



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL-COMPLIANCE AUDIT

*Office of the
Commissioner of
Political Practices*

*For the Two Fiscal Years Ended
June 30, 2008*

NOVEMBER 2008

LEGISLATIVE AUDIT
DIVISION

08-21

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LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors
James Gillett
Angie Grove

November 2008

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report for the Office of the Commissioner of Political Practices for the two fiscal years ended June 30, 2008. This report contains four recommendations related to financial reporting, contract monitoring, contribution limits, and internal control implementation. The office's response to the audit recommendations begins on page B-3, at the end of the audit report.

We thank the Commissioner and his staff for their assistance and cooperation throughout the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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APPOINTED AND ADMINISTRATIVE OFFICIALS

**Office of the
Commissioner of
Political Practices**

Dennis Unsworth, Commissioner

Term Expires

December 31, 2010

**Office Administrative
Official**

Mary Baker, Program Supervisor

For additional information contact:

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Helena, MT 59620-2401
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REPORT SUMMARY

Office of the Commissioner of Political Practices

This financial-compliance audit report contains the results of our audit of the Office of the Commissioner of Political Practices (office) for the two fiscal years ended June 30, 2008. We issued a qualified opinion on the Schedule of Changes in Fund Balances for fiscal years 2006-07 and 2007-08, and the Schedule of Revenues and Transfers-In for fiscal years 2006-07 and 2007-08. The reader should use caution when using the information presented in these schedules, as well as the supporting data on the state's accounting system. We issued an unqualified opinion on the Schedule of Expenditures and Transfers-Out for each of the two fiscal years ended June 30, 2008. The reader may rely on the financial information presented and the supporting detailed information on the state's accounting records.

The prior audit report contained two recommendations. The office implemented one recommendation, and did not implement the other recommendation. The audit recommendation not implemented relates to the recording of lobbyist license fees.

This report contains four recommendations. The recommendations are related to financial reporting, contract monitoring, contribution limits, and internal control implementation.

The listing below serves as a means of summarizing the recommendations contained in the report, the office's response thereto, and a reference to the supporting comments.

<u>Recommendation #1</u>	4
We recommend the department implement control procedures to ensure the recording of lobbyist license fees and expenditure accruals is accurate and complete in accordance with state law and policy.	
Office Response: Concur	B-3
<u>Recommendation #2</u>	5
We recommend that the office implement internal controls regarding contract monitoring to ensure the office does not overspend contract provisions.	
Office Response: Concur	B-3
<u>Recommendation #3</u>	5
We recommend that the office establish procedures to ensure the political committee contribution limits for candidates are calculated according to state law.	
Office Response: Concur	B-3

Recommendation #4.....6

We recommend the office implement its procedures for monitoring and testing internal controls as required by state policy.

Office Response: ConcurB-3

Chapter I – Introduction

Introduction

We performed a financial-compliance audit of the Office of the Commissioner of Political Practices (office) for the two fiscal years ended June 30, 2008. The objectives of this audit were to:

1. Determine whether the office complied with selected state and federal laws and regulations.
2. Obtain an understanding of the office’s control systems to the extent necessary to support our audit of the office’s financial schedules and, if appropriate, make recommendations for improvement in management and internal controls of the office.
3. Determine whether the office’s financial schedules present fairly the results of operations for each of the two fiscal years ended June 30, 2008.
4. Determine the status of prior audit recommendations.

Auditing standards require us to communicate, in writing, control deficiencies we identified as a result of audit objective #2 above and considered to be significant or material. A control deficiency exists when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely basis. A significant deficiency is one or more control deficiencies that affects management’s ability to accurately process transactions. A material weakness is one or more significant deficiencies that adversely affect management’s ability to fairly present its financial schedules.

Table 1 below outlines the status of significant deficiencies and material weaknesses we identified during this audit.

Subject	Significant Deficiency	Material Weakness	Page
Inadequate controls over financial reporting	Yes	Yes	3
Internal Controls Implementation	Yes	No	6

This report contains four recommendations. Areas of concern, if any, regarding compliance with laws and regulations and state accounting policy deemed not to have a significant effect on the successful operations of the office’s programs are not specifically included in this report, but have been discussed with management. In accordance with

section 5-13-307, MCA, we analyzed the cost to implement the recommendations and believe the costs are not significant to the office.

Background

The office was created by the 1975 Legislature. The governor appoints the commissioner to a six-year term, subject to confirmation by the senate. A four-member selection committee, comprised of the speaker of the house, the president of the senate, and the minority floor leaders of both houses of the legislature, submits a list of two to five names of individuals to the governor for consideration. The commissioner can only serve one term and is precluded from being a candidate for public office for a period of five years after leaving the position. If for any reason a vacancy occurs in the position of commissioner, a successor shall be appointed within 30 days to serve out the unexpired term. An individual who is selected to serve out the unexpired term of a preceding commissioner and who has served three years or more of an unexpired term is not eligible for reappointment. An individual who is selected to serve out the unexpired term of a preceding commissioner and who has served less than three years may be reappointed for a six-year term.

The primary duties of the commissioner include:

1. Facilitating disclosure of financial contributions to and expenditures of candidates and political committees.
2. Facilitating registration of lobbyists and monitoring lobbyist's expenditures by principals.
3. Monitoring candidates and political committees, lobbyists, and principals for compliance with Montana campaign finance and practices laws and Montana lobbying laws.
4. Monitoring and enforcing Montana's Code of Ethics for public officers, public employees, and legislators.
5. Investigating legitimate complaints of alleged violations of campaign finance and practices laws, lobbying laws, and ethics laws.

The office was authorized for six full-time employees for the two fiscal years ended June 30, 2008.

Prior Audit Recommendations

Our previous audit report covering the two fiscal years ended June 30, 2006, contained two audit recommendations. The office implemented one recommendation. The recommendation the office did not implement is related to lobbyist license fees and is discussed on page 3.

Chapter II – Findings and Recommendations

Inadequate Controls over Financial Reporting

The office does not have adequate controls in place to ensure accurate financial reporting.

According to state accounting policy, state agencies are responsible for implementing internal control procedures to ensure all transactions necessary for compliance with generally accepted accounting principles (GAAP) are recorded in SABHRS before fiscal year-end. The following sections discuss instances where we believe internal controls are not adequate to ensure that the office's accounting records are accurate and complete.

Recording of Lobbyist License Fees

Section 5-7-103, MCA, requires lobbyists in the state of Montana to purchase a \$150 lobbying license if they receive more than the payment threshold specified in section 5-7-112, MCA. One hundred dollars of the license fee must be deposited into the state special revenue fund and \$50 must be deposited into the general fund. The license is valid for up to two years and expires on December 31 of every even-numbered year, which establishes the licenses as multi-year licenses. State accounting policy asserts that for multi-year licenses, the revenue should generally be considered to have been earned equally over the time period of the license. As discussed below, the office did not record its lobbyist fees in the correct fund or in the correct fiscal year in accordance with state policy and state law:

- ♦ In fiscal year 2007-08, the office did not comply with state law and recorded all revenues received from lobbyist license fees in the general fund.
- ♦ In fiscal years 2006-07 and 2007-08, the office recorded and recognized 100 percent of the revenue received for the lobbying licenses instead of recognizing a portion of the revenue in subsequent years as outlined in state accounting policy. The same issue was noted in our prior audit.

The net effect of the two errors discussed above resulted in overstatements in Licenses and Permits revenue in the general and state special revenue funds of \$20,063 and \$40,125, respectively, in fiscal year 2006-07, and understatements in Licenses and Permits revenue in the general and state special revenue funds of \$12,625 and \$27,050, respectively, in fiscal year 2007-08.

At the end of fiscal year 2006-07, the office obtained assistance from the Department of Administration (DOA) on how to record the lobbyist fees, but did not fully understand

the information that was given to them. The office obtained additional assistance from DOA, but DOA's guidance included an error which contributed to the misstatements.

Expenditure Accruals

Each month, the office receives an invoice from a vendor who provides information technology services for the office's online database. At the end of fiscal year 2006-07, the office had not received one of its regular invoices from the vendor for work completed in May 2007, and the office did not record a liability for the estimated amount of that invoice. State accounting policy generally requires that services should be charged against the fiscal year in which the services were received. The office received the invoice in August 2007 and recorded the expenditure in fiscal year 2007-08. Because the office did not accrue the estimated amount of the invoice, the office's expenditures are understated by \$3,665 in fiscal year 2006-07 and overstated by the same amount in fiscal year 2007-08. The office does not currently have any procedures in place to determine if accruals are necessary at fiscal year-end and office personnel did not know that an accrual was required for any outstanding invoices.

Summary

During this audit period, the office incurred significant turnover and much experience and knowledge was lost. Very limited written procedures existed to aid the new personnel and a small budget restricted training options. The office should implement controls to ensure the transactions regarding lobbyist license fees and accruals are accurate and complete. These controls should include detailed written procedures, training of personnel, and timely review of these transactions prior to fiscal year-end.

RECOMMENDATION #1

We recommend the department implement control procedures to ensure the recording of lobbyist license fees and expenditure accruals is accurate and complete in accordance with state law and policy.

Contract Monitoring

The office does not have adequate controls in place over contract monitoring.

The office contracts with an outside attorney to provide legal assistance. In fiscal year 2007-08, the contract with the attorney stated that the office would not pay more than \$38,000, but the office actually paid \$52,048. State accounting policy dictates that

state agencies are responsible for implementing internal control procedures to ensure all transactions comply with applicable requirements. If an agency does not monitor contract expenditures, the risk of overspending contract authority increases. Office personnel stated that they did not realize they overspent the contract until May 2008 when the office paid the April 2008 invoice. Those expenditures caused the office to exceed the contract limit. Office personnel increased the fiscal year 2008-09 contract with the attorney to accommodate anticipated increases in legal expenditures.

RECOMMENDATION #2

We recommend that the office implement internal controls regarding contract monitoring to ensure the office does not overspend contract provisions.

Contribution Limits

The office did not establish the correct contribution limit for the state house of representatives.

The office is required by section 13-37-218, MCA, to publish the contribution limits candidates are allowed to receive from political committees. For the 2008 elections, the office did not calculate the correct contribution limit for the house of representative candidates as specified in state law. The limit should have been \$1,450, but was published in rule as \$1,500. Office management stated that this was the first year that the new staff was responsible for calculating the contribution limit and although it went through several reviews, the error went unnoticed. The office should develop and implement procedures to ensure the contribution limit is calculated in accordance with state law.

RECOMMENDATION #3

We recommend that the office establish procedures to ensure the political committee contribution limits for candidates are calculated according to state law.

Internal Controls Implementation

The office is not in compliance with state policy regarding documentation, monitoring, and testing of internal controls.

State accounting policy outlines management's responsibility for establishing and maintaining agency internal controls to safeguard and account for the resources entrusted to them to carry out government programs. The Department of Administration developed a guide effective December 1, 2007, to help agencies develop, document, monitor, and test internal controls. Auditing standards require us to evaluate, and in some cases report on, the sufficiency of written control procedures and of the entity's testing and monitoring procedures.

During the course of the audit, we found that the office had put significant efforts towards documenting its control procedures. To accomplish this, office staff created new policies and procedures and documented procedures that were already in place. The office did not have all of its controls documented by the June 30, 2008, deadline, but did have its significant systems documented by October 2008. The office has a plan for how it will monitor and test control procedures, though no actual monitoring or testing has been completed. Office management should implement its monitoring and testing plan to ensure the controls are working as intended.

RECOMMENDATION #4

We recommend the office implement its procedures for monitoring and testing internal controls as required by state policy.

Independent Auditor's Report and Office Financial Schedules

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel



Deputy Legislative Auditors
James Gillett
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedule of Changes in Fund Balances, Schedule of Total Revenues & Transfers-In, and Schedule of Total Expenditures & Transfers-Out of the Office of the Commissioner of Political Practices for each of the fiscal years ended June 30, 2008, and 2007. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial schedules are prepared on the basis of Montana state accounting policy, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the office's assets and liabilities.

The office did not correctly record lobbyist license fees in fiscal years 2006-07 and 2007-08. As a result, the following misstatements occurred on the Schedule of Changes in Fund Balances and the Schedule of Revenues & Transfers-In in fiscal years 2006-07 and 2007-08.

	<u>Over (Under) Statement</u>	
	<u>General Fund</u>	<u>State Special Revenue Fund</u>
<u>Fiscal Year 2006-07</u>		
Budgeted Revenues & Transfers-In (Licenses & Permits)	\$20,063	\$40,125
Ending Fund Balance	\$20,063	
Direct Entries to Fund Balance		(\$40,125)
<u>Fiscal Year 2007-08</u>		
Beginning Fund Balance	\$20,063	
Budgeted Revenues & Transfers-In (Licenses & Permits)	(\$12,625)	(\$27,050)
Direct Entries to Fund Balance		\$27,050

In our opinion, except for the effects of the errors discussed in the preceding paragraph, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Office of Commissioner of Political Practices for each of the fiscal years ended June 30, 2008, and 2007, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

October 1, 2008

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund
FUND BALANCE: July 1, 2007	\$ <u>(21,614)</u>
ADDITIONS	
Budgeted Revenues & Transfers-In	18,884
Nonbudgeted Revenues & Transfers-In	6
Direct Entries to Fund Balance	<u>445,558</u>
Total Additions	<u>464,448</u>
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	<u>484,260</u>
Total Reductions	<u>484,260</u>
FUND BALANCE: June 30, 2008	\$ <u><u>(41,426)</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	State Special Revenue Fund
FUND BALANCE: July 1, 2006	\$ <u>(24,980)</u>	\$ <u>0</u>
ADDITIONS		
Budgeted Revenues & Transfers-In	40,447	53,500
Direct Entries to Fund Balance	<u>355,047</u>	<u>(53,500)</u>
Total Additions	<u>395,494</u>	<u>0</u>
REDUCTIONS		
Budgeted Expenditures & Transfers-Out	392,439	
Nonbudgeted Expenditures & Transfers-Out	<u>(311)</u>	
Total Reductions	<u>392,128</u>	<u>0</u>
FUND BALANCE: June 30, 2007	\$ <u><u>(21,614)</u></u>	\$ <u><u>0</u></u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	General Fund	State Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Licenses and Permits	\$ 900		\$ 900
Taxes	6		6
Charges for Services	3,259		3,259
Fines, Forfeits and Settlements	14,725		14,725
Total Revenues & Transfers-In	18,890	0	18,890
Less: Nonbudgeted Revenues & Transfers-In	6		6
Prior Year Revenues & Transfers-In Adjustments			0
Actual Budgeted Revenues & Transfers-In	18,884	0	18,884
Estimated Revenues & Transfers-In	22,913	\$ 1,000	23,913
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (4,029)	\$ (1,000)	\$ (5,029)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Licenses and Permits	\$ (100)	\$ (1,000)	\$ (1,100)
Charges for Services	(654)		(654)
Fines, Forfeits and Settlements	(3,275)		(3,275)
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (4,029)	\$ (1,000)	\$ (5,029)

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	State Special Revenue Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS			
Licenses and Permits	\$ 26,750	\$ 53,500	\$ 80,250
Charges for Services	3,747		3,747
Fines, Forfeits and Settlements	9,950		9,950
Total Revenues & Transfers-In	<u>40,447</u>	<u>53,500</u>	<u>93,947</u>
Less: Nonbudgeted Revenues & Transfers-In			0
Prior Year Revenues & Transfers-In Adjustments			0
Actual Budgeted Revenues & Transfers-In	<u>40,447</u>	<u>53,500</u>	<u>93,947</u>
Estimated Revenues & Transfers-In	61,635	60,000	121,635
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (21,188)</u>	<u>\$ (6,500)</u>	<u>\$ (27,688)</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS			
Licenses and Permits	\$ (12,957)	\$ (6,500)	\$ (19,457)
Taxes	(4)		(4)
Charges for Services	(166)		(166)
Fines, Forfeits and Settlements	(8,061)		(8,061)
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ (21,188)</u>	<u>\$ (6,500)</u>	<u>\$ (27,688)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Administration	Total
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		
Personal Services		
Salaries	\$ 161,029	\$ 161,029
Employee Benefits	57,876	57,876
Total	218,905	218,905
Operating Expenses		
Other Services	226,348	226,348
Supplies & Materials	10,684	10,684
Communications	7,830	7,830
Travel	3,784	3,784
Rent	13,395	13,395
Other Expenses	3,314	3,314
Total	265,355	265,355
Total Expenditures & Transfers-Out	\$ 484,260	\$ 484,260
EXPENDITURES & TRANSFERS-OUT BY FUND		
General Fund	\$ 484,260	\$ 484,260
Total Expenditures & Transfers-Out	484,260	484,260
Less: Nonbudgeted Expenditures & Transfers-Out		
Prior Year Expenditures & Transfers-Out Adjustments		
Actual Budgeted Expenditures & Transfers-Out	484,260	484,260
Budget Authority	630,067	630,067
Unspent Budget Authority	\$ 145,807	\$ 145,807
UNSPENT BUDGET AUTHORITY BY FUND		
General Fund	\$ 145,807	\$ 145,807
Unspent Budget Authority	\$ 145,807	\$ 145,807

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Administration</u>	<u>Total</u>
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		
Personal Services		
Salaries	\$ 152,600	\$ 152,600
Employee Benefits	46,091	46,091
Total	<u>198,691</u>	<u>198,691</u>
Operating Expenses		
Other Services	164,887	164,887
Supplies & Materials	7,377	7,377
Communications	6,440	6,440
Travel	1,863	1,863
Rent	11,228	11,228
Repair & Maintenance	257	257
Other Expenses	1,336	1,336
Total	<u>193,388</u>	<u>193,388</u>
Transfers		
Accounting Entity Transfers	49	49
Total	<u>49</u>	<u>49</u>
Total Expenditures & Transfers-Out	<u>\$ 392,128</u>	<u>\$ 392,128</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
General Fund	\$ 392,128	\$ 392,128
Total Expenditures & Transfers-Out	<u>392,128</u>	<u>392,128</u>
Less: Nonbudgeted Expenditures & Transfers-Out	(311)	(311)
Prior Year Expenditures & Transfers-Out Adjustments		
Actual Budgeted Expenditures & Transfers-Out	<u>392,439</u>	<u>392,439</u>
Budget Authority	405,255	405,255
Unspent Budget Authority	<u>\$ 12,816</u>	<u>\$ 12,816</u>
UNSPENT BUDGET AUTHORITY BY FUND		
General Fund	\$ 12,816	\$ 12,816
Unspent Budget Authority	<u>\$ 12,816</u>	<u>\$ 12,816</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

**Montana Office of the Commissioner
of Political Practices
Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 2008**

1. Summary of Significant Accounting Policies

Basis of Accounting

The office uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General and State Special Revenue). In applying the modified accrual basis, the office records:

- ♦ Revenues when it receives cash or when receipts are realizable, measurable, earned, and available to pay current period liabilities.
- ♦ Expenditures for valid obligations when the office incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the office to record the cost of employees' annual and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the office receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

The office uses the following funds:

Governmental Fund Category

- ♦ **General Fund** – to account for all financial resources except those required to be accounted for in another fund.
- ♦ **State Special Revenue Fund** – to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific state program purposes. The office's State Special Revenue Fund includes \$100 from each registered lobbyist and is used by the Legislative Services Division for state government broadcasting services.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The office has authority to pay obligations from the statewide General Fund within its appropriation limits. The office expends cash or other assets from the statewide fund when it pays General Fund obligations. The office's outstanding liabilities exceed the assets it has placed in the fund, resulting in negative ending General Fund balances for each of the fiscal years ended June 30, 2007, and June 30, 2008.

3. Direct Entries to Fund Balance

Direct entries to fund balances in the General and State Special Revenue funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies. The General Fund entry was made because the office spends more than what the office receives in revenues. The entry in the State Special Revenue Fund was made because the revenues collected for lobbyist fees are spent by the Legislative Services Division.

OFFICE OF THE
COMMISSIONER OF
POLITICAL PRACTICES

OFFICE RESPONSE

COMMISSIONER OF
POLITICAL PRACTICES

B-3



STATE OF MONTANA

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November 18, 2008

Delsi Plummer, Auditor
Legislative Audit Division
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NOV 18 2008

LEGISLATIVE AUDIT DIV.

Subject: Requested audit responses; Commissioner of Political Practices

Ms. Plummer, thank you. You and the legislative audit staff were professional and very helpful identifying needed improvements. We look forward to continuing to work with the audit staff to ensure that our work is aligned with requirements, and that we operate within statutory obligations and state policy.

Recommendation #1

We recommend the department implement control procedures to ensure recording of lobbyist license fees and expenditure accruals is accurate and complete in accordance with state law and policy.

Concur: CPP will work with the Department of Administration to document procedures that ensure these transactions are in accordance with state law and accounting policy. These procedures will be implemented by June 30, 2009.

Recommendation #2

We recommend that the office implement internal controls regarding contract monitoring to ensure the office does not overspend contract provisions.

Concur: CPP added a contract monitoring step in the monthly budget review process. These procedures have been implemented and will be formally documented prior to June 30, 2009.

Recommendation #3

We recommend the office establish procedures to ensure the political committee contribution limits for candidates are calculated according to state law.

Concur: CPP will continue to work with the Secretary of State's ARM Bureau and our legal staff to ensure that administrative rules are implemented accurately and in compliance with statute. The erroneous calculation has been documented so that it's unlikely to occur again.

Recommendation #4

We recommend the office implement its procedures for monitoring and testing internal controls as required by state policy.

Concur: Political Practices internal controls were extensively updated in the spring of 2008 and will be tested. We will conduct transaction-oriented tests annually to ensure proper controls. An independent team member will test these controls, document findings, and work with agency management to update control policies accordingly.

A handwritten signature in black ink, appearing to read "Dennis Unsworth".

Dennis Unsworth
Commissioner