



Mary Rapp MacBain, CPA.CITP, CGMA
Kansas Society of CPAs
100 SE 9th Street, Suite 502
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785.272.4366

RE: Testimony in Opposition to House Bill No. 2188 concerning the open records act.

My name is Mary Rapp MacBain, and I am the president and CEO of the Kansas Society of CPAs, a not for profit membership organization with approximately 2,800 members. I am a permit-holding CPA in Kansas and have 17 years of experience as an accounting information systems consultant to a variety of organizations, including not for profit organizations.

The association provides continuing professional education, advocacy, peer review administration, and leadership programs on behalf of the profession in the state of Kansas. Numerous members of the KSCPA, like myself, are employed by not for profit organizations or provide outside accounting and assurance services to such organizations.

The Kansas Society of CPAs is opposed to the modifications to K.S.A. 2012 Supp. 45-240 for a variety of reasons including the following:

First, the current law provides that information on receipts and expenditures of public funds must be documented and are required to make such information available upon request.

Second, not for profit organizations are required to file extensive information with the IRS annually as Form 990, 990-EZ, or 990-N, depending upon the size of the organization, and this information is available free on-line through such services as GuideStar or by requesting it from the IRS. Attached is one of the 27 pages from the KSCPA Form 990 that relates to the governance and management of the KSCPA. It is well known that if certain questions are not appropriately answered that the tax exempt status of the organization could come into question. One of these questions relates to conflict of interest.

Third, not for profit organizations by their very nature operate under an elected or appointed governing body who meet regularly to make decisions, to authorize budgets, and to review/approve detailed, summarized, and financial information that is audited, reviewed, or compiled by CPAs. CPAs also provide agreed upon procedures where the auditor performs specific tests and procedures and prepares a report to the board of directors.

Fourth, most organizations would be required to provide a complete listing of all expenditures. In the case of the KSCPA, we have members who work in government and whose organizations pay membership dues. There is no way that we could identify specific transactions that relate to the receipts

of these membership dues. The threshold of \$350 means that with only 2 out of 2,800 members working in government, the KSCPA would need to expose all expenditures in detail on the website.

Fifth, passage of this bill would needlessly place an increased financial burden on many smaller not for profit organizations. Most smaller organizations do not employ an internal CPA, accountant, bookkeeper or information systems professional who can maintain a sophisticated bookkeeping system able to export and import the electronic information required to a website. Smaller not for profit organizations would be required to increase their monthly recordkeeping expenses and website support. Many do not have websites, and for all, security on a website makes it impossible to post information on another entity's website. This means that every governmental entity would need to increase their cost of website maintenance. It is unlikely that the hourly rate for these services would be less than \$100 and likely that multiple hours would be required to comply with this modification.

Sixth, many systems do not have a field long enough to provide "a description that explains the nature" of the expenditure. This is accomplished through a categorization in the chart of accounts, most transactions are recurring and routine, and detail is only required for unusual transactions.

Finally, the law does not accommodate the differences in information systems, or the potential for identify theft, scams, spam, exposure of internal strategies that help not for profit entities remain competitive, and other important privacy concerns that every organization has – whether for profit or not for profit.

In summary, the members of the Kansas Society of CPAs view this as an unnecessary and ineffectual burden on not for profit organizations and governmental entities. The goal appears to be transparency, and we believe that this is already accomplished in the current law, governance policies in place within the not for profit organizations as well as the governmental entities, and the expansion of reporting requirements to the Internal Revenue Service that focuses on governance.

Part VI Governance, Management, and Disclosure For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.	19	
b	Enter the number of voting members included in line 1a, above, who are independent	19	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?		X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?		X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?		X
6	Did the organization have members or stockholders?	X	
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	X	
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a	The governing body?	X	
b	Each committee with authority to act on behalf of the governing body?	X	
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O		X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	X	
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	X	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	X	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
13	Did the organization have a written whistleblower policy?	X	
14	Did the organization have a written document retention and destruction policy?	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	X	
b	Other officers or key employees of the organization If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		X
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		

Section C. Disclosure

- 17** List the states with which a copy of this Form 990 is required to be filed **NONE**
- 18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.
 Own website Another's website Upon request
- 19** Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.
- 20** State the name, physical address, and telephone number of the person who possesses the books and records of the organization: **MARY MACBAIN - 785-272-4366**
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