

PRESENTATION TO THE 2025 HEALTH AND HUMAN SERVICES JOINT APPROPRIATIONS SUBCOMMITTEE

BUSINESS AND FINANCIAL SERVICES DIVISION

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OVERVIEW

The Business and Financial Services Division (BFSD) manages DPHHS's financial resources, enabling it to achieve its strategic objectives. Key functions, like professional accounting and operating support services, are crucial to delivering timely, affordable, and effective health and human services. BFSD's centralized services ensure that practice areas, divisions, and programs reduce costs while also meeting the continuum of needs of Montana's most vulnerable citizens.

BFSD is a critical support division in the Department that ensures program accounting functions and operation support services are performed accurately and efficiently. This division has continued to operate lean, with 56 dedicated Positions Budgeted (PBs) and three modified PBs who continually seek to implement best practices and innovative approaches to provide optimal services while saving taxpayer dollars.

The division administrator manages two bureaus, the Fiscal Operations Bureau and the Support Services Bureau, along with a small section of business analysts that support department wide goals and objectives.

SUMMARY OF MAJOR FUNCTIONS

BFSD is comprised of the Fiscal Operations Bureau, which oversees the Cost Allocation Unit, General Ledger Unit, and the Facility Reimbursement Unit. The Support Services Bureau includes Accounts Payable, Accounts Receivable, Procurement and Contracts, and Internal Support and Services. The division also has a small section of Business/Grant Analysts that report directly to the Administrator.

FISCAL OPERATIONS BUREAU

CASH MANAGEMENT

BFSD's General Ledger and Medicaid Finance Accountants are responsible for transparent and proper reporting for over two hundred thirty unique federal funding sources and over one hundred state special accounts. Staff monitor financial activities in the funds, complete financial schedules and federal reports, perform in-depth financial analysis, and request reimbursement from federal grantors. Several funding sources in the department require Cash Management Improvement Act (CMIA) provisional regulated reporting. CMIA is tracked within General Ledger and reported annually.

FACILITY REIMBURSEMENT

This business unit collaborates with the Health Care Facilities Practice providing effective and efficient billing for state-operated medical facilities. Financial investigators work one-on-one with Montanans in need of care at these facilities to

understand their personal financial situation. Medical billers monitor expenditures and work to maximize recovery from insurance companies, Medicaid, Medicare, and private pay to offset medical costs incurred at the state facilities. Medicaid is always the payer of last resort, which means they are only billed after exhausting all other payer options.

COST ALLOCATION

DPHHS is deemed a public assistance agency and required to have a public assistance cost allocation plan. The cost allocation unit maintains this narrative document outlining the purpose of the Department, the organizational structure, the work performed within each division, what expenditures are direct and indirect, and how the indirect expenditures will be shared among benefitting programs. This unit carries out complex accounting processes to ensure accurate cost reporting, thus allowing program staff to focus energy on providing services to Montana's citizens. A centralized cost allocation unit ensures financial internal control and reliability of indirect cost reporting, which allows for recovery of federal dollars. During SFY 2024, the cost allocation unit monitored over \$183 million in administrative funds through the cost pools established by our department.

SUPPORT SERVICES BUREAU

ACCOUNTS PAYABLE

The BFSB accounts payable unit processes payments to vendors and individuals across the state of Montana, along with payments to over eight hundred thousand vendors and employees in 2024. Of these vendors paid, over one hundred thousand payments were for business owners and providers that serve the state. This business unit also processes travel reimbursement claims while assuring that employee state travel policies are updated, shared, and adhered to through auditing these claims. The accounts payable unit successfully completes payment reconciliations, ensuring accurate and timely payment processing. In tandem, they adhere to fraud prevention measures to safeguard these transactions that are Statewide policies and recommendations.

OFFICE OF PROCUREMENT AND CONTRACTS

Procurement staff provide oversight of purchase orders, outside of the competitive procurement process threshold, and holds delegation authority for the department to ensure compliance with regulatory guidelines and to guarantee goods and services are procured in compliance with open competition, best value, quality service, timely delivery, and transparency. This service ensures DPHHS has competitive and fair procurement processes for Montana businesses to seek through the support of issuing and awarding RFPs. This unit provided oversight to over fifteen-thousand purchase orders totaling over \$23 million in FY24. The department administers one of the larger number of contracts out of most agencies for the State of Montana with more than 3,000 active contracts in service during SFY 2024.

ACCOUNTS RECEIVABLE AND CASH COLLECTIONS

The Accounts Receivable unit oversees the department-wide accounts receivable system along with the processing of checks and money orders. In FY 2024, over \$285 million were collected through the receivables process. In addition to obtaining checks from businesses and individuals, the Accounts Receivable unit collects taxes from individuals to offset debts they have incurred with DPHHS.

INTERNAL SUPPORT SERVICES

The Operations Support unit provides centralized administration of lease management; records retention and management; and provides central mail room functions and surplus property management. These day-to-day operational functions save taxpayer dollars by ensuring program staff can focus on providing timely, affordable, and effective services to Montanans.

BFSD ADMINISTRATOR OFFICE

BUSINESS/GRANT ANALYST SUPPORT

The business and grant analyst support team are dedicated to collaborating across divisions within DPHHS to assure that all accounting processes are more efficient and effective. This team provides oversight of Federal Funding Accountability and Transparency Act (FFATA) reporting for the department; provides assurance and best practices are followed according to the department's submitted PACAP; provides training and development of best practices for updates GASB rules and the Annual Comprehensive Financial Report (ACFR); and works closely with the Internal Controls and Compliance Office to adhere to best practices in internal controls for the department.

HIGHLIGHTS AND ACCOMPLISHMENTS DURING THE 2025 BIENNIUM

INCREASED INTERNAL CONTROLS IN ACCOUNTING

The BFSD team, in collaboration with our Internal Controls and Compliance Office (ICCO) has enhanced internal controls in accounting practices, bolstering financial compliance and transparency. Key initiatives implemented in the 2023 biennium include:

- Streamlined cash management processes
- Enhanced subrecipient monitoring
- Strengthened adherence to contract processes
- Proactively addressing other compliance weaknesses identified in our legislative audit such as FFATA reporting and other ongoing efforts through SFY 2025

These improvements demonstrate our commitment to fiscal responsibility, accountability, and continuous improvement, ensuring the highest standards of financial management.

CONTRACT OFFICE BUSINESS IMPROVEMENT PROCESS

In FY 2024 DPHHS began working with the Department of Administrations State Procurement Division (SPD) on business process improvements that were deemed necessary. DPHHS' office of contracts and procurement saw significant turnover in the most recent biennium and upon review of the department's competitive procurement processes, BFSD determined that our internal processes and training needed to be updated and enhanced.

Through this business improvement process, we have achieved significant improvements in contract management. Through comprehensive process mapping, stakeholder engagement, and analysis of best practices, we have identified key improvements, including streamlined contract intake, automated workflows, and enhanced reporting and tracking capabilities. These enhancements will reduce contract processing times, improvements in customer service for providers, improved contract visibility, and strengthen our ability to manage risk and ensure compliance with regulatory requirements.

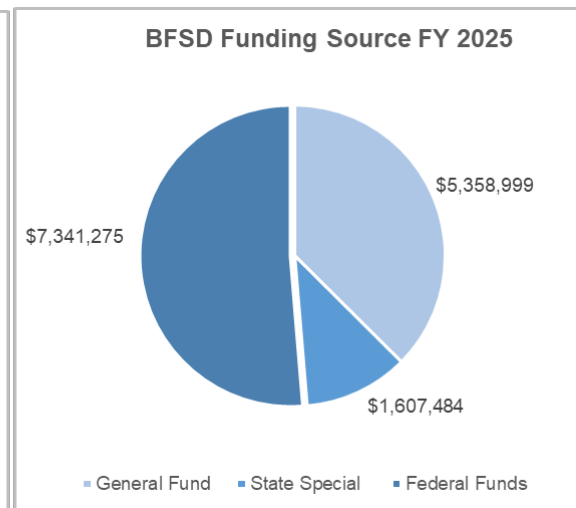
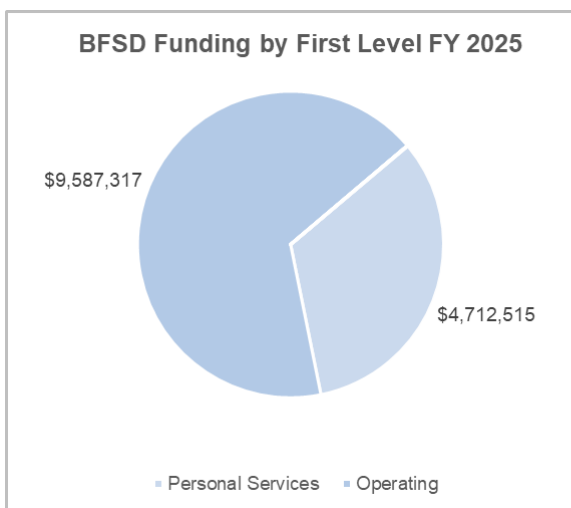
BFSD considers the business process improvement to be one of continuous improvement and will continue to implement process and monitor their progress.

STREAMLINED FINANCIAL PROCESSES TO SUPPORT FACILITY MANAGEMENT

In the 2023 biennium, BFSF successfully streamlined financial and accounting processes across all department owned facilities, driving efficiency, consistency, and compliance. By developing and implementing standardized accounting procedures, BFSF eliminated discrepancies and variabilities in how business was being performed across the facilities. Key enhancements include implementation of standardized payments going through the DPHHS owned purchase order system when appropriate, centralized accounting and reporting is to be completed in the Helena office, contract training, and clear guidelines for financial transactions per the Montana Operations Manual. These improvements have reduced errors and have provided real-time visibility into financial performance, enabling data-driven decision-making and better resource allocation.

FUNDING AND POSITIONS BUDGETED (PB) INFORMATION

BUSINESS & FINANCIAL SERVICES	FY 2025 BUDGET	FY 2026 REQUEST	FY 2027 REQUEST
PB	56	58	58
Personal Services	\$4,712,515	\$4,749,007	\$4,763,463
Operating	\$9,587,317	\$10,341,197	\$9,419,792
Equipment	\$0	\$0	\$0
Local Assistance	\$0	\$0	\$0
Grants	\$0	\$0	\$0
Benefits and Claims	\$0	\$0	\$0
Transfers	\$0	\$0	\$0
Debt Services	\$7,926	\$7,926	\$7,926
TOTAL COSTS	\$14,307,758	\$15,098,130	\$14,191,181
	FY 2025 BUDGET	FY 2026 REQUEST	FY 2027 REQUEST
General Fund	\$5,358,999	\$5,756,171	\$5,269,745
State Special Fund	\$1,607,484	\$1,641,774	\$1,600,600
Federal Fund	\$7,341,275	\$7,700,185	\$7,320,836
TOTAL FUNDS	\$14,307,758	\$15,098,130	\$14,191,181



CHANGE PACKAGES

PRESENT LAW ADJUSTMENTS

SWPL 1 – PERSONAL SERVICES

The budget includes reductions of \$122,688 in FY 2026 and \$108,233 in FY 2027 to annualize various personal services costs including FY 2025 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	General Fund	State Special	Federal Funds	Total Request
FY 2026	(\$67,148)	(\$10,388)	(\$45,152)	(\$122,688)
FY 2027	(\$61,253)	(\$9,484)	(\$37,496)	(\$108,233)
Biennium Total	(\$128,401)	(\$19,872)	(\$82,648)	(\$230,921)

SWPL 2 - FIXED COSTS

The request includes \$744,159 in FY 2026 and a reduction of \$171,858 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	General Fund	State Special	Federal Funds	Total Request
FY 2026	\$391,766	\$35,235	\$317,158	\$744,159
FY 2027	(\$98,248)	(\$6,542)	(\$67,068)	(\$171,858)
Biennium Total	\$293,518	\$28,693	\$250,090	\$572,301

SWPL 3 – INFLATION DEFLATION

This change package includes reductions of \$37 in FY 2026 and \$25 in FY 2027 to reflect budgetary changes generated from the application of deflation to state motor pool accounts.

	General Fund	State Special	Federal Funds	Total Request
FY 2026	(\$37)	\$0	\$0	(\$37)
FY 2027	(\$25)	\$0	\$0	(\$25)
Biennium Total	(\$62)	\$0	\$0	(\$62)

NEW PROPOSALS

NP 6001 - PROCUREMENT OFFICER - BFS

This new proposal requests to make 1.00 PB permanent for a procurement officer in the Business & Financial Services Division. The position is currently a modified position and is necessary to meet increased contract demands, support internal controls, provide training, and enforce centralized processes. This package requests \$332,477 in total funds for the biennium, including \$142,863 in general fund, \$18,585 in state special revenue, and \$171,029 of federal funds.

	General Fund	State Special	Federal Funds	Total Request
FY 2026	\$72,591	\$9,443	\$86,904	\$168,938
FY 2027	\$70,272	\$9,142	\$84,125	\$163,539
Biennium Total	\$142,863	\$18,585	\$171,029	\$332,477