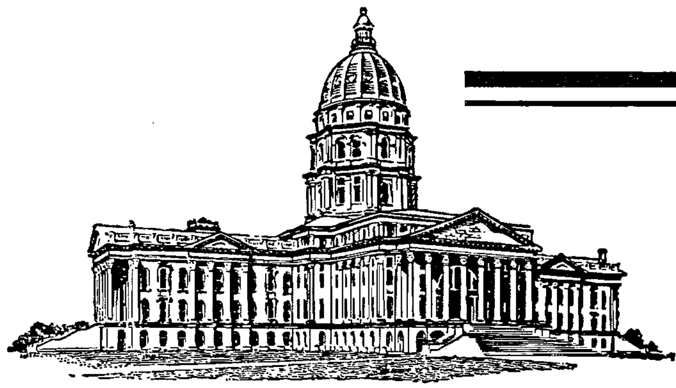

COMPLIANCE AND CONTROL AUDIT REPORT

JUDICIAL BRANCH
JUDICIAL COUNCIL
Fiscal Year 1994

A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
July 1995

95-E

COMPLIANCE AND CONTROL AUDIT REPORT

JUDICIAL BRANCH
JUDICIAL COUNCIL

OBTAINING AUDIT INFORMATION

This audit was conducted by Randy Tongier, Financial-Compliance Audit Manager, and Tom Vittitow, 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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Summary of Legislative Post Audit's Findings

Legislative Post Audit conducted compliance and control audit work at the Judicial Branch and Judicial Council to meet the audit requirements of the Legislative Post Audit Act. This audit addressed the area of revenues, and covered fiscal year 1994.

Did the agencies reviewed in this audit adequately manage their revenues and comply with applicable State requirements? The agencies adequately managed their revenues and complied with State requirements with one exception. In the Judicial Branch, the Law Library established its change fund by keeping on hand a small amount of receipts rather than depositing them in the State Treasury. State requirements call for depositing all receipts in the State Treasury, and establishing a change fund by making a special expenditure for that purpose with the approval of the Director of Accounts and Reports.

We would be happy to discuss this report with legislative committees, individual legislators, or other State officials.

Barbara J. Hinton

Barbara J. Hinton
Legislative Post Auditor

JUDICIAL BRANCH
JUDICIAL COUNCIL

The Legislative Division of Post Audit has conducted compliance and control audit work at the Judicial Branch and Judicial Council covering fiscal year 1994. 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 annual, Statewide audit, our audit work focused on areas not covered by the Statewide audit. For the agencies covered by this report, those areas were receipts and follow-up of prior audit recommendations. The audit addresses the following specific question:

Did the agencies reviewed in this audit adequately manage their revenues and comply with applicable State requirements?

We identified the legal and procedural requirements applicable to the audited agencies' receipts 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 receipts. In addition, we identified the potential for loss or misuse of receipts, evaluated the level of control provided by the agencies' procedures in preventing and detecting loss or misuse of those moneys, and reviewed the agencies' accounting records.

We found that the Judicial Branch did not deposit all its receipts in the State Treasury as required, but rather used a small portion of those receipts to establish a change fund. In conducting this audit work, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office.

Background

This audit report covers two State agencies—the Judicial Branch and the Judicial Council. The following sections provide a brief description of the operations of each agency.

Judicial Branch

The Judicial Branch, as a separate branch of State government, hears and disposes of all civil suits and criminal cases except those under the jurisdiction of municipal courts. The Judicial Branch comprises the Supreme Court, a Court of Appeals, and 110 district courts organized into 31 judicial districts. The Office of Judicial Administration assists the Supreme Court in its administrative and supervisory responsibilities.

According to the Governor's Budget Report, the Judicial Branch's fiscal year 1994 expenditures totaled $63.0 million, with $59.9 million (95%) of which was funded by appropriations from the State General Fund. Of the $63.0 million spent, $60.3 million (96%) was for salaries and wages.

Judicial Council

The Judicial Council is responsible for an ongoing study of the judicial branch of government, recommending improvements to both the Supreme Court and the Legislature. The Council comprises 10 members, eight of whom are appointed by the Chief Justice of the Supreme Court. The chairs of the Senate and House Judiciary Committees complete the membership.

According to the Governor's Budget Report, the Judicial Council's fiscal year 1994 expenditures totaled about $230,000, about $220,000 (96%) of that amount funded by appropriations from the State General Fund. Of the $230,000 spent, about $175,000 (76%) was for salaries and wages.

Did the Agencies Reviewed in this Audit Adequately Manage Their Revenues and Comply with Applicable State Requirements?

For fiscal year 1994, our review showed that these agencies adequately managed their revenues and complied with State requirements applicable to receipts, with one exception. The Judicial Branch did not deposit all receipts in the State Treasury, as required. Instead, the Judicial Branch used a small portion of those receipts to establish a change fund for the Law Library. State requirements provide an alternative way to establish such a change fund. Our conclusions were based on the following.

With One Exception, the Agencies Complied With Applicable Requirements and Provided Adequate Internal Control

In the area of receipts, we identified the agencies' procedures for handling receipts, determined whether those procedures met applicable legal requirements, evaluated the internal controls provided by those procedures. In agencies which were not included in the prior audit and those agencies with prior audit recommendations relating to receipts, we tested a sample of transactions, records, and reports to determine whether the applicable procedures had been followed. In particular, we determined whether:

◊ amounts due the agency were properly assessed and collected

◊ amounts collected by the agencies were deposited in the State Treasury on a timely basis

◊ the agencies' receipts procedures provided adequate controls to limit to an acceptable level the risk of loss or misuse of receipts and the risk of noncompliance with legal and procedural controls.

In general, we found that amounts amounts due the agencies were assessed and collected, amounts collected were deposited in the State Treasury on a timely basis, and the agencies' procedures provided adequate controls. The exception to these general conclusions is presented below.

Contrary to State Requirements, The Judicial Branch Used a Portion of Its Receipts to Establish a Change Fund

State statutes call for State agencies to deposit all receipts they collect in the State Treasury. In testing for compliance with this requirement, we found that the Judicial Branch had withheld about $60 from its receipts to establish a change fund for the Law Library. This action was contrary to statutory requirements.

State law specifies how State agencies are allowed to establish needed change funds. Rather than setting aside moneys from receipts collected, that method calls for agencies to write a check to get cash from existing funds. That cash then is used for the change fund. The law requires the agency to get the approval of the Director of Accounts and Reports, and to establish appropriate internal control procedures.

Recommendation

To provide a Law Library change fund in accordance with statutory requirements, the Judicial Branch should deposit the receipts previously withheld for creating a change fund, and follow the change fund procedures specified by State law. This recommendation is a repeat of a previous audit recommendation.

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 four audit recommendations to the Judicial Branch, and one to the Legislature. Our review indicated all but one prior audit recommendations had been fully implemented.

Judicial Branch

The previous audit report recommended that the Judicial Branch ensure that it meets the State's requirements for timely deposit of moneys in the State Treasury.

We found that this recommendation had been implemented.

The previous audit report recommended that the Judicial Branch establish its Law Library change fund in accordance with statutory requirements. Those requirements call for authorization by the Director of Accounts and Reports.

We found that the Judicial Branch continued to maintain an unauthorized change fund for the Law Library. This recommendation is repeated in this report.

The previous audit report recommended that the Judicial Branch request assistance of the Division of Accounts and Reports to determine whether reimbursements for postage and computer search fees may be deposited in the Duplicate Law Book Fund.

We found that this recommendation had been implemented.

The previous audit report recommended that the Judicial Branch improve controls over cash receipts.

We found that this recommendation had been implemented.

Legislature

The previous audit report recommended that the Legislature consider amending K.S.A. 20-2206 to prohibit travel subsistence payments to Judicial Council members who live in Topeka for attending meetings in Topeka. During one fiscal year tested by an earlier audit, these payments totaled about $2,000.

The Legislature considered this recommendation during the 1994 Session and chose not to make any changes.

APPENDIX A

Agency Response

On June 27 we provided copies of the draft audit report to the Office of the Judicial Administrator and the Judicial Council. The Office of the Judicial Administrator responded to its audit recommendation. Its response is included as this appendix. The Judicial Council did not provide a response because no recommendations were addressed to that agency.

Supreme Court of Kansas
Kansas Judicial Center
301 W. 10th
Topeka, Kansas 66612-1507

HOWARD SCHWARTZ
Judicial Administrator

(913) 296-4873

July 6, 1995

RECEIVED
JUL 7 1995
LEGISLATIVE POST AUDIT

Barbara J. Hinton
Legislative Division of Post Audit
Ste. 1200
800 SW Jackson St.
Topeka, KS 66612-2212

Dear Ms. Hinton:

Thank you for the opportunity to review the draft report prepared by Legislative Post Audit concerning the Judicial Branch. The report addresses the issue of the Law Library's change fund. We are taking steps to have the account properly established and authorized. Attached is a draft letter to the director of Accounts and Reports requesting authorization for the account. We will forward a final copy of the letter and the director's response at a later date.

Again, thank you for the opportunity to comment on the report. If I can be of further assistance, please let me know.

Sincerely,

Howard Schwartz

Howard Schwartz
Judicial Administrator

HS:dh
Attachment

Supreme Court of Kansas
Kansas Judicial Center
301 W. 10th
Topeka, Kansas 66612-1507

HOWARD SCHWARTZ
Judicial Administrator

(913) 296-4873

July 7, 1995

DRAFT

RECEIVED
JUL 7 1995
LEGISLATIVE POST AUDIT

Shirley A. Moses
Director, Accounts and Reports
Dept. of Administration
Rm. 355-S, 900 SW Jackson
Topeka, KS 66612-1572

Dear Ms. Moses:

A recent audit by the Division of Legislative Post Audit revealed the use of an unauthorized change fund by the Supreme Court Law Library. We are requesting official recognition and authorization of the fund.

The law library collects money from a variety of sources, including copies, faxes, etc. While receipts are generally issued, not all patrons of the library will accept receipts. These amounts are receipted as miscellaneous. All income for a given month is deposited. As has been the practice for many years, a small amount, $60-$70, is kept as a change fund. The same $60-$70 is carried forward each month. Please advise whether this practice may continue, and if it may, please issue a letter of authorization we may keep on file. If the practice is not acceptable, please advise what steps should be taken to establish a proper change fund.

Thank you for your attention to this matter. Your assistance and cooperation is greatly appreciated.

Sincerely,

Howard Schwartz
Judicial Administrator

HS:dh