

Department of Audit
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<http://audit.state.wy.us>

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

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.

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.

General Funds \$5,507,768

Federal Funds \$1,659,781

Other Funds \$1,573,726

Total \$8,741,275

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: FY2007 (July 1, 2006 through June 30, 2007)

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 121 authorized positions as of June 30, 2007. The biennial budget for 2007-2008 is \$20.8 million of which \$13.0 million is general funds, \$4.2 million federal money and \$3.6 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 \$12.0 million for the 2007-2008 biennium including \$4.2 million in federal funds. Without audits there would be no verification of monies paid to the state or additional collections of \$87.5 million in mineral payments or \$24.4 million in the excise tax payments over the last three years.

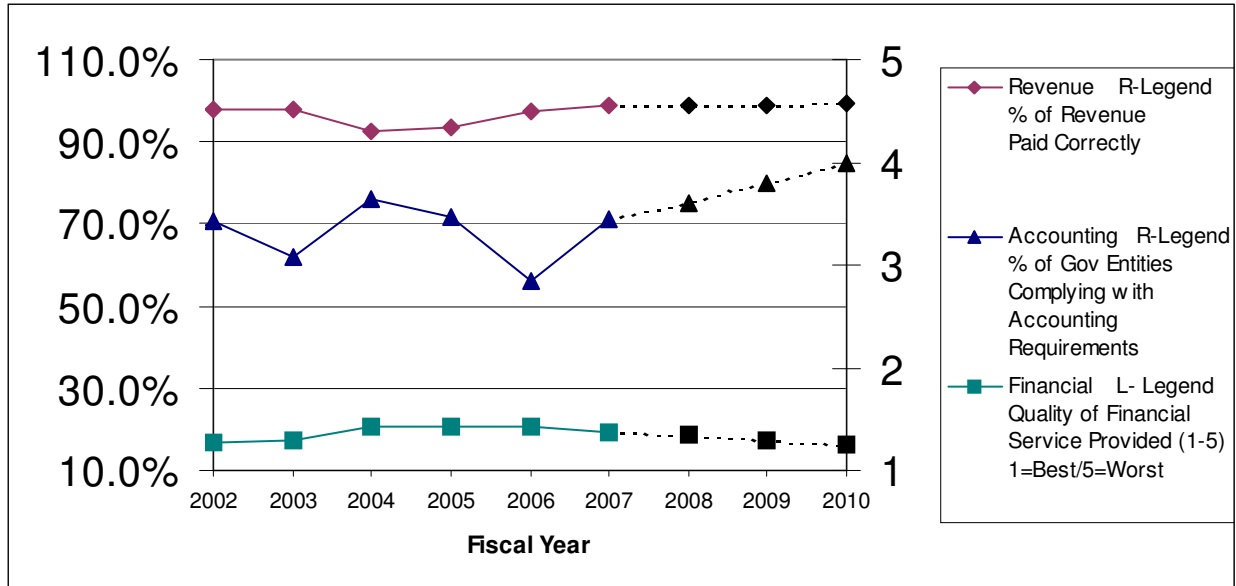
Accounting: State and local government accounting offers auditing, verification, and monitoring procedures that provides assurance that funds and assets are properly accounted for and information provided leadership is accurate. The cost is \$4.9 million for the 2007-2008 biennium. Without these audits, 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 \$3.9 million for the 2007-2008 biennium. This area is self-funded through the collection of fees and licensing of financial entities regulated.

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: Wyoming’s oil and natural gas production has continued to grow in order to meet worldwide demand. The risk factor for compliance increases significantly with the increased oil and gas activity. 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 audit coverage is less than seven tenths of a percent of the total audit population.

Accounting: State government changed its strategic planning methods and improvements from the state agencies are expected for future years. Performance audits completed in FY07 included only a small number of selected agencies given a majority did not report any performance measures or reported information that could not be verified. Compliance with local government accounting and reporting is increasing due to continued assistance, additional training, and increased investigations, audits and enforcement actions. The number of audits of towns and special districts will continue to increase. The School Finance section began its second three year statutory deadline for auditing school districts to ensure accurate data is used in school funding. Reporting consistency is steadily improving.

Financial: The condition of financial services providers remains quite strong at 1.37 for FY07. With statutorily mandated examinations of state banks and periodic examinations of licensed credit providers, overall financial, managerial, and compliance performance has been satisfactory. The number of regulated entities has more than doubled since 2004 due to the licensing of mortgage brokers and lenders. Additionally, the resources dedicated to non-bank entities have significantly increased. The largest risk to the financial industry in Wyoming appears to be the lack of qualified talent.

What Has Been Accomplished?

Revenue: For FY07, revenue compliance was at 98.67% for entities audited. The revenue area assessed \$21.3M and collections for last year totaled \$21.3M. There were 108 mineral audits and 411 excise tax audits completed last year. To accomplish this the Mineral Audit Division and the Excise Tax Division each received four new employees to ensure that audit coverage and compliance is maintained due to increases in mineral production and number of wells. The divisions also acquired access to the administrative agencies (DOR, DOT) databases, which provides taxpayer information, improves risk

analysis and increases 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.

Accounting: Last year the percent of government entities complying with accounting requirements increased to 71%. Four agencies were audited under the changed strategic planning methods with compliance being measured by the accuracy of the reported performance measures. Accuracy continues to be poor due to lack of proper understanding and tracking. Local government entities increased their compliance with reporting requirements to 75.14% with continued assistance and training provided to towns and medium sized special districts. The number of audits of towns and special districts will continue to increase. The School Finance section began its second three year statutory deadline for auditing school districts to ensure accurate data is used in school funding. Twenty Three school districts were audited and compliance has been relatively satisfactory.

Financial: The Division continues to perform quality examinations of state chartered and licensed financial institutions to ensure the availability of quality financial services for Wyoming residents. Eleven safety and soundness examinations were conducted and assisted other regulatory agencies in nine additional examinations. Two de novo state bank charters were granted and two national banks converted to state charter. The division added two new positions and has begun 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. 138 grantors of consumer credit were examined. Work and training is continuing 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.

