



PERFORMANCE AUDIT REPORT

**Kansas State School for the
Visually Handicapped**

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 1983**

Legislative Post Audit Committee

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.

Audits are performed at the direction of the Legislative Post Audit Committee. Legisla-

tors or committees should make their requests for performance audits through the Chairman or any other member of the Committee. Copies of all completed performance audits are available from the Division's office.

LEGISLATIVE POST AUDIT COMMITTEE

Senator Lynn Jenkins, Chair
Senator Anthony Hensley
Senator Dave Kerr
Senator Derek Schmidt
Senator Chris Steineger

Representative Lisa Benlon, Vice-Chair
Representative John Ballou
Representative James Garner
Representative Dean Newton
Representative Dan Thimesch

LEGISLATIVE DIVISION OF POST AUDIT

800 SW Jackson
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
FAX (785) 296-4482
E-mail: LPA@lpa.state.ks.us
Website:
<http://kslegislature.org/postaudit>
Barbara J. Hinton, Legislative Post Auditor

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.



Legislative Division of Post Audit

May 4, 1983

MILLS BUILDING
TOPEKA, KANSAS 66612

TO: Members, Legislative Post Audit Committee

Representative Robert H. Miller, Chairman
Representative William W. Bunten
Representative Joseph J. Hoagland
Representative Ruth Luzzati
Representative Bill Wisdom

Senator Paul Hess, Vice-Chairman
Senator Neil H. Arasmith
Senator Ross O. Doyen
Senator Jack Steineger
Senator Joe E. Warren

In a letter dated April 6, 1983, the Chairman of the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct a special audit as provided by LPAC Rule 1-3, of possible financial irregularities at the Kansas State School for the Visually Handicapped (KSSVH). This direction was the result of preliminary information obtained by the Division which was summarized in a letter, dated April 5, 1983, to the Chairman of the Legislative Post Audit Committee. The letter indicated possible financial irregularities, occurring during fiscal years 1981, 1982 and 1983, in two basic areas. First, problems were noted in the purchasing procedures at KSSVH. Specifically, problems such as purchasing items available on State-wide contracts from unauthorized vendors, and purchases incurred in one fiscal year, but paid with the following fiscal years' funds, were noted during a preliminary review by auditors. The second area involved allegations made against the Superintendent of KSSVH, some of which include possible misuse of State funds. It was requested that the staff of the Division determine whether there have been any financial irregularities and the extent of any such problems found. The following is a brief report on the results of the special audit conducted into these areas.

Irregularities in Purchasing Procedures

Information obtained during the preliminary review found irregularities in the purchasing of housekeeping commodities during fiscal years 1981, 1982 and 1983. The special audit expanded this review to cover all purchases made by KSSVH for the same period. The auditors found irregularities in three purchasing areas. Those areas, as well as the findings of the auditors, are summarized below.

Purchases independent of State-wide purchase contracts. During their review the auditors determined that certain items were purchased independent of the State-wide purchasing contract from unauthorized vendors. Generally, using the State-wide purchase contracts provides items at a lower cost to the agency. In some cases, evidence obtained clearly shows intent to avoid State-

wide contract limitations by substituting authorized for unauthorized items on the related payment vouchers. For example, it was determined that plastic bags were purchased independent of available State contracts. In one case, the agency's purchase requisition showed a request to purchase two cases of plastic trash bags at a cost of \$68.86. The order was placed with an unauthorized vendor, independent of the State contract. The packing slip for the above purchase shows that two cases of bags were received by KSSVH, as ordered. In reviewing the related invoice, the description of material was changed to reflect the purchase of 11 gallons of wax stripper for \$68.86. Since wax stripper was not covered by any State contract, the agency has the freedom to make a local purchase. As a result of the change on the invoice, the payment voucher shows the purchase of wax stripper for \$68.86. However, it is clear that plastic bags were ordered, received and paid for in this transaction. By preparing the voucher showing a purchase of wax stripper, the agency would avoid the question of an improper purchase by any reviewer. In addition, the auditors determined that similar plastic bags could have been purchased from the State contract at a cost of \$25.35. As a result, the agency paid an excess of \$43.51 for the bags by not purchasing from the State contract. In reviewing all improper purchases of plastic bags during the period, the auditors determined that KSSVH paid \$460 in excess of available State contract prices.

The auditors also determined that certain purchases of video tapes were purchased independent of available contracts. The auditors estimate that KSSVH paid \$60 in excess of available contract prices. In addition to these items, the auditors found that auto parts, coarse & industrial paper and photocopier paper were purchased independent of available contracts. Because the documentation for these purchases did not provide enough detail, such as quantity purchased, the auditors could not make reasonable price comparisons.

Acknowledgement of receipt of goods. During their review, the auditors found a weakness in the internal controls over purchasing procedures at KSSVH. The auditors found several instances in which the documentation that materials had been received by a KSSVH employee was incomplete for items ordered.

When the receipt of goods is acknowledged, it provides assurance that all items listed on an invoice presented for payment have been received by the agency. For one transaction reviewed, the auditors found several packing slips, reflecting different shipments of goods ordered, were supporting one billing invoice. All items listed on the invoice could be traced to one of the packing slips. However, some of the packing slips did not have any indication that the items were actually received by KSSVH. As a result, the payment of the invoice for the full amount could have been for some items that were not received by KSSVH. Because of human error, the lack of an acknowledgement does not always mean the item was never received. As a result, the auditors

could not determine actual instances where KSSVH paid for items it never received. From the nearly 300 vouchers reviewed by the auditors, thirty vouchers lacked complete documentation that the items were received. For major purchases lacking this documentation, the auditors found no evidence that the items paid for were never received.

Improper funding of purchase expenditures. During their review, the auditors determined that fiscal year 1982 moneys were used to fund fiscal year 1981 purchases. This would occur when the agency would order and receive materials in the final months of fiscal year 1981, and postpone payment for those materials until the beginning of fiscal year 1982 at which time they were paid with fiscal year 1982 funds. For each of the purchases made in this manner, an unrecorded expense would occur for fiscal year 1981 and in addition allow the use of fiscal year 1982 moneys to fund fiscal year 1981 expenditures. For example, supplies costing \$40 were received by KSSVH on June 22, 1981. The related invoice was dated June 24, 1981. The agency should either have paid the invoice immediately with fiscal 1981 funds, or should have encumbered the 1981 funds for future payment. However, the agency held the invoice and prepared an expenditure voucher on August 3, 1981 using fiscal year 1982 funds for payments. The auditors located a total of nine expense vouchers in fiscal year 1982, using fiscal year 1982 moneys, to pay for materials ordered and received in fiscal year 1981. These vouchers totaled approximately \$3,300. The auditors found no indication that a similar situation occurred between fiscal years 1982 and 1983.

RECOMMENDATION

To comply with established Department of Administration policies and procedures, the Kansas State School for the Visually Handicapped should:

1. Purchase items available from contracts established by the Division of Purchases whenever appropriate.
2. Improve internal controls by requiring acknowledgement of receipt of goods when items are received by employees of KSSVH.
3. Record appropriate expenditures or encumbrances as purchases are made to accurately reflect expenditures made to the appropriate fiscal year.

It should be noted that the exceptions to established purchasing procedures, documented by the auditors, generally occurred in fiscal year 1982. There was no evidence suggesting that these improper procedures are continuing, to any great extent, at the present time.

Alleged Misuse of State funds by Superintendent

As the review of purchasing procedures was in progress, the Division received, by mail, a packet of information from the former business manager of the institution. The letter accompanying the information makes several allegations of wrongdoing against the current Superintendent of KSSVH. Some of the allegations involve the misuse of State funds by the Superintendent, and the packet included several copies of vouchers in which purchases were questioned. The allegations concerning misuse of funds centers on two basic areas. First, the letter alleged that State moneys were used to purchase items for use in the Superintendents' home. The other area involved an out-of-state trip taken by the Superintendent. These areas, as well as the auditor's findings, are discussed below.

Alleged misuse of State funds for purchases. The vouchers in which purchases are in question involve some furniture, building materials, and remodeling costs. The ten vouchers involve total purchases of approximately \$3,100. Examples of purchases made include approximately \$950 on new carpeting and \$464 on a new kitchen dinette set. The allegation was made that these purchases were made by the Superintendent for use in his own home. During their review, the auditors determined that the position of Superintendent of KSSVH includes a furnished, on campus, apartment. For each voucher in question, the auditors reviewed the related documentation. In each case, the expenditure was documented and accurate. In addition, the auditors reviewed each item on the vouchers and physically examined the materials located within the Superintendent's apartment. In no case did an expenditure appear excessive in costs or inappropriate under the circumstances. As a result, none of the purchase expenditure vouchers in question are inaccurate, inappropriate or excessive.

Alleged misuse of State funds for travel. In addition to the allegations of improper purchases by the Superintendent, an allegation was made on a trip taken by the Superintendent which appears to be in question. The auditors reviewed the travel reimbursement voucher and related documentation for the trip in question. The trip, taken on June 26 through July 3, 1982, was to Vancouver, British Columbia to attend a professional conference. The auditors determined that the trip was for official State business and the State Board of Education gave its approval to the out-of-state travel request prior to the trip being undertaken. No indication was found that State funds were used by

Legislative Post Audit Committee
May 4, 1983
Page 5

anyone but the State employee for this trip. As a result, the auditors concluded that State funds were not misused in connection with the trip in question.

As required by KSA 46-1106(d), the documented irregularities in the purchasing procedures will be reported to the Governor and the Attorney General. A copy of this letter has also been forwarded to Commissioner of Education and the Superintendent of the Kansas State School for the Visually Handicapped. At the direction of the Chairman, copies of this report are available for public distribution.

We are available to discuss our findings in more detail if you wish. The person to contact for more information or additional copies of the report is Dale Culver. He can be reached at 296-3792.

Yours sincerely,

(Wick)
Richard E. Brown
RICHARD E. BROWN
~~Legislative Post Auditor~~

REB:yjh

cc: Dr. Merle Bolton, Commissioner
Department of Education
Ralph E. Bartley, Superintendent
Kansas State School for the Visually Handicapped

