

Approved March 24, 1986
Date

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY

The meeting was called to order by Representative Jayne Aylward at
Chairperson

3:30 ~~xxx~~ p.m. on February 19, 1986 in room 522-S of the Capitol.

All members were present except:

Representative Erne
Representative Helgerson (excused)
Representative Roper (excused)
Representative Sifers (excused)

Committee staff present:

Lynne Holt, Legislative Research Department
James A. Wilson, Revisor of Statutes
Jean Mellinger, Secretary to the Committee

Conferees appearing before the committee:

Mary Beth Green, Kansas Corporation Commission
Ronald J. Green, Kansas Corporation Commission
Ellyn Rullestad, Kansas Corporation Commission

Chairman Jayne Aylward opened the meeting to review some of the Post Audit Reports that pertain to what the Committee is supposed to be dealing with. (Attachment 1)

Mary Beth Green reviewed the audit of computer equipment at Emporia State and said they owned most of their equipment or are purchasing it. They have an IBM Central Processing Unit and a lot of terminals connected to that and also quite a few micro-computers. Most of the computer equipment at the Department of Revenue is leased from DISC. They have terminals, printers, and modems that communicate with the IBM system and the Univac system.

Representative Friedeman said that in the summary connected with Emporia State, it says that they are able to access KIPPS from a Univac terminal and asked if Emporia State is on the KIPPS program. She said that at that time, a year ago, they were not and she isn't sure about now.

Representative Dean said that on the bottom of the first page, it mentioned 24 items not listed and 10 items on the Division's inventory and asked her to elaborate on that. She said the bulk of the items were like micro-computers and scanners and they didn't know why they weren't on the list. They were relatively small items and it has been corrected.

Chairman Aylward asked if at Emporia State and the Department of Revenue where things had been left off, if this has been corrected. Ms. Green said that at the Department of Revenue, everything has been corrected and Emporia State had indicated that they would correct everything.

Representative Dean asked about the items that they did not find that were on the list and was told that they were very old items mostly purchased at Radio Shack and of little value now. A lot of their older equipment had been taken to the electronic classes.

Ron Green reviewed the Duplication of Computerized Accounting Systems which was issued in January, 1984 and presented to the CCT Committee during the 1984 Session. They reviewed the basic functions and objectives of the CASK System run by the Division of Accounts and Reports as well as separate automated accounting systems maintained by ten of the largest agencies in the state. Having both CASK and an independent accounting system can result in duplication, but CASK could not produce all of the reports needed.

Representative Dean asked if they searched out how many little programs were stored in the mainframe and was told they did not.

Chairman Aylward asked Mr. Green if he was aware of any initiative by the legislature so far to carry out their recommendation to clarify the authority of the Director of Accounts and Reports and was told he was not.

Mr. Green next reviewed the audit of KANS-A-N telephone calls at Winfield State Hospital which was initiated after an anonymous phone call to financial auditors doing the report

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON COMMUNICATION, COMPUTERS AND TECHNOLOGY,
room 522-S, Statehouse, at 3:30 xxx/p.m. on February 19, 1986

on Winfield. The report concluded that both the Winfield Hospital and SRS should have been more aggressive in pursuing the reimbursement of these calls and recommended that SRS improve its procedures to insure proper use of the KANS-A-N lines in the future.

Chairman Aylward asked if they had done any follow-up with SRS to see if they are complying and was told they hadn't but had been told by Dr. Harder that they very much regretted this incident and they thought they had sufficient safeguards and they planned to see that each of their hospitals knew about this and took actions to prevent it.

Mr. Green reviewed the audit on Reviewing Controls over the KANS-A-N System and said they looked at the procedures in place to insure proper use of the KANS-A-N System. The Secretary of Administration has statutory authority to control use of all telecommunication services by state agencies but has not adopted any regulations governing KANS-A-N nor any audit procedures. Their major findings were that about 7% of the repeated calls and nearly 11% of the extended calls were personal. They suggested that the Department of Administration adopt uniform guidelines and improve their audit efforts and suggested that legislative action be taken to strengthen the penalties for state employees to use the KANS-A-N system to make personal calls.

Representative Dean asked Mr. Green to go over his definition of personal calls and was told their basic definition was anything not strictly related to official state business. Representative Dean asked how high in the agency they went and was told they went to the Secretary and he went down to Division.

Ellyn Rullestad reported on the audit of WATS Lines and State Agencies and said that through fiscal 84 and the first half of fiscal 85, they found 50 incoming WATS circuits being utilized and a total of seven outgoing circuits. They found that agencies leased WATS lines for a number of purposes including general information, statutory mandate, hot lines, etc. These must be approved by DISC. They suggested that written guidelines be established for approval of WATS lines. They determined that calls made on the WATS lines are considerably more expensive than those made on the KANS-A-N lines but there are some valid reasons to have the WATS lines.

Representative Goossen said that in the audit they mentioned 50 separate circuits coming in and asked if they had followed up to see if that had increased or decreased and was told they had not.

Chairman Aylward asked why the SRS Energy Assistance line was so expensive and was told it had very low usage but it was one required by the Federal Government.

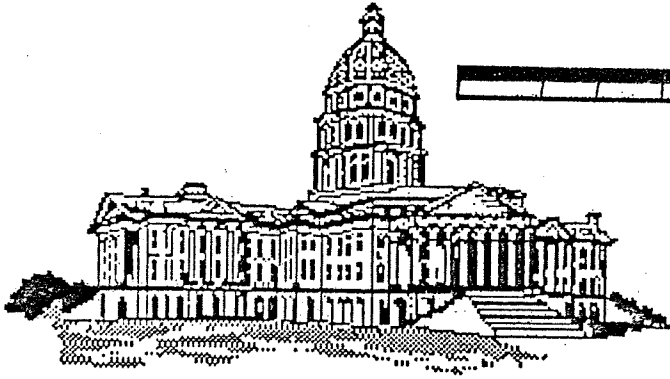
Representative Campbell asked if they figured that by the flat rate divided by the number of minutes it was used and was told that basically that was right.

Representative Friedeman asked if when they are talking about using KANS-A-N instead of WATS, they took into consideration that KANS-A-N rates will be going up and was told they did not.

Representative Friedeman moved that the minutes of the meeting of February 11 be approved. Representative Dean seconded the motion. The motion carried.

The meeting adjourned at 4:20 p.m.

The next meeting of the Committee will be at 3:30 p.m. on Thursday, February 20, 1986.



SUMMARIES OF AUDITS

Presented to the
House Committee on Communications,
Computers and Technology

February 19, 1986

The Legislative Post Audit Committee
The Legislative Division of Post Audit
State of Kansas

(attachment 1)
2-19-86 Hs. CCT

INVENTORY OF COMPUTER EQUIPMENT AT EMPORIA STATE UNIVERSITY

Summary of Legislative Post Audit's Findings

What computer equipment is owned, leased, or being lease/purchased by Emporia State University? The auditors inventoried a total of 410 items of computer equipment at Emporia State University and determined that most of this computer equipment is owned or is being purchased by the University. The purchased equipment includes an IBM 4341 central computer system with 95 terminals, 69 microcomputers, computerized library equipment, and a Honeywell energy control system. The historical cost of this equipment is approximately \$975,000. The University also leases or rents a Univac terminal to access KIPPS, a Racal-Milgo terminal to access a Statewide law enforcement network, and a scanner to score computerized test sheets.

What are the University's annual expenditures for operating and maintaining this computer equipment? In fiscal year 1984, Emporia State University spent approximately \$551,500 to purchase, operate, and maintain computer equipment. About \$137,000 of this amount was spent to purchase computer equipment and software. The remaining \$414,500 went to cover the ongoing costs of computer operations. These ongoing costs are as follows:

Salaries and wages	\$231,000
Repairs and services	107,300
Rental fees	39,200
Parts and supplies	37,000

Approximately \$96,500 was spent on maintenance contracts for computer equipment during this time period. (Most of this amount is included in the repairs and services category above.) The University has recently instituted a self-maintenance program which is expected to save \$10,000 in fiscal year 1985.

To what extent does this inventory differ from the information available from the State's centralized records? Although the Division of Information Systems and Communications grants prior approval for equipment acquisitions by the State universities, these institutions are not required to submit inventories of data processing equipment to the Division. Therefore, the only centralized record of the computer equipment owned by Emporia State University is included in the comprehensive inventory of all property owned by the University. This inventory, which does not include computer equipment that is leased or rented, is maintained by the Division of Accounts and Reports. After reconciling their inventory with the Division of Accounts and Reports' inventory, the auditors determined that the Division's inventory was substantially accurate and complete. The auditors found 24 items that were not listed in the central records. In addition, 10 items on the Division's inventory could not be located by the auditors.

INVENTORY OF COMPUTER EQUIPMENT AT THE DEPARTMENT OF REVENUE

Summary of Legislative Post Audit's Findings

What computer equipment is owned, leased, or being lease/purchased by the Department of Revenue? The auditors inventoried a total of 293 items of computer equipment and 22 items of word processing equipment at the Department of Revenue. The Department owns only 11 pieces of computer equipment and four pieces of word processing equipment; the rest is either leased or being lease/purchased. Of these 300 leased items, most are terminals, printers, and modems that communicate with the State's IBM and Univac Computer Centers. This equipment is leased from the Division of Information Systems and Communications. The remaining items are leased from private vendors and include data entry stations, optical scanning equipment, and word processing equipment.

What are the Department's annual expenditures for operating and maintaining this computer equipment? In fiscal year 1984, the Department of Revenue spent approximately \$5.4 million on direct costs to lease, purchase, operate, and maintain computer and word processing equipment. Less than \$3,500 was spent to purchase computer equipment and software. The major ongoing costs of computer operations were for salaries and wages and data processing services. Salaries and wages totaling about \$2.6 million accounted for nearly half of all data processing expenditures. Data processing services cost \$2.1 million, almost all of which was paid to the Division of Information Systems and Communications. This amount includes \$272,000 in equipment lease costs. Maintenance agreements on computer and word processing equipment leased from private vendors accounted for nearly \$70,000 of the amount spent on repairs and services. Charges for maintenance on equipment leased from the Division of Information Systems and Communications is included in the monthly lease cost of equipment items.

To what extent does this inventory differ from the information available from the State's centralized records? The Department of Revenue annually prepares and submits a data processing plan--including an equipment inventory--to the Division of Information Systems and Communications. The results of the inventory conducted during this audit were compared to the most recent inventory prepared by the Department and submitted to the Division. The auditors determined that the computer equipment inventory prepared by the Department was accurate. Only two items were found to differ from the Division's records--a printer was inadvertently excluded from the inventory submitted to the Division, and a keypunch machine that had been returned to the lessor was not removed from the Division's listing.

DUPLICATION OF COMPUTERIZED ACCOUNTING SYSTEMS

Summary of Legislative Post Audit's Findings

This performance audit was requested by the House Committee on Communications, Computers, and Technology. The auditors reviewed the basic functions and objectives of the Central Accounting System for Kansas (CASK) and separate automated accounting systems being maintained by ten selected State agencies. They found the following:

1. **To what extent do State agencies' automated accounting systems duplicate CASK?** Each of the ten agencies selected for this audit has an automated accounting system for expenditures or receipts, or both. Many of these systems have specialized applications, and they are often part of larger management information systems. Nevertheless, their presence indicates a lack of achievement of one of CASK's goals--to minimize duplication of accounting functions between State agencies and the Division of Accounts and Reports.

By running their own automated accounting systems, State agencies duplicate many of the steps that go into maintaining CASK. Having both CASK and an independent automated accounting system can result in duplication of equipment, programming, data entry effort, and data processing time.

2. **To what extent do the agencies' automated accounting systems provide important information that is not provided through CASK?** CASK cannot produce all of the reports and information that State agencies appear to need. The agencies said their independent accounting systems provide additional important information, such as planned or potential obligations, more detailed expenditure data than provided in CASK, and information to meet federal requirements. The auditors concluded that the information did appear to be necessary to the efficient operation of the agencies reviewed.

3. **What alternatives are available to help minimize duplication and bring about more efficiency in accounting systems?** There is currently little planning or control to minimize duplication or to encourage efficiency in State accounting system operations. Both CASK and separate agency accounting systems have been developed without a formal system for determining how these systems should relate to each other. The Division of Accounts and Reports has taken steps to promote the use of CASK and to enhance its capabilities, but these steps have not resulted in the kind of control or incentive which would ensure that agencies make decisions on the basis of greatest efficiency.

One alternative for addressing current and future duplication of accounting systems is for the Legislature to strengthen and clarify the authority of the Director of Accounts and Reports, by requiring the Director to develop policies and procedures for minimizing duplication between CASK and other accounting systems. As another alternative, the Legislature could require another person or group to develop and implement such policies. *

Even if no changes are made to create a more formal and centralized review of duplication, several steps can be taken to address the inefficiencies found in the current system. These include transferring expenditure data to CASK on magnetic tape in order to reduce the duplication of effort in data entry, providing more detailed object code data on monthly CASK budget reports, and continuing periodic training sessions on the uses of CASK.

KANS-A-N TELEPHONE CALLS AT WINFIELD STATE HOSPITAL

Summary of Legislative Post Audit's Findings

This audit substantiated allegations that Winfield State Hospital's Superintendent had made improper long-distance telephone calls on the Hospital's KANS-A-N line. The audit found improper calls costing \$1,237. The Superintendent reimbursed the cost of these calls, but not until several months after the last of the calls had been made. The report concludes that both Winfield State Hospital and the Department of Social and Rehabilitation Services should have been more aggressive in pursuing a timely reimbursement from the Superintendent. It recommends that the Department improve its procedures to ensure proper usage of KANS-A-N lines in the future.



REVIEWING CONTROLS OVER THE KANS-A-N SYSTEM

Summary of Legislative Post Audit's Findings

This audit was conducted to answer several questions about the adequacy of controls over the use of KANS-A-N in all State agencies.

What procedures are in place centrally to ensure the proper use of the KANS-A-N system? Although the Secretary of Administration has statutory authority to control the use of all telecommunications services by State agencies, no regulations governing KANS-A-N have been adopted nor have any central audit procedures been established. No criminal statute prohibits personal use of State telephone service, although State employees could be dismissed, demoted, or suspended for making personal calls.

What procedures are in place at individual State agencies to ensure the proper use of the KANS-A-N system? A survey of 93 State agencies indicated that only 28 agencies have established a written policy governing use of the KANS-A-N system, but 72 agencies have procedures for reviewing their monthly KANS-A-N billing statements for improper calls. These procedures vary widely according to the size of the agency and the amount of time spent on reviewing calls. No agency had a written policy permitting personal calls, but agencies were inconsistent about which calls were classified as personal.

Does there appear to be significant improper use of the KANS-A-N system? Samples from two types of calls were drawn from the February 1985 KANS-A-N billing. After eliminating calls between State agencies, the auditors selected random samples from frequently called numbers and from calls lasting more than 30 minutes. About seven percent of the repeated calls and nearly 11 percent of the long calls were identified as personal. Non-random samples from the same two groups were also chosen, consisting of all calls to Lawrence and calls with suspicious characteristics. About 25 percent of the calls to Lawrence and 17 percent of the suspicious calls were found to be personal.

From the results of the random samples, the auditors projected that the cost for repeated and extended personal calls would total at least \$158,000 on an annual basis. If all calls to non-State agency numbers were included, the cost of personal calls could be considerably higher.

The auditors concluded that personal use of the KANS-A-N system is significant and widespread. As a result, several actions are recommended to strengthen controls over the KANS-A-N system and help minimize the misuse of the system. These actions include developing uniform guidelines and improving audit efforts by the Department of Administration and other agencies. In addition, legislative actions are recommended to strengthen penalties for State employees who use the KANS-A-N system to make personal calls.

WATS LINES IN STATE AGENCIES

Summary Of Legislative Post Audit's Findings

How many toll-free WATS lines are State agencies now leasing, and for what purposes? During 1984 and the first half of fiscal year 1985, there were 41 incoming WATS numbers, with 50 separate circuits. One of these numbers was discontinued in August 1984 and another incoming line was approved in the second half of fiscal year 1985. State agencies leased seven outgoing WATS lines during that period. Two additional outgoing lines were approved in the second half of fiscal year 1985.

These toll-free lines are used for several distinct purposes. Thirty-two lines are service and information-related. Ten lines are operated under contract with the federal government or by specific federal direction, and five are either required by State statute or used to provide the outreach services required by statutes. Seven lines are "hotlines." The remaining lines fall into a miscellaneous category.

How much do the leased WATS lines cost the State, and are the costs justified? WATS lines cost State agencies \$326,000 in fiscal year 1984. Of this amount, \$136,000 came from the State General Fund, \$113,000 came from fee funds, and \$76,000 came from federal funds. For the first half of fiscal year 1985, the total cost of the toll-free WATS lines was \$151,000. These WATS lines are relatively costly when compared to the cost of calls made on the KANS-A-N system. In some instances, it appears that these high costs may not be justified and that the services provided by toll-free WATS lines could be provided in more cost-efficient ways.

Are there ways to combine or centralize WATS lines to provide more efficient and economical services? The audit explored several alternatives for providing WATS line services. These include routing all calls through the KANS-A-N system, consolidating multiple lines within an agency, allowing an agency to accept collect calls, and expanding the use of foreign exchange lines. The audit recommends that the Bureau of Telecommunications work with agencies to determine the most cost-effective alternative for providing WATS line services.