

# LEGISLATIVE AUDIT DIVISION

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## MEMORANDUM

**TO:** Members of the Legislative Audit Committee  
**FROM:** Angus Maciver, Legislative Auditor *AM*  
**DATE:** January 2024  
**RE:** Legislative Branch and Consumer Counsel Risk-Based Audit Proposal

At the June 2023 meeting, we proposed exploring other types of audit-related services for the Consumer Counsel and Legislative Branch audit that directly address specific accounting and compliance risks. Passage of House Bill 132 during the 2023 Legislative Session, coupled with a significant fee increase requested by the firm completing the prior biennial audit, prompted the proposal. Under House Bill 132, audits of the financial affairs and transactions of state agencies is determined by the legislative auditor taking into consideration the agency's operations, risk, the complexity of its fiscal structure, and the nature and extent of previous audit findings. Focusing audit-related services on specific risks should allow us to contain costs while also providing more meaningful information to the employees responsible for those activities.

Since June 2023, we worked with Legislative Branch and Consumer Counsel personnel to identify higher risk financial activity. We also contacted legislators to determine their perceptions of risk. We identified the following higher risk activities:

### Audit Billing

As provided in law, the Legislative Audit Division bills agencies for financial-compliance and certain information systems audits. During the 2023 biennium, branch personnel discovered some agencies weren't fully billed for services rendered. In response, the Financial and Human Resources Office (FHRO) implemented new billing processes. Manual processes were necessary to quantify and recover previously unbilled amounts, increasing the risk of error.

### Legislator Travel Claims

During fiscal year 2023, FHRO personnel processed a high volume of legislator travel claims. Per diem and other travel-related rates change frequently and detailed requirements of state policy need to be applied to a wide variety of travel scenarios, increasing risk of error.

### Information Technology Contracts

The Legislative Services Division contracts for services on a wide variety of information technology projects. Contract provisions are complicated, increasing risk of payments not aligning with contract requirements. Information technology contractors commonly use subcontractors, sell business lines, discontinue products or services, or acquire new business lines. These practices increase risk of incorrect, duplicative, or incomplete invoicing.

### Year-End Accruals

FHRO personnel are required to accrue the cost of goods and services received, but not yet paid, at fiscal year-end. Due to the volume of goods and services received by the Legislative Branch, there is risk of incomplete accruals.

Newly Authorized FTE

Legislative Services Division was authorized 19.50 new full-time equivalent (FTE) positions during the 2023 Legislative Session to address expanded information technology services and legislator support needs. Due to current market conditions, there is risk these positions required salaries above the approved occupational wage range maximum or remained unfilled.

Consumer Counsel Fund Balance

The Consumer Counsel is funded by fees on regulated entities under the jurisdiction of the Public Service Commission and experienced several years of growth in its fund balance. Risk exists that fund balance will continue to increase without a plan to reduce the balance.

After identifying these risks, we reviewed available types of audit-related services. We determined an agreed-upon procedures engagement will effectively address the identified risks. In an agreed-upon procedures engagement, a contractor will perform specific procedures requested by the legislative auditor on the subject matter summarized above. Legislative Branch and Consumer Counsel personnel will be responsible for drawing their own conclusions from the results reported by the contractor. The goal is to receive the information necessary to identify appropriate courses of action in response to the perceived risks in a cost-effective manner. We are currently developing the specific procedures. We plan to discuss those with Legislative Branch and Consumer Counsel personnel to ensure the procedures meet their information needs prior to initiating the contracting process.

We are seeking Legislative Audit Committee input regarding this proposal.