill 10 and House Bill 2 deliberations.

Contract JUS-22-0146NH, MVD-M2 System was signed 07/05/2022 with Fast Enterprises for the replacement of MERLIN. The overall contract amount for CARS is \$50,511,000 and the term runs thru 07/25/2026. To date, \$11,056,560 has been spent related to the contract. House Bill 10, if signed by the Governor will provide \$45,215,100 to fulfill expected contractual obligations and provide the 10% contingency as needed.

7. Reorganization

The Department did an operational restructuring of crime victims operations. A reorganization budget change document was processed in October 2021 that functionally moved 10.5 FTE and \$1,743,595 from the Legal Services Division to the Division of Criminal Investigation.

The 2021 Legislature transferred the 9-1-1 system administration from the Department of Administration to DOJ. The system included a grants budget of \$13.0 million for two separate statutory appropriations that provide grants and distributions to supports the functions of 9-1-1 centers statewide. The funding is derived from a fee on telephone bills. The transfer of this service increased the DOJ statutory appropriation budget by 149.6% in FY 2022. Spending on 9-1-1 grants during the fiscal year was \$10.8 million.

The 2021 Legislature also transferred the Montana Board of Crime Control and associated funding from the Department of Corrections to the Department of Justice. This transfer resulted in 17.50 FTE and \$15,592,563 being added to the organization in program 21 in FY 2022.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Justice for each of the fiscal years ended June 30, 2022, and 2021, and the related notes to the financial schedules, and have issued our report thereon dated May 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered the department's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, we do not express an opinion on the effectiveness of the department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

As described in the Recommendation #2, on page 7, the department does not have controls in place to ensure compliance with state accounting policy regarding year-end entries to the Custodial Fund.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial schedules. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Department of Justice Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the department's response to the findings identified in our audit as described on page C-1 of this report. The department's response was not subjected to the auditing procedures applied in the audit of the financial schedules and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

May 11, 2023

DEPARTMENT OF
JUSTICE

DEPARTMENT RESPONSE

AUSTIN KNUDSEN



STATE OF MONTANA

August 1, 2023

Angus Maciver, Legislative Auditor
 Legislative Audit Division
 Room 160, State Capitol
 PO Box 201705
 Helena, MT 59620-1705

RECEIVED
 AUG 02 2023
 LEGISLATIVE AUDIT DIV.

Dear Director Maciver,

The Montana Department of Justice thanks you and your audit team for the professionalism displayed while conducting the most recent financial compliance audit. The audit provides valuable and timely information for us to evaluate programs and accounting procedures.

Please accept the following response to the audit recommendations presented in the report for the two fiscal years ended June 30, 2022.

Recommendation #1

State Compliance

The department needs to seek an increase in fees and/or decrease expenses to maintain sufficient working capital in its Agency Legal Services Internal Service Fund and comply with the state law requirement to charge fees commensurate with costs. In fiscal year 2022 there are some improvements and revenue did exceed expenditures, but working capital is still negative.

The department Concurs with this recommendation. The department requested an increase in fees of the 2021 legislature from \$106 to \$121/hour for attorneys and from \$62 to \$71/hour for paralegals. The department also instituted the Agency Legal Services Incentive Policy effective October 1, 2022. This policy is intended to reward staff for performance contributions at 120 billable hours per month consistently during the year. These billable hours based on the biennial report on Internal Service and Enterprise funding model should be sufficient to meet agency obligations.

Recommendation #2

State Compliance/Control

The department collects vehicle fees and taxes for counties and vanity license plate fees for nonprofits. To comply with generally accepted accounting principles and state law, the department must record a liability and accrue expenses in the Custodial Fund for the amounts collected but not yet dispersed to counties and nonprofits. This compliance issue was a recommendation in the 2020 report.

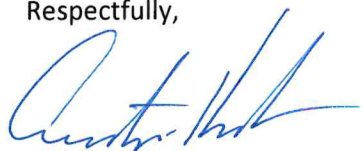
DEPARTMENT OF JUSTICE

215 North Sanders
 PO Box 201401
 Helena, MT 59620-1401

(406) 444-2026
 Contactdoj@mt.gov
 mtdoj.gov

The department Concurs with this recommendation. Due to turnover the department personnel worked with the Department of Administration State Accounting Division and the Motor Vehicle Division to correct this issue for FY 2022 as a prior period adjustment. In fiscal year 2023, the procedures were followed as developed in FY 2022 to record the liability, accrue expenses and record GASB 84 entries in the Custodial Fund.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Austin Knudsen', with a stylized flourish at the end.

Austin Knudsen
Attorney General