

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION**

#### **SUBCOMMITTEE ON GENERAL GOVERNMENT & HIGHWAYS**

**Call to Order:** By Chairman Quilici on January 18, 1991, at 8:04 a.m.

#### **ROLL CALL**

##### **Members Present:**

Rep. Joe Quilici, Chairman (D)  
Sen. Larry Stimatz, Vice Chairman (D)  
Sen. Harry Fritz (D)  
Rep. Mary Lou Peterson (R)  
Sen. Larry Tveit (R)  
Rep. Tom Zook (R)

**Staff Present:** Clayton Schenck, Senior Fiscal Analyst (LFA)  
Lois Steinbeck, Associate Fiscal Analyst (LFA)  
John Patrick, Budget Analyst (OBPP)  
Arlene Carlson, Secretary

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Announcements/Discussion:** Chairman Quilici stated the committee will be hearing supplementals. Clayton Schenck will give a presentation on the agencies requesting supplementals.

#### **HEARING ON SUPPLEMENTALS**

**Tape No. 1**

Clayton Schenck gave an overview of the agency supplementals as presented in HB 3. There is a breakdown as to the type of funding: general fund, state special fund, federal funds or other. Mr. Schenck listed the various columns as to amendments requested, total requested and subcommittee action. **EXHIBIT 1**

#### **Department of Revenue**

The Department is requesting a supplemental of \$220,984 with an amendment of \$50,266. Jack Ellery stated that the department would be able to absorb \$50,266 out of their budget. The actual cost is \$271,250 that would have been absorbed resulting from the upgrade.

Ken Morrison, Administrator, Property Assessment Division, stated the department is reappraising all property throughout Montana with a deadline of December 31, 1992. The department will be doing accelerated reappraisal work in Cascade county to address problems raised by the Supreme Court in HB 703 litigation.

JG011891.HM1

EXECUTIVE ACTION ON SUPPLEMENTALS

Department of Revenue

**Motion:** SEN. STIMATZ moved to accept the supplemental for the reappraisal of property taxes throughout Montana in the amount of \$270,320.

**Discussion:** CHAIRMAN QUILICI referred to the \$50,266 amendment figure, the LFA and Budget Office thought that amount could be picked up to current level and after reviewing documentation, found that money was not there.

SEN. STIMATZ asked if the amount of \$50,266 was the correct amount. Ms. Steinbeck stated if the committee moved the total she would prepare the amendment for the right amount.

**Vote:** Motion CARRIED unanimously.

State Auditor's Office

Clayton Schenck stated the State Auditor was requesting a supplemental for increased operating costs of the state payroll system, including printing, computer processing and system development costs of the payroll system. The second supplemental was for a new warrant system, including computer processing, system development, printing and postage costs. The State Auditor is processing additional warrants for state agencies including warrants for the State Fund which has caused a substantial increase in costs.

**Discussion:** The committee discussed the high costs of writing warrants on the new system. The Legislature, in the past, was told when the new system was installed it would save the state a great deal of money, instead, the new system is more expensive to operate but there has been an increase in volume due to the agencies using the new warrant writing system. The State Auditor now consolidates check writing to vendors, payments for travel, and travel claims with the payroll system.

An amendment requesting an additional \$20,184 over and above the \$263,423 for the warrant writing system is to cover the 16% of the cost for writing state warrants for the State Fund.

**Motion:** SEN. TVEIT moved to accept the supplemental for \$51,054 for operating costs of the state payroll system.

**Discussion:** SEN. STIMATZ asked if we switched from state special funds to general funds unduly penalizing the general fund without providing a provision to recover the costs for the general fund saddling us with a cost we didn't have before. Mr. Schenck stated general fund is now being saddled with costs that were not there before which is a shift from another fund and the way to recover these funds is from federal funds. There is the

statewide allocations system. There is no system to recover state special fund but the Department of Administration is working on a cost recovery plan for state special revenue. The only method at this time is a direct charge to the agencies for a charge recovery fee.

**Vote:** Motion CARRIED unanimously.

**Motion:** SEN. STIMATZ moved to accept operating costs in the amount of \$263,423 and the amendment in the amount of \$20,184 for a total amount of \$283,607.

**Discussion:** Mr. Schenck stated he reviewed the issues and the supplemental requests for operating costs, writing warrant system and computer processing by the State Auditor and found no problems with the request. The majority of the money is for system development costs with no objections other than to request a supplemental to pay ISD.

**Vote:** Motion CARRIED unanimously.

#### **Department of Justice**

The supplemental is for motor vehicle decals and gasoline. New license plates were approved by the 1989 Legislature, but the costs of decals for new plates were omitted. EXHIBIT 2

**Motion:** SEN. TVEIT moved to accept \$63,700 for motor vehicle decals.

Marc Racicot, Attorney General, stated the costs for decals will be \$40,000, roughly 2 cents per decal. The balance of the \$63,700 is for gasoline costs.

**Vote:** Motion CARRIED unanimously.

**Motion/Vote:** SEN. FRITZ moved to accept the supplemental for prisoner per diem for \$280,000. Motion CARRIED unanimously.

**Motion/Vote:** SEN. FRITZ moved to accept the supplemental in the amount of \$217,000 for gasoline for the Highway Patrol. Motion CARRIED unanimously.

**Motion/Vote:** SEN. FRITZ moved to accept the supplemental for gasoline for the Law Enforcement Services. Motion CARRIED unanimously.

**Motion/Vote:** SEN. TVEIT moved to accept the supplemental in the amount of \$77,000 for county attorney payroll. Motion CARRIED unanimously.

**Motion/Vote:** SEN. FRITZ moved to accept the supplemental in the amount of \$100,000 for transportation of prisoners. Motion CARRIED unanimously.

**CHAIRMAN QUILICI** reviewed the supplemental amendment for litigation costs for the Department of Fish, Wildlife and Parks in connection the Confederated Salish and Kootenai Tribes v. Montana.

**Motion/Vote:** **SEN. STIMATZ** moved to approve the litigation costs for SB 446, Indian Affairs. Motion **CARRIED** unanimously.

**Tape 1 Side 2**

**Department of Highways**

**Mr. Schenck** gave an overview on the Department of Highways request for a supplemental for additional spending authority. These funds are to restore the original federal authority for Reconstruction Trust Fund (RTF).

**Bill Salisbury, Department of Highways**, stated the \$5.9 million replaces the \$3.9 and \$14 million. The department is decreasing the supplemental request originally requested in October 1990. The total supplemental request was for \$5.9 million.

**Motion/Vote:** **SEN. FRITZ** moved to accept the Department of Highways supplemental for \$5.9 million. Motion **CARRIED** unanimously.

**Motion/Vote:** **REP. PETERSON** moved to accept the Department of Highways supplemental for \$234,716 for road oil for maintenance. Motion **CARRIED** unanimously.

**Motion/Vote:** **REP. PETERSON** moved to accept the Department of Highways supplemental for \$735,059 for gasoline, shop supplies and tires. 80% is for gasoline. Motion **CARRIED** unanimously.

**Motion/Vote:** **REP. PETERSON** moved to accept the Department of Highways supplemental for \$1,313,673 for gasoline, road oil, and rock salt for the Stores Program. Motion **CARRIED** unanimously.

**Mr. Schenck** stated the interfund transfers is a supplemental for additional appropriation authority to transfer funds from highways special revenue account to the Reconstruction Trust Fund.

**Motion/Vote:** **REP. ZOOK** moved to approve the interfund transfers to Reconstruction Trust Funds Construction in the amount \$15,681,172. Motion **CARRIED** unanimously.

**Preconstruction**

**Mr. Schenck** stated the Department of Highways is requesting a supplemental for an increase in preconstruction for contract services for \$75,000 travel, supplies, and training for right-of-way appraisers. The Saving and Loan bailout requires special training for right of way appraisals.

**Motion/Vote:** SEN. TVEIT moved to adopt the supplemental for \$75,000 for Preconstruction, Department of Highways training, travel and supplies. Motion **CARRIED** unanimously.

**Department of Administration**

Ms. Steinbeck stated the Teachers' Retirement System is requesting a supplemental to implement HB 421 (post retirement adjustment for certain members of the teachers, game wardens, sheriffs and public employees retirement systems.) The supplemental is necessary as an appropriation transfer transferred funds from FY91 to 90 to meet higher than anticipated costs.

**Motion/Vote:** REP. PETERSON moved to accept the Teachers' Retirement System Trust Fund in the amount of \$26,866. Motion **CARRIED** unanimously.

**Public Employees' Retirement Division**

The Division is requesting a supplemental for contracted services for a physician to advise the board on disability retirements; postage, supplies, and computer systems development. If the supplemental is approved, then the modified budget request to continue this activity in the 1992 biennium may be reduced by the supplemental amount for systems development. **EXHIBIT 3**

**Motion/Vote:** SEN. FRITZ moved to accept the supplemental for \$73,818 for Public Employees' Retirement Division, Trust Funds. Motion **CARRIED** unanimously.

**Military Affairs**

The Department is requesting a supplemental to fund attorney fees and expert witness fees to defend a lawsuit brought by firefighters in the Air National Guard Program. In the last session, there was a supplemental for \$600,000 to pay the firefighters who sued the state two years ago. An out-of-court settlement was reached on the overtime dispute. This matter is pending in the Supreme Court and will be heard in April 1991.

**Motion/Vote:** REP. ZOOK moved to approve the supplemental for attorney fees and expert witness fees for the firefighters' lawsuit in the amount of \$30,000. Motion **CARRIED** unanimously.

CHAIRMAN QUILICI stated the Appropriation Chairman and LFA asked if the subcommittee would hear the Legislative Auditor's budget. This subcommittee must be designated as the problem solver which puts a lot of pressure on the committee. Chairman Quilici thanked the committee for their hard work, time and effort.

CHAIRMAN QUILICI requested Mr. Schenck to contact the Legislative Auditor's Office to present their budget this morning before the subcommittee instead of in February as scheduled.

Tape 2 Side 1

LEGISLATIVE AUDITOR

Mr. Schenck gave an overview of the Legislative Auditor's Office. **EXHIBIT 4.** The Office is requesting 9.0 FTEs additional audit staff. Since 1985 the agency was authorized 60.0 FTE, the number of required audits has increased by nearly 5,200 requiring the equivalent of 7.3 FTEs. The number of hours required for legislative requests and projects increased by nearly 12,000 hours during the last five years or the equivalent of 8.8 FTE. The Legislative Audit Committee authorized a request for 9.0 additional FTE to meet statutory, federal, and legislative requirements and to handle the existing workload. The important issue with the Legislative Auditor is the approval of the FTEs.

**CHAIRMAN QUILICI** stated there has been a discussion with Appropriations and Finance and Claims Chairmen, regarding the Legislative Auditor and their requests for additional FTEs due to the expansion of their workload. If the subcommittee asks other agencies to be conservative with their budgets, then the Legislative Auditor should do the same. The agency has been very aggressive with their audits which have to be done, but many cases could be prioritized if not mandated, therefore, the Legislative Auditor should receive 4.5 FTEs.

Mr. Schenck continued his overview of the Auditor's budget.

**Scott A. Seacat, Legislative Auditor,** stated the biggest issue is the request for 9.0 additional legislative auditors as recommended by the Audit Committee. The Auditor's Office in the 1985 session took the largest percentage cut in FTE of any state agency. No new FTEs have been received and the workload has increased significantly. **EXHIBIT 5** He gave a summation of the single federal audit which mandate the office to audit the federal dollars that come to the state. It's a major report paid for by them. **EXHIBIT 6** The statewide annual audit is of the state's financial statements. The state doesn't sell bonds without audited financial statements. **EXHIBIT 7** Other new audits are of the Department of Family Services, lottery and sunrise audits. The lottery, big spin, all drawings, etc. is contracted out. The single audit is required by the Single Audit Act of 1984. There is an annual financial compliance audit.

The 1987 Legislature passed the Sunrise law which was amended in the 1989 session, which requires additional work. One of two additional new audits passed in the June Special Session is of the Worker's Compensation.

**Mr. Seacat** stated that the office had some problems in 1985. They weren't responsive to the Legislature; we had a legislative auditor who closed his door and forgot who he worked for. We have a new attitude and know who we work for and because of that have advertised their services and consequently pressure from the increased response to the workload. **EXHIBIT 8**

**Mr. Seacat** stated the big issue is the number of FTEs and who should pay for the audits. The way the budget is structured, about half of the costs are paid by the agencies. The audit appropriations are line-itemed to the individual agency budgets and they pay for the audits. The FTE request in part is allocated to the various individual agency appropriations to cover the FTE costs. The decision by the committee to support the FTE, increases the auditor appropriation for the agencies.

**Mary Bryson, Deputy Legislative Auditor**, stated the 1989 Legislature enacted HB496 to establish a mechanism for computer system planning in the legislative branch, assure coordination of information system decisions amongst branch agencies; and enhance the coordination of the legislative branch systems with executive branch computer systems whenever possible. HB 51 will be discussed at a later date which relates to centralization of the computer plan within the legislative branch and not the computer network within the legislative branch. The plan relates to the fact that the auditors office has adopted certain segments of the plan on an agency by agency basis. One of the recommendations is establishing a minimum hardware configuration for computers that will be purchased and to use this for all new work stations. The minimum hardware configuration would be a five to six year life cycle for each computer purchase. In addition, the legislative auditor will inventory the existing computers and identify the computers and computer systems and applications that will reach their useful life during the course of the next biennium. These computers were included in the auditors purchase requests for the 1992 and 1992 budget.

The third modification is adjusted cost estimates for consultants, data processing, printing and subscriptions. The increase would be funded 1 percent by general fund and 49 percent by state special revenue. The amount of consultants represents an adjustment for a Peer Review required by Government Auditing Standards once every three years. The next Peer Review is scheduled for September 1991 for an approximate cost of \$20,000. They included \$10,000 per year for consultants for actuarial review of the State Compensation Insurance Fund. The other adjustments include the mainframe for completion of audits, increased subscription costs due to a prior budgeting error, and decreased printing costs.

**SEN. TVEIT** requested that former Representative Bruce Simon speak on the behavior of the Legislative Auditor. **Bruce Simon** stated he watched the audit function and the auditor staff grow from an agency that wasn't being used by the Legislature to one that has a highly increased workload. With the increase workload the Auditor has maintained the quality and been nationally recognized for their quality of work. With the increase in volume of work, they no longer can keep up--it has been the policy of the Auditor not to come before the committee and ask for additional FTEs. The office can no longer put out the amount of work they have been doing over the years without receiving additional FTEs.

**Clayton Schenck** stated there was no difference between the LFA current level budget and the Executive. **Mr. Seacat** stated they presented the issues by putting them in the base for all the agencies in the Executive Budget and they concurred with that.

**Mr. Seacat** clarified that the computerization has helped their office with the evidence during the special legislative session on the educational funding. They do not have the entire amount for the legislative branch computer plan in their budget. That will be presented separately but there are replacement costs for their existing equipment. They do not have computers for every auditor in their office, but they have begged, borrowed and stolen wherever possible. He asked **Ms. Cohea** if he could have their used equipment until theirs can be replaced.

**CHAIRMAN QUILICI** asked **Mr. Seacat** if the new network system that is being implemented by ISD had any effect on their operations. **Mary Bryson** stated that it has had a positive effect from the perspective they now have easier and better access to the data on the mainframe to conduct the legislative requests. One of the long terms effects will be the ability to audit from various agencies and be able to attach to their own network from other areas throughout the capitol complex.

**CHAIRMAN QUILICI** asked to take executive action on the Legislative Auditors budget now but **SEN. TVEIT** felt the committee should wait since the Auditor requested a certain person to testify before the committee and they would not be able to until later. **CHAIRMAN QUILICI** stated the Chairmen of the Appropriation and Finance and Claims want to have this matter resolved in order to work on the budget based upon the committees' decisions.

**Mary Bryson** stated that she had the audit costs which is the issue that concerns the Chairman of Appropriations and Finance and Claims. This is the agency impact the original appropriation which includes the 4 FTEs funding.

**CHAIRMAN QUILICI** stated if the subcommittee does not want to take executive action on the Legislative Auditor's budget today, the committee will meet Saturday, January 19, 1991 at 7:00 a.m. **SEN. TVEIT** stated he would not be able to meet then because he has to go home but he would be here on Monday. **CHAIRMAN QUILICI** stated he wanted to get this matter resolved before the weekend and would like to take executive action at 1:00 o'clock.

**Mr. Seacat** said he understands that the request puts the Legislature in a tough situation. They need to justify the needs for the additional FTEs and how does one justify the increase in one of their own agencies when trying to hold the line on the executive branch.

**CHAIRMAN QUILICI** stated that the Chairmen of Finance and Claims and Appropriation have reviewed the figures that the committee just went over and they are really reluctant to have nine FTEs



hired for the legislative executive branch. He stated this biennium is probable one of the toughest bienniums as far as trying to keep costs down. No matter what this committee does on modifieds, all it will be is a recommendation to the full Appropriation Committee, but they have usually accepted the recommendation by the subcommittee. Discussion was held between Mr. Seacat and Chairman Quilici on the need for the nine FTEs and the concerns by both. Mr. Seacat did not ask for the Audit Committee for an FTE requests, they directed Mr. Seacat to request them. Chairman Quilici said he spoke with some audit committee members and most of them realize the problem, but they are looking at the situation whether they need to run the agency and knowing that other agencies have come in with the same requests and they couldn't receive the number of FTEs. Mr. Seacat responded by saying they are boxed into a corner because they don't have an advocacy group in their defense for their need of auditors. He could play the game this way and sometimes it is a game for he could have stated he would not do the statewide audit and DOA would have come in raised hell for they would have stated wait a minute we cannot sell our bonds--the Long Range Building Program would have issued no debt. He could tell the federal government they could do the federal audit. It would put the Legislature in that difficult position but it also puts the Legislative Auditor in a tough position.

CHAIRMAN QUILICI stated, after discussion with other committee members, the committee will be excused from the House floor at 2 o'clock and meet to take executive action. The Chair and Vice-Chair of the Audit committee will be heard. The Committee recessed until 2 o'clock.

CHAIRMAN QUILICI reconvened the subcommittee at 2 o'clock.

Rep. JOHN COBB, Chairman, Audit Committee, spoke on behalf of the Legislative Auditor's Office stating the request for the 9 additional FTEs was not out-of-line for they could justify the need due to federal mandates and the increase in work that is being performed by the Legislative Auditors as well as the mandated audits of various agencies that are required by the Legislature.

SEN. TVEIT asked how the Legislative Auditor's Office has saved the state of Montana money. Mr. Seacat responded by presenting a report that had been prepared by Senator Gage and his committee showing the recovery of money from the audits performed by the Legislative Auditors of the various agencies and departments.

#### EXECUTIVE ACTION -- LEGISLATIVE AUDITOR

CHAIRMAN QUILICI stated the executive budget and the LFA current budgets are the same. The committee can either accept or reject the budgets then address the three modifications.

**Motion/Vote:** REP. PETERSON moved to accept the LFA current level budget for the Legislative Auditor. Motion CARRIED unanimously.

CHAIRMAN QUILICI stated there were three budget modifications; the first one is for additional staff to meet statutory, federal and legislative requirements. He has reviewed the requests for additional FTEs and there is no doubt the Legislative Auditors Office is performing excellent work and they are overworked. He could not see how this Legislature could approve 9 FTEs for the Legislative Auditor at this time.

**Motion:** REP. PETERSON moved to accept the 9 FTEs as requested by the Legislative Auditor.

**Discussion:** SEN. TVEIT stated, in looking at the records and the number of staff, there has not been an increase and asked when the last increase took place. Mr. Seacat said the Legislature had approved 5 FTEs in 1985 to perform the additional audits, but the department did not hire the FTEs.

REP. PETERSON stated that in 1985 there were 1990 legislative requests and in 1991 there have been 4000 requests by the Legislature. She believed that the legislators are part of the problem because of all their requests.

**Motion:** REP. ZOOK made a substitute motion to decrease the number of FTEs from nine to six.

**Discussion:** SEN. FRITZ stated the subcommittee approved 3 FTEs for the Secretary of State's office, maybe the committee should defer the FTEs back. This is the legislative auditor and we are the most underfunded of the three branches of government, huge funds on the executive and judiciary are spent. One of the reasons the legislative expenses increase faster than the other two branches is because the Legislature started with nothing but we are the most important branch.

**Vote:** Motion FAILED.

REP. PETERSON spoke on her motion by stating she does not take this lightly and she should vote no to control government growth, but we are looking at a considerable lower number than what the committee had originally recommended. The legislators are making more and more demands on the Legislative Auditor's Office and the record will not look like 1985 for the number of audit reports has increased extremely.

**Vote:** Motion to approve 9 FTEs CARRIED with Rep. Quilici and Sen. Stimatz voting no.

**Motion/Vote:** REP. PETERSON moved to approve the executive budget audit fees for all agencies. Motion CARRIED unanimously.

**Motion/Vote:** SEN. FRITZ moved to approve modification no. 2, legislative branch automation plan. Motion **CARRIED** with Rep. Quilici voting no.

Clayton Schenck clarified the adjusted costs estimates to be base level as a modified to segregate the increases. Adjustments were made to their base levels for increases and decreases regarding operating costs, data processing, and subscriptions, but there was a decrease for printing costs.

REP. ZOOK asked is there no inflation factor used in these particular issues. Mr. Schenck stated that inflation was considered in these budgets, but they were not applied in the same manner with the non-legislative agencies.

Mr. Seacat stated the items in adjusted cost estimates are positive and negative adjustments. Under consultants for computer system programming they took the OBPP base down \$2,000; for computer operating technics deleted. There was an increase for per-review of the Auditor's Office once every three years that is conducted under the sanctions of the National State's Auditors Association, auditors audit the auditors. The other item is the \$10,000 per year adjustment the Legislature mandated they do actuary related work, which is for contracted services to help with the actuary audits. Data processing charges went up due to the increase usage of the mainframe.

**Motion/Vote:** REP. PETERSON moved to accept Issue No. 3, adjusted costs estimates. Motion **CARRIED** with Sen. Fritz and Rep. Quilici voting no.

**ADJOURNMENT**

**Adjournment:** 2:45 p.m.

  
JOE QUILICI, Chair

JQ/amc

**HOUSE OF REPRESENTATIVE**  
**GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE**

**ROLL CALL**

**DATE** January 18, 1991

<b>NAME</b>	<b>PRESENT</b>	<b>ABSENT</b>	<b>EXCUSED</b>
REP. JOE QUILICI, CHAIRMAN	✓		
SEN. LARRY STIMATZ, VICE-CHAIRMAN	✓		
REP. TOM ZOOK	✓		
SEN. LARRY TVEIT	✓ 8:2		
REP. MARY LOU PETERSON	✓		
SEN. HARRY FRITZ	✓		

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GENERAL GOVERNMENT AND HIGHWAYS SUBCOMMITTEE  
AGENCY SUPPLEMENTAL REQUESTS

Montana Supreme Court

Commission on Practice

\$ 23,500 General Fund

The Supreme Court is requesting a supplemental appropriation for the Commission on Practice to investigate and prosecute complaints against attorneys. The number of complaints was higher than anticipated in fiscal 1990 requiring an appropriation transfer of \$11,500 from fiscal 1991. The number of complaints to be investigated in fiscal 1991 is continuing at the same level as 1990. Fines resulting from disciplinary actions are deposited to the general fund.

Water Court

\$ 22,000 State Special Revenue

The Supreme Court is requesting a supplemental appropriation to fund the water court judge salary. The salary was budgeted at a level below the statutorily established amount. Section 3-5-211, MCA establishes the water court judge salary at the same level as provided for district judges. The budgeted amount of the salary is \$35,248; the statutorily established amount is \$55,178. The previous water court judge's salary was supplemented by judicial retirement pay.

State Auditor

State Payroll Operating Costs

\$ 51,054 General Fund

The State Auditor is requesting a supplemental for increased operating costs of the state payroll system, including printing, computer processing, and system development costs of the state payroll system.

Warrant Writing System Operating Costs \$263,423 General Fund

The State Auditor is requesting a supplemental for increased operating costs of the state warrant writing system, including computer processing, system development, printing, and postage costs. The warrant writing system processes state agency warrant payments including the state payroll. The agency installed a new warrant writing system in July 1989, and operating costs in the 1991 biennium have been nearly double the estimates used for the legislative appropriation. In addition to low estimates for computer processing costs, volume of warrant processing due to the addition of State Fund warrant processing and other unanticipated volume increases have contributed to the higher costs. There was a fiscal 1991 appropriation transfer of \$85,967 to cover increased costs in fiscal 1990.

Department of Justice

Motor Vehicle Division

\$ 63,700 General Fund

The Department of Justice is requesting a supplemental for motor vehicle decals and gasoline. New license plates were approved by the 1989 legislature, but the cost of decals for the new plates were omitted from the cost estimates used for the new plates appropriation. The agency estimates the increased cost to be \$40,000. In addition, the agency requests \$23,700

due to increased gasoline costs for Driver Services Bureau travel to smaller cities to administer driver's license tests. The agency used an estimate of a 62.7 percent increase over fiscal 1990 costs.

**Highway Patrol - Prisoner Per Diem                      \$280,000 State Special Revenue**

The Department of Justice is requesting a supplemental from the highways special revenue fund for increased prisoner per diem reimbursed to local detention centers for boarding prisoners arrested by the Highway Patrol. The department attributes significantly increased costs to: 1) an increase in the allowed reimbursement rate from a fixed \$20 per day to an average \$35 per day, as amended in statute by the 1989 legislature; and, 2) an increase in the number of prisoners due to stronger enforcement of DUI laws and the availability of more jail space. There was a fiscal 1991 appropriation transfer of \$130,000 to cover increased costs in fiscal 1990.

**Highway Patrol - Gasoline                                      \$217,100 State Special Revenue**

The Department of Justice is requesting a supplemental from the highways special revenue fund due to increased gasoline costs for vehicle patrols by the Highway Patrol. The agency used an estimate of a 62.7 percent increase over fiscal 1990 costs. The department states that without the increased funds, vehicle patrols for traffic control, to investigate accidents, and provide motorist assistance would have to be sharply curtailed.

**Law Enforcement Services - Gasoline                      \$ 9,500 General Fund**

The Department of Justice is requesting a supplemental for increased gasoline costs in the Fire Marshal Bureau (to travel for building inspections and fire investigations) and in the Criminal Investigation Bureau (for criminal investigations). The agency used an estimate of a 62.7 percent increase over fiscal 1990 costs.

**County Attorney Payroll                                      \$ 77,000 General Fund**

The Department of Justice is requesting a supplemental for increased County Attorney payroll costs. The program pays one-half the salaries and benefits of county attorneys. Appropriated funds are insufficient because three counties changed from part-time to full-time county attorneys and because salary increases for county attorneys were 3.3 percent in fiscal 1991, as compared to an appropriation for a 2.7 percent increase. There was a fiscal 1991 appropriation transfer of \$35,000 to cover increased costs in fiscal 1990.

**Transportation of Prisoners                                      \$100,000 General Fund**

The Department of Justice is requesting a supplemental to pay for increased prisoner extradition costs and costs of transporting prisoners to a state detention facility. The department attributes the increased costs to rate increases for airline travel and lodging, along with a greater volume of prisoner transfers. There was a fiscal 1991 appropriation transfer of \$45,000 to cover increased costs in fiscal 1990.

Governor's Office

Citizens' Advocate

\$ 12,000 General Fund

The Governor is requesting a supplemental to fund toll-free telephone costs that have increased 71 percent over the number of calls budgeted by the 1989 legislature. The toll-free lines exist to provide accessibility to state government for Montana citizens. There was a fiscal 1991 appropriation transfer of \$5,700 to cover increased costs in fiscal 1990.

Department of Highways

Construction

\$ 3,969,000 State Special Revenue  
\$14,040,000 Federal Revenue

The Department of Highways is requesting a supplemental for additional spending authority to let to contract an additional \$18.0 million highway construction projects in fiscal 1991. The department states that it has fully obligated all available fiscal 1991 construction contract funds, and would be unable to let any additional projects for the remainder of fiscal 1991 without additional authority. The increased federal authority requested is not due to the availability of additional federal funds, but is to restore original federal authority as appropriated by the legislature. The department, utilizing language in the 1991 biennium appropriations bill, reduced federal authority and increased spending authority for state special revenue to fund over \$20 million of increases in the 1991 biennium to date for Reconstruction Trust Fund (RTF) projects above the legislative appropriation.

Maintenance - Road Oil

\$ 234,716 State Special Revenue

The Department of Highways is requesting a supplemental for anticipated increases in the cost of road oil for maintenance projects. The department used an estimate of a 30 percent increase in road oil costs. Road oil is bid on a calendar year basis, and the agency is attempting to lock in a price as soon as possible for this product.

Equipment Program - Gasoline/Supplies \$ 735,059 Proprietary Fund

The Department of Highways is requesting a supplemental for gasoline, shop supplies, and tires. Over 80 percent of the request is for gasoline, due to anticipated increases in the cost over fiscal 1991 appropriated levels. The agency used an estimate of a 62.7 percent increase in gasoline costs over fiscal 1990 costs. The amount requested for shop supplies and tires is also in anticipation of increased costs for petroleum based products.

Stores Program - Gasoline/Supplies

\$ 1,313,673 State Special Revenue

The Department of Highways is requesting a supplemental for gasoline, road oil, and rock salt. Nearly \$1.0 million of the request is for gasoline, due to anticipated increases in the cost over fiscal 1991 appropriated levels. The agency used an estimate of a 62.7 percent increase in gasoline costs over fiscal 1990 costs. The request for road oil is also due to petroleum product increases. The request for road salt is due to local governments requiring salt substitutes in place of basic road salt as a result of environmental issues. The Stores Program exists to purchase supplies for distribution to other operating programs in the department.

**Interfund Transfers - RTF Construction \$ 15,681,172 State Special Revenue**

The Department of Highways is requesting a supplemental for additional appropriation authority to transfer funds from the highways special revenue account to the Reconstruction Trust Fund (RTF) account to account for increased RTF construction payments over the original legislative appropriation. This request does not provide for increased spending authority, but provides authority for an accounting transfer for expenditures that are already obligated. The department increased RTF construction by a projected \$24 million over the original legislative appropriation, utilizing language in the 1991 biennium appropriations bill to reduce federal fund appropriation authority and increase state special revenue authority for RTF construction.

**Department of Revenue**

**Property Assessment**

**\$220,984 General Fund**

The Department of Revenue is requesting a general fund supplemental appropriation to fund contracted services (\$124,240) and equipment upgrades and repair (\$96,744) for the computer assisted mass appraisal system (CAMAS). The department has retained the firm that designed the system software and hired a system expert to facilitate timely completion of reappraisal. The mid range computer purchased to operate the CAMAS does not have sufficient processing capacity or disk storage to efficiently operate the system, necessitating an upgrade. The upgrade and additional equipment, including high speed printers for six county appraisal offices, are debt financed through fiscal 1996. Authority to continue debt finance and system contracts is included as a modified budget request in the Executive Budget.

**Department of Administration**

**Teachers' Retirement System**

**\$ 26,866 Trust Funds**

The Department of Administration is requesting a supplemental appropriation to continue current level services, such as mailing warrants, general correspondence, and providing estimates of retirement benefits and the cost to purchase service credit. The supplemental is necessary as an appropriation transfer transferred funds from fiscal 1991 to 1990 to meet higher than anticipated costs for data processing, printing the teachers' retirement handbook, and implementation of House Bill 421 (post retirement adjustment for certain members of the teachers', game wardens', sheriffs', and public employees' retirement systems).

**Department of Military Affairs**

**Firefighters' Lawsuit**

**\$ 30,000 General Fund**

The Department of Military Affairs is requesting a general fund supplemental appropriation to fund legal fees and expert witness costs for a lawsuit brought by firefighters in the Air National Guard Program. The lawsuit contends that the department did not properly credit earned leave time or correctly classify the positions.



ADDITIONAL SUPPLEMENTALS TO BE PRESENTED BY AGENCIES  
THAT ARE NOT INCLUDED IN THE BILL

Judiciary

Judicial Standards Commission                      \$ 3,500 General Fund

The Judicial Standards Commission investigates complaints against judges. Current year activity is projected to be greater than the amount budgeted.

Public Employees' Retirement Division                      \$ 73,818 Trust Funds

The Public Employees' Retirement Division is requesting a supplemental appropriation for several activities including: contracted services for a physician to advise the board on disability retirements; postage; supplies; and computer systems development. The bulk of the request (\$55,293) will be expended in computer systems development to continue the update of the retirement system. If the supplemental is approved by the legislature, then the modified budget request to continue this activity in the 1993 biennium may be reduced by the supplemental amount for systems development.

Department of Justice

Litigation Costs - Indian Affairs                      \$196,000 General Fund

The Department of Justice is requesting a supplemental on behalf of the Department of Fish, Wildlife, and Parks, for litigation costs already incurred and anticipated in connection with the Confederated Salish and Kootenai Tribes v. Montana court case. This action, filed in April 1990, sought a determination that the Tribes have exclusive jurisdiction over all hunting and fishing by nonmembers on the Flathead Indian Reservation. The Department of Justice utilized existing legal staff, hired an additional attorney, utilized a private attorney for consultation, and retained experts in conducting the litigation effort. A cooperative agreement was reached between parties in November 1990.

EXHIBIT 2  
DATE 1-18-91  
Gen. Govt. Sub

DEPARTMENT OF JUSTICE  
MOTOR VEHICLE DIVISION

Total Revenue collected in FY90	\$8,833,463
FY90 Expenditures	<u>4,778,818</u>
Net General Fund Impact	\$4,054,645 =====

EXHIBIT 7-18-91  
 DATE  
 Gen. Gov. Sec

REPORT DATE: 07/26  
 CONSTRUCTION DATE: 07/26  
 REPORT 3366.01  
 RECORD FOR AGENCY 4110  
 PART 2 - SUMMARY OF CENTERS  
 STATE OF MONTANA  
 CENTER 9100 - DEPT. OF JUSTICE (H.R. 2)  
 REPORTING CENTER FOR THE MONTH OF: FISCAL YEAR, 1990  
 DEPT. OF JUSTICE (H.R. 2)  
 REPORT DATE: 07/26  
 MICK ROBINSON  
 JUSTICE BLDG  
 SUMMARY  
 PERCENT ELAPSED TIME: YTD 100% (PAYROLLS 100%)

REPORTING CENTER	FY	BUDGET	CURRENT MONTH	CURRENT YEAR	PRIOR YEAR	ENCUMBERED	BALANCE
------------------	----	--------	---------------	--------------	------------	------------	---------

201 - REPORTING	07/01/89	06/30/90					
LEGAL SERVICES DIVISION							
BEGINNING BALANCE							
TOTAL BUDGETED INCOME	11,298,000.00						
1000-TOTAL PERSONAL SERVICES	955,717.00	3,757.50	12,595.00				1,395.00-
1000-TOTAL OPERATING EXPENSES	307,983.00	37,232.41	890,310.59				65,406.42
2000-TOTAL EQUIPMENT	34,450.00	14,160.51	212,344.82				95,638.18
3000-TOTAL DEBT SERVICE	34,450.00	3,720.00	31,828.75				2,621.25
TOTAL BUDGETED EXPENSES	1,298,150.00	55,460.42	1,136,869.15				2,085.00-
ENDING BALANCE			1,123,974.15-				161,580.85

205 - REPORTING	07/01/89	06/30/90					
AGENCY LEGAL SERVICES (H.R. 2)							
BEGINNING BALANCE							
TOTAL BUDGETED INCOME	532,500.00	47,159.57	557,428.94				34,929.94-
1000-TOTAL PERSONAL SERVICES	407,944.00	15,669.45	400,402.44				7,554.56
2000-TOTAL OPERATING EXPENSES	128,797.00	7,427.92	124,813.43				4,178.57
3000-TOTAL EQUIPMENT	34,216.00	7,073.04	31,957.68				2,662.31
TOTAL BUDGETED EXPENSES	548,957.00	27,166.40	538,974.56				11,982.44
ENDING BALANCE			30,454.38				30,454.38

207 - REPORTING	07/01/89	06/30/90					
GAMBLING CONTROL DIVISION							
BEGINNING BALANCE							
TOTAL BUDGETED INCOME	15,575,000.00	19,832.35	13,627,933.84				2,052,833.84-
1000-TOTAL PERSONAL SERVICES	379,754.00	42,375.25	878,578.35				1,175.65
2000-TOTAL OPERATING EXPENSES	573,590.00	15,041.94	281,862.52				250,717.41
3000-TOTAL EQUIPMENT	190,974.00	32,797.52	325,136.67				34,263.67-
TOTAL BUDGETED EXPENSES	1,144,318.00	90,214.71	1,285,577.54				82,900.00
ENDING BALANCE	13,630,682.00	322,593.35	13,305,577.34				299,630.45

212 - REPORTING	07/01/89	06/30/90					
NOTICE DIVISION (H.R. 2)							
BEGINNING BALANCE							
TOTAL BUDGETED INCOME	5,157,531.00	15,558.02	5,573,457.49				579,152.49-
1000-TOTAL PERSONAL SERVICES	3,317,340.00	12,554.97	3,242,247.31				75,532.65
2000-TOTAL OPERATING EXPENSES	1,440,237.00	70,371.54	1,457,957.15				17,615.15-
3000-TOTAL EQUIPMENT	163,733.00	10,360.50	78,717.50				85,065.50

*Handwritten signatures and initials:*  
 2005.000  
 2005.000  
 2005.000

437760 MONTANA

VEHICLE REGISTRATION & PAYMENT RECEIPT

VEHICLE INFORMATION  
YR MAKE MODEL STYLE COLOR  
TITLE NO. UNLADEN WGT LENGTH  
FUEL ENG  
EXPIRATION 100% 18% PLATE #2  
% SCH 3 55% PLATE TYPE  
EXEMPT STATUS

VEHICLE INFORMATION  
VEHICLE WEIGHT TAX FOR TRUCKS  
LICEN FEE (based on type of vehicle)  
REG FEE (State option)  
HPI FUND (Medical plan for certain HPI officers)  
MOSAFE (Motorcycle Safety Training fee)  
COTAX (County Tax)  
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Plate  
Plate Type  
Tab No.  
Date issued  
Exp. Date  
Prev. Plate

TON  
PSRT  
TAB NO.  
EXEMPT STATUS

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Amount of tax/fee

DESCRIPTION

DISTRIBUTION

01 GWTAX	\$ Gross Vehicle Weight tax for trucks	based upon weight	59 County - 95% Dept. of Highways
13 LICFEE	\$ License Fee (based on type of vehicle)	depending on type of vehicle	all county
12 REGFEE	\$ Registration Fee (State option)	\$5	State gen. fund
19 HPIFUND	\$ Medical plan for certain HPI officers	\$25.4	HPI retirement account
57 MOSAFE	\$ Motorcycle Safety Training fee	\$2.50/reg.	State - OSP
11 COTAX	\$ County Tax	2% of vehicle value	All county except 7% to district courts
14 COOPT	\$ Local option vehicle tax	.5% of value	All county
10 MVPLAT	\$ Fees for motor homes, campers, trailers	based upon use	All county except 7% to district courts
02 NEWUSE	\$ Sales tax on new vehicles	1.5% of list price	State - Highway account
17 JUNK	\$ Junk vehicle fee	\$1.50/title; 50¢ reg.	State - Dept. of Health
18 WEED	\$ Weed control fee	\$1.50/reg.	State - Dept. of Agriculture
15 FISHPK	\$ Snowmobile/Best Registration	\$2.50/reg.	State - F&F; 50¢ Justice
23 CENHND	\$ Centennial Plates		
31 CENPLT	\$ Centennial Plates	\$10	State \$5 gen. fund; County \$5
34 PERGNCW	\$ Personalized Plates - Renewal	\$10	State \$20 gen. fund; County \$5
38 PETRANS	\$ " - Transfer	\$25	
30 PEPLT	\$ " - New		County gen. fund
29 COPE	\$ " - County Share		State " "
15 TILCO	\$ Vehicle Title request - County share	\$1.50	all county
20 TITST	\$ " - State	\$3.50	
31 LIENFILE	\$ Filing of lien fee	\$4.00	
20 LATFEE	\$ Late Filing fee	\$10 fee/reg.	
21 DUPTAB	\$ Duplicate tabs		
22 DUPREG	\$ " - Registration		
33 DUPTITLE	\$ " - Title		
26 DUPPE	\$ " - Personal Plates		
37 DUPPLT	\$ " - Plates		
35 TILCOH	\$ Title correction		
57 ALVDECCAL	\$ off-highway vehicle - Reg.	\$2	State - F&F
54 ALVWEED	\$ " - Weed fee	\$1	State - Dept. of Agriculture
—	COUNTY TOTAL		
—	STATE TOTAL		
—	GRAND TOTAL		

BY UNDER PENALTY OF LAW THAT THIS VEHICLE IS INSURED AS REQUIRED BY MONTANA STATUTE, TITLE 61 CHAPTER 6, PART 3, MONTANA NOTATED. (25000330020500) EFFECTIVE 07/01/90 (2500033000010000)

REGISTRAR'S COPY

SIGNATURE

EXHIBIT

3

DATE

1-18-91

Gen. Govt. Sub

PUBLIC EMPLOYEES' RETIREMENT BOARD

FY 91 SUPPLEMENTAL BUDGET REQUEST

The Public Employees' Retirement Board, staffed by the Public Employees' Retirement Division of the Department of Administration, is charged with administering 8 public retirement systems for over 37,000 active and over 12,000 retired public employees and the federal-state Social Security Agreement. The last legislature appropriated \$904,765 for FY 90 and \$800,056 for FY 91 to fund this activity.

During FY 90, this agency reverted appropriations of less than \$900 in Operating Expenses at fiscal year end.

During FY 91, the best projections currently available anticipate that the agency will require an additional \$18,525 over our normal operating expenses as budgeted for FY 91.

As part of this agency's FY 90 budget, the 1989 Legislature appropriated \$83,000 to be used for updating the division's "active" computer system. During FY 90, \$33,000 was expended and the remaining \$50,000 was accrued for use in FY 91. To date in FY 91, \$38,000 of the \$50,000 accrual available for systems development has been expended for the new system. If programming work proceeds through the end of FY 91, ISD projects a total of \$105,293 will have been expended on this project during this fiscal year. Therefore, an additional \$55,293 is requested to supplement our FY 91 budget.

The following page details the Board's FY 91 supplemental request by specific expenditure categories.

The amounts requested are over and above what can be reallocated between various budget categories in order to cover projected funding shortfalls for the current year, while maintaining the level of services intended in that budget. Without this supplemental funding, the agency will be required to drastically curtail its public information services and to cease work on the "active" computer system.

Funding for this agency comes from the investment earnings on the pension trust funds administered by this agency. During FY 90, over \$91.9 Million in investment income accrued to these trust funds. The annual administrative budget represents less than 9.5% of the annual investment earnings of the trust funds. Any unexpended funds revert to the pension trust funds administered by this agency.

## PUBLIC EMPLOYEES' RETIREMENT BOARD

## FY 91 SUPPLEMENTAL BUDGET REQUEST

Obj. Exp.	FY 91 Total	Total	Supplemental
<u>Category</u>	<u>Approp.</u>	<u>Projected</u>	<u>Request</u>

2116 Medical Services	\$ 1,690	\$ 6,990	\$ 5,300
-----------------------	----------	----------	----------

The FY 91 budget did not anticipate contracted costs at \$600/month for a physician to advise board on disability retirements as required by 19-3-1003, MCA. (FY 90 expenditures totalled \$3,400 without this cost.)

2304 Postage	29,654	40,074	10,420
--------------	--------	--------	--------

A shortfall in actual versus budgeted costs will occur due to increased volume of mail plus an unanticipated 16% increase in postage rates to take effect in February (FY 90 expenditures for postage totalled \$36,599)

2241 Supplies	8,656	9,661	1,005
---------------	-------	-------	-------

A shortfall is projected due to an increase in rates charged for supplies by the State Auditor's office. (Increased rate is .013/piece X 77,356 pieces)

2172 Computer Processing			
2175 Systems Development	80,578	82,378	1,800

Due to slight increases in normal computer processing and systems development time required during this biennium for running and maintaining our current computer systems, and an increase in Systems Development Bureau rates to \$35/hour, a shortfall is projected for FY 91 which can not be made up from other budget categories. (FY 90 actual expenditures in these two areas totalled \$90,441 -- not including \$83,000 for new system development described below.)

<b>TOTAL SUPPLEMENT TO NORMAL OPERATIONS</b>			<b><u>\$ 18,525</u></b>
--	--	--	-------------------------

2172 Computer Processing	FY 90		
2175 Systems Development	Accrual		
	50,000	105,293	55,293

The 1989 Legislature appropriated \$83,000 as a one-time appropriation to be used for updating the division's "active" computer system. \$33,000 was expended on the development of a new active computer system in FY 90, leaving \$50,000 to be expended in FY 91. Due to an earlier than anticipated start-up date by ISD on this project, \$55,293 (over the amount remaining in the FY 90 accrual) is required to pay computer development charges for the remainder of FY 91. If this additional amount is not appropriated, work on the new system will cease and no projection is available about when ISD staff will be available to resume the project.

<b>TOTAL FY 91 SUPPLEMENTAL REQUEST</b>	<b><u>\$ 73,818</u></b>
---	-------------------------

EXHIBIT 4DATE 1-18-91  
Don Hovs

1101 00 00000

## LEGISLATIVE AUDITOR

Budget Item	Actual Fiscal 1990	Appropriated Fiscal 1991	- - Current Fiscal 1992	Level - - Fiscal 1993	Change 1991-93 Biennium
FTE	60.00	60.00	60.00	60.00	.00
Personal Services	1,777,381	1,856,168	1,929,980	1,928,077	6.18%
Operating Expenses	248,615	282,057	299,873	291,311	11.40%
Equipment	<u>33,525</u>	<u>32,727</u>	<u>33,116</u>	<u>35,315</u>	<u>3.29%</u>
Total Agency	\$2,059,521	\$2,170,952	\$2,262,969	\$2,254,703	6.79%
<u>Fund Sources</u>					
General Fund	1,024,932	1,119,316	1,154,114	1,149,898	7.45%
State Revenue Fund	<u>1,034,589</u>	<u>1,051,636</u>	<u>1,108,855</u>	<u>1,104,805</u>	<u>6.11%</u>
Total Funds	\$2,059,521	\$2,170,952	\$2,262,969	\$2,254,703	6.79%

## Agency Description

The Office of the Legislative Auditor, established in 1967, is governed by the Legislative Audit Act contained in Title 5, Chapter 13, MCA. Article V, Section 10(4) of the Montana Constitution mandates a legislative post-audit function. The office works under the supervision of the Legislative Audit Committee.

The office is divided into three functional areas: 1) Financial-Compliance Audits; 2) Performance Audits; and 3) Operations/Electronic Data Processing (EDP) Audits. The Financial-Compliance section performs biennial audits of all state agencies, an annual statewide financial audit, and a biennial federal single audit. The Performance Audit section conducts legislatively requested audits and performance audits of state agencies to determine program effectiveness, efficiency, and compliance with established laws, rules, goals, and objectives. EDP audits are evaluations of data processing systems and controls and are conducted independently and in conjunction with financial-compliance and performance audits.

## Current Level Budget

The Legislative Auditor's 1993 biennium current level increases 6.8 percent over the previous biennium. Personal

services increase 6.2 percent due to the fiscal 1991 pay plan increase continued in the 1993 biennium. In addition, the office projected personal service costs for all positions at the grade levels they were on the "snapshot" date. This included four vacant positions that are reflected at the grade levels held by the previous incumbents.

Biennial operating expenses reflect increases in contracted services, travel, and other expenses. The increase in contracted services relates to the office's need to hire consultants to complete the audit schedule (approximately \$19,600 per year). In fiscal 1990, the office spent \$2,922 of its \$22,500 budget for consultants. The office did not contract for consultants in fiscal 1990 in an effort to ensure spending authority was available to cover a funding deficiency in personal services. In addition, printing and typesetting costs are budgeted over the biennia at a constant level (approximately \$20,000 per year). Printing and typesetting costs were subsequently decreased in the Adjusted Cost Estimates budget modification (see below). Budgeted travel costs are increased \$7,369 for the biennium based on fiscal year 1991 budgeted amounts. Training and registration fees increase approximately \$6,000 in response to new continuing education requirements of governmental auditing standards for performance and financial-compliance auditors.

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## LEGISLATIVE AUDITOR

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System Planning Council and required it to develop and maintain a legislative branch computer system plan.

The council met during the interim and adopted the Legislative Branch Office Automation Plan. The plan includes: 1) ensuring compatibility amongst branch agencies; 2) implementing an EDP equipment replacement plan; and 3) planning for future technology. This budget modification implements the office's portion of the plan.

### Adjusted Cost Estimates

The office requests \$32,386 in the 1993 biennium for adjusted costs for consultants, data processing, printing, and subscriptions. The increase would

be funded 51 percent by general fund and 49 percent by state special revenue.

The majority of the increase represents the office's planned compliance with state and federal law and regulation. The amount for consultants represents an adjustment for a Peer Review required by Government Auditing Standards once every three years. The next Peer Review for the Legislative Auditor's office is scheduled for October 1991, at an approximate cost of \$20,000. The amount for consultants also includes \$10,000 per year for the statutorily required annual actuarial review of the State Compensation Insurance Fund. Other adjustments reflect increased use of the state's mainframe for completion of audits, increased subscription costs due to a prior budgeting error, and decreased printing costs.



EXHIBIT 5  
 DATE 1-18-91  
 BY Wm. H. H. S. W.

Legislative Auditor  
 New Audits 1985 through 1990  
 January 1991

AUDIT	FY 1986	FY 1987	HOURS/FTE FY 1988	FY 1989	FY 1990
SINGLE AUDIT	49	819	2124	746	2302
STATEWIDE AUDIT	6110	7526	7354	6550	5418
FAMILY SERVICES				1565	2605
LOTTERY (financial, observation, security)		286	1202	2309	412
SUNRISE					182
TOTAL	6159	8631	10680	11170	10919
DIRECT EFFECT ON FTE	3.9	5.5	6.8	7.2	7.0

Note: This does not include the required annual audit of the State Compensation Mutual Insurance Fund, effective for the fiscal year ended June 30, 1991.

EXHIBIT

5

DATE

1-18-91

Gen. H. J. Sul

**Legislative Auditor**  
**Audit Cost Estimates**  
 January 1991

Agency Audit	(1) Original Audit Approp	(2) Agency Audit Approp
Administration	\$80,302	\$87,179
-State Fund(2)	76,000	82,509
-SBAS(2)	28,679	31,135
-IPF(2)	18,641	20,238
-PERD	32,981	35,806
-TRD	21,509	23,352
Agriculture	24,377	26,465
Arts Council	14,340	15,568
Auditor's Office	22,943	24,908
-Central Payroll(2)	25,811	28,022
-Warrant Writer(2)	25,811	28,022
Commerce	71,698	77,839
-Health Facilities	5,162	5,604
-Board of Housing(2)	46,736	50,739
-Investments(2)	90,340	98,077
-Lottery(3)	113,655	123,389
Deaf and Blind	18,641	20,238
DNRC	38,717	42,033
Family Services	91,773	99,634
FWP	48,755	52,930
Governor's Office	16,491	17,903
-Approp Ctr Review(2)	15,774	17,125
Health & Environmental Sciences	48,755	52,930
Highways	64,528	70,055
Historical Society	20,792	22,573
Institutions	163,472	177,472
Justice	40,151	43,590
Judicial Branch	15,774	17,125
Labor and Industry	60,226	65,385
State Lands	37,283	40,476
State Library	14,340	15,568
Livestock	18,641	20,238
Military Affairs	21,509	23,352
Office of Public Instruction	47,321	51,374
Public Education	2,294	2,491
Political Practices	2,294	2,491
Public Service Commission	14,340	15,568
Revenue	111,849	121,428
Secretary of State	14,340	15,568
SRS	136,226	147,894
Board of Regents/CHE	18,641	20,238
-Eastern Montana College	63,094	68,498
-Montana State University	100,377	108,974
-Northern Montana College	51,623	56,044

-Montana Tech.	60,226	65,385
-Western Montana College	53,057	57,601
-GSL (CHE)(2)	6,023	6,538
-University of Montana	100,377	108,974
-Vo-Ed Advisory	3,728	4,048
-Billings Vo-Tech	25,811	28,022
-Butte Vo-Tech	27,245	29,579
-Great Falls Vo-Tech	25,811	28,022
-Helena Vo-Tech	27,245	29,579
-Missoula Vo-Tech	22,943	24,908
-Flathead Community College	25,000	25,000
-Miles Community College	18,000	18,000
-Dawson Community College	18,000	18,000
-Fire Serv. School	2,294	2,491

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TOTALS	\$2,412,770	\$2,614,190
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Calculated difference in Audit Cost Estimates: \$202,420.

- (1) Includes the Audit Cost Estimate by agency and the allocation for the annual audit of the General Purpose Financial Statements (Statewide Audit).
- (2) Represents column (1) adjusted to include the allocation of additional FTE to the Office of the Legislative Auditor (approximately 4.5 FTE).

Note: (a) In the past, 100 percent of any Pay Plan adjustments were funded by the General Fund and were not allocated to the agencies through the audit cost estimates. An allocation of approximately 50 percent of any increase in the Pay Plan could be allocated to the agencies through these audit cost estimates.

(b) This list provides audit cost estimates for all agencies requiring biennial or annual audits. Some of these audits are conducted by private CPA firms under contract with the agency and the Office of the Legislative Auditor. The costs associated with those audits are not included in the appropriation of the Legislative Auditor and would not be reflected in the office revenue estimate for the Special Revenue Fund.

EXHIBIT

5

DATE

1-18-91

BY

Hon. Mark S. ...

Legislative Auditor  
Hours on Legislative Requests and Projects  
January 1991

	<u>CY 1984</u>	<u>CY 1985</u>	<u>CY 1986</u>	<u>CY 1987</u>	<u>CY 1988</u>	<u>CY 1989</u>	<u>CY 1990</u>
LEGISLATIVE REQUESTS	37.0	1099.5	2441.5	3394.0	2653.5	4635.0	3017.0
SPECIAL PROJECTS	1737.0	2834.0	5708.0	10165.5	10912.0	9087.0	7697.0
TOTAL	<u>1774.0</u>	<u>3933.5</u>	<u>8149.5</u>	<u>13559.5</u>	<u>13565.5</u>	<u>13722.0</u>	<u>10714.0</u>
DIRECT EFFECT ON FTE	1.1	2.5	5.2	8.7	8.7	8.8	6.9

EXHIBIT 5DATE 1/18-91  
Gen. Gov't DivPERFORMANCE AUDITS

**BACKGROUND** Performance audits conducted by the Office of the Legislative Auditor are designed to evaluate the results of state government and state financed programs. The audits assess the effectiveness and efficiency of program operations and determine whether program activities are accomplishing their intended purpose. Section 5-13-308, MCA, states that audits conducted by the Legislative Auditor are to determine whether an agency is carrying out only those programs or activities authorized by the legislature and is conducting them efficiently and effectively.

**STAFFING** Performance audit is staffed by 12 personnel. Staff members hold advanced degrees in disciplines appropriate to the audit process. Areas of major expertise include business and public administration, statistics, economics, mathematics and engineering.

**RECOGNITION** The Performance audit group was selected by the National State Auditor's Association to be one of five members of a national task force to review the guidelines used to evaluate other performance audit organizations. This designation recognized the ability and expertise of the Office in the area of performance audit and allowed the Office to have important input into the development of the standards by which performance audits in all states are conducted.

In 1988 the Performance audit group received a national award from the Legislative Program Evaluation Section of the National Conference of State Legislatures. The award received by Montana recognized the office's contributions to the field of program evaluation, its continued excellence in evaluation and audit, and its role in affecting national/state issues.

**AUDITS** Since July 1, 1985 to January 1, 1989 the staff completed approximately thirty full scale performance audits and ten audit surveys. The staff was also involved in approximately 60 legislative requests of various sizes, a number of special projects, and three major followups on previous audits. The major audits include: the Coal Board, Monitoring of Montana Job Training Programs, Property Assessment Division, Mainframe Computer Security (EDP), Disaster Recovery (EDP), three Medicaid audits, Forensic Science Division, Lottery Security, Property and Supply, and General Services. The staff handled legislative requests in the areas of liquor store closures, SRS Food Commodities program, AFDC caseload, Law Enforcement Academy sites, prison explosion, FWP sign shop, the Human Rights Commission, DNRC Building costs, Job Training programs, MSU Nursing programs, early retirement for public employees, and the GVW program. Followup audit work was conducted on the U of M Physical Plant, Job Training programs, the Montana Liquor Division and state telephone usage.

## SAVINGS

Recommendations in performance audit reports have resulted in savings to the state. In some cases the savings cannot be quantified. For example: improvements in management and the way programs are run save manpower, and that manpower can be redirected to other activities. Other recommendations save dollars, but the actual amount cannot be estimated even though it was apparent implementing the recommendation would result in a benefit to the state. Other recommendations address the need for a better run program. Some major examples are:

- the reduction in the number of financial districts for the Department of Highways, which reduced overhead and provided for more effective use of highway funds;
- improve grant criteria and monitoring of modifications to training plans to provide for better control of Job Training Programs and funds;
- redesign and consolidate the Medicaid forms used by eligibility technicians to provide for more eligibility determination time;
- consolidation of overlapping/similar management information reports regarding job training program activities will minimize data processing costs and duplication of staff effort;
- improve the handling and tracking of evidence at the Forensic Science Division to provide for adequate control over the chain of evidence
- reconsider the role of the Coal Board since the initial impacts such as school construction and water and sewer projects have been met.
- implement policies and procedures for the acquisition, use and maintenance of microcomputers (statewide) to establish better control over the state's data and resources.
- clarify independent contractor status to prevent unnecessary payment of employee benefits for some contractors and limit state liability in the case of damage or injury resulting from work being done by an independent contractor
- implementation of a monitoring program, a statewide mapping project, and an annual review of tax exempted properties could result in additional real and personal property on tax rolls; and
- implementation of nine recommendations to improve work flow at the Workers' Compensation Division could result in administrative savings due to increases in efficiency.

DATE

1-18-91

Gen. Gort

For those recommendations where cost savings were identified, a few examples are:

STATE-OWNED AND LEASED LAND:

- 1) Remove unproductive small land parcels from inventory and consolidate state lands into manageable tracts - \$285,000 additional to the trust and \$100,000 increase in revenue
- 2) Establish fees to cover processing costs - \$ 53,000/year
- 3) Set lease rates of cabin and commercial sites at market values of leases - \$ 13,369/1st Yr
- 4) Verify oil and gas production on trust land (additional royalties -\$200,000)

MSU PHYSICAL PLANT (PELLET CONVERSION):

- 1) More cost effective to stay with natural gas with back up system - \$372,000/Year

STATE LAW ENFORCEMENT ACADEMY:

- 1) If there is a use for current buildings purchase the buildings rather than continue to lease - \$104,000

LIQUOR DIVISION:

- 1) Various recommendations related to keeping liquor inventory at a minimum - \$609,000
- 2) Accelerating inventory turnover (results in annual interest income of \$618,000)
- 3) Discontinue required tax stamp - \$275,000

STATE MOTOR POOL:

- 1) Base fleet size on meeting less than 100% of user request and reduce fleet size - \$839,000

PURCHASING:

- 1) Centralize the bidders' list - \$100,000
- 2) Supply agencies with bidder's lists - \$250,000
- 3) Use requisition cancellations - \$ 16,800
- 4) Raise dollar limits for agency purchases - \$62,500/year

PHOTOCOPY POOL

- 1) Establish a term contract for the acquisition of photocopiers for the photocopy pool - \$ 60,000/year

REJECTED BIDS

- 1) Administrative changes to reduce the number of bids that are rejected - \$ 22,000/year

**CURRENT  
WORK**

Audits currently in progress or scheduled include:

- Withholding Tax Division
- GVW Program (Highways)
- Junk Vehicle Program
- Payroll/Position/Personnel System
- Department of Family Services
- Lottery Security Followup
- State's Grant and Bonding Programs
- Tort Claims Division
- Science and Technology Grant Program
- Alternate Health Care Licensing
- Records Management
- Job Service Offices





EXHIBIT 6

DATE 1-18-91

Ken Hor

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OCTOBER 15, 1984

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MONTANA LEGISLATIVE AUDITOR

## SINGLE AUDIT ACT OF 1984

Text of S. 1510, as passed by the Congress, Section-  
by-Section Analysis, and Statements Made  
in the Senate and House

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EXHIBIT 7

DATE 1-18-91

Ben Galt Sr

AGENCY: Office of the Secretary of State

DATE ISSUED: May 23, 1989 REPORT NUMBER: 88-25

AUDIT PERIOD: Fiscal Years 1987 and 1988

AUDIT TYPE: Financial Compliance

OPINION: Schedule of Changes in Fund Balance--Qualified  
All Other Schedules--Unqualified

BUDGETARY/APPROPRIATION ISSUES:

UCC Special Revenue Fund Transfer - We determined the fund balance transfer to the General Fund mandated by state law was not made at fiscal year-end 1986, 1987, and 1988. At fiscal year-end 1988 the UCC Special Revenue Fund Balance was \$162,000. This caused an understatement of the state's General Fund Balance of \$162,000 and an overstatement of the UCC Special Revenue Fund Balance of \$162,000 at fiscal year-end 1988. PAGE 4, RECOMMENDATION #1.

Cash Controls - We noted checks were not endorsed immediately upon receipt in the UCC Bureau as required by state policy. Collections also were not maintained in a locked box or otherwise adequately secured in the UCC and Elections Bureaus as required by state policy. We also noted undeposited checks in the UCC Bureau exceeding the maximum allowable limit of \$500 set by state policy. During the audit undeposited receipts in the Corporation Bureau ranged as high as \$48,000. We did not calculate the interest effect of these undeposited receipts. PAGE 6, RECOMMENDATION #2.

Canvassing Information Charges - The Secretary of State's Office distributes canvassing information on computer diskettes. State law is unclear regarding amounts to be charged for information reproduced onto computer medium and does not grant the Secretary of State authority to set such fees. PAGE 7, RECOMMENDATION #4.

3 PRIOR AUDIT RECOMMENDATIONS:

Status: 1 implemented, 1 not implemented, 1 not applicable.

Note: The Office did not concur with the recommendation not implemented.

For information regarding this audit report, please contact Wayne Guazzo at the Office of the Legislative Auditor, telephone number 444-3122.

AGENCY: Office of the State Auditor

DATE ISSUED: May 1989 REPORT NUMBER: 88-17

AUDIT PERIOD: Fiscal Years 1987 and 1988

AUDIT TYPE: Financial Compliance

OPINION: Schedule of Changes in Fund Balance, Schedule of Revenue,  
Schedule of Expenditures 1988--Adverse  
Schedule of Expenditures 1987--Unqualified

BUDGETARY/APPROPRIATION ISSUES:

Revenue Classifications - The collection of insurance premium taxes was recorded on the state's accounting records as a license and permits revenue type. The insurance premium taxes should have been classified as taxes. In fiscal year 1987-88 revenue of \$38,214,523 was misclassified. Similarly, in 1986-87 revenue of \$24,149,745 was misclassified. The misclassifications affect the General and Special Revenue Funds. PAGE 3, RECOMMENDATION #1.

Retirement Accruals - The office did not establish expenditure accruals for amounts owed to PERD for retirement funds. Expenditures and liabilities in the Special Revenue Fund are understated by \$6,565,649 in fiscal year 1987-88. PAGE 4, RECOMMENDATION #2.

Uncleared Collections - The office did not clear out its uncleared collections account by fiscal year-end 1987-88. The balance of \$150,644 remaining in the uncleared collections account should have been distributed to the General Fund (\$124,057) and Special Revenue Fund (\$26,588). PAGE 4, RECOMMENDATION #2.

Transfers to the General Fund - The entire cash balance remaining in the security and insurance regulatory trust accounts is supposed to be transferred to the General Fund at fiscal year-end. The office did not transfer \$375,336 and \$116,820 from these accounts to the General Fund at fiscal year-end 1986-87 and 1987-88, respectively. The office only transferred the amount of the transfer appropriation rather than the cash balance. PAGE 5, RECOMMENDATION #3.

Firefighters' Unified Retirement Supplement - The office did not transfer the entire amount of Firefighters' Unified Retirement supplement requested by PERD even though the office had sufficient money to give PERD the entire amount requested. PERD did not receive \$18,189 of their request in fiscal year 1987-88 and \$13,426 of their request in 1986-87. PAGE 6, RECOMMENDATION #4.

Investment Requirements - The money in the insurance and security regulatory trust accounts were not invested for the benefit of the accounts. State law required the office to invest the money for the accounts. PAGE 7, RECOMMENDATION #5.

EXHIBIT 7  
DATE 1-18-91  
Gen. Govt Sec

AGENCY: Department of Fish, Wildlife and Parks  
DATE ISSUED: April 1989 REPORT NUMBER: 88-13  
AUDIT PERIOD: Fiscal Years 1987 and 1988  
AUDIT TYPE: Financial Compliance  
OPINION: All Financial Schedules--Unqualified

BUDGETARY/APPROPRIATION ISSUES:

Spending Non-General Fund Money Before Using General Fund Moneys - The department had unspent appropriation authority funded by coal tax moneys and camping fees at the end of fiscal years 1984-85 and 1985-86. The department concurred with our recommendation to revert the proper amounts to the state General Fund. The department reverted \$11,276 relating to fiscal year 1985-86 to the General Fund; however, the department did not revert \$27,362 relating to fiscal year 1984-85. PAGE 3, RECOMMENDATION #1.

3 PRIOR AUDIT RECOMMENDATIONS:

Status: 2 implemented, 1 partially implemented.

AGENCY: Department of Institutions

DATE ISSUED: June 1989 REPORT NUMBER: 88-7

AUDIT PERIOD: Fiscal Years 1987 and 1988

AUDIT TYPE: Financial Compliance

OPINION: Schedule of Changes in Fund Balances,  
Schedules of Expenditures, and Schedule  
of Agency Fund-Additions and Deductions--Unqualified  
Schedule of Revenue--Qualified

**BUDGETARY/APPROPRIATION ISSUES:**

Potential Medicaid Recoveries - Certain institutions receive reimbursements from Medicaid moneys through the Department of Social and Rehabilitation Services (SRS) for services provided to eligible residents. We found two situations in which the department could have been reimbursed at a higher rate for per diem.

Medicaid payments consist of federal money matched with state General Funds, so the reimbursement rate is affected by the availability of state matching funds. In order to limit the amount of state matching funds expended, SRS limited increases in rates to 9 percent a year during the audit period for cost-based facilities. The Montana Developmental Center and Eastmont Human Services Center are classified to receive Medicaid per diem payments at a cost-based rate. By documenting the institutions' General Fund expenditures as additional state matching funds, the department could have recovered an additional \$1,150,000 in federal funds in fiscal years 1987 through 1989. By eliminating the appropriation for Medicaid General Fund match at SRS and treating institutions' General Fund expenditures as match, as was done in the 1991 biennium budget, the department should be able to document sufficient match to obtain the full allowable rate in the future.

The rate reimbursed by Medicaid depends on the level of care for which each institution is classified. The department could receive higher Medicaid reimbursement by seeking reclassification of the Montana State Hospital's Long Term Care Unit from a nursing home to an institution for the mentally diseased over 65 years of age. Had the unit received reimbursement at the alternative per diem rate, the state could have recovered nearly \$450,000 more in federal funds during fiscal years 1987 through 1989. PAGE 7, RECOMMENDATION #1.

Internal Control Weaknesses - There are weaknesses in the department's pharmacy, payroll, inventory and fixed asset, computer security, resident accounts, and collections control systems. PAGES 12 TO 25, RECOMMENDATIONS #5 TO 15. These weaknesses include:

1. A lack of procedures to reconcile billings for prescriptions to the department's medical charts and weaknesses in physical security over prescription medications (PAGE 12, RECOMMENDATION #5).
2. Evidence or indications of sick leave abuse by Montana State Prison, Montana State Hospital, and Montana Youth Treatment Center employees (PAGE 14, RECOMMENDATION #6).

[illegible]

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