

**CONSUMER COUNSEL**

**FINANCIAL - COMPLIANCE AUDIT FOR THE  
TWO FISCAL YEARS ENDED JUNE 30, 2009**

**JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.**  
**Certified Public Accountants and Business Advisors**

# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors:  
James Gillett  
Angie Grove

October 2009

The Legislative Audit Committee  
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Consumer Counsel for the two fiscal years ended June 30, 2009.

The audit was conducted by Junkermier, Clark, Campanella, Stevens, PC under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The Counsel's written response to the report is included in the back of the audit report.

Respectfully submitted,

*/s/ Tori Hunthausen*

Tori Hunthausen, CPA  
Legislative Auditor

09C-10

**CONSUMER COUNSEL  
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**ELECTED AND APPOINTED OFFICIALS  
LEGISLATIVE CONSUMER COMMITTEE**

2008-2009

**SENATORS**

Joe Tropila (Appointed 3/07)

Terry Murphy (Appointed 3/07)

**REPRESENTATIVES**

Walt McNutt (Appointed 3/05, Re-appointed 3/07)

George Groesbeck (Appointed 3/05, Re-appointed 3/07, Passed away 11/08, no one was appointed in his place)

Consumer Counsel

Robert A. Nelson



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Certified Public Accountants and Business Advisors

## **INDEPENDENT AUDITORS' REPORT**

The Legislative Audit Committee  
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Office of the Consumer Counsel for the fiscal years ended June 30, 2009 and 2008, as listed in the table of contents. These financial schedules are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 to the financial schedules, the Office of Consumer Counsel's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, 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 the Consumer Counsel for the fiscal years ended June 30, 2009 and 2008, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the audit committee, management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2009 on our consideration of the Office of the Consumer Counsel's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

***Junkermier, Clark, Campanella, Stevens, P.C.***

Helena, Montana  
October 28, 2009

**CONSUMER COUNSEL**  
**SCHEDULE OF CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**FOR ALL FUNDS**

		<u>State Special Revenue Fund</u>
FUND BALANCE: July 1, 2007	\$	<u>576,443</u>
<b>ADDITIONS</b>		
Nonbudgeted Revenues & Transfers-In		14
Direct Entries to Fund Balance		<u>1,448,406</u>
Total Additions		<u>1,448,420</u>
<b>REDUCTIONS</b>		
Budgeted Expenditures & Transfers-Out		1,262,909
Prior Year Expenditures & Transfers-Out Adjustment		<u>(4,909)</u>
Total Reductions		<u>1,258,000</u>
FUND BALANCE: June 30, 2008	\$	<u><u>766,863</u></u>

See notes to the financial schedules.

**CONSUMER COUNSEL**  
**SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**FOR ALL FUNDS**

	<u>State Special Revenue Fund</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS	
Taxes	\$ 14
Total Revenues & Transfers-In	<u>14</u>
Less: Nonbudgeted Revenues & Transfers-In	14
Prior Year Revenues & Transfers-In Adjustments	
Actual Budgeted Revenues & Transfers-In	<u>0</u>
Estimated Revenues & Transfers-In	
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 0</u>
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS	
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 0</u>

See notes to the financial schedules.

**CONSUMER COUNSEL**  
**SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**FOR ALL FUNDS**

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	<u>ADMINISTRATION PROGRAM</u>
Personal Services	
Salaries	\$ 300,367
Employee Benefits	63,801
Total	<u>364,168</u>
Operating Expenses	
Other Services	822,224
Supplies & Materials	9,602
Communications	6,487
Travel	10,993
Rent	20,808
Repair & Maintenance	408
Other Expenses	23,310
Total	<u>893,832</u>
Total Expenditures & Transfers-Out	<u>\$ 1,258,000</u>
 EXPENDITURES & TRANSFERS-OUT BY FUND	
State Special Revenue Fund	\$ <u>1,258,000</u>
Total Expenditures & Transfers-Out	1,258,000
Less: Nonbudgeted Expenditures & Transfers-Out	
Prior Year Expenditures & Transfers-Out Adjustments	<u>(4,909)</u>
Actual Budgeted Expenditures & Transfers-Out	1,262,909
Budget Authority	<u>1,675,132</u>
Unspent Budget Authority	<u>\$ 412,223</u>
 UNSPENT BUDGET AUTHORITY BY FUND	
State Special Revenue Fund	\$ 412,223
Unspent Budget Authority	<u>\$ 412,223</u>

See notes to the financial schedules.

**CONSUMER COUNSEL**  
**SCHEDULE OF CHANGES IN FUND BALANCES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**FOR ALL FUNDS**

	<u>State Special Revenue Fund</u>
FUND BALANCE: July 1, 2008	\$ <u>766,863</u>
<b>ADDITIONS</b>	
Nonbudgeted Revenues & Transfers-In	13
Direct Entries to Fund Balance	<u>1,587,303</u>
Total Additions	<u>1,587,316</u>
<b>REDUCTIONS</b>	
Budgeted Expenditures & Transfers-Out	1,228,578
Nonbudgeted Expenditures & Transfers-Out	(80)
Prior Year Expenditures & Transfers-Out Adjustments	<u>(5,308)</u>
Total Reductions	<u>1,223,190</u>
FUND BALANCE: June 30, 2009	\$ <u><u>1,130,989</u></u>

See notes to the financial schedules.

**CONSUMER COUNSEL**  
**SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**FOR ALL FUNDS**

	<u>State Special Revenue Fund</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS	
Taxes	\$ 13
Total Revenues & Transfers-In	<u>13</u>
Less: Nonbudgeted Revenues & Transfers-In	13
Prior Year Revenues & Transfers-In Adjustments	
Actual Budgeted Revenues & Transfers-In	<u>0</u>
Estimated Revenues & Transfers-In	
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 0</u>
 BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS	
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 0</u>

See notes to the financial schedules.

**CONSUMER COUNSEL**  
**SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**FOR ALL FUNDS**

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	<u>ADMINISTRATION PROGRAM</u>
Personal Services	
Salaries	\$ 333,640
Employee Benefits	72,375
Total	<u>406,015</u>
Operating Expenses	
Other Services	741,336
Supplies & Materials	3,629
Communications	9,016
Travel	13,896
Rent	21,440
Repair & Maintenance	300
Other Expenses	27,560
Total	<u>817,177</u>
Total Expenditures & Transfers-Out	<u>\$ 1,223,192</u>
 EXPENDITURES & TRANSFERS-OUT BY FUND	
State Special Revenue Fund	\$ <u>1,223,192</u>
Total Expenditures & Transfers-Out	1,223,192
Less: Nonbudgeted Expenditures & Transfers-Out	(80)
Prior Year Expenditures & Transfers-Out Adjustments	<u>(5,308)</u>
Actual Budgeted Expenditures & Transfers-Out	1,228,580
Budget Authority	<u>1,688,095</u>
Unspent Budget Authority	<u>\$ 459,515</u>
 UNSPENT BUDGET AUTHORITY BY FUND	
State Special Revenue Fund	\$ 459,515
Unspent Budget Authority	<u>\$ 459,515</u>

See notes to the financial schedules.

**OFFICE OF THE CONSUMER COUNSEL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008 and 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The Office of the Consumer Counsel uses the modified accrual basis of accounting which is described in the Montana Operations Manual, such basis differs from generally accepted accounting principles in the following material respects:

Under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred. The following items are also considered valid obligations under state accounting policy:

If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal years subsequent to the fiscal year in which the expenditure is accrued.

The anticipated cost of equipment is expensed in the fiscal year in which it is budgeted.

Goods ordered, but not received as of the end of the fiscal year may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Obligations for employees' vested leave and sick leave are recorded as expenditures when paid.

***Financial Schedule Presentation***

The financial schedules were prepared from Statewide Accounting Budgeting and Human Resource System (SABHRS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the Consumer Counsel:

Special Revenue Fund - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Legislative appropriation is required to spend from this fund.

***Vacation and Sick Leave***

Employees are paid for 100 percent of unused vacation and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for vacation and sick leave are not reflected in the financial schedules of the Consumer Counsel. Expenditures for termination pay are currently absorbed in the annual operational costs of the Counsel. At June 30, 2009 and 2008, the Counsel had liabilities for compensated absences of \$104,961 and \$86,164.

**2. PENSION PLAN**

Employees are covered by the Montana Public Employees' Retirement System (PERS). The Consumer Counsel's contribution to the plan for fiscal years 2009 and 2008 was \$15,472 and \$17,335 respectively.

**OFFICE OF THE CONSUMER COUNSEL**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2008 and 2009**

**3. OPERATING LEASE**

The Consumer Counsel entered into a lease agreement for office space on December 1, 1997 and terminating on November 30, 2001. This lease was renewed every two years. The current lease agreement began on May 1, 2008 and terminates on April 30, 2010. Rent is currently \$1,831 per month and rent is increased annually on the anniversary date of the lease. The Office of the Consumer Counsel paid rent of \$21,440 and \$20,808 for fiscal year ended June 30, 2009 and 2008 respectively.

Future minimum lease payments for fiscal years subsequent to June 30, 2009 are: 2010, \$18,311.

**4. BUDGET**

The budget for each year included a contingency appropriation of \$250,000 for unanticipated cases.



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Certified Public Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the financial schedules of the Office of the Consumer Counsel for the fiscal years ended June 30, 2009 and 2008, and have issued our report thereon dated October 28, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Office of the Consumer Counsel's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Office of the Consumer Counsel's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Office of the Consumer Counsel's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Office of the Consumer Counsel's ability to initiate, authorize, record, process, or report financial data reliably in accordance with state accounting policy such that there is more than a remote likelihood that a misstatement of the Office of the Consumer Counsel's financial schedules that is more than inconsequential will not be prevented or detected by the Office of the Consumer Counsel's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial schedules will not be prevented or detected by the Office of the Consumer Counsel's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Office of the Consumer Counsel's financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Office of the Consumer Counsel in a separate letter dated October 28, 2009.

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Helena, Montana  
October 28, 2009

# Montana Consumer Counsel



Robert A. Nelson  
*Consumer Counsel*

Frank E. Buckley, *Rate Analyst*  
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Helena, Montana 59620-1703

October 29, 2009

Mr. Brian Wickens  
Junkermier, Clark, Campanella, Stevens, P.C.  
Certified Public Accountants  
P.O. Box 1164  
Helena, MT 59624

Dear Mr. Wickens,

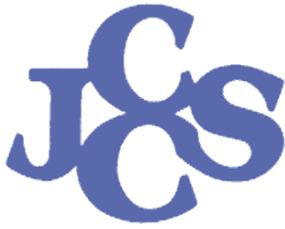
We have reviewed your draft Financial Compliance Audit for the two fiscal years ended June 30, 2009, and have no comments or exceptions to your report.

I would like to take this opportunity to thank you for the efficient organization in conducting the audit; your advance instructions were very helpful and it was a pleasure working with you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert A. Nelson".

Robert A. Nelson  
Montana Consumer Counsel



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Certified Public Accountants and Business Advisors

October 28, 2009

To the Legislative Audit Committee  
of the Montana State Legislature:

We have audited the financial schedules of the Consumer Counsel for the years ended June 30, 2009, and 2008, and have issued our report thereon dated October 28, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2009.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Consumer Counsel are described in Note 1 to the financial schedules. No new accounting policies were adopted and the application of existing policies was not changed during the years ended June 30, 2009, and 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial schedules in the proper period.

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial schedules.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such adjustments.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 28, 2009 .

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Legislature and management of the Consumer Counsel, and is not intended to be and should not be used by anyone other than these specified parties.

***Junkermier, Clark, Campanella, Stevens, P.C.***

Helena, Montana