



General Assembly

Substitute Bill No. 961

January Session, 2019



AN ACT CONCERNING THE AUDIT OF MUNICIPAL ELECTRIC ENERGY COOPERATIVES BY THE AUDITORS OF PUBLIC ACCOUNTS, THE MUNICIPAL ELECTRIC CONSUMER ADVOCATE AND RECOMMENDATIONS FROM A MUNICIPAL ELECTRIC ENERGY COOPERATIVE FORENSIC EXAMINATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 2-90 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The Auditors of Public Accounts shall organize the work of their
4 office in such manner as they deem most economical and efficient and
5 shall determine the scope and frequency of any audit they conduct.

6 (b) Said auditors, with the Comptroller, shall, at least annually and
7 as frequently as they deem necessary, audit the books and accounts of
8 the Treasurer, including, but not limited to, trust funds, as defined in
9 section 3-13c, and certify the results to the Governor. The auditors
10 shall, at least annually and as frequently as they deem necessary, audit
11 the books and accounts of the Comptroller and certify the results to the
12 Governor. They shall examine and prepare certificates of audit with
13 respect to the financial statements contained in the annual reports of
14 the Treasurer and Comptroller, which certificates shall be made part of
15 such annual reports. In carrying out their responsibilities under this
16 section, said auditors may retain independent auditors to assist them.

17 (c) Said auditors shall audit, on a biennial basis if deemed most
18 economical and efficient, or as frequently as they deem necessary, the
19 books and accounts of each officer, department, commission, board
20 and court of the state government, all institutions supported by the
21 state and all public and quasi-public bodies, politic and corporate,
22 created by public or special act of the General Assembly and not
23 required to be audited or subject to reporting requirements, under the
24 provisions of chapter 111. Each such audit may include an examination
25 of performance in order to determine effectiveness in achieving
26 expressed legislative purposes. The auditors shall report their findings
27 and recommendations to the Governor, the State Comptroller and the
28 joint standing committee of the General Assembly having cognizance
29 of matters relating to appropriations and the budgets of state agencies.

30 (d) The Auditors of Public Accounts may enter into such contractual
31 agreements as may be necessary for the discharge of their duties. Any
32 audit or report which is prepared by a person, firm or corporation
33 pursuant to any contract with the Auditors of Public Accounts shall
34 bear the signature of the person primarily responsible for the
35 preparation of such audit or report. As used in this subsection, the
36 term "person" means a natural person.

37 (e) (1) If the Auditors of Public Accounts discover, or if it should
38 come to their knowledge, that any unauthorized, illegal, irregular or
39 unsafe handling or expenditure of state funds or quasi-public agency
40 funds or any breakdown in the safekeeping of any resources of the
41 state or a quasi-public agency has occurred or is contemplated, they
42 shall forthwith report the facts to the Governor, the State Comptroller,
43 the clerk of each house of the General Assembly and the Attorney
44 General, except that if a matter reported to the Auditors of Public
45 Accounts pursuant to section 4-33a is still under investigation by a
46 state or quasi-public agency, the Auditors of Public Accounts may give
47 the agency a reasonable amount of time to conduct such investigation
48 prior to the auditors reporting the matter to said officials. (2) If the
49 Auditors of Public Accounts decide to delay reporting such matter in

50 accordance with subdivision (1) of this subsection, the auditors shall
51 immediately notify the Attorney General of such decision. (3) Any
52 Auditor of Public Accounts neglecting to make the report required
53 under subdivision (1) of this subsection, or any agent of the auditors
54 neglecting to report to the Auditors of Public Accounts any such
55 matter discovered by such agent or coming to such agent's knowledge,
56 shall be fined not more than one hundred dollars or imprisoned not
57 more than six months, or both.

58 (f) All reports issued or made pursuant to this section shall be
59 retained in the offices of the Auditors of Public Accounts for a period
60 of not less than five years. The auditors shall file one copy of each such
61 report with the State Librarian.

62 (g) Each state agency shall keep its accounts in such form and by
63 such methods as to exhibit the facts required by said auditors and, the
64 provisions of any other general statute notwithstanding, shall make all
65 records and accounts available to them or their agents, upon demand.

66 (h) Where there are statutory requirements of confidentiality with
67 regard to such records and accounts or examinations of
68 nongovernmental entities which are maintained by a state agency,
69 such requirements of confidentiality and the penalties for the violation
70 thereof shall apply to the auditors and to their authorized
71 representatives in the same manner and to the same extent as such
72 requirements of confidentiality and penalties apply to such state
73 agency. In addition, the portion of (1) any audit or report prepared by
74 the Auditors of Public Accounts that concerns the internal control
75 structure of a state information system or the identity of an employee
76 who provides information regarding alleged fraud or weaknesses in
77 the control structure of a state agency that may lead to fraud, or (2) any
78 document that may reveal the identity of such employee, shall not be
79 subject to disclosure under the Freedom of Information Act, as defined
80 in section 1-200.

81 (i) Said auditors shall audit, in accordance with the provisions of

82 section 10-91g, the records and accounts of any private provider of
83 special education services, as defined in said section. Any private
84 provider of special education services being audited by said auditors
85 shall provide any information said auditors deem necessary to conduct
86 such audit.

87 (j) Said auditors shall audit, in accordance with the provisions of
88 chapter 101a, the records and accounts of any municipal electric
89 energy cooperative, as defined in said chapter. Any municipal electric
90 energy cooperative being audited by said auditors shall provide any
91 information said auditors deem necessary to conduct such audit.

92 Sec. 2. Subsection (a) of section 7-121f of the general statutes is
93 repealed and the following is substituted in lieu thereof (*Effective from*
94 *passage*):

95 (a) There is established a Municipal Electric Consumer Advocate to
96 act as an independent advocate for consumer interests in all matters
97 which may affect municipal electric energy cooperative consumers,
98 including, but not limited to, electric rates. Costs related to the
99 Municipal Electric Consumer Advocate, including, but not limited to,
100 hourly fees, [and] necessary expenses and fees for consultants hired by
101 the Municipal Electric Consumer Advocate as needed, shall be paid for
102 by all municipal electric energy cooperatives. The annual amount of
103 such costs (1) for such consultants shall not exceed thirty thousand
104 dollars, and (2) for all other fees and expenses that are not for
105 consultants shall not exceed seventy thousand dollars for the first
106 [year] six years and fifty thousand dollars for each year thereafter,
107 unless there is a demonstration of substantial need made by the
108 Municipal Electric Consumer Advocate and approved by the
109 cooperative utility boards of all municipal electric energy cooperatives.

110 Sec. 3. Subsection (h) of section 7-233c of the general statutes is
111 repealed and the following is substituted in lieu thereof (*Effective from*
112 *passage*):

113 (h) A municipal electric energy cooperative shall cause a forensic
114 examination to be conducted by a certified forensic auditor which shall
115 include a review of the revenue and expenditures of a municipal
116 electric energy cooperative for the preceding five years. The auditor
117 shall submit a report that includes a review of whether such municipal
118 electric energy cooperative's operating procedures conform with the
119 provisions of chapter 101a and the bylaws of the municipal electric
120 energy cooperative, and any recommendations for any corrective
121 actions needed to ensure such conformance. The auditor shall not be
122 required to perform a full financial audit of the five-year period or
123 submit an opinion regarding the financial statements or a management
124 letter. The municipal electric energy cooperative shall incorporate any
125 such recommendations for corrective actions into its operating
126 procedures. The municipal electric energy cooperative shall post on its
127 Internet web site and provide to participants such reports not later
128 than seven days after such reports are received by the municipal
129 electric energy cooperative. Each participant shall post on its Internet
130 web site and provide to the municipality in which it operates such
131 reports not later than five days after such reports are received from the
132 municipal electric energy cooperative. Each such municipality shall
133 post on its Internet web site such reports not later than five days after
134 such reports are received from the participant.

135 Sec. 4. Section 7-233c of the general statutes is amended by adding
136 subsection (k) as follows (*Effective from passage*):

137 (NEW) (k) (1) The Auditors of Public Accounts shall conduct two
138 audits of each municipal electric energy cooperative in the state. (A)
139 On or before October 1, 2020, the Auditors of Public Accounts shall
140 conduct a financial audit and performance audit of each municipal
141 electric energy cooperative in the state. (B) On or before October 1,
142 2023, the Auditors of Public Accounts shall conduct an audit of each
143 municipal electric energy cooperative in the state, provided (i) if the
144 auditors made any recommendations in an audit of a municipal
145 electric energy cooperative conducted pursuant to subparagraph (A) of

146 this subdivision, the auditors may, at their discretion, in the audit
 147 conducted pursuant to this subparagraph, only review such
 148 recommendations for the same such municipal electric energy
 149 cooperative, and (ii) if the auditors did not make any
 150 recommendations in an audit of a municipal electric energy
 151 cooperative conducted pursuant to subparagraph (A) of this
 152 subdivision, the auditors shall conduct a financial audit and
 153 performance audit for the same such municipal electric energy
 154 cooperative. Nothing in this section shall be interpreted to limit the
 155 scope of any audit conducted pursuant to this section if additional
 156 information becomes available to the auditors during the course of an
 157 audit conducted pursuant to subparagraph (B)(i) of this subdivision.
 158 The Auditors of Public Accounts, in accordance with the provisions of
 159 section 11-4a, shall report their findings to the joint standing
 160 committee of the General Assembly having cognizance of matters
 161 relating to energy.

162 (2) On two occasions, once on or before October 1, 2020, and once on
 163 or before October 1, 2023, each municipal electric energy cooperative in
 164 the state shall remit payment to the state in an amount not less than
 165 forty thousand dollars for the costs associated with the audits
 166 performed pursuant to subdivision (1) of this subsection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	2-90
Sec. 2	<i>from passage</i>	7-121f(a)
Sec. 3	<i>from passage</i>	7-233c(h)
Sec. 4	<i>from passage</i>	7-233c

ET *Joint Favorable Subst.*