

Background

- 1997 to Present, as fiscal agent for the Cape Light Compact (Compact) – all Compact funds are included in the Barnstable County audit
- May 2012, Assembly of Delegates Special Committee recommends a “forensic audit of Compact funds from inception to present”
- July 2012, Compact Governing Board begins discussions with auditor, Sullivan, Rogers & Company
 - Auditor recommends Audit and Attestation Service Options for Compact
 - Budget and timing discussion continued to next Compact meeting

Background

- September 2012, Compact Governing Board votes to engage Sullivan, Rogers & Company.
 - Agreed Upon Procedures – July 1, 2003 through December 31, 2008
 - MA Public Records Retention Schedule
 - Cost Benefit Factor of AUP versus audit
 - Financial Information is stale
 - Audit(s) – January 1, 2009 through December 31, 2011 and thereafter
 - Review of Compact Power Supply Bids (2005 forward) for appropriateness (RFP through award of contract)
 - No Compact information provided to auditor was redacted

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Barnstable County Assembly of Delegates

Results of Cape Light Compact's Report on Agreed-
Upon Procedures and Status of Financial Audits

June 19, 2013

Presented by: Chris Rogers, CPA, Shareholder

Agenda

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- Results of Agreed-Upon Procedures
 - Agreed-Upon Procedures Overview
 - Purpose of Procedures
 - Procedures Performed
 - Determination of Sample Size
 - Summary of Disbursements
 - Summary of Results
 - Vendor disbursements
 - Energy Efficiency (EE)
 - Power Supply Reserve (PSR)
 - Payroll and related costs disbursements
 - Procurement of electric suppliers
 - Questions
- Status of Financial Audits

Agreed-Upon Procedures Overview

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- Procedures agreed to by Compact management and Sullivan, Rogers & Company (SRC)
- Engagement conducted in accordance with attestation standards established by the AICPA and Government Auditing Standards
 - ▣ We did not perform an audit
- Sufficiency of the procedures is the responsibility of the Compact
 - ▣ We make no representation regarding the sufficiency of the procedures for the purpose for which this report has been requested
 - ***This statement in the report is required by professional standards***

Purpose of Procedures

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- Determine the appropriateness of the EE and PSR funds' disbursements for the period July 1, 2003 through December 31, 2008 (Period)
 - ▣ For purposes of this engagement, a disbursement is considered appropriate if it is consistent with the purpose of the fund and adequately supported
- Determine the selection of electric suppliers for the period January 1, 2005 through June 30, 2012 was compliant with MGL Chapter 30B

Procedures Performed

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- Disbursements
 - Vendor - selected a representative sample of vendor disbursements from the EE and PSR funds for the Period to determine the appropriateness of such disbursements
 - Payroll and related costs – obtained documentation for the Period to verify that amounts were consistent with expectations and/or were adequately supported and relate to employees hired to perform Compact activities

Procedures Performed

- Procurement of Electric Suppliers
 - Reviewed the RFP process for selecting the electric suppliers for the period January 1, 2005 through June 30, 2012, to determine compliance with MGL Chapter 30B

Determination of Sample Size

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1. Identification of number of disbursements and related dollar amount
2. Identification of individually significant items (ISI), which is equal to $1/3$ of tolerable misstatement, which is calculated based on the total dollar value of the population
3. Remaining dollar amount to be sampled is divided by tolerable misstatement and multiplied by a risk factor between 0.9 and 3.0 (high, moderate or low)

Determination of Sample Size

4. If the sample in step 3 is not stratified (divided into distinct subgroups), the result in step 3 is multiplied by 1.2
- For purposes of this engagement, our sample sizes were the sum of items 2 and 4 above
 - Our determination of the sample sizes (as described above) are based on standards established by the AICPA

Summary of Disbursements

- The following table summarizes the total disbursements for the Period:

Fund	Vendor	Payroll (and related)	Total
Energy Efficiency	\$ 32,195,072.17	\$ 1,517,339.79	\$ 33,712,411.96
Power Supply Reserve	3,574,298.72	-	3,574,298.72
Total Disbursements	\$ 35,769,370.89	\$ 1,517,339.79	\$ 37,286,710.68
Percent of Total	95.93%	4.07%	100.00%

Summary of Results

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- Vendor Disbursements – Energy Efficiency Fund
 - Total population – 7,568 items; \$32.2M
 - Tolerable misstatement - \$180k
 - ISI - \$60k
 - Total sample – 334 items; \$8.3M
 - ISI – 72 items; \$7.5M
 - Haphazard selection – 262 items; \$800k
- We concluded that all items in our sample of the EE Fund's disbursements were appropriate

Summary of Results

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- Vendor Disbursements – Power Supply Reserve Fund
 - Total population – 519 items; \$3.6M
 - Tolerable misstatement - \$30k
 - ISI - \$10k
 - Total sample – 104 items; \$2.9M
 - ISI – 55 items; \$2.8M
 - Haphazard selection – 49 items; \$100k
- Our sample identified 2 disbursements, totaling \$59k, that should have been charged to the EE Fund

Summary of Results

- Payroll and Related Costs Disbursements
 - Payroll and related costs disbursements were only recorded to the EE Fund during the Period and are summarized as follows:

Description	Amount	Percent of Total
Salary	\$ 1,214,263.47	80.03%
Medicare	17,292.94	1.14%
Group Insurance	133,611.81	8.81%
Retirement	152,171.57	10.03%
Total	\$ 1,517,339.79	100.00%

Summary of Results

- Based on the documentation obtained, we determined that amounts were consistent with our expectations and/or were adequately supported and related to employees hired to perform Compact activities

Summary of Results

- Procurement of Electric Suppliers
 - ▣ The Compact is not required to conduct a competitive bid process for the selection of its electric suppliers
 - Per Chapter 30B of the MGL per Section 1(b)(33)
 - ▣ However, based on the procurement files we observed for the selection of its 2005 and 2010 electric suppliers, we determined that a competitive bid process was conducted
 - The 2005 process resulted in the selection of the lowest bidder
 - The 2010 process resulted in the selection of the vendor with the best pricing strategy

Questions



Status of Financial Audits

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- Year Ended
 - ▣ 12-31-09
 - Draft report issued to management June 14
 - ▣ 12-31-10
 - Anticipate issuing draft report week of June 24
 - ▣ 12-31-11
 - Anticipate issuing draft report week of June 24