

**STATE OF MONTANA
CONSUMER COUNSEL**

**FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2019**

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

November 2019

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the financial audit of the Montana Consumer Council for the two fiscal years ended June 30, 2019.

The audit was conducted by Rudd & Company 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/ Angus Maciver

Angus Maciver
Legislative Auditor

19C-11

STATE OF MONTANA
CONSUMER COUNSEL

CONTENTS

	<u>Page</u>
Elected and appointed officials	3
AUDITED FINANCIAL SCHEDULES	
Independent auditors' report	4 – 5
Schedule of Changes in Fund Equity for the fiscal year ended June 30, 2019	6
Schedule of Changes in Fund Equity for the fiscal year ended June 30, 2018	7
Schedule of Total Revenues and Transfers-in for the fiscal year ended June 30, 2019	8
Schedule of Total Revenues and Transfers-in for the fiscal year ended June 30, 2018	9
Schedule of Total Expenditures and Transfers-out for the fiscal year ended June 30, 2019	10
Schedule of Total Expenditures and Transfers-out for the fiscal year ended June 30, 2018	11
Notes to financial schedules	12 – 15
INDEPENDENT AUDITORS' REPORTS FOR GAO	
Independent auditors' report on: Internal control over financial reporting and on compliance and other matters based on an audit of financial schedules performed in accordance with <i>Government Auditing Standards</i>	16 – 17
Agency response	18

**ELECTED AND APPOINTED OFFICIALS
LEGISLATIVE CONSUMER COMMITTEE
2018-2019**

SENATORS

Jennifer Fielder (Appointed 4/17)

Sue Malek (Appointed 06/19)

Jeff Welborn (Appointed 6/19)

REPRESENTATIVES

Mike Cuffe (Appointed 5/17)

Mary Ann Dunwell (Appointed 4/19)

Mike Hopkins (Appointed 4/19)

Andrea Olsen (Appointed 5/17)

Consumer Counsel

Robert Nelson



INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
of the Montana State Legislature:

Report on the Financial Schedules

We have audited the accompanying Schedules of Changes in Fund Equity, Schedules of Total Revenues & Transfers-In and Schedules of Total Expenditures & Transfers-Out of the Consumer Counsel for each of the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial schedules.

Management's Responsibility for the Financial Schedules

Management is responsible for the preparation and fair presentation of these financial schedules in accordance with the regulatory format prescribed by the Legislative Audit Committee, based on the transactions posted to the state's accounting system without adjustment; this responsibility includes recording transactions in accordance with state accounting policy; and designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial schedules, the financial schedules are prepared by the Consumer Counsel in accordance with state accounting policy, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Montana. The effects on the financial schedules of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial schedules referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Consumer Counsel as of June 30, 2019 and 2018, or changes in financial position or cash flows thereof for the years then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial schedules referred to above present fairly, in all material respects, the fund equity of each fund of the Consumer Counsel as of June 30, 2019 and 2018, and their respective total revenues & transfers-in and expenditures & transfers-out for the years then ended in accordance with the accounting policy of the State of Montana as described in Note 1.

Other Reporting Required by Government Auditing Standards

In Accordance with *Governmental Auditing Standards*, we have also issued our report dated November 21, 2019 on our consideration 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consumer Counsel's internal control over financial reporting and compliance.



Helena, Montana
November 21, 2019

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FOR ALL FUNDS

	<u>State Special Revenue Fund</u>
FUND EQUITY: July 1, 2018	\$ <u>1,081,842</u>
ADDITIONS	
Direct Entries to Fund Equity	750,224
Total Additions	<u>750,224</u>
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	1,317,481
Nonbudgeted Expenditures & Transfers-Out	(817)
Prior Year Expenditures & Transfers-Out Adjustments	635
Total Reductions	<u>1,317,300</u>
FUND EQUITY: June 30, 2019	\$ <u><u>514,766</u></u>

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FOR ALL FUNDS

	<u>State Special Revenue Fund</u>
FUND EQUITY: July 1, 2017	\$ <u>1,234,126</u>
ADDITIONS	
Direct Entries to Fund Equity	<u>1,074,905</u>
Total Additions	<u>1,074,905</u>
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	<u>1,227,189</u>
Total Reductions	<u>1,227,189</u>
FUND EQUITY: June 30, 2018	\$ <u><u>1,081,842</u></u>

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FOR ALL FUNDS

TOTAL REVENUES & TRANSFERS-IN BY CLASS

Total Revenues & Transfers-In

Less: Nonbudgeted Revenues & Transfers-In

 Prior Year Revenues & Transfers-In Adjustments

Actual Budgeted Revenues & Transfers-In

 Estimated Revenues & Transfers-In

Budgeted Revenues & Transfers-In Over (Under) Estimated

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS

Budgeted Revenues & Transfers-In Over (Under) Estimated

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FOR ALL FUNDS

TOTAL REVENUES & TRANSFERS-IN BY CLASS

Total Revenues & Transfers-In

Less: Nonbudgeted Revenues & Transfers-In

 Prior Year Revenues & Transfers-In Adjustments

Actual Budgeted Revenues & Transfers-In

Estimated Revenues & Transfers-In

Budgeted Revenues & Transfers-In Over (Under) Estimated

BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS

Budgeted Revenues & Transfers-In Over (Under) Estimated

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FOR ALL FUNDS

	<u>ADMINISTRATION PROGRAM</u>	<u>Total</u>
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		
Personal Services		
Salaries	\$ 438,721	\$ 438,721
Employee Benefits	136,630	136,630
Total	<u>575,351</u>	<u>575,351</u>
Operating Expenses		
Other Services	617,936	617,936
Supplies & Materials	6,381	6,381
Communications	12,428	12,428
Travel	25,876	25,876
Rent	39,147	39,147
Other Expenses	40,181	40,181
Total	<u>741,949</u>	<u>741,949</u>
Total Expenditures & Transfers-Out	<u>\$ 1,317,300</u>	<u>\$ 1,317,300</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
State Special Revenue Fund	\$ <u>1,317,300</u>	\$ <u>1,317,300</u>
Total Expenditures & Transfers-Out	1,317,300	1,317,300
Less: Nonbudgeted Expenditures & Transfers-Out	(817)	(817)
Prior Year Expenditures & Transfers-Out Adjustments	635	635
Actual Budgeted Expenditures & Transfers-Out	<u>1,317,481</u>	<u>1,317,481</u>
Budget Authority	<u>2,041,212</u>	<u>2,041,212</u>
Unspent Budget Authority	<u>\$ 723,731</u>	<u>\$ 723,731</u>
UNSPENT BUDGET AUTHORITY BY FUND		
State Special Revenue Fund	\$ <u>723,731</u>	\$ <u>723,731</u>
Unspent Budget Authority	<u>\$ 723,731</u>	<u>\$ 723,731</u>

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FOR ALL FUNDS

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	<u>ADMINISTRATION PROGRAM</u>	<u>Total</u>
Personal Services		
Salaries	\$ 439,579	\$ 439,579
Employee Benefits	124,870	124,870
Total	<u>564,450</u>	<u>564,450</u>
Operating Expenses		
Other Services	516,386	516,386
Supplies & Materials	7,798	7,798
Communications	12,799	12,799
Travel	32,606	32,606
Rent	39,147	39,147
Other Expenses	54,004	54,004
Total	<u>662,739</u>	<u>662,739</u>
Total Expenditures & Transfers-Out	<u>\$ 1,227,189</u>	<u>\$ 1,227,189</u>
 EXPENDITURES & TRANSFERS-OUT BY FUND		
State Special Revenue Fund	\$ <u>1,227,189</u>	\$ <u>1,227,189</u>
Total Expenditures & Transfers-Out	1,227,189	1,227,189
Less: Nonbudgeted Expenditures & Transfers-Out		
Prior Year Expenditures & Transfers-Out Adjustments		
Actual Budgeted Expenditures & Transfers-Out	<u>1,227,189</u>	<u>1,227,189</u>
Budget Authority	<u>1,937,545</u>	<u>1,937,545</u>
Unspent Budget Authority	<u>\$ 710,356</u>	<u>\$ 710,356</u>
 UNSPENT BUDGET AUTHORITY BY FUND		
State Special Revenue Fund	\$ <u>710,356</u>	\$ <u>710,356</u>
Unspent Budget Authority	<u>\$ 710,356</u>	<u>\$ 710,356</u>

See Notes to the Financial Schedules

**CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2018 and 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Montana Consumer Counsel uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (State Special Revenue). In applying the modified accrual basis, the Montana Consumer Counsel 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 Montana Consumer Counsel 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 Montana Consumer Counsel 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 Montana Consumer Counsel uses the following funds:

Governmental Fund Category:

State Special Revenue Fund –to account for proceeds of specific revenue sources legally restricted to expenditures for specific state program purposes. Legislative appropriation is required to spend from this fund.

The State provides funding for the Montana Consumer Counsel through revenue-sharing.

CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2018 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Montana Consumer Counsel. Expenditures for termination pay are currently absorbed in the annual operational costs of the Montana Consumer Counsel. At June 30, 2019 and 2018, the Montana Consumer Counsel had liabilities for compensated absences of \$111,754 and \$94,395, respectively.

2. PENSION PLAN

Plan Description

The Public Employees' Retirement System (PERS) is a statewide retirement plan established in 1945 and governed by Title 19, Chapters 2 and 3 of the Montana Code Annotated. The PERS is a mandatory multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Administration (PERA).

PERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Benefits are based on eligibility, years of service, and highest average compensation. Members' rights become vested after five years of service.

The plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. The report is available at the following address:

100 North Park Avenue Suite 200, P.O. Box 200131, Helena, MT 59620-0131

**CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2018 and 2019**

2. PENSION PLAN (Continued)

Funding Policy

Contribution rates for the plan are required and determined by State law. The PERS rates for employees and employers expressed as a percentage of covered payroll, were as follows:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
2019 (all members effective 7/1/2018)	8.67%	7.9%	16.57%
2018 (all members effective 7/1/2017)	8.57%	7.9%	16.47%
2017 (all members effective 7/1/2016)	8.47%	7.9%	16.37%
2016 (all members effective 7/1/2015)	8.37%	7.9%	16.27%

The amounts contributed to the plan by the Montana Consumer Counsel were as follows:

	<u>Employer Contributions</u>
June 30, 2019	\$ 37,658
June 30, 2018	\$ 36,683
June 30, 2017	\$ 35,425
June 30, 2016	\$ 34,464

3. DIRECT ENTRIES TO FUND EQUITY

Direct entries to fund equity in the State Special Revenue Fund include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2018 and 2019

4. OPERATING LEASE

The Montana Consumer Counsel entered into a lease agreement for office space on July 1, 2016 through June 30, 2019. An amendment to the lease extended the termination date to June 30, 2021. Total rent expense was \$37,800 and \$37,800 for the fiscal years ended 2019 and 2018, respectively. Future minimum lease payment due under this lease is \$39,795 for fiscal year 2021 and \$39,795 for fiscal 2020.



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

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the 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, the financial schedules of the Consumer Counsel, for the fiscal years ended June 30, 2019 and 2018, as listed in the table of contents, and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial schedules, we considered the Consumer Counsel's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Consumer Counsel's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consumer Counsel's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial schedules will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consumer Counsel's financial schedules are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rudd & Company, PLLC

Helena, Montana
November 21, 2019

Montana Consumer Counsel



Robert A. Nelson
Consumer Counsel

Jason T. Brown, *Attorney*
Lawrence P. Nordell, *Economist*
Paul Schulz, *Rate Analyst*
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November 21, 2019

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RE: Consumer Counsel Audit Response

We have reviewed the draft audit report for the Consumer Counsel. We are pleased that the Consumer Counsel meets accounting standards and that no recommendations for improvement were necessary.

Sincerely,

A handwritten signature in blue ink, appearing to read "Robert A. Nelson".

Robert A. Nelson
Consumer Counsel