

**General Information**

Michael Geesey, Director

**Agency Contact**

Dennis Grenier, Administrator

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Department of Audit, Herschler Building, 3rd Floor East, Cheyenne, WY 82002

<http://audit.state.wy.us>

**Other Locations**

Casper, Wyoming, one Mineral Audit Division Field Inspector and one Excise Tax Division Audit Position

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 16-4-124: 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.

**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.

**Budget Information**

General Funds	\$ 6,987,908
Federal Funds	\$ 2,285,446
Other Funds	<u>\$ 2,152,734</u>
<b>Total</b>	<b>\$11,426,088</b>

## **BOARDS AND COMMISSIONS**

### STATE BANKING BOARD

#### **Agency to Which Your Group Reports**

Department of Audit, Division of Banking

#### **Number of Members**

Seven

#### **Meeting Frequency**

Quarterly

### COLLECTION AGENCY BOARD

#### **Agency to Which Your Group Reports**

Department of Audit, Division of Banking

#### **Number of Members**

Three

#### **Meeting Frequency**

Monthly

Name of Department /Division/Program: Department of Audit

Report Period: FY2011 (July 1, 2010 through June 30, 2011)

### **Wyoming Quality of Life Result:**

The Department of Audit supports Wyoming state government as a responsible steward of state assets and effectively responds to the needs of residents and guests. (Result #6 Government)

### **Contribution to Wyoming Quality of Life:**

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

### **Basic Facts:**

The Department of Audit had 118 authorized positions as of June 30, 2011. The biennial budget for 2011-2012 is \$24.7 million of which \$14.8 million is general funds, \$5.1 million federal money and \$4.8 million other (fee) income.

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 at a cost of \$13.3 million for the 2011-2012 biennium including \$5.1 million in federal funds. Without audits, there would be no verification of monies paid to the state or additional collections of \$76.0 million in mineral payments or \$15.1 million in the excise tax payments over the last three years (FY09, FY10, FY11).

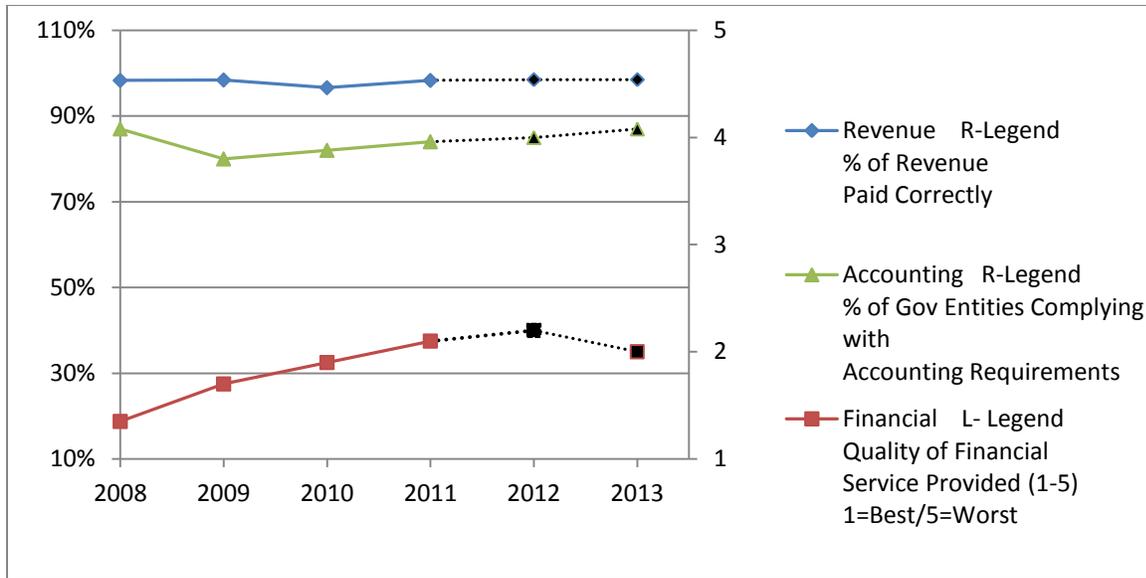
**Accounting:** Is responsible for the State's single audit and its comprehensive annual financial report, which are performed through contract audits. Perform audits of school districts and state agency performance measures to verify the accuracy of the reporting. Financial reports submitted by local government entities are monitored for accuracy and completeness and are compiled into an annual report. This provides assurance that funds and assets are properly accounted for and information provided leadership is accurate. The cost is \$6.4 million for the 2011-2012 biennium. Without these audits, federal funds could be at risk as well as the accuracy of accounting information reported to the legislature, state and federal agencies, and the general public.

**Financial:** Regulation and examination of state chartered banks and licensed credit providers protect Wyoming consumers and support the availability of safe and sound financial services at a cost of \$5.0 million for the 2011-2012 biennium. This area is self-funded through licensing fees, examination fees, volume fees, and assessments on the assets of state chartered banks.

### **Performance Measures**

The performance measures most important to our work are:

- 1: Percentage of State revenue paid correctly.
- 2: Percentage of government entities complying with accounting requirements and regulations.
- 3: Quality of financial service providers (1-5 ranking with 1 being a high quality provider).



**Story Behind The Last Year of Performance:**

**Revenue:** Last year, the revenue area assessed \$5.02 for every dollar spent and collections for the last year totaled \$17.5M. The Excise Tax Division and Mineral Audit Division monitors the taxes assessed through audits and compares the audited taxes to the amount of taxes paid to the administrative agencies by periodic tax returns. The divisions compare the cost of performing audits to audit collections. The comparison reveals a positive assessment to cost ratio. The divisions track auditor hours, travel costs, and other expenses for each audit performed. Risk-based audits are performed based upon various factors that contribute to the probability that an error in paying taxes and royalties will exist. Risk-based audits are determined by utilizing risk analysis, which identifies high-risk tax and royalty payors. The Mineral Audit Division audits the top 100 mineral taxpayers once every three years which make up 95% of the taxable value. The Excise Tax Division is mandated to audit 3% of both the IFTA and IRP programs; however, the overall audit coverage is less than seven tenths of a percent of the total audit population. Eighty-seven mineral audits and 437 excise tax audits were completed last year.

**Accounting:** The overall compliance for the Accounting function was 84% which is an increase from the previous year. The School Finance section is charged with auditing the K-12 school finance system and is 95.2% compliant. Ten full school districts were audited last year and one element audit was performed on the remaining school districts. This provides a timelier and more useful report to the users. We are able to determine in a one year period what issues exist with a particular element and whether or not the data reported by school districts for school foundation funding is accurate. Two state agencies were audited for compliance with performance measures in FY11 with a compliance ratio of 85%. A self-assessment process is performed by agencies which has helped to improve the accuracy of the performance measures and has helped in the collection and maintenance of the data. Local government entities reporting requirements is 71% compliant. There is still a need for improvement through additional training, investigation, audits and enforcement actions. Legislation passed in 2009 requiring all public entities to adopt a June 30 year end will eventually make our census reporting and fiscal monitoring more efficient. We provide annual training for Conservation Districts and training is provided to local governments whenever we have an opportunity. This will continue in the future and we will attempt to provide more each year.

**Financial:** The condition of financial services providers has been satisfactory at 2.2. The downturn in the economy has strained the condition of the banking and mortgage industry as well as the division's resources. A large number of mortgage companies and consumer credit companies have abruptly exited the business and banking conditions have weakened creating the need for additional safety and soundness and consumer protection supervision and examination. With statutorily mandated examinations of state banks and periodic examinations of licensed credit providers, overall financial, managerial, and compliance performance has been satisfactory.

### **What Has Been Accomplished?**

**Revenue:** For FY11, revenue compliance was at 98.3 percent for entities audited. The revenue area assessed \$25.5M and collections for last year totaled \$17.5M. There were 87 mineral audits and 437 excise tax audits completed last year. Access to the administrative agencies (Department of Revenue, Department of Transportation, Office of Natural Resources Revenue) databases, which provides taxpayer information, has improved risk analysis and has increased focus on high-risk business sectors with low compliance percentages. The divisions continue to provide technical training to auditors as required by Government Auditing Standards. The use of sampling techniques has increased, which allows greater coverage of complex companies while reducing costs. Movement to a paperless file system will allow remote access to data by auditors, allow "real time" updates and timely supervisory reviews of audit data.

**Accounting:** Last year the percent of government entities complying with accounting requirements increased from 82 percent to 84 percent. Two state agencies were audited in FY11 with a compliance ratio of 85percent. Compliance with reporting requirements for local government entities was 71 percent. Continued assistance and training is being provided to towns and medium sized special districts. The number of audits of towns and special districts will continue to increase. Ten school districts had complete audits of the funding model and all 48 districts had an element of the funding model completed. Compliance was satisfactory at 95.2 percent.

**Financial:** The division continued to perform quality examinations of state chartered and licensed financial institutions to ensure the availability of quality financial services for Wyoming residents. One hundred seventy nine safety and soundness, and consumer credit examinations were conducted which is approximately 20 percent of licensees, excluding individuals. The division continued its examinations of mortgage lenders and brokers under the Wyoming Residential Mortgages Practices Act to ensure consumer protection against predatory lending practices and identifying mortgage fraud within the industry. Work and training continued on expanding examination scope and coverage for all financial institutions to ensure compliance with anti-money laundering and anti-terrorism financing requirements, identity theft prevention measures, and Internet banking security.