

Approved

Stephen R. Cloud 3-21-93
Date

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Rep. Stephen R. Cloud at
Chairperson

12:28 a.m./~~p.m.~~ on March 9, 1983 in room 522-S of the Capitol.

All members were present except:

Reps. Cobb, Louis, Love, Sughrue and Walker - Excused

Committee staff present:

Carolyn Rampey - Research Dept.

Julian Efird - Research Dept.

Jackie Breymeyer - Secretary

Conferees appearing before the committee:

The meeting of the House Governmental Organization Committee was called to order at 12:28 p.m. on March 9. The minutes of the March 1 and March 2 meetings were approved.

The Chairman expressed his appreciation for the members attendance at the luncheon hour and turned the meeting over to Rep. Hassler, Subcommittee chairperson, who gave the presentation of the Subcommittee Report on the Department of Revenue. This report will be made available to the Ways and Means subcommittee to save adding amendments to the report at a later date.

Rep. Hassler went through the subcommittee recommendations stating that the recommendations include adding additional staff to conduct an effective internal audit program, classified attorney positions for continuity in its legal staff and abolishment of the Dealer Licensing Review Board for savings in expenditures. (See Subcommittee Report on the Department of Revenue)

Alan Alderson, General Counsel, Department of Revenue, stated that he had no problems concerning recommendations I and III, but he had mixed feelings about recommendation number II. He thinks that the turnover problem is not related only to salary considerations. He spoke of the duties of classified and unclassified department personnel and stated that what he thought needed changing was K.S.A. 75-5121, which authorizes the Secretary to appoint attorneys for the department, but not for the Division and Director of Alcoholic Beverage Control. After a few other comments, Mr. Alderson finished his talk.

Rep. Hassler moved the Subcommittee Report on the Department of Revenue be accepted. Rep. Murphy gave a second to the motion. The motion carried.

Rep. Smith moved the Committee adopt the recommendations contained in the report and send it on to the Ways and Means subcommittee. Rep. Ediger gave a second to the motion. The motion carried.

A letter will be sent to the Chairman of the Legislative Post Audit Committee, asking for the post audit recommendations to be numbered in the audit reports for quick reference. Rep. Harder made the letter request into the form of a motion. Rep. Hassler gave a second to the motion. The motion carried.

The minutes of the March 3 meeting were passed out. The meeting adjourned at 1:00 p.m.

SAC

March 9, 1983

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SUBCOMMITTEE ON DEPARTMENT OF REVENUE
HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

Subcommittee Recommendations

1. Internal Auditing. Currently, one person is assigned to the Internal Audit Unit. The Internal Auditor is responsible for conducting independent and objective audit activity within the Department of Revenue for the review of operations, both financial and nonfinancial, as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls. These audits are performed by a systematic program encompassing the entire Department or on request by the Secretary. The activities of the Internal Auditor include reviewing proposed programs as well as existing programs and making recommendations concerning procedures and policies to enhance effectiveness, increase efficiency, improve control, and strengthen management data flow in such programs.

The Subcommittee believes that the Secretary needs additional staff to conduct an effective internal audit program. The Subcommittee believes that performance auditing of programs should be an integral part of the Internal Audit Unit and that the emphasis to date has been on fiscal auditing. The Internal Audit Unit should be part of the Secretary's Office, reporting directly to the Secretary. Currently, it is within the Controller's Bureau.

In order to develop an effective Internal Audit Unit, at least three new positions will be required: a Revenue Manager or Management Analyst to head the unit and direct the performance auditing; an Auditor II to assist in fiscal and program auditing; and a Clerk III to assist in the unit's operation. Currently, an Auditor III is assigned to the unit and financed exclusively out of the State General Fund.

The Subcommittee recommends financing of the unit be apportioned 59 percent to the State General Fund and 41 percent to the Division of Vehicles Operating Fund since auditing of the entire Department will be conducted. The estimated cost of three new positions in FY 1984 would be \$67,828 and other operating expenses would be \$5,032. The Governor's recommendation for the current Auditor III is \$33,969 of State General Funds for salary and benefits. Additional State General Funds of \$42,987 would be required and \$43,800 from the DOV Operating Fund. Total cost of the Internal Audit Unit is slightly more than \$100,000, of which \$33,969 is included in the Governor's FY 1984 recommendation. New funding of \$72,860 would be required to implement this recommendation.

The Subcommittee believes that the unit will produce considerable cost-savings within the Department and help guard against fraud and other misuse of state funds which may occur within an agency with budget authority in excess of \$37 million.

One Internal Auditor is not sufficient to provide needed safeguards and to identify through performance auditing potential savings and other means to improve the effectiveness and efficiency of the Department's operation.

2. Unclassified Attorneys. K.S.A. 75-5121 authorizes the Secretary to appoint attorneys for the Department, except attorneys for the Division and Director of Alcoholic Beverage Control. All attorneys appointed by the Secretary are in the unclassified service and receive annual salaries fixed by the Secretary. All attorneys appointed by the Secretary are subject to assignment of duties by the Chief Attorney of the Department, who is designated by the Secretary. K.S.A. 41-201 authorizes the Attorney General, with approval of the Secretary, to appoint an assistant attorney general who serves as the attorney for the Director and Division of Alcoholic Beverage Control and to fix the annual salary with the approval of the ABC Director.

The Subcommittee believes that the Department needs continuity in its legal staff, particularly in the corporate area, and that the establishment of classified attorney positions with a career ladder would provide the basis of that continuity. The Subcommittee recommends a bill be introduced or other legislation amended in order to authorize the Secretary to hire classified attorneys. Currently, all attorneys must be in the unclassified service. In the short term, there would be no fiscal impact of this change since classified attorneys would be paid at the same rates as unclassified. In the long term, as classified attorneys progress up a career ladder, turnover would be reduced and higher costs might be anticipated. The benefits to the Department, however, should more than offset the higher costs.

3. Dealer Licensing Review Board. The Dealer Review Board was created in 1974 and serves two primary functions: to review decisions of the Director of Motor Vehicles if petitioned by an interested party and to review proposed rules and regulations and advise the Secretary of Revenue of its policy recommendations as such reviews pertain to the Vehicle Dealers and Salesmen Licensing Act (K.S.A. 8-2401 et seq). The Post Audit report noted that in FY 1981, the Board met 11 times, but did not hear any appeal cases. The Post Audit report indicated that since 1974 the Board had held four appeal hearings. The Post Audit report recommended that the Legislature should take no action to reestablish the Dealer Licensing Review Board.

The Subcommittee recommends that the Dealer Licensing Review Board be abolished and that the Director of Motor Vehicles be authorized to assume the necessary duties of the Board not already delegated in statute by K.S.A. 8-2411. The Subcommittee recommends that either a bill be introduced to effect this change or that an amendment to pending legislation be adopted for this purpose.

By abolishing the Board, the Subcommittee estimates savings in expenditures recommended by the Governor in FY 1984 of \$3,360 for compensation and \$8,472 for travel and subsistence to be financed by the Division of Vehicles Operating Fund.