

Approved: \_\_\_\_\_

Date

January 25, 1999

## MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS.

The meeting was called to order by Chairperson Senator Lana Oleen at 11:09 a.m. on January 19, 1999 in Room 245-E of the Capitol.

All members were present:

Committee staff present: Mary Galligan, Legislative Research Staff  
Theresa Kiernan, Revisor of Statutes  
Judy Glasgow, Committee Secretary

Conferees appearing before the committee: Randy Tongier, Legislative Post Audit

Others attending: See Attached list

Chairman Oleen introduced Randy Tongier, Legislative Research, who gave a presentation on the Financial and Compliance Audit Report for the Kansas Racing and Gaming Commission, FY 1998 which is on file with the Legislative Post Audit Division. In general it was found that the Racing and Gaming report was satisfactory and that the agency generally complied with the applicable compliance and financial management practices. Three issues were raised: 1) A statutory transfer of money credited to the Kansas Greyhound Breeding Development Fund be transferred to the Kansas Greyhound Tourism Fund. 2) Timeliness of background investigations by the Agency relating to the Tribal State Gaming Compact; This has improved from previous years with the agency doing these investigations in house rather than utilizing the Kansas Bureau of Investigation (KBI) and 3) the completeness of the agency's fixed asset inventories at both the Racing Commission and the Gaming Agency. Mr. Tongier answer questions about the audit from members of the committee concerning the three issues of concern.

Mr. Tracy Diel, of the Racing and Gaming Commission, explained procedures used in the compilation of background information for each tribe, since it is done in house rather than by the KBI. Mr. Myron Scafe responded to questions concerning the transfer of funds. Future transfers will be programed to be done during the time frame. He also address the inventory item. A procedure has been developed for inventory tracking within the agency so that all purchases will be inventoried immediately. (Attachment 1).

Senator Oleen inquired if the Racing and Gaming Commission had any legislation to be introduced this session. Mr. Scafe and Mr. Diel stated that they did not.

Randy Tongier presented the Financial and Compliance Audit Report, Kansas Lottery, FY 1998, which is on file with the Legislative Post Audit Office, and discussed a copy of the Kansas Lottery Financial Summary (Attachment 2).

There were no findings of problems by the independent auditor, and there were no noncompliance items. Mr. Tongier concluded his presentation by responding to questions from members of the committee.

In response to a question from Senator Becker, Mary Galligan explained the monetary cap of \$50 million dollars to E.D.I.F. The chart shows that in 1998 an additional \$9.9 million was transferred to the State General Fund. Out of the initial \$50 million, 85% goes to Economic Development Initiative Fund (EDIF), 10 percent goes for adult correctional facilities and the remaining 5 percent is allocated to juvenile correctional facilities. Out of the 85% nearly 50 percent of that goes toward education-related programs.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS, Room 254-E  
Statehouse, at 11:09 a.m., on January 19, 1999

In response to a question from Senator Gooch about unclaimed prize monies, Greg Ziemak stated that these funds remain in the prize fund. The statute states there can be a minimum of 30% in the operating fund, at times there has been as much as 31.25, when the budget gets passed that 1.25 percent is taken by legislature and put into the general fund. Senator Gooch ask to go on the record that the committee make some recommendation to retain the prize funds available. Senator Oleen stated that she and Senator Jones would make an informal presentation to the Committee next week in regard to the group that Kansas has joined, the National Council of Legislators from Gaming States. If there is a majority consensus of this committee to express our thoughts through a written correspondence to the Ways and Means and Appropriations Committee that can be done at that time.

Chairman Oleen inquired when the lottery had last received a report which had any findings of corrective action needed. other than a good report. Mr. Zieimak stated that it has been five years since findings of fault have been noted..

Senator Oleen recognized Senator Vidricksen for introduction of bill. Senator Vidricksen stated that he wished to introduce a bill relating to compensation and district services for legislators which also gives a \$ .02 a square mile addition in allowance. Senator Jones moved to introduce the bill. Senator Harrington seconded the motion. The motion carried.

Senator Bleeker noted a correction to the minutes then moved to approve the minutes of January 13 and January 14 meetings as amended. Senator Harrington seconded. The motion carried.

The meeting adjourned at 11:50 a.m. The next meeting of this committee will be January 20, 1999.

SUBJECT: INVENTORY PROCEDURE  
DIVISION: Accounting  
NUMBER: ACT990001  
DATE: January 4, 1999  
REVISION DATE: January 15, 1999  
REVIEW DATE: \_\_\_\_\_

Purpose/Authority:

To track capital outlay purchases. Capital outlay is defined as office equipment or furniture with a cost exceeding \$500.00 per item.

Responsibility/Action

Bookkeeper

File all capital outlay purchase orders in special file to be located in the bookkeeper's office.

Front Desk

Check received shipments with purchase orders located at the front desk. Notify bookkeeper of receipt of the capital outlay item

Bookkeeper

Notify person placing order to check the order and assure satisfaction with shipment.

Bookkeeper/Assistant

Record the next available inventory number on the invoice/order located in the capital outlay purchase order file. Also, record where the item is to be located. Place tag on the item before releasing it to the person requesting the order.

Bookkeeper

Receive the monthly capital outlay report from Accounts and Reports. Pull the corresponding purchase order from the capital outlay purchase order file and check against the report.


Bookkeeper/Assistant

Type information on Accounts and Reports report: assigned inventory number, city, location, cost of item, description of item and any serial numbers. Make two copies of the report. One copy is to be kept in the central files and the other copy is to be kept in the file drawer.

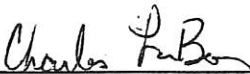
Bookkeeper/Assistant

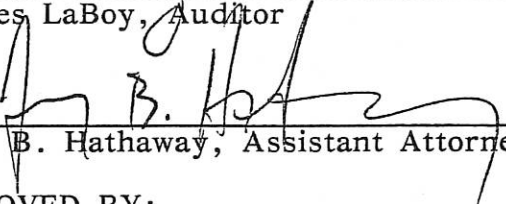
Record information on the Excel spreadsheet entitled "Inventory." Print out monthly report. Give report to Accounting Supervisor for review and signature. File signed report in the inventory file drawer.

PREPARED BY:

  
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Pam Bass, Accounting Specialist

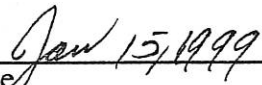
REVIEWED BY:

  
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Charles LaBoy, Auditor

  
\_\_\_\_\_  
Jerry B. Hathaway, Assistant Attorney General

APPROVED BY:

  
\_\_\_\_\_  
Myron E. Scafe, Executive Director

  
\_\_\_\_\_  
Date

**KANSAS LOTTERY FINANCIAL SUMMARY**  
 Prepared by the Legislative Division of Post Audit

	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
<b>REVENUES (MILLIONS)</b>	\$ 66.2	\$ 68.8	\$ 65.2	\$ 70.2	\$ 77.8	\$ 115.3	\$ 153.4	\$ 178.3	\$ 183.4	\$ 186.3	\$ 193
<b>EXPENSES AS % OF REVENUES:</b>											
PRIZES (45% OR MORE)	45 %	49 %	44 %	47 %	48 %	51 %	52 %	52 %	52 %	53 %	53 %
BASIC STATUTORY TRANSFER (AFTER '88, 30% OR MORE)	17	31	30	30	30	30	31	30	30	31	31
OTHER EXPENSES	<u>25</u>	<u>29</u>	<u>22</u>	<u>22</u>	<u>21</u>	<u>18</u>	<u>16</u>	<u>16</u>	<u>17</u>	<u>17</u>	<u>16</u>
TOTAL EXPENSES	87 %	109 %	96 %	99 %	99 %	99 %	99 %	98 %	99 %	101 %	100 %
<b>NET OPERATING INCOME</b>	\$ 8.3	\$ -6.6	\$ 1.9	\$ 1.1	\$ 0.7	\$ 0.7	\$ 1.0	\$ 3.2	\$ 2.2	\$ -0.2	\$ -0.1
<b>OTHER TRANSFERS (MILLIONS)</b>											
STATE GENERAL FUND				\$ 1.5				\$ 1.4	\$ 3.4	\$ 0.3	
GAMING REVENUE FUND					\$ 2.8			0.1	0.1	0.2	
INVESTIGATIONS FEE FUND						\$ 0.2	\$ 0.1				
<b>ENDING FUND BALANCE</b>	\$ 8.1	\$ 1.6	\$ 3.4	\$ 3.0	\$ 1.0	\$ 1.7	\$ 2.7	\$ 4.5	\$ 3.3	\$ 2.6	\$ 2.5

- ◊ Although not required by statute, in fiscal year 1988, the Lottery transferred \$11.4 million to the State Gaming Revenue Fund.
- ◊ In fiscal year 1989, operating costs reached their highest levels compared to revenues, and the Lottery lost \$6.6 million.
- ◊ In fiscal year 1990, prize payments and operating costs were reduced, and, in spite of decreased revenues, the Lottery showed a net income of almost \$2 million.
- ◊ Since fiscal year 1990, revenues and prize payments as a percentage of revenues have increased. During that same time, operating costs as a percentage of revenues generally have declined.
- ◊ The financial statements indicate that during this 11-year period, the Lottery has transferred about \$400 million to the State Gaming Revenue Fund.

NOTE: Based on the audited annual financial statements prepared by the Kansas Lottery.