

<u>Section</u>	<u>Function</u>	<u>Report</u>	<u>Agency</u>	<u>Recommendation #</u>	<u>Recommendation Text</u>	<u>Explanation</u>	<u>Program</u>	<u>LAD Contact</u>
Section A	Financial	20-25	Department of Military Affairs	1	We recommend the Department of Military Affairs: A. Comply with federal requirements to allocate the correct amount of salaries for employees whose time is split between federal and state projects. B. Establish internal controls to ensure the state's accounting system is updated when the splits are recalculated, and C. Reimburse the federal government for the amount of payroll costs it was overallocated.	There may have been budgetary impact if they had to move authority to correct the \$6,179 overallocation to the feds. However, the correction has already been made so there is no future budgetary impact.		Jenny Erdahl
Section A	Financial	20-25	Department of Military Affairs	3	We recommend the Department of Military Affairs: A. Improve internal controls over the fiscal year-end expenditure accrual process to ensure expenditures are accrued in accordance with state accounting policy, and B. Record expenditure accruals in accordance with state accounting policy.	Accruals of \$1.6M were not recorded and this is a repeat issue. The cause of not recording was not a lack of budget, however, there is the possibility that there is budget impact if they ever get 100% of their accruals completely recorded.		Jenny Erdahl
Section A	Financial	20-04A	Board of Investments	1	We recommend the Montana Board of Investments comply with state policy for telework employees by: A. Completing signed telework agreements when required by the state telework policy. B. Reimbursing employees for actual costs of telework instead of increasing compensation.	Part B. could have a budget impact because actual costs may have been more or less than stipend paid. (This practice has been discontinued so no impact going forward).		Jessica Curtis
Section A	Financial	20-08A	Public Employees' Retirement Board	1	We recommend the Legislature work with the Public Employees' Retirement Board to restore the actuarial soundness of the Game Wardens' and Peace Officers' Retirement System, the Highway Patrol Officers' Retirement System, and the Public Employees' Defined Benefit Retirement Plan as required by the Montana Constitution and state law.	Any employer contribution rate or amount changes will affect state employers who participate in each system.		Kelly Zwang
Section A	Financial	20-08A	Public Employees' Retirement Board	Disclosure Issue	N/A - Achieving Actuarial Soundness: Are There Cost Neutral Options Available to the Legislature?	More information about options available for addressing recommendation #1.		Kelly Zwang
Section A	Financial	20-08A	Public Employees' Retirement Board	Disclosure Issue	N/A - Assumption Differences: Funding Valuation Versus Financial Reporting Calculations	The assumptions underlying the liability calculations resulted in higher pension liabilities reported in the state's financial reports than those used to calculate the amortization period used for legislative decision making. Higher liabilities result in longer amortization periods and can mean more funding is needed.		Kelly Zwang
Section A	Financial	20-09A	Teachers' Retirement Board	Disclosure Issue	N/A - Assumption Differences: Funding Valuation Versus Financial Reporting Calculations	The assumptions underlying the liability calculations resulted in higher pension liabilities reported in the state's financial reports than those used to calculate the amortization period used for legislative decision making. Higher liabilities result in longer amortization periods and can mean more funding is needed.		Kelly Zwang
Section A	Financial	20-23	Office of the Governor & Lieutenant G	1	We recommend the Office of the Governor and Lieutenant Governor enhance internal controls over review of appropriations loaded into the Internet Budget and Reporting System (IBARS) to ensure accuracy and completeness.	Loading of appropriations into IBARS could result in budget changes that are not valid appropriations passed by the legislature or misclassifications or errors in appropriations.		Mary Currin
Section A	Financial	20-21	Commissioner of Political Practices	2	We recommend the Office of the Commissioner of Political Practices record Licenses and Permits revenue in accordance with state accounting policy.	Revenue on the schedule of revenues & SABHRS is misstated (see table in recommendation) so for budget purposes should not be relied on or should be adjusted as noted in the recommendation.		Shandell VanDonsel
Section A	Financial	20-21	Commissioner of Political Practices	3	We recommend the Office of the Commissioner of Political Practices record expenditure accruals in accordance with state accounting policy.	In FY20, expenditures were understated. We have not audited FY21 or FY22, but if this issue continued expenditures could be understated.		Shandell VanDonsel

Section A	Financial	21-16	Department of Commerce	1	We recommend the Department of Commerce: A. Recover the funds from the subrecipients, and pay back the Coronavirus Relief Fund for the \$49,716 questioned costs. B. Perform additional risk analysis and post-award reviews of subrecipient use of funds. C. Develop controls that are sufficient to ensure only eligible applicants receive funding, that applicants understand the requirements for the use of funds, and required documentation is sufficient to ensure any new federal program funds are used for appropriate purposes.	If Commerce cannot recover the questioned costs from the subrecipients, they may need additional authority to pay back the questioned costs.	Coronavirus Relief Fund	Shandell VanDonsel
Section A	Information Systems	20DP-01	Montana Lottery	1	We recommend that Montana State Lottery: A. Clearly define necessary security requirements and tools to enforce them in a Security Exhibit or Addendum within the current contract, and B. Actively manage the security requirements.	System security must be defined and enforced to reduce risks and the costs related to a security breach.	Lottery Operations	Miki Cestnik
Section A	Information Systems	20DP-01	Montana Lottery	2	We recommend Montana State Lottery improve cyber supply chain risk management by: A. Reviewing the role and activity of each contractor and subcontractor, B. Identifying appropriate assurances, and C. Strengthening contractual agreements to require appropriate, ongoing assurance.	The security risks associated with a supply chain relationship can financially impact lottery operations if not continually assessed.	Lottery Operations	Miki Cestnik
Section A	Information Systems	20DP-01	Montana Lottery	3	We recommend Montana State Lottery: A. Ensure changes are made that align the system functionality with legal requirements of sports betting account management, and B. Improve system testing procedures by identifying when a formal testing plan is needed and verify legal requirements are met by new functionality.	Unauthorized players expose the state to legal and financial risks.	Lottery Operations	Miki Cestnik
Section A	Information Systems	20DP-01	Montana Lottery	4	We recommend Montana State Lottery create policy and procedure for managing, reviewing, and updating their continuity plan that ensures complete and useful information is present, including: A. Administrative details and contact information for all continuity personnel and third parties, B. Clear definitions of essential functions and the strategy to restore each essential function, and C. Documentation of critical information systems and assets required to restore each essential function, including how the information systems and assets are backed-up, procured, or stored.	Without proper continuity planning, disruptions to service can lead to loss of revenue for the state.	Lottery Operations	Miki Cestnik
Section A	Information Systems	20DP-01	Montana Lottery	5	We recommend Montana State Lottery develop and implement a training and testing program in conjunction with their continuity plan such that: A. Personnel are formally informed of and trained on any roles and responsibilities they may have in executing the continuity plan. B. Testing of the continuity plan be performed so that restoration of essential functions can be demonstrated, and C. The continuity plan is updated to address any deficiencies identified during testing program.	Without staff trained on continuity planning, disruptions to service can lead to loss of revenue for the state.	Lottery Operations	Miki Cestnik
Section A	Information Systems	20DP-04	Department of Administration	1	We recommend that the State Information Technology Services Division (SITSD) reference appropriate frameworks and create a statewide security consolidation strategy prior to consolidating other agencies that includes: A. Communication and change management plan, B. Key performance indicators and measurable goals for success, and C. Newly identified roles and responsibilities between agencies and SITSD via standard Memorandum of Understanding.	Any benefits associated with security consolidation include cost avoidance and increased security posture.	Multiple	Hunter McClure
Section A	Performance	20P-02	Department of Administration	1	We recommend the Montana Legislature: A. Fund the Professional Development Center through fixed costs. B. Further define the role of the Professional Development Center in state employee professional development and the level of services the Professional Development Center should provide for this purpose. C. On a biennium basis, evaluate the effectiveness of a change in funding for the Professional Development Center by monitoring changes in use of the Professional Development Center and reduction of duplication of training efforts across state government.	Fixed-cost funding would ensure the Professional Development Center both collects sufficient revenue to cover its costs while also encouraging participation in centralized training offerings by state agencies and employees.	PDC	Amber Robbins