

MINUTES

Legislative Post Audit Committee March 18, 2009

The meeting was called to order by Chair Virgil Peck Jr., at 12:22 p.m. in Room 446-N of the Statehouse. Committee members present:

Representative Virgil Peck, Jr., Chair
Representative Tom Burroughs
Representative Peggy Mast

Senator Terry Bruce, Vice-Chair
Senator Anthony Hensley
Senator Chris Steineger
Senator Dwayne Umbarger

Approval of Minutes

Representative Mast moved approval of the March 4, 2009, minutes. Senator Bruce seconded the motion; motion carried.

Completed Performance Audits

State Inspection Functions: A K-GOAL Audit Determining the Cost Savings or Efficiencies from Automating Inspection Processes. This audit was presented by Lisa Hoopes, Senior Auditor. In general, automating an agency's processes for preparing, storing, sharing, and retrieving inspection reports can increase an agency's efficiency levels through both cost and time savings. Only two of the seven inspection programs the auditors reviewed within the Department of Health and Environment—Confined Animal Feeding Operations and Drinking Water—are fully automated. By fully automating the other programs in the auditors' sample, KDHE could achieve annual net savings of about \$28,600 in staff and postage costs. About \$6,800 of the savings would be State General Fund moneys. In addition to being able to eliminate a half-time position within the Wastewater Program, KDHE also could eliminate an estimated 1,770 hours of staff work currently being performed in other unautomated programs. Once those inspection programs are automated, that time could be spent on other needed work. Even greater efficiencies—and cost and time savings—could be gained by fully automating the entire regulatory processes for these programs. Finally, automating KDHE's inspection processes also can improve its data integrity and use of management information.

Aaron Dunkel, Deputy Secretary, Kansas Department of Health & Environment, was available to answer members' questions.

Senator Steineger moved to accept the audit and Senator Umbarger seconded the motion. Motion carried. The audit will be distributed to the House Appropriations and Senate Ways and Means Committees, the appropriate House Budget Committee, the Government Efficiency and Fiscal Oversight Committee, and the Joint Committee on Information Technology.

State Contracts: Determining Whether the State's Office-Supply Vendor Is Providing Products to State Agencies at Agreed-Upon Prices. This audit was presented by Nathan Ensz, Associate Auditor. Corporate Express is the State's office-supply vendor. State agencies spent \$3.6 million on Corporate Express purchases during the last six months of 2007. Staff tested a sample of purchases and found a significant number of items for which prices couldn't be verified on any price list. Without a complete price list, there's no way agency officials can tell whether they are paying the correct prices. For items that were on price lists, staff projected State agencies were undercharged 2% or \$65,000 for the six-month period.

Most of the agencies staff contacted didn't report encountering pricing issues with either the State office-supply contract or any other State contract. Agencies reporting pricing issues told staff vendors generally resolved them, and problems tended to be infrequent.

Chris Howe, Director of Purchases, Department of Administration, was available to answer members' questions.

Senator Bruce moved to accept the audit and Representative Mast seconded the motion. Motion carried. This audit will be distributed to the House Appropriations and Senate Ways and Means Committees.

Completed Compliance and Control Audits

Business Procurement Cards: Expanding Their Use To Increase Cash Rebates to the State. This audit was presented by Levi Bowles, Senior Data-Mining Auditor. For fiscal year 2008, staff estimated that \$27 million of the non-procurement-card purchases agencies made from the 37 highest-volume vendors potentially could have been charged to a procurement card. Charging all those purchases would have generated more than \$380,000 in cash-back rebates. Agencies also made \$327 million of similar non-procurement-card purchases from the thousands of other vendors the auditors didn't analyze. If just 20% of these purchases could have been charged, agencies would have generated \$940,000 in additional

cash-back rebates, for a total of \$1.3 million. Among other things, agency officials told staff they didn't always use their procurement cards when they could because of concerns about the complexity of tracking such purchases, and the perceived lack of thorough controls over procurement card purchases.

Present to answer members' questions were Kent Olson, Director of Accounts and Reports, Department of Administration; Theresa Addington, Director of Accounting & Administrative Operations, Social and Rehabilitation Services; and Mark Clements, Chief Procurement Officer, Kansas Department of Transportation.

This audit will be distributed to the House Appropriations and Senate Ways and Means Committees.

Old/New Business

None

Date of the Next Meeting

No specific meeting date was set. The Chair will meet with the staff to look at future meeting schedules. The meeting was adjourned at 12:49 p.m.

(All handouts and other documents referred to in these minutes are on file with Legislative Post Audit.)