

Approved February 11, 1986
Date

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE.

The meeting was called to order by Sen. Neil H. Arasmith at
Chairperson

9:00 a.m. ~~pm~~ on February 6, 1986 in room 529-S of the Capitol.

All members were present except:

Committee staff present:

Bill Wolff, Legislative Research
Myrta Anderson, Legislative Research
Bruce Kinzie, Revisor of Statutes

Conferees appearing before the committee:

Ron Todd, Kansas Insurance Department

The minutes of February 5 were approved.

The hearing began on SB 408 regarding reporting of employee-related losses by state agencies. The chairman said that it is the product of an interim committee study on bonding of state employees on which he and Senators Strick and Gordon served.

Ron Todd, Kansas Insurance Department, testified in support of SB 408. He explained that it would require every state agency, board, or commission which has control over state money to report annually on the loss of money under \$500 and within 30 days after notice of loss on amounts over \$500. The report would be made on a form prescribed by the Commissioner of Insurance. He said there should be a central reporting location so that the legislature can keep track of losses.

The chairman explained further that the bill is an outgrowth of a situation at the University of Kansas where a large loss occurred in the transportation fund causing the bond to be cancelled. A replacement bond was extremely costly, and so it was decided that there would be no bond for a period of time until the legislature could remedy the situation.

Sen. Strick noted that the loss of over \$200,000 occurred over a period of six years and wondered why the internal auditing system at K.U. had not discovered the loss sooner. The chairman said that during the interim study testimony, it was explained that the individual was operating on his own and dealing with student money. Therefore, no one was overseeing him, and he was not subject to audit. The interim committee's conclusion was that the problem all boiled down to a lack of internal controls.

Sen. Gannon questioned the language of the bill in regard to the requirement that the loss be reported 30 days after discovery, saying that the problem could have existed for a long time before that. Staff commented that agencies will have to report losses now that were not required before, and the legislature can see where the abuses are occurring. The chairman added that the reporting system will soon show a pattern of losses.

Sen. Strick informed the committee that the interim committee found that there was a total lack of fiscal responsibility in these agencies, and it was suggested that the revenues that were lost come out of that agency's own funds. The problem is not only with the regents but also with other state agencies.

Sen. Burke made a motion to report SB 408 favorable for passage. Sen. Gordon seconded, and the motion carried.

The meeting was adjourned.

SENATE COMMITTEE

ON

FINANCIAL INSTITUTIONS AND INSURANCE

OBSERVERS
(Please print)

DATE NAME ADDRESS REPRESENTING

2-6-85	H. Zavadil	Topeka	Unified Judicial
	Ron Todd	"	INS. Dept.
	Lean Sagan	Topeka	Board of Regents