



MONTANA DEPARTMENT OF ADMINISTRATION

State Financial
Services Division
Cheryl Grey, Administrator

Statewide Accounting & Financial Systems • 406.444.3092
Local Government Services • 406.444.9101
sfsd.mt.gov

Memorandum

TO: Towns of

FROM: Local Government Services Bureau, Department of Administration

DATE: November 14, 2025

RE: FY2025 Town Financial Reviews

MCA Section 2-7-503(3)(b) contains a provision that allows the Department of Administration (DOA) to direct local governments that do not meet the revenue threshold for an audit requirement to have a “financial review” at least once every four years. **Your Town was selected for a financial review for the fiscal year ending June 30, 2025.**

Please Note: This financial review requirement is *in addition* to the requirement that Towns prepare and submit an annual financial report to DOA within six months of your fiscal year-end (MCA 2-7-503(1)). It will be necessary to finalize the annual financial report before the financial review engagement. If total revenues for the fiscal year are \$1,000,000 or greater, you will be required to have an audit rather than a financial review.

We select entities on a rotating four-year cycle to alleviate pressure on the Auditor Roster. We expect this to relieve upward stress on audit schedules and fees (which have been increasing in recent years due to the lack of availability of audit firms). Even though we may have selected a town for a recent prior fiscal year financial review, a financial review for the fiscal year 2025 must also be submitted.

What is a “Financial Review”?

A “financial review” differs from an “audit” as follows:

- In an audit, an auditor performs a level of audit testing based on the condition of the local government’s internal controls. In these “financial reviews,” the CPA firm will only perform the exact procedures indicated in the contract.
- In an audit, an auditor may propose audit, adjustments to the financial statements to correct errors so that the auditor can issue a “clean” opinion. In these “financial reviews,” the CPA firm will not propose adjustments. The firm’s final report will indicate the circumstances discovered during the engagement. No opinion will be rendered.



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These “financial review” engagements are similar to an “audit” as follows:

- Your local government will pay less if your financial records are well organized and in good condition and if you are prepared for the engagement when the CPA firm schedules it.
- You may receive findings indicating legal noncompliance, lack of internal controls, or inaccurate financial reporting. You must respond to the findings and provide corrective action plans within 30 days of receiving your final report.

Note: If revenues are below the audit threshold of \$1,000,000 but the Town is required to have an audit for another purpose or has voluntarily contracted for an audit, you may request to submit your audit report instead of the financial review report. See enclosed “Request to Submit Audit Report In lieu of Financial Review” form. The audit must be performed under *Government Auditing Standards* (aka “Yellow Book audit”).

Selection of CPA Firm

Under the provisions of the Montana Single Audit Act and the Administrative Rules of Montana (ARMs), financial reviews must be conducted by an independent CPA firm on DOA’s “Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Governments” (the Roster). Towns may select any independent CPA firm from the Roster for the financial review. To reduce costs, towns within the same geographical area might consider joining together in choosing a firm to do the financial reviews. In this manner, the travel costs of the CPA firm, if there are any, may be reduced or shared. Please note however, that individual contracts are still required for each town’s financial review.

The method of selecting a CPA firm to perform the review may vary. The Town may contact individual firms and request proposals or formally request proposals for review in legal newspaper advertisements. Regardless of the method used, we strongly recommend checking references for any CPA firm the Town is considering contracting with for the financial review. The list of local governments required to be reviewed for FY2025 is being distributed to all CPA firms on the Roster, and some of those firms may contact entities directly regarding the required financial review.

Cost of Financial Review

ARM 2.4.410 requires local government entities selected for a financial review to pay a \$75 fee. This fee is due by December 31, 2026, when the annual financial report is due. The enclosed Financial Review Fee form should be completed and returned to DOA, along with the \$75 fee payment.



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In addition to the \$75 fee payable to DOA, the CPA firm selected will charge a fee for the financial review. In past years, the engagement fees for Financial Reviews of towns ranged from \$1,500 to \$5,800. We encourage the Town to request proposals from several CPA firms as soon as possible. Variables that could affect the fee include travel costs for the CPA firm and the condition of your financial records.

Additionally, the Town should consider both the CPA firm's fee and the \$75 financial review fee in the budget for the fiscal year beginning July 1, 2026, as the review will have to be concluded sometime prior to June 30, 2026. The auditor must submit the financial review report to DOA by June 30, 2026.

Contract

The Town must contract with the CPA firm on the current Audit Roster to perform the review. A standard financial review contract form, a copy of which is enclosed, must be used. The contract must be completed and signed by a representative of the Town and the CPA firm and sent to DOA for final approval. Once the contract is received, DOA will sign it, and a confirmation email will be sent to the Town's primary contact on file with the DOA.

All documentation and information related to this financial review engagement is listed below and can be found at our website at <http://sfsd.mt.gov/LGSB> – Click on "Audit & Financial Review Resources" tile, then click the link for "Financial Review Engagement."

- Standard Financial Review Contract (Dated 10/2025) – This is a three-party contract that will be entered into by the Town, the independent CPA firm, and DOA. Appendix B of this contract includes the procedures for the financial review engagement. Appendix C of this contract contains a sample management representation letter you must sign as part of the financial review process.
- Audit Roster. A CPA firm on the Roster must conduct your financial review. The current roster is also available on the Department's website at: (<http://sfsd.mt.gov/LGSB>). Click "Audit & Financial Review Resources," then click the link for "Auditor Roster Application & Audit Roster" for current report generated directly from our database.
- Financial Review Fee Form. Submit the form, along with the required \$75 fee, to DOA when the FY2025 financial review report or the FY2026 annual financial report is submitted (whichever is sooner).



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- “Request to Submit Audit Report instead of Financial Review Report” form. Send this form to DOA if you determine the Town will be scheduling an audit engagement for FY2025. If the Town is having an audit of FY2025 for any reason, you may submit your audit report instead of the financial review report.

Contact our office at 406-444-9101 (Monday through Friday from 8am to 4pm) if you have any questions regarding the financial review process or need help accessing the information on our website. You may also reach us via email at LGSBhelp@mt.gov.

Enclosures:

Cover Letter and Standard Financial Review Contract
A Roster of Independent Auditors Authorized to Conduct Audits of Montana Local Govts
Request to Submit Audit Report in-Lieu-of Financial Review Report
Financial Review Fee form