



# Legislative Post Audit Financial Audit Report Highlights

Highlights

State of Kansas: Financial Audit of Fiscal Year 2014

## Report Highlights

December 2014 • R-14-018

### Summary of Legal Requirements

*State law requires an annual audit of the general purpose financial statements and “the financial affairs and transactions of a state agency required to comply with federal government audit requirements...” The results of the audit are presented in two parts. This first part is the report on the state’s basic financial statements. The second part, the Report on Federal Awards in Accordance with OMB Circular A-133, will be issued separately.*

### Background Information

*CliftonLarsonAllen, a CPA firm under contract with the Legislative Division of Post Audit, conducted this audit.*

*The Comprehensive Annual Financial Report (CAFR), including the **Independent Auditor’s Report** and the **Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters**, may be found on the Department of Administration’s website.*

**AUDIT OBJECTIVES:** Financial audits done in accordance with government audit standards assess (1) whether the audited organization’s financial statements are fairly presented in accordance with applicable accounting principles, (2) whether there are any significant problems with the organization’s internal controls, and (3) whether the organization complied with applicable legal requirements.

- The auditors expressed an unmodified opinion on the state’s basic financial statements, meaning that, after the restatements and adjusting journal entries were made, the financial statements present the state’s financial position fairly and in conformity with generally accepted accounting principles in all material respects. The auditors emphasized two matters as follows:
  - At the end of fiscal year 2014, the state had a deficit in the unassigned fund balance of the general fund of \$5.4 million. This is the result of an operating deficit of \$395.9 million for the fiscal year, and raises concerns about the state’s ability to meet its financial obligations.
  - The financial statements reflect the state having adopted a new accounting guidance in accordance with generally accepted accounting principles.
- The auditors reported three material weaknesses and three significant deficiencies in the state’s internal control over financial reporting. As a result, several adjusting entries were needed in order to correct cash balances and to correct the financial statements. This increases the risk that the financial statements are misleading and the risk that the financial statements are not completed by the deadline. The three material weaknesses were as follows:
  - The auditors noted various issues with balances reported for cash and investments (finding 2014-001).
  - Numerous and significant corrections of the financial statements and to the documents that support the financial statements were needed. There were delays in providing the draft financial statements and some supporting schedule (finding 2014-002).
  - The information provided by the universities required significant corrections (finding 2014-006).
- The audit disclosed no instances of noncompliance with applicable legal requirements that were material to the state’s financial statements.

### SUMMARY OF RECOMMENDATIONS:

- The auditors made recommendations aimed at addressing each of the problem findings.

### AGENCY RESPONSE:

- The Department of Administration, Office of the State Treasurer, Board of Regents and Department of Revenue developed corrective action plans to address each of the findings.

### HOW DO I REQUEST AN AUDIT?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

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