



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

Judicial Branch

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

AUGUST 2025

LEGISLATIVE AUDIT
DIVISION

24-27

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

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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

JEANE CARSTENSEN-GARRETT, CPA ADAM HEFENIEDER, CPA
BRENDA KELLER

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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

August 2025

The Legislative Audit Committee
of the Montana State Legislature:

It is a pleasure to provide our financial audit report on the Judicial Branch (branch) for the two fiscal years ended June 30, 2024. The branch's financial schedules are generated from the State Accounting, Budgeting and Human Resource System (SABHRS). The branch's management is responsible for the notes to the financial schedules. We issued an unmodified opinion on the financial schedules for the two fiscal years ended June 30, 2024, that begin on page A-4.

This report includes one recommendation to the branch regarding segregation of duties in processing SABHRS transactions. The prior audit report did not include any recommendations to the branch.

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

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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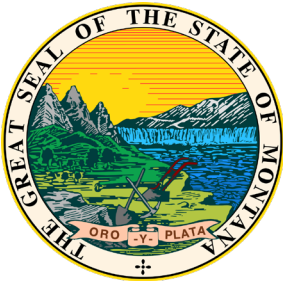
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ELECTED, APPOINTED, AND ADMINISTRATIVE OFFICIALS

	<u>Name</u>	<u>Term</u>
Supreme Court	Cory Swanson, Chief Justice	2025 - Present
	Mike McGrath, Chief Justice	2009 - 2024
	Katherine Bidegaray, Justice	2025 - Present
	Ingrid G. Gustafson, Justice	2018 - Present
	James J. Shea, Justice	2014 - Present
	Dirk M. Sandefur, Justice	2017 - 2024
	Laurie McKinnon, Justice	2013 - Present
	Beth Baker, Justice	2011 - Present
	James A. Rice, Justice	2001 - Present
Branch Officials	Dave McAlpin, Court Administrator	November 2024 - Present
	Beth McLaughlin, Court Administrator	July 2002 - March 2025
	Cathy Pennie, Financial Services Director	July 2017 - Present

For additional information concerning the Judicial Branch, contact:

Dave McAlpin
 PO Box 203005
 Helena, MT 59620-3005
 (406) 841-2966
 e-mail: Dave.McAlpin@mt.gov



MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Judicial Branch

FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2024

A report to the Montana Legislature

BACKGROUND

The Judicial Branch (branch) is the court system. The branch is overseen by the Supreme Court and administered by the Court Administrator's Office.

The Supreme Court consists of one chief justice and six associate justices and serves as the appellate court and as a court of original jurisdiction.

The 22 District Courts are responsible for civil law and criminal law. Civil law includes tort claims (lawsuits), administrative law, contracts, elder law, family law, estates, and property law. Criminal law has two general categories, misdemeanors and felonies. Juvenile probation is also part of the District Court's purview.

Water Court has the jurisdiction to determine among competing claimants who has the right to use water in Montana.

Workers' Compensation Court was created by the legislature in 1975 to resolve disputes.

The Judicial Branch consists of a variety of courts, with the District Court having the most cases. District Courts preside over civil, criminal, juvenile, child abuse and neglect, family, probate and guardianship, and involuntary commitment matters. In fiscal year 2023, District Courts processed 43,243 filings and closed 43,510 cases. In fiscal year 2024, filings rose to 43,729, with 42,294 cases closed. Our audit identified an internal control weakness related to proper segregation of duties over certain financial transactions. This report includes one recommendation to strengthen internal controls over the processing of these transactions.

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

We have found the branch's financial schedules and note disclosures present fairly the activity of the branch in all material respects and have 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 branch's financial activity, see the financial schedules and notes beginning on page A-4.

RECOMMENDATIONS:

In this report, we issued the following recommendation:

To the branch: 1

To the legislature: 0

(continued on back)

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

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Room 171, State Capitol
PO Box 201705
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RECOMMENDATION #1 (page 5):

Internal Controls

We recommend the Judicial Branch improve their internal controls to comply with state policy by:

1. Reducing the number of staff members who have the privileged security role in SABHRS to maintain segregation of duties.
2. Implementing controls to review journal entries before being posted into SABHRS.
3. Establishing expectations for assigning security roles to branch accounting staff that enforce segregation of duties.

Branch response: **Partially Concur**

SUMMARY OF AUDIT WORK:

Our audit efforts focused on the branch's material activity including personal services, benefits and claims, budget authority, operating expenses, transfers, and direct entries to fund equity. As part of our personal services work, we determined compliance with the state law that establishes judge's salaries.

We completed audit procedures over the presentation of the financial schedules and the note disclosures. We also considered the branch's internal controls throughout the audit.

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

In this report, we identified the following:

Material Weaknesses in Internal Control: 1

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.

Chapter I – Introduction and Background

Introduction

We performed a financial-compliance audit of the Judicial Branch (branch) for the two fiscal years ended June 30, 2024.

The objectives of this audit were to:

- Obtain an understanding of the branch's internal controls to the extent necessary to support our audit of the branch's financial schedules and, if appropriate, make recommendations for improvements in management and internal controls of the branch.
- Determine whether the branch's financial schedules present fairly the financial position and results of operations for each of the two fiscal years ended June 30, 2024.
- Determine whether the branch complied with direct and material laws and regulations during the audit period.

During the audit, we focused on benefits and claims, budget authority, disclosures, and personal service expenditures. We reviewed the overall reasonableness of the financial schedules and notes, while also considering the branch's internal control systems throughout the audit. Additionally, we tested compliance with state laws related to the salaries of the Supreme Court judges and district court judges.

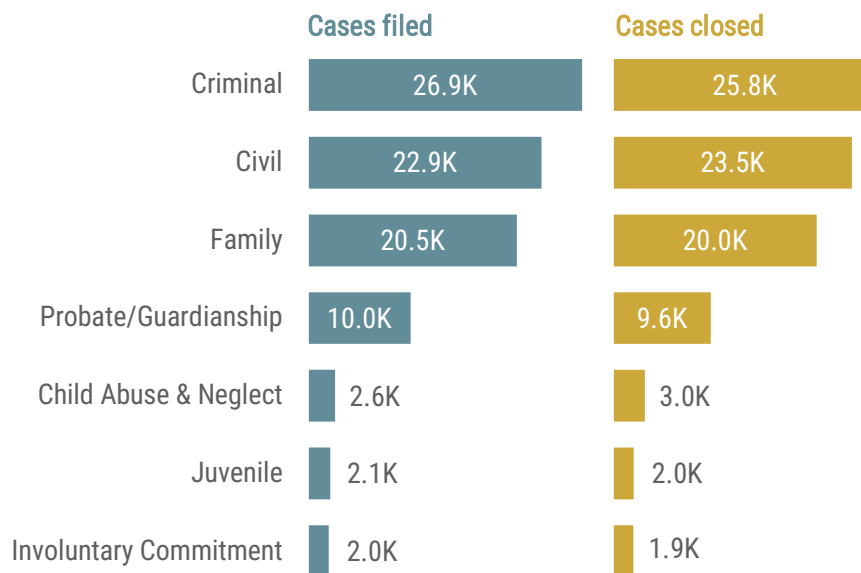
Background

Montana's constitution establishes the Judicial Branch and vests the judicial power of the state in one Supreme Court, district courts, justice courts, and such other courts as may be provided by law. In statute, the legislature has exercised its constitutional powers to further define the judicial function, typically referring to the judicial branch as such. The Supreme Court, which consists of a Chief Justice and six justices, has appellate jurisdiction and limited original jurisdiction. The Chief Justice is the head of the Supreme Court and appoints the Court Administrator, who serves as the Supreme Court's administrative officer. Additionally, the Supreme Court appoints the law librarian who develops and maintains the law library collection and administers library services.

During the audit period, the courts had 86,972 cases filed, and 85,804 cases were closed across the state of Montana. Criminal cases account for nearly one-third of the cases each year, while family and civil cases combined make up half of all cases.

Figure 1
Case Trends From the Last Biennium

The majority of cases filed and closed in the last biennium were criminal, civil, and family cases.



Source: Compiled by the Legislative Audit Division from Judicial Branch data.

The Supreme Court has general supervisory control over all other courts and may establish rules governing appellate procedures, practices and procedures for all other courts, admission to the bar, and the conduct of practicing attorneys. The rules of appellate procedure are subject to disapproval by the legislature in either of the two legislative sessions following promulgation.

Supreme Court justices and district court judges are elected to office in nonpartisan elections and serve eight-year and six-year terms, respectively. Terms of office and the procedures for filling vacancies in the courts are established in the constitution and by statute. The legislature establishes judicial districts and determines the number of judges assigned to each district. Currently, there are 46 district court judges in 22 judicial districts.

The Clerk of the Supreme Court is elected to a six-year term on a partisan ballot in a statewide election. In accordance with §3-2-402, MCA, the clerk maintains the Supreme Court's records and files, performs functions related to issuing writs and certificates, approves bonds, files all papers and transcripts, and performs other duties as required by the Supreme Court.

For fiscal management purposes, the branch is divided into five divisions, each division's expenditure activity is shown on the Schedule of Expenditures on pages A-8 and A-9. The branch was authorized a budgeted full-time equivalent (FTE) staff level of 470.39 for fiscal year 2024.

A description of each program follows:

Supreme Court Operations (102 FTE) includes the costs of operations of the Supreme Court and Office of Court Administrator (office). The office provides services to the branch, including information technology, budget and finance, payroll and human resources management, policy and technical support for the youth courts, judicial education, children's services provided through the federally-funded Court Assessment Program, and drug treatment court expenses supported by the General Fund and fee revenue. The office also provides information technology services to courts of limited jurisdiction, which are not part of branch operations.

This program includes the administration of juvenile placement funds, which are allocated to each judicial district. At the end of each fiscal year, any unobligated and unspent funds from the district are transferred to the Youth Court Intervention and Prevention account per §41-5-130(6), MCA. Once transferred, the funds are part of District Court Operations.

Law Library (6.75 FTE) accounts for the operation of the State Law Library (library). The branch maintains the library for the use by the Supreme Court, the legislature, state officers and employees, members of the bar, and the general public.

District Court Operations (332.39 FTE) consists of the expenses for the payment of salaries, travel, training expenses, and operating costs for district court judges, their staff, and youth probation officers. It also includes drug treatment court expenses funded by federal grants and private donations, and certain adult criminal, child abuse, and child neglect care expenses.

Water Courts Supervision (23.75 FTE) accounts for expenditures of the water courts. Montana's water courts were created to adjudicate claims of existing water rights in Montana and supervise the distribution of water within the four water divisions of the state.

Clerk of Court (5.5 FTE) activity is comprised of the operating costs for the Clerk of Supreme Court. Duties of the clerk include keeping the Supreme Court's records and files, making transcripts for the Supreme Court, and filing papers or transcripts required by law.

Chapter II - Finding and Recommendation

Transactions Entered Without Approvals

Assigned roles in the state's accounting system allowed for transactions to process without proper approval.

SABHRS, the state's accounting system, provides controls that a user may not enter journal entries and approve the same transaction unless they have the privileged security role. Five of the eleven accounting staff within the branch's finance department have the privileged security role, meaning they can record certain financial transactions, such as transfers, accruals, and adjusting entries, to SABHRS without any review and approval. Branch officials indicated they granted this security role to create a more effective workflow. However, this does not allow for proper segregation of duties, as required by state policy. When we brought this to the branch's attention during the audit, they reduced the number of staff with the privileged security role to three.

The largest branch transaction posted without review and approval is an annual transfer from the general fund to the Youth Court Interventions and Preventions fund per §41-5-130(6), MCA, which was approximately \$4 million each year of the audit period. While the branch has procedures in place to review, monitor, and determine the amount of the transfer, they do not have a procedure in place to determine that the amount entered into SABHRS was the amount determined and reviewed through its procedures. In addition to this transfer, the branch processed approximately 280 journals annually that did not require separate approval within SABHRS due to the security role assignment.

The potential exists for material misstatements to occur and go undetected since users can post entries directly into the accounting records without review and approval. While the branch finance department staff is small and multiple staff need this role for workflow purposes, the privileged security role should be reserved for supervisors and management. Management did not believe controls were necessary as they only considered the risk associated with misappropriations of physical assets and not the risk of entries made without approval.

RECOMMENDATION #1

We recommend the Judicial Branch improve their internal controls to comply with state policy by:

- 1. Reducing the number of staff who have the privileged security role in SABHRS to those necessary to maintain segregation of duties.*
 - 2. Implementing controls to review journal entries before being posted into SABHRS.*
 - 3. Establishing policies and procedures for assigning security roles in SABHRS to branch accounting staff that enforce segregation of duties.*
-

Independent Auditor's Report and Branch 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 Judicial Branch (branch) 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 branch 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 branch and to meet our 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 Judicial Branch 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, 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 branch'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 branch'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 branch's ability to continue as a going concern for a reasonable period of time.

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

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2025, on our consideration of the branch'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 branch's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Alexa O'Dell

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

June 10, 2025

JUDICIARY
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	Custodial Fund
FUND EQUITY: July 1, 2023	\$ (3,428,800)	\$ 13,090,287	\$ (18,440)	\$ 0	\$ 24,254	\$ 3,240
ADDITIONS						
Budgeted Revenues & Transfers-In	223,093	5,578,980	2,104,242		271,696	181,716
Nonbudgeted Revenues & Transfers-In	95,822	7,039		782,500		
Prior Year Revenues & Transfers-In Adjustments	784	15,499	2,617			
Direct Entries to Fund Equity	54,450,349	1,256,905	69,456			
Total Additions	54,770,048	6,858,423	2,176,314	782,500	271,696	181,716
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	54,325,333	7,576,272	2,160,548	43,973	277,987	182,143
Nonbudgeted Expenditures & Transfers-Out	59,995	11,680			1,220	
Prior Year Expenditures & Transfers-Out Adjustments	17,231	4,105		43,973	279,208	182,143
Total Reductions	54,402,559	7,592,057	2,160,548			
FUND EQUITY: June 30, 2024	\$ (3,061,312)	\$ 12,356,653	\$ (2,675)	\$ 738,527	\$ 16,743	\$ 2,813

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.

JUDICIARY
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Capital Projects Fund	Enterprise Fund	Custodial Fund
FUND EQUITY: July 1, 2022	\$ (2,902,460)	\$ 13,191,967	\$ (7,375)	\$ 156,187	\$ 38,946	\$ 4,660
ADDITIONS						
Budgeted Revenues & Transfers-In	241,635	5,736,440	3,061,020		267,348	231,725
Nonbudgeted Revenues & Transfers-In	4,238	12,737				
Prior Year Revenues & Transfers-In Adjustments	957	(2,451)				
Direct Entries to Fund Equity	50,733,424	1,528,223	94,752			
Total Additions	50,980,254	7,274,949	3,155,772	0	267,348	231,725
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	51,436,881	7,385,245	3,166,838	156,187	270,414	233,145
Nonbudgeted Expenditures & Transfers-Out	(24,042)	1,800			11,625	
Prior Year Expenditures & Transfers-Out Adjustments	93,755	(10,416)				
Total Reductions	51,506,594	7,376,629	3,166,838	156,187	282,039	233,145
FUND EQUITY: June 30, 2023	\$ (3,428,800)	\$ 13,090,287	\$ (18,440)	\$ 0	\$ 24,254	\$ 3,240

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.

JUDICIARY
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	Custodial Fund	Total
Licenses and Permits	\$ 133,358						\$ 133,358
Taxes	284						2,900
Charges for Services	27,873	\$ 1,167,647	\$ 2,617		\$ 271,696		1,467,216
Monetary Settlements	1,155						1,155
Grants, Contracts, and Donations		36,984					36,984
Transfers-in		4,396,833	248,582	\$ 782,500			5,427,914
Inception of Lease/Installment Contract	95,822						95,822
Federal Indirect Cost Recoveries	61,207						61,207
Miscellaneous							
Federal		55				\$ 181,716	181,771
Total Revenues & Transfers-In	319,699	5,601,518	1,855,660				1,855,660
Less: Nonbudgeted Revenues & Transfers-In	95,822	7,039	2,106,858	782,500	271,696	181,716	9,263,987
Prior Year Revenues & Transfers-In Adjustments	784	15,499	2,617	782,500		181,716	1,067,077
Actual Budgeted Revenues & Transfers-In	\$ 223,093	\$ 5,578,980	\$ 2,104,242	\$ 0	\$ 271,696	\$ 0	\$ 8,178,011

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.

JUDICIARY
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TOTAL REVENUES & TRANSFERS-IN BY CLASS	General Fund	State Special Revenue Fund	Federal Special Revenue Fund	Enterprise Fund	Custodial Fund	Total
Licenses and Permits	\$ 131,025					\$ 131,025
Taxes	157					157
Charges for Services	29,358	\$ 1,337,906		\$ 267,348		1,634,612
Monetary Settlements	829					829
Grants, Contracts, and Donations	4,238	18,919				23,157
Transfers-in		4,389,895	\$ 565,833			4,955,728
Federal Indirect Cost Recoveries	81,223	6			\$ 231,725	81,223
Miscellaneous			2,495,187			2,495,187
Federal						231,731
Total Revenues & Transfers-In	246,831	5,746,726	3,061,020	267,348	231,725	9,553,649
Less: Nonbudgeted Revenues & Transfers-In	4,238	12,737			231,725	248,700
Prior Year Revenues & Transfers-In Adjustments	957	(2,451)				(1,494)
Actual Budgeted Revenues & Transfers-In	\$ 241,635	\$ 5,736,440	\$ 3,061,020	\$ 267,348	\$ 0	\$ 9,306,442

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.

JUDICIARY
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	CLERK OF COURT	DISTRICT COURT OPERATIONS	LAW LIBRARY	SUPREME COURT OPERATIONS	WATER COURT	Total
Personal Services						
Salaries	\$ 405,508	\$ 23,024,101	\$ 264,723	\$ 6,441,654	\$ 1,688,522	\$ 31,824,507
Hourly Wages		52				52
Employee Benefits	146,799	7,397,860	121,340	2,230,076	542,978	10,439,053
Total	552,307	30,422,012	386,063	8,671,731	2,231,500	42,263,612
Operating Expenses						
Other Services	8,845	2,027,514	1,581	2,317,416	12,629	4,367,985
Supplies & Materials	7,498	236,858	128,609	1,032,948	8,537	1,414,448
Communications	7,155	264,180	4,583	964,296	14,038	1,254,252
Travel	393	146,101	2,868	145,374	20,505	315,243
Rent	8,763	64,885		634,206	12,428	720,282
Repair & Maintenance	1,457	46,263	3,446	1,136,776	7,752	1,195,694
Other Expenses	791	274,333	479,965	30,072	22,055	807,216
Goods Purchased For Resale			6			6
Total	34,901	3,060,135	621,058	6,261,088	97,944	10,075,126
Equipment & Intangible Assets						
Equipment		107,615	119,036	78,884		305,535
Intangible Assets				95,822		95,822
Total		107,615	119,036	174,706		401,358
Grants						
From State Sources				645,616		645,616
Total				645,616		645,616
Benefits & Claims						
To Individuals		5,207,833		1,100,414		6,308,247
Total		5,207,833		1,100,414		6,308,247
Transfers-out						
Fund transfers		152,515		4,389,895		4,542,410
Total		152,515		4,389,895		4,542,410
Debt Service						
Lease Liability		31,535		177,287	207,600	416,422
Subscription Based IT Liability			7,698			7,698
Total		31,535	7,698	177,287	207,600	424,119
Total Expenditures & Transfers-Out	\$ 587,208	\$ 38,981,644	\$ 1,133,855	\$ 21,420,737	\$ 2,537,044	\$ 64,660,488
EXPENDITURES & TRANSFERS-OUT BY FUND						
General Fund	\$ 587,208	\$ 31,767,955	\$ 854,647	\$ 20,219,619	\$ 973,130	\$ 54,402,559
State Special Revenue Fund		5,138,483		889,660	1,563,914	7,592,057
Federal Special Revenue Fund		1,893,063		267,485		2,160,548
Capital Projects Fund				43,973		43,973
Enterprise Fund			279,208			279,208
Custodial Fund		182,143				182,143
Total Expenditures & Transfers-Out	587,208	38,981,644	1,133,855	21,420,737	2,537,044	64,660,488
Less: Nonbudgeted Expenditures & Transfers-Out	(455)	169,462	911	87,090	(1,970)	255,039
Prior Year Expenditures & Transfers-Out Adjustments		8,872	1,018	11,743	(298)	21,335
Actual Budgeted Expenditures & Transfers-Out	587,663	38,803,310	1,131,926	21,321,903	2,539,312	64,384,114
Budget Authority	663,595	50,137,213	1,274,987	26,890,482	2,648,243	81,614,519
Unspent Budget Authority	\$ 75,932	\$ 11,333,903	\$ 143,061	\$ 5,568,578	\$ 108,932	\$ 17,230,406
UNSPENT BUDGET AUTHORITY BY FUND						
General Fund	\$ 75,738	\$ 2,661,892	\$ 143,060	\$ 2,162,940	\$ 104,636	\$ 5,148,266
State Special Revenue Fund	194	4,651,473		618,782	4,296	5,274,745
Federal Special Revenue Fund		4,020,537		1,548,330		5,568,867
Capital Projects Fund				1,238,527		1,238,527
Enterprise Fund			1			1
Unspent Budget Authority	\$ 75,932	\$ 11,333,903	\$ 143,061	\$ 5,568,578	\$ 108,932	\$ 17,230,406

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.

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

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	CLERK OF COURT	DISTRICT COURT OPERATIONS	LAW LIBRARY	SUPREME COURT OPERATIONS	WATER COURT	Total
Personal Services						
Salaries	\$ 374,404	\$ 21,755,198	\$ 247,895	\$ 5,725,322	\$ 1,578,235	\$ 29,681,055
Employee Benefits	132,871	7,215,146	115,994	2,061,958	520,487	10,046,457
Total	507,276	28,970,344	363,889	7,787,281	2,098,722	39,727,512
Operating Expenses						
Other Services	10,175	2,001,115	139	2,500,563	11,696	4,523,688
Supplies & Materials	3,135	316,104	130,111	1,593,692	11,389	2,054,430
Communications	7,027	273,094	4,580	948,467	32,152	1,265,319
Travel	440	369,520	1,535	185,352	15,329	572,177
Rent	9,376	73,897		631,004	9,060	723,337
Repair & Maintenance	1,304	52,924	5,273	963,316	7,505	1,030,321
Other Expenses	876	412,914	485,494	44,160	17,748	961,192
Total	32,333	3,499,568	627,131	6,866,555	104,878	11,130,465
Equipment & Intangible Assets						
Equipment		95,066	116,010	179,650		390,726
Total		95,066	116,010	179,650		390,726
Grants						
From State Sources				527,630		527,630
Total				527,630		527,630
Benefits & Claims						
To Individuals		5,126,834		823,844		5,950,678
Total		5,126,834		823,844		5,950,678
Transfers-out						
Fund transfers		176,539		4,389,895		4,566,434
Total		176,539		4,389,895		4,566,434
Debt Service						
Lease Liability		33,436		176,286	207,600	417,322
Subscription Based IT Liability			10,667			10,667
Total		33,436	10,667	176,286	207,600	427,989
Total Expenditures & Transfers-Out	\$ 539,609	\$ 37,901,787	\$ 1,117,696	\$ 20,751,141	\$ 2,411,200	\$ 62,721,433
EXPENDITURES & TRANSFERS-OUT BY FUND						
General Fund	\$ 539,609	\$ 30,107,752	\$ 835,658	\$ 19,098,065	\$ 925,511	\$ 51,506,594
State Special Revenue Fund		5,123,668		767,272	1,485,689	7,376,629
Federal Special Revenue Fund		2,437,222		729,616		3,166,838
Capital Projects Fund				156,187		156,187
Enterprise Fund			282,039	1		282,039
Custodial Fund		233,145				233,145
Total Expenditures & Transfers-Out	539,609	37,901,787	1,117,696	20,751,141	2,411,200	62,721,433
Less: Nonbudgeted Expenditures & Transfers-Out	(325)	218,485	11,402	(5,768)	(1,265)	222,529
Prior Year Expenditures & Transfers-Out Adjustments		6,814	2,255	74,270		83,339
Actual Budgeted Expenditures & Transfers-Out	539,933	37,676,488	1,104,039	20,682,639	2,412,466	62,415,566
Budget Authority	619,906	47,368,115	1,199,563	24,951,632	2,453,146	76,592,362
Unspent Budget Authority	\$ 79,973	\$ 9,691,627	\$ 95,524	\$ 4,268,992	\$ 40,680	\$ 14,176,796
UNSPENT BUDGET AUTHORITY BY FUND						
General Fund	\$ 79,973	\$ 816,419	\$ 95,524	\$ 2,059,912	\$ 40,444	\$ 3,092,272
State Special Revenue Fund		4,650,243		700,930	236	5,351,408
Federal Special Revenue Fund		4,224,965		1,508,151		5,733,116
Unspent Budget Authority	\$ 79,973	\$ 9,691,627	\$ 95,524	\$ 4,268,992	\$ 40,680	\$ 14,176,796

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.

Judicial Branch

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 2024

1. Summary of Significant Accounting Policies

Basis of Accounting

The branch 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). In applying the modified accrual basis, the branch 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 branch 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 branch to record the cost of employees' annual and sick leave when used or paid.

The branch uses accrual basis accounting for its Proprietary (Enterprise) and Fiduciary (Custodial) fund categories. Under the accrual basis, as defined by state accounting policy, the branch 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 branch 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 branch 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. General Fund includes funds appropriated for ongoing personal services and general operations of the Judicial Branch, including Supreme Court Operations, the Law Library, District Court Operations, Water Court and the Clerk of Supreme Court.

- **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. Branch State Special Revenue Funds include Youth Court and Drug Court fees, Juvenile Delinquency Intervention Program Transfer, Parental Contributions related to juvenile placements, Judicial Education, Civil Legal Assistance, Court Appointed Special Advocate and Guardian ad Litem, Judiciary private funds, Water Court, and Treatment Court Support.
- **Federal Special Revenue Fund** – to account for activities funded from federal revenue sources. Branch Federal Special Revenue Funds include grants for drug treatment courts and various branch grants including projects related to Information Technology, the Court Improvement Program, and the American Rescue Plan ACT (ARPA).
- **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 branch uses this fund for Long Range Information Technology Projects.

Proprietary Fund Category

- **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. Branch Enterprise Funds include the Lexis Proprietary Account.

Fiduciary Fund Category

- **Custodial Fund** – to account for resources of fiduciary activities held by the state in a custodial capacity which are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. 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 branch uses this fund for District Court Youth Probation Restitution.

Changes in Accounting Policy

Beginning in fiscal year 2023, the State of Montana implemented GASB 96 – Subscription-Based Information Technology Arrangements as amended by GASB 99 (Omnibus 2022), which generally requires long-term subscription-based technology agreements (SBITA) to be recorded as an intangible right-to-use asset and a corresponding liability. The Schedule of Total Expenditures and Transfers-out, under Debt Service, Subscription Based IT Liability, recognizes amortization of the discount on the subscription liability (interest) as an outflow of resources. Prior to GASB 96, payments were recorded as operating expenses. The Judicial Branch has one SBITA, which is the Law Library's Lexis legal research contract reported in the enterprise fund.

2. General Fund Equity Balance (negative balances)

- **General Fund** - The negative fund equity balance in the General Fund does not indicate overspent appropriation authority. The branch has authority to pay obligations from the statewide General Fund within its appropriation limits. The branch expends cash or other assets from the statewide fund when it pays General Fund obligations. The branch'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, 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.

4. Revenues and Transfers-In

Actual budgeted revenue and transfers-in decreased by \$1.1 million, or 12%, between fiscal years. Federal Special Revenue Funds which account for approximately 33% of total actual budgeted revenue and transfers-in in FY 2023 and nearly 26% in FY 2024, decreased by \$956,778 between years, with reductions of \$317,251 in transfers-in and \$639,527 in federal revenue. The majority of the reduction in transfers-in is related to a subgrant from the Montana Board of Crime control which was used to facilitate a rapid deployment of Full Court Enterprise (the District Court case management system). The initial award in FY 2019 was for \$334,384 with \$249,962 of expenditures and related revenue in FY 2023. The difference in transfers-in between years related to this grant accounts for approximately 79% of the total decrease in federal special revenue fund transfers-in. Most of the decrease in federal direct revenue relates to drug treatment court grants that expired or were winding down in FY 2024, including grants for five treatment courts that were approved HB 2 funding by the 2023 Legislature starting in FY 2024.

5. Personal Services Expenditures

For both fiscal years, personal services expenditures averaged approximately 64% of total branch wide expenditures. Fiscal year 2024 expenditures were approximately 6.4% or \$2.5 million more than in fiscal year 2023. The majority of the difference is in the District Court Operations and Supreme Court Operations programs and is attributed to legislation passed by the 2023 Legislature. House bill 2, the general appropriations bill, included a salary increase to justices and district court judges based on the elected official salary survey prepared by the Department of Administration. Additionally, HB 13, the state employee pay plan, provided funding for pay increases of the greater of \$1.50 an hour or by 4% to non-elected official employees. Due to recruitment and retention issues the branch implemented raises at the greater of \$2.00 per hour or 4.5%.

Fiscal year 2024 personal services expenditures in the District Court Operations Program were nearly 5% or \$1.5 million greater than in fiscal year 2023. The increase from elected official pay raises is approximately \$316,000, resulting from an increase of \$6,189 per district court judge, for 51 judges. The increase related to employee pay raises was an estimated \$1.1 million. The total estimated cost related to both increases is \$1.4 million, which is approximately 94% of the increase between years.

Fiscal year 2024 personal services in the Supreme Court Operations Program were \$884,450 greater than in fiscal year 2023, which is an 11% increase. Approximately \$47,000 of the increase is related to elected official raises. The chief justice position increased by \$7,030 annually while the other 6 associate justice positions each increased by \$6,583. The estimated increase related to non-elected official pay raises was \$379,000. The salary increases account for approximately 48% of the increased costs between fiscal years. An additional 22% of the increase in Supreme Court Operations relates to five additional FTE for drug treatment court positions in FY 2024 as approved by the 2023 Legislature. The personal services expenditures for those positions totaled \$196,517.

6. Supreme Court Operations

The Supreme Court Operations Program includes funding for supreme court justices and their staff, the Office of the Court Administrator, Information Technology, Drug Courts, Boards and Commissions, the Court Help Program, the Pretrial Diversion Program, the Juvenile Delinquency Intervention Program (JDIP), and Youth Parole. Total HB 2 approved FTE in this program are approximately 102. This program accounts for 33% of total branch expenditures recorded in each fiscal year of the audit period.

Operating expenditures of \$6.3 million in FY 2024 decreased by \$605,466, or nearly 9% from FY 2023 where expenditures were \$6.9 million. Operating expenditures were 33% of total expenditures in FY 2023 and 29% in FY 2024. The net impact of three factors led to the decrease in operating expenditures:

- Other Services decreased by more than 7%, or \$183,147 between years as a result of a Risk Management Tort Division (RMTD) holiday on insurance premiums that was approved for the 25 biennium during the 2023 legislative session. RMTD insurance premiums in FY 2023 was \$164,684, which accounts for about 90% of the difference between fiscal years in Other Services.
- Supplies and Materials decreased by more than 35%, or \$560,744, mostly due to a decrease in computer hardware purchases. In FY 2023, computer hardware in the amount of \$650,502 was purchased compared to \$203,278 in FY 2024, for a total decrease of \$447,224. In FY 2024 a smaller number of replacement lap tops and workstations were needed for deployment in FY 2025 and prices were lower due to pre-negotiated computer equipment pricing.
- Repair and maintenance expenditures increased in FY 2024 by \$173,460, of which \$120,987 is related to software maintenance for three of the Judicial Branch's largest software systems, C-Track, the case management system for the Supreme Court, FullCourt Enterprise, the case management system for the District Courts and Courts of Limited Jurisdiction, and Electronic Filing. The Judicial Branch expects software maintenance to continue to increase and has therefore requested additional general fund authority in HB 2 for the next biennium to help cover the rising costs.

Unspent Budget Authority

The Supreme Court Operations Program had \$4.2 million and \$5.56 million in unspent budget authority in FY 2023 and FY 2024 respectively, which represents an increase of 30% or \$1.3 million between years. The majority of this increase is related to unspent authority in the capital projects fund. The Judicial Branch was approved funding for two long-range information technology projects by the 2023 Legislature as part of HB 10, which includes \$782,500 for courtroom technology upgrades and \$500,000 for courthouse security. Fiscal year 2024 expenditures for the projects were \$43,973.

7. District Operations

The District Court Operations Program includes funding for district court judges, their staff and youth probation officers. Total HB 2 approved FTE in this program are approximately 332. This program accounts for approximately 60% of branch expenditures in each FY 2023 and FY 2024.

Unspent Budget Authority

Unspent general fund budget authority in District Court Operations is \$816,419 in FY 2023 and nearly \$2.7 million in FY 2024, with the majority in personal services. Approximately \$1.8 million of the difference between fiscal years is related to budget authority for judges' retirement system (JRS) employer share contributions. Senate bill 175, Generally Revise Contributions to the Judges' Retirement System, passed by the 2021 Legislature, implemented a holiday on employer contributions for fiscal years 2022 and 2023 and as such the budget did not include authority for JRS contributions. Contributions were set to resume in FY 2024, but HB 569, Generally Revise Pension Laws, passed at the end of the 2023 session, again removed employer contributions. As contributions were set to resume in FY 2024, the budget included authority for JRS contributions, which was not removed from the budget after the passage of HB 569. Therefore, the FY 2024 personal services budget included \$1.8 million of authority for contributions, but none were made.

8. Related Party Transactions

During the audit period the Judicial Branch had three contracts with vendors with relationships between the contractors and branch employees.

The 21st Judicial District Adult Drug Treatment Court (Ravalli County) contracted for treatment services provided by a facility where the CEO is a relative of the Judicial Branch Statewide Drug Court Coordinator. The treatment court contracted with both treatment providers in the area in fiscal year 2023, however, the other provider did not respond to communications regarding contract renewals for FY 2024. Total payments to the vendor for the audit period were \$728. The Statewide Drug Court Coordinator retired from the branch December 31, 2023.

The Youth Court Services Bureau Chief serves on the Butte School District board. The Bureau Chief is a voting member of the Judicial Branch Cost Containment Review Panel (CCRP). The CCRP is responsible for reviewing and approving proposed plans related to prevention and intervention funds. The 2nd Judicial District Probation Office has an approved plan and contract with the school district to provide an alternative education program. The Youth Court Services Bureau Chief recuses himself from the CCRP discussion and vote related to the plan. The Court Administrator has ultimate approval of the plans approved by CCRP and is the approving authority for the contract. The Youth Court Services Bureau Chief has no role in contract negotiations and does not receive, review, or approve invoices. Total payments made under the contract during the audit period are \$121,826.

In FY 2023, the Judicial Branch had a contract for custody evaluator services in the 13th Judicial District. The vendor subsequently applied for a position with the district court, in the family relations unit, and was hired in August 2023. As the vendor had two evaluations in process, an agreement was signed acknowledging the conflict of interest and establishing guidelines regarding the completion of the two evaluations. The contract was formally cancelled in November 2023, after one evaluation was completed and the other reassigned. Total payments to the vendor during the audit period are \$4,500 with \$1,500 incurred after the hire date.

9. Financial Schedules Rounding

The financial schedules for the two fiscal years ended June 30, 2024, do not foot or cross-foot due to rounding. However, the rounding issue is immaterial and the Judicial Branch considers the schedules an accurate representation of the financial activity reported in SABHRS by the branch.

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 Judicial Branch (branch) 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 June 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered the branch'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 branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the branch'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 statements 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 the attention by those charged with governance.

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. We did identify certain deficiencies in internal control, described below, that we consider to be material weaknesses.

As described in recommendation #1, the Judicial Branch did not have proper segregation of duties in place when recording certain transactions to the state's accounting records.

Report on Compliance and Other Matters

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

Judicial Branch's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the branch's response to the findings identified in our audit and described on page C-1 of this report. The branch'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 branch'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 branch'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

June 10, 2025

JUDICIAL BRANCH

BRANCH RESPONSE

THE SUPREME COURT OF MONTANA

CORY J. SWANSON
CHIEF JUSTICE



JUSTICE BUILDING
215 NORTH SANDERS
PO BOX 203001
HELENA, MONTANA 59620-3001
TELEPHONE (406) 444-5490
FAX (406) 444-3274

August 18, 2025

RECEIVED

Angus Maciver, Legislative Auditor
Legislative Audit Division
Room 135, State Capitol
Helena, MT 59620

AUG 19 2025

LEGISLATIVE AUDIT DIV.

Re: Judicial Branch Financial-Compliance Audit for FY 2023 and FY 2024

Dear Mr. Maciver:

We have reviewed the August 2025 Financial-Compliance Audit of the Judicial Branch for the two fiscal years ending June 30, 2024. As always, we value the assistance from your office in helping us identify areas in which accounting weaknesses or gaps exist. We appreciate the opportunity to respond.

The audit contains one recommendation for improving the Branch's fiscal internal controls. Our responses and corrective actions are presented below:

Recommendation

We recommend the Judicial Branch improve their internal controls to comply with state policy by:

1. Reducing the number of staff who have the privileged role in SABHRS to those necessary to maintain segregation of duties.
2. Implementing controls to review journal entries before posting into SABHRS.
3. Establishing policies and procedures for assigning security roles in SABHRS to branch accounting staff that enforce segregation of duties.

Response:

We concur with parts one and three and partially concur with part two of the recommendation.

As noted in the report, five accounting staff had access during the audit period and since the week your auditor raised the issue during her review, we removed the SABHRS role for two of the five positions. The remaining three staff with the role include the Finance Director, the Accounting Supervisor, and a Fiscal Analyst all of whom hold high level positions within the finance department. Due to relatively small size of our accounting staff (12), and because this role is the only role in SABHRS that allows for journal entry approval, reducing the number of staff with this role below the three could impede workflow, particularly when two of the three

Mr. Maciver
Page 2
August 18, 2025

staff members are out of the office. This is the first time LAD has raised this issue, which we understand is due to a change in standards. We believe the increased accountability is a positive step for state government.

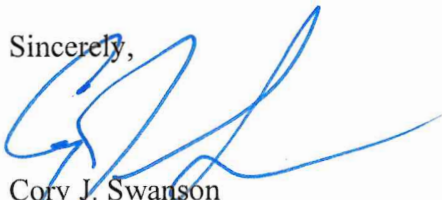
As the system owner, the Department of Administration defines, establishes, and maintains SABHRS security roles. The Judicial Branch assigns existing roles to staff based on duties with consideration to appropriate segregation of duties. The Judicial Branch will document the assignment of SABHRS roles by position based on the duties assigned.

We partially concur with part two of the recommendation related to implementing controls to review journal entries before posting in SABHRS. While we agree that journal entries need to be reviewed by a second authorized accounting staff member, we do not believe that all journal entries require pre-posting approval. Some journal entries are completed in succession in order to complete tasks, such as closing out federal grants. In such instances, the finance department will ensure prompt review of journals after posting, allowing sufficient time to correct any errors. Procedures will be developed to ensure appropriate segregation of duties related to journal entries and final approval.

Finally, thanks to your staff for conducting this audit in such a professional and cooperative manner. Their recommendations provide valuable insight as we continue to provide judicial services in a fiscally appropriate and prudent manner.

We are available to answer questions or provide further information that you or the Legislative Audit Committee may require.

Sincerely,



Cory J. Swanson
Chief Justice



Dave McAlpin
Court Administrator