



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Department of Justice

*For the Two Fiscal Years Ended
June 30, 2024*

DECEMBER 2025

LEGISLATIVE AUDIT
DIVISION

FINANCIAL-COMPLIANCE AUDITS

LEGISLATIVE AUDIT COMMITTEE

REPRESENTATIVES

MARY CAFERRO

Mary.Caferro@legmt.gov

SCOTT DEMAROIS

Scott.Demarois@legmt.gov

SHERRY ESSMANN

Sherry.Essman@legmt.gov

JANE GILLETTE

Jane.Gillette@legmt.gov

JERRY SCHILLINGER, CHAIR

Jerry.Schillinger@legmt.gov

JANE WEBER

Jane.Weber@legmt.gov

SENATORS

BECKY BEARD

Becky.Beard@legmt.gov

DENISE HAYMAN

Denise.Hayman@legmt.gov

EMMA KERR-CARPENTER

Emma.KC@legmt.gov

FORREST MANDEVILLE

Forrest.Mandeville@legmt.gov

TOM MCGILLVRAY

Tom.McGillvray@legmt.gov

LAURA SMITH, VICE CHAIR

Laura.Smith@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

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, 2023, was issued August 19, 2024. The submission deadline for the Single Audit Report for the two fiscal years ended June 30, 2025, is March 31, 2026.

AUDIT STAFF

CHRIS DARRAGH
SOPHIA PHILSON
FLORA WASKE

JEN ERDAHL, CPA, CFE
ALEXA O'DELL, CPA

Reports can be found in electronic format at:

<https://legmt.gov/lad/audit-reports>

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

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

December 2025

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to provide our financial-compliance audit report of the Department of Justice (department) for the two fiscal years ended June 30, 2024. Included in this report are five recommendations to the department related to department staff knowledge of accounting policy and internal controls, which ultimately resulted in accounting errors in recording leases, accruals, and incomplete or inaccurate note disclosures. In addition, monthly reconciliations were not properly completed.

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 the department staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

TABLE OF CONTENTS

Figures.....	ii
Appointed and Administrative Officials	iii
Report Summary	S-1
CHAPTER I – INTRODUCTION, BACKGROUND, AND PRIOR AUDIT RECOMMENDATIONS.....	1
Introduction	1
Background.....	1
Department Divisions.....	2
Prior Audit Recommendations.....	3
CHAPTER II - FINDINGS AND RECOMMENDATIONS.....	5
Overall Internal Control Structure	5
Misstatements in Accruals.....	6
Errors and Omissions in Note Disclosures	7
Properly Recording CARS	8
Gambling Tax Reconciliations	9
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, 2024	A-4
Schedule of Changes in Fund Equity for the Fiscal Year Ended June 30, 2023	A-5
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2024	A-6
Schedule of Total Revenues & Transfers-In for the Fiscal Year Ended June 30, 2023	A-7
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2024.....	A-8
Schedule of Total Expenditures & Transfers-Out for the Fiscal Year Ended June 30, 2023.....	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 Auditing Standards</i>	B-1
DEPARTMENT RESPONSE	
Department of Justice	C-1

FIGURES

Figures

Figure 1	Registration Revenues FY 2020 - FY 2024	3
Figure 2	Errors in Transfers and Accruals Led to Cash Misstatement.....	7

APPOINTED AND ADMINISTRATIVE OFFICIALS

Department of Justice

Attorney General	Austin Knudsen
Chief of Staff	William Selph
Deputy Chief of Staff	Stephanie Cote, effective February 2024
	Jason Johnson, effective May 2025
	Rusty Gackle, through July 2023

Division Administrators

Central Services Division	Melissa Gardner, effective May 2025
	Stephanie Cote, through May 2025
Division of Criminal Investigation	Lee Johnson, effective December 2024
	Bryan Lockerby, through January 2025
Forensics Science Division	Travis Spinder
Gambling Control Division	Alex Sterhan, effective May 2025
	Jason Johnson, through May 2025
Highway Patrol Division	Colonel Kurt Sager, effective April 2024
	Colonel Stephen Lavin, through May 2024
Motor Vehicle Division	Laurie Bakri
Solicitor General's Office	Christian Corrigan
Montana Law Enforcement Academy	Joel Wendland

For additional information concerning the Department of Justice, contact:

Beth Thompson – Budget Analyst Supervisor
840 Helena Ave
Helena, MT 59620
(406) 438-2848
e-mail: BeThompson@mt.gov



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Department of Justice

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2024

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 regulates electronic gambling.

Department attorneys defend the State of Montana in court and bring suit against parties who have wronged the state or its people through its Office of Consumer Protection and Natural Resources Damages Program.

The department operates with 11 divisions. These are the Board of Crime Control, Central Services Division, Division of Criminal Investigation, Forensic Science Division, Gambling Control Division, MT Law Enforcement Academy, Division of Legal Services, Montana Highway Patrol, Motor Vehicle Division, and POST Council.

Attorney General and
Department Director:
Austin Knudsen

In fiscal year 2024, the Department of Justice (department) collected approximately \$184 million in motor vehicle license and permit revenue. To properly account for the revenue, the department must process transactions at fiscal year-end to account for amounts that are collected by the counties, but not yet received by the department. For the past four years, the department's financial records have contained errors related to these year-end revenue transactions. The fiscal years 2023 and 2024 financial statements continue to contain errors related to these year-end transactions. The errors in each fiscal year have varied, but partially continue as a result of staff turnover in key positions.

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

We found the department's financial schedules and note disclosures present 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: 5

To the legislature: 0

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

Fully Implemented: 0

Partially Implemented: 1

Not Implemented: 1

(continued on back)

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

legmt.gov/lad

Room 171, 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):

Misstatements

We recommend the Department of Justice:

- A. Document procedures over key department operations.
- B. Provide training to staff to ensure they have the knowledge necessary to perform assigned tasks in accordance with state policy.

Department response: Partially Concur

RECOMMENDATION #2 (page 7):

Misstatements

We recommend the Department of Justice:

- A. Develop and implement internal controls and procedures to properly record year-end transactions in accordance with state accounting policy.
- B. Record accrual transactions with the proper accounts as required by state accounting policy.

Department response: Concur

RECOMMENDATION #3 (page 8):

Internal Controls/Misstatements

We recommend the Department of Justice enhance internal controls over drafting and reviewing the financial schedule notes disclosures to ensure disclosures are accurate and complete prior to submitting the disclosures for audit.

Department response: Concur

RECOMMENDATION #4 (page 9):

Misstatements

We recommend the Department of Justice:

- A. Develop and implement internal controls and procedures to properly identify and record lease and asset activity.
- B. Record necessary accounting entries to properly account for CARS on the state's accounting system in accordance with state accounting policy.

Department response: Partially Concur

RECOMMENDATION #5 (page 10):

Internal Controls

We recommend the Department of Justice document internal controls related to gambling tax reconciliations and consider all transactions when conducting monthly reconciliations.

Department response: Concur

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

In this report, we identified the following:

Material Weaknesses in Internal Control: 2

Significant Deficiencies in Internal Control: 2

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, Background, and Prior Audit Recommendations

Introduction

We performed a financial-compliance audit of the Department of Justice (department) for the two fiscal years ended June 30, 2024. The objectives of the audit were to:

- Obtain an understanding of the department's control system 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.
- Determine whether the department's financial schedules present fairly the results of operations for each of the fiscal years ended June 30, 2024, and 2023.
- Determine if the department complied with selected state laws and regulations.
- Determine the implementation status of prior audit recommendations.

The department's significant revenue sources include motor vehicle licenses and permits (including the custodial fund activity related to nonprofit license plates) 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 efforts focused on auditing these activities. Audit procedures included control testing, testing transactions processed on the state accounting system, sampling, and analytical procedures.

The department has two Internal Service Funds: Legal Services and Bad Debt Collection Funds. The results of testing under §17-8-101(6), MCA, are included in the Internal Service Funds and State Charges for Services Funds pilot report, which is available on the Legislative Audit Division's website.

Background

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

- Providing effective statewide law enforcement.
- Furnishing legal services on behalf of the state.
- Improving public safety.
- Collecting gambling revenue for state and local governments.
- Issuing driver licenses and vehicle title and registration.

The department had 852.85 authorized FTE employees in fiscal year 2024. There were three reorganizations at the beginning of fiscal year 2024. These reorganizations resulted in differences between the fiscal years 2023 and 2024 financial presentations. The Information Technology Services Division was combined with the Centralized Services Division. The Montana Law Enforcement Academy and POST Council were separated from the Division of Criminal Investigation. These changes resulted in differences in FTE and budgets for each of the affected divisions. The following section describes the divisions presented on the Schedules of Expenditures and Transfers-Out.

Department Divisions

Board of Crime Control (18 FTE) is an 18-member quasi-judicial board appointed by the Governor. The board provides financial support, technical assistance, and supportive services to state and local criminal justice agencies. The board provides funding to local, regional, and statewide projects with the central goal of making Montana a safer state. The board is administratively attached to the department.

Central Services (66.48 FTE) provides centralized accounting, administrative, budgetary, human resources, payroll, and fiscal support for the department.

Criminal Investigation (125.75 FTE) includes the administration, management, and coordination of criminal investigative services and training performed by the Investigation Bureau, the Narcotics Bureau, and the Children's Justice Center.

Forensic Science Division (49.5 FTE) provides accurate, objective, and timely forensic analyses to the criminal justice community, maximizing value to Montana's citizens.

Gambling Control (39.99 FTE) licenses and regulates gambling activities and enforces gambling laws in the state of Montana. The division collects license fees, gambling taxes, and investigates applications and complaints relating to alcoholic beverage licensing.

Law Enforcement Academy Bureau (15 FTE) provides law enforcement and public safety education and training for state, county, city, and tribal officers through a wide variety of programs and training.

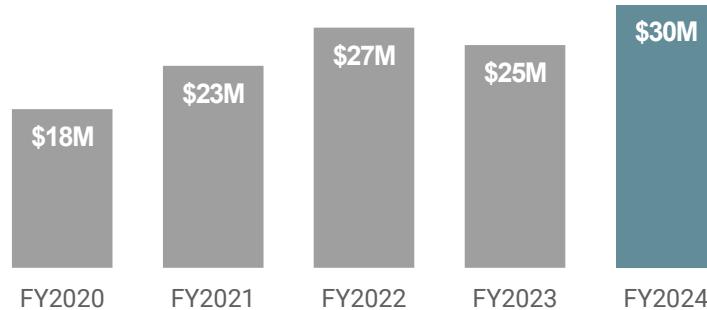
Legal Services (61 FTE) conducts legal research and analysis for the attorney general. The division also provides legal counsel to state officials, agencies, and boards; offers legal support to local governments and Indian tribes; and delivers training and assistance to county prosecutors.

Montana Highway Patrol (320.09 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.

Motor Vehicle (151.05 FTE) licenses individual and commercial drivers, administers all driver license records, and issues registration titles. The Motor Vehicle Division includes the Title and Registration Bureau and driver licensing offices statewide. The department collects vehicle fees and taxes for counties and vanity license plate fees for nonprofits. Figure 1 (page 3) shows revenues collected related to vehicle and other registrations.

Figure 1
Registration Revenues FY 2020 - FY 2024

Revenue from registrations was the highest in **FY2024**.



Source: Compiled by the Legislative Audit Division.

POST Council (5.99 FTE) establishes basic and advanced qualification and training standards for the employment of Montana's public safety officers. This includes conducting and approving training, providing the certification and recertification of public safety officers, and suspending or revoking the certification of public safety officers. The council is administratively attached to the department.

Prior Audit Recommendations

Our office performed the department's financial-compliance audit (22-18) for the two fiscal years ended June 30, 2022. That report included two recommendations to the department related to collecting fees commensurate with costs in its Legal Services Internal Service Fund and accrual of expenditures in its Custodial Fund. Through testing, we determined that the prior audit recommendation related to the custodial fund was partially implemented. We found additional errors related to the recording of accruals in the custodial fund. See Recommendation 2 for further discussion related to the current errors in the Custodial Fund.

The Legislative Audit Division's financial audit model reform efforts currently include an evaluation of more effective methods for reporting the results of internal service fund analyses to the Legislature. We make no further recommendations to the department as part of this audit report because the results of our analysis are included in the new reporting approach as discussed above.

Chapter II - Findings and Recommendations

Overall Internal Control Structure

The Department of Justice should prioritize training and educating staff on the importance of internal controls related to accounting and financial reporting.

State accounting policy requires management to establish and maintain an effective control system, including:

- Identifying risks of material misstatement and noncompliance with laws and regulations.
- Designing control activities in response to the risks identified.
- Monitoring important controls.
- Implementing procedures to address control deficiencies.

State accounting policy specifies the control environment sets the tone of the organization and influences the effectiveness of the overall internal control structure of the entity. The department's policies and procedures documents, in which internal controls are embedded, should allow for proper processing of transactions even when turnover occurs. Additionally, the department should ensure staff have the necessary training and knowledge to complete the tasks assigned to them.

Toward the end of the audit period, the department underwent a reorganization that affected its structure and personnel. Some changes were made at the discretion of the Attorney General and others through mandate from the Legislature. As described in Note 7 on page A-15, structural changes impacting approximately 60 FTE included combining divisions and creating a new division. Another organizational change resulted in eliminating the Chief Financial Officer position through a reduction of force within the Centralized Services Division. In addition, the fiscal bureau in Centralized Services Division experienced turnover in five of its eight positions in late fiscal year 2024, continuing into fiscal year 2025.

As with prior audits, Centralized Services Division staff served as our main audit contacts. While our audit period was for fiscal years 2023 and 2024, the majority of our audit was conducted in fiscal year 2025. Department staff were cooperative and provided all requested information during the audit. However, many were new to their assigned tasks and unaware of past practices, and at times, struggled to answer questions. In addition, control deficiencies described in Recommendations 2 through 5 are partially due to experience levels of current staff and a lack of use or documentation of internal controls.

Organizational change and turnover, as described, can lead to errors and misstatements. Strong institutional knowledge and oversight are necessary, especially for organizations with complex, decentralized financial operations. Ensuring that transactions are properly recorded and comply with state accounting policy requires strong internal controls and well-trained staff. The department should provide tools and training to equip accounting personnel with the expertise required to perform their duties with confidence and accuracy. We classified this as a material weakness in internal controls in the Report on Internal Control and Compliance on page B-1.

RECOMMENDATION #1

We recommend the Department of Justice:

- A. *Document procedures over key department operations.*
- B. *Provide training to staff to ensure they have the knowledge necessary to perform assigned tasks in accordance with state policy.*

Misstatements in Accruals

Department internal control deficiencies contributed to errors in required year-end transactions for revenue recognition.

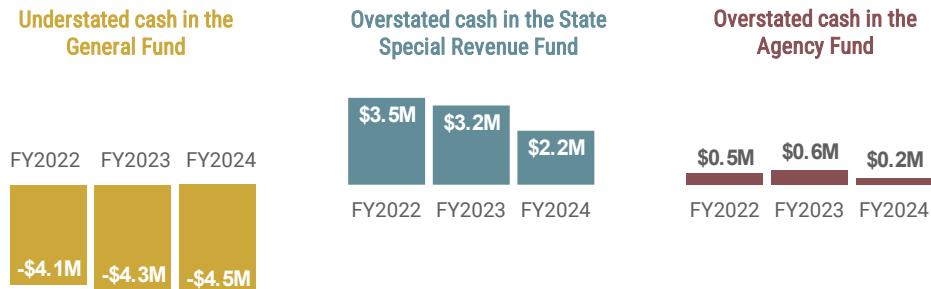
The department's Motor Vehicle Division issues registration and titles in county offices statewide. The county offices collect registration fees on behalf of the state and various nonprofit organizations for specialty plates throughout the year. Monthly, the fees collected by counties are transferred to the state treasury and are then recorded to various funds and accounts based on the revenue type. According to state policy, the department records revenue and a receivable for fees collected by the counties in June but not deposited in the state treasury by fiscal year-end. At the same time, state policy requires the department to record a transaction to properly recognize the money owed to nonprofit entities for licensing specialty plates. These year-end transactions are commonly referred to as accruals.

During our audit period, we noted several errors related to asset, revenue and expenditure transactions. While the department properly recorded the original revenue accrual in the state's General Fund, it did not record the receivable, and instead recorded the transaction as if the cash had already been received. Additionally, the department did not subsequently allocate the revenues to other fund types as required by state law.

Additional errors occurred when the department did not accurately reverse prior-year transactions. These errors resulted in misstatements of cash and accounts receivables in both fiscal years 2023 and 2024. Figure 2 (page 7) displays the errors we estimated in cash balances for various fund types based on transactions recorded by the department.

Figure 2
Errors in Transfers and Accruals Led to Cash Misstatement

Cash was misstated across various accounts due to inappropriate transfers and accrual errors.



Source: Compiled by the Legislative Audit Division.

The prior two audit reports contained recommendations to the department to properly record these year-end transactions for Motor Vehicle licenses and registration activity. Since the errors identified during this audit differ from previous errors, we consider prior audit Recommendation 2 partially implemented. We classified this as a material weakness in internal controls in the Report on Internal Control and Compliance on page B-1.

RECOMMENDATION #2

We recommend the Department of Justice:

- A. *Develop and implement internal controls and procedures to properly record year-end transactions in accordance with state accounting policy.*
- B. *Record accrual transactions with the proper accounts as required by state accounting policy.*

Errors and Omissions in Note Disclosures

Department internal controls over note disclosures were not adequate to identify errors or omissions prior to submission for audit.

State accounting policy indicates management is responsible for establishing and maintaining agency internal controls to check the accuracy and reliability of financial data and note disclosures. State accounting policy also specifies minimum note disclosures to accompany the financial schedules, in accordance with the regulatory basis financial reporting framework adopted by the Legislative Audit Committee, and the Department of Administration's State Financial Services Division provides a note disclosure template outlining the minimum disclosure requirements.

Although office staff used the template to prepare the note disclosures, internal controls were not effective, and we identified the following errors and omissions in our review of disclosures initially submitted for audit:

- Outdated information related to significant accounting changes.
- Omission of a description for material routine transfers totaling \$27.3 million.
- Omission of information related to current Consumer Protection settlements totaling \$4.9 million.
- Omission of disclosure related to the nature of the prior year adjustment totaling \$11.9 million.
- Omission of relevant information related to the establishment of the Capital Projects Fund lease for the Credentialing and Registration System (CARS) totaling \$17.3 million.

The office addressed the errors and omissions in the notes to the financial schedules included in this report. However, without effective internal control over drafting and reviewing the notes to the financial schedules, the office risks misleading users of its financial schedules. We classified this as a significant deficiency in internal controls in the Report on Internal Control and Compliance on page B-1.

RECOMMENDATION #3

We recommend the Department of Justice enhance internal controls over drafting and reviewing the financial schedule notes disclosures to ensure disclosures are accurate and complete prior to submitting the disclosures for audit.

Properly Recording CARS

The department recorded its CARS information system activity in error in fiscal year 2023 and 2024.

The CARS platform is a software solution created in partnership with an external contractor. The system was rolled out in several phases. Phase one, the online appointment scheduling system, was launched in October 2022. This included features like appointment scheduling, automated reminders, and online check-in. Phase two, the Driver Services System, replaced the department's MERLIN system and allows for the online initiation of services such as license renewals, replacements, and reinstatement fees, and was launched in 2023. Phase three, overhaul of the title and registration process, is the final phase and was launched in March 2025.

In fiscal year 2023, the department initially concluded that CARS was a Subscription-Based Information Technology Agreement (SBITA). However, the department, in conjunction with the Department of Administration, did not recognize CARS as an SBITA until fiscal year 2024. Additionally, at that time, they recorded the CARS as a lease, making correcting entries in fiscal year 2025 to recognize an SBITA.

At the conclusion of our audit in fiscal year 2026, the department reevaluated the agreement and determined the CARS was not an SBITA, but rather a capital asset. Through further review of the contract, we agree with this conclusion and agree that the CARS should be recorded as a capital asset.

The above chain of events indicates the department did not have adequate controls in place to ensure transactions were recorded prior to the fiscal year-end, recorded to appropriate accounts based on the nature of activity, and properly classified activity according to state accounting policy. The department should develop and implement controls to ensure activity is properly classified and all required entries are recorded prior to the fiscal year-end.

RECOMMENDATION #4

We recommend the Department of Justice:

- A. *Develop and implement internal controls and procedures to properly identify and record lease and asset activity.*
- B. *Record necessary accounting entries to properly account for CARS on the state's accounting system in accordance with state accounting policy.*

Gambling Tax Reconciliations

The department staff did not complete gambling tax reconciliations correctly.

The department electronically collects license fees and gambling taxes through GenTax, which is administered by the Department of Revenue, and collected approximately \$83 million and \$80 million for these activities in fiscal years 2024 and 2023, respectively. Each month, department personnel perform a reconciliation between GenTax (amount of tax collected) and SABHRS (amount recorded to the department's financial records). While the department completed reconciliations, department staff only considered amounts reported in both systems and excluded transactions recorded exclusively in GenTax or SABHRS. For example, year-end transactions, which are only in SABHRS, were not included in the department's analysis. By not considering all activities in both systems, errors in either SABHRS or GenTax could exist but would go undetected.

In our review of the activities, while we noted differences the department did not account for, we noted no transactions that were missing from either system and should have been included. According to the department, the employee responsible for the reconciliations was unaware that all transactions needed consideration in the reconciliation process. We consider this a significant deficiency in internal controls, as described starting on page B-1.

RECOMMENDATION #5

We recommend the Department of Justice document internal controls related to gambling tax reconciliations and consider all transactions when conducting monthly reconciliations.

Independent Auditor's Report and Department Financial Schedules

Angus Maciver, Legislative Auditor
 Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:
 Alexa O'Dell
 William Soller
 Miki Cestnik

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, 2024, and 2023, and the related notes to the financial schedules.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial schedules, present fairly, in all material respects, the results of operations and changes in fund equity for each of the fiscal years ended June 30, 2024, and 2023, 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, 2024, and June 30, 2023, 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 the 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 schedule 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 opinions. 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 July 30, 2025, 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/ Alexa O'Dell

Alexa O'Dell, CPA
Deputy Legislative Auditor
Helena, MT

July 30, 2025

DEPARTMENT OF JUSTICE
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Permanent Fund
	\$ 28,834,273	\$ 239,227,068	\$ 577,270	\$ (5,670,181)	\$ 1,355,123	\$ (1,281,765)	\$ 564,567	\$ 0
ADDITIONS								
Budgeted Revenues & Transfers-In	233,292,542	91,173,356	15,417,211	17,394,743	864,833	1,321,434	(2,271,201)	
Nonbudgeted Revenues & Transfers-In	227,584	31,130,342	161		4	28	29,475,656	9,996,345
Prior Year Revenues & Transfers-In/Adjustments	1,780,829	12,235,776	(7,621)				2,494,225	
Direct Entries to Fund Equity	(175,153,287)	21,824,561	271,419		1,422,847		(250)	
Total Additions	<u>30,147,668</u>	<u>156,364,036</u>	<u>15,681,170</u>	<u>17,394,743</u>	<u>2,287,684</u>	<u>1,321,211</u>	<u>29,698,679</u>	<u>9,996,345</u>
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	54,234,371	96,846,127	15,580,582	11,302,809	1,898,678	1,410,142		
Nonbudgeted Expenditures & Transfers-Out	174,938	40,120,192	25,563	(1,144,802)	84,269	(67,148)	30,135,173	
Prior Year Expenditures & Transfers-Out/Adjustments	227,665	10,802,961	90,849		79,640	409		
Total Reductions	<u>54,636,974</u>	<u>141,769,280</u>	<u>15,676,993</u>	<u>10,158,007</u>	<u>2,062,587</u>	<u>1,343,404</u>	<u>30,135,173</u>	<u>0</u>
FUND EQUITY: June 30, 2024	<u>\$ 24,344,367</u>	<u>\$ 241,821,824</u>	<u>\$ 581,447</u>	<u>\$ 1,566,556</u>	<u>\$ 1,280,200</u>	<u>\$ 1,303,357</u>	<u>\$ 128,074</u>	<u>\$ 9,996,345</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SAHRS) 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, 2023

FUND EQUITY: July 1, 2022		General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund
		\$ 26,102,785	\$ 229,083,786	\$ 792,711	\$ 928	\$ 1,113,781	\$ (948,077)	\$ 3,318,951
ADDITIONS								
Budgeted Revenues & Transfers-In	217,532,517	105,148,215	15,419,284	131,271	778,618	1,295,842	(2,159,697)	
Nonbudgeted Revenues & Transfers-In	4,449	2,882,271			91,401		29,795,260	
Prior Year Revenues & Transfers-In Adjustments	(134,348)	40,363	1,575,484				(3,323)	(2,284,144)
Direct Entries to Fund Equity	(163,704,574)	20,38,522	241,329					250
Total Additions	53,698,044	129,169,371	17,367,379	0	2,261,118	1,292,770		25,351,449
REDUCTIONS								
Budgeted Expenditures & Transfers-Out	51,065,983	103,357,543	17,354,832	5,671,109	1,959,179	1,618,831		
Nonbudgeted Expenditures & Transfers-Out	(16,006)	15,786,937	232,837		60,487	7,487	30,185,865	
Prior Year Expenditures & Transfers-Out Adjustments	(83,421)	(118,392)	(4,849)		109	140	(2,080,033)	
Total Reductions	50,966,556	119,026,088	17,582,820	5,671,109	2,019,775		1,626,458	28,105,833
FUND EQUITY: June 30, 2023	\$ 28,834,273	\$ 239,227,068	\$ 577,270	\$ (5,670,181)	\$ 1,355,123	\$ (1,281,765)	\$ 564,567	

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, 2024

TOTAL REVENUES & TRANSFERS-IN BY CLASS		General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Internal Service Fund	Custodial Fund	Permanent Fund	Total
Licenses and Permits	\$ 131,398,804	\$ 62,970,063	\$ 6,724,878	\$ 8,150	\$ 813,516	\$ 88,872	\$ 92,650	\$ 27,362	\$ 195,271,256	
Taxes	83,387,215	5,008,700	13,990,665	9,640	53,084	1,321,461			90,210,060	
Charges for Services			2,449,739	96,821					20,410,612	
Investment Earnings			13,491	5,275					2,540,905	
Fines and Forfeits			2,999,245	59,312					78,078	
Monetary Settlements			304,370	11,977,385	14,051				14,977,430	
Sale of Documents, Merchandise, and Property					46,095				319,391	
Rentals, Leases and Royalties					57,754				46,095	
Grants, Contracts, and Donations					21,988,877	17,394,743			73,444	
Transfers-in					20,801	3,647,921	15,590	10,000,000	54,614,395	
Capital Asset Sale Proceeds					467,298	13,283,248			70,839	
Inception of Lease/Installment Contract					78,317	99,127			13,750,545	
Federal Indirect Cost Recoveries					39,760	828,366			186,547	
Miscellaneous									30,342,331	
Federal									11,634,717	
Total Revenues & Transfers-in										
Less: Nonbudgeted Revenues & Transfers-in										
Prior Year Revenues & Transfers-in										
Actual Budgeted Revenues & Transfers-in										

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, 2023

	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	\$ 128,916,575	\$ 55,621,976	\$ 229	\$ 729,727	\$ (699,780)	\$ 184,568,498	
Taxes	80,105,738	6,660,408	11,944	47,825	(1,425,844)	85,340,530	
Charges for Services	4,437,713	14,074,539	76,140		(1,622)	19,862,919	
Investment Earnings		2,058,137	2,485			2,134,277	
Fines and Forfeits		144,916				171,415	
Monetary Settlements	3,466,152	4,366,969				7,833,121	
Sale of Documents, Merchandise and Property	288,991	63,746				441,643	
Rentals, Leases and Royalties		124,685				124,685	
Grants, Contracts, and Donations		52,156				52,156	
Transfers-in	49,076	24,430,775	3,502,451	3,560		27,982,302	
Capital Asset Sale Proceeds	1,602	78,257				83,418	
Federal Indirect Cost Recoveries	97,230	67,054				164,283	
Miscellaneous	14,614	68,733				28,183,971	
Federal	914					13,530,286	
Total Revenues & Transfers-in	217,402,618	108,430,649	13,529,373	870,019	1,292,520	370,473,505	
Less: Nonbudgeted Revenues & Transfers-in		2,882,271	17,126,050			25,351,449	
Prior Year Revenues & Transfers-in Adjustments	4,449		91,401			29,795,260	
Actual Budgeted Revenues & Transfers-in	(134,348)	400,363	131,271	1,575,494		(445,927)	
	\$ 217,332,517	\$ 105,148,215	\$ 15,419,284	\$ (3,323)	\$ 1,295,842	\$ (2,159,697)	\$ 338,014,780

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, 2024

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	AGENCY LEGAL SERVICES	BOARD OF CRIME CONTROL	CENTRAL SERVICES DIVISION	DIV OF CRIMINAL INVESTIGATION	FORENSIC SERVICES DIVISION	GAMBLING CONTROL DIVISION	LEGAL SERVICES DIVISION	MONTANA HIGHWAY PATROL	MOTOR VEHICLE DIVISION	MT LAW ENFORCEMENT ACADEMY	POST COUNCIL	Total	
Personal Services													
Salaries	\$ 920,175	\$ 1,304,780	\$ 3,228,462	\$ 9,310,233	\$ 4,626,491	\$ 2,238,322	\$ 6,742,361	\$ 22,324,152	\$ 8,717,494	\$ 947,287	\$ 277,792	\$ 60,637,549	
Other Compensation								19,360				19,360	
Employee Benefits	266,086	460,917	1,628,503	3,608,620	1,455,191	828,031	2,101,770	12,404,608	3,804,596	357,441	97,962	27,013,724	
Personal Services-Other	(37,805)					(998)						(38,803)	
Total	<u>1,148,456</u>	<u>1,765,696</u>	<u>4,856,966</u>	<u>12,918,853</u>	<u>6,081,682</u>	<u>3,065,355</u>	<u>8,844,131</u>	<u>34,748,120</u>	<u>12,522,090</u>	<u>1,304,727</u>	<u>375,754</u>	<u>87,631,830</u>	
Operating Expenses													
Other Services	36,284	121,983	2,530,943	1,322,345	287,159	80,672	9,864,778	2,126,946	6,365,778	638,809	52,941	23,428,636	
Supplies & Materials	21,781	139,919	1,593	906,137	811,849	63,701	229,086	3,804,393	949,690	271,225	38,918	7,238,290	
Communications	2,861	38,598	1,630,339	166,817	25,020	27,329	434,606	444,131	1,327,801	5,773	2,363	4,105,638	
Travel	19,703	89,085	30,742	430,305	52,198	36,205	148,044	1,131,559	239,521	18,146	8,988	2,204,494	
Rent	93,188	114,481	174,158	307,923	18,063	42,823	764,160	252,453	484,681	45,705	3,371	2,301,007	
Utilities					157,484		3,342		255,542	17,197		582,342	
Repair & Maintenance	56	6,500	721,287	1,703,317	305,593	19,170	130,374	1,268,386	1,326,628	171,941	31,382	5,684,635	
Other Expenses	22,691	75,370	29,636,784	566,639	70,775	180,653	533,844	1,077,877	702,895	27,597	9,555	32,904,679	
Goods Purchased For Resale		226	349				35,505					36,080	
Total	<u>196,564</u>	<u>586,161</u>	<u>34,726,194</u>	<u>5,403,482</u>	<u>1,728,140</u>	<u>450,553</u>	<u>12,108,235</u>	<u>10,396,791</u>	<u>11,414,190</u>	<u>1,327,972</u>	<u>147,517</u>	<u>78,485,800</u>	
Equipment & Intangible Assets													
Equipment			1,403,654	270,579	1,045,904	(1,241)	55,000	4,703,474	131,768		28,651	7,637,789	
Livestock								26,000				26,000	
Intangible Assets			2,982,543	243,910	495,000	68,976		254,680		21,407,140		25,452,249	
Installment purchases-equipment					586,241							586,241	
Total	<u>4,386,197</u>	<u>514,489</u>	<u>2,127,145</u>		<u>67,735</u>		<u>55,000</u>	<u>4,984,155</u>	<u>21,538,908</u>		<u>28,651</u>	<u>33,702,279</u>	
Local Assistance													
From State Sources		<u>4,002,580</u>				<u>1,780,882</u>				<u>25,691</u>		<u>5,809,153</u>	
Total	<u>4,002,580</u>					<u>1,780,882</u>				<u>25,691</u>		<u>5,809,153</u>	
Grants													
From State Sources		3,150,172	11,657,778									14,807,950	
From Federal Sources		6,292,825		234,841								6,527,667	
Grant To Non-Governmental Ent		7,402										7,402	
Total	<u>9,450,399</u>	<u>11,657,778</u>	<u>234,841</u>									<u>21,343,018</u>	
Benefits & Claims													
To Individuals					1,254,513							1,294,513	
Total					<u>1,254,513</u>							<u>1,294,513</u>	
Transfers-out													
Fund transfers		1,029,332	18,973,663					3,709,968	953,972	1,912,797	11,295	42,000	26,633,027
Mandatory Transfers					312,665			4,022,633	953,972	1,912,797	11,295	42,000	312,665
Total	<u>1,029,332</u>	<u>18,973,663</u>			<u>4,022,633</u>			<u>953,972</u>		<u>1,912,797</u>	<u>11,295</u>	<u>42,000</u>	<u>26,945,692</u>
Debt Service													
Loans					45,707				37,932			83,639	
Installment Purchases					88,634				1,140,267			1,228,901	
Lease Liability		149,352	695,684		129,028		156,036	91,866	813,895		760,941	2,796,804	
Subscription Based IT Liabilit		109,155			263,370		156,036	91,866	920,271		1,340,600	2,370,026	
Total	<u>258,507</u>	<u>695,684</u>	<u>263,370</u>		<u>156,036</u>		<u>91,866</u>	<u>2,912,365</u>	<u>2,101,541</u>			<u>6,479,370</u>	
Post Employment Benefits													
Other Post Employment Benefits		(11,078)										(18,754)	
Employer Pension Expense		8,098										109,517	
Total	<u>(2,980)</u>											<u>90,763</u>	
Total Expenditures & Transfers-Out	\$ 1,342,040	\$ 12,831,589	\$ 78,861,885	\$ 21,021,863	\$ 10,200,336	\$ 5,614,304	\$ 25,121,865	\$ 54,035,403	\$ 49,515,217	\$ 2,672,645	\$ 565,271	\$ 261,782,418	
EXPENDITURES & TRANSFERS-OUT BY FUND													
General Fund			\$ 3,877,142	\$ 13,205,677	\$ 11,528,173	\$ 6,749,261	\$ 8,795,408	\$ 1,940,906	\$ 8,390,407	\$ 150,000	\$ 565,271	\$ 54,636,974	
State Special Revenue Fund			564,835	37,225,830	5,614,578	2,411,867	4,175,297	15,996,117	50,328,376	28,364,464	2,522,645	147,769,280	
Federal Special Revenue Fund			8,389,612	1,945	3,879,112	1,039,209		330,341	1,766,120			15,676,993	
Capital Projects Fund				(1,145,161)								10,158,007	
Enterprise Fund				64,716			1,439,007					2,062,587	
Internal Service Fund	\$ 1,342,040		1,364									1,343,404	
Custodial Fund			29,507,514						627,659			30,135,173	
Total Expenditures & Transfers-Out	<u>1,342,040</u>	<u>12,831,589</u>	<u>78,861,885</u>	<u>21,021,863</u>	<u>10,200,336</u>	<u>5,614,304</u>	<u>25,121,865</u>	<u>54,035,403</u>	<u>49,515,217</u>	<u>2,672,645</u>	<u>565,271</u>	<u>261,782,418</u>	
Less: Nonbudgeted Expenditures & Transfers-Out		(67,148)	18,303	48,536,368	121,963	573,168	136,997	15,629,374	1,777,886	2,608,120	(5,627)	69,328,185	
Prior Year Expenditures & Transfers-Out Adjustments		409		(11,356)	23,546	(7,489)	(23,936)	(1,164,659)	(180,748)	12,515,880		11,201,524	
Actual Budgeted Expenditures & Transfers-Out		1,408,778	12,763,410	30,336,873	20,876,353	9,634,657	5,501,243	10,657,					

DEPARTMENT OF JUSTICE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2024

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, Capital Projects, and Permanent). 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) 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 Victim Compensation, Criminal Records Information 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
Federal Award	COPS Anti-Methamphetamine Program (CAMP)
Federal Award	National Criminal History Improvement Program
Federal Award	Office of Violence Against Women programs
Federal Award	Residential Substance Abuse
Federal Award	Juvenile Assistance Grants
Federal Award	OVW Elder Abuse Services
Federal Award	VOCA Victim Liaison
Federal Award	OJJDP Delinquency Prevention
Federal Award	Project Safe Neighborhoods
Federal Award	BJA Mental Health Collaboration
Federal Award	Enforcement of Underage Drinking Laws
Federal Award	John R Justice
Federal Award	Comprehensive Opioid Abuse

- **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 uses this fund for the costs related to the production and maintenance of CARS which is the MERLIN system replacement.
- **Permanent Fund** – to account for financial resources that are permanently restricted to the extent that only earnings, and not principal, may be used for purposes that support the Department's programs. The Department uses this fund for the End of Watch program established by the 2023 Legislature.

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 Funds include 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 fund which is used to fund part of the Gambling Division's operations and is administered by the Department of Revenue.

Fiduciary Fund Category

- **Custodial Fund** – to account for resources of fiduciary activities held by the state in a custodial capacity. Custodial funds may be used on a limited basis for internal (to the State) clearing account activity, but these must have a zero balance at fiscal year-end. The Department 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, there was a subscription and lease adjustment error that was realized at the end of FY 2023 in the amount of \$11,906,032.02. During FY 2023 closing period the DOJ asset accountant contacted DOA about GASB 96 reporting requirements. Due to the nature of this complex CARS project requiring subscription and lease payments, DOA had to research the GASB 96 policy. At the time, DOA was not able to respond to DOJ's question and the required journal entry was not able to be completed prior to fiscal year-end close. This was corrected at the beginning of the next fiscal year with DOA's guidance.

During this performance period, the Department of Administration (DOA) implemented GASB 96 which required recording of Subscription-Based Information Technology Arrangements (SBITAs) for government users. DOJ followed all DOA guidelines for this implementation during FY 2024. DOJ works 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, 2023, and June 30, 2024. 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 Fund, State Special Revenue, Federal Special Revenue Fund, Enterprise Fund and Internal Service Fund include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

4. Transfers

The Department transferred \$450,000 to the 911 GIS mapping account at the Library Commission from the 911 State Special Revenue Funds on August 15, 2022 per 10-4-304 (5).

The Department transferred \$2,000,000 to the Highway Patrol Officers Retirement Pension Trust Fund from the Montana Highway Patrol Pay and Retention Fund on August 15, 2022 per 44-1-504 (4).

The Department transferred \$450,000 to the 911 GIS mapping account at the Library Commission from the 911 State Special Revenue Funds on August 14, 2023 per 10-4-304 (5).

The Department transferred \$500,000 to the Highway Patrol Officers Retirement Pension Trust Fund from the Montana Highway Patrol Pay and Retention Fund on August 14, 2023 per 44-1-504 (4).

As a result of SB 294 in the 2023 session, \$10,000,000 was transferred to the Department to implement the End of Watch program. This fund amount is fully invested in STIP.

As a result of HB 10 in the 2023 session, the Department received funding for the CARS system. Transfers happen on an as needed basis and are moved from the general fund to the capital projects fund. Transfers happened in August 2023, December 2023 and May 2024 and were for \$8,280,300, \$8,114,443.05 and \$1,000,000 respectively.

5. Settlements

As part of the National Opioid 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. The settlement will be used to combat the opioid crisis, with a 15 percent allocation to the State, a 15 percent allocation to Montana local governments, and a 70 percent allocation to the Montana Opioid Abatement Trust.

On January 4, 2023, the Montana Attorney General signed a consent judgement that secured approximately \$6.3 million for the State, to resolve a multi-state investigation over marketing and sales practices with JUUL Labs. The settlement will be paid out over a period of six to ten years. This settlement is split between the Department of Justice and the Department of Public Health and Human Services. As of December 2024, \$1,177,707.73 has been received. The Department portion of those payments is \$235,541.55.

On February 28, 2023, the U.S. Supreme 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 State of Montana is due to receive \$1,454,148.35.

On June 11th, 2024, the Montana Attorney General signed a consent judgement with Johnson & Johnson that secured \$3,537,515.51 for the State of Montana, to resolve a multi-state investigation over the misleading safety of its talcum-based powder products in its manufacturing, marketing, promotion, sale and distribution. The settlement will be paid out over a period of four years.

6. Subsequent Events

On October 9th, 2024, the Montana Attorney General signed a consent judgement that secured approximately \$405,839 for the State of Montana, to resolve a multi-state investigation over a data breach of millions of customer's personal information with Marriott and its Subsidiary Starwood Hotels and resorts. The settlement will be paid in one payment of \$405,839 in November 2024.

On May 9th, 2024, the Montana Attorney General signed a consent judgement that secured approximately \$17,837.83 from AT&T Mobile Inc., \$21,405.40 from Verizon Wireless, and \$34,887.51 from T-Mobile, for the State of Montana, to resolve a multi-state investigation over marketing, promotion, and sales practices with AT&T Mobile, Inc, Verizon Wireless, and T-Mobile, all of which are cellphone service companies. The settlements will all be paid in full as one time payments in July 2024.

7. Reorganization

The Department of Justice had three structural reorganizations during the timeframe this audit is covering.

The first was moving the Justice Information Technology Services Division into the Central Services Division. This move was completed in August 2023. The reorganization moved \$7,319,429 and 42.99 FTE for FY 2024.

The Montana Law Enforcement Academy was pulled out of the Division of Criminal Investigation and made its own division. This was done through a reorganization budget change document in December 2023. The reorganization moved \$2,173,771.54 and 14 FTE from DCI's budget to MLEA.

The Public Safety Officer Standards and Training Council (POST) was pulled out of the Division of Criminal Investigation and made its own administratively attached division through a reorganization budget change document in August 2023. This move was due to HB 697 during the 2023 Legislative Session. This reorganization moved \$612,546.46 and 2.99 FTE for FY 2024.

Report on Internal Control and Compliance

LEGISLATIVE AUDIT DIVISION

B-1

Angus Maciver, Legislative Auditor
Kenneth E. Varns, Legal Counsel



Deputy Legislative Auditors:
Alexa O'Dell
William Soller
Miki Cestnik

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, 2024, and 2023, and the related notes to the financial schedules, and have issued our report thereon dated July 30, 2025.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described below to be material weaknesses.

As described in the Recommendation 1, on page 6, the department needs to document responsibilities over and provide training for key positions to ensure consistent application even in times of turnover.

As described in Recommendation 2, on page 7, the department does not have controls in place to ensure compliance with state accounting policy regarding proper accounting for revenue and expenditure accruals.

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 the attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.

As described in Recommendation 3, on page 8, the department's internal controls did not prevent or detect and correct errors and omissions in the draft notes.

As described in Recommendation 5, on page 10, the department did not have proper controls documented to properly reconcile the gambling taxes collected in GenTax and deposited in SABHRS.

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 and 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/ Alexa O'Dell

Alexa O'Dell, CPA
Deputy Legislative Auditor
Helena, MT



DEPARTMENT OF JUSTICE

DEPARTMENT RESPONSE

AUSTIN KNUDSEN



STATE OF MONTANA

December 1, 2025

Angus Maciver, Legislative Auditor
 Legislative Audit Division
 Room 171, State Capitol
 PO Box 201705
 Helena, MT 59620-1705

RECEIVED
 December 1, 2025
 LEGISLATIVE AUDIT DIV.

Dear Director Maciver,

The Montana Department of Justice thanks you and your audit team for the work done on 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, 2024.

I. Recommendation #1: Overall Internal Control Structure

The Department of Justice should prioritize training and educating staff on the importance of internal controls related to accounting and financial reporting.

The department partially concurs with this recommendation. DOJ is committed to improving internal control procedures, but we disagree that we did not or do not have well-trained staff with strong institutional knowledge. DOJ has reviewed and updated procedures for essential functions and have made them available to applicable staff and administration. DOJ financial staff will be meeting in person on a regular basis with Central Services budget and accounting staff to ensure consistency of internal controls across the department. It is DOJ's goal that all staff have the necessary training and tools to be successful in their role.

Current DOJ financial supervisors have a combined total of 26 years of DOJ experience. While neither had fully participated in a legislative audit previously, the institutional knowledge is present. DOJ financial staff were able to fully provide requested information and locate answers quickly. However, Central Services has increased collaboration with division staff to ensure financial training is provided.

DEPARTMENT OF JUSTICE

215 North Sanders PO Box 201401 Helena, MT 59620-1401	(406) 444-2026 Contactdoj@mt.gov mtdoj.gov
---	--



II. Recommendation #2: Misstatements in Accruals

Department internal control deficiencies contributed to errors in required year-end transactions for revenue recognition.

The department concurs with this recommendation. DOJ has implemented necessary procedures to avoid these errors in the future. DOJ has investigated the errors and have made great strides towards correcting them. Current staff have reached out to State Accounting Bureau for clarification on how to correct misstatements found in this audit and prior audit periods. Central Services Division and the Motor Vehicle Division have implemented additional audit procedures to ensure revenue and expenses are properly recorded. This is a continually evolving process as the business need changes and as software programs change.

III. Recommendation #3: Errors and Omissions in Note Disclosures

Department internal controls over note disclosures were not adequate to identify errors or omissions prior to submission for audit.

The department concurs with this recommendation. The current budget supervisor identified that an updated procedure for the note disclosure process was not in place. The procedure has been created and will be put in place for use in future audits. Additional reviews of the notes will also be added.

IV. Recommendation #4: Properly Recording CARS

The department recorded its CARS information system activity in error in fiscal year 2023 and 2024.

The department partially concurs with this recommendation. DOJ did not record the CARS as a lease but incorrectly as a SBITA. This error has been corrected and recorded as an asset. DOJ currently has a procedure in place to properly record lease activity and assets. This error was due to inaccurate information being provided to staff by DOA.

V. Recommendation #5: Gambling Tax Reconciliations

The department staff did not complete gambling tax reconciliations correctly.

DEPARTMENT OF JUSTICE

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

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

AUSTIN KNUDSEN



STATE OF MONTANA

The department concurs with this recommendation. DOJ and the Gambling Control Division have implemented a monthly joint reconciliation of GenTax. An updated reconciliation procedure is also now in place.

Respectfully,

A handwritten signature in blue ink, appearing to read "Austin Knudsen".

Austin Knudsen
Attorney General

DEPARTMENT OF JUSTICE

215 North Sanders PO Box 201401 Helena, MT 59620-1401	(406) 444-2026 Contactdoj@mt.gov mtdoj.gov
---	--