Joint Appropriations Sub-Committee on General Government

Legislative Audit Division Fixed Costs

Thursday, January 5th, 2023

Angus Maciver, Legislative Auditor – angus.maciver@legmt.gov – ext. 3200
Cindy Jorgenson, Deputy Legislative Auditor – cindy.jorgenson@legmt.gov – ext. 3194

Summary of Presentation

Agency Audit Costs and the LAD Budget	• Why we bill agenices and for what reasons
Historical Cost Trends	• Trends in LAD costs and how these affect audit billing
Calculation of the Billing Rate	• Federal regulations and the methodology for calculating an hourly billing rate
Audit Hours by Agency	• How many hours we estimate for each audited agency/activity
Agency Audit Appropriations	• Rate x Hours = agency audit appropriations that appear in HB2 or are included in non-budgeted funds
The 2025 Biennium and Beyond	• Federal testing, HB 132 and plans for the 2025 biennium

Agency Audit Costs and the LAD Budget

- The process for calculating audit costs that are to be included in agency budgets is mandated in the Legislative Audit Act (5-13-402, MCA)

  (1) Prior to July 1 of each even-numbered year, the legislative auditor shall advise each agency and the budget director of the estimated audit costs for the following biennium. Each agency shall include the estimated audit costs in its proposed budget submitted to the budget director pursuant to 17-7-112.

- The Legislative Audit Act also provides the authority for billing agencies and sets limits on the amount billed based on appropriations

  (2) The legislative auditor shall bill agencies for audit services that the legislative auditor considers necessary. The legislative auditor may not bill an agency for audit services in excess of amounts appropriated for audit services. Additional audit-related services may be provided by the legislative auditor at a cost agreed to by an agency and billed to the agency.

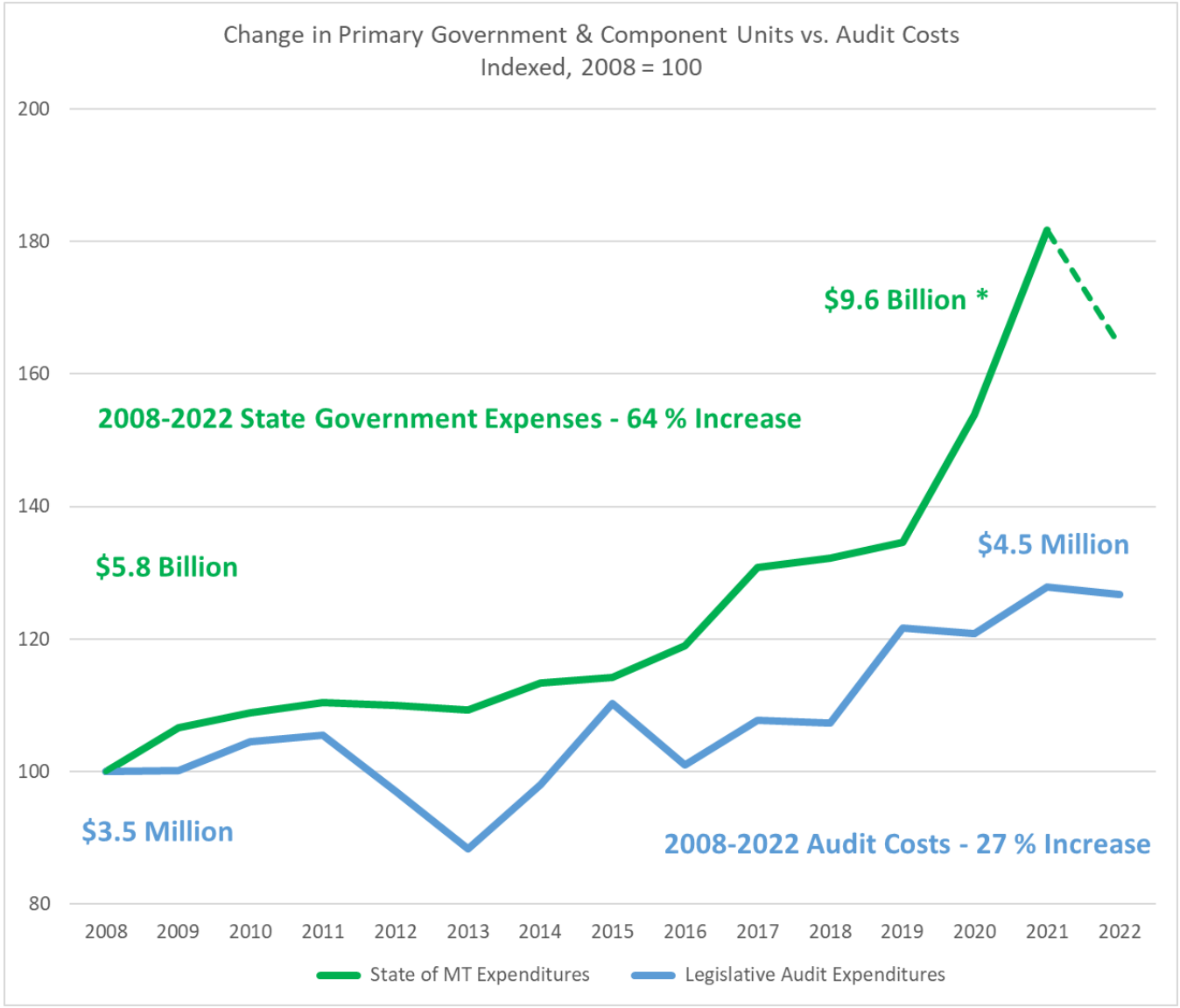
- Agency audit appropriations provide the state special revenue funding source that is used in conjunction with general fund to support the budget request of the Legislative Audit Division as outlined in Program 28 of the Legislative Branch budget

  5-13-403. Audit account -- appropriation and expenditures. All money for audits transferred to the legislative auditor as provided in 5-13-402 must be deposited in the state special revenue fund in the state treasury to the credit of the office of the legislative auditor. The money deposited that is in excess of general and pay plan appropriations is statutorily appropriated, as provided in 17-7-502, and may be expended by the legislative auditor to pay expenses incurred in auditing state agencies pursuant to an operational plan approved by the legislative audit committee.

- The purpose of this hearing is to review the methods used in calculating our billing rate, the level of effort associated with each audit, and the amounts appropriated to state agencies budgeted through House Bill 2. For agencies with significant federal programs, audit costs can be assessed against federal funds, thus limiting the impact on state funding sources

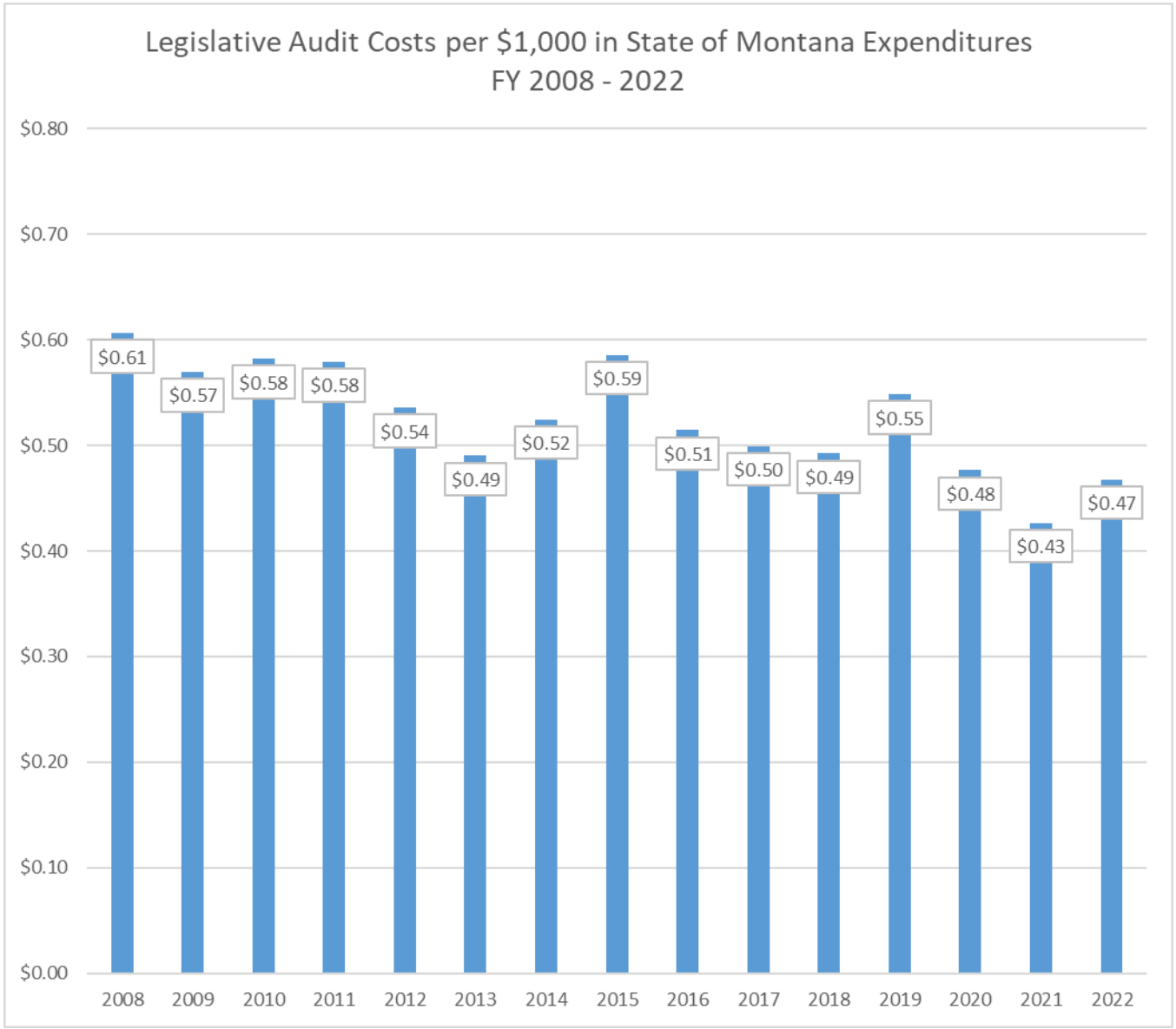
  17-7-141. Audit costs. Amounts appropriated for audits conducted under Title 5, chapter 13, may be transferred between fiscal years. Agencies shall reserve enough money in each fund to pay for audit costs and to the maximum extent allowable under federal regulations shall charge audit costs to federal funds.

Historical Cost Trends – Overall Expenditures

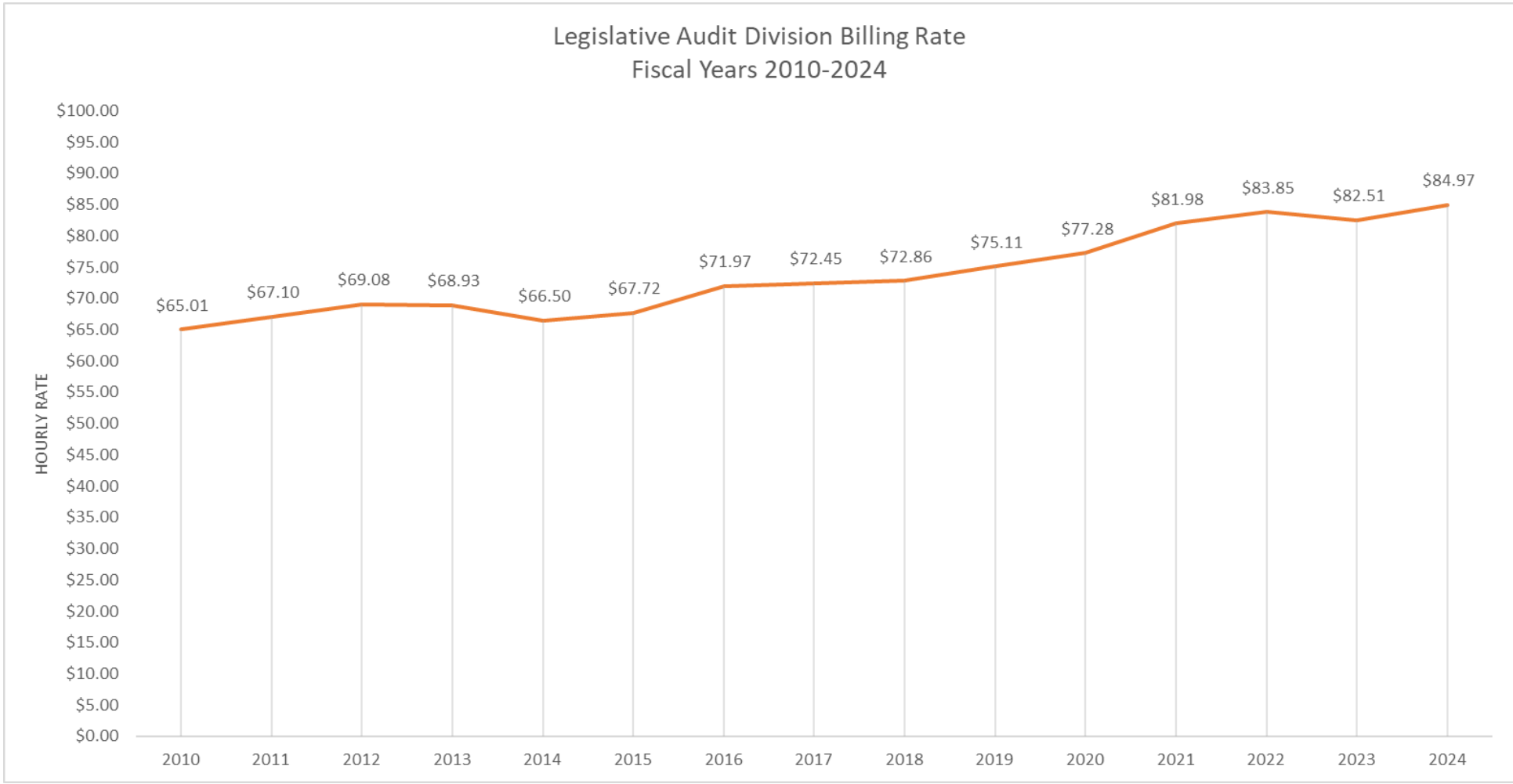


*** FY 2022 expense total is preliminary, unaudited and subject to change**

Historical Cost Trends – Expenditure Rate



Calculation of the Billing Rate



Audit Hours by Agency

Legislative Audit Division
Summary of Hour Estimates Used for 2025 Biennium Audit Appropriations

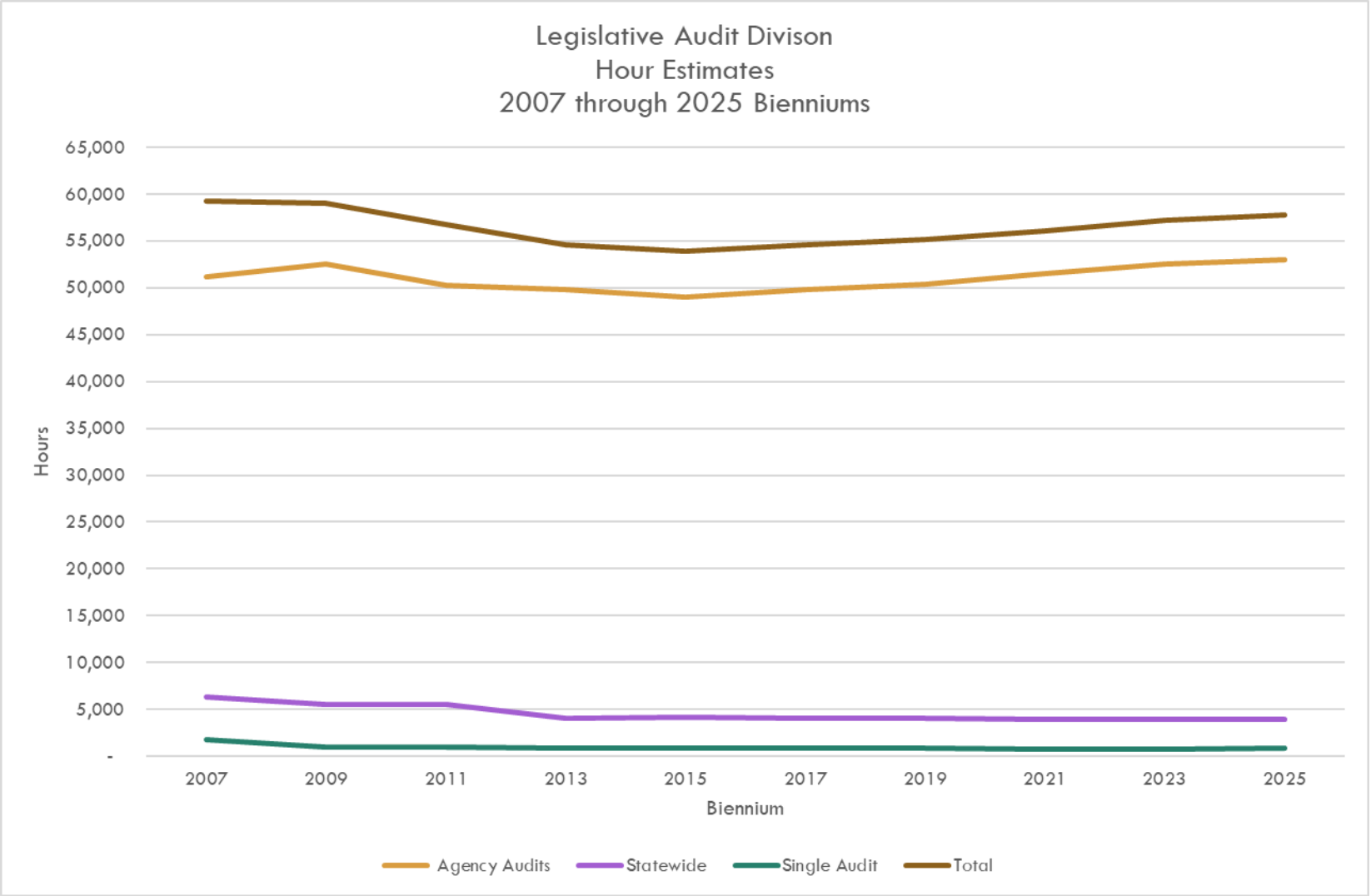
Agency #	Agency Name	2024-2025 Biennium Estimated Hours	2022-2023 Biennium Estimated Hours	2023 Biennium Comprised of		Increase (Decrease)	Percent Increase (Decrease)	Reason
				HB 2	HB 632			
2110	Judicial Branch	650	650	650		0	0%	
3101	Governor & Lt Gov	1,025	1,025	900	125	0	0%	No change achieved by reducing hours for prior CARES Act increase (100 hours), including hours for centralized testing of ARPA reporting (125 hours), and including hours for the ARPA Economic Transformation & Stabilization & Workforce Development program (100 hours).
3201	Secretary of State	600	600	600		0	0%	
3202	Comm. Of Political Practices	250	200	200		50	25%	Continued pattern of audit findings requiring additional effort.
3401	State Auditor	720	720	720		0	0%	
3501	Office of Public Instruction	1,450	1,525	1,275	250	(75)	-5%	Decrease hours from revisiting Education Stabilization (now estimated at 125 hours, rather than 250), offset by time to follow-up on high volume of findings from the most recent audit (50 hours).
4110	Justice	1,150	1,150	1,150		0	0%	
4201	Public Service Regulation	450	400	400		50	13%	Time required to follow-up on high volume of findings from the most recent audit (50 hours).
5101	Education, Board of	225	200	200		25	13%	Continued pattern of audit findings requiring additional effort.
5102	CommHighEd/BdRegents	800	775	775		25	3%	Continued pattern of audit findings requiring additional effort.
5103	U of M - Missoula	3,500	3,500	3,500		0	0%	
5104	MSU - Bozeman	3,500	3,500	3,500		0	0%	
5113	School for the Deaf & Blind	325	325	325		0	0%	
5114	Arts Council	350	350	350		0	0%	
5115	State Library	325	300	300		25	8%	New pattern of audit findings requiring additional effort.
5117	Historical Society	550	550	550		0	0%	
5201	Fish, Wldlf & Parks	1,400	1,400	1,400		0	0%	
5301	Environmental Quality	1,750	1,750	1,750		0	0%	
5401	Transportation	2,450	2,450	2,450		0	0%	
5603	Livestock	650	650	650		0	0%	
5706	Natl Resource & Conservation	1,850	1,900	1,750	150	(50)	-3%	Retained hours related to ARPA Water & Sewer Infrastructure (now estimated at 100 hours, rather than 150).
5801	Revenue	2,300	2,400	2,400		(100)	-4%	Continued pattern of audit efficiencies

Audit Hours by Agency

Legislative Audit Division
Summary of Hour Estimates Used for 2025 Biennium Audit Appropriations

Agency #	Agency Name	2024-2025 Biennium Estimated Hours	2022-2023 Biennium Estimated Hours	2023 Biennium Comprised of		Increase (Decrease)	Percent Increase (Decrease)	Reason
				HB 2	HB 632			
6101	Administration	2,845	2,705	2,620	85	140	5%	Due to timing, we anticipate using the 85 hours from HB 632 in the 2023 biennium. ARPA for Communications and Long Range Building programs (now estimated 200 hours, rather than 85), offset by reduction for Coronavirus Relief Fund (75 hours). The agency will also have Education Stabilization Funds (100 hours).
6101	SABHRS	1,900	1,900	1,900		0	0%	
6101	Lottery Finan,AgncyPays	800	800	800		0	0%	
6101	Lottery Security Audit	770	770	770		0	0%	
6103	State Fund	1,100	1,100	1,100		0	0%	
6104	PERD	2,250	2,600	2,600		(350)	-13%	Audit team altered their approach to census data testing for the plans administered by PERA, anticipate some reliance on internal audit census testing.
6105	TRD	1,650	1,650	1,650		0	0%	
6108	Public Defender	775	775	775		0	0%	
6201	Agriculture	620	620	620		0	0%	
6401	Corrections	1,500	1,600	1,600		(100)	-6%	Board of Crime Control moved back to Department of Justice, so reducing estimate by amount of prior increase (50 hours). Also reducing estimate for efficiencies identified by the prior audit team that are expected to recur (50 hours).
6501	Commerce	1,800	2,065	1,600	465	(265)	-13%	Increase for ARPA Emergency Rental Assistance (130 hours) and Down Payment Assistance Program (100 hours), offset by reduction for prior CARES Act increase (75 hours). Homeowner assistance program is projected to affect 2027 biennium testing rather than 2025 biennium, meaning estimated time required for 2025 biennium is less than the original HB 632 estimate.
6501	Investments	1,350	1,350	1,350		0	0%	
6501	Facility Financing Authority	250	200	200		50	25%	Continued pattern of audit findings requiring additional effort.
6501	Housing	700	700	700		0	0%	
6602	Labor & Industry	1,850	1,950	1,950		(100)	-5%	Pandemic related federal assistance programs ended, so we anticipate a return to the previous pattern of audit efficiencies reducing the time required.
6701	Military Affairs	1,200	1,100	1,100		100	9%	Increase for Disaster Grants related to summer 2022 flooding.
6901	Public Health and Human Services	5,400	5,550	5,400	150	(150)	-3%	Composition of anticipated federal testing includes some low-risk Type A programs and programs with expenditures below the threshold that won't require testing for the next Single Audit period, offsetting anticipated new federal programs.
	TOTAL:	53,030	53,755	52,530	1,225	(725)	(1%)	
Allocated Audits:								
All	Statewide Audit	3,900	3,900	3,900		0	0%	
All	Single Audit	900	750	750		150	20%	

Audit Hours by Agency



Agency Audit Appropriations

Legislative Audit Division
Summary of 2025 Biennium Audit Appropriations

		2024-2025 Biennium Audit Appropriations				2022-2023 Audit Appropriations							
Agency #	Agency Name	Base	Statewide	Single Audit	Total	Base	Statewide	Single Audit	ARPA (HB 632)	Total	Increase (Decrease)	Percent Increase (Decrease)
2110	Judicial Branch	$ 55,250	$ 2,032	$ 938	$ 58,219	$ 53,300	$ 1,979	$ 761		$ 56,040	$ 2,180	4%
3101	Governor & Lt Gov	$ 87,125	$ 3,204	$ 1,479	$ 91,807	$ 73,800	$ 2,740	$ 1,054	$ 10,250	$ 87,843	$ 3,964	5%
3201	Secretary of State	$ 51,000	$ 1,875	$ 866	$ 53,741	$ 49,200	$ 1,826	$ 702		$ 51,729	$ 2,012	4%
3202	Political Practices	$ 21,250	$ 781	$ 361	$ 22,392	$ 16,400	$ 609	$ 234		$ 17,243	$ 5,149	30%
3401	State Auditor	$ 61,200	$ 2,250	$ 1,039	$ 64,489	$ 59,040	$ 2,192	$ 843		$ 62,075	$ 2,414	4%
3501	Office of Public Instruction	$ 123,250	$ 4,532	$ 2,092	$ 129,874	$ 104,550	$ 3,881	$ 1,493	$ 20,500	$ 130,424	$ (550)	(0%)
4110	Justice	$ 97,750	$ 3,594	$ 1,659	$ 103,003	$ 94,300	$ 3,501	$ 1,346		$ 99,147	$ 3,856	4%
4201	Public Service Regulation	$ 38,250	$ 1,407	$ 649	$ 40,306	$ 32,800	$ 1,218	$ 468		$ 34,486	$ 5,820	17%
5101	Education, Board of	$ 19,125	$ 703	$ 325	$ 20,153	$ 16,400	$ 609	$ 234		$ 17,243	$ 2,910	17%
5102	CommHighEd/BdRegents	$ 68,000	$ 2,500	$ 1,154	$ 71,655	$ 63,550	$ 2,359	$ 907		$ 66,816	$ 4,838	7%
5103	U of M - Missoula	$ 297,500	$ 10,940	$ 5,049	$ 313,489	$ 287,000	$ 10,654	$ 4,098		$ 301,752	$ 11,737	4%
5104	MSU - Bozeman	$ 297,500	$ 10,940	$ 5,049	$ 313,489	$ 287,000	$ 10,654	$ 4,098		$ 301,752	$ 11,737	4%
5113	School for the Deaf & Blind	$ 27,625	$ 1,016	$ 469	$ 29,110	$ 26,650	$ 989	$ 380		$ 28,020	$ 1,090	4%
5114	Arts Council	$ 29,750	$ 1,094	$ 505	$ 31,349	$ 28,700	$ 1,065	$ 410		$ 30,175	$ 1,174	4%
5115	State Library	$ 27,625	$ 1,016	$ 469	$ 29,110	$ 24,600	$ 913	$ 351		$ 25,864	$ 3,245	13%
5117	Historical Society	$ 46,750	$ 1,719	$ 793	$ 49,262	$ 45,100	$ 1,674	$ 644		$ 47,418	$ 1,844	4%
5201	Fish, Wldlf & Parks	$ 119,000	$ 4,376	$ 2,020	$ 125,395	$ 114,800	$ 4,262	$ 1,639		$ 120,701	$ 4,695	4%
5301	Environmental Quality	$ 148,750	$ 5,470	$ 2,525	$ 156,744	$ 143,500	$ 5,327	$ 2,049		$ 150,876	$ 5,869	4%
5401	Transportation	$ 208,250	$ 7,658	$ 3,534	$ 219,442	$ 200,900	$ 7,458	$ 2,868		$ 211,226	$ 8,216	4%
5603	Livestock	$ 55,250	$ 2,032	$ 938	$ 58,219	$ 53,300	$ 1,979	$ 761		$ 56,040	$ 2,180	4%
5706	Natl Resource & Conservation	$ 157,250	$ 5,782	$ 2,669	$ 165,701	$ 143,500	$ 5,327	$ 2,049	$ 12,300	$ 163,176	$ 2,525	2%
5801	Revenue	$ 195,500	$ 7,189	$ 3,318	$ 206,007	$ 196,800	$ 7,306	$ 2,810		$ 206,915	$ (909)	(0%)
6101	Administration	$ 241,825	$ 8,892	$ 4,104	$ 254,821	$ 214,840	$ 7,975	$ 3,067	$ 6,970	$ 232,853	$ 21,969	9%

Agency Audit Appropriations

Legislative Audit Division
Summary of 2025 Biennium Audit Appropriations

Agency #	Agency Name	2023-2025 Biennium Audit Appropriations Base	Statewide	Single Audit	Total	2022-2023 Biennium Audit Appropriations Base	Statewide	Single Audit	ARPA (HB 632)	Total	Increase (Decrease)	Percent Increase (Decrease)
6101	SABHRS	$ 161,500	$ 5,939	$ 2,741	$ 170,180	$ 155,800	$ 5,784	$ 2,224		$ 163,808	$ 6,372	4%
	Lottery Finan,AgncyPays	$ 68,000	$ 2,500	$ 1,154	$ 71,655	$ 65,600	$ 2,435	$ 937		$ 68,972	$ 2,683	4%
	Lottery Security Audit	$ 65,450	$ 2,407	$ 1,111	$ 68,967	$ 63,140	$ 2,344	$ 901		$ 66,385	$ 2,582	4%
6103	State Fund	$ 93,500	$ 3,438	$ 1,587	$ 98,525	$ 90,200	$ 3,348	$ 1,288		$ 94,836	$ 3,689	4%
6104	PERD	$ 191,250	$ 7,033	$ 3,246	$ 201,528	$ 213,200	$ 7,914	$ 3,044		$ 224,158	$ (22,630)	(10%)
6105	TRD	$ 140,250	$ 5,157	$ 2,380	$ 147,787	$ 135,300	$ 5,023	$ 1,932		$ 142,254	$ 5,533	4%
6108	Public Defender Office	$ 65,875	$ 2,422	$ 1,118	$ 69,415	$ 63,550	$ 2,359	$ 907		$ 66,816	$ 2,599	4%
6201	Agriculture	$ 52,700	$ 1,938	$ 894	$ 55,532	$ 50,840	$ 1,887	$ 726		$ 53,453	$ 2,079	4%
6401	Corrections	$ 127,500	$ 4,688	$ 2,164	$ 134,352	$ 131,200	$ 4,870	$ 1,873		$ 137,944	$ (3,591)	(3%)
6501	Commerce	$ 153,000	$ 5,626	$ 2,597	$ 161,223	$ 131,200	$ 4,870	$ 1,873	$ 38,130	$ 176,074	$ (14,851)	(8%)
6501	Investments	$ 114,750	$ 4,220	$ 1,947	$ 120,917	$ 110,700	$ 4,109	$ 1,581		$ 116,390	$ 4,527	4%
6501	Facilities Financing Authority	$ 21,250	$ 781	$ 361	$ 22,392	$ 16,400	$ 609	$ 234		$ 17,243	$ 5,149	30%
6501	Housing	$ 59,500	$ 2,188	$ 1,010	$ 62,698	$ 57,400	$ 2,131	$ 820		$ 60,350	$ 2,347	4%
6602	Labor & Industry	$ 157,250	$ 5,782	$ 2,669	$ 165,701	$ 159,900	$ 5,936	$ 2,283		$ 168,119	$ (2,418)	(1%)
6701	Military Affairs	$ 102,000	$ 3,751	$ 1,731	$ 107,482	$ 90,200	$ 3,348	$ 1,288		$ 94,836	$ 12,646	13%
6901	Public Health and Human Services	$ 459,000	$ 16,878	$ 7,790	$ 483,668	$ 442,800	$ 16,437	$ 6,322	$ 12,300	$ 477,860	$ 5,809	1%
	TOTAL:	$ 4,507,550	$ 165,750	$ 76,500	$ 4,749,800	$ 4,307,460	$ 159,900	$ 61,500		$ 4,629,310	$ 120,490	3%
	Projected Hourly Billing Rate				$ 85.00					$ 82.00	$ 3.00	4%

Agency Audit Appropriations – HB2 Comparison

Legislative Audit Division
Comparison of 2025 Biennium Audit Appropriations to HB0002.01

Agency #	Agency Name	Audit Appropriation Total	General Fund	State Special Revenue	Federal Special Revenue	Proprietary	HB0002.01 Total	Difference	Notes
2110	Judicial Branch	$ 58,219	$ 58,219				$ 58,219	$ -	
3101	Governor & Lt Gov	$ 91,807	$ 91,807				$ 91,807	$ -	
3201	Secretary of State	$ 53,741					$ -	$ 53,741	Proprietary Fund
3202	Political Practices	$ 22,392	$ 22,392				$ 22,392	$ -	
3401	State Auditor	$ 64,489		$ 64,489			$ 64,489	$ -	
3501	Office of Public Instruction	$ 129,874					$ -	$ 129,874	Internal Service Fund
4110	Justice	$ 103,003	$ 103,003				$ 103,003	$ -	
4201	Public Service Regulation	$ 40,306		$ 40,306			$ 40,306	$ -	
5101	Education, Board of	$ 20,153	$ 20,153				$ 20,153	$ -	
5102	CommHighEd/BdRegents	$ 71,655	$ 71,655				$ 71,655	$ -	
5103	U of M - Missoula	$ 313,489	$ 313,489				$ 313,489	$ -	Included in CHE General Fund Appropriation Distribution Transfer
5104	MSU - Bozeman	$ 313,489	$ 313,489				$ 313,489	$ -	Included in CHE General Fund Appropriation Distribution Transfer
5113	School for the Deaf & Blind	$ 29,110	$ 29,110				$ 29,110	$ -	
5114	Arts Council	$ 31,349	$ 31,349				$ 31,349	$ -	
5115	State Library	$ 29,110	$ 29,110				$ 29,110	$ -	
5117	Historical Society	$ 49,262	$ 56,956				$ 56,956	$ (7,694)	Appropriation is too large
5201	Fish, Wldf & Parks	$ 125,395		$ 1,207,395			$ 1,207,395	$ (1,082,000)	Appropriation is too large
5301	Environmental Quality	$ 156,744					$ -	$ 156,744	Internal Service Fund
5401	Transportation	$ 219,442		$ 219,442			$ 219,442	$ -	
5603	Livestock	$ 58,219		$ 58,219			$ 58,219	$ -	
5706	Natl Resource & Conservation	$ 165,701	$ 93,282	$ 72,419			$ 165,701	$ -	
5801	Revenue	$ 206,007	$ 206,007				$ 206,007	$ -	
6101	Administration	$ 254,821		$ 11,365		$ 149,492	$ 160,857	$ 404,766	Proprietary and Internal Service Fund
6101	SABHRS	$ 170,180							
	Lottery Finan,AgncyPays	$ 71,655							
	Lottery Security Audit	$ 68,967							
6103	State Fund	$ 98,525					$ -	$ 98,525	Proprietary Fund
6104	PERD	$ 201,528					$ -	$ 201,528	Fiduciary Fund
6105	TRD	$ 147,787					$ -	$ 147,787	Fiduciary Fund
6108	Public Defender Office	$ 69,415	$ 69,415				$ 69,415	$ -	
6201	Agriculture	$ 55,532					$ -	$ 55,532	Appropriation is missing from HB2; historically included in General Fund
6401	Corrections	$ 134,352	$ 134,352				$ 134,352	$ -	
6501	Commerce	$ 161,223	$ 5,320	$ 65,079	$ 10,473		$ 80,872	$ 286,358	Proprietary Funds and Statutory Appropriations
6501	Investments	$ 120,917							
6501	Facilities Financing Authority	$ 22,392							
6501	Housing	$ 62,698							
6602	Labor & Industry	$ 165,701					$ -	$ 165,701	Internal Service Fund
6701	Military Affairs	$ 107,482	$ 27,572	$ 7,685	$ 72,225		$ 107,482	$ -	
6901	Public Health and Human Services	$ 483,668	$ 275,691	$ 9,673	$ 198,304		$ 483,668	$ -	
	TOTAL:	$ 4,749,799	$ 1,952,371	$ 1,756,072	$ 281,002	$ 149,492	$ 4,138,937	$ 610,862	

Agency Audit Appropriations

Legislative Audit Division
2025 Biennium Audit Appropriations Compared to HB0002.01 Appropriations
Selected Agencies and in Total

Agency #	Agency Name	Agency Audit Appropriation	Agency HB0002.01 Appropriations	Percent of Total
3202	Political Practices	$ 22,392	$ 1,770,628	1.265%
6108	Public Defender Office	$ 69,415	$ 96,677,827	0.072%
6901	Public Health and Human Services	$ 483,668	$ 7,022,466,766	0.007%

		Total Audit Appropriations	Total HB0002.01 Appropriations	Percent of Total
In Total	Total State Funding	$ 4,749,800	$ 13,487,375,285	0.035%

Anticipated Federal Compliance Testing

Legislative Audit Division
Projected Federal Program Testing Status for the two Fiscal Years Ended June 30, 2023, As of December 2022

Program	Agency	Type of Activity	Unaudited Fiscal Year 2022 Expenditures	Included in Estimated Audit Hours for 2025 Biennium
Medicaid	Public Health and Human Services		$ 1,957,965,102	√
Highway Planning & Construction Cluster	Transportation		$ 427,240,894	√
Student Financial Assistance	Montana State University University of Montana		$ 206,475,330	√
Education Stabilization Fund	University of Montana Montana State University Office of Public Instruction Administration		$ 192,257,006	√
Research & Development Cluster	Montana State University University of Montana		$ 191,412,434	√
Supplemental Nutrition Assistance Program (SNAP)	Public Health and Human Services		$ 150,885,311	√
Child Nutrition Cluster	Office of Public Instruction		$ 99,014,943	√
Children's Health Insurance Program	Public Health and Human Services		$ 89,437,814	√
Child Care Development Fund Cluster	Public Health and Human Services		$ 83,738,744	√
Unemployment Insurance	Labor		$ 63,649,683	√
Emergency Rental Assistance	Commerce		$ 60,256,168	√
Title 1	Office of Public Instruction		$ 52,188,498	√
SNAP Pandemic EBT	Public Health and Human Services		$ 50,476,374	√
Epidemiology and Lab Capacity for Infectious Diseases	Public Health and Human Services		$ 43,709,367	√
Special Education Cluster (IDEA)	Office of Public Instruction		$ 43,002,677	√
Section 8 Project-Based Cluster	Commerce		$ 28,134,826	√
Fish & Wildlife Cluster	Fish, Wildlife and Parks		$ 27,614,519	√
Immunization Cooperative Agreements	Public Health and Human Services		$ 27,004,599	√
Housing Voucher Cluster	Commerce		$ 23,368,867	√
Foster Care	Public Health and Human Services		$ 17,791,037	√
1332 State Innovation Waivers	State Auditor's Office		$ 17,723,226	√
Temporary Assistance for Needy Families (TANF) Cluster	Public Health and Human Services		$ 15,763,434	√

Legislative Audit Division
Projected Federal Program Testing Status for the two Fiscal Years Ended June 30, 2023, As of December 2022

Program	Agency	Type of Activity	Unaudited Fiscal Year 2022 Expenditures	Included in Estimated Audit Hours for 2025 Biennium
Comprehensive Literacy Development	Office of Public Instruction		$ 17,552,172	x
Adoption Assistance	Public Health and Human Services		$ 14,987,193	x
Forest Service Schools & Roads Cluster	Administration		$ 14,382,681	√
Formula Grants for Rural Areas (Transit)	Transportation		$ 14,336,383	√
Health Disparities	Public Health and Human Services		$ 9,503,512	√
Presidentially Declared Disasters	Military Affairs	Disaster Assistance for Individuals	$ 8,498,700	√
	Public Health and Human Services	Pandemic Response		√
State & Local Fiscal Recovery Funds	Natural Resources & Conservation	Water & Sewer Infrastructure Grant		√
	Administration	Communications Projects		√
	Administration (A&E)	State Capitol Projects/Long Range Building		√
	Governor's Office	Economic Transformation &Stabilization & Workforce Development	$ 380,216	√
	Commerce	Downpayment Assistance		√
	Administration	State & Local Fiscal Recovery		√
State & Local Cybersecurity Grant Program	Montana State University University of Montana Administration		$ -	x
To Be Determined - High Risk Type B	*To Be Determined*		*To Be Determined*	x

Traditional High Risk Type A - Testing Required
Pandemic Related Program - Testing Required
Monitoring Expenditures Relative to the Expected Threshold of $30 million

HB 132 – Changes in the Financial Audit Model – Potential Impacts on HB2

- ✓ **HB 132 has been introduced at the request of the Legislative Audit Committee**
- ✓ **The bill makes some significant changes to the financial audit model, the scale and scope of federal compliance testing, and the ability of LAD to audit based on risk**
- ✓ **Assuming passage of HB 132, the most significant of the proposed changes will not be implemented until July 1, 2025 i.e. the beginning of the next (2027) biennium**
- ✓ **However, we see an opportunity for some interim steps in the 2025 biennium that will begin the transitionary process**
- ✓ **Interim steps would involve suspending the regular financial-compliance audit schedule for around 8 small agencies in the 2025 biennium**
- ✓ **The regular financial-compliance audit schedule for all medium and large agencies would continue as normal in the 2025 biennium**
- ✓ **Contingent on passage of HB 132, general fund audit appropriations for these small agency audits would be deleted from HB 2**
- ✓ **Consideration of the LAD/Program 28 budget later this month would then include a proposal to re-assign this general fund appropriation authority directly to the Audit Division**
- ✓ **This funding switch will be necessary to support transition planning within LAD and ongoing impacts associated with increased workload for federal coronavirus/ARPA compliance testing**
- ✓ **Section A will be provided with further information on this proposal leading-up to our main budget hearing**