

Department of Audit

Agency Information:

Director:

Jeffrey C. Vogel

Contact Person:

Dennis Grenier, Administrator
Herschler Building, 4TH Floor West
Cheyenne, WY 82002
(307) 777-6600

Website:

<http://audit.wyo.gov>

Other Locations

Casper, Wyoming, one Mineral Audit Division Field Inspector
Evanston, Wyoming, one Excise Tax Division Audit Position
Sheridan, Wyoming, one Excise Tax Division Audit Position and one Mineral Audit Division Field Inspector
Houston, Texas, one Excise Tax Division Audit position

Statutory References:

Title 9: W.S. 9-1-403: W.S. 9-1-507 through 9-1-513: W.S. 9-2-2003: W.S. 16-4-101 through 16-4-125: W.S. 17-16-1631: W.S. 21-2-203: W.S. 28-1-115: W.S. 31-18-201: W.S. 33-11-101 through 33-11-116: W.S. 35-1-627: Title 39; W.S. 39-11-102: W.S. 39-15-102: W.S. 39-16-102: W.S. 39-17-102: W.S. 39-17-202: W.S. 39-17-208: W.S. 39-18-107: Title 13: W.S. 40-14-101 through 40-14-702: W.S. 40-19-101 through 40-19-120: W.S. 40-22-101 through 40-22-129: and W.S. 40-23-101 through 40-23-123.

Basic Information:

Number of Employees:

110

Clients Served

The Administration Division serves the Department of Audit. The Mineral Audit Division serves the general public, the Federal government, the Department of Revenue, Office of State Land and Investments, mineral taxpayers, active state and federal lessees. The Excise Tax Division serves the general public, the Departments of Revenue and Transportation, the Secretary of State, International Registration Plan, Inc., International Fuel Tax Association, Inc., Wyoming Vendors and Consumers, U.S. States and Canadian provinces. The Public Funds Division serves the general public, state and local government entities. Clients served by the Division of Banking are providers and users of financial services.

Boards and Commissions

State Banking Board

Agency to Which Your Group Reports:

Department of Audit, Division of Banking

Number of Members:

Seven

Meeting Frequency

As needed, generally twice per year

COLLECTION AGENCY BOARD

Agency to Which Your Group Reports:

Department of Audit, Division of Banking

Number of Members:

Three

Meeting Frequency:

Monthly

Budget Information/Expenditures for FY16

The biennial budget for 2015-2016 is \$23.7 million. The budget consists of \$12.8 million in general funds, \$5.0 million federal funds and \$5.9 million other (fee) income.

Expenditures for fiscal year 2016 were:

General Funds	\$ 5,678,430
Federal Funds	\$ 2,524,793
Other Funds	<u>\$ 3,157,950</u>
Total	\$11,361,173

Core Business/Primary Functions:

The Department of Audit will audit and regulate to promote compliance with state revenue collections, state and local government accounting requirements and the regulation of financial service providers.

The Department is in the compliance business with three primary functional areas:

Revenue: Supports revenue collection by conducting audits to verify payments of the state’s self-reporting taxes, fees and royalties. Without audits, there would be no verification of monies paid to the state or additional collections. The Excise Tax Division and Mineral Audit Division monitor the taxes assessed through audits and compare the audited taxes to the amount of taxes paid to the administrative agencies by periodic tax returns. Risk-based audits are performed utilizing risk analysis, which identifies high-risk tax and royalty payers with low compliance percentages.

Accounting: Is responsible for the State’s single audit and its comprehensive annual financial report, which are performed through contract audits. Audits are performed of school districts and state agency performance measures to verify the accuracy of the reporting. Financial reports submitted by local government entities are monitored for accuracy and completeness and are compiled into the Cost of Government. This provides assurance that funds and assets are properly accounted for and information provided leadership is accurate. Without these audits, federal funds could be at risk.

Financial: The integrity of the state banking system and individual banks are maintained through the administration of Title 13, and federal banking regulations. The Division of Banking supervises all state-chartered financial institutions and is responsible for their safety and soundness examinations. The Division also licenses and examines various grantors of consumer credit to ensure compliance with consumer protection statutes. The Division of Banking is self-funded through the collection of supervisory and licensing fees.

Performance Highlights/Major Accomplishments of FY2016

Revenue:

- The performance measure for the Revenue function is the percentage of state revenue paid correctly. The percentage of state revenue paid correctly for FY16 was 99.6%. The compliance for the revenue function includes the Mineral Audit Division and the Excise Tax Division.
- Revenue compliance for the Mineral Audit Division was 99.7% for FY16. Sixty-two (62) audits were completed and \$6.1 million was assessed as well as possible refunds totaling \$1.2 million. Collections for FY16 totaled \$4.6 million with refunds of \$1.2 million. The average assessments for the last three years are \$6.2 million and average collections are \$8.3 million.

There are approximately 1,030 mineral producers in the state. The top 100 mineral taxpayers make up more than 95% of the mineral taxable value. So the emphasis is to analyze these taxpayers.

- The revenue compliance for the Excise Tax Division was 98.6% for FY16. The division completed 497 audits and \$2.6 million was assessed as well as possible refunds totaling \$1.3 million. Collections for FY16 totaled \$3.1 million. The average assessments for the last three years are \$7.7 million and average collections are \$5.6 million.

The Excise Tax Division is mandated to audit 3% of both the International Fuel Tax Agreements (IFTA) and International Rate Programs (IRP) programs; however, the overall audit coverage is less than one percent of the total audit population. There is a licensed audit population of over 251,000 as well as over 500,000 individuals throughout the State of Wyoming and the international jurisdictions (US States/Canadian Provinces).

This fiscal year 497 audits were completed which are the highest number of audits completed in over a decade. This is due to minimal turnover resulting in a trained staff and more time to concentrate on audits of a higher risk.

There is a rapidly growing problem of businesses suppressing sales in this country. The Excise Tax Division has taken a proactive stance and has taken action to combat this issue. Auditors are being educated and provided tools to help them detect sales suppression in restaurants and other businesses using point of sale (POS) systems in the state.

The Department of Revenue (DOR) occasionally receives refund requests from taxpayers. DOR then asks the Excise Tax Division to audit these refund requests to true up to what the refund should actually be. Although \$1.3 million was refunded, these audits saved the state several hundred thousand dollars compared to what was originally requested.

The divisions continue to provide training to auditors as required by Generally Accepted Government Auditing Standards (GAGAS).

The use of sampling techniques allows for greater coverage of complex companies while reducing costs.

Accounting:

- The performance measure for the Accounting function is the Percentage of government entities complying with accounting requirements and regulations. The overall compliance for the Accounting function includes three factors: school finance audits; state agency performance measures audits; and local government reporting. The overall compliance for FY16 was at 88%.
- The Accounting compliance for the school finance audits section was 96.9% for FY16.

Twelve school districts had complete audits of the funding model to ensure that all high risk elements reported were accurate.

- There were no compliance audits of state agency performance measurements completed for FY16.
- The accounting compliance for local government reporting was 79%.

Local government entities compliance with reporting requirements as well as their timeliness of reporting has been fairly constant. Annual training is provided to conservation districts and to local governments at every opportunity.

Seven audits of local governments were completed in FY16.

Special audits were completed in FY16 at the request of law enforcement and other state officials. The Division assists or requests the assistance of law enforcement in the completion of forensic audits and the prosecution of criminal cases. Several of these requests are completed each year.

Financial

- The condition of financial services providers is satisfactory. The overall bank health index rating decreased slightly in FY16 from 1.44 to 1.46 (scale of 1-5 with 1 being strong and 5 being critically deficient).

There are 1,230 charters and licensees eligible for examination consisting of 26 banks and 57 branches, 5 trust companies, 587 mortgage companies and branches, 541 Uniform Consumer Credit Code (UCCC) entities, and 71 money transmitters. Ninety-two examinations were conducted in FY16 consisting of 12 bank, 2 trust company, 52 mortgage company, 24 UCCC entity, and 2 money transmitter examinations, or 7.48% of the charters and licenses eligible for examination. There are also 2,694 licensed individual mortgage loan originators and 38 licensed Rent-to-Own entities that are not examined. The Division of Banking also provides administrative support of 468 debt collector licenses for the Collection Agency Board. No examinations of these companies are conducted.

Financial services providers continued to operate in an environment of historically low interest rates. Providers (including banks) remain in satisfactory to strong financial condition despite the low interest rates and continue to grow in size and locations. Financial companies reacted to the FY16 Wyoming economic downturn with only a slight deterioration registered in bank performance measures by yearend.

Legislation enacted in FY15 to enhance trust company charter statutes allowed family trust companies to charter with the commissioner beginning in FY16. The legislation also allowed for trust companies to organize as limited liability companies rather than solely as corporations. Two companies, a corporation and an LLC, applied for public trust company charters in FY16, the first applications since 2011. One existing trust company converted to a family trust company charter. The Commissioner approved rules for trust company fees that were approved in the FY15 legislation.

