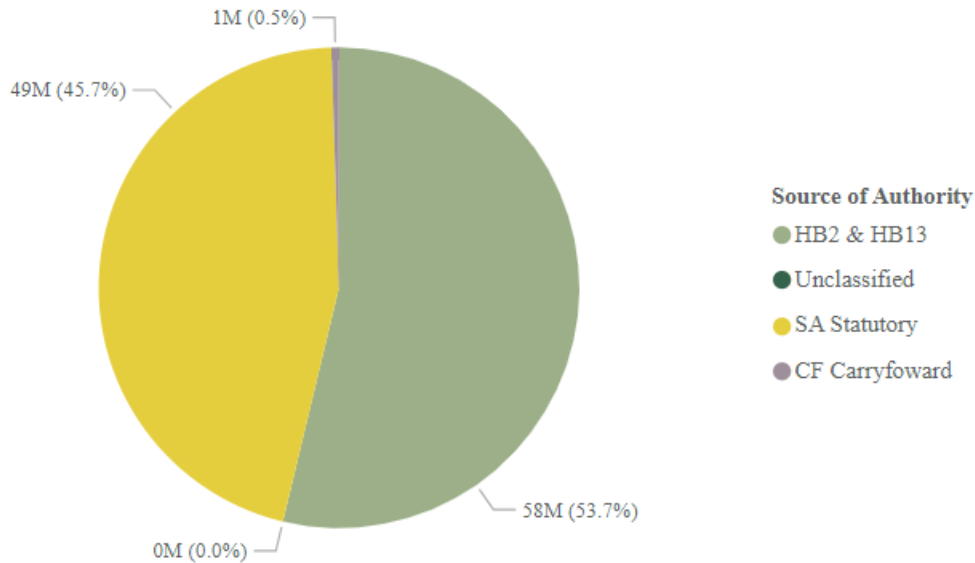


# STATE AUDITOR'S OFFICE (SAO)

## TOTAL APPROPRIATION AUTHORITY

The total appropriation authority for the State Auditor's Office is shown in the pie chart below. HB 2 and HB 13 provide 53.7% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

**Total Modified Budget by Source of Authority**



Source of Authority	Modified Budget	Expended Budget	% Expended
HB2 & HB13	57,574,670	55,872,134	97.0%
CF Carryforward	540,239	436,941	80.9%
SA Statutory	49,003,127	48,317,548	98.6%
Unclassified	272		
<b>Total</b>	<b>107,118,308</b>	<b>104,626,623</b>	<b>97.7%</b>

## Carryforward

The State Auditor's Office had carryforward authority of approximately \$540,000 state special revenue. Approximately \$437,000 was from FY 2022 and was entirely expended in FY 2024. The remaining \$103,000 is from FY 2023 and is unexpended but will be available in FY 2025. This authority was primarily expended on consulting and professional services, legal costs, and travel and conference costs.

## Statutory Appropriations

The State Auditor's Office is responsible for passing through funding for local police and firefighter retirement programs. The retirement programs are funded from general insurance (33-2-705, MCA) and firefighter

insurance premium taxes (50-3-109, MCA). The premium taxes are deposited into the general fund, and then a portion is transferred to the State Auditor’s Office for distribution to local governments.

In FY 2024, SAO was appropriated the following for pension distributions to local governments:

- \$23.7 million for municipal firefighter retirement contributions (19-13-604, MCA)
- \$20.9 million for municipal police retirement contributions (19-9-702, MCA)
- \$3.5 million for volunteer firefighter retirement contributions (19-17-301, MCA)
- \$500,000 for firefighter relief association contributions (19-18-512, MCA)
- \$300,000 for city police retirement fund contributions (19-19-305, MCA)

Historically, the majority of the payments are made in the last quarter of the fiscal year. In addition, statutory appropriations include state special revenue securities restitution payments paid to victims of security crimes. At fiscal year end, \$48.3 million out of the \$49.0 million was expended.

## **Unclassified**

The State Auditor’s Office has unclassified appropriation authority of \$272 because of lower workers’ compensation premiums. Per 39-71-403(1)(b)(iv), MCA, when workers’ compensation premiums are lower than the previous year, state agencies shall reduce personal services appropriations by the amount of the premium reduction. To track the changes in appropriation authority, total appropriation is not reduced; instead, the Governor’s Office of Budget and Program Planning (OBPP) requires state agencies to:

- Reduce HB 2, statutory, and proprietary appropriations
- Create a separate offsetting entry on the financial statements in the same amount using an identifying number for workers’ compensation entries

The offsetting entries are identified as “frozen” appropriations, which means the appropriations will not be spent unless authorized by OBPP.

## **HB 2 BUDGET MODIFICATIONS**

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the HB 2 modified budget from June 1, 2024, through June 31, 2024. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

**Legislative Budget Compared to Modified Budget - HB 2 Only**

Agency Name	HB 2 Budget	Modified Budget	Net Modifications
State Auditor's Office	57,574,670	57,574,670	0
01 CENTRAL MANAGEMENT	2,286,185	2,286,185	
03 INSURANCE	53,599,678	53,599,678	0
04 SECURITIES	1,688,807	1,688,807	
<b>Total</b>	<b>57,574,670</b>	<b>57,574,670</b>	<b>0</b>

Expenditure Type	HB 2 Budget	Modified Budget	Net Modifications
61000 Personal Services	7,222,478	7,100,646	-121,832
62000 Operating Expenses	3,214,613	3,336,445	121,832
63000 Equipment & Intangible Assets	107,994	107,994	
66000 Grants	46,457,467	46,457,467	
67000 Benefits & Claims	20,000	20,000	
69000 Debt Service	552,118	552,118	
<b>Total</b>	<b>57,574,670</b>	<b>57,574,670</b>	<b>0</b>

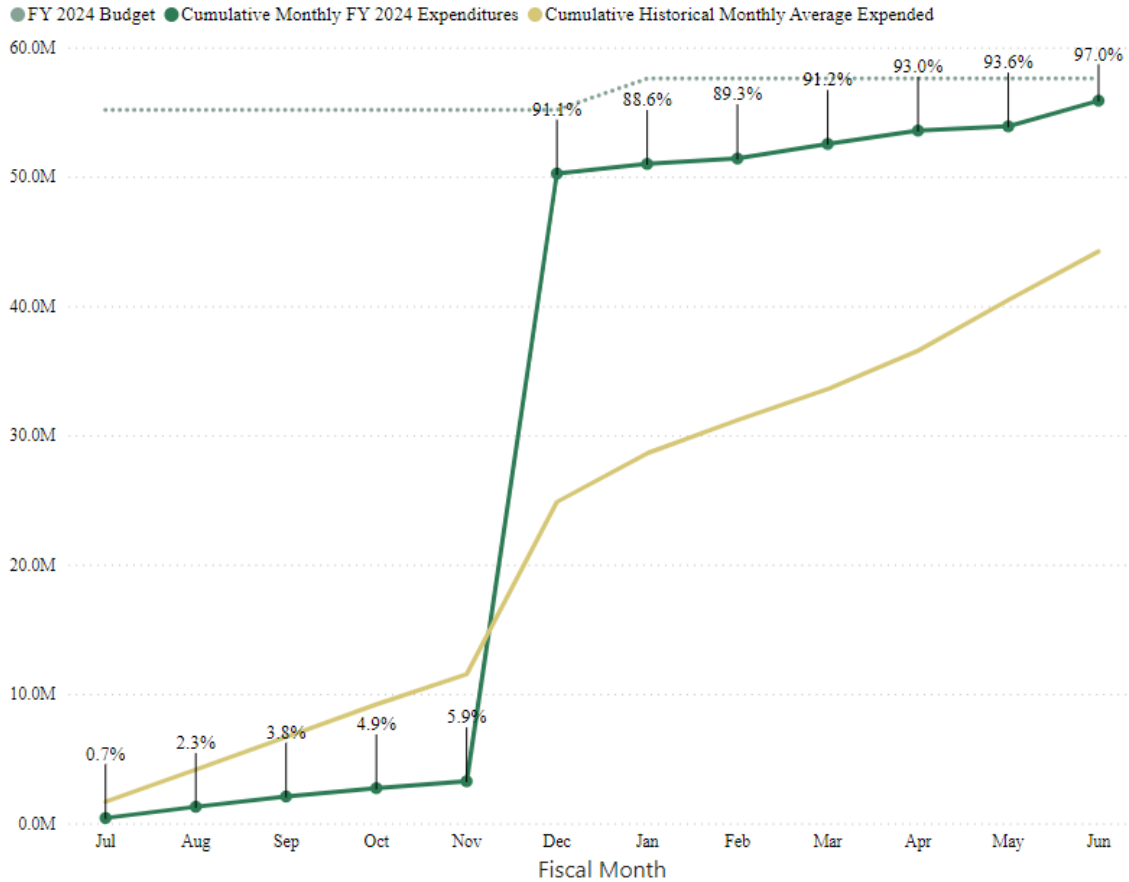
Fund Type	HB 2 Budget	Modified Budget	Net Modifications
01 General	20,000	20,000	
02 State/Other Spec Rev	23,454,670	23,454,670	0
03 Fed/Other Spec Rev	34,100,000	34,100,000	
<b>Total</b>	<b>57,574,670</b>	<b>57,574,670</b>	<b>0</b>

Between June 1 and June 31, 2024, the State Auditor’s Office adjusted its HB 2 modified budget by transferring \$122,000 from personal services to operating expenses. At the end of the fiscal year, the State Auditor's Office experienced a shortfall, with operating expenses surpassing the appropriated budget. Higher operating expenditures were due to the agency utilizing greater contracted services due to vacancies in the Forms and Rates Bureau actuary positions. To address this, the SAO reallocated unexpended appropriation authority from personal services to operating expenses.

**HB 2 APPROPRIATION AUTHORITY**

The following chart shows the appropriated budget for the agency compared to expenditures through June 31, 2024.

## Monthly Expenditures Compared to Historical Average



Program Name	Modified Budget	Expended Budget	% Expended
<input type="checkbox"/> 01 CENTRAL MANAGEMENT	2,286,185	1,999,750	87.5%
<input type="checkbox"/> 03 INSURANCE	53,599,678	52,485,730	97.9%
<input type="checkbox"/> 04 SECURITIES	1,688,807	1,386,653	82.1%
<b>Total</b>	<b>57,574,670</b>	<b>55,872,134</b>	<b>97.0%</b>

Expenditure Type	Modified Budget	Expended Budget	% Expended
<input type="checkbox"/> Personal Services	7,100,646	6,465,816	91.1%
<input type="checkbox"/> Operating Expenses	3,336,445	2,637,795	79.1%
<input type="checkbox"/> Equipment & Intangible Assets	107,994	100,000	92.6%
<input type="checkbox"/> Grants	46,457,467	46,157,546	99.4%
<input type="checkbox"/> Benefits & Claims	20,000	8,754	43.8%
<input type="checkbox"/> Debt Service	552,118	502,223	91.0%
<b>Total</b>	<b>57,574,670</b>	<b>55,872,134</b>	<b>97.0%</b>

Fund Type	Modified Budget	Expended Budget	% Expended
<input type="checkbox"/> 01 General	20,000	8,754	43.8%
<input type="checkbox"/> 02 State/Other Spec Rev	23,454,670	22,063,301	94.1%
<input type="checkbox"/> 03 Fed/Other Spec Rev	34,100,000	33,800,079	99.1%
<b>Total</b>	<b>57,574,670</b>	<b>55,872,134</b>	<b>97.0%</b>

In FY 2024, the State Auditor's Office is funded with:

- Less than 1.0% general fund for defrayal benefit costs mandated in HB 291 (2021 Legislative Session)

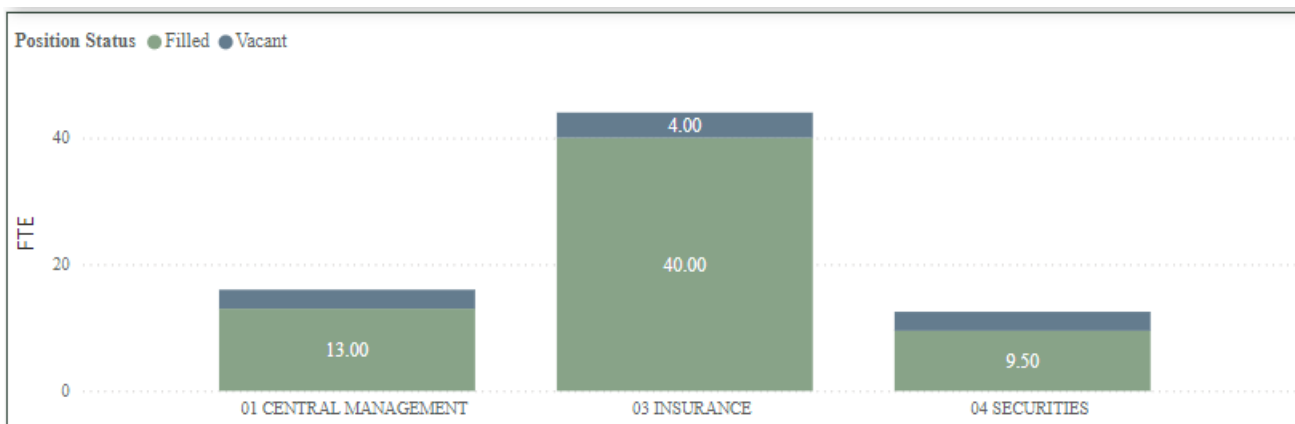
- 40.7% state special revenue generated from insurance licensure fees, examination fees, penalties, and portfolio notice filing fees
- 59.2% federal special revenues which are received for the Montana Reinsurance Program. The Montana Reinsurance Program utilizes annual assessments on health insurance plan premiums as a match for federal funds to offset expenses of health insurers associated with high-cost individuals who incur high-cost claims

The majority of the State Auditor’s Office budget is for state special and federal special revenue grants for the Montana Reinsurance Program. Reimbursements are made once a year for the Montana Reinsurance Program and were disbursed at the end of December totaling \$45.9 million.

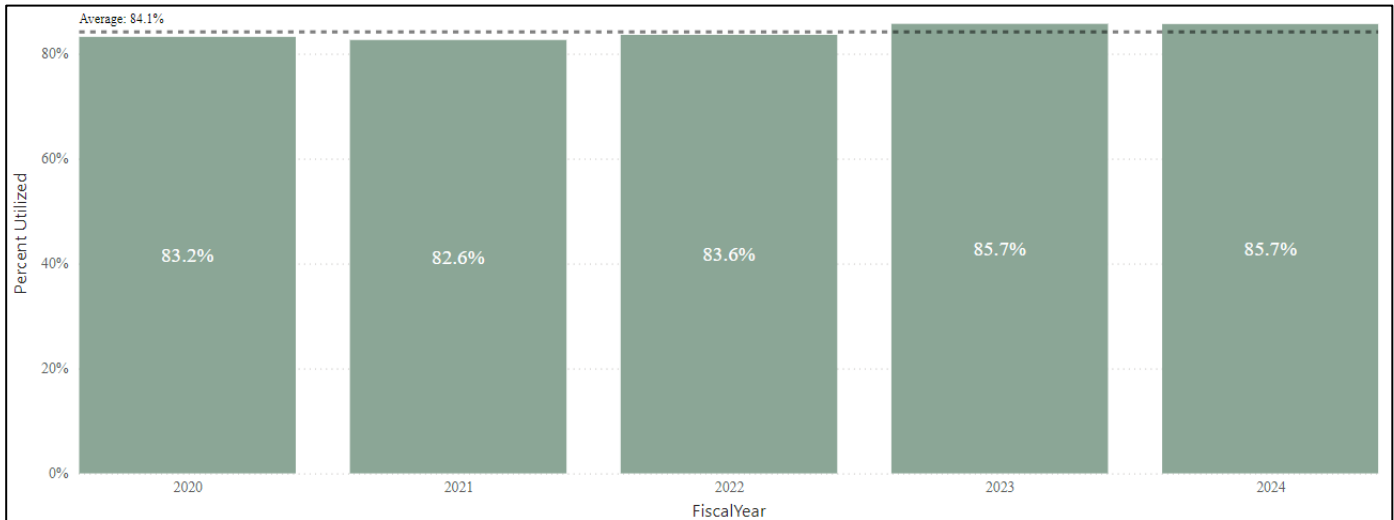
The State Auditor’s Office has expended a greater amount than compared to the historical five-year average. This is due to the Montana Reinsurance Program being relatively new as it was created in 2019, and the first reimbursement of any significance started in FY 2023. Therefore, the historical five-year average includes years when very little reimbursements or no reimbursements were being made. Overall, the State Auditor’s Office had expended \$55.9 million or 97.0% of its HB 2 modified FY 2024 budget. Low expenditures in the general fund are due to lower defrayal benefit claims in FY 2024.

### Personal Services

Appropriations for personal services in the State Auditor’s Office total \$7.1 million and were 91.1% expended in FY 2024. The department had 72.50 HB 2 FTE and 86.2% of these positions are filled as of July 1, 2024. The following chart shows the filled and vacant FTE within the agency as of July 1, 2024.



The chart below shows the hourly utilization percentage for the State Auditor’s Office for each fiscal year when compared to the available hours for the same time period. Overall, the department utilized 85.7% of the total available hours in FY 2024, as shown in the chart below. This is slightly higher than the historical average utilization rate of 84.1%.

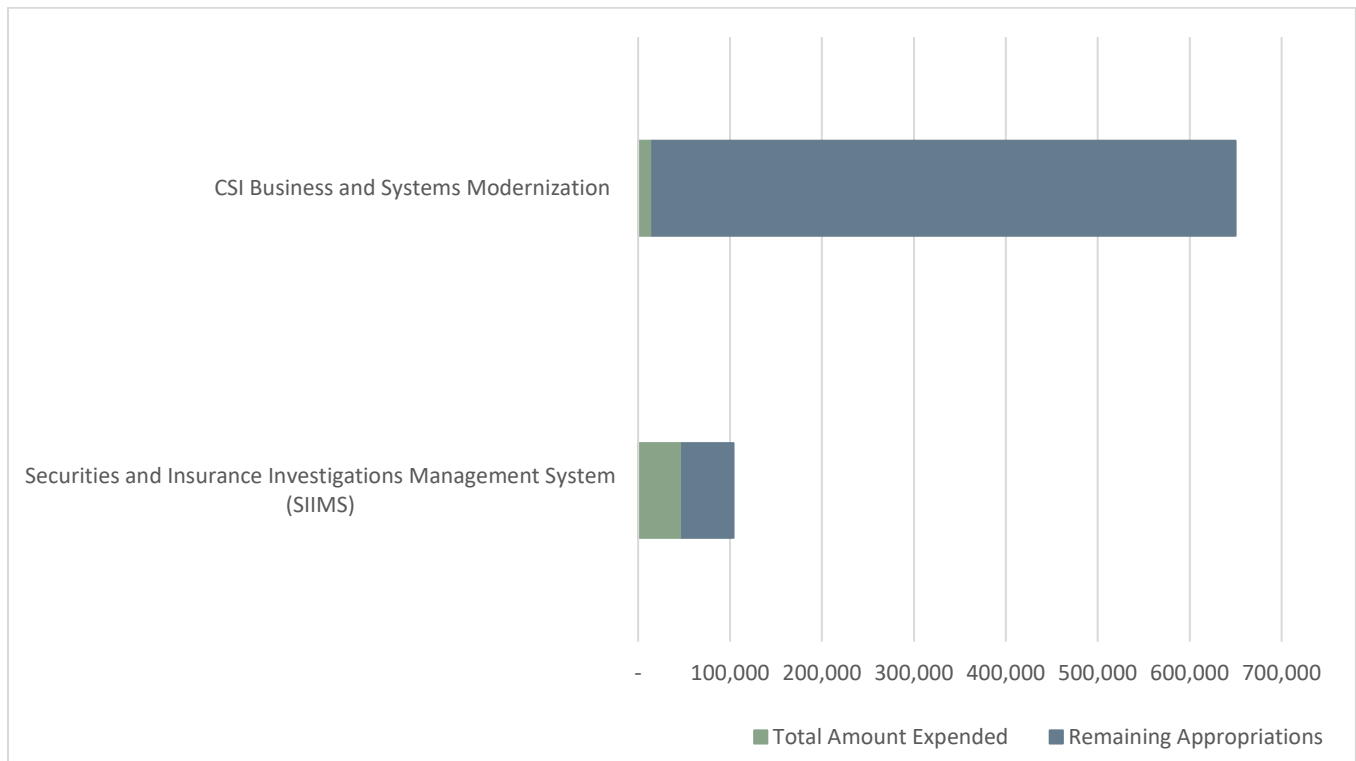


The chart below shows the vacant FTE in each division, the number of months each position has been vacant, and the midpoint hourly pay rate. Of the 10.00 FTE that are vacant, 5.00 FTE had been vacant for 12 months or longer. However, it should be noted that 3.00 FTE are for personal staff which are traditionally seasonal employees that commonly show vacancies. As of July 31, 2024, the State Auditor’s Office was recruiting for a compliance specialist.

<b>Vacant Positions Report</b>			
	FTE	Median Months Vacant	Market Midpoint (Hourly)
<b>34010 STATE AUDITOR</b>	<b>10.00</b>	<b>9.48</b>	<b>26.64</b>
<b>01 CENTRAL MANAGEMENT</b>	<b>3.00</b>	<b>9.18</b>	<b>20.60</b>
Computer Systems Analyst	1.00	35.93	49.32
Human Resources Assistant 1	1.00	9.18	20.60
Personal Staff/EO-Admin	1.00	4.82	
<b>03 INSURANCE</b>	<b>4.00</b>	<b>6.84</b>	<b>35.68</b>
Business Manager	1.00	9.77	62.81
Financial Examiner 1	1.00	2.75	32.68
Financial Examiner 2	1.00	3.90	38.69
PERSL STAFF/EO-ADMIN	1.00	33.97	
<b>04 SECURITIES</b>	<b>3.00</b>	<b>23.48</b>	
Compliance Manager	1.00	23.48	51.21
Personal Staff/EO-Admin	2.00	19.62	
<b>Total</b>	<b>10.00</b>	<b>9.48</b>	<b>26.64</b>

## OTHER ISSUES

### Information Technology Project Expenditures



#### CSI Business and Systems Modernization

The goal of this project is to improve IT systems that involve revenue generation and reconciliation within the State Auditor's Office. This project is in the initial planning phase with an estimated delivery date of June 30, 2026. The budget for this project is \$650,000 with approximately \$15,000 expended to date.

#### *Securities and Insurance Investigations Management System (SIIMS)*

This initiative creates a centralized repository and investigation tracking system for all investigative matters. The estimated budget is approximately \$104,000 with a delivery date that was revised from June 30, 2024, to September 30, 2024. To date, 80.0% of this project has been completed with approximately \$48,000 expended.

## APPENDIX A

The State Auditor's Office was asked to provide information on the following questions:

- **Did the agency utilize contractors in FY 2024? If so, how much did you pay to contractors? How much of the amount paid to contractors do you estimate is due to vacant positions? If contractors were paid because of vacant positions, what are the types of vacant positions that resulted in the need for contractors?**

The State Auditor's Office has utilized contractors in FY 2024. Please see the summary below for the payments for FY 2024.

Org	Org Name	Consulting & Prof Services	Legal Services	Temporary Services	Total	Due to Vacancies	Type of Vacant Position
1	Central Administration	6,076			6,076	No	
102	Centralized Services Division			24,165	24,165	Yes	Accounting Supervisor
105	Human Resources Office		43	17,166	17,209	Yes	Human Resources Assistant 1
113	Agency IT	15,240			15,240	No	
302	Insurance Services	2,221			2,221	No	
304	Insurance Licensing	115,867			115,867	No	
306	Forms	241,633			241,633	Yes	Forms Analyst
316	Captive Reg & Supervision	35,093			35,093	No	
325	Market Conduct	26,112			26,112	No	
325	Exams Contacts	443,084			443,084	No	
320	Rate Review HB 87	85,750			85,750	Yes	Actuary
336	Rates	576,644			576,644	Yes	Actuary
308	Insurance Legal		103,729	842	104,571	No	
414	Securities Legal		49,881	356	50,237	No	

The Centralized Services Division had a vacant position, which is now filled with a Contracts and Procurement Officer. The Human Resources Office also has had a vacant position. Temporary services were utilized to assist with these duties.

The Insurance Licensing, Market Conduct, Examinations and Captives areas within the Insurance Program complete a variety of reviews. Many are completed internally, but others are contracted out due to the number that must be completed, the size, nature, and complexity, and so forth. The contractor costs within these categories are not due to vacancies.

The State Auditor's Office has experienced vacancies within the Forms Analyst position. In addition, the State Auditor's Office has struggled with the recruiting and hiring for the Actuary positions. The office has recently hired for these positions. If these positions were fully staffed, there would be more limited contractor needs in these areas.

- **How much did you pay in overtime? How much of the overtime paid do you estimate is due to vacant positions? If overtime was paid because of vacant positions, what are the types of vacant positions that resulted in the need for overtime?**

The State Auditor's Office has paid \$12,495 in overtime pay in fiscal year 2024. The office estimates that \$11,770 of overtime pay was due to vacant positions. The vacancies are related to Forms Analyst position.