

**This is the financial  
compliance audit of the  
department of the Public  
Service Regulation for  
fiscal years 2019 and 2020.**

**Presented by Jessie Curtis,  
Financial Compliance  
Audit Supervisor.**



**A REPORT  
TO THE  
MONTANA  
LEGISLATURE**



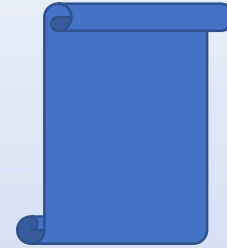
REPORT SUMMARY S-1

FINANCIAL-COMPLIANCE AUDIT 20-26 MAY 2021

**MONTANA LEGISLATIVE AUDIT DIVISION**

Department of Public Service Regulation  
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 2020

Talking caption- What's important!



Background- Summary of information starting on page 1.

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During each audit we obtain written representations from appropriate leadership confirming they have fulfilled their responsibilities in regards to audit, including the fair presentation of the financial schedules and notes and for the design, implementation, and maintenance of internal controls. We were unable to obtain reliable management representations regarding financial activities to support our audit work. The current chairman of the Public Service Commission declined to sign a management representation letter because it was clear he was not responsible for operations during the audit period as he was not yet on the commission. Because we had concerns about the integrity and competence of other management personnel, there was no one else at the department who could give reliable representation. Without reliable management representation, we disclaimed an opinion on the financial schedules and notes for both fiscal years 2020 and 2019. Our integrity and competence concerns stemmed from an attempt to provide us with falsified documentation, potential waste of state resources, and disregard of state and internal policies, including management override of controls.

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**AUDITOR'S OPINION (page A-1): **DISCLAIMER****

This means we give no reliance on the information presented in the financial schedules or notes to the financial schedules.

**REPORT ON INTERNAL CONTROL AND COMPLIANCE  
(page B-1):**

In this report, we identified the following:

Material Weaknesses in Internal Control: 3

Significant Deficiencies in Internal Control: 1

Material Non-Compliance: 0

Other Matters: 1

## How did we get here?

What is management representation and why does it matter?

-Integrity

-Competence

-Potential waste of state resources

-Disregard of state and internal policies (including management override of controls)

**Why do these concerns affect our opinion on the financial schedules?**

**-Two choices**

## **RECOMMENDATIONS:**

In this report, we issued the following recommendations:

To the department: 5

To the legislature: 0

**RECOMMENDATION #3 (page 9):**

*Internal Controls*

We recommend the Department of Public Service Regulation develop, implement, and document internal controls to ensure the completeness and accuracy of the rate charged and collected on the department's behalf.

**Department response: Concur**



**RECOMMENDATION #5 (page 13):**

*Controls over drafting notes to the financial schedules*

We recommend the Department of Public Service Regulation develop and implement internal controls over note disclosure development, including the consideration of subsequent events disclosures prior to the audit process.

**Department response: Concur**

**RECOMMENDATION #4 (page 11):**

*Incomplete financial information*

We recommend the Department of Public Service Regulation develop internal controls to ensure the accuracy and completeness of financial activity in the state's accounting records and comply with state accounting policy by recording all department financial activity in the state's accounting records

**Department response: Concur**

## **RECOMMENDATION #2**

*We recommend the Department of Public Service Regulation develop, implement, and monitor internal controls to facilitate compliance with and comply with state policies by ensuring:*

- A. Travel and Procard expenses are supported by accurate and sufficient documentation.*
- B. Inventory is completed, state property is tagged when required, and the Surplus Property Program is used to dispose of state property.*
- C. Procurement is in compliance with state law and policy, including the agreement with the Department of Administration.*
- D. Uncollectable receivables are transferred to the Department of Revenue or outside collection agency.*



## How did we get here?

What is management representation and why does it matter?

-Integrity

-Competence

-Potential waste of state resources

-Disregard of state and internal policies (including management override of controls)

**Why do these concerns affect our opinion on the financial schedules?**

**-Two choices**

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**RECOMMENDATION #1**

*We recommend the leadership of the Department of the Public Service Regulation:*

- A. Comply with all internal policies.*
  - B. Develop and implement a comprehensive plan to improve department culture.*
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