



PERFORMANCE AUDIT REPORT

Kansas Use Law: Reviewing Issues Related to the Quality And Price of Goods and the Compensation of Executives

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
June 2008**

Legislative Post Audit Committee

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 \$13 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.

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Audits are performed at the direction of the Legislative Post Audit Committee. Legislators

or committees should make their requests for performance audits through the Chairman or any other member of the Committee. Copies of all completed performance audits are available from the Division's office.

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DO YOU HAVE AN IDEA FOR IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?

The Legislative Post Audit Committee and the Legislative Division of Post Audit have launched an initiative to identify ways to help make State government more efficient. If you have an idea to share with us, send it to ideas@lpa.state.ks.us, or write to us at the address above.

You won't receive an individual response, but all ideas will be reviewed, and Legislative Post Audit will pass along the best ones to the Legislative Post Audit Committee.

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June 12, 2008

To: Members, Legislative Post Audit Committee

Senator Derek Schmidt, Chair
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This report contains the findings, conclusions, and recommendations from our completed performance audit, *Kansas Use Law: Reviewing Issues Related to the Quality and Price of Goods and the Compensation of Executives*.

The report includes three recommendations for the Division of Purchases. The first calls for Division staff to require vendors to use a standard reporting format for the annual report. The second calls for Division staff to ensure that several steps are taken before waivers from the Program are approved. The third calls for Division staff to begin tracking complaints about the Program.

We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials.

Barbara J. Hinton
Legislative Post Auditor

Get the Big Picture

Read these Sections and Features:

1. **Executive Summary** - an overview of the questions we asked and the answers we found.
2. **Conclusion and Recommendations** - are referenced in the Executive Summary and appear in a box after each question in the report.
3. **Agency Response** - also referenced in the Executive Summary and is the last Appendix.

Helpful Tools for Getting to the Detail

- In most cases, an “**At a Glance**” description of the agency or department appears within the first few pages of the main report.
- **Side Headings** point out key issues and findings.
- **Charts/Tables** may be found throughout the report, and help provide a picture of what we found.
- **Narrative text boxes** can highlight interesting information, or provide detailed examples of problems we found.
- **Appendices** may include additional supporting documentation, along with the audit **Scope Statement** and **Agency Response(s)**.

EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

Overview of the State Use Law Program

State law requires State agencies and school districts to purchase goods and services from non-profits benefiting the blind and disabled. *However, the law allows a State agency or school district to get a waiver if the vendor is unable to supply the product or service. Vendors must meet certain requirements before they can become qualified, including having the primary purpose of employing people who are blind or disabled.*

..... page 3

The Director of the Division of Purchases approves both the products and services for the Program, and the prices that appear in the State Use catalog each year. Products offered through the catalog must be processed or manufactured in Kansas.

Several amendments were made to the State Use Law in 2005. The Program was transferred from SRS to the Division of Purchases, vendors now are required to publish an annual report of product sales under the Program, and a nine-member State Use Law Committee was created to serve in an advisory capacity to the Director of Purchases.

Question 1: What Has Happened to the Quantity of Goods and Services Public Entities Have Purchased From Non-Profits Benefiting the Blind or Disabled in Recent Years?

The amount of products and services purchased under this Program increased by about \$632,000 between fiscal years 2006 and 2007. *Total purchases increased from \$5.7 million in fiscal year 2006 to \$6.3 million in 2007. The Legislature added a requirement in 2005 that qualified vendors begin publishing an annual report. All sales contained in the annual report are self-reported by the State Use vendors. The vendors aren't using a standard format for reporting the amount of products and services sold under the Program.*

..... page 7

According to the annual report, the amount of products and services purchased by State agencies remained relatively constant between fiscal years 2006 and 2007. State agency purchases increased from \$4.2 million in fiscal year 2006 to about \$4.4 million in fiscal year 2007, a 4% increase. State agencies account for more than 80% of the sales.

School districts' purchases of State Use Law products and services increased by 85% between fiscal year 2006 and 2007. School district purchases increased from nearly \$553,000 in fiscal year 2006 to more than \$1.0 million in 2007.

Three of the 10 qualified vendors--Cartridge King, Envision, and KETCH--accounted for 91% of all sales reported by qualified vendors in fiscal years 2006 and 2007.

In all, 60 waivers totaling more than \$11,000 were granted in fiscal years 2006 and 2007. During this time period, only three were denied. A waiver is available for a specific transaction. School district officials haven't been submitting waiver requests to the Division of Purchases because they aren't under his authority. page 10

Question 1 Conclusion. page 11

Question 1 Recommendations. page 11

Question 2: What Concerns Do Those Required To Purchase Goods Under the Kansas Use Law Have About Price and Quality of the Products, and What Steps Have the Director of Purchases and the State Use Law Committee Taken To Address Those Concerns?

About a third of survey respondents rated the quality of State Use products as fair or poor, and rated the prices as more expensive than other options. We surveyed 238 State procurement officers and 25 school districts about their satisfaction with the products and services offered under the Program. Most concerns survey respondents complained about were related to toner cartridges, pens/pencils, and binders. page 13

The Division of Purchases takes little action in tracking or handling complaints. Division of Purchases staff don't track or record complaints about the State Use Program. They told us they try to address concerns as they are raised. page 14

The State Use Law Committee recently formed a subcommittee to look at pricing issues. The prices of State Use products and services aren't supposed to be the lowest, but they should be competitive. page 15

Some State Use products and services were more expensive, while others were the same or less than State contract prices. To determine how the prices of State Use products and services compared with other contracted State vendors, we chose four products and a service from the State Use catalog. The results of our comparison were mixed. page 16

Question 2 Conclusion. page 18

Question 2 Recommendation. page 18

Question 3: How Do the Salaries of the heads of the Non-Profit Agencies Who Are Qualified Vendors Under the State’s Use Law Compare With the Salaries of the Heads of State Agencies required to Purchase Their Products?

Most heads of qualified State Use vendors are paid a higher salary than comparable State agency heads. page 19
We made comparisons based on two measures—the number of positions overseen and 2006 total expenditures. Six of the seven vendors’ salaries ranked either first or second when measured against comparable-sized State agencies. Total State Use sales were a small percentage of most State Use vendors’ 2006 gross receipts.

APPENDIX A: Scope Statement page 23

APPENDIX B: Agency Response page 26

This audit was conducted by Amy Thompson and Lisa Hoopes. Chris Clarke was the audit manager. If you need any additional information about the audit’s findings, please contact Amy Thompson at the Division’s offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.

Kansas Use Law: Reviewing Issues Related to the Quality And Price of Goods and the Compensation of Executives

State law (K.S.A 75-3317 through 75-3322) requires State agencies and school districts to purchase products from a list of vendors incorporated in Kansas who primarily employ blind or disabled people and who have been approved by the Director of Purchases. The law exempts school districts and State agencies from the requirement to purchase from these vendors under certain circumstances, such as when a qualified vendor is unable to supply the needed product or meet delivery deadlines.

This law originally was enacted in 1953 and has been amended numerous times over the years. The Legislature most recently amended the law during the 2005 legislative session. Among the more significant changes:

- responsibilities were shifted from the Department of Social and Rehabilitation Services to the Director of Purchases,
- an annual report showing the volume of purchases for each product was required to be published annually,
- a nine-member State Use Law Committee responsible for advising the Director of Purchases and for adopting regulations and policies to assure fair and effective implementation of the Act was created.

Legislators are interested in knowing how the amount of products or services that State agencies or school districts purchased from these non-profit entities has changed in recent years. In addition, they want to know what issues exist about the quality and price of goods produced, and what steps are being taken to address them. Finally, they are interested in knowing how the salaries of the heads of the non-profits compare to the salaries being paid to the heads of the State agencies who must buy their products.

This performance audit answers the following questions:

- 1. What has happened to the quantity of goods and services public entities have purchased from non-profits benefiting the blind or disabled in recent years?**
- 2. What concerns do those required to purchase goods under the Kansas Use Law have about price and quality of products, and what steps have the Director of Purchases and the State Use Law Committee taken to address those concerns?**

3. How do the salaries of the heads of the non-profit agencies who are qualified vendors under the State's Use Law compare with the salaries of the heads of State agencies required to purchase their products?

To answer these questions, we reviewed annual reports and other data prepared by the vendors, reviewed waivers requested and granted, surveyed State agencies and school districts, and compared vendor salaries with comparable-sized State agency head salaries.

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in *Appendix A*.

We conducted this performance audit in accordance with generally accepted government auditing standards with certain exceptions. Specifically, because of time constraints we didn't fully test annual reports prepared by the vendors or State agency salary data from SHaRP. However, we did try to compare the vendors' data about State agency purchases with data in the State's accounting system and business procurement card program. The two sources of data didn't completely match up, but they weren't significantly different. We did limited testing of the State agency-head salary data by selecting a sample of agency heads and calling that agency to confirm the salary reported in SHaRP.

The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Although we didn't fully test the annual reports prepared by the vendors or State agency head salary data from SHaRP, it's unlikely that they are so grossly or systematically wrong as to affect our findings and conclusions. Still, the reader should consider the information from the annual reports prepared by the vendors in Question 1 and State agency head salary data from SHaRP in Question 3 as a reasonable estimate, not as absolute fact. Except for the limitations described above, we believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our findings begin on page 7, following a brief overview of the State Use Law Program.

Overview of the State Use Law Program

State Law Requires State Agencies and School Districts To Purchase Goods and Services From Non-Profits Benefiting the Blind Or Disabled

Originally enacted in 1953, the State Use Law emphasizes employing people who are blind or disabled. Since 2005, the Use Law Program has been administered by the Division of Purchases. Before that, it was administered by the Department of Social and Rehabilitation Services. The Program centers on qualified not-for-profit organizations that manufacture or process products in Kansas, or provide services in Kansas.

The law requires all State agencies and school districts to purchase available products from vendors who have met certain qualifications. In addition, State agencies also must purchase services, such as janitorial services or document shredding, from these vendors. School districts aren't required by law to purchase these services.

The law allows a State agency or school district to get a waiver if the vendor is unable to supply the product or service. These waivers are for a specific transaction; they aren't an exemption from the entire Program. Agencies and school districts have to submit a waiver request and receive prior authorization from the Director of Purchases before they can buy products from outside the State Use program.

Though all State agencies and school districts are required to participate in this Program, the law places no responsibility on the Division of Purchases to take action to detect non-compliance. The Division of Accounts and Reports does include some checks for State Use purchases in its regular audits of State agencies. Also, some external accounting firms hired by school districts to review school spending information look for State Use purchases. There are no penalty provisions in the law for failure to participate in the program.

Vendors must meet certain requirements before they can become qualified, including having the primary purpose of employing people who are blind or disabled. Statutory requirements to become a qualified vendor include being a not-for-profit entity that is incorporated in Kansas. The entity must operate in the interest of and for the benefit of the blind or disabled, and must not have net income that financially benefits shareholders. The entity's primary purpose must be to provide employment for the blind and disabled, as well as primarily employ people who are blind or disabled.

The Director of Purchases approves both the products and services for the Program, and the prices that appear in the State Use catalog each year. Products offered through the catalog must be processed or manufactured in Kansas. The vendors submit prices for each product each year in August, and the Director of Purchases

with the advice of the State Use Committee approves or denies those prices. Once the prices are approved, they are set for the following calendar year.

Approved products and most prices are published each year in a State Use catalog. Vendors advertising their products in the catalog share the cost of the publication. Recently, the vendors have made the catalog products available online as well. The website contains all products listed in the catalog. **Figure OV-1** lists the qualified vendors during calendar years 2005 to 2007, and what products or services they primarily offered.

Figure OV-1 Qualified Vendors and the Products or Services They Offered Calendar Years 2005-2007				
Qualified Vendor	Primary Products	CY 2005	CY 2006	CY 2007
Cartridge King of Kansas	New and Remanufactured Toner Cartridges	X	X	X
Center Industries Corp.	Hang Tags and Decals	X	X	X
Disability Supports Enterprises, Inc.	New and Remanufactured Toner Cartridges		X	
Envision	Trash Bags, Paper Towels, Canned Air, and Writing Tools	X	X	X
Flint Hills Services	Construction-Grade Stakes and Bulletin Boards	X		
Kansas Elks Training Center for the Handicapped (KETCH)	Binders, Air Filters, and Safety Products	X	X	X
Training and Evaluation Center of Hutchinson (TECH)	Stamps and Engraved Items	X	X	X
Qualified Vendor	Services	CY 2005	CY 2006	CY 2007
Business Technology Career Opportunities, Inc. (BTCO)	Document Management		X	X
Occupational Center of Central Kansas (OCCK)	Custodial Services and Promotional Buttons	X	X	X
Tri-Valley Developmental Services	Document Shredding			X
Unlimited Options	Custodial Services	X	X	X
X = a qualified vendor for that year Source: State Use catalogs and Division of Purchases staff				

As the figure shows, most qualified vendors have been involved with the State Use Program for a number of years.

Some vendors manufacture products that aren't listed in the State Use catalog. Though these products are manufactured by qualified vendors, State agencies and school districts aren't required to buy items that aren't listed in the catalog. However, some agencies do purchase off-catalog products.

Several amendments were made to the State Use Law in 2005.

As noted earlier, the State Use Program was transferred from SRS to the Division of Purchases, and is now overseen by the Director of Purchases. Further, besides publishing an annual catalog of available

products and services, vendors now are required to publish an annual report of product sales under the Program. These annual reports include the vendors, total sales, all waiver requests for the year, and any noteworthy actions from the fiscal year.

Another noteworthy change in 2005 was the creation of the State Use Law Committee. This nine-member committee serves in an advisory capacity to the Director of Purchases. Members include two legislators and representatives from vendors, State agencies, and school districts. According to statute, the Committee will sunset in 2009 if it's not renewed.

Question 1: What Has Happened to the Quantity of Goods and Services Public Entities Have Purchased From Non-Profits Benefiting the Blind or Disabled in Recent Years?

ANSWER IN BRIEF: *Between fiscal years 2006 and 2007, State Use Program sales increased from \$5.7 million to \$6.3 million, or by about \$632,000, according to data the vendors reported. However, vendors don't appear to use a standard format for reporting their annual sales. Sales attributed to State agencies during the time period increased by 4%, from \$4.2 million to \$4.4 million. Sales attributed to school districts increased by 85%, from \$553,000 to \$1.0 million during this same period. Three vendors accounted for more than 90% of all the purchases State agencies and school districts made. During 2006 and 2007, the Division of Purchases granted 60 waivers from purchasing State Use items, totaling only about \$11,000. All of these were requested by State agencies because school district officials haven't been submitting waiver requests. These and other findings are discussed in the sections that follow.*

The Amount of Products And Services Purchased Under This Program Increased by About \$632,000 From Fiscal Years 2006 to 2007

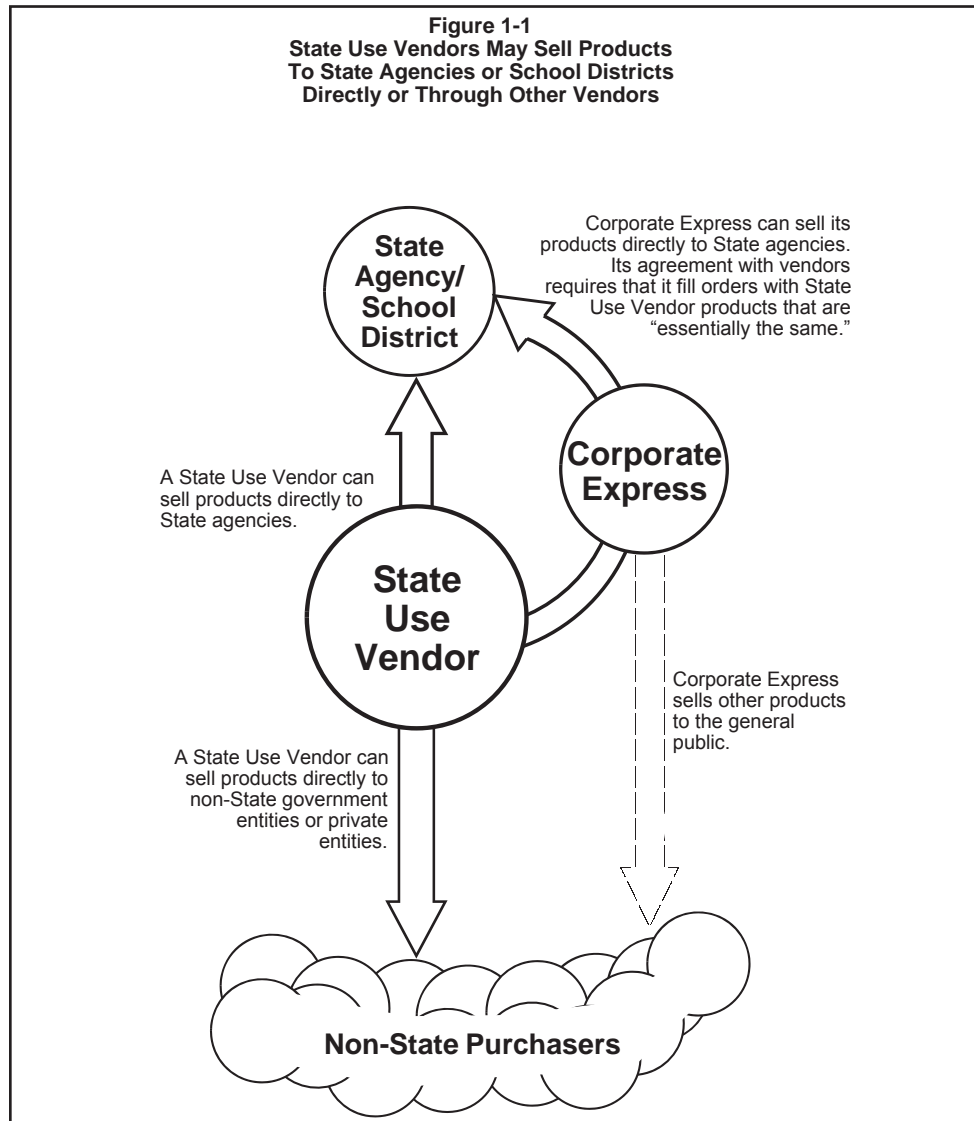
In 2005, the Legislature added a requirement that qualified vendors begin publishing an annual report that would be submitted to the Governor, Legislature, Director of Purchases, Board of Regents, and Kansas Association of School Boards. The annual report should show the volume of sales for each product or service sold, as well as summarize waivers requested and issued. All sales data contained in the annual report are self-reported by the State Use vendors. As described on page 2, we only did limited testing of this data.

We reviewed all three annual reports that have been published since this requirement was put into place. Those reports cover the amount of products and services sold in calendar year 2005, and in fiscal years 2006 and 2007.

Although we had planned to use data from fiscal years 2005, 2006, and 2007 in our analyses, the first annual report only covered calendar year 2005 (the last six months of fiscal year 2005). Because vendors couldn't fill in the data for the missing period we had to limit our analyses to fiscal years 2006 and 2007.

The vendors aren't using a standard format for reporting the amount of products and services sold under the Program. Each vendor submits data for the annual report in their own format. Some had enough detail to show what each agency and school district bought, while others only showed total purchases by State agencies or school districts.

We also noticed a limitation in the annual report data. As *Figure 1-1* shows, some State Use vendors have an agreement with the State's office supply contractor (Corporate Express) to sell their products on the Corporate Express website. The annual report lists the amount of State Use sales made through Corporate Express, but doesn't link those amounts to any vendor in fiscal year 2007. As a result, we couldn't attribute any Corporate Express sales back to a State Use vendor.



With this limitation, *Figure 1-2* shows the amounts of products and services sold through the Program as reported by each vendor in fiscal years 2006 and 2007. Amounts are broken out between State agencies and school districts. The figure also shows the sales of State Use products made through Corporate Express.

As **Figure 1-2** shows, total purchases increased from \$5.7 million in fiscal year 2006 to \$6.3 million in fiscal year 2007, for an increase of 11%. Most of this increase can be attributed to an increase in purchases by school districts.

Figure 1-2 Total State Use Law Catalog Sales Reported by Vendors FY 2006 and FY 2007							
Vendor	FY 2006			FY 2007			Change From 2006 to 2007
	State Agencies	School Districts	FY 2006 Total	State Agencies	School Districts	FY 2007 Total	
Cartridge King of Kansas (a)	\$2,625,414	\$273,664	\$2,899,078	\$2,204,595	\$484,664	\$2,689,259	-\$209,819
Envision (a)	\$702,989	\$146,822	\$849,811	\$1,244,130	\$393,201	\$1,637,331	\$787,520
KETCH (a)	\$444,276	\$122,735	\$567,011	\$507,425	\$118,726	\$626,151	\$59,140
Unlimited Options	\$188,872	\$0	\$188,872	\$196,872	\$0	\$196,872	\$8,000
OCCK	\$165,018	\$563	\$165,581	\$166,388	\$495	\$166,883	\$1,302
TECH (a)	\$68,475	\$8,510	\$76,985	\$69,084	\$7,676	\$76,760	-\$225
Center Industries Corp.	\$25,416	\$684	\$26,100	\$0	\$0	\$0	-\$26,100
BTCO	\$0	\$0	\$0	\$0	\$18,619	\$18,619	\$18,619
Tri-Valley				\$3,980	\$327	\$4,307	\$4,307
Disability Support Enterprises (a)	\$1,789	\$0	\$1,789				-\$1,789
Total Sales Made Directly Through Qualified Vendors	\$4,222,249	\$552,978	\$4,775,227	\$4,392,474	\$1,023,708	\$5,416,182	\$640,955
% of Total Sales	88%	12%	100%	81%	19%	100%	
Sales Made Through Corporate Express (a)	\$926,869			\$917,774			-\$9,095
Total Direct and Corporate Express Sales	\$5,702,096			\$6,333,956			\$631,860

(a) Cartridge King of Kansas, Envision, KETCH, TECH, and Disability Supports Enterprises sold products through Corporate Express.
Source: Vendor Annual Reports

The amount of products and services purchased by State agencies remained relatively constant between fiscal years 2006 and 2007.

As **Figure 1-2** shows, State agency purchases increased from \$4.2 million in fiscal year 2006 to nearly \$4.4 million in fiscal year 2007, a 4% increase. State agencies' share of direct vendor purchases was 81% in fiscal year 2007, compared with 88% in 2006.

State agencies and school districts don't always buy products directly from the vendor. As **Figure 1-2** shows, several vendors sold about \$1.8 million of their products through Corporate Express in fiscal years 2006 and 2007. The State contracts with Corporate Express to provide office supplies such as paper, pens, etc.

Vendors also reported that State agencies bought items totaling \$1.2 million in fiscal year 2007 and \$663,000 in fiscal year 2006 that aren't in the catalog and aren't required to be purchased through this Program. We think these numbers may be understated because the Director of Purchases told us one vendor sells vehicle tags to the Department of Revenue, which aren't in the catalog, but that vendor didn't report any outside catalog sales.

School districts' purchases of State Use Law products and services increased by 85% between fiscal years 2006 to 2007.

As **Figure 1-2** shows, school district purchases increased from nearly \$553,000 in fiscal year 2006 to more than \$1.0 million in fiscal year

2007, an increase of about \$471,000. Vendors, State Use Committee members, and others have been making an effort to market the Program and the products to school districts. School districts' share of all direct vendor sales in fiscal year 2007 was 19% compared with 12% in 2006.

Vendor data show that school districts spent \$306,000 in fiscal year 2007 and \$270,000 in fiscal year 2006 on items that aren't in the catalog. As noted earlier, school districts aren't required to purchase items from vendors that aren't in the catalog.

Three vendors accounted for nearly all State Use sales. Cartridge King, Envision, and KETCH accounted for 91% of all sales reported by qualified vendors in fiscal years 2006 and 2007. Cartridge King sells new and remanufactured toner cartridges. Envision primarily sells trash bags, seal closure bags, paper towels, canned air, pens, and printing services. And KETCH products include binders, air filters, and safety products.

Sixty Waivers Totaling More Than \$11,000 Were Granted in Fiscal Years 2006 and 2007

State law requires State agencies and school districts to buy products and services from qualified vendors, but also provides some exemptions from this requirement. These exemptions are referred to as waivers. The Director of Purchases has the authority to approve or deny waiver requests.

A waiver is available for a specific transaction if a vendor can't supply the product or meet delivery requirements. The Division of Purchases received 63 waiver requests totaling \$11,710 during fiscal year 2006 and 2007. Of the 63 waivers requested, only three waiver requests worth \$388 were denied.

Waivers are supposed to be granted before an agency purchases the items from another vendor, but we noticed that wasn't always the case. For example, Kansas State University made several waiver requests after it bought items from another vendor. Division of Purchases staff still approved these waivers.

We questioned one waiver that was granted for \$1,225. The form for this waiver didn't provide many details including why the waiver was requested. The Division of Purchases was able to explain the details of this waiver when we asked, but it isn't a good practice to approve waivers that don't provide all the information requested.

A Statutory Change to the State Use Law in 2005 Gives School Districts an Additional Waiver Option

As part of the amendments to the State Use Law during the 2005 legislative session, a new waiver was created for school districts only. The Director of Purchases grants the waiver with approval of the State Use Law Committee.

The new waiver option is termed the “substantial amount” waiver. A school district can request it if the district has purchased or entered into a contract to purchase a substantial amount of a State Use vendor product. If the waiver is granted, the school district wouldn’t be required to comply with the State Use Law for the remainder of the school’s fiscal year.

Since the waiver was created, only one school district has made a waiver request (which later was removed). That request led to numerous discussions at State Use Law Committee meetings. Topics at issue were interpretation of the statutory language and the definition of “substantial amount.” As of March 2008, the State Use Committee was considering allowing three options for the waiver. School districts could request a waiver for:

- a specific product
- a specific vendor
- compliance with State Use laws for a fiscal year

Also as of March 2008, the State Use Law Committee had decided not to set a definition of “substantial amount,” but rather to address that issue on a case-by-case basis. The State Use Law Committee currently is working on a standardized form for the waiver, and plans to finalize Committee action on the application for this waiver at its June 2008 meeting.

School district officials haven’t been submitting waiver requests to the Division of Purchases. According to the Director of Purchases, school districts haven’t been submitting waiver requests to him because they aren’t under his authority. A 2005 change to the law created an additional waiver for substantial use just for school districts. As of April 2008, none of these new waivers have been granted.

Conclusion:

The number of products and services State agencies and school districts bought under the State Use Law Program increased over the two years we reviewed by 11%. Sales to school districts increased dramatically, which may be a result of increased efforts to market the products to school districts. We noted improvements are needed in a few areas to strengthen the administration of the Program.

Recommendations for Executive Action:

1. To help ensure that vendors report the amount of products and services they sell under the State Use Program in a standard format, the Director of the Division of Purchases should require all vendors to use one format for reporting sales data. The format should be specific as to the time period covered, list all State agencies and school districts that made purchases, report catalog purchases and non-catalog purchases separately, etc.

2. To help ensure that the Division of Purchases only grants appropriate waiver requests Division staff should do the following:
 - a. check to see that the entire waiver request form is filled out before approving it.
 - b. make sure waivers are submitted before purchases are made from non-State Use vendors.

Question 2: What Concerns Do Those Required To Purchase Goods Under the Kansas Use Law Have About the Price and Quality of the Products, and What Steps Have the Director of Purchases and the State Use Law Committee Taken To Address Those Concerns?

ANSWER IN BRIEF: *About a third of those who responded to our survey rated the quality of State Use products as fair or poor, and about a third rated the price of State Use products as more expensive than other options. Most concerns raised in the survey were related to toner cartridges, pens/pencils, and binders. The Division of Purchases staff takes little action in tracking or handling complaints, but that they try to address concerns as they are raised. The State Use Law Committee recently formed a subcommittee to look at pricing issues. The prices of State Use products and services aren't supposed to be the lowest, but they should be competitive. Some State Use products and services we looked at were more expensive, while others were the same or less than comparison products and services. These and other findings are discussed in the sections that follow.*

About a Third of Survey Respondents Rated the Quality of State Use Products As Fair or Poor, And Rated the Prices as More Expensive Than Other Options

We surveyed 238 State agency procurement officers to find out their opinions about the price and quality of State Use products. We received responses from 71 State agency procurement officers, for a 30% response rate.

We also surveyed a sample of 25 school districts that had purchased State Use products. We chose a sample of districts that had varying student populations and geographic distribution across the State,

but that doesn't mean the responses apply to all school districts. We received 19 responses from school district officials, for a response rate of 76%. **Figure 2-1** shows the results of our survey. As the figure shows, one-third of survey respondents rated the quality as fair or poor, and one-third rated the prices as more expensive than other options.

Most concerns raised in the survey we conducted were related to toner cartridges, pens/pencils, and binders. As noted

**Figure 2-1
Survey Results from State Agencies and School Districts
Regarding Price and Quality of State Use Products**

	Number of State Agency Procurement Officers Who Responded	Number of School District Officials Who Responded	Number of Combined Responses	% of Total Responses
PRODUCT QUALITY				
Poor	2	2	4	4%
Fair	19	5	24	27%
Good	40	11	51	57%
Very Good	10	1	11	12%
Total	71	19	90	100%
PRODUCT PRICING				
More Expensive	23	7	30	33%
Comparable	37	12	49	54%
Less Expensive	11	0	11	12%
Total	71	19	90	100%
COMPLAINT FILED				
Yes	10	1	11	13%
No	59	18	77	88%
Total	69	19	88	100%

Source: State agencies and school districts State Use survey responses

in Question 1, the three primary vendors of these products were Cartridge King of Kansas, Envision, and KETCH; they accounted for more than 90% of all purchases. This may explain why most concerns were about their products.

About one-third of respondents rated the quality of State Use products as either fair or poor. We asked those who said they thought the quality of products were poor to provide an example. Respondents provided the following examples:

- “The remanufactured toner cartridges do not last as expected, some have not worked past 10 copies, and other cartridges have leaked.”
- “The pens only work for a short time or not at all.”
- “The pens/markers and toners do not last as long as other products that we get on volume purchasing. The prices also increased on some pens, but the quality did not improve.”

As *Figure 2-1* shows, about one-third of respondents said State Use products were more expensive than other options. We asked these respondents to provide some examples of more expensive products. They provided the following examples:

- “Purchasing binders through Corporate Express is less expensive than KETCH.”
- “The toner cartridges are always more expensive than I would pay elsewhere. The other products are also more expensive but not as bad as the toner cartridges.”
- “Ink Stamps can be purchased locally cheaper.”
- “Pens just doubled in cost.”

We also asked respondents if they had filed a complaint with the Division of Purchases about price or quality. As *Figure 2-1* shows, 11 respondents (13%) said they had filed a complaint. We asked them to provide more information about the complaint. For example, one respondent provided the following details:

- “We complained a number of times about the quality and price of the toner cartridges. A number of years ago we complained about some ink pens that didn’t work. The ink pens have gotten better. The toner cartridges haven’t.”

The Division of Purchases Takes Little Action in Tracking or Handling Complaints

Most complaints and questions Division of Purchases staff receive about the State Use Program come from phone calls or e-mails. The Division also has a formal complaint form, which is used for all State vendors and various programs. The complaint form can be found on the Division’s website, but we didn’t find any mention of it in the State Use catalog vendors publish, or on the State Use website where customers can order products.

Division of Purchases staff don't track or record complaints about the State Use Program. We asked for a log of all complaints from fiscal years 2005 to 2007. The Director told us no one had submitted a formal complaint form during that period. In addition, he told us the Division doesn't keep a log of complaints received through phone calls or e-mails.

While State agencies and school districts may not have submitted a formal complaint form to the Division of Purchases from fiscal years 2005 to 2007, 11 individuals who completed our survey told us they had complained to the Division of Purchases about the State Use Program. Yet the Division of Purchases had none on record.

Division of Purchases staff told us they try to address concerns as they are raised. If the Director of Purchases receives a complaint about a particular State Use vendor, he said he either contacts the vendor to tell them about the situation, or provides the complainant with that vendor's contact information.

The Director provided an e-mail example of an agency complaining about the price of State Use rubber stamps. The agency also included a price comparison showing the difference between the State Use vendor and another vendor. The Director forwarded the complaint along with the price comparison to the State Use vendor, but took no further action.

The Director also told us that in the past, he had received several complaints about the quality of State Use air filters. When he told the vendor about the concerns he had heard, the vendor changed its manufacturing process so the filter would be stapled as well as glued. According to the Director, he thought complaints about air filters had gone down as a result of this change, but had no documentation or tracking system.

The State Use Law Committee Recently Formed a Subcommittee To Look At Pricing Issues

When the State Use Law Committee was formed by law in 2005, one of its duties was to advise the Director of Purchases on establishing procedures for setting fair-market prices of products and services in the State Use catalog.

A subcommittee on products and services reported its efforts at the March 2006 committee meeting, which included reviewing a product-costing workbook used in Oregon, performing market testing to determine competitive pricing, and surveying State Use customers. In 2007, as the State Use vendors were working to develop the 2008 catalog, one of the committee members did some product price comparisons. Because of the interest that generated, a new subcommittee was formed recently to look at price issues.

Members of the recently formed subcommittee plan to present their findings to the entire Committee at a future meeting. This will allow the Committee time to discuss the findings before the pricing for the 2009 catalog is due in September.

The prices of State Use products and services aren't supposed to be the lowest, but they should be competitive. Members of the price subcommittee plan to compare State Use product prices with other vendors of similar products. In addition, a Division of Purchases employee has been reviewing State Use catalogs from 2000 to 2008 to see how prices have changed over that time period.

A Recent Survey Sought To Measure How Familiar Agencies and School Districts Are with the State Use Law Program

In May 2007, the State Use Law Committee sent a survey to State agencies and school districts to determine what they know about the State Use Law program. A total of 499 survey responses were received. It's important to note that, based on the number of people who were sent the survey, any particular agency, university, or school district is likely to have submitted more than one response.

Results from the survey were presented at the September 2007 State Use Law Committee meeting. The vast majority of respondents (94%) stated they were familiar with the State Use Law program. Almost half the respondents (45%) indicated they were made aware of the Program requirements by information provided by the Division of Purchases. However, 25% of those responding indicated they didn't purchase State Use products whenever available.

The majority of responses for State agencies and universities indicated 87% of their purchases are made through the State office supply contractor website (www.eway.com), whereas, school district responses indicated 82% make purchases directly with the State Use vendor, either by phone or email.

Some State Use Products and Services Were More Expensive, While Others Were the Same or Less Than State Contract Prices

To determine how the prices of State Use products and services compared with other contracted State vendors, we chose four products and one service from the State Use catalog. The service and products selected are listed in **Figure 2-2**.

We only compared the prices of State Use items with other vendors the State contracts with because State agencies should only buy products and services from vendors with a State contract, if available. We used Corporate Express for our comparison office supply products and Shred-It for shredding services.

As **Figure 2-2** shows, State Use items were more expensive than three items including binders, ball point pens, and some shredding services. Prices from State Use products or service ranged from 20 to 50% more than the State contracted vendor.

Nameplates and some shredding services offered by State Use vendors were about 25% less expensive than the State contract vendor.

Figure 2-2
Price Comparison of State Use Products and Services to State Contracts for Products and Services

Description	State Use		State Contract		Amount State Use Item Is More or (Less)	Percent State Use Item Is More or (Less)	State Use Item Is ...
	Vendor	Price	Vendor	Price			
Products							
Soft grip, ballpoint stick pen (medium ink, black)	Envision	\$6.00 / dozen	Corporate Express	\$4.29 / dozen	\$1.71	40%	More Expensive
3-Ring Binder (2", 8.5x11, black)	KETCH	\$4.93	Corporate Express	\$3.76	\$1.17	31%	More Expensive
Toner Cartridge (Laser printer, 6000 page yield, model 2300)	Cartridge King	\$115 (new)	Corporate Express	\$115 (new)	\$0.00	0%	Same Price
Nameplate (2" x 8')	TECH	\$7.50	Corporate Express	\$10.18	(\$2.68)	(26%)	Less Expensive
Services							
Document Shredding (300 lbs)	Tri-Valley Developmental Services	\$.15 / lb	Shred-It	\$.10 / lb (a)	\$.05 / lb	50%	More Expensive
Document Shredding (200 lbs)	Tri-Valley Developmental Services	\$.15 / lb	Shred-It	\$.125 / lb (a)	\$.025 / lb	20%	More Expensive
Document Shredding (100 lbs)	Tri-Valley Developmental Services	\$.15 / lb	Shred-It	\$.20 / lb (a)	(\$.05 / lb)	(25%)	Less Expensive

(a) The contract price was based on a flat rate. We converted it to a price per pound, but if an agency uses fewer pounds than the flat rate allows, the agency is paying a price per pound that is more than we calculated.

Source: Vendor product catalog, Corporate Express website, and Shred-It contract

The price of a new toner cartridge offered by Cartridge King (the State Use vendor) was the same price as the same cartridge sold by Corporate Express under the State contract. However, the Director of Purchases told us the two prices were the same because he told Corporate Express to set its price for toner cartridges the same as Cartridge King's price. He said he was concerned that if the State contract price for toner cartridges was lower than the price offered by the State Use vendor, State agencies would no longer buy from the State Use vendor.

He also indicated that toner cartridges could be cheaper for all State agencies if a State contract for toner cartridges was competitively bid, and if the State Use vendor agreed to sell toner cartridges at the same price as the competitively bid State contract price. The savings could be significant. The Director cited two examples of competitively bid prices for the same toner cartridge that were \$97.30 and \$105.25 per cartridge, which were \$17.70 and \$9.75 less than the price State agencies currently pay for the toner cartridge we selected.

Envision and KETCH have agreements with Corporate Express to substitute "essentially the same" products. For example, if a State agency tried to purchase a black ballpoint pen from Corporate Express that Corporate Express and Envision had decided was similar

to a black ballpoint pen made by Envision, Corporate Express would send the Envision pen to the State agency. As a result, even if a State agency ordered the Corporate Express pen in *Figure 2-2*, Corporate Express would send the State Use pen at the State Use price because they are “essentially the same.”

Conclusion:

Survey respondents reported concerns with price and quality of State Use Law products. Because Division of Purchases staff don't track complaints they receive about State Use products and services, they can't look for trends to see which products or services are most frequently complained about. If staff tracked this information, they could provide it to State Use vendors as suggestions for how to improve their products and services, which would also benefit State agencies and school districts by producing better quality products.

***Recommendation for
Executive Action:***

To ensure that complaints the Division of Purchases staff receive are able to be tracked, the Director of the Division of Purchases should put a process into place that will allow staff to track both formal and informal complaints received regarding the State Use Program from the date received until the day resolved, so staff will know how each complaint is resolved.

Question 3: How Do the Salaries of the Heads of the Non-Profit Agencies Who Are Qualified Vendors Under the State's Use Law Compare With the Salaries of the Heads of State Agencies Required To Purchase Their Products?

ANSWER IN BRIEF: *Heads of State Use qualified vendors generally are paid a higher salary than heads of comparable State agencies. Looking at both total positions overseen and 2006 total agency expenditures, we noted that the heads of five of seven State Use vendors were paid the highest or second highest salary when compared with comparably sized State agencies. Also, overall sales from State Use products or services accounted for a very small percentage of most State Use vendors' gross receipts in 2006. These and other findings are discussed in the sections that follow.*

Most Heads of Qualified State Use Vendors Are Paid a Higher Salary Than Comparable State Agency Heads

One concern raised in this audit was how the salaries of the people operating the not-for-profit qualified State Use vendors compared with salaries of heads of comparably sized State agencies. We compared the two salary groups based on two measures—the number of positions overseen, and 2006 total expenditures.

We formed a range of position counts and expenditure totals based on the actual data for the qualified vendors. For each vendor's employee count, we selected a sample of 4-5 State agencies that had a similar number of positions overseen (+/- 10-25%). We did the same for total expenditures.

Using data from the State's personnel database (SHaRP), we determined the annual salary of the heads of the State agencies selected for comparison purposes. As described on page 2, we only did limited testing of this data. The data in **Figures 3-1 and 3-2** show the results of our comparisons.

As the figures show, most of the salaries of heads of State Use vendors are among the highest within the comparison groups. When based on positions overseen and 2006 total expenditures, five of the seven vendors' salaries were ranked first or second within their respective comparison groups. When based on a single measure, positions or expenditures, six of the seven vendors were ranked first or second on the salary range.

**Figure 3-1
Comparison of State Use Qualified Vendor CEO Salaries with
State Agency Head Salaries Based on Comparable Positions Overseen**

Vendor & CEO Salary	Agency Head's Salary (a)	State Agency (Grouped by Size of Agency-- Number of Positions)	Vendor Salary Rank Against Comparable State Agency Heads' Salaries
# of Positions = 398	# of Positions Range from 318 to 478		5 of 8
KETCH \$99,854	\$121,571	Department of Corrections	
	\$108,771	Dept. of Wildlife & Parks	
	\$105,370	Dept. of Agriculture	
	\$103,305	Dept. of Commerce	
	\$90,641	Parsons State Hospital	
	\$89,531	Osawatomie State Hospital	
	\$78,853	El Dorado Correctional Facility	
# of Positions = 353	# of Positions Range from 300 to 406		1 of 6
Envision \$280,470	\$121,571	Department of Corrections	
	\$108,771	Dept. of Wildlife & Parks	
	\$105,370	Department of Agriculture	
	\$105,061	Kansas Bureau of Investigations	
	\$89,532	Osawatomie State Hospital	
# of Positions = 272	# of Positions Range from 245 to 299		2 of 5
Tri-Valley \$91,500	\$165,000	Department of Education	
	\$82,846	Topeka Correctional Facility	
	\$75,584	Kansas Juvenile Complex	
	\$69,846	Norton Correctional Facility	
# of Positions = 253	# of Positions Range from 228 to 278		2 of 5
Cartridge King \$140,630	\$165,000	Department of Education	
	\$82,846	Topeka Correctional Facility	
	\$75,584	Kansas Juvenile Complex	
	\$69,846	Norton Correctional Facility	
# of Positions = 251	# of Positions Range from 226 to 276		1 of 5
Center Industries \$198,000	\$165,000	Department of Education	
	\$82,846	Topeka Correctional Facility	
	\$75,584	Kansas Juvenile Complex	
	\$69,846	Norton Correctional Facility	
# of Positions = 199	# of Positions Range from 179 to 219		1 of 5
OCCK \$135,953	\$103,171	Department on Aging	
	\$84,256	Board of Indigents Defense Services	
	\$75,088	Winfield Correctional Facility	
	\$64,896	Larned Correctional Mental Health Facility	
# of Positions = 167	# of Positions Range from 150 to 184		2 of 5
TECH \$104,429	\$104,692	School for the Deaf	
	\$84,256	Board of Indigents Defense Services	
	\$83,905	Insurance Department	
	\$75,237	Larned Juvenile Correctional Facility	

(a) Annual salary based on bi-weekly salary on June 17, 2007 multiplied by 26 pay periods.
Source: Vendors' 2006 IRS Form 990 and SHaRP data for salary of State agency heads.

**Figure 3-2
Comparison of State Use Qualified Vendor CEO Salaries with
State Agency Head Salaries Based on Comparable FY 2006 Expenditures**

Vendor & CEO Salary	Agency Head's Salary (a)	State Agency (Grouped by Size of Agency-- Total Expenditures)	Vendor Salary Rank Against Comparable State Agency Heads' Salaries
Expenditures = \$53.7M	Expenditures Range from \$45.6M to \$61.7M		1 of 5
Envision \$280,470	\$108,771	Dept. of Wildlife & Parks	
	\$104,949	Kansas Lottery	
	\$104,686	Health Care Stabilization Fund	
	\$104,553	Larned State Hospital	
Expenditures = \$13.7M	Expenditures Range from \$12.3M to \$15.0M		2 of 5
OCCK \$135,953	\$265,000	KTEC	
	\$82,846	Topeka Correctional Facility	
	\$75,584	Kansas Juvenile Complex	
	\$69,846	Norton Correctional Facility	
Expenditures = \$9.6M	Expenditures Range from \$8.7M to \$10.6M		2 of 6
KETCH \$99,854	\$104,692	School for the Deaf	
	\$85,309	State Historical Society	
	\$84,700	State Conservation Commission	
	\$72,720	Kansas Sentencing Commission	
	\$64,896	Larned Correctional Mental Health Facility	
Expenditures = \$6.7M	Expenditures Range from \$6.1M to \$7.4M		1 of 6
TECH \$104,429	\$96,297	State Library	
	\$91,800	Office of the State Bank Commissioner	
	\$91,800	Kansas Water Office	
	\$87,394	Kansas State Fair	
	\$69,677	Atchison Juvenile Correctional Facility	
Expenditures = \$6.6M	Expenditures Range from \$6.0M to \$7.3M		1 of 6
Cartridge King \$140,630	\$96,297	State Library	
	\$91,800	Office of the State Bank Commissioner	
	\$91,800	Kansas Water Office	
	\$87,394	Kansas State Fair	
	\$69,677	Atchison Juvenile Correctional Facility	
Expenditures = \$5.9M	Expenditures Range from \$5.0M to \$6.8M		4 of 7
Tri-Valley \$91,500	\$101,643	School for the Blind	
	\$96,297	State Library	
	\$91,800	Kansas Water Office	
	\$87,394	Kansas State Fair	
	\$80,407	Racing and Gaming Commission	
	\$69,677	Atchison Juvenile Correctional Facility	
Expenditures = \$2.0M	Expenditures Range from \$1.5M to \$2.5M		1 of 6
Center Industries \$198,000	\$118,297	Board of Tax Appeals	
	\$110,091	Legislative Post Audit	
	\$74,795	Board of Nursing	
	\$74,672	Kansas Arts Commission	
	\$74,611	Kansas Human Rights Commission	

(a) Annual salary based on bi-weekly salary on June 17, 2007 multiplied by 26 pay periods.
Source: Vendors' 2006 IRS Form 990 and SHARP data for salary of State agency heads.

Total State Use sales were a small percentage of most State Use vendors' 2006 gross receipts. State agencies and school districts aren't the only consumers or sources of revenue for these vendors. Some vendors have other products they sell to other entities. Also, some State Use vendors are also community developmental disability organizations, and receive revenue for those types of services. As **Figure 3-3** shows, 2006 reported State Use sales were 5% or less for five of the six vendors. State Use sales for Cartridge King amounted to 29% of its gross receipts.

Figure 3-3				
Percent of Vendors' 2006 Gross Receipts That Are From State Use Sales ^(a)				
Vendor	IRS Form 990 Time Period	Gross Receipts	Reported State Use Sales	% of Gross Receipts That Are State Use Sales
Cartridge King / MCDS (b)	FY 06	\$10,083,400	\$2,899,078	29%
KETCH	FY 06	\$11,793,765	\$567,011	5%
Envision	FY 06	\$67,190,128	\$849,811	1%
TECH	CY 06	\$6,485,375	\$76,985	1%
OCCK	CY 06	\$14,291,293	\$165,581	1%
Center Industries Corp.	FY 06	\$25,661,105	\$26,100	0.1%
(a) Tri-Valley wasn't a qualified vendor in FY 2006. As a result, it didn't have any State Use sales. (b) Includes gross receipts from Multi Community Diversified Services, Inc. because it is an affiliated organization. Source: Vendors' 2006 IRS Form 990 and reported State Use sales.				

APPENDIX A

Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on September 24, 2007. The audit was requested by Senator Derek Schmidt.

SCOPE STATEMENT

Kansas Use Law: Reviewing Issues Related to the Quality and Price of Goods and the Compensation of Executives

State law (K.S.A 75-3317 through 75-3322) requires State agencies and school districts to purchase products from a list of vendors incorporated in Kansas who primarily employ blind or disabled persons and who have been approved by the Director of Purchases. The law exempts school districts and State agencies from the requirement to purchase from these vendors under certain circumstances, such as when a qualified vendor is unable to supply the needed product or meet delivery deadlines.

This law was originally enacted in 1953 and has been amended numerous times over the years. The Legislature most recently amended the law during the 2005 legislative session. Among the more significant changes:

- responsibilities were shifted from the Department of Social and Rehabilitation Services to the Director of Purchases,
- changes were made to the definition of a qualified vendor,
- language was added stating that the net income of the non-profit vendors couldn't be used to financially benefit any shareholder or other individual,
- an annual report showing the volume of purchases for each product was required to be published annually,
- a nine-member State Use Law Committee responsible for advising the Director of Purchases and for adopting regulations and policies to assure fair and effective implementation of the Act was created.

Recently, legislators have heard complaints from school districts about the price and quality of the products provided by the non-profit entities on the approved list of vendors. In addition, school districts have expressed concerns about the size of the salaries being paid to the heads of these non-profits. Legislators are interested in knowing how the amount of products or services State agencies or school districts purchase from these non-profit entities has changed in recent years. In addition, they want to know what issues exist about the quality and price of goods produced, and what steps are being taken to address them. Finally, they are interested in knowing how the salaries of the heads of the non-profits compare to the salaries being paid to the heads of the State agencies who must buy their products.

A performance audit addressing these issues would answer the following questions:

- 1. What has happened to the quantity of goods and services public entities have purchased from non-profits benefiting the disabled in recent years?** To answer this question we would query the State's accounting system (STARS) to identify the amounts State agencies have purchased from the qualified vendors over the past 3 years. In addition, we would determine what information has been provided about State agency and school district purchases in annual reports the Director of Purchases was required to publish for calendar years 2006 and 2007. If necessary, we would contact the qualified vendors or a sample of school districts to determine what additional information exists about amounts school

districts have spent on products produced by the qualified vendors in years before the annual reports were published. We would conduct additional work in this area as needed.

2. **What concerns do those required to purchase goods under the Kansas Use Law have about the price and quality of the products, and what steps have the Director of Purchases and the State Use Law Committee taken to address those concerns?** To answer this question, we would conduct surveys or focus groups with a sample of school districts and State agencies that purchase significant quantities of goods from the vendors. In addition, we would review complaints filed with the Director of Purchases or the State Use Committee. For a sample of items available from the vendors, we would determine how the prices compare with available prices from other vendors for those same products. Finally, through interviews and reviews of records, we would determine what steps the Director or the State Use Committee have taken to address the price and quality issues raised by purchasing officials in State agencies and school districts.

3. **How do the salaries of the heads of the non-profit agencies who are qualified vendors under the State's Use Law compare with the salaries of the heads of State agencies required to purchase their products?** To answer this question, we would gather information about the compensation of the chief executive officers directly from the qualified vendors or from their latest Form 990's filed with the Internal Revenue Service. In addition, we would gather information about the types of activities those CEOs oversee, the amount of revenues and expenditures they oversee, and the number of employees they are responsible for. We would compare that information to the same type of information for a sample of State agencies. We would conduct additional work in this area as needed.

Estimated time to complete: 4-8 weeks

(Staff note: The wide time estimate reflects uncertainty about how much of this information is readily available.)

APPENDIX B

Agency Response

On May 8, 2008 we provided copies of the draft audit report to the Department of Administration. Its response is included as this Appendix.

The agency generally concurred with the report's findings, conclusions, and recommendations. We made some minor corrections and clarifications to the draft audit report as a result of the agency's review of the draft report that didn't affect any of our findings or conclusions.

May 15, 2008

Ms. Barbara J. Hinton
Legislative Post Auditor
800 SW Jackson St, Suite 1200
Topeka KS 66612



Dear Ms. Hinton:

Thank you for the opportunity to respond to the Legislative Post Audit's report on *Kansas State Use Law: Reviewing Issues Related to the Quality and Price of Goods and the Compensation of Executives*. We're pleased to present the following official response.

The audit confirms that the efforts of State Use Vendors and State Use Committee members, among others, are moving the program forward in terms of expanding sales and in turn, supporting employment opportunities for persons with disabilities.

I appreciate the recommendations of the auditors and expect that the implementation of the reporting and procedural changes will benefit the State Use Program and assist the Division of Purchases in its continuing effort to provide quality services for our state agency customers due to their universal nature.

Thank you for your time and consideration.



Chris Howe
Director of Purchases