



A REPORT
TO THE
MONTANA
LEGISLATURE

LEGISLATIVE AUDIT
DIVISION

12-21

FINANCIAL-COMPLIANCE AUDIT

*Office of the
Commissioner of
Political Practices*

*For the Two Fiscal Years Ended
June 30, 2012*

OCTOBER 2012

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§5-13-202(2), MCA

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine whether an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2011, was issued March 29, 2012. The Single Audit Report for the two fiscal years ended June 30, 2013, will be issued by March 31, 2014. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator
Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
Helena, MT 59620-0802

Legislative Audit Division
Room 160, State Capitol
P.O. Box 201705
Helena, MT 59620-1705

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Reports can be found in electronic format at:
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LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors
Cindy Jorgenson
Angie Grove

October 2012

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Office of the Commissioner of Political Practices (office) for the two fiscal years ended June 30, 2012. The report includes recommendations related to adjusting deferred revenue, accruing contract expenditures, and complying with the rule making requirements for lobbyist payment threshold. The office's response to the audit recommendations begins on page B-1.

We thank the Commissioner of Political Practices and office staff for their assistance and cooperation during the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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APPOINTED AND ADMINISTRATIVE OFFICIALS

Term Expires**Office of the Commissioner
of Political Practices**

James W. Murry, Commissioner

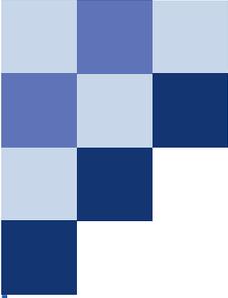
December 31, 2016

**Office Administrative
Official**

Mary Baker, Program Supervisor

For additional information concerning the Office of the
Commissioner of Political Practices, contact:

James W. Murry, Commissioner of Political Practices
P.O. Box 202401
Helena, MT 59620-2401
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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Office of the Commissioner of Political Practices

For the Two Fiscal Years Ended June 30, 2012

OCTOBER 2012

12-21

REPORT SUMMARY

The Office of the Commissioner of Political Practices (office) issued formal decisions involving 11 campaign finance and practice complaints in each of fiscal years 2011 and 2012. Seventeen campaign complaints were dismissed and five ethics complaint decisions were issued in the two fiscal years. Four commissioners served during the two-year period from July 1, 2010, to June 30, 2012.

Context

The office is responsible for enforcing campaign and lobbying disclosure laws, and code of ethics laws for state officials and employees. It performs these duties through campaign and political committee expenditure tracking, investigations of campaign finance and disclosure cases, registration of lobbyists and principle expenditure tracking, and formal ethics complaint proceedings.

The report also has a recommendation concerning use of administrative rules to adjust the minimum payments to lobbyists that triggers a financial reporting requirement.

Results

Our current audit resulted in two recommendations related to compliance with state accounting policy. The office successfully implemented a procedure to allocate revenue from multi-year lobbyist licenses to the three fiscal years covered by the 2011 and 2012 calendar year licensing period. However, the office did not detect and correct deferred revenue errors from the previous audit period. The office also accrued expenditures in fiscal year 2010-11 for which it did not have a contract in place by June 30, 2011.

Recommendation Concurrence	
Concur	3
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report 12-21 or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE
Call toll-free 1-800-222-4446, or e-mail ladhotline@mt.gov.

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, 2012. The objectives of the audit were to:

1. 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 improvements in management and internal controls of the office.
2. Determine whether the financial schedules present fairly the results of operations of the office for each of the fiscal years ended June 30, 2012, and June 30, 2011.
3. Determine whether the office complied with selected laws and regulations.
4. Determine the implementation status of the audit recommendation from the previous audit.

This report contains three recommendations to the office. In accordance with §5-13-307, MCA, we analyzed and disclosed, if significant, the costs of implementing the recommendations made in this report.

Background

The office was created to provide administrative independence from elected officials whose campaign activities the office regulates. The governor appoints the commissioner to one six-year term, subject to confirmation by the senate. A four member selection committee submits a list of two to five names of individuals to the governor for consideration. The selection committee is comprised of: the speaker of the house, the president of the senate, and the minority floor leaders of both houses of the legislature. 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. During the July 1, 2010, to June 30, 2012, audit period, four commissioners have served the office. The current commissioner was appointed to serve out an unexpired term starting February 2012 and ending December 31, 2016, subject to the consent of the Senate prior to adjournment of the 2013 Legislative Session.

The primary duties of the commissioner include:

1. Facilitating disclosure of financial contributions to and expenditures of candidates and political committees.
2. Administering registration of lobbyists and monitoring lobbyists' expenditures by principles.

3. Monitoring of candidates, political committees, lobbyists, and principles for compliance with Montana 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 practice laws, lobbying laws, and ethics laws.

The office is authorized six employees and had five full-time employees at June 30, 2012.

Prior Audit Recommendation

The prior audit for the two fiscal years ended June 30, 2010, contained one recommendation to the office. The office partially implemented the recommendation which was related to allocation of multi-year lobbyist license revenue. The office did not properly allocate revenue from the license period ending December 31, 2010, to fiscal year 2010-11. The revenue was recorded in fiscal year 2009-10. Under state accounting policy, the exchange of goods or services is presumed to occur over the time period for which the license or permit is valid, and the revenue should generally be considered to have been earned equally over that same time period. As a result of the allocation error made in the previous audit period, licenses and permits revenue is understated by \$5,525 in the General Fund, \$11,050 in the State Special Revenue Fund, and \$16,575 in total on the Schedule of Total Revenues for fiscal year 2010-11. The office developed a plan that allocated revenue from the two-year license period equally covering calendar years 2011 and 2012 as required by state policy. Since the revenue from the most recent license period was recorded correctly in the audit period, we make no further recommendation to the office concerning lobbyist license revenue. A related issue involving deferred revenue is discussed on page 4.

Chapter II – Findings and Recommendations

Accounting Issues

State law requires the office to input all necessary transactions before the end of the fiscal year to present the receipt, use, and disposition of all money and property, for which it is accountable, in accordance with generally accepted accounting principles. The State Accounting Division of the Department of Administration establishes state accounting policy to implement this law. The following two sections describe instances where the office recorded transactions that did not comply with state law or accounting policy.

Expenditure Accruals

The office accrued expenditures for services not supported by a contract as required by state accounting policy.

Office personnel accrued \$25,500 in legal services expenditures based on an estimate of potential legal services costs provided by an attorney. State policy requires that accruals for service expenditures be supported by contracts in effect on or before June 30 of the year in which the expenditure is accrued. Without such a contract, the expenditures are not valid. As a result, expenditures of the office are overstated in the General Fund by \$25,500 in fiscal year 2010-11 and understated in fiscal year 2011-12 by the same amount.

After consulting with the Department of Administration, staff believed the estimate received from the attorney was sufficient support for the accrual. However, state policy indicates it is the responsibility of the person approving the accrual to verify the supporting documentation meets the specific requirements set in state policy.

RECOMMENDATION #1

We recommend the office only record expenditure accruals that meet the conditions prescribed by state policy.

Deferred Revenue

The office recorded excess deferred revenue from previous fiscal years in the current audit period.

The office did not detect and correct excess amounts in deferred revenue balances resulting from errors in recording license revenue in the previous audit period. As a result, fund balances on the Schedules of Changes in Fund Balances are understated by \$17,550 and \$887 in the General and State Special Revenue Funds, respectively, in both fiscal years 2010-11 and 2011-12. As discussed on page 2, the office has developed a worksheet to calculate the allocation of revenue and related deferred revenue for the current two year lobbyist license period. Since the calculation of deferred revenue is an integral part of the office's process of allocating revenue from multi-year lobbyist licenses, the process to report deferred revenue accurately is already in place. Office personnel said they overlooked amounts from previous periods when recording deferred revenue based on allocation of current period revenue.

RECOMMENDATION #2

We recommend the office correct the deferred revenue amounts on the state's accounting records.

Lobbyist Payment Threshold

The office did not set the payment threshold for lobbyist financial reporting by administrative rule as required by state law.

State law provides for a minimum level of payments a lobbyist may receive without being subject to financial reporting. Section 5-7-112, MCA, requires the commissioner to adjust the threshold amount following a general election by multiplying the threshold amount valid for the year in which the general election was held by an inflation factor, then promulgating an administrative rule containing both the payment level and the inflation factor. Although the office calculated an adjustment to the threshold amount for required lobbyist financial reporting after the 2010 election, the office did not obtain the rule change required by state law. In reviewing the rule for the previous two-year period, we noted that the inflation factor was not included.

RECOMMENDATION #3

We recommend the office comply with state law by adopting the payment threshold for lobbyist reporting in administrative rule.

Independent Auditor's Report and Department Financial Schedules

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors
Cindy Jorgenson
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Schedules of Changes in Fund Balances, Schedules of Total Revenues, and Schedules of Total Expenditures of the Office of the Commissioner of Political Practices (office) for each of the fiscal years ended June 30, 2012, and 2011. The information contained in these financial schedules is the responsibility of the office's management. Our responsibility is to express opinions 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 opinions.

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 recorded the allocation of lobbyist license revenue for fiscal year 2010-11 from the 2009 and 2010 multi-year license period in the previous fiscal year. As a result, Licenses and Permits and Total Revenue are understated on the Schedule of Total Revenues for the year ended June 30, 2011, by \$5,525 and \$11,050 in the General and State Special Revenue Funds, respectively, and Budgeted Revenues and Total Additions are understated on the Schedule of Changes in Fund Balances for the year ended June 30, 2011, by same amounts.

The office did not correct excess deferred revenue balances from periods prior to July 1, 2010. As a result, beginning and ending fund balances in the General Fund are understated by \$17,550 on the Schedules of Changes in Fund Balances in each of the years ended June 30, 2012, and 2011.

The office accrued \$25,500 for which it did not have a signed contract as of June 30, 2011. As a result, Other Services Expenditures and Total Expenditures are overstated on the Schedule of Total Expenditures for the fiscal year ended June 30, 2011, by \$25,500. General Fund Budgeted Expenditures and Total Reductions are overstated and ending fund balance is understated on the Schedule of Changes in Fund Balances for the fiscal year ended June 30, 2011, by \$25,500. Other

Services, Total Expenditures and Prior Year Expenditures Adjustments are understated by \$25,500 on the Schedule of Total Expenditures for the fiscal year ended June 30, 2012; and Total Reductions, Prior Year Expenditure Adjustments, and beginning fund balance are understated by \$25,500 on the Schedule of Changes in Fund Balances for the fiscal year ended June 30, 2012, in the General Fund.

In our opinion, except as noted in paragraphs four through six above, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the office for each of the fiscal years ended June 30, 2012, and 2011, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor

August 24, 2012

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>State Special Revenue Fund</u>
FUND BALANCE: July 1, 2011	\$ <u>(101,694)</u>	\$ <u>(35,538)</u>
ADDITIONS		
Budgeted Revenues	17,513	23,900
Prior Year Revenues Adjustments	9	
Direct Entries to Fund Balance	<u>467,186</u>	<u>(800)</u>
Total Additions	<u>484,708</u>	<u>23,100</u>
REDUCTIONS		
Budgeted Expenditures	479,604	
Nonbudgeted Expenditures	(126)	
Prior Year Expenditures Adjustments	<u>(50,621)</u>	
Total Reductions	<u>428,857</u>	<u>0</u>
FUND BALANCE: June 30, 2012	\$ <u><u>(45,843)</u></u>	\$ <u><u>(12,438)</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-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General Fund	State Special Revenue Fund
FUND BALANCE: July 1, 2010	\$ <u>(27,868)</u>	\$ <u>(888)</u>
ADDITIONS		
Budgeted Revenues	85,926	11,450
Prior Year Revenues Adjustments	(200)	100
Direct Entries to Fund Balance	<u>341,597</u>	<u>(46,200)</u>
Total Additions	<u>427,323</u>	<u>(34,650)</u>
REDUCTIONS		
Budgeted Expenditures	501,474	
Nonbudgeted Expenditures	<u>(325)</u>	
Total Reductions	<u>501,149</u>	<u>0</u>
FUND BALANCE: June 30, 2011	\$ <u><u>(101,694)</u></u>	\$ <u><u>(35,538)</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-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES BY CLASS			
Licenses and Permits	\$ 12,025	\$ 23,900	\$ 35,925
Charges for Services	487		487
Fines and Forfeits	5,010		5,010
Total Revenues	<u>17,522</u>	<u>23,900</u>	<u>41,422</u>
Less: Nonbudgeted Revenues			0
Prior Year Revenues Adjustments	9		9
Actual Budgeted Revenues	<u>17,513</u>	<u>23,900</u>	<u>41,413</u>
Estimated Revenues	14,263	600	14,863
Budgeted Revenues Over (Under) Estimated	<u>\$ 3,250</u>	<u>\$ 23,300</u>	<u>\$ 26,550</u>
BUDGETED REVENUES OVER (UNDER) ESTIMATED BY CLASS			
Licenses and Permits	\$ 11,675	\$ 23,300	\$ 34,975
Charges for Services	(3,435)		(3,435)
Fines and Forfeits	(4,990)		(4,990)
Budgeted Revenues Over (Under) Estimated	<u>\$ 3,250</u>	<u>\$ 23,300</u>	<u>\$ 26,550</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-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL REVENUES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES BY CLASS			
Licenses and Permits	\$ 5,812	\$ 11,550	\$ 17,362
Charges for Services	264		264
Fines and Forfeits	<u>79,650</u>		<u>79,650</u>
Total Revenues	85,726	11,550	97,276
Less: Nonbudgeted Revenues			
Prior Year Revenues Adjustments	<u>(200)</u>	<u>100</u>	<u>(100)</u>
Actual Budgeted Revenues	85,926	11,450	97,376
Estimated Revenues	<u>78,638</u>	<u>1,000</u>	<u>79,638</u>
Budgeted Revenues Over (Under) Estimated	<u>\$ 7,288</u>	<u>\$ 10,450</u>	<u>\$ 17,738</u>
BUDGETED REVENUES OVER (UNDER) ESTIMATED BY CLASS			
Licenses and Permits	\$ (54,088)	\$ 10,450	\$ (43,638)
Charges for Services	(3,649)		(3,649)
Fines and Forfeits	<u>65,025</u>		<u>65,025</u>
Budgeted Revenues Over (Under) Estimated	<u>\$ 7,288</u>	<u>\$ 10,450</u>	<u>\$ 17,738</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-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PROGRAM (ORG) EXPENDITURES	<u>Administration</u>
Personal Services	
Salaries	\$ 189,172
Employee Benefits	73,701
Total	<u>262,873</u>
Operating Expenses	
Other Services	121,493
Supplies & Materials	14,560
Communications	8,851
Travel	2,282
Rent	11,640
Other Expenses	7,158
Total	<u>165,984</u>
Total Expenditures	<u>\$ 428,857</u>
 EXPENDITURES BY FUND	
General Fund	\$ <u>428,857</u>
Total Expenditures	428,857
Less: Nonbudgeted Expenditures	(126)
Prior Year Expenditures Adjustments	<u>(50,621)</u>
Actual Budgeted Expenditures	479,604
Budget Authority	569,451
Unspent Budget Authority	<u>\$ 89,847</u>
 UNSPENT BUDGET AUTHORITY BY FUND	
General Fund	\$ <u>89,847</u>
Unspent Budget Authority	<u>\$ 89,847</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-9.

COMMISSIONER OF POLITICAL PRACTICES
SCHEDULE OF TOTAL EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Administration</u>
PROGRAM (ORG) EXPENDITURES	
Personal Services	
Salaries	\$ 180,806
Employee Benefits	69,461
Total	250,268
Operating Expenses	
Other Services	215,197
Supplies & Materials	9,198
Communications	10,207
Travel	78
Rent	14,595
Other Expenses	1,607
Total	250,882
Total Expenditures	\$ 501,149
EXPENDITURES BY FUND	
General Fund	\$ 501,149
Total Expenditures	501,149
Less: Nonbudgeted Expenditures	(325)
Prior Year Expenditures Adjustments	
Actual Budgeted Expenditures	501,474
Budget Authority	556,981
Unspent Budget Authority	\$ 55,507
UNSPENT BUDGET AUTHORITY BY FUND	
General Fund	\$ 55,507
Unspent Budget Authority	\$ 55,507

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-9.

Office of the Commissioner of Political Practices
Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 2012

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 department 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 was adopted by 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. All appropriation authority of the office is in the General Fund.
- ◆ **State Special Revenue Fund** – to account for two thirds of the proceeds of lobbyist licensing revenue collected under provisions of §5-7-103(1),(4), MCA.

2. General Fund Balance

The negative fund balance in the General Fund does not indicate overspent appropriation authority. The Schedule of Total Expenditures for the fiscal years ended June 30, 2012, and 2011 show the office had unspent budget authority of \$89,847

and \$55,507, respectively, for the two fiscal years, so 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, 2012, and June 30, 2011.

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.

OFFICE OF THE
COMMISSIONER OF
POLITICAL PRACTICES

OFFICE RESPONSE

COMMISSIONER OF
POLITICAL PRACTICES

B-1



STATE OF MONTANA

JAMES W "JIM" MURRY
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October 2, 2012

Tori Hunthausen, Auditor
Room 160 State Capitol
PO Box 201705
Helena, MT 59620-1705

Subject: Request audit responses; Commissioner of Political Practices

Dear Ms. Hunthausen,

First I would like to say thank you. You and the other legislative 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 office only record expenditure accruals that meet the conditions prescribed by state policy.

Concur: CPP is dependent on the guidance provided by Department of Administration on accounting principles such as this one. All documentation was submitted as required by state policy and approved via email by the Department of Administration. CPP will continue to work with Department of Administration to document procedures that ensure these transactions are in accordance with state law and accounting policy.

Recommendation #2

We recommend the office correct the deferred revenue amounts on the state's accounting records.

Concur: CPP staff meets with the Department of Administration accounting staff on a regular basis to go over the deferred revenue entries. CPP will continue to work closely with the Department of Administration to document and implement procedures that ensure these transactions are in accordance with state law and accounting policy.

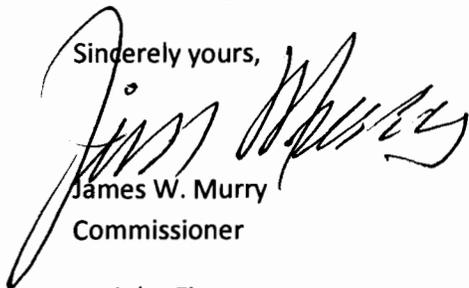
Recommendation #3

We recommend the office comply with state law by adopting the payment threshold for lobbyist reporting in administrative rule.

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.

With best regards, I am

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jim Murry". The signature is written in a cursive style with a large initial "J" and "M".

James W. Murry
Commissioner

cc. John Fine