



# COMPLIANCE AND CONTROL AUDIT REPORT

The State Conservation Commission

A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
August 2000





# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

**THE LEGISLATIVE POST** Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$9 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

As part of its audit responsibilities, the Division is charged with meeting the requirements of the Legislative Post Audit Act which address audits of financial matters. Those requirements call for two major types of audit work.

First, the Act requires an annual audit of the State's financial statements. Those statements, prepared by the Department of Administration's Division of Accounts and Reports, are audited by a certified public accounting firm under contract with the Legislative Division of Post Audit. The firm is selected by the Contract Audit Committee, which comprises three members of the Legislative Post Audit Committee (including the Chair and Vice-Chair), the Secretary of Administration, and the Legislative Post Auditor. This audit work also meets the State's audit responsibilities under the federal Single Audit Act of 1984.

Second, the Act provides for a regular audit presence in every State agency by requiring that audit work be conducted at each agency at least once every three years. Audit work done in addition to the annual financial statement audit focuses on compliance with legal and procedural requirements and on the adequacy of the audited agency's internal control procedures in areas not covered by the annual audit. These compliance and control audits are conducted by the Division's staff under the direction of the Legislative Post Audit Committee.

### **LEGISLATIVE POST AUDIT COMMITTEE**

Senator Lana Oleen, Chair  
Senator Anthony Hensley  
Senator Pat Ranson  
Senator Chris Steineger  
Senator Ben Vidricksen

Representative Kenny Wilk, Vice-Chair  
Representative Richard Alldritt  
Representative John Ballou  
Representative Lynn Jenkins  
Representative Ed McKechnie

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Barbara J. Hinton, Legislative Post Auditor

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August 23, 2000

To: Members, Legislative Post Audit Committee

Senator Lana Oleen, Chair  
Senator Anthony Hensley  
Senator Pat Ranson  
Senator Chris Steineger  
Senator Ben Vidricksen

Representative Kenny Wilk, Vice-Chair  
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Representative John Ballou  
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Representative Ed McKechnie

This report contains the findings, conclusions, and recommendations from our completed compliance and control audit of the Conservation Commission.

The report includes one recommendation related to the Commission's financial management practices. We would be happy to discuss this recommendation or any other items in the report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton  
Legislative Post Auditor



**EXECUTIVE SUMMARY**  
**LEGISLATIVE DIVISION OF POST AUDIT**

***Question 1: Does the Conservation Commission Have a Good Way to Make Sure Local Agencies Appropriately Spend Moneys It Gives Them?***

**The Conservation Commission's local funding process is well-designed and has operated effectively.** . . . . page 2  
*About 85% of the Commission's funds are passed-through to local conservation districts, so we focused our review on that funding process. Before a local district can get moneys from the Commission, it has to identify problem areas, propose projects to correct the problems, and give cost estimates for the projects. We looked at funding requests for 30 of the 105 local conservation districts and all 30 requests met these application criteria. The Commission also established program guidelines for the districts to follow as they implement their local projects.*

**The Commission also has well-designed monitoring procedures to ensure that local agencies it gives moneys to spend those moneys appropriately.** . . . . page 3  
*State law and regulation require the Commission to ensure that local districts only fund allowable projects. To make sure local districts are following these guidelines, the agency reviews individual project applications, evaluates the effectiveness of the project, and conducts regular checks to make sure the project is maintained. We couldn't assess whether it followed all these procedures, however, because it hadn't yet started its annual evaluations at the time of our review.*

***Question 2: Did the Conservation Commission Make Payments to Vendors on a Timely Basis?***

**For the sample of vendor payments we reviewed, about 1 in 5 wasn't timely.** . . . . page 5  
*We reviewed 30 payments for things like rent, office supplies, and computer equipment and determined that 6 (20%) weren't made on a timely basis. Most of these payments were a week behind, but the Commission didn't lose any vendor discounts or have to pay any additional finance charges or late fees as a result.*

**Recommendation** . . . . page 5

**Appendix A: Conservation Commission's Response** . . . . page 7

This audit was conducted by Jennifer Wagner. Randy Tongier was the audit manager. If you need additional information about this audit's findings, please contact Mr. Tongier at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You may also call us at (785) 296-3792, or contact us via the Internet at [LPA@lpa.state.ks.us](mailto:LPA@lpa.state.ks.us).



## The Conservation Commission

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The Legislative Division of Post Audit has conducted compliance audit work at the Conservation Commission. Compliance and control audits can identify noncompliance with applicable requirements and poor-financial-management practices. The resulting audit findings often identify needed improvements that can help minimize the risk of potential future loss or misuse of State resources.

At the direction of the Legislative Post Audit Committee, this audit focused on how the Commission ensures that local agencies it gives moneys to adhere to spending restrictions on those moneys and whether it makes timely payments to vendors. The audit addresses the following specific questions:

- 1. Does the Conservation Commission have a good way to make sure local agencies appropriately spend moneys it gives them?**
- 2. Did the Conservation Commission make payments to vendors on a timely basis?**

To answer these questions, we identified applicable best practices in the area of financial-management. We also reviewed the Commission's written procedures, interviewed staff, and reviewed a sample of expenditures and appropriations to local agencies to see if the agency's procedures were consistent with those practices and were working as intended. Finally, we reviewed a sample of payments to vendors for timeliness. In conducting this audit work, we followed all applicable government auditing standards.

Our findings are discussed on the following pages.



## **Question 1: Does the Conservation Commission Have a Good Way to Make Sure Local Agencies Appropriately Spend Moneys It Gives Them?**

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To answer this question, we assessed the Commission's procedures in 2 areas—funding local projects and monitoring the use of that funding. We determined that the Commission's local funding process was well designed and has operated effectively. Using these procedures minimizes the risk of loss or misuse of the money.

The Commission also has well-designed monitoring procedures to ensure that local agencies it gives moneys to spend those moneys appropriately. We couldn't assess whether it followed those procedures, however, because it hadn't yet started its annual evaluations at the time of our review. The basis for our conclusions are presented below.

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***The Conservation Commission Has an Adequate Local Funding Process, and It Consistently Follows that Process***

In fiscal year 1999, the Commission passed-through 85% of its funds to local entities. Local conservation districts got the majority of these funds, so our review focused on that funding process.

Before the Commission gives money to a local district, we would expect it to implement the following processes:

- having standardized application procedures
- requiring districts to describe how the money will be spent
- reviewing and approving applications and letting each district know how much is appropriated
- establishing program guidelines for the districts to follow as they implement their local projects

Based on our review of the agency's local funding procedures, we determined they were well-designed and included the best practices outlined above. In addition, we tested funding requests for 30 of the 105 local conservation districts and found the Commission consistently followed those procedures.

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***The Conservation Commission Has Effective Monitoring Procedures To Ensure That Local Conservation Districts Are Spending Moneys Appropriately***

The Commission administers 10 financial assistance programs to help Kansas landowners implement practices to reduce soil erosion, improve water quality, and conserve water resources and wildlife habitats. About 71% of the Commission's assistance moneys funded projects in the following 2 programs:

- Water Resource Cost-Share Program. These funds help landowners pay part of the cost of building water-conservation and erosion control structures like terraces, grassed waterways, and irrigation system improvements.
- Non-Point Source Pollution Program. These moneys reimburse landowners for a portion of the cost of constructing pollution-control projects like septic systems and livestock waste-control facilities.

These programs are implemented at the local level by the State's 105 conservation districts. In fiscal year 1999 those districts gave landowners \$4.2 million for Water Resource Cost-Share projects, and \$2.3 million for Non-Point Source Pollution projects.

State law and regulations require the Commission to implement guidelines to ensure that local districts only fund allowable projects. To make sure local districts are following these guidelines, we'd expect the Commission to have monitoring procedures like the following:

- reviewing project applications
- evaluating the effectiveness of the project
- conducting regular checks to ensure that the project is maintained
- following-up on any problem findings

To evaluate its practices in this area, we interviewed appropriate agency officials, reviewed written procedures, and examined applicable documents for a sample of 60 landowner projects.

The Commission's monitoring procedures generally included the best practices listed above. All the projects in our sample documented that Commission staff reviewed and approved the

applications for financial assistance. In addition, local districts certified that each completed project complied with applicable technical standards. We couldn't determine whether the Commission conducted its annual maintenance checks, however, because it hadn't yet started them at the time of our review.

## Question 2: Did the Conservation Commission Make Payments to Vendors on a Timely Basis?

The Commission didn't always make payments to vendors on a timely basis. However, in the sample of payments we tested, it didn't incur any additional finance charge or lose a discount because of a "late" payment. These findings are summarized below.

### *About 1 in 5 of the Sample Of Payments We Reviewed Wasn't Timely*

To see if the Commission paid its vendors on time, we looked at 30 payments for things like rent, office supplies, and computer equipment. Of the 30 payments we tested, 6 (20%) weren't made on a timely basis. We considered a payment to be timely if it was made to the vendor either by the due date specified by the statement or invoice, or if it was made within 30 days of the statement or invoice date if a due date wasn't specified.

Five of the late payments were less than a week overdue, but one was almost 2 weeks late. The Commission didn't get the invoice for that payment until the day after it was due, however, so the payment delay in this case was reasonable.

When payments to vendors aren't made on a timely basis, vendors sometimes add a finance charge or late fee to the amount due. In extreme cases, vendors may ask for prepayments, or may refuse to do business with chronic late payers. On the other hand, if a payment is made quickly, some vendors offer a reduction in the amount due (a discount). No additional finance charges or late fees were incurred for the late payments we tested, nor were any discounts made available for early payments.

### **RECOMMENDATION**

To help ensure that it doesn't incur any late fees, takes advantage of early payments discounts that may be available, and maintains good relations with its vendors, the Conservation Commission should take steps to make sure that payments to vendors are made on a timely basis. It also may wish to periodically monitor the timeliness of its payments to help ensure they're as prompt as possible.



## **APPENDIX A**

### **Agency Response**

On August 15, 2000, we provided a copy of the draft audit report to the Conservation Commission. Its response is included as this Appendix.



## State Conservation Commission

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August 18, 2000



Ms. Barbara J. Hinton, Legislative Post Auditor  
Legislative Division of Post Audit  
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Dear Ms. Hinton:

I have reviewed the draft copy of the compliance and control audit of the State Conservation Commission. In response to the recommendation relative to timely payment to vendors, I have consulted our accounting staff to ensure all future invoices are paid on or before the due date.

If you have any questions, please feel free to contact me.

Sincerely,

Tracy Streeter  
Executive Director

