

# **EXAMINATION REPORT**

**Examining Selected Financial  
Management Practices of the Pooled  
Money Investment Board, Fiscal Year  
2012**

**A Report to the Legislative Post Audit Committee  
By RubinBrown Under Contract with the  
Legislative Division of Post Audit  
State of Kansas  
December 2012**

# **Legislative Post Audit Committee**

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## **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 \$14 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 governmental 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. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also 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 ten members, the two majority caucuses each have three members, while the two minority caucuses each have two members.

Audits are performed at the direction of the Legislative Post Audit Committee. Legislators or committees should make their requests

for performance audits through the chair or any other member of the committee. Copies of all completed performance audits are available from the division's office.

### LEGISLATIVE POST AUDIT COMMITTEE

Senator Mary Pilcher-Cook, Chair  
Senator Terry Bruce  
Senator Anthony Hensley  
Senator Laura Kelly  
Senator Dwayne Umbarger

Representative Peggy Mast, Vice-Chair  
Representative Tom Burroughs  
Representative John Grange  
Representative Ann Mah  
Representative Virgil Peck Jr.

### LEGISLATIVE DIVISION OF POST AUDIT

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FAX (785) 296-4482  
Website: <http://www.kslpa.org>  
Scott Frank, Legislative Post Auditor

### **HOW DO I GET AN AUDIT APPROVED?**

By law, individual legislators, legislative committees, or the Governor may request an audit, but any audit work conducted by the division must be directed by the Legislative Post Audit Committee, the 10-member joint committee that oversees the Division's work. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.



LEGISLATURE OF KANSAS  
**LEGISLATIVE DIVISION OF POST AUDIT**

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December 6, 2012

To: Members, Legislative Post Audit Committee

Senator Mary Pilcher-Cook, Chair  
Senator Terry Bruce  
Senator Anthony Hensley  
Senator Laura Kelly  
Senator Dwayne Umbarger

Representative Peggy Mast, Vice-Chair  
Representative Tom Burroughs  
Representative John Grange  
Representative Ann Mah  
Representative Virgil Peck Jr.

This report contains the findings and conclusions from the completed examination, *Examining Selected Financial Management Practices of the Pooled Money Investment Board* for fiscal year 2012. RubinBrown, a certified public accounting firm under contract with the Legislative Division of Post Audit, conducted this examination. We would be happy to discuss the findings or any other items presented in this report with any legislative committees, individual legislators, or other state officials.

Sincerely,

Scott Frank  
Legislative Post Auditor

This audit was conducted by RubinBrown, under contract with the Legislative Division of Post Audit. Julie Pennington was the audit manager. If you need any additional information about the audit's findings, please contact Julie at the Division's offices.

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**POOLED MONEY INVESTMENT BOARD**  
*EXAMINATION REPORT*  
*FOR THE YEAR ENDED*  
*JUNE 30, 2012*

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## Independent Accountants' Report

Legislative Post Audit Committee Members:

*Senator Mary Pilcher-Cook, Chair*

*Senator Terry Bruce*

*Senator Anthony Hensley*

*Senator Laura Kelly*

*Senator Dwayne Umbarger*

*Representative Peggy Mast, Vice-Chair*

*Representative Tom Burroughs*

*Representative John Grange*

*Representative Ann Mah*

*Representative Virgil Peck Jr.*

We have examined management's assertions that as of and for the year ended June 30, 2012, the Pooled Money Investment Board (PMIB) is in compliance with the specific Kansas Statutes and the sections of the PMIB Policy set forth in the accompanying schedule. The PMIB management is responsible for the assertions. Our responsibility is to express an opinion on the assertions based on our examination.

Our examination was conducted in accordance with the standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertions and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertions referred to above are fairly stated, in all material respects, based on the specific Kansas Statutes and the sections of the PMIB Policy set forth in the accompanying schedule.

This report is intended solely for the information and use of the PMIB and the Legislative Post Audit Committee and is not intended to be and should not be used by anyone other than these specified parties.

*RubinBrown LLP*

November 28, 2012

## **POOLED MONEY INVESTMENT BOARD**

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### **SCHEDULE OF ASSERTIONS TO SELECTED KANSAS STATUTES AND SECTIONS OF THE POOLED MONEY INVESTMENT BOARD POLICY**

- The Pooled Money Investment Board (PMIB) established investment policies in accordance with KSA 75-4232.
- The PMIB established the market rate and awarded the investment account to the requesting bank at the established market rate per the provisions of KSA 75-4237.
- The PMIB followed their policies for safety and liquidity as stated in parts IIIA and IIIB of the PMIB Investment Policy.
- The Director of Investments provided monthly performance summary reports using the S&P Rated GIP Invest/General Purpose Taxable as the current benchmark as required by part IV of the PMIB Investment Policy.
- The investment performance of the PMIB was within 0.5% of the S&P Rated GIP Index/General Purpose Taxable benchmark for the current year.



**POOLED MONEY INVESTMENT BOARD**  
**SCHEDULE OF SUMMARY OF PROCEDURES PERFORMED AND FINDINGS**

| Objective   | Summary of Procedures Performed  | Findings |
|---|--|----------|
| Did the Pooled Money Investment Board (PMIB) establish investment policies in accordance with KSA 75-4232?  | RubinBrown read the published Investment Policies of the PMIB and compared it to the provisions of the KSA 75-4232, noting the Pooled Money Investment Board has established investment policies in accordance with KSA 75-4232.   | None     |
| Did the PMIB establish the market rate and award the investment account to the requesting bank at the established market rate per the provisions of KSA 75-4237?  | RubinBrown selected a sample of nine business days and determined the interest rate awarded to the requesting bank was for funds available to Kansas banks on the effective issue date in accordance with KSA 75-4237. RubinBrown selected a sample of nine agricultural production loans and two Housing Loans and determined the interest rate awarded for the Loan Deposits was 2% less than the determined market rate for selected issue date in accordance with KSA 75-4237  | None     |
| Does the PMIB follow their policies for safety and liquidity as stated in parts IIIA and IIIB of the PMIB Investment Policy?  | RubinBrown obtained the monthly portfolio reports for the fiscal year 2012 and verified the types of securities held in the portfolio. RubinBrown selected a sample of twenty-five investment files and observed all the required elements of the safety and liquidity attributes per the PMIB Investment Policy.  | None     |
| Did the Director of Investments provide monthly performance summary reports using the S & P Rated GIP Invest/General Purpose Taxable as the current benchmark as required by part IV of the Pooled Money Investment Portfolio (PMIB) Investment Policy? | RubinBrown obtained the 12 monthly performance summary reports from Scott Miller, Director of Investments and selected 4 monthly performance summary reports for testing and determined the Director of Investments provided monthly performance summary reports according to the PMIB Investment Policy.  | None     |
| Was the investment performance of the PMIB within 0.5% of the S & P Rated GIP Index/General Purpose Taxable benchmark for the current year?   | RubinBrown obtained the total return, portfolio average yield and taxable benchmark from the current year and prior year Performance Summary Reports as of June 30. RubinBrown calculated the difference between the portfolio average yield per the report and the S&P Rated GIP Index/General Purpose taxable benchmark. In addition, RubinBrown compared the portfolio average yield and the taxable benchmark from the prior year to the current year and noted the portfolio average was 0.10% less than the benchmark for the year ended June 30, 2012 | None     |

# KANSAS

POOLED MONEY INVESTMENT BOARD  
SCOTT W. MILLER, DIRECTOR OF INVESTMENTS

November 28, 2012

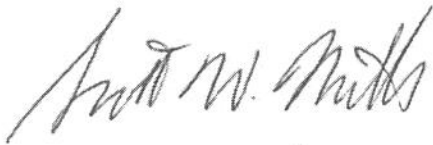
Mr. Kaleb Lilly  
RubinBrown LLP  
10975 Grandview Drive, Bldg 27 Suite 600  
Overland Park, KS 66210

Dear Mr. Lilly:

I have received the "Pooled Money Investment Board: Examination Report for the year ended June 30, 2012" which was prepared by your firm. I believe that your commentary provides a reasonably accurate synopsis of the financial management practices of the Pooled Money Investment Board.

We appreciate the professional manner in which the examination was conducted.

Sincerely,



Scott W. Miller  
Director of Investments & Chief Investment Officer