



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

# *Office of the Governor and Lieutenant Governor*

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

AUGUST 2023

LEGISLATIVE AUDIT  
DIVISION

22-23

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## 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

JEANE CARSTENSEN-GARRETT	LESLIE LAHTI
MARY CURRIN	RENEE LUSTER
ADAM HEFENIEDER	DELSI OSMANSON
BRENDA KELLER	

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# 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:

We are pleased to provide our financial-compliance audit report of the Office of the Governor and Lieutenant Governor for the two fiscal years ended June 30, 2022. The office's financial schedules are generated from the primary accounting system. The office's management is responsible for the notes to the financial schedules.

We issued an unmodified opinion on the financial schedules for the two fiscal years ended June 30, 2022. No recommendations resulted from this audit. The audit had two prior audit recommendations. Both recommendations were fully implemented.

The office's written response to the audit is included in the audit report on page C-1. We thank Governor Gianforte and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

*/s/ Angus Maciver*

Angus Maciver  
Legislative Auditor



## TABLE OF CONTENTS

Elected, Appointed, and Administrative Officials.....	ii
Report Summary .....	S-1
<b>INDEPENDENT AUDITOR’S REPORT AND OFFICE FINANCIAL SCHEDULES</b>	
Independent Auditor’s Report .....	A-1
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2022 .....	A-4
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2021 .....	A-5
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2022 .....	A-6
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2021.....	A-7
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2022.....	A-8
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2021 .....	A-9
Notes to the Financial Schedules .....	A-11
<b>REPORT ON INTERNAL CONTROL AND COMPLIANCE</b>	
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
<b>OFFICE RESPONSE</b>	
Office of the Governor and Lieutenant Governor.....	C-1

## ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

**Office of the Governor  
and Lieutenant  
Governor**

Greg Gianforte, Governor

Kristen Juras, Lieutenant Governor

Christine Heggem, Chief of Staff

Ryan Osmandson, Director of Budget and Program Planning  
(as of October 2021)

Kurt Alme, Director of Budget and Program Planning  
(through September 2021)

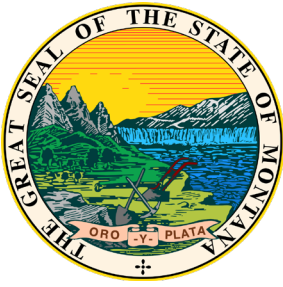
Chet McLean, Internal Controls Coordinator

Errolyn Lantz, Central Services Administrator

Sonia Powell, Lead Budget Analyst

For additional information concerning the Office of the Governor and  
Lieutenant Governor, contact:

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Governor's Office  
P.O. Box 200801  
Helena, MT 59620-0801  
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# MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT  
Office of the Governor and Lieutenant Governor  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2022

A report to the Montana Legislature

## BACKGROUND

The office oversees the activities of the Executive Branch of Montana state government, as required by constitutional and statutory mandates. Most of the office's employees work in the Executive Office Program and the Office of Budget and Program Planning. Executive Branch oversight, economic development, budget preparation and monitoring, and centralized service activities are administered through these programs.

The 67th Legislative Session removed the Air Transportation Program and associated appropriation from the Governor's Office.

Most of the activity for the Office of the Governor and Lieutenant Governor (office) for fiscal years 2021 and 2022 was federal activity. During this time, the office recorded revenues of approximately \$1.2 billion and \$90.5 million in funding received for the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). The expenditures recorded for activity related to the CARES Act and ARPA were approximately \$1.2 billion and \$90.7 million. The Governor's Office transferred to or made funds available to state agencies via shared funds. State agencies expended the funds for CARES Act or ARPA programs. No recommendations resulted from the audit.

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

We found the office's financial schedules presented fairly the activity of the office in all material respects and issued unmodified opinions on the regulatory basis of accounting under which the financial schedules are presented. This means a reader can rely on the information presented and the underlying financial records.

For the full context of the office'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 office: 0

To the legislature: 0

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

Fully Implemented: 2

Partially Implemented: 0

Not Implemented: 0

## SUMMARY OF AUDIT WORK:

Our audit efforts focused primarily on the office's financial activity related to budget authority, cash, federal revenues, and transfers related to federal activity.

(continued on back)

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

[leg.mt.gov/lad](http://leg.mt.gov/lad)

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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.

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

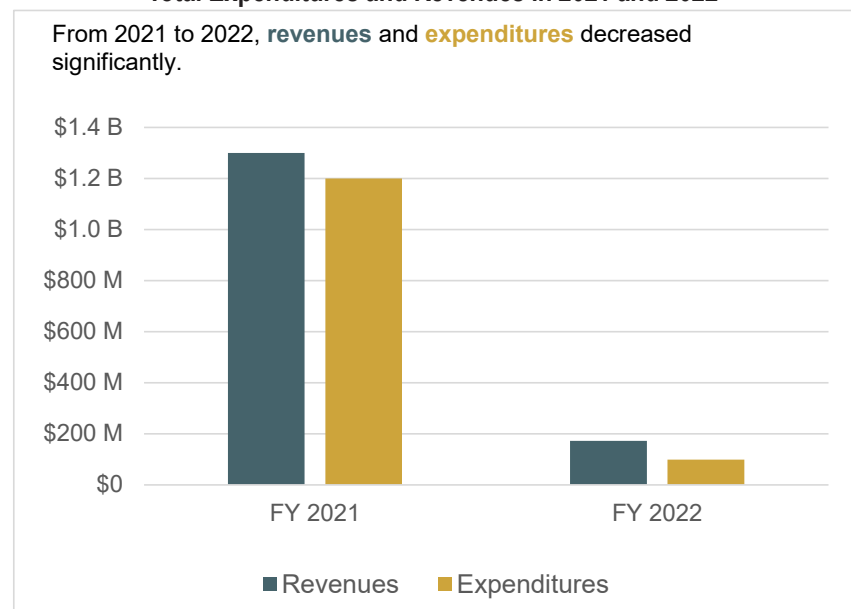
Text  
(704) 430-3930

Our work included the following:

- ◆ Understanding internal controls
- ◆ Completing analytic procedures
- ◆ Reviewing the supporting documentation
- ◆ Discussions with agency personnel
- ◆ Reviewing appropriations activity

We completed federal work related to the ARPA funds since the Governor's Office was responsible for all State and Local Fiscal Recovery Fund (SLFRF) program reporting. The office was also responsible for all reporting for the Coronavirus Relief Fund (CRF) program. Funds for CRF could be used to cover costs that were incurred during the period that began on March 1, 2020, and ended on December 31, 2022. Funds for SLFRF must be obligated by December 31, 2024, and spent by December 31, 2026.

#### Total Expenditures and Revenues in 2021 and 2022



The decrease in revenues and expenses between fiscal years 2021 and 2022 was due to the decrease in activity for CRF in 2022. Most of the CRF funds were expended, and the revenues were recognized in 2021.

#### PRIOR AUDIT RECOMMENDATIONS

In our prior audit, we recommended the office enhance the review of appropriations loaded into the Internet Budget and Reporting System (IBARS) to ensure accuracy and completeness. The office implemented reviews by the deputy budget director and assistant budget director of the checklists completed by budget analysts. These checklists are used to ensure the appropriations in IBARS are complete and accurate for each agency program. This recommendation was fully implemented.

(continued on next page)



Our other recommendation concerned internal controls over preparing the notes to the financial schedules. The office created a checklist for use in the preparation of the notes. The checklist's purpose is to ensure the notes to the financial schedules include all relevant information and are understandable and accurate. This recommendation was fully implemented.

We made a recommendation to the office and its Office of Budget and Program Planning (OBPP) in the State of Montana's financial audit report for the fiscal year ending June 30, 2022 (#22-01). During that audit, we identified \$37 million in expenditures that were not reported on the Schedule of Expenditures for Federal Awards (SEFA). Internal controls at the office were not in place to ensure grants received at one state entity and subgranted to other agencies were appropriately included on the face of the SEFA. After the error was communicated, the error was corrected, and the \$37 million was reported on the final version of the SEFA.

**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: 0

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.



# **Independent Auditor's Report and Office 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 Office of the Governor and Lieutenant Governor 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 office as of June 30, 2022, and June 30, 2021, or changes in financial position 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 office 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 the office 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 or liabilities.

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 office'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 office'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 office'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 June 13, 2023, on our consideration of the office'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 office's internal control over financial reporting and compliance.

Respectfully submitted,

*/s/ Cindy Jorgenson*

Cindy Jorgenson, CPA  
Deputy Legislative Auditor  
Helena, MT

June 13, 2023

GOVERNOR'S OFFICE  
SCHEDULE OF CHANGES IN FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
FUND EQUITY: July 1, 2021	\$ <u>(274,426)</u>	\$ <u>59,935</u>	\$ <u>276,104</u>
ADDITIONS			
Budgeted Revenues & Transfers-In	51		171,791,498
Direct Entries to Fund Equity	<u>6,187,250</u>	<u>3,200</u>	<u>(78,806,311)</u>
Total Additions	<u>6,187,301</u>	<u>3,200</u>	<u>92,985,187</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	6,188,753		92,726,420
Nonbudgeted Expenditures & Transfers-Out	(5,472)		
Prior Year Expenditures & Transfers-Out Adjustments	<u>(864)</u>		
Total Reductions	<u>6,182,417</u>	<u>0</u>	<u>92,726,420</u>
FUND EQUITY: June 30, 2022	\$ <u><u>(269,542)</u></u>	\$ <u><u>63,135</u></u>	\$ <u><u>534,871</u></u>

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.



GOVERNOR'S OFFICE  
SCHEDULE OF CHANGES IN FUND EQUITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
FUND EQUITY: July 1, 2020	\$ <u>(374,390)</u>	\$ <u>61,125</u>	\$ <u>246,003</u>
ADDITIONS			
Budgeted Revenues & Transfers-In		115,000	1,271,016,267
Direct Entries to Fund Equity	<u>6,821,960</u>		<u>(58,080,174)</u>
Total Additions	<u>6,821,960</u>	<u>115,000</u>	<u>1,212,936,093</u>
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	6,728,953	115,000	1,212,905,500
Nonbudgeted Expenditures & Transfers-Out	(5,599)		
Prior Year Expenditures & Transfers-Out Adjustments	<u>(1,357)</u>	<u>1,190</u>	<u>493</u>
Total Reductions	<u>6,721,997</u>	<u>116,190</u>	<u>1,212,905,993</u>
FUND EQUITY: June 30, 2021	\$ <u>(274,426)</u>	\$ <u>59,935</u>	\$ <u>276,104</u>

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.

GOVERNOR'S OFFICE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Transfers-in		\$ 79,836,061	\$ 79,836,061
Miscellaneous	\$ 51		51
Federal		91,955,437	91,955,437
Total Revenues & Transfers-In	51	171,791,498	171,791,549
Less: Nonbudgeted Revenues & Transfers-In			0
Prior Year Revenues & Transfers-In Adjustments			0
Actual Budgeted Revenues & Transfers-In	\$ 51	\$ 171,791,498	\$ 171,791,549

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.

GOVERNOR'S OFFICE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	State Special Revenue Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Investment Earnings		\$ 353,700	\$ 353,700
Transfers-in	\$ 115,000	58,297,981	58,412,981
Federal		1,212,364,587	1,212,364,587
Total Revenues & Transfers-In	115,000	1,271,016,267	1,271,131,267
Less: Nonbudgeted Revenues & Transfers-In			0
Prior Year Revenues & Transfers-In Adjustments			0
Actual Budgeted Revenues & Transfers-In	\$ 115,000	\$ 1,271,016,267	\$ 1,271,131,267

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.

GOVERNOR'S OFFICE  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	Executive Office Program	Executive Residence Operations	INA - Air Transportation Program	Mental Disabilities BD Visitors	Office of Budget & Program Planning	Office of Indian Affairs	Total
Personal Services							
Salaries	\$ 1,829,257	\$ 35,118		\$ 302,165	\$ 1,693,644	\$ 96,615	\$ 3,956,800
Employee Benefits	571,037	40,722		103,948	503,453	20,788	1,239,948
Total	<u>2,400,295</u>	<u>75,841</u>		<u>406,112</u>	<u>2,197,097</u>	<u>117,403</u>	<u>5,196,747</u>
Operating Expenses							
Other Services	187,603	4,173		14,236	349,538	12,343	567,893
Supplies & Materials	223,647	5,629	\$ 110	4,689	51,017	449	285,540
Communications	44,748	5,123		7,896	25,552	4,569	87,888
Travel	49,866			5,619	7,229	9,291	72,005
Rent	161,356	1,209		7,516	75,170	19,114	264,365
Repair & Maintenance	31,458	159			8		31,626
Other Expenses	82,215	19,170		3,089	57,916	2,131	164,521
Total	<u>780,893</u>	<u>35,463</u>	<u>110</u>	<u>43,044</u>	<u>566,430</u>	<u>47,898</u>	<u>1,473,837</u>
Grants							
From Federal Sources					1,242,757		1,242,757
Total					<u>1,242,757</u>		<u>1,242,757</u>
Transfers-out							
Fund transfers					90,995,495		90,995,495
Total					<u>90,995,495</u>		<u>90,995,495</u>
Debt Service							
Total							
Total Expenditures & Transfers-Out	\$ 3,181,187	\$ 111,303	\$ 110	\$ 449,157	\$ 95,001,779	\$ 165,301	\$ 98,908,837
EXPENDITURES & TRANSFERS-OUT BY FUND							
General Fund	\$ 2,981,522	\$ 111,303	\$ 110	\$ 449,157	\$ 2,475,024	\$ 165,301	\$ 6,182,417
Federal Special Revenue Fund	199,665				92,526,755		92,726,420
Total Expenditures & Transfers-Out	<u>3,181,187</u>	<u>111,303</u>	<u>110</u>	<u>449,157</u>	<u>95,001,779</u>	<u>165,301</u>	<u>98,908,837</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(2,686)	(148)		(471)	(1,979)	(188)	(5,472)
Prior Year Expenditures & Transfers-Out Adjustments	(974)		110				(864)
Actual Budgeted Expenditures & Transfers-Out	<u>3,184,848</u>	<u>111,451</u>	<u>0</u>	<u>449,628</u>	<u>95,003,757</u>	<u>165,489</u>	<u>98,915,173</u>
Budget Authority	4,102,790	172,069		556,603	1,103,366,423	328,454	1,108,526,338
Unspent Budget Authority	<u>917,942</u>	<u>60,618</u>	<u>0</u>	<u>106,975</u>	<u>1,008,362,665</u>	<u>162,965</u>	<u>\$ 1,009,611,166</u>
UNSPENT BUDGET AUTHORITY BY FUND							
General Fund	\$ 867,537	\$ 60,618	\$	\$ 106,975	\$ 1,248,706	\$ 112,965	\$ 2,396,801
State Special Revenue Fund	556				500,000	50,000	550,556
Federal Special Revenue Fund	49,849				1,006,563,959		1,006,613,809
Internal Service Fund					50,000		50,000
Unspent Budget Authority	<u>917,942</u>	<u>60,618</u>	<u>0</u>	<u>106,975</u>	<u>1,008,362,665</u>	<u>162,965</u>	<u>\$ 1,009,611,166</u>

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.

GOVERNOR'S OFFICE  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Air Transportation Program	Executive Office Program	Executive Residence Operations	Mental Disabilities BD Visitors	Office of Budget & Program Planning	Office of Indian Affairs	Total
<b>PROGRAM (ORG) EXPENDITURES &amp; TRANSFERS-OUT</b>							
Personal Services							
Salaries	\$ 81,330	\$ 2,269,167	\$ 75,131	\$ 285,661	\$ 1,622,769	\$ 102,544	\$ 4,436,601
Employee Benefits	26,645	720,076	38,099	108,031	503,035	26,211	1,422,097
Total	107,975	2,989,243	113,230	393,692	2,125,804	128,755	5,858,699
Operating Expenses							
Other Services	15,276	196,983	4,697	11,433	142,225	5,779	376,392
Supplies & Materials	18,777	58,638	36,031	3,284	15,859	358	132,947
Communications	881	47,074	4,921	7,784	24,878	4,976	90,514
Travel	1,462	10,740	16	3,290	117	2,269	17,893
Rent		151,424	4,014	5,859	69,175	10,398	240,871
Repair & Maintenance	84,168	30,701	180	87	131	18	115,285
Other Expenses	2,016	120,455	2,307	3,522	54,107	1,294	183,701
Total	122,580	616,015	52,165	35,258	306,492	25,093	1,157,603
Grants							
From Federal Sources					789,359		789,359
Total					789,359		789,359
Transfers-out							
Fund transfers		993			1,211,930,674		1,211,931,667
Total		993			1,211,930,674		1,211,931,667
Debt Service							
Capital Leases		3,744		1,239	1,870		6,852
Total		3,744		1,239	1,870		6,852
Total Expenditures & Transfers-Out	\$ 230,554	\$ 3,609,994	\$ 165,395	\$ 430,189	\$ 1,215,154,199	\$ 153,848	\$ 1,219,744,179
<b>EXPENDITURES &amp; TRANSFERS-OUT BY FUND</b>							
General Fund	\$ 230,554	\$ 3,398,152	\$ 165,395	\$ 430,189	\$ 2,345,049	\$ 152,658	\$ 6,721,997
State Special Revenue Fund		65,000			50,000	1,190	116,190
Federal Special Revenue Fund		146,842			1,212,759,151		1,212,905,993
Total Expenditures & Transfers-Out	230,554	3,609,994	165,395	430,189	1,215,154,199	153,848	1,219,744,179
Less: Nonbudgeted Expenditures & Transfers-Out	(72)	(1,302)	(76)	(241)	(3,812)	(96)	(5,599)
Prior Year Expenditures & Transfers-Out Adjustments	381	75	766	1,046	67	(2,010)	325
Actual Budgeted Expenditures & Transfers-Out	230,246	3,611,221	164,705	429,384	1,215,157,943	155,954	1,219,749,452
Budget Authority	289,409	4,224,165	197,925	557,447	2,529,269,917	253,054	2,534,791,916
Unspent Budget Authority	\$ 59,163	\$ 612,944	\$ 33,220	\$ 128,063	\$ 1,314,111,974	\$ 97,100	\$ 1,315,042,464
<b>UNSPENT BUDGET AUTHORITY BY FUND</b>							
General Fund	\$ 59,163	\$ 528,416	\$ 33,220	\$ 128,063	\$ 980,522	\$ 97,100	\$ 1,826,484
State Special Revenue Fund		556			686,000		686,556
Federal Special Revenue Fund		83,973			1,312,395,452		1,312,479,424
Internal Service Fund					50,000		50,000
Unspent Budget Authority	\$ 59,163	\$ 612,944	\$ 33,220	\$ 128,063	\$ 1,314,111,974	\$ 97,100	\$ 1,315,042,464

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



# Office of the Governor and Lieutenant Governor

## Notes to the Financial Schedules

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

## 1. Summary of Significant Accounting Policies

### Basis of Accounting

The Governor's Office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, and Federal Special Revenue). In applying the modified accrual basis, the office 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, except for the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual and sick leave when used or paid.

Expenditures may include encumbrances, which are reservations of fund balance relating to unperformed, executory contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrances outstanding at year end represent the estimated costs of in-progress obligations to be paid after fiscal year end. As of fiscal year end 2021 and 2022, the Governor's Office encumbered the following amounts:

Fund Type	FYE 21	FYE 22	Purpose
General Fund	\$4,275	-	Minor Office Equipment

### 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 office uses the following funds:

- ◆ **General Fund** – to account for all general government activities and resources that are not required to be accounted for in another fund. The financial activities of the general fund are primarily funded through HB 2 appropriations.
- ◆ **State Special Revenue Fund** – to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific state program purposes. State Special Revenue Funds include support from other state agencies to fund interagency projects for the fiscal year ending June 30, 2021.
- ◆ **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Federal Special Revenue Funds include support from agencies to fund interagency projects in both fiscal years. During the biennium ended June 30, 2022, the office received material amounts of funding from the federal Coronavirus Aid, Relief, and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA).

## Changes in Accounting Policy

During Fiscal Year 2022, the State Financial Services Division revised the MOM Policy related to the State of Montana implementation of GASB 87 – Leases. The policy established a \$100,000 lease recognition threshold which changed the Governor’s Office’s reporting of copier leases. For the fiscal year ended June 30, 2021, copier leases were recorded as debt service expenditures. In subsequent years, the leases are to be recorded as an operating expense. The change in accounting policy produced no change to the fund balances in the Governor’s Office.

## 2. General Fund Equity Balance

The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The office has authority to pay obligations from the statewide General Fund within its appropriation limits. The office expends cash or other assets from the statewide fund when it pays General Fund obligations. The office’s outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund equity balances for each of the fiscal years ended June 30, 2021 and June 30, 2022.

## 3. Direct Entries to Fund Equity

Direct entries to fund equity in the General Fund and Federal Special Revenue Fund for both fiscal years include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

Fund Type	FYE 21	FYE 22	Purpose
General Fund	\$6,821,960	\$6,187,250	Governor's Office's participation in the General Fund
Federal Special	(\$58,110,767)	(\$78,806,311)	Governor's Office's participation in the ARPA Funds

The direct entry to fund equity in the State Special Revenue Fund for fiscal year ended June 30, 2022 resulted from a \$3,200 correction of an error that occurred two fiscal years prior.

## 4. Unspent Budget Authority

Unspent State Special Revenue budget authority in the Office of Indian Affairs includes appropriation for Tribal Relations Training that was not held prior to the fiscal year ended June 30, 2022, which was also the first year it was appropriated.

Unspent Federal Special Revenue budget authority includes \$1,312,325,452 in the CARES and ARPA relief programs for the fiscal year ended June 30, 2021 and \$1,006,362,991 in relief programs for the fiscal year ended June 30, 2022, most of which is in the Office of Budget and Program Planning.

Unspent budget authority in the Office of Budget and Program Planning includes funds for personal services contingency funding for both fiscal years in each fund type. Unspent General Fund in fiscal year ended June 30, 2022 for the Office of Budget and Program Planning also includes biennial authority related to legislative audit and internal audit. These unspent balances for fiscal year 2022 will carry forward into the next fiscal year of the biennium.



Other programs in the Governor's Office have unspent general fund authority largely related to turnover and the use of federal funding.

## **5. Management Discussion of Certain Expenditures**

The 67th Legislative Session removed the Air Transportation Program and associated appropriation from the Governor's Office effective for fiscal year ended June 30, 2021. There is a final \$110 prior year expenditure adjustment in fiscal year ended June 30, 2022.

The State Special Revenue Fund expenditures for the fiscal year ended June 30, 2021 included costs funded through inter-agency agreements for personnel costs in the Executive Office Program and a shared external contract in the Office of Budget and Program Planning.

During both fiscal years 2021 and 2022, the Office of Budget and Program Planning disbursed Federal CARES and ARPA relief program funding as grants to outside entities and transfers for other state agencies to expend.

As of fiscal year end 2021 and 2022, the Governor's Office disbursed the following transferred amounts:

<b>Fund Type</b>	<b>FYE 21</b>	<b>FYE 22</b>	<b>Purpose</b>
General Fund	\$1,746	-	Inter-agency reimbursement
State Special	\$993	-	Return of inter-agency funding
Federal Special	\$1,211,928,927	\$90,995,495	CARES, ARPA Resources

## **6. Management Discussion of Certain Revenues**

Federal Special Revenue in both years is primarily CARES and ARPA funding. Federal transfer revenue for both fiscal years includes revenue for interagency agreements and transactions among shared resources relating to the ARPA funding.

Federal Special Revenue Investment earnings of \$353,700 related to CARES funding are reported for fiscal year ended June 30, 2021. The ARPA investment earnings were allocated to the statewide general fund for both fiscal years.

As of fiscal year end 2021 and 2022, the Governor's Office received the following miscellaneous and transferred amounts:

<b>Fund Type</b>	<b>FYE 21</b>	<b>FYE 22</b>	<b>Purpose</b>
General Fund	\$51	-	Misc. Reimbursement
State Special	\$115,000	-	Inter-agency agreement
Federal Special	\$76,027	\$128,368	Inter-agency agreement
Federal Special	\$58,221,953	\$79,707,692	CARES, ARPA Resources

## **7. Montana Ambassadors**

The Governor's Office has a relationship with the Montana Ambassadors. The Montana Ambassadors is a nonprofit organization consisting of volunteers whose membership is approved by the Governor to act as official ambassadors of the state of Montana. Members assist the Governor's Office of Economic Development and the Department of Commerce with business, trade, and tourism development programs.

For fiscal years 2021 and 2022, the Governor's Office paid \$22,358 and \$4,000 respectively for costs associated with business mentorship and business networking events both in state and out of state. During fiscal year ended June 30, 2022 the administration of the Montana Ambassador relationship was transferred to the Department of Commerce.

# **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 Office of the Governor and Lieutenant Governor 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 June 13, 2023.

### *Report on Internal Control Over Financial Reporting*

In planning and performing our audit of the financial schedules, we considered the office'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 office's internal control. Accordingly, we do not express an opinion on the effectiveness of the office'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Report on Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the office'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*.

*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 office'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 office'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

June 13, 2023

OFFICE OF THE  
GOVERNOR AND  
LIEUTENANT GOVERNOR

OFFICE RESPONSE





OFFICE OF THE GOVERNOR  
BUDGET AND PROGRAM PLANNING  
STATE OF MONTANA

GREG GIANFORTE  
GOVERNOR



CAPITOL BUILDING - P.O. Box 200802  
HELENA, MONTANA 59620-0802

August 21, 2023

Mr. Angus Maciver, Legislative Auditor  
Legislative Audit Division  
P.O. Box 201705  
Helena, MT 59620-1705

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AUG 22 2023

LEGISLATIVE AUDIT DIV.

**Subject:** Financial Compliance Audit 22-23: Governor's Office

Dear Mr. Maciver

Thank you for the opportunity to respond to the Financial-Compliance Audit of the Montana Office of the Governor and Lieutenant Governor for the two fiscal years ending June 30, 2022.

We are pleased that the audit found our financial schedules presented fairly and resulted in no recommendations.

Thanks again to you and your audit team for your professionalism during our audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ryan Osmundson", followed by a long horizontal line.

Ryan Osmundson  
Budget Director