



A REPORT
TO THE
MONTANA
LEGISLATURE

LEGISLATIVE AUDIT
DIVISION

24-23

FINANCIAL-COMPLIANCE AUDIT

Office of the Governor and Lieutenant Governor

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

JULY 2025

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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, 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

ADAM HEFENIEDER, CPA EMILY NICHOLS
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LEGISLATIVE AUDIT DIVISION

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



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

July 2025

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to provide our financial audit report of the Office of the Governor and Lieutenant Governor (office) for the two fiscal years ended June 30, 2024. 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 unmodified opinions on the financial schedules for the two fiscal years ended June 30, 2024.

During the audit period, the Governor's Office addressed a change in the funds it oversees, administering Federal American Rescue Plan Act Funds for the state and overseeing the creation and maintenance of the new Debt and Liability Free account. There were no recommendations to the office based on our work.

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

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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 Osmundson, Director of Budget and Program Planning

Chet McLean, Internal Controls Coordinator

Errolyn Lantz, Central Services Administrator

Sonia Powell, Lead Budget Analyst (through June 30, 2025)

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

Errolyn Lantz, Central Services Administrator

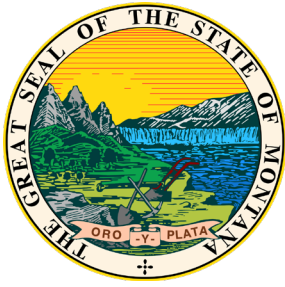
Governor's Office

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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, 2024

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.

During the audit period, the office continued to administer the state's ARPA State and Local Fiscal Recovery Funds. The office also administered the Debt and Liability Free account that the legislature established during the 2023 legislative session. Through this account, resources were obligated to the Governor's Office and used to pay off debt at various state agencies.

In fiscal years 2023 and 2024, the Governor and Lieutenant Governor's Office (office) managed significant activity in both the State and Federal Special Revenue funds. This included managing the Debt and Liability Free account, created by the 2023 Legislature, and continuing administration of nearly \$906 million in ARPA funds. Federal revenue for this activity is recognized as funds are spent, with the office recording revenue and other state agencies recording related spending through a shared fund.

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

We found the office's financial schedules present 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 department: 0

To the legislature: 0

There were no prior audit recommendations.

SUMMARY OF AUDIT WORK:

Our audit efforts focused primarily on the office's financial activity related to budget authority, federal revenues, transfers-in, transfers-out, cash and investments, investment income, and the office's notes to the financial schedules. Our work included:

- Understanding internal controls
- Completing analytical procedures

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

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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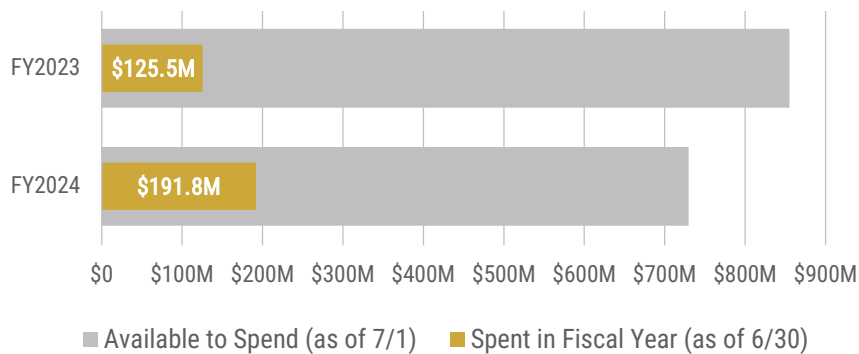
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- Reviewing supporting documentation
- Interviewing agency personnel
- Reviewing appropriation activity

The office oversaw the administration of the Debt and Liability Free account, established by House Bill 251 during the 2023 legislative session. This legislation directed a \$125 million transfer from the general fund to the new account in the state special revenue fund (SSRF). It also allocated interest earnings from the state's general treasury account to the Debt and Liability Free account during fiscal years 2023 and 2024. These funds were used to pay off the state's bond liabilities and other debts.

Montana received approximately \$906 million in ARPA 602 State and Local Fiscal Recovery Funds (SLFRF) in two installments during fiscal years 2021 and 2022. House Bill 632 from the 2021 Legislative Session, along with its designated committees, allocated these funds to various state programs managed by different agencies. The office continues to perform administrative duties for the funds, including required federal reporting. From an accounting standpoint, the ARPA SLFRF funds were initially recorded as unearned revenue, with revenue recognized as expenditures occurred. In fiscal years 2023 and 2024, the office recognized about \$125.5 million and \$191.8 million, respectively, in ARPA SLFRF federal revenue. As of June 30, 2024, approximately \$537.8 million of the original award remained. However, these unspent funds have already been committed to agencies around the state.

Figure 1
ARPA Funds Snapshot

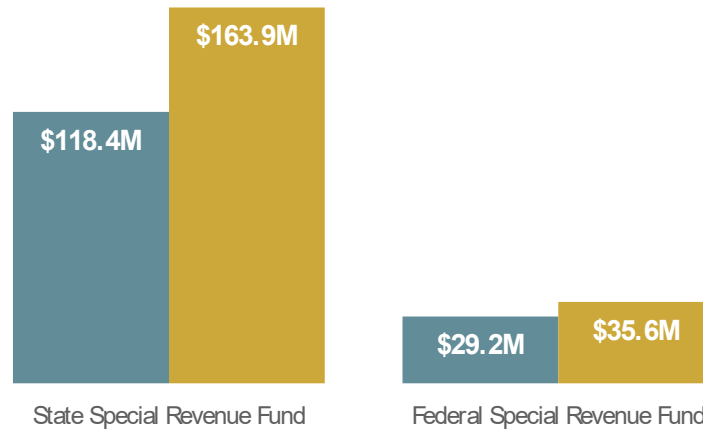


Source: Compiled by the Legislative Audit Division from State Accounting, Budgeting and Human Resource System (SABHRS) records.

The office also had significant investment income during the audit period. This income was derived from unspent Debt and Liability Free funds as well as interest from the Treasury (SSRF) and unspent ARPA funds. There are no federal restrictions on the income from the invested ARPA funds.

Figure 2
Special Revenue Fund Investment Activity

Both the state and federal special revenue funds received substantial investment income in **FY2023** and **FY2024**.



Source: Compiled by the Legislative Audit Division from SABHRS records.

We are currently auditing the compliance requirements associated with ARPA SLFRF funds as part of our Single Audit covering fiscal years 2024 and 2025. The results of this compliance work will be reported as part of our Single Audit. We audited compliance with these funds in the prior Single Audit as well. We had no recommendations related to the Governor's Office.

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
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 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, 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 office as of June 30, 2024, and 2023, 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, deferred outflows of resources, liabilities, and deferred inflows of resources.

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.

Emphasis of Matter

As discussed in Note 5 to the financial schedules, the office made a correcting entry for FY24 to reclassify a transfer out. In accordance with state accounting policy, the entry was recorded in FY25 because the accounting records were closed. Our opinion is not modified with respect to this matter.

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 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 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 May 1, 2025, 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/ Alexa O'Dell

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

May 1, 2025

GOVERNOR'S OFFICE
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

FUND EQUITY: July 1, 2023	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
	\$ (304,203)	\$ 112,941,613	\$ 25,421,854
ADDITIONS			
Budgeted Revenues & Transfers-In		163,250,719	240,487,098
Nonbudgeted Revenues & Transfers-In		121,239	(216,495)
Prior Year Revenues & Transfers-In Adjustments		662,741	
Direct Entries to Fund Equity	7,229,548	844,122	(180,868,836)
Total Additions	7,229,548	164,878,820	59,401,767
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	7,229,961	14,073,364	16,802,709
Nonbudgeted Expenditures & Transfers-Out	(4,183)	6,400,000	
Prior Year Expenditures & Transfers-Out Adjustments	(10,940)	(56,932)	
Total Reductions	7,214,838	20,416,432	16,802,709
FUND EQUITY: June 30, 2024	\$ (289,493)	\$ 257,404,001	\$ 68,020,911

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, 2023

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund
FUND EQUITY: July 1, 2022	\$ (269,542)	\$ 63,135	\$ 534,871
ADDITIONS			
Budgeted Revenues & Transfers-In	32	243,467,853	1,013,234,318
Nonbudgeted Revenues & Transfers-In		30,720	(129,581,553)
Direct Entries to Fund Equity	6,902,538		
Total Additions	6,902,570	243,498,573	883,652,766
REDUCTIONS			
Budgeted Expenditures & Transfers-Out	6,940,570	130,620,095	858,765,783
Nonbudgeted Expenditures & Transfers-Out	(2,274)		
Prior Year Expenditures & Transfers-Out Adjustments	(1,064)		
Total Reductions	6,937,231	130,620,095	858,765,783
FUND EQUITY: June 30, 2023	\$ (304,203)	\$ 112,941,613	\$ 25,421,854

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, 2024

TOTAL REVENUES & TRANSFERS-IN BY CLASS	State Special Revenue Fund	Federal Special Revenue Fund	Total
Charges for Services	\$ 40,320		\$ 40,320
Investment Earnings	163,876,419	\$ 35,557,954	199,434,373
Transfers-in	117,960	(136,776)	(18,816)
Miscellaneous		137,057	137,057
Federal		204,712,368	204,712,368
Total Revenues & Transfers-In	164,034,699	240,270,603	404,305,302
Less: Nonbudgeted Revenues & Transfers-In	121,239	(216,495)	(95,256)
Prior Year Revenues & Transfers-In Adjustments	662,741		662,741
Actual Budgeted Revenues & Transfers-In	\$ 163,250,719	\$ 240,487,098	\$ 403,737,817

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, 2023

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS				
Charges for Services	\$	17,880		\$ 17,880
Investment Earnings		118,388,526	\$ 29,206,088	147,594,614
Grants, Contracts, and Donations		12,500		12,500
Transfers-in		125,079,667	855,464,055	980,543,722
Miscellaneous	\$ 32		(161,766)	(161,734)
Federal			128,725,941	128,725,941
Total Revenues & Transfers-In	32	243,498,573	1,013,234,318	1,256,732,923
Less: Nonbudgeted Revenues & Transfers-In		30,720		30,720
Prior Year Revenues & Transfers-In Adjustments				0
Actual Budgeted Revenues & Transfers-In	\$ 32	\$ 243,467,853	\$ 1,013,234,318	\$ 1,256,702,204

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, 2024

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	EXECUTIVE OFFICE PROGRAM	EXECUTIVE RESIDENCE OPERATIONS	MENTAL DISABILITIES BD VISITORS	OFC BUDGET & PROGRAM PLANNING	OFFICE OF INDIAN AFFAIRS	Total
Personal Services						
Salaries	\$ 2,162,940		\$ 319,283	\$ 1,963,405	\$ 126,707	\$ 4,572,334
Employee Benefits	681,442	9,709	117,766	607,308	27,588	1,443,813
Total	<u>2,844,382</u>	<u>9,709</u>	<u>437,048</u>	<u>2,570,713</u>	<u>154,295</u>	<u>6,016,147</u>
Operating Expenses						
Other Services	105,337	288	15,077	268,673	1,280	390,654
Supplies & Materials	17,481	1,511	510	249,586	570	269,657
Communications	15,225	2,275	3,245	203,502	3,226	227,473
Travel	79,994		14,887	9,567	8,281	112,729
Rent	173,488		9,445	75,777	16,608	275,319
Repair & Maintenance	28				32	60
Other Expenses	130,503	25,448	4,340	68,841	24,341	253,473
Total	<u>522,056</u>	<u>29,522</u>	<u>47,504</u>	<u>875,945</u>	<u>54,339</u>	<u>1,529,366</u>
Grants						
From Federal Sources				1,917,470		1,917,470
Total				<u>1,917,470</u>		<u>1,917,470</u>
Transfers-out						
Fund transfers				28,569,946		28,569,946
Intra-Entity Expense				6,400,000		6,400,000
Total				<u>34,969,946</u>		<u>34,969,946</u>
Debt Service						
Bonds				1,050		1,050
Total				<u>1,050</u>		<u>1,050</u>
Total Expenditures & Transfers-Out	\$ <u>3,366,438</u>	\$ <u>39,231</u>	\$ <u>484,552</u>	\$ <u>40,335,125</u>	\$ <u>208,634</u>	\$ <u>44,433,979</u>
EXPENDITURES & TRANSFERS-OUT BY FUND						
General Fund	\$ 3,246,877	\$ 39,231	\$ 484,552	\$ 3,257,758	\$ 186,420	\$ 7,214,838
State Special Revenue Fund	116,569			20,277,650	22,213	20,416,432
Federal Special Revenue Fund	2,992			16,799,717		16,802,709
Total Expenditures & Transfers-Out	<u>3,366,438</u>	<u>39,231</u>	<u>484,552</u>	<u>40,335,125</u>	<u>208,634</u>	<u>44,433,979</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(2,073)		(364)	6,398,400	(145)	6,395,817
Prior Year Expenditures & Transfers-Out Adjustments	616		(352)	(68,256)	120	(67,872)
Actual Budgeted Expenditures & Transfers-Out	<u>3,367,895</u>	<u>39,231</u>	<u>485,268</u>	<u>34,004,981</u>	<u>208,659</u>	<u>38,106,034</u>
Budget Authority	9,908,410	64,583	521,823	103,117,748	294,033	113,906,597
Unspent Budget Authority	<u>6,540,514</u>	<u>25,352</u>	<u>36,555</u>	<u>69,112,767</u>	<u>85,374</u>	<u>75,800,563</u>
UNSPENT BUDGET AUTHORITY BY FUND						
General Fund	\$ 6,509,765	\$ 25,352	\$ 36,555	\$ 1,240,894	\$ 57,587	\$ 7,870,154
State Special Revenue Fund	30,749			5,776,094	27,787	5,834,630
Federal Special Revenue Fund				62,045,779		62,045,779
Internal Service Fund				50,000		50,000
Unspent Budget Authority	<u>6,540,514</u>	<u>25,352</u>	<u>36,555</u>	<u>69,112,767</u>	<u>85,374</u>	<u>75,800,563</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, 2023

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	EXECUTIVE OFFICE PROGRAM	EXECUTIVE RESIDENCE OPERATIONS	MENTAL DISABILITIES BD VISITORS	OFC BUDGET & PROGRAM PLANNING	OFFICE OF INDIAN AFFAIRS	Total
Personal Services						
Salaries	\$ 2,022,006		\$ 303,252	\$ 1,882,825	\$ 108,288	\$ 4,316,371
Employee Benefits	650,194	1,345	115,159	579,799	21,419	1,367,917
Total	<u>2,672,200</u>	<u>1,345</u>	<u>418,411</u>	<u>2,462,624</u>	<u>129,707</u>	<u>5,684,288</u>
Operating Expenses						
Other Services	264,144	4,010	17,611	374,574	10,137	670,476
Supplies & Materials	263,495	861	26,972	26,972	424	294,820
Communications	49,883	3,955	7,900	25,522	4,828	92,088
Travel	60,168		13,356	7,026	16,002	96,552
Rent	166,102		8,571	75,144	16,333	266,150
Repair & Maintenance	2,431			8	130	2,570
Other Expenses	127,099	19,825	3,972	55,430	22,039	228,365
Total	<u>933,322</u>	<u>28,651</u>	<u>54,477</u>	<u>564,676</u>	<u>69,894</u>	<u>1,651,020</u>
Grants						
From Federal Sources				1,458,903		1,458,903
Total				<u>1,458,903</u>		<u>1,458,903</u>
Transfers-out						
Fund transfers	20,315			987,504,582		987,524,897
Total	<u>20,315</u>			<u>987,504,582</u>		<u>987,524,897</u>
Debt Service						
Bonds				4,000		4,000
Total				<u>4,000</u>		<u>4,000</u>
Total Expenditures & Transfers-Out	\$ <u>3,625,838</u>	\$ <u>29,997</u>	\$ <u>472,888</u>	\$ <u>991,994,785</u>	\$ <u>199,601</u>	\$ <u>996,323,109</u>
EXPENDITURES & TRANSFERS-OUT BY FUND						
General Fund	\$ 3,515,498	\$ 29,997	\$ 472,888	\$ 2,747,700	\$ 171,149	\$ 6,937,231
State Special Revenue Fund	68,343			130,523,300	28,453	130,620,095
Federal Special Revenue Fund	41,997			858,723,786		858,765,783
Total Expenditures & Transfers-Out	<u>3,625,838</u>	<u>29,997</u>	<u>472,888</u>	<u>991,994,785</u>	<u>199,601</u>	<u>996,323,109</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(1,116)	(61)	(196)	(822)	(78)	(2,274)
Prior Year Expenditures & Transfers-Out Adjustments	(978)		(393)	21	286	(1,064)
Actual Budgeted Expenditures & Transfers-Out	<u>3,627,933</u>	<u>30,058</u>	<u>473,477</u>	<u>991,995,587</u>	<u>199,393</u>	<u>996,326,447</u>
Budget Authority	4,164,059	165,563	560,611	1,204,452,379	349,024	1,209,691,636
Unspent Budget Authority	<u>536,127</u>	<u>135,505</u>	<u>87,134</u>	<u>212,456,792</u>	<u>149,631</u>	<u>213,365,189</u>
UNSPENT BUDGET AUTHORITY BY FUND						
General Fund	\$ 499,061	\$ 135,505	\$ 87,134	\$ 671,466	\$ 115,583	\$ 1,508,750
State Special Revenue Fund	29,213			12,976,700	34,048	13,039,961
Federal Special Revenue Fund	7,852			198,758,626		198,766,478
Internal Service Fund				50,000		50,000
Unspent Budget Authority	<u>536,127</u>	<u>135,505</u>	<u>87,134</u>	<u>212,456,792</u>	<u>149,631</u>	<u>213,365,189</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.

MONTANA GOVERNOR'S OFFICE

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2024

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 funds 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 2023, the Governor's Office encumbered \$3,207 for audio/video components and had no encumbrances as of fiscal year-end 2024.

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 committed or restricted to expenditures for specific state program purposes. State special revenue funds for both fiscal years include support from other state agencies to fund interagency projects, HB 2 appropriations and a statutory appropriation, retroactive to the beginning of fiscal year 2023, for the

Debt and Liability Free fund established by HB 251 during the 2023 legislative session.

- **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 pandemic funding from the federal government which continued into fiscal year 2023 and 2024. The cash on hand for the American Rescue Plan Act (ARPA) was able to be invested to earn interest. The portion of the Federal Special Revenue Fund ending fund balance related to cumulative ARPA interest earned, recorded in fiscal year 2024, was \$58,608,407.

Changes in Accounting Policy

During the biennium ending June 30, 2024, the following Pronouncements of the Governmental Accounting Standards Board (GASB) were adopted by the State of Montana.

- GASBS-94 -Public-Private and Public-Public Partnerships and Availability Payment Arrangements addressed circumstances in which a government contracts with a contractor to provide or make available public services.
- GASBS-96 - Subscription-Based Information Technology Arrangements addressed circumstances in which a government should recognize a right-to-use asset and a corresponding liability for information technology subscriptions.
- GASBS-99 – Omnibus 2022-Paragraphs 11-32 clarified various accounting topics in an omnibus format.
- GASBS-100 – Accounting Changes and Error Corrections addressed certain accounting considerations when justifying a change in an accounting principle or when correcting errors in previously issued financial statements.
- GASBS-101 – Compensated Absences amended accounting requirements applicable to sick, vacation, and other forms of employee leave.

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, 2023 and June 30, 2024.

3. Direct Entries to Fund Equity

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

Fund Type	FYE 23	FYE 24	Purpose
General Fund	\$6,902,538	\$7,229,548	Governor's Office's participation in the General Fund
State Special		\$844,122	Receivables recorded by DOA in the Debt and Liability Free Fund
Federal Special	(\$129,581,553)	(\$180,868,836)	Governor's Office's participation in the ARPA Funds

4. Unspent Budget Authority

Unspent State Special Revenue budget authority in the Executive Office Program is related to authority from other state agencies to fund interagency projects. The Office of Indian Affairs also has remaining HB 2 authority for Tribal Relations training for both fiscal years.

Unspent Federal Special Revenue budget authority is mainly related to the COVID-19 Pandemic relief funding and related interest appropriation which will carry forward until fiscal year 2027, most of which is in the Office of Budget and Program Planning.

Unspent budget authority in the Office of Budget and Program Planning also includes funds for personal services contingency funding for all state agencies for both fiscal years in each fund type. Unspent General Fund in fiscal year ended June 30, 2024 for the Office of Budget and Program Planning also includes biennial authority related to legislative audit. These unspent balances for fiscal year 2024 will carry forward into the next fiscal year. Unspent State Special Revenue Fund also includes statutory authority for the debt free and liability fund established in fiscal year 2023.

The \$6 million in unspent General Fund authority in the Executive Office Program for fiscal year 2024 is a biennial appropriation established for HB 819 and will carry forward into the next fiscal year. The Governor's Residence and related staff were not utilized in fiscal year 2023 creating a larger general fund balance. The associated personal services appropriation was reduced in the budget process for fiscal year 2024. Other programs in the Governor's Office have unspent general fund authority largely related to turnover and operating reductions.

5. Management Discussion of Certain Expenditures

The State Special Revenue Fund expenditures for both fiscal years include costs funded through inter-agency agreements in the Executive Office Program, expenditures in the Office of Indian Affairs for Tribal Relations training, and expenditures in the Office of Budget and Program Planning for transfers to other state agencies to pay-off bond issuances and other debt for the state. In fiscal year 2025, a correction of \$7,412,159 was posted to reclassify a fiscal year 2024 inter-fund transfer to an intra-entity expense to properly account for a transfer to the Montana University System.

The Federal Special Revenue fund for both fiscal years include costs funded with COVID-19 Pandemic relief funding in the Executive Office Program and the Office of Budget and Program Planning. The Office of Budget and Program Planning expenditures were mainly transfers to allow other state agencies to expend funding awarded to the state.

As of fiscal year 2023 and 2024, the Governor's Office transferred funds for the following purposes:

Fund Type	FYE 23	FYE 24	Purpose
General Fund	\$20,315	-	Inter-agency reimbursement
State Special Revenue Fund	\$130,500,300	\$20,267,866	Debt and Liability Free funding
Federal Special Revenue Fund	\$857,004,282	\$14,702,079	ARPA Resources (includes GEER - Governor's Emergency Education Relief)

6. Management Discussion of Certain Revenues

The General Fund in fiscal year ended June 30, 2023 contains \$32 for a reimbursement.

State Special Revenue Fund in both years includes \$58,200 of fees collected for the Tribal Relations Training. Fiscal year ended June 30, 2023 includes \$12,500 of sponsorship revenue for the Tribal Summit.

A small amount of the State Special Revenue Fund transfer-in revenue in both fiscal years was related to interagency agreements. The majority of transfer-in revenue in fiscal year 2023 is related to the establishment of the Debt and Liability Free fund with a transfer into the fund of \$125,000,000. The fund also earned interest of \$118,388,526 in fiscal year 2023 and \$163,876,419 for fiscal year 2024.

Federal Special Revenue Investment earnings related to ARPA funding for fiscal year ended June 30, 2023 was \$29,206,088 and \$35,557,954 for fiscal year ended June 30, 2024.

Federal Transfer Revenue for both fiscal years includes revenue for interagency agreements and transactions among shared resources relating to the ARPA funding. \$855,135,813 of the fiscal year 2023 transfer revenue is a result of the Office of Budget and Program Planning transferring federal cash on hand into the designated ARPA fund to be shared, invested and expended by multiple agencies of the state. The transaction shows on the financial schedule as a transfer expenditure for the Office of Budget and Program Planning and as transfer-in revenue. An entry for \$161,766 was booked to miscellaneous federal revenue as part of an entry to record excess transfer-in revenue for fiscal year end 2023 and reversed in fiscal year 2024. Fiscal year 2024 also contains an entry to transfer \$24,709 excess cash related to an interagency agreement as miscellaneous federal revenue back to the sending agency for a net miscellaneous total of \$137,057 in fiscal year ended June 30, 2024. A transfer of \$136,776 excess federal revenue related to an interagency agreement was also done in fiscal year ended June 30, 2024.

Federal Special Revenue related to ARPA resources for fiscal year ended June 30, 2023 was \$128,725,941 and \$204,712,368 for fiscal year ended June 30, 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 Office of the Governor and Lieutenant Governor 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 May 1, 2025.

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/ Alexa O'Dell

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

May 1, 2025

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

July 22, 2025

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JUL 28 2025

LEGISLATIVE AUDIT DIV.

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

Subject: Financial Compliance Audit 24-23: 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, 2024.

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".

Ryan Osmundson
Budget Director