



Legislative Post Audit Financial Audit Report Highlights

State of Kansas:
Financial Audit of Fiscal Year 2010

Report Highlights

February 2011

Audit Concern

State law requires an annual financial-compliance 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 later.

Other Relevant Facts

The joint venture of Allen Gibbs & Houlik, L.C. and Berberich Trahan & Co., P.A., CPA firms under contract with the Legislative Division of Post Audit, conducted this audit.

The Comprehensive Annual Financial Report, 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 at <http://da.ks.gov/ar/finrept/CAFR2010.pdf>

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.*

AUDIT ANSWER:

- The auditors expressed an unqualified opinion on the State's basic financial statements, meaning that the financial statements present the State's financial position fairly and in conformity with generally accepted accounting principles in all material respects.
- The auditors reported one significant deficiency in internal control over financial reporting. A significant deficiency exists when the internal controls might not prevent or detect an error or fraud that is consequential. In this case, because the current accounting system was designed to provide information primarily related to budget compliance, it generally omits non-cash assets and liabilities.
- The audit disclosed no instances of noncompliance with applicable legal requirements that were material to the State's financial statements.
- A report on compliance with federal awards requirements will be issued later.

The Auditors Recommended:

- The auditors recommend analyzing the new Statewide Management Accounting and Reporting Tool (SMART) to verify the system will include data for all assets, liabilities, and operating accounts necessary for the preparation of the financial statements in accordance with generally accepted accounting principles.

Agency Response:

- The Division of Accounts and Reports gave a brief summary of SMART, which was implemented effective July 1, 2010, and how it will address the internal control concerns.

HOW DO I GET AN AUDIT APPROVED?

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the Division must be approved by the Legislative Post Audit Committee, a 10-member committee that oversees the Division's work. Any legislator who would like to request an audit should contact the Division directly at (785) 296-3792.

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