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The Rundown podcast transcript for Performance Audit report titled ***Evaluating County Government Procurement and Contracting Practices*** – Released March 2021

Brad Hoff, Host and Recruiting and Training Manager: [00:00]

Welcome to The Rundown, your source for the latest news and updates from the Kansas Legislative Division of Post Audit featuring LPA staff talking about recently released reports and discussing the findings, key takeaways, and why it matters. I'm Brad Hoff. In March 2021, Legislative Post Audit released a performance audit, determining whether a selection of county governments have adequate procedures and controls to manage conflicts of interests in the procurement and contracting processes. I'm with Heidi Zimmerman, principal auditor at Legislative Post Audit, who supervised this audit. Heidi, welcome back to The Rundown and thanks for taking the time to discuss this report with me.

Heidi Zimmerman, Supervisor and Principal Auditor: [00:43]

Thanks for having me Brad.

Brad Hoff, Host and Recruiting and Training Manager: [00:46]

So, before we discuss the findings of the audit, give our listeners some background on what conflicts of interest are in the context of this audit.

Heidi Zimmerman, Supervisor and Principal Auditor: [00:58]

Sure. A conflict of interest occurs when a public official has a financial interest that influences or even just appears to influence their performance of their job responsibilities. So, for example, it would be a conflict of interest for a county employee to participate in the selection of a contractor if a family member owned one of the companies that was bidding. We want to see public officials and public employees avoid conflicts of interest though because they can create a lot of problems. So, first of all, you know, in this case, the county are what we were looking at. So, in this case, a county might buy a more expensive item, which costs taxpayers more money. Vendors may choose not to participate if they think that the process is not fair, and probably most importantly, the public can lose trust in its decision makers if they think that decision makers are only making decisions that are best for them, rather than the best for the public.

Brad Hoff, Host and Recruiting and Training Manager: [02:04]

What does state law say about how counties should address conflicts of interest in their procurement and contracting process?

Heidi Zimmerman, Supervisor and Principal Auditor: [02:12]

We identified two state laws that pertain to conflict of interest in procurement. So, first of all, law prohibits local government employees or local elected officials from contracting with a business that the employee or the employee's spouse has a substantial interest in. So, a substantial interest exists when the employee or the spouse has a financial interest in a business that exceeds one of several thresholds that are set in state law. Second, state law also requires that local government employees or elected officials report their substantial interests if a conflict arises during the course of their business responsibilities.

Brad Hoff, Host and Recruiting and Training Manager: [02:56]

The audit team reviewed 11 counties in detail to determine whether they have, whether those you 11 have adequate policies and procedures to manage conflicts of interest for purchases and contracts. Talk about the work the team completed to determine whether each of those counties had adequate policies and procedures for managing conflicts of interest.

Heidi Zimmerman, Supervisor and Principal Auditor: [03:24]

Sure. As you stated, we did look at 11 counties specifically. We chose the five most populous counties in the state, the three smallest counties in the state in terms of population, and then also three counties at the median and we did that just to try to get kind of a variety of counties to look at. So, the first thing we did was we requested the written procurement and conflict of interest policies that those counties had. We just asked them to send those to us and we also went out and we looked for best practices, for specifically, for conflict of interest in purchasing. We took the written policies and procedures that the counties submitted to us and when we compared them to best practices to see whether or not those written policies really incorporated those best practices. We also looked to see if they aligned with those state laws that we talked about a moment ago. The last thing we did was we reviewed a small selection of purchases in the counties to see if the counties followed their own written policies and procedures.

Brad Hoff, Host and Recruiting and Training Manager: [04:32]

The audit team, then through its work, found that for the 11 counties that the team reviewed-larger counties appear to have adequate policies and procedures to manage conflicts of interest, but smaller counties did not. So, what differences did the team see between these large and small counties in their conflict-of-interest policies and how they compare against best practices?

Heidi Zimmerman, Supervisor and Principal Auditor: [05:01]

We actually found a pretty stark difference between those five large counties and then the six median and small counties. What we found was that four of the five large counties we looked at, they had policies that aligned with state law and incorporated either all or nearly all of those best practices that we identified.

However, none of those small and median counties had policies that completely aligned with state law or even fully incorporated the best practices. This particular finding wasn't really very surprising though to us. It's actually pretty consistent with what we often see in smaller government entities, whether that's counties or towns or school districts. Smaller organizations simply have fewer staff members, and they tend to put a real premium on trusting their co-workers. And so, as a result, they tend to not create the detailed written policies that we like to see.

Brad Hoff, Host and Recruiting and Training Manager: [06:01]

Now, the team reviewed purchase documents to determine whether counties' practices aligned with their written policies in doing so. You found that larger counties did not always use the bid or other formal process, but instead used other methods that receive much less scrutiny. Talk about what these other methods were.

Heidi Zimmerman, Supervisor and Principal Auditor [06:22]

Sure. So, we looked at a small selection of purchases to determine if the counties followed their own written conflict of interest policies. First of all, I should note that we did not conduct this work in the small counties though because they didn't have written policies, but based on our work, what we found was that 60% of the purchases we looked at used a less formal process for choosing the vendor that did not always require much review for conflicts of interest. So, for example, we found purchases that were made on an emergency basis and items purchased just after comparing a few prices. We also saw a few sole source purchases. So, sole source purchases are made when only one vendor can provide the item or service. So, counties typically had specific policies in place that allowed for these types of purchases, but we did notice that they received a lot less scrutiny than purchases that go through that formal bidding process.

Brad Hoff, Host and Recruiting and Training Manager: [07:18]

Finally, what is the main takeaway of this audit?

Heidi Zimmerman, Supervisor and Principal Auditor: [07:22]

We found that actively ensuring that conflicts do not exist can be quite difficult and oftentimes very resource intensive. As a result, counties really of all sizes really rely on employees to honestly self-report any conflicts and basically the whole process essentially works on the honor system. Nevertheless, it is important that those involved in the purchasing process that they know what is and isn't allowed and having written policies can help ensure that those expectations are clear and that there's accountability in the whole process.

Brad Hoff, Host and Recruiting and Training Manager: [08:00]

Heidi Zimmerman is a principal auditor at Legislative Post Audit. She supervised an audit determining whether a selection of county governments have adequate procedures and controls to manage conflicts of interest in the procurement and contracting processes. Thank you again for joining me today, Heidi.

Heidi Zimmerman, Supervisor and Principal Auditor: [08:17]

Thanks for having me Brad.

Brad Hoff, Host and Recruiting and Training Manager: [08:18]

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