

SESSION OF 2004

**CONFERENCE COMMITTEE REPORT BRIEF  
ON SENATE SUBSTITUTE FOR  
HOUSE BILL NO. 2886**

As Agreed to March 30, 2004

**Brief\***

The bill would modify current statutory duties and audits assigned to the Legislative Division of Post Audit in two areas: businesses regulated by the Corporation Commission and financial audits of the Kansas Racing and Gaming Commission.

First, the bill would remove the prohibition that the Legislative Division of Post Audit shall not audit any oil and gas producers that are regulated by the State Corporation Commission. An exception is maintained for telecommunication companies, public utility companies, and for entities regulated by the Motor Carrier program of the State Corporation Commission. In addition, any audits of entities regulated by the State Corporation Commission can only address issues relating to compliance or to the collection or remittance of taxes or fees.

Second, the bill would repeal a statutory requirement for an annual financial compliance audit of the Kansas Racing and Gaming Commission.

**Conference Committee Action**

The bill as passed by the Senate maintained the exemption for small, independent telephone companies. The Conference Committee extended the exemption to all telecommunication companies, public utilities and entities regulated by the Motor Carrier program of the State Corporation Commission.

---

\*Conference committee report briefs are prepared by the Legislative Research Department and do not express legislative intent. No summary is prepared when the report is an agreement to disagree. The conference committee summary report may be accessed on the Internet at <http://www.kslegislature.org>

## **Background**

Senate Sub. for HB 2886 contains two items. First, under the Legislative Post Audit Act, the Legislative Post Audit Committee can conduct performance audits of any state agency, any local unit of government, and any person or entity that contracts with, receives a gift or grant from, or is licensed or regulated by a state agency, except for entities regulated by the Corporation Commission. SB 365 contained this provision and would remove this prohibition. This bill was amended into HB 2886. The Legislative Post Auditor testified in support of the bill and the amendments. The fiscal note on this bill indicated the cost would be absorbed within existing resources.

Second, the bill would repeal the current statutory requirement for a yearly financial compliance audit of the Kansas Racing and Gaming Commission. SB 306 contained this subject and was amended into HB 2886. The change was recommended by the Legislative Post Audit Committee. The financial compliance audit consists of an analysis of the Kansas Racing and Gaming Commission's financial activity in the state accounting system. The compliance audit is conducted by an outside accounting firm hired by the Legislative Division of Post Audit. According to the fiscal note by the Legislative Post Auditor, enactment of SB 306 as introduced would save approximately \$7,000 (all funds) in FY 2005. The funding of the contract is equally split between the Tribal Gaming Fund and the State Racing Fund. The Legislative Post Auditor testified that elimination of the yearly financial audit would not increase the risk to the State since other compliance and control audit work would still monitor the financial compliance activities of the Commission. The Legislative Post Auditor also pointed out that the tracks and casinos will continue to have their own separate audits.