

PERFORMANCE AUDIT REPORT

Out-Of-State Travel Reimbursement For Elected Officials

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
February 1987**

Legislative Post Audit Committee

Legislative Division of Post Audit

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LEGISLATIVE DIVISION OF POST AUDIT

Suite 301, Mills Building
Topeka, Kansas 66612-1285
Telephone (913) 296-3792
FAX (913) 296-4482

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OBTAINING AUDIT INFORMATION

This audit was conducted by Ron Green, Senior Auditor, and Cindy Denton, Auditor, of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Green at the Division's offices.

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OUT-OF-STATE TRAVEL REIMBURSEMENTS FOR ELECTED OFFICIALS

Summary of Legislative Post Audit's Findings

To what extent are out-of-State travel expenses of elected Statewide officials reimbursed by non-State entities? In fiscal year 1986, Statewide elected officials took 30 out-of-State trips that were reimbursed by organizations other than the State. Reimbursed travel expenses for these 30 trips totaled about \$9,600. The majority of these 30 trips were taken by the Attorney General and by the State Treasurer.

Are existing controls adequate to ensure that the State does not pay for travel expenses already reimbursed by non-State entities? Although the auditors found no inappropriate payments, the lack of adequate controls creates the possibility that duplicate payments could occur. The Division of Accounts and Reports does not require elected officials to document their travel expenses as fully as other State employees, does not require State agencies to keep records of official travel expenses reimbursed by non-State entities, and does not check to ensure that travel expenses submitted for State payment are not also reimbursed by another organization. In the six elective offices audited, four generally handled reimbursements from non-State entities outside of the State's accounting system. The audit makes recommendations for strengthening central controls and for processing all reimbursements through the central accounting system.

What official signatures are required on bond issues for Kansas localities? Every municipal bond issued in Kansas must have four signatures--two by local officials, one by the State Treasurer, and one by the fiscal agent. State law requires at least one of these signatures to be signed manually, but does not specify which one. In practice, the State Treasurer's Office manually signs every municipal bond registered in Kansas. This practice does not result in additional costs to the bond issuers unless more than 2,000 bonds must be signed. In those cases, a representative of the State Treasurer's Office travels out-of-State to use a special signature machine; a representative of the Attorney General's Office travels along to oversee the legality of the signing and closing of the bond issue.

OUT-OF-STATE TRAVEL REIMBURSEMENTS FOR ELECTED OFFICIALS

The State pays a subsistence allowance and reimburses other travel-related expenses for any State official or employee when the duty assignment requires travel to points beyond his or her official station or domicile. Limitations on the allowance for meals and lodging do not apply to elected State officers or other State officials specified by law.

Legislative questions have been raised recently about the extent to which Statewide elected officials may be getting their out-of-State travel expenses paid by non-State entities rather than the State, especially when those reimbursements are not channeled through the State's accounting system. Some of these out-of-State trips were made to sign bonds issued by Kansas municipalities. This audit addresses these concerns through the following questions:

- 1. To what extent are out-of-State travel expenses of elected Statewide officials reimbursed by non-State entities?**
- 2. Are existing controls adequate to ensure that the State does not pay for travel expenses already reimbursed by non-State entities?**
- 3. What official signatures are required on bond issues for Kansas localities?**

To answer these questions, the auditors reviewed applicable State laws, regulations, and policies. They interviewed representatives of the six Statewide elected officials--the Attorney General, Governor, Lieutenant Governor, Insurance Commissioner, Secretary of State, and State Treasurer--and officials in the Division of Accounts and Reports. As needed, they verified the amounts reimbursed to elected officials for out-of-State trips taken in fiscal year 1986. In addition, the auditors surveyed other states to determine their policies and practices related to the audit questions.

The auditors found that Statewide elected officials took 30 out-of-State trips in fiscal year 1986 that were reimbursed by organizations other than the State. Reimbursed travel expenses for these 30 trips totaled about \$9,600. The Division of Accounts and Reports is responsible for approving travel expense claims paid by the State, but has virtually no central controls to prevent double payment of travel expenses. In most cases, individual agencies also had inadequate controls in this area. The auditors' sample of State-paid trips did not reveal any inappropriate payments, but the lack of controls increases the possibility that duplicate payments could occur.

On the third question, the auditors found that four signatures are required on municipal bonds issued by Kansas municipalities. State law requires that at least one of these signatures must be signed manually, but does not specify which one. In practice, the State Treasurer's Office manually signs every municipal bond that is

registered in Kansas. In certain cases, the bonds are signed on a signature machine in Chicago or New York. In fiscal year 1986, the State Treasurer's Office and the Attorney General's Office travelled out-of-State to 18 municipal bond-signings and two State bond-signings, at a cost exceeding \$10,000. These travel expenses are ultimately paid by the bond-issuing municipalities.

To What Extent Are Out-of-State Travel Expenses of Elected Statewide Officials Reimbursed by Non-State Entities?

To answer this question, the auditors obtained information from Statewide elected officials on any out-of-State trips taken in fiscal year 1986 that were wholly or partly reimbursed by organizations other than the State. By contacting these other organizations, the auditors verified the information reported by the elected officials concerning reimbursement of travel expenses. The auditors found that Statewide elected officials took 30 out-of-State trips that were reimbursed by organizations other than the State.

Elected Officials Took 30 Out-of-State Trips that Were Reimbursed by Organizations Other than the State

The table on page three shows these 30 out-of-State trips taken by Statewide elected officials in fiscal year 1986. For each trip, the table shows the destination, dates, meeting attended, reimbursing organization, and amount of reimbursement. The total amount of reimbursement was about \$9,600. However, additional expenses were paid directly by the organizations sponsoring some of the meetings. For example, instead of paying out-of-pocket for a plane ticket, an elected official might have the reimbursing organization pay a travel agency for that ticket.

The table shows that the Attorney General took 15 of the 30 trips during his term as President of the National Association of Attorneys General. Usually, the Association reimbursed the Attorney General for all expenses incurred to attend meetings and conduct Association business. On two occasions, the Attorney General chose to charge some of his travel expenses to his campaign fund rather than to the National Association of Attorneys General.

The State Treasurer was reimbursed for 10 out-of-State trips in fiscal year 1986. The table shows that seven of those trips were taken for municipal bond signings. The other three trips were taken at the request of political organizations.

The Governor took two trips that were reimbursed by non-State organizations in fiscal year 1986. The Lieutenant Governor took two trips to Washington, D.C. that were reimbursed by his campaign committee. Finally, the Insurance Commissioner spoke at a meeting in Missouri and was reimbursed by an insurance association.

The audit did not include any trips for which no reimbursement was paid to an elected official or the official's office. For example, the Secretary of State's visit to the Philippines was fully paid by the federal government, without any travel expenses being paid by the Secretary of State or his office.

To verify the accuracy of the information reported by elected officials, the auditors obtained copies of all available receipts and correspondence. They also

obtained written confirmation from each reimbursing organization, verifying the amount of reimbursement for out-of-State trips. This review did not reveal any cases where elected officials received higher reimbursements than they were entitled to, but the auditors did note several errors in the amounts sought for reimbursement.

In one case, the State Treasurer's Office inadvertently underbilled an underwriting firm for expenses incurred on a bond-signing trip. As a result, the State Treasurer was under-reimbursed by \$100. In the Attorney General's case, the auditors noted four inadvertent errors in the amounts sought for reimbursement from the National Association of Attorneys General. Prior to reimbursement, these errors were all found and corrected by the Association.

Are Existing Controls Adequate to Ensure That the State Does Not Pay for Travel Expenses Already Reimbursed by Non-State Entities?

To answer this question, the auditors reviewed Kansas statutes, regulations, and policies. They also interviewed officials at the Division of Accounts and Reports and at each agency to determine what controls and procedures are in place. To determine whether duplicate payments had been made to elected officials, the auditors performed testwork in two areas. First, they compared the 30 out-of-State trips reimbursed by non-State entities against a list of out-of-State trips reimbursed by the State. Second, for a sample of trips reimbursed by the State, they asked organizations sponsoring the meetings whether they had also reimbursed the elected official. The auditors also contacted other states concerning their policies for reimbursement of out-of-State travel by elected officials.

The auditors found virtually no controls at the central level or at the agency level to ensure that the State does not pay for travel expenses reimbursed by other organizations. But their reviews showed no cases of double payment or overpayment of travel expenses.

At the Central Level, the Division of Accounts and Reports Does Not Have Adequate Controls to Prevent Duplicate Payments

The Division of Accounts and Reports audits and approves travel expense claims. By law, the Division must review all travel vouchers to determine whether the claimed expenses were lawfully incurred and whether the amount claimed is correct and unpaid. The Division checks all travel vouchers to ensure that the amount claimed is arithmetically correct, supported by the required receipts, and adequately funded. The Division also checks to see whether the amount claimed was paid earlier by the State, but it has no procedures for determining whether claimed travel expenses were reimbursed by a non-State source.

The Division of Accounts and Reports does not require Statewide elected officials to provide original receipts for travel expenses, does not check with other organizations that might provide reimbursement to State elected officials, and does not require State agencies to keep any records of travel expenses that were incurred on official State business but paid for by a non-State entity.

The Division does not require elected officials to document their travel expenses as fully as other State employees. For State employees, the Division of Accounts and Reports requires specific receipts or other evidence to support claims for reimbursement, and requires that a specific purpose be shown for each trip. For elected officials, the Division requests--but does not require--original receipts for claimed expenses, and does not require that a specific purpose of travel be shown on the voucher.

The auditors contacted financial officials in Iowa and the four states surrounding Kansas. Four of the five states have a policy similar to Kansas. Only Missouri requires that elected officials submit original receipts to be reimbursed for travel expenses.

The Division does not require State agencies to keep or submit records of official travel expenses reimbursed by non-State entities. The Division has not adopted any regulations, policies, or procedures in this area. As a result, State agencies are left on their own to decide what records should be kept, how long they should be kept, and who should maintain them. In some instances, little or no documentation was available in the agencies to verify the travel expenses reimbursed by non-State organizations.

The Division does not check to ensure that travel expenses submitted for State payment are not also reimbursed by another organization. The Division of Accounts and Reports said it does not contact other organizations to inquire about the possibility that the organization had paid for the travel expenses claimed to be due from the State. Thus, the Division relies solely on the information provided by State officials and employees who submit travel vouchers. By signing the voucher, the individual certifies that the amount claimed is due and unpaid.

In Most Cases, Individual Agencies Had Virtually No Controls to Ensure that Duplicate Payments Were Not Made to Elected Officials

In fiscal year 1986, two Statewide elected officials processed their travel reimbursements from non-State entities through the State's accounting system. The other four elected officials handled such reimbursements personally and directly with each organization. Neither of these methods provides complete control to ensure that duplicate payments are not made, but processing the expenditures through the State's accounting system does provide a much better record of State expenditures and reimbursements.

For out-of-State trips reviewed in this audit, none of the elected officials received any travel advances or charged travel expenses to State agency credit cards. They either paid with personal funds, paid with a personal credit card, had bills sent to their office, or had expenses paid directly by a non-State organization.

Two elected officials generally processed their travel reimbursements from non-State entities through the State's accounting system. The Governor and the Insurance Commissioner handled their out-of-State travel reimbursements in different ways, but their reimbursements were all processed through the State's accounting system. As the following

procedures point out, both offices used agency funds to reimburse their travel expenses. Subsequent reimbursements from non-State organizations were deposited into these funds.

--The Governor's out-of-State travel expenses were billed to his office and paid for out of appropriations to the Governor's Office. Reimbursements received from non-State organizations were deposited directly into the Governor's Conversion of Materials and Equipment Fund.

--The Insurance Commissioner initially paid travel expenses with his personal funds, submitted travel expenses for reimbursement, and was reimbursed from the Commissioner's Travel Reimbursement Fund. Reimbursements from the non-State organization were deposited directly into this Fund.

By depositing reimbursements from non-State organizations into the State treasury, the Governor and Insurance Commissioner provided an official, documented record of those reimbursed trips.

Four elected officials generally handled reimbursements from non-State entities outside of the State's accounting system. The State Treasurer, Lieutenant Governor, Attorney General, and Secretary of State indicated that they preferred to have a non-State organization reimburse them personally for expenses incurred during out-of-State travel. Although those reimbursements were not processed through the State's accounting system, the agencies generally kept some record of the reimbursements, as described below:

--The State Treasurer and the Lieutenant Governor maintained documentation for all out-of-State travel that was reimbursed by non-State entities. This documentation generally included copies of receipts and correspondence.

--The Attorney General did not maintain complete records of out-of-State travel expenses reimbursed by non-State entities. For some trips reviewed, the Attorney General's Office had to contact the National Association of Attorneys General to obtain copies of receipts submitted for reimbursement. For municipal bond trips made by Assistant Attorneys General, the Office was unable to fully document that reimbursed expenses were incurred because the Assistant Attorneys General did not keep copies of receipts. They did maintain copies of letters sent to non-State entities, showing the total amount of reimbursement requested.

--The Secretary of State did not make any out-of-State trips in fiscal year 1986 that were reimbursed by a non-State entity. For reimbursed trips taken in other years, the Secretary of State said complete records were not always maintained in the office.

The Auditors' Samples of Out-of-State Trips Revealed No Inappropriate Payments

The auditors compared the 30 out-of-State trips reimbursed by non-State entities with the 60 out-of-State trips reimbursed by the State in fiscal year 1986. In this review, the auditors found no duplicate payments or inappropriate payments to elected officials. The auditors did note six out-of-State trips that were reimbursed

jointly by the State and another organization, or were reimbursed initially by a State agency and the agency later was reimbursed. These six trips were all reimbursed appropriately.

For 16 of the 60 out-of-State trips Statewide elected officials took in fiscal year 1986 that were reimbursed by the State, the auditors contacted each sponsoring organization to determine whether the official was reimbursed by the organization as well as by the State. This sample was selected in proportion to the total number of out-of-State trips taken by all of the elected officials, and included four each by the Governor and the State Treasurer, three by the Insurance Commissioner, two each by the Attorney General and the Secretary of State, and one by the Lieutenant Governor. Each of the organizations contacted said they had not reimbursed the elected official for any of the trips in this sample.

Appendix A contains detailed information for all 60 out-of-State trips taken by Statewide elected officials and reimbursed by the State in fiscal year 1986. The Appendix also shows which of these 60 trips were included in the sample.

Conclusion

Current procedures provide inadequate central controls to ensure that the State does not pay for travel expenses already reimbursed by a non-State entity. Likewise, most of the individual agencies had virtually no controls to ensure that duplicate payments were not made to elected officials. Although the auditors found no inappropriate payments, the lack of controls creates the possibility that duplicate payments may occur.

Recommendations

1. The Department of Administration should require Statewide elected officials to file original receipts to document out-of-State travel expenses, and require that a specific purpose be shown on all travel vouchers. This action would not limit the amount of reimbursement that an elected official could claim, but would require that elected officials' travel expenses be documented to the same extent as the expenses of State employees.
2. To provide better documentation and review of reimbursements received from non-State entities for official travel expenses, all such reimbursements should be processed through the State's central accounting system. Toward this end, each Statewide elected official should seek authority to establish a revolving fund to pay for travel expenses that will be reimbursed by a non-State entity, and to accept reimbursements when they are received. Expenditures from such a revolving fund should not affect the agency's general fund appropriations for travel expenses.

What Official Signatures Are Required on Bond Issues for Kansas Localities?

To answer this question, the auditors reviewed State law and interviewed officials of the State Treasurer's Office and the Attorney General's Office. Every municipal bond issued in Kansas must have four signatures--two by local officials, one by the State Treasurer, and one by the fiscal agent who maintains records and makes payments to bond owners. State law requires at least one of these four signatures to be signed "live"; that is, to be signed manually rather than to be printed by facsimile. The law does not specify which signature must be signed "live."

In practice, the State Treasurer's Office manually signs every municipal bond that is registered in Kansas. In some instances, the practice of manually signing the bonds goes beyond what is required by law, dictated by industry practice, or provided by other states. The State Treasurer's Office indicated it followed this practice to provide additional safeguards for Kansas municipal bond issues. The practice does not result in additional costs to the bond issuers unless more than 2,000 bonds must be signed. In those cases, an official of the State Treasurer's Office travels to Chicago or New York to use a signature machine, which allows about 30 bonds to be simultaneously signed "live." When that happens, a representative of the Attorney General's Office travels along to oversee the legality of the signing and closing of the bond issue. These and other findings are discussed in the sections that follow.

Four Signatures Are Required on Every Bond Issued by Kansas Municipalities

Two of the four signatures must be by local officials. State law requires the bonds issued by a municipality to be signed by the presiding officer of the governing board and attested by the secretary or clerk of the board. For example, bonds issued by a county must be signed by the chairman of the board of county commissioners and attested by the county clerk. Likewise, bonds issued by any city must be signed by the mayor and attested by the city clerk. These signatures are almost always printed by facsimile on the bonds.

The third signature is supplied by the State Treasurer's Office. Under K.S.A. 1986 Supp. 10-108, the State Treasurer must "certify upon the bonds the fact that they have been registered." The State Treasurer's or Assistant State Treasurer's signature on the back of each bond certifies that a complete transcript is on file and that the bonds are registered in the Treasurer's Office.

The final signature is supplied by the designated fiscal agent, and appears on the front of each bond. This signature authenticates the bond. The fiscal agent may be either the State Treasurer's Office or a bank. The fiscal agent is responsible for registering the ownership of all bonds, making interest payments to registered owners, and handling all transfers of ownership. Kansas is apparently the only state in which the state treasurer performs all of these functions. In at least three other states, state treasurers have contracted with banks to perform the functions of fiscal agent.

The Attorney General's Office does not sign the bonds, but under State law must approve the legal aspects of a bond issue before the bonds become a valid

obligation. To do this, an Assistant Attorney General reviews legal and procedural matters such as compliance with debt limitations, proper approval by all necessary parties, and proper format of the bonds. When the review is completed, the Attorney General's Office sends a letter to the State Treasurer's Office approving the legal sufficiency of the transcript.

State law requires that one of these signatures must be "live," but does not specify which one. In 1963, Kansas adopted the Uniform Facsimile Signature of Public Officials Act. This Act allows any authorized officer, after properly filing a manual signature with the Secretary of State, to use a facsimile signature in place of a manual signature on public securities and instruments of payment. However, the Act also requires at least one manual signature on any public security, which includes bonds. The Act does not specify whose signature must be manually signed on municipal bonds.

Industry practice dictates that the fiscal agent's signature authenticating the bond will be signed "live." After contacting some of the large banks in this area, the State Treasurer's Office determined that it is an industry standard for the fiscal agent to sign "live" on the front of each bond. Officials with the Government Finance Officers Association confirmed this as standard. The authenticating signature is the last control before the bonds are transmitted to the purchasers.

In Practice, the State Treasurer's Office Signs Every Bond Manually, Either When Registering the Issue or When Acting as Fiscal Agent

In practice, local officials in Kansas do not generally sign bonds manually; their signatures are printed on the bonds by facsimile. Under State law, a facsimile can only be used if the official's manual signature is on file with the Secretary of State's Office. This means that one of the other signatures on the bonds must be signed "live."

When the State Treasurer is the fiscal agent, the Treasurer's Office signs manually on the front of each bond. In this situation, the State Treasurer's signature on the back of the bonds is printed by facsimile. Later, the Treasurer's Office manually signs the front of the bonds as fiscal agent. In

Glossary of Terms

Municipal Bond- Written evidence of a municipality's obligation to repay a specified principal amount on a maturity date, together with periodic interest payments at a stated rate. Municipal bonds must be issued in registered form to retain their tax-exempt status.

Registered Bond- A bond whose owner is recorded with the registrar. Interest and principal payments are made only to the registered owner.

Registrar- The entity responsible for maintaining the record of all owners of registered bonds.

Paying Agent- The entity responsible for transmitting payments of interest and principal to the owners of an issue of municipal bonds.

Transfer Agent- The entity who processes all changes of ownership of registered bonds.

Fiscal Agent- The entity who performs all the functions of the registrar, paying agent, and transfer agent for a particular issuance of municipal bonds. For a bond issue exceeding \$200,000, a municipality may designate either the State Treasurer or a Kansas bank as its fiscal agent.

these instances, the State Treasurer's Office is following both the State law requiring at least one "live" signature and industry practice dictating the fiscal agent's signature should be "live."

When a bank is the fiscal agent, the State Treasurer manually signs the back of each bond despite the fact that the bank will also sign manually on the front. In this situation, the State Treasurer's Office has a policy of always signing "live" on the back of each bond when the bond issue is registered. A representative of the bank acting as fiscal agent must sign the front of each bond to authenticate it. Because industry practice dictates that the authenticating signature must also be "live," the State Treasurer's practice of manually signing the back of each bond when a bank is the fiscal agent appears to go beyond what is legally required.

The State Treasurer's Office indicated that its practice of manually signing all bonds on the back (when the State Treasurer is not the fiscal agent) provides additional safeguards and controls over the bond issue. The Treasurer's Office said that in most cases, the bonds are printed far in advance of the legal approval of the transcript. If facsimile signatures were printed on the back of the bonds at that time, the facsimile would be verifying approval of the bonds that might never occur. Rather than taking the risk that approval would not occur or that the bonds would fall into the wrong hands, the State Treasurer's Office prefers to wait for legal approval before signing "live" on the back of the bonds.

The chart below shows when the State Treasurer's Office signs "live" on the front of the bonds as fiscal agent, and when it signs "live" on the back of the bonds. The chart also shows the two situations (in italics) when municipal bonds are signed out-of-State.

**If the municipality makes the
State Treasurer its fiscal agent...**

1. State Treasurer's signature is printed on the back of the bond by facsimile (as allowed by law).
2. Fiscal agent's signature is signed manually on the front of the bond by the State Treasurer's Office (as required by law and industry practice). *If more than 2,000 bonds, this signing is done out-of-State on a signature machine.*
3. State Treasurer handles all payments to registered bond owners and all transfers of bond ownership.

**If the municipality makes a
Kansas bank its fiscal agent...**

1. State Treasurer's signature is signed manually on the back of the bond (as decided by the State Treasurer's Office). *If more than 2,000 bonds, this signing is done out-of-State on a signature machine.*
2. Fiscal agent's signature is signed manually on the front of the bond by the Kansas bank or a co-paying bank located in a federal reserve city (as required by industry practice).
3. Bank handles all payments to registered bond owners and all transfers of bond ownership.

Kansas exercises greater control over municipal bond issues than neighboring states. The auditors contacted the four surrounding states

and Iowa to determine their practices relating to bond issuances. Only Kansas and Oklahoma sign bonds at the State level. (Kansas' bond-signing practices are described earlier.) Oklahoma requires bonds issued by the state to be approved by its Attorney General, whose facsimile signature is printed on the bonds. Under Oklahoma law, the fiscal agent for municipal bonds must be a bank or other financial institution.

Other states have lesser degrees of involvement and control over municipal bond issuances. In Missouri and Nebraska, all municipal bonds must be registered with the State Auditor's Office, but the State Auditor's signature does not appear on the bonds. Neither state allows a state officer to act as fiscal agent for municipal bonds; in both states, banks serve as the fiscal agents. Missouri does require one "live" signature on each bond, as Kansas does, but the manual signature is usually signed by the fiscal agent.

Finally, in Colorado and Iowa, state officials have no involvement in municipal bond issuances. In Colorado, for example, municipal bond issuances are strictly left to local government jurisdictions.

In sum, not only does Kansas' practice of signing every bond go beyond what other states require, Kansas' involvement in municipal bond issuances is much greater than in other states. Experts in this field told the auditors that, in addition to Kansas, only three other states are authorized to act as fiscal agents for municipal bond issuances. All three of those states--North Carolina, Washington, and Wisconsin--contract with banks to perform the services of fiscal agent.

**In Kansas, the Practice of Signing Every Bond Manually
Does Not Result in Additional Costs to the Bond Issuers
Unless More than 2,000 Bonds Must Be Signed**

The State Treasurer's Office has an unwritten policy that the Office will manually sign up to 2,000 bonds at its Topeka headquarters. If more than 2,000 bonds are to be signed manually, the State Treasurer or Assistant State Treasurer travels to Chicago or New York to sign them on a special signature machine. By using this machine, the Treasurer can manually sign about 30 bonds simultaneously. According to the State Treasurer's Office, there aren't any signature machines closer to Kansas.

In fiscal year 1986, the State Treasurer's Office manually signed 18 municipal bond issues on a signature machine in Chicago or New York. The total value of the 18 municipal bond issues signed out-of-State was more than \$540 million. Two other bonds were issued by State agencies--the Board of Regents and the Department of Transportation. The Board of Regents bonds were signed by the State Treasurer's Office as fiscal agent. The Department of Transportation bonds were signed by the Secretary of Transportation, who was accompanied by an Assistant Attorney General. The bond-signing trips taken by the State Treasurer's Office and the Attorney General's Office are presented in the table on page 12.

As the table shows, the State Treasurer's Office was fiscal agent for eight of these bond issues. Following State law and industry practice, the State Treasurer's Office manually signed these eight bond issues on the front. Banks were fiscal agents for 12 of the 20 issues signed out-of-State. Under the State Treasurer's current policy, the State Treasurer's Office manually signed the certification on the

Out-of-State Trips to Bond Signings or Closings in Fiscal Year 1986

Bond Issuer	State Official	Dates	Destination	Reimbursement	Reimbursing
Bond Issuances For Which the State Treasurer Is the Fiscal Agent					
Hutchinson	State Treasurer	7/24-26/85	New York	\$729.37	City of Hutchinson
Hutchinson	Asst. Attorney General	7/24-26/85	New York	\$724.06	City of Hutchinson
Olathe	State Treasurer	8/18-19/85	New York	\$663.30	Stinson, Mag, & Fizzell
Olathe	Asst. Attorney General	8/18-19/85	New York	\$808.00	Stinson, Mag, & Fizzell
Shawnee County, Junction City	State Treasurer	10/13-14/85	Chicago	\$125.00	George K. Baum & Co.
Shawnee County, Junction City	Asst. Attorney General	10/13-14/85	Chicago	\$400.52	George K. Baum & Co.
Shawnee County, Junction City	Asst. Attorney General	10/14-17/85	New York	\$400.52	George K. Baum & Co.
Johnson County Water District #1	State Treasurer	11/8-9/85	Chicago	\$295.00	Water District #1
Johnson County Water District #1	Asst. Attorney General	11/8-12/85	Chicago/New York	\$673.98	Boettcher & Company
Bd. of Regents, USD 229, Topeka	State Treasurer	12/9-10/85	Chicago	\$174.75	George K. Baum & Co.
Topeka	State Treasurer	12/9-10/85	Chicago	\$174.75	City of Topeka
Bd. of Regents, USD 229, Topeka	Asst. Attorney General	12/10/85	Chicago	\$389.40	George K. Baum & Co.
Subtotal				\$5,558.65	
Bond Issuances For Which the State Treasurer Is Not the Fiscal Agent					
Finney County USD 457	Asst. State Treasurer	8/12-13/85	Chicago	\$332.00	Stern Brothers
Finney County USD 457	Asst. Attorney General	8/12-13/85	Chicago	\$173.50	Stern Brothers
Wichita (signed in Topeka)	Asst. Attorney General	8/12-13/85	Chicago	\$186.50	United Securities
Salina, Garden City	Asst. State Treasurer	10/22-23/85	Chicago	\$0.00 (a)	United Securities
Salina, Garden City	Asst. Attorney General	10/22-23/85	Chicago	\$75.00	United Securities
Shawnee Co. (SFM)	Asst. State Treasurer	11/4-5/85	Chicago	\$363.87	Merchants Nat'l. Bank
Shawnee Co. (SFM)	Asst. Attorney General	11/4-5/85	Chicago	\$694.60	Merchants Nat'l. Bank
Kansas City	State Treasurer	11/12-13/85	New York	\$346.00	George K. Baum & Co.
Kansas City	Asst. Attorney General	11/13-14/85	New York	\$0.00 (b)	George K. Baum & Co.
Wellington	State Treasurer	11/21/85	Chicago	\$164.47	Ranson & Company
Wichita	State Treasurer	11/21/85	Chicago	\$164.47	United Securities
Wellington, Wichita	Asst. Attorney General	11/21/85	Chicago	\$140.00	Ranson & Company
Kansas Dept. of Transportation	Asst. Attorney General	12/8-9/85	Los Angeles	\$300.93	Stern Brothers & Co.
Kansas Dept. of Transportation	Asst. Attorney General	12/17-18/85	Los Angeles	\$651.72	Stern Brothers & Co.
Finney, Sedgwick County	Asst. State Treasurer	12/11-12/85	Chicago	\$260.00	United Securities
Finney, Sedgwick County	Asst. Attorney General	12/12/85	Chicago	\$80.00	United Securities
Wichita	Asst. State Treasurer	3/6-7/86	Chicago	\$194.63	City of Wichita
Wichita	Asst. Attorney General	3/6-7/86	Chicago	\$159.00	City of Wichita
Wichita	Asst. State Treasurer	6/3-4/86	Chicago	\$228.99	City of Wichita
Wichita	Asst. Attorney General	6/4/86	Chicago	\$295.00	City of Wichita
Subtotal				\$4,810.68	
Total				\$10,369.33	

(a) All travel expenses for this trip were paid directly by United Securities.

(b) All travel expenses for this trip were paid directly by George K. Baum & Co.

This table shows that a total of \$10,369 was reimbursed to officials in the State Treasurer's Office and the Attorney General's Office for trips to bond signings or closings in fiscal year 1986. In some cases, additional travel expenses were paid directly to hotels and airlines.

back of these bonds, even though industry practice dictates that the fiscal agent's signature must also be signed manually.

When bonds were signed out-of-State, an Assistant Attorney General always made the trip as well to review the bonds before they were signed by the appropriate State official. According to the Attorney General's Office, the Assistant Attorney General may not have an opportunity to review a sample bond in advance of the bond-signing date. The Attorney General's Office pointed out that, by traveling to out-of-State bond-signings and closings, the Assistant Attorney General can help the municipalities meet their required deadlines, yet ensure State control over the bonds until all statutory requirements are met.

Reimbursed travel costs for out-of-State bond signings totaled more than \$10,000. The table on page 12 also shows the total reimbursed expenses for the 20 bond issues signed out-of-State. Travel expenses of more than \$10,000 were reimbursed to State officials by municipalities or bond underwriting firms. The table does not show travel expenses that were paid by non-State entities directly to airlines, hotels, restaurants, and the like on behalf of State officials.

All travel expenses incurred by State officials to attend bond-signings and bond-closings are ultimately paid by the bond issuers. Although the auditors did not obtain the total expenses paid directly to vendors such as airlines and hotels, the amount reimbursed to State officials represents an insignificant percentage of the total value of the bond issuances signed in fiscal year 1986.

Documentation of reimbursed travel expenses was not always available. The auditors gathered reimbursed travel information for bond-signing trips, just as for other trips addressed in the first two questions. They also performed the same kinds of verifications, including contacting the reimbursing organizations. They found that no advance payments had been made to State officials. They found no evidence of duplicate payments or inappropriate reimbursements. However, the Attorney General's Office did not maintain any copies of the receipts that would support the amounts requested for reimbursement. In a few cases, the State Treasurer's Office was also unable to find receipts to fully document their reimbursed expenses. Most of these problems would be avoided if reimbursements were processed through the State's central accounting system, as recommended at the end of question two.

APPENDIX A

Out-of-State Trips Reimbursed by the State in Fiscal Year 1986

Destination		Dates	Meeting	Reimbursement
Attorney General - 6 trips				
1. Colorado Springs	S	7/13-19/85	Nat'l. Assoc. of Attorneys General, Summer Meeting	\$1,040.05
2. Des Moines	S	9/23-24/85	Nat'l. Assoc. of Attorneys General, Farm Credit	\$66.72
3. Washington, DC		12/15-16/85	Colorado Water Litigation	\$372.60
4. Chicago		1/20-21/86	Nat'l. Assoc. of Attorneys General, Agriculture	\$333.99
5. Washington, DC	*	3/1-5/86	Nat'l. Assoc. of Attorneys General, Spring Meeting	\$180.00
6. Seattle	*	6/9-12/86	Nat'l. Assoc. of Attorneys General, Summer Meeting	\$300.00
Subtotal - Attorney General				\$2,293.36
State Treasurer - 15 trips				
7. Cincinnati		7/7-10/85	Midwest Regional State Treasurers Meeting	\$729.03
8. Salt Lake City	S	7/27-31/85	Nat'l. Assoc. of St. Auditors, Comptrollers, and Treasurers	\$490.62
9. Honolulu	S	8/11-15/85	Council of State Governments, National Committee Mtg.	\$251.57
10. Omaha		8/23/85	Business-Women's Seminar	\$97.00
11. Jackson Hole, WY	S	8/28-30/85	National Assoc. of State Treasurers, Annual Meeting	\$110.28
12. Keystone, CO		10/10-11/85	Women Executives in State Government, Annual Mtg.	\$588.51
13. Chicago		10/17/85	Council of State Governments, Agriculture Committee	\$246.33
14. Chicago		10/21/85	Council of State Governments, Organizational Planning	\$246.50
15. Kansas City, MO		11/5/85	Midwest American Bank Meeting	\$36.38
16. Stateline, NV	S	12/4-7/85	Council of State Governments, Annual Meeting	\$816.82
17. Washington, DC		12/11-13/85	Women Executives in State Government	\$614.79
18. Honolulu		1/22-26/86	Kansas Society, 125th Anniversary Speech	\$701.72
19. Washington, DC		3/13-14/86	R. Dole Reception for a Federal Reserve Board Member	\$452.13
20. Washington, DC		3/19-21/86	National Association of State Treasurers	\$417.34
21. New York	*	6/22-24/86	Financial Instruments Meetings	\$305.52
Subtotal - State Treasurer				\$6,104.54
Governor - 17 trips				
22. Washington, DC		7/9-11/85	National Governors Association, Staff Meeting	\$691.17
23. Washington, DC		7/16-17/85	Testify on Tax Reform	\$350.40
24. Washington, DC		7/24-25/85	Testify and Nat'l. Governors Assoc., Staff Meeting	\$334.50
25. Boise, ID	S	8/4-6/85	National Governors Association, Annual Meeting	\$308.10
26. Mackinac Island, MI		8/18-21/85	National Governors Association, Midwestern Conference	\$510.72
27. Europe		9/19-28/85	European Mission	\$3,637.62
28. Washington, DC	*	10/1-3/85	Brookings Institution Presentation	\$444.21
29. Chicago		10/28-29/85	Kansas Cavalry Mission	\$140.00
30. Orlando	S	12/2-4/85	National Milk Producers Association Meeting	\$474.41
31. South Lake Tahoe	S	12/4-5/85	Nat'l. Governors Assoc., Executive Committee Mtg.	\$47.70
32. New York	*	1/9-10/86	Nat'l. Governors Assoc., Federal Budget Conference	\$238.00
33. Chicago		1/21/86	National Governors Association, Convention	\$74.00
34. Washington, DC	S	2/22-25/86	National Governors Association, Winter Meeting	\$870.24
35. Washington, DC		5/11-12/86	National Governors Association	\$231.55
36. China		5/13-6/3/86	Kansas State Trade Mission	\$12,414.73
37. Columbus, OH		6/15-17/86	Midwestern Governors, Annual Meeting	\$150.00
38. Washington, DC		6/24/86	National Governors Assoc., Executive Committee Meeting	\$238.00
Subtotal - Governor				\$21,155.35

S = Trips selected for the sample.

* = Trips reimbursed by State and non-State entities.

APPENDIX A

Out-of-State Trips Reimbursed by the State in Fiscal Year 1986

Destination	Dates	Meeting	Reimbursement
Lieutenant Governor - 2 trips			
39. Honolulu	S 8/11-17/85	National Conference of Lieutenant Governors	\$1,656.87
40. Chicago	10/27-29/85	Kansas Cavalry Mission	\$621.93
Subtotal - Lieutenant Governor			\$2,278.80
Insurance Commissioner - 11 trips			
41. Kansas City, MO	7/11/85	National Association of Insurance Commissioners	\$23.66
42. Excelsior Springs	7/30-31/85	Meeting with company officials and general agents	\$105.69
43. Kansas City, MO	9/19/85	Meeting with the California Insurance Commissioner	\$25.82
44. Kansas City, MO	10/15/85	National Association of Insurance Commissioners	\$25.16
45. Kansas City, MO	11/11/85	Speak to Casualty Actuaries Association	\$23.72
46. Kansas City, MO	11/20/85	Kansas Day at American Royal	\$22.43
47. Reno	S 12/7-12/85	National Association of Insurance Commissioners	\$587.86
48. Washington, DC	S 2/4-6/86	National Association of Insurance Commissioners	\$410.70
49. San Francisco	S 3/8-14/86	National Association of Insurance Commissioners	\$984.47
50. Lake of the Ozarks	* 4/16-18/86	Speak to Kansas City Claims Manager Council	\$252.66
51. Boston	6/7-13/86	Seminar	\$831.66
Subtotal - Insurance Commissioner			\$3,293.83
Secretary of State - 9 trips			
52. Indianapolis	7/7-11/85	National Association of Secretaries of State	\$428.37
53. Cape Canaveral	S 8/23-24/85	Invitation to the Shuttle Launch	\$338.00
54. Oklahoma City	9/6/85	National Association of Secretaries of State	\$495.00
55. Olympia, WA	10/14-16/85	Deposition on Exit Polling	\$535.60
56. Chicago	S 10/19-22/85	Council of State Governments Conference	\$145.78
57. Kansas City, MO	10/23/85	Meeting	\$33.02
58. Stateline, NV	12/3-6/85	Council of State Governments Conference	\$753.78
59. Seattle	12/17-19/85	Testify on Exit Polling	\$662.80
60. Hot Springs, AR	3/19-21/86	National Association of Secretaries of State	\$774.61
Subtotal - Secretary of State			\$4,166.96
Total - All Out-of-State Trips Reimbursed by the State			\$39,292.84

S = Trips selected for the sample.

* = Trips reimbursed by State and non-State entities.

APPENDIX B

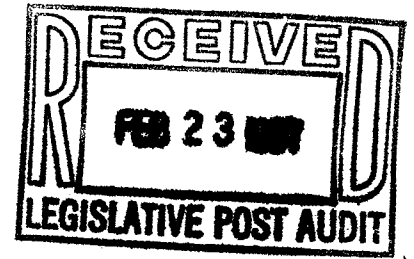
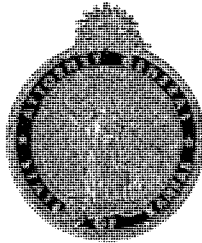
Agency Responses

On February 16, 1987, copies of the draft audit report were sent to the current holders of the following elective State offices:

- Attorney General
- Governor
- Lieutenant Governor
- Insurance Commissioner
- Secretary of State
- State Treasurer

If another person held office in fiscal year 1986, the report was sent to that person as well. The report was also sent to the Secretary of the Department of Administration.

This Appendix contains the responses of those who made written comments on the audit report. Written responses were received from all officials except the current Governor, the current Lieutenant Governor, and the former Lieutenant Governor. They indicated that they had no specific comments about the report.



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612

ROBERT T. STEPHAN
ATTORNEY GENERAL

MAIN PHONE: (913) 296-2215
CONSUMER PROTECTION: 296-3751

February 20, 1987

Meredith Williams
Legislative Post Auditor
109 West 9th, Suite 301
Topeka, Kansas 66612

Dear Mr. Williams:

I have reviewed your draft report on out-of-state travel reimbursements for elected officials and wish to amplify some of the points made and clarify some misconceptions by your auditors.

Reimbursement of the Attorney General

As you correctly point out my travel out-of-state under reimbursement by a party other than the state in the year in question occurred because of my presidency of the National Association of Attorneys General. Outside of that time period such reimbursements for my travel by a non-state entity have been rare. Thus, we really had no experience or guidance to rely on in methods of seeking reimbursement. Previous general fiscal audits by your agency, including the most recent one completed which included the time period in question, never questioned reimbursement procedure for myself or the assistant attorney general for bonds. In fact, the most recent fiscal audit conducted under the direction of your agency made no recommendations whatsoever of needed changes or improvements in the operation of my office.

As far as whether there is a preference for seeking direct reimbursement or running the reimbursement through state accounts, we had no guidance and frankly never considered encumbering the state system with the additional paperwork. I would be happy to use whatever procedure is considered best, but hesitate to exchange a system which

works, where no errors or wrongdoing was found, for increased bureaucratic red tape.

I am critical of your comments that neither agency nor Accounts and Reports policy would prevent double billings. In fact, the procedure of my office does prevent any inadvertent double billings in regard to my travel. Whether seeking reimbursement from the state, NAAG or my campaign fund, I submit original receipts. Those receipts accompany the state voucher submitted to Accounts and Reports or letters seeking reimbursement from NAAG or are submitted to my campaign fund. With the rare exception of lost receipts or split billings, copies or reimbursement requests without receipts are not submitted. As a practical matter, this insures that the receipts are submitted to only one possible source of reimbursement and no double payments can be inadvertently requested.

Further, you state that Accounts and Reports does not require original receipts or purpose of travel from elected officials. I have always submitted complete original receipts and, in fact, provide greater documentation for my travel than required of other state officers and employees who are reimbursed by per diem and not actual expenses. I always list the purpose of my travel. In regard to my office, this criticism is inapplicable.

You indicate my office did not maintain complete records of my NAAG-reimbursed travel. This is indeed a misstatement of fact. We endeavored to maintain complete records and two pieces of paper either were not copied or were misfiled and we sought copies from NAAG.

Reimbursement of the Assistant for Bonds

For many, many years, the Assistant Attorney General for bonds has traveled to bond closings in New York and Chicago with the State Treasurer or Assistant State Treasurer under reimbursement for expenses by the bond-issuing entity. Copies of letters seeking such reimbursement historically have been kept, but not receipts, in that the entities reimbursing generally have not required receipts. We have never been advised in previous audits by your agency to change this procedure, although we will be happy to begin keeping such receipts in accordance with your recommendation and indeed have begun doing so. There is a problem, however, in processing these reimbursements through the state system.

The reimbursing entities pay actual expenses incurred in traveling to New York's and Chicago's financial districts. An assistant attorney general, on the other hand, could claim only limited per diem if reimbursement was first sought through the state. Such per diem could not cover expenses. If reimbursement is to be first made through the state, it is necessary to amend state travel law to provide for actual expense reimbursement of this assistant or perhaps a more general law could be proposed to allow for actual expense reimbursement whenever a non-state entity is paying the costs of an employee's travel.

Official Signatures Required on Kansas Bonds

At the outset I note that, on the whole, this section of the report provides a clear statement of a rather complex area of the law. There is, however, a serious misapprehension evident throughout this portion of the report which is reflected by the statement that in some cases the manual or "live" signature of the state treasurer on Kansas bonds is required only as a matter of the treasurer's policy.

This misapprehension is grounded in the lack of emphasis the report places on the significance of K.S.A. 1986 Supp. 10-108 to the question it addresses. For example, the report states (2d para., p. 8) that, "In some instances, the practice of manually signing the bonds goes beyond what is provided by law. . . ." This simply is not the case. K.S.A. 1986 Supp. 10-108 provides that before any Kansas bonds become a valid obligation, a full and complete transcript of the proceedings leading to the issuance of the bonds shall be transmitted to the state treasurer along with the bonds proposed to be issued. The treasurer is required to submit the transcript to the attorney general for a determination of its sufficiency. Only after receiving the attorney general's written approval of the sufficiency of the transcript may the treasurer register the bonds. K.S.A. 1986 Supp. 10-108 states that after receiving the attorney general's approval the treasurer "shall, under seal of office, certify upon the bonds that they have been registered." To explain the need for a "live" signature of the state treasurer it is important to remember that the treasurer's registration of the bonds per §10-108 occurs only after receipt of the attorney general's approval. (Draft p. 8, 4th para.)

Affixing a manual signature after approval of the transcript serves as a control mechanism for enforcing the review and approval requirements of K.S.A. 1986 Supp. 10-108.

When the state treasurer acts as fiscal agent for the bonds this control may be effectuated through the manual authentication signature on the face of the bonds. This procedure provides the control necessary to insure compliance with the review and approval requirements of K.S.A. 1986 Supp. 10-108, complies with the industry standard regarding live authenticating signatures on bonds, and provides the necessary one live signature discussed in K.S.A. 75-4001 et seq. In addition, it avoids the inconvenience and expense of affixing two live signatures to the bond. Thus, the registration statement on the back of the bond may have a facsimile signature of the state treasurer, but this is only the case when the treasurer, acting as fiscal agent, retains control of the bonds through the live authenticating signature on the face of the bond.

When the state treasurer does not act as fiscal agent, under current practice, the only control available to insure compliance with K.S.A. 1986 Supp. 10-108 is the "live" signature affixed to the registration statement on the back of the bond. Obviously, when the treasurer does not act as fiscal agent, the treasurer has no control over the authenticating signature on the face of the bond. That signature is the responsibility of the designated fiscal agent, usually a Kansas bank. In this case the control the attorney general and treasurer can exercise over the bonds comes from the treasurer's "live" signature on the back of the bond. These bonds will usually have two "live" signatures, that of the treasurer and that of the fiscal agent, but the two signatures are not duplicative of purpose. In such a case the treasurer is insuring compliance with K.S.A. 1986 Supp. 10-108, which the fiscal agent has no obligation to do, and the fiscal agent is complying with an industry standard calling for live authenticating signatures.

Thus, the treasurer's manual signature on bonds on which the treasurer is not fiscal agent is not simply a "policy" of the treasurer's office (Draft, p. 11, last sentence continuing to p. 13), it reflects compliance with the requirements of K.S.A. 10-108. On page 10 of the draft report, in the portion of the chart describing bond issues where a Kansas bank is fiscal agent, the parenthetical statement in the first paragraph indicates that the treasurer has discretion to decide whether the registration signature will be live or by facsimile. Under the requirement of K.S.A. 1986 Supp. 10-108 that the treasurer's registration be affixed only after the attorney general's approval of the transcript, and given the practice of printing bonds in advance of approval and registration, it is necessary to have some measure of control

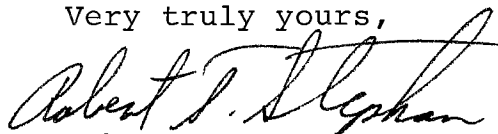
over the bonds until approval of the issuance is given at the state level. The "live" signature affixed after approval provides this measure of control and complies with K.S.A. 1986 Supp. 10-108. Otherwise, as you correctly note, a facsimile signature on the registration could verify an approval of bonds which has never occurred.

In short the report fails to recognize the significance of K.S.A. 1986 Supp. 10-108 to the exploration of the requirements for live signatures on Kansas bonds. The Uniform Facsimile Signature law, while significant to the scheme, is not nearly as important as K.S.A. 1986 Supp. 10-108 in explaining why the treasurer affixes a live signature to Kansas bonds. This is not simply a policy of the state treasurer's office which goes beyond what the law requires, it is an integral part of the process of issuing bonds under Kansas law.

Finally, I must take exception to the statement that Kansas' practice of signing bonds goes "beyond what other states require" and that Kansas involvement in municipal bond issuances is much greater than in other states. Apparently, this statement is based upon telephone contacts with undisclosed parties in only 4 states, Missouri, Nebraska, Colorado and Iowa. The requirements of Kansas law vary from those of other states, but it is not accurate to assume that the requirements exceed those of states not contacted nor is it necessary to imply that Kansas requirements are excessive or not necessary to insure compliance with Kansas law. Other states, including Michigan, Texas, Kentucky, Louisiana and Nevada, have procedures in place for state level approval of municipal bonds. The mechanisms for enforcing such requirements may vary from those in Kansas but I believe it is incorrect to assume that Kansas' involvement in such issues necessarily exceeds that of other states.

I trust this will clarify some of the issues involved in your report.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robert T. Stephan", written in a cursive style.

Robert T. Stephan
Attorney General

RTS:crw

STATE OF KANSAS



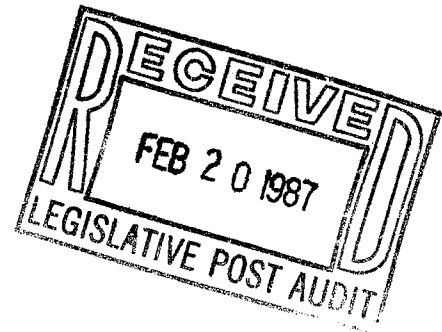
OFFICE OF GOVERNOR JOHN CARLIN

P.O. Box 2213
Topeka 66601-2213

John Carlin Governor
1979-1987

February 20, 1987

Mr. Meredith Williams
Legislative Post Auditor
Legislative Division of Post Audit
109 S.W. Ninth Street
Topeka, Kansas 66612-1285



Dear Mr. Williams:

I am writing in response to your request for comments regarding your recent audit on out-of-state travel reimbursements for elected officials.

I concur with all aspects of the audit. Throughout the eight years of my Administration, it was a policy that all travel not only had to be documented and justified but also receipted and explained to the Division of Accounts and Reports. Receipts and justifications, destinations and purposes of travel, as you have observed, are necessary parts of any lawful reimbursement for expenses and should be required of all state officers and employees, including elected officials.

Thank you for your prompt delivery of the draft copy of the audit to my office. If I can be of any further assistance, please do not hesitate to contact my office.

Sincerely,

A handwritten signature in dark ink, appearing to read "John Carlin".

JOHN CARLIN

JC:ca



FLETCHER BELL

COMMISSIONER OF INSURANCE

February 23, 1987



Mr. Meredith Williams
Legislative Post Auditor
109 West 9th, Suite 301
Mills Building
Topeka, KS 66612-1285

Dear Mr. Williams:

Thank you for allowing me to review the draft copy of your performance audit report, Out-of-State Travel Reimbursements for Elected Officials.

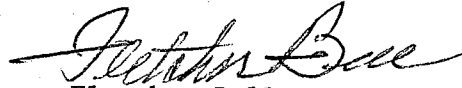
For the most part, I found information contained in your report pertaining to the reimbursement of my out-of-state travel expenses in FY 1986 to be accurate. I must take exception, however, to your statement on page 4 of the report in which you indicate that the auditors did not find any controls at the agency level to ensure that the State does not pay for travel expenses reimbursed by other organizations. I wish to remind you that whenever I travel out-of-state at the request of a non-state entity, I always require that organization to reimburse the State for my travel expenses. At the conclusion of the trip, my reimbursable travel expenses are calculated in accordance with State travel regulations and the non-state entity is directed to send a check for the total amount of those expenses payable to the Kansas Insurance Department. The check is then deposited by my staff with the State Treasurer and credited to the Insurance Department's Commissioner's Travel Reimbursement Fund. This fund is used to reimburse me for my expenses. These procedures ensure that I am only reimbursed by the State and never by a non-state entity.

I would also like to advise you that the recommendations contained in the report are currently being enforced by the Insurance Department and have been for several years.

Mr. Meredith Williams
February 23, 1987
Page 2

I appreciate the opportunity to respond to your report. If I
can provide further assistance in this audit, please let me know.

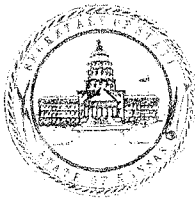
Very truly yours,

A handwritten signature in cursive script, appearing to read "Fletcher Bell".

Fletcher Bell
Commissioner of Insurance

FB:crad
1862rn

Bill Graves
Secretary of State



2nd Floor, State Capitol
Topeka, KS 66612-1594
(913) 296-2236

STATE OF KANSAS

February 19, 1987



Mr. Meredith Williams
Legislative Post Auditor
109 W. 9th, Suite 301
Mills Building
Topeka, KS 66612

Dear Mr. Williams:

Thank you for the opportunity to review the performance audit report on out-of-state travel reimbursements for elected officials.

My office will cooperate in the fullest with any effort to eliminate duplicate payments to elected officials for out-of-state travel.

We will accept any recommendations made in regard to this matter and comply with any controls necessary to establish a proper monitoring system.

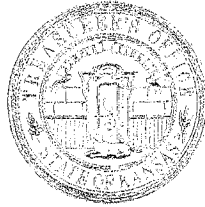
Cordially,

A handwritten signature in cursive script, appearing to read "Bill Graves".

BILL GRAVES
Secretary of State

BG/jr

STATE OF KANSAS



Office of the State Treasurer

JOAN FINNEY
STATE TREASURER
Telephone
(913) 296-3171

700 Harrison
P.O. Box 737
TOPEKA, KANSAS 66601

February 23, 1987

Mr. Meredith Williams
Legislative Post Auditor
Mills Building
109 W. 9th - Suite 301
Topeka, KS 66612



Dear Mr. Williams:

I have reviewed the draft copy of the performance audit on Out-of-State Travel Reimbursement for Elected Officials, and submit the following as my comments.

Recommendations on Page 7

1. This office supports the recommendation that elected officials file original receipts to document out-of-state travel expenses and show specific purpose of travel on vouchers.

2. The office would not oppose utilization of a revolving fund to pay for travel expenses that will be reimbursed by a non-State entity; however, would question the propriety of co-mingling political trip reimbursements with State funds for travel.

The policies and practices which currently provide safeguards and controls for Kansas municipal bonds protect and promote the excellent reputation these bonds enjoy. I recommend their continuance.

Sincerely yours,

A handwritten signature in cursive script that reads "Joan Finney".
Joan Finney

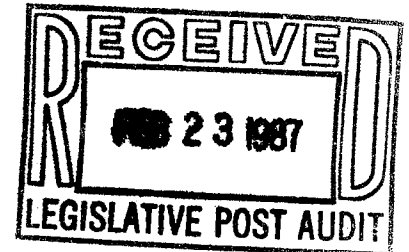
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DEPARTMENT OF ADMINISTRATION
DIVISION OF ACCOUNTS AND REPORTSMIKE HAYDEN
GovernorJAMES R. COBLER
Director of Accounts and Reports

February 23, 1987

Docking State Office Building
Topeka, Kansas 66612-1574
(913) 296-2311

Mr. Meredith C. Williams
Legislative Post Auditor
Legislative Division of Post Audit
Mills Building
109 West 9th Street, Room 301
Topeka, Kansas 66612



Dear Mr. Williams:

Re: Comments on Audit "Out-of-State Travel Reimburse-
ments for Elected Officials"

I have been asked to review and comment on the "Out-of-State Travel Reimbursements for Elected Officials." From the perspective of the Division of Accounts and Reports, I have the following comments.

The auditor noted that there are virtually no central controls to prevent a traveler from collecting travel expenses both from an outside organization and the State of Kansas. At the present time, when an elected official submits a travel voucher, a certification on the voucher must be signed under statutory penalties indicating that the amount of travel is unpaid. This is the primary existing control. Original receipts are currently requested and most often obtained which is also a deterrent.

The report states that elected officials do not submit as much detail on their travel vouchers as do other state employees. Article 32 of Chapter 75 of the Kansas Statutes Annotated prescribes the controls required for travel of state officers and employees. K.S.A. 75-3216 virtually exempts the elected state official, any employee of the legislative branch, judges and many other officers of the state from this Article. As a result, it is implied that elected officials do not have to comply with the requirements in Article 32. To the best of my knowledge, there are not any special statutory requirements for travel of elected officials or others exempted under K.S.A. 75-3216. Therefore, these claims currently are handled under the general statutes for payments of obligations of their agencies whereby the official certifies, under statutory penalty, that the amount being claimed for travel is unpaid.

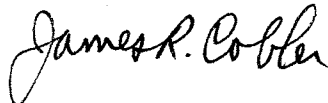
Mr. Meredith C. Williams
February 23, 1987
Page 2

The audit report suggested requiring original receipts to document travel expenses and that the specific purpose of the travel be shown on the travel voucher. Currently, lodging receipts or other suitable evidential matter supporting lodging expenses are required of other, non-elected, executive branch state officers and employees. I will recommend to the Secretary of Administration that this also be made a requirement for all state officers and employees and that the specific purpose of the travel be shown on the travel voucher.

The report also suggests that all travel expenses for the elected officials should be paid for by the State of Kansas and any reimbursement of such travel expense should be made to the State of Kansas and processed through a state revolving fund. If this requirement is to be imposed upon the present elected officials as well as future elected officials, legislation to require this result should be enacted. While this proposal will not add a significant amount of effort to my Division, I am not in favor of it. Any official would have to opt to submit all travel through the revolving fund. A failure to do so would not be known unless other measures were taken. Our existing system is basically an honor system similar to our income tax returns and I don't believe a revolving fund alone will change that.

If you have any questions and would like to discuss the matter further, I am available at your convenience.

Very truly yours,



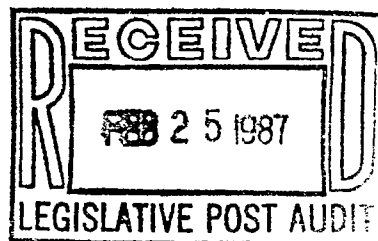
James R. Cobler, Director
Division of Accounts and Reports

JRC:cv

Jack H. Brier
1256 Western Avenue
Topeka, Kansas 66604
913-232-9188

February 24, 1987

Mr. Meredith Williams
Legislative Post Auditor
109 W. 9th, Suite 301
Topeka, KS 66612-1285



Dear Mr. Williams:

Thank you for the opportunity to respond to the draft performance audit report concerning certain out of state travel.

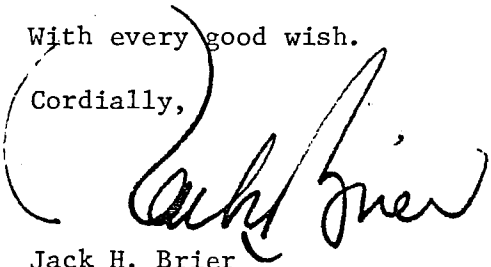
The policy of the Office of Secretary of State during my administration was to prohibit any State expenditures for trips for which there was to be a reimbursement by a third party. It was and continues to be my position that the State should not be a temporary financing agency for any elected official. Thus, I take issue with your suggestion that controls are inadequate with respect to the Office of Secretary of State. By prohibiting the practice, there is no need for additional internal controls.

With respect to your comment on page six, I ask that you make clear in the final report that complete records were and are kept by the Office of Secretary of State for every expenditure of State funds and further that records are available for reimbursed trips by the reimbursing.

Thank you for the opportunity to respond.

With every good wish.

Cordially,


Jack H. Brier

JHB:trm