

**STATE OF MONTANA
CONSUMER COUNSEL**

**FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 2021**

LEGISLATIVE AUDIT DIVISION

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



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

May 2022

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, 2021.

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

21C-11

STATE OF MONTANA
CONSUMER COUNSEL

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* There were no revenues for fiscal year 2021 and, therefore no Schedule of Total Revenues and Transfers-in is presented.

**ELECTED AND APPOINTED OFFICIALS
LEGISLATIVE CONSUMER COMMITTEE
2020-2021**

SENATORS

Brad Molnar (Appointed 5/21)

Christopher Pope (Appointed 05/21)

REPRESENTATIVES

Mary Ann Dunwell (Re-Appointed 5/21)

Mike Hopkins (Re-Appointed 5/21)

Consumer Counsel

Jason Brown



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 and Schedules of Total Expenditures & Transfers-Out of the Consumer Counsel for the fiscal years ended June 30, 2021, and 2020. We have audited the accompanying Schedule of Revenues & Transfers-In of the Consumer Counsel for the year ended June 30, 2020. We have audited the Notes to the Financial Schedules for the two fiscal years ended June 30, 2021, and 2020.

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 the Consumer Counsel as of June 30, 2021, and 2020, 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 results of operations and changes in fund equity of the Consumer Counsel for the fiscal years ended June 30, 2021, and 2020 in accordance with the accounting policy of the State of Montana as described in Note 1.

Emphasis of Matter

As discussed in Note 1- Basis of Presentation, the financial schedule format was adopted by the Legislative Audit Committee. On June 16, 2020, the Committee approved a change in format to remove the presentation of revenue estimates from the Schedule of Total Revenues & Transfers-In. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In Accordance with *Governmental Auditing Standards*, we have also issued our report dated May 10, 2022, 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 effectiveness of the Consumer Counsel’s 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
May 10, 2022

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FOR ALL FUNDS

	<u>State Special Revenue Fund</u>
FUND EQUITY: July 1, 2020	\$ <u>903,948</u>
ADDITIONS	
Direct Entries to Fund Equity	<u>1,383,515</u>
Total Additions	<u>1,383,515</u>
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	1,198,951
Nonbudgeted Expenditures & Transfers-Out	(426)
Prior Year Expenditures & Transfers-Out Adjustments	<u>(895)</u>
Total Reductions	<u>1,197,630</u>
FUND EQUITY: June 30, 2021	\$ <u>1,089,833</u>

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF CHANGES IN FUND EQUITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FOR ALL FUNDS

	<u>State Special Revenue Fund</u>
FUND EQUITY: July 1, 2019	\$ <u>514,766</u>
ADDITIONS	
Nonbudgeted Revenues & Transfers-In	4,836
Direct Entries to Fund Equity	<u>1,462,948</u>
Total Additions	<u>1,467,784</u>
REDUCTIONS	
Budgeted Expenditures & Transfers-Out	1,074,389
Nonbudgeted Expenditures & Transfers-Out	<u>4,213</u>
Total Reductions	<u>1,078,602</u>
FUND EQUITY: June 30, 2020	\$ <u>903,948</u>

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FOR ALL FUNDS

	<u>State Special Revenue Fund</u>	<u>Total</u>
TOTAL REVENUES & TRANSFERS-IN BY CLASS		
Charges for Services	\$ 14	\$ 14
Inception of Lease/Installment Contract	4,822	4,822
Total Revenues & Transfers-In	4,836	4,836
Less: Nonbudgeted Revenues & Transfers-In	4,836	4,836
Prior Year Revenues & Transfers-In Adjustments		
Actual Budgeted Revenues & Transfers-In	-	-

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

FOR ALL FUNDS

	<u>ADMINISTRATION PROGRAM</u>	<u>Total</u>
PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT		
Personal Services		
Salaries	\$ 550,834	\$ 550,834
Employee Benefits	143,100	143,100
Total	<u>693,934</u>	<u>693,934</u>
Operating Expenses		
Other Services	401,106	401,106
Supplies & Materials	8,597	8,597
Communications	12,239	12,239
Travel	585	585
Rent	39,795	39,795
Other Expenses	39,710	39,710
Total	<u>502,031</u>	<u>502,031</u>
Debt Service		
Capital Leases	1,665	1,665
Total	<u>1,665</u>	<u>1,665</u>
Total Expenditures & Transfers-Out	<u>\$ 1,197,630</u>	<u>\$ 1,197,630</u>
EXPENDITURES & TRANSFERS-OUT BY FUND		
State Special Revenue Fund	\$ <u>1,197,630</u>	\$ <u>1,197,630</u>
Total Expenditures & Transfers-Out	1,197,630	1,197,630
Less: Nonbudgeted Expenditures & Transfers-Out	(426)	(426)
Prior Year Expenditures & Transfers-Out Adjustments	(895)	(895)
Actual Budgeted Expenditures & Transfers-Out	1,198,951	1,198,951
Budget Authority	2,128,471	2,128,471
Unspent Budget Authority	<u>\$ 929,520</u>	<u>\$ 929,520</u>
UNSPENT BUDGET AUTHORITY BY FUND		
State Special Revenue Fund	\$ <u>929,520</u>	\$ <u>929,520</u>
Unspent Budget Authority	<u>\$ 929,520</u>	<u>\$ 929,520</u>

See Notes to the Financial Schedules

CONSUMER COUNSEL
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

FOR ALL FUNDS

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	<u>ADMINISTRATION PROGRAM</u>	<u>Total</u>
Personal Services		
Salaries	\$ 447,078	\$ 447,078
Employee Benefits	137,994	137,994
Total	<u>585,071</u>	<u>585,071</u>
Operating Expenses		
Other Services	374,152	374,152
Supplies & Materials	12,064	12,064
Communications	12,617	12,617
Travel	12,365	12,365
Rent	40,132	40,132
Repairs & Maintenance	209	209
Other Expenses	40,743	40,743
Total	<u>492,282</u>	<u>492,282</u>
Debt Service		
Capital Leases	1,249	1,249
Total	<u>1,249</u>	<u>1,249</u>
 Total Expenditures & Transfers-Out	 <u>\$ 1,078,602</u>	 <u>\$ 1,078,602</u>
 EXPENDITURES & TRANSFERS-OUT BY FUND		
State Special Revenue Fund	\$ <u>1,078,602</u>	\$ <u>1,078,602</u>
Total Expenditures & Transfers-Out	1,078,602	1,078,602
Less: Nonbudgeted Expenditures & Transfers-Out		
Prior Year Expenditures & Transfers-Out Adjustments		
Actual Budgeted Expenditures & Transfers-Out	<u>1,074,389</u>	<u>1,074,389</u>
Budget Authority	<u>1,870,930</u>	<u>1,870,930</u>
Unspent Budget Authority	<u>\$ 796,541</u>	<u>\$ 796,541</u>
 UNSPENT BUDGET AUTHORITY BY FUND		
State Special Revenue Fund	\$ <u>796,541</u>	\$ <u>796,541</u>
Unspent Budget Authority	<u>\$ 796,541</u>	<u>\$ 796,541</u>

See Notes to the Financial Schedules

**CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2020 and 2021**

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 and Debt Service. 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.

Debt Service Fund – to account for accumulated resources for the payment of general long-term debt principal and interest. The Montana Consumer Counsel used this fund for the agency's photocopier lease.

**CONSUMER COUNSEL
NOTES TO FINANCIAL SCHEDULES
June 30, 2020 and 2021**

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, 2020, and 2021, the Montana Consumer Counsel had liabilities for compensated absences of \$106,710 and \$34,260, 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, 2020 and 2021**

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>
2021 (all members effective 7/1/2018)	8.87%	7.9%	16.77%
2020 (all members effective 7/1/2017)	8.77%	7.9%	16.67%
2019 (all members effective 7/1/2016)	8.67%	7.9%	16.57%
2018 (all members effective 7/1/2015)	8.57%	7.9%	16.47%

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

	<u>Employer Contributions</u>
June 30, 2021	\$ 43,463
June 30, 2020	\$ 38,941
June 30, 2019	\$ 37,658
June 30, 2018	\$ 36,683

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, 2020 and 2021

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 \$39,795 and \$39,795 for the fiscal years ended 2021 and 2020, respectively. Future minimum lease payments due under this lease is \$40,992 for fiscal year 2022 and \$41,607 for fiscal 2023. Commencing fiscal year 2022 office space rent expense will be recorded under Debt Service – Right to Use - due to the implementation of GASB 87.



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 the 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, 2021 and 2020, as listed in the table of contents, and related notes to the financial schedules, and have issued our report thereon dated May 10, 2022.

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*.

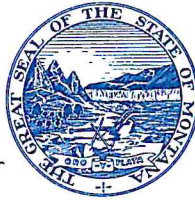
Purpose of this Report

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.

Ruedl & Company, PLLC

Helena, Montana
May 10, 2022

Montana Consumer Counsel



Jason T. Brown

Consumer Counsel

Lawrence P. Nordell, *Economist*

Paul Schulz, *Rate Analyst*

Suzanne Snow, *Office Manager*

Jaime Stamatson, *Economist*

Telephone: (406) 444-2771

Fax No: (406) 444-2760

111 North Last Chance Gulch

Suite 1B

PO Box 201703

Helena, Montana 59620-1703

May 10, 2022

Rudd & Company PLLC
1003 11th Avenue, Suite A
Helena, Montana 59601

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,

Jason T. Brown
Consumer Counsel