

## MINUTES

### Legislative Post Audit Committee May 9, 2007

The meeting was called to order by Chair Mast at 10:05 a.m. in Room 241-N of the Statehouse. Committee members present:

Representative Peggy Mast, Chair  
Representative Tom Burroughs  
Representative John Grange  
Representative Virgil Peck, Jr.  
Representative Tom Sawyer  
Senator Chris Steineger

#### Approval of Minutes

Representative Grange moved to approve the minutes of the April 24, 2007, meeting. Senator Steineger seconded the motion; motion carried.

#### Completed Performance Audit

***K-12 Education: Reviewing the Research on Charter School Performance (School Audit).*** This audit was presented by Heidi Zimmerman, Associate Auditor. Kansas charter, magnet, and alternative schools give students public alternatives to traditional public schools. In 2006-07, almost 15,000 students attended the 60 charter, magnet, or alternative schools throughout the State. Researchers have found mixed results when comparing the performance of charter and magnet schools to traditional schools. There are no recent studies on the performance of alternative schools, but older studies found positive results. Ms. Zimmerman answered members' questions.

Dale Dennis, Interim Commissioner of Education, made brief remarks and answered members' questions.

Senator Steineger moved to accept the report. Representative Grange seconded the motion; motion passed.

The audit will be distributed to the House and Senate Education Committees.

#### Completed Compliance and Control Audit

**Business Procurement Card Program: Reviewing for Fraud and Abuse.** This audit is the first in a series of ongoing compliance and control audits authorized by the Committee to address the risk of fraud and abuse through "data mining." The audit was presented by Levi Bowles, Auditor. The Division of Accounts and Reports offers a business procurement card program to State agencies. In fiscal year 2006, the program had about 5,500 cards and total expenditures of more than \$36 million. While the State's adopted policies and procedures for the program are generally in line with best practices, the audit identified several problem areas in the program's implementation. In three

instances, fraudulent charges were made on cards, but were later caught by the agency and not paid. In another instance, a cardholder was allowed to finance her personal computer with a loan from State funds. We also identified numerous instances where cardholders didn't follow program guidelines, including: 141 cases where cardholders split purchases to avoid transaction limits, four cases where cardholders made purchases from blocked vendors, and 50 cases where cardholders didn't get prior approval for their purchases as required. Finally, sometimes cards were not cancelled in a timely manner when cardholders left State employment, which contributed to about \$30,000 in purchases being made on cards of former employees, mostly by their successors. Mr. Bowles answered members' questions.

Officials present to answer members' questions included: Bob Mackey, Director of Accounts and Reports, Department of Administration; Gavin Young, Director of Public Affairs; Martin Eckhardt, Director of Central Accounting Services; Jo Ann Remp, Audit Services Team Leader; and Tim Hund, Accountant.

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

Barb Hinton, Post Auditor, informed Committee members that the next compliance and control audit using data-mining techniques will cover overall State expenditures. It will address possible conflicts of interest between purchasers and vendors, payments to fictitious vendors, and noncompliance with purchasing restrictions, among other areas.

### **Legislative Post Audit Operations**

**Potential changes to Committee Rules.** Ms. Hinton took members through a summary identifying a number of issues that may need to be clarified or changed in the Committee Rules:

- **Rule 1-3 – Process for approved limited-scope audits.** Currently members must notify the Chair within 5 days, including the day of distribution, if they wish to rescind a direction to undertake a limited-scope audit.

Representative Burroughs moved to extend the time to 7 days, excluding the day of distribution, and that the limited-scope request be distributed to members by mail and also electronically. Representative Peck seconded the motion; motion passed.

- **Rule 1-4 – Performance Audits required by other Kansas Statutes:** Technical clean-up related to K-GOAL audits – the reference to the year 2000 should be changed to 2009.

Representative Sawyer moved to approve the change. Representative Grange seconded the motion; motion passed.

- **Rule 1-5 – Audit requests by legislators and committees.** How to handle situations when the legislator who requested the audit is no longer in the Legislature, but the request is still “active” (i.e., hasn’t been up for consideration 3 times).

Members discussed the issue, and agreed to leave the current process in place.

- **Rule 2-3 – Preliminary Findings, Conclusions, Opinions and Recommendations.** Is there a need to clarify which “other audited entities” should receive draft reports for their review and comment?

Members discussed the issues, agreed to leave the current process in place.

### **Old/New Business**

Ms. Hinton informed members that the National State Auditors Association selected the Division’s *Cost Study Analysis on Elementary and Secondary Education in Kansas* as the recipient of the 2007 National State Auditors Association Excellence in Accountability Award. The award will be presented at the NSAA conference in Rhode Island on June 15, 2007.

### **Date of Next Meeting**

Members indicated they would be available for a meeting on Wednesday, July 11<sup>th</sup>; the Chair set the next meeting for that date at 10:00 a.m.

The meeting adjourned at 11:40 a.m..

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