

# **COMPLIANCE AND CONTROL AUDIT REPORT**

**ABSTRACTERS' BOARD OF EXAMINERS  
BOARD OF VETERINARY EXAMINERS**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
October 1993**

# ***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 \$6 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 government 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. These audit standards 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 House Minority Leader.

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

First, the Act requires an annual audit of the State's financial statements. Those statements, prepared by the Department of Administration's Division of Accounts and Reports, are audited by a certified public accounting firm under contract with the Legislative Division of Post Audit. The firm is selected by the Contract Audit Committee, which comprises three

members of the Legislative Post Audit Committee (including the Chairman and Vice-Chairman), the Secretary of Administration, and the Legislative Post Auditor. This audit work also meets the State's audit responsibilities under the federal Single Audit Act of 1984.

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

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## **COMPLIANCE AND CONTROL AUDIT REPORT**

### **ABSTRACTERS' BOARD OF EXAMINERS BOARD OF VETERINARY EXAMINERS**

#### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Randy Tongier, Financial-Compliance Audit Manager, and Roy Fitzpatrick, Auditor, of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Tongier at the Division's offices.

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## **ABSTRACTERS' BOARD OF EXAMINERS BOARD OF VETERINARY EXAMINERS**

### **Summary of Legislative Post Audit's Findings**

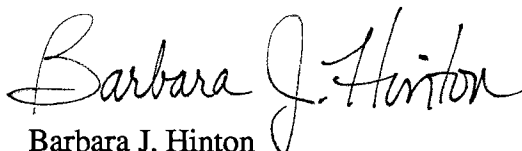
Legislative Post Audit conducted compliance and control audit work at the Abstracters' Board of Examiners and Board of Veterinary Examiners in partial fulfillment of the Legislative Post Audit Act's requirement that audit work be conducted at each State agency at least once every three years. This compliance and control audit addressed the area of State property. The audit also followed up on prior audit findings and recommendations. The period covered by this audit was fiscal year 1992.

**Did the agencies covered by this audit follow adequate property management procedures, and comply with applicable State requirements?** In general, we found that neither of the two agencies had put all their property management procedures in writing. As a result, responsible employees were less likely to be able to fulfill their responsibilities, and the risk of loss or misuse of State property was increased. Our testwork found that the Board of Veterinary Examiners did not have identifying numbers affixed to State property as required by the Division of Accounts and Reports.

The prior audit reports addressed two recommendations to the Board of Veterinary Examiners. One of these had been implemented, and the other had been partially implemented. The latter recommendation is not repeated in this report because the unimplemented part was applicable to prior members of the Board.

The report recommends that both agencies put all of their property management procedures in writing, and that the Board of Veterinary Examiners affix identifying numbers to all property.

We would be happy to discuss these recommendations or any other items in the report with legislative committees, individual legislators, or other State officials.

A handwritten signature in cursive script that reads "Barbara J. Hinton".

Barbara J. Hinton  
Legislative Post Auditor



## **ABSTRACTERS' BOARD OF EXAMINERS BOARD OF VETERINARY EXAMINERS**

The Legislative Post Audit Act requires that audit work be conducted at each State agency at least once every three years. In partial fulfillment of that requirement, the Legislative Division of Post Audit has conducted compliance and control audit work covering fiscal year 1992 at the Abstracters' Board of Examiners and Board of Veterinary Examiners.

Compliance and control audits identify noncompliance with applicable requirements and poor financial management practices. Although the resulting audit findings usually do not result in significant program improvements or cost savings, they often identify needed improvements that can help minimize the risk of potential future loss or misuse of State resources.

To avoid duplication of audit work conducted as part of the statutorily required audit of the State's financial statements, our audit work focused on areas not covered by that audit. These areas included State property—which includes not only capital outlay items such as office equipment and furniture, but also commodities such as supplies and pharmaceuticals. In addition, we followed up on any prior audit findings and recommendations. This audit addresses the following specific question:

**Did the agencies covered by this audit follow adequate property management procedures and comply with applicable State requirements?**

To answer this question, we identified the applicable State requirements by reviewing relevant statutes, administrative regulations, and sections of the Division of Accounts and Reports' Policy and Procedure Manual. We also interviewed agency personnel, reviewed written procedures, and examined related supporting documents to identify the agencies' procedures for handling State property. We then compared those procedures with the applicable legal and procedural requirements.

In addition, we identified the potential for loss or misuse of State property, and we evaluated the level of control provided by the agencies' procedures in preventing and detecting loss or misuse of State property. Finally, we reviewed and tested property records, and tested a sample of property transactions at each agency.

In conducting this audit work, we followed all applicable generally accepted government auditing standards set forth by the U. S. General Accounting Office.

In general, we found that neither of the two agencies covered by this audit had put all their property management procedures in writing. As a result, employees responsible for property management were less likely to be able to fulfill their responsibilities, and the risk of loss or misuse of State property was increased. Our testwork on fiscal year 1992 found that the Board of Veterinary Examiners did not

have numbers affixed to State property as required by the Division of Accounts and Reports.

Finally, we found that the prior audit report made two audit recommendations to the Board of Veterinary Examiners. Our review indicated that one audit recommendation was implemented and the other one was only partially implemented. The part of the audit recommendation not implemented is not repeated in this report because it was applicable to prior members of the Board.

These findings are described following a background section on the two agencies covered by this audit.



## **Background on the Audited Agencies**

### **Abstracters' Board of Examiners**

The Abstracters' Board of Examiners comprises three members appointed by the Governor to three-year terms. All three Board members must be practicing abstracters. The Board appoints one of its members to serve as executive secretary and administer the activities of the agency. The Board examines and licenses individuals and firms selling abstracts of title to Kansas real estate. The Board also enforces the State's requirements on bonding and errors and omissions insurance for abstracters.

The operations of the Board are funded by license fees. Twenty percent of the fees collected is deposited in the State General Fund. During fiscal year 1992, the Board collected \$19,915, of which \$15,932 was deposited in the Agency's fee fund. According to the Governor's Budget Report, the Board's fiscal year 1992 expenditures totaled \$15,435, of which \$13,570 (88 percent) was for salaries and wages.

### **Board of Veterinary Examiners**

The Board of Veterinary Examiners comprises five members appointed by the Governor to four-year terms. Four members must be licensed veterinarians, and one member represents the general public. The Board appoints an executive director to administer the daily operations of the Agency. The Board examines and licenses veterinarians practicing in Kansas. It also registers animal health technicians. The Board investigates complaints, and has the authority to inspect any facility used in the practice of veterinary medicine to ensure compliance with the Kansas Veterinary Practices Act.

The operations of the Board are funded by license fees. Twenty percent of the fees collected is deposited in the State General Fund. During fiscal year 1992, the Board collected \$101,702, of which \$81,370 was deposited in the Agency's fee fund. According to the Governor's Budget Report, the Board's fiscal year 1992 expenditures totaled \$106,393, of which \$31,673 (30 percent) was for salaries and wages.

## **Did the Agencies Covered by This Audit Follow Adequate Property Management Procedures and Comply With Applicable State Requirements?**

We found that the Abstracters' Board of Examiners and the Board of Veterinary Examiners had not put all their property management procedures in writing. As a result, employees responsible for property management were less likely to be able to fulfill their responsibilities, and the risk of loss or misuse of State property was increased. Our testwork on fiscal year 1992 found that the Board of Veterinary Examiners did not have numbers affixed to State property as required by the Division of Accounts and Reports' Policy and Procedures Manual. These findings are described below, following a brief section on good property management practices.

### **A State Agency's Primary Objective In Managing State Property Is to Protect That Property From Loss or Misuse**

To safeguard State property from potential loss or misuse, State agencies must follow a number of basic procedures. These procedures not only help prevent loss or misuse of State property, but also help identify on a timely basis any loss or misuse that may occur. For the purposes of this audit, we considered State property to include not only capital items, such as furniture and equipment, but also commodities and supplies, such as office supplies and food items. The following list includes the basic procedures necessary.

- ◇ For capital items such as furniture and equipment:
  - = List all State property owned by the agency with each item's location, cost, and property number. (The property number is required by the Division of Accounts and Reports.)
  - = Add property purchased to the list.
  - = Remove property sold or discarded from the list.
  - = Periodically inspect State property to check the accuracy of the property list, and identify missing items. (This step is required by the Division of Accounts and Reports. The Division also requires State agencies to send it a copy of their property list every year.)
  - = Periodically check the list to make sure that it includes all purchases, and does not include any property discarded or sold. (This step is required by the Division of Accounts and Reports. The Division also requires State agencies to report on this check every year.)

- ◇ For such items as commodities and supplies, if the amounts involved are significant, or if there is a special risk of loss or misuse (e.g., pharmacy drugs), consider doing some or all of the following:
- = Restrict access to the items by placing them in a storeroom or locked cabinet, and assign an employee to be custodian of these items.
- = Establish a formal system for authorizing and recording items purchased, items given to users, and items on hand.

These procedures, if properly followed, should provide adequate protection against loss or misuse of State property. However, if the procedures are not followed, the safeguards they provide will not be effective. To ensure that these procedures are followed, State agencies should take the following steps.

- ◇ Adopt specific steps for each procedure.
- ◇ Put those steps in writing.
- ◇ Assign to specific employees the responsibility for performing the steps.
- ◇ Establish a timetable for completing each procedure.
- ◇ Train the responsible employees.
- ◇ Require that the completion of procedures be documented.
- ◇ Provide for supervisory checks to ensure that procedures are adhered to.

Some of these procedures may be excessive for smaller agencies with a limited amount of State property in one location. Those agencies would have a lesser risk of loss or misuse than larger agencies with a greater amount of property in many different locations. To ensure cost-effective property management, State agencies should tailor their procedures and the amount of resources devoted to property management to match the risk involved. In any event, State agencies' procedures should meet the procedural requirements of the Division of Accounts and Reports.

### **Our Review and Evaluation of Property Management Procedures Found Minor Problems at Both the Abstracters' Board of Examiners and Board of Veterinary Examiners**

The Abstracters' Board of Examiners and the Board of Veterinary Examiners rely entirely on property management procedures specified by the Division of Accounts and Reports' Policy and Procedures Manual and other written guidance..

However, those documents generally do not provide sufficient detail to serve as the internal procedures for each State agency. In particular, an agency's procedures should address such things as which employees are responsible for which procedures, when those procedures should be performed, and how the performance of those procedures should be documented. Without complete written procedures, responsible employees are less likely to be able to fulfill their responsibilities, and the risk of loss or misuse of State property and noncompliance with State requirements is increased.

### **Our Tests of Property Management Procedures, Records, and Reports Found Problems at the Board of Veterinary Examiners**

Our conclusions in this area were based on the following finding.

**The Board of Veterinary Examiners did not affix numbers to State property as required.** The Board owns 29 items of property. Three of these were in storage and not in use, and another six items were checked out either to Board members or the Attorney General's office. We inspected the remaining 20 items located in the office and found that none had property numbers affixed. The Division of Accounts' and Reports Policy and Procedure Manual requires that property numbers be affixed to all State property.

#### **Recommendations**

1. To improve the agencies' ability to carry out their property management procedures effectively, the Abstracters' Board of Examiners and Board of Veterinary Examiners should put all of their property management procedures in writing.
2. To help ensure that State property is more adequately safeguarded from loss or misuse, the Board of Veterinary Examiners should affix numbers to all property.

## **Follow Up of Prior Audit Findings and Recommendations**

As part of this audit, we followed up on prior audit findings and related recommendations. The prior audit report made two audit recommendations to the Board of Veterinary Examiners. Our review indicated that one of these recommendations had been implemented and the other only partially implemented.

### **Board of Veterinary Examiners**

The previous audit report recommended that the Board of Veterinary Examiners maintain a record of the individual fees that make up each deposit to the State Treasury.

**We found that this recommendation had been implemented.**

The previous audit report recommended that the Board of Veterinary Examiners make per diem payments to Board members only for authorized and documented meetings of the Board. That report further recommended that the Board recover any past per diem payments that had been made improperly.

**We found that this recommendation had been implemented, except that the Board did not pursue previous improper payments because the individuals who had received these payments were longer members of the Board. Because pursuing these payment at this time may not be cost-effective, this recommendation is not repeated.**

### **Abstracters' Board of Examiners**

The above agency had no prior audit findings or recommendations.



## **Appendix A**

### **Agency Response**

On September 14, 1993, we provided a copy of the draft audit report to the Board of Abstracters' Examiners and Board of Veterinary Examiners. Although neither agency provided a written response, both agencies indicated by telephone their intention to address the concerns raised in this report.





