



Legislative Post Audit Performance Audit Report Highlights

Follow-Up Audit: Reviewing Agencies' Implementation of Selected Performance Audit Recommendations

April 2018 • R-18-008

QUESTION 1: To What Extent Have Agencies Implemented Selected Audit Recommendations from Performance Audits Issued in Recent Years?

Background Information

LPAC Rule 3-4 requires the Post Auditor to prepare an audit proposal each year for follow-up work to determine if certain agencies have implemented audit recommendations, from prior audits. At its April 2017 meeting, the Legislative Post Audit Committee selected the proposal for this audit.

The audits included in the proposal were as follows:

- *Kansas State Employee Health Plan: Evaluating the State's Pharmacy Benefit Management System (2015)*
- *KPERS: Evaluating Controls to Detect Fraud and Abuse (2015)*
- *Kansas Department of Wildlife, Parks, and Tourism: Evaluating a Jefferson County Land Purchase (2016)*

FINDINGS RELATED TO THE KANSAS STATE EMPLOYEE HEALTH PLAN AUDIT

- The State Employee Health Plan provides medical, dental, vision, and prescription drug benefits to state employees and their dependents. (p. 3)
 - *Our 2015 audit focused on the prescription drug portion of the plan.*
 - *The Kansas State Employee Health Care Commission oversees the plan, while the Kansas Department of Health and Environment (KDHE) administers the plan's daily operations.*
 - *As the pharmacy benefit manager for the prescription drug plan, Caremark is responsible for administering the plan's preferred drug list and paying and processing prescription drug claims.*
- Our 2015 audit showed KDHE did little to verify Caremark managed the state's pharmacy benefit program in the state's best interests. (p. 4)
 - *We identified several weaknesses with KDHE's processes to oversee contract provisions that would help protect against the risk of a pharmacy benefit manager not acting in the state's best interests.*
- KDHE fully implemented all five of the recommendations made in our 2015 audit. (p. 5)
 - *The state strengthened language in its 2016 contract with Caremark and had third-party auditors audit the state's pharmacy benefit program.*
 - *The state's third-party auditors also conducted an audit of drug rebates to determine whether all rebates were accurately passed on to the state.*
 - *The state contracted with The Segal Company for regular reviews of Caremark's formulary recommendations.*
 - *KDHE staff told us they monitored mail-order prescriptions and said mail-order claims never exceeded more than 2% of all claims.*
 - *KDHE staff told us they work with their consultant and the State Employee Health Care Commission to monitor and manage specialty drug claims.*

FINDINGS RELATED TO THE KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM AUDIT

- The Kansas Public Employees Retirement System (KPERS) administers three statewide defined-benefit retirement plans for state and local public employees. (p. 8)
- Our 2015 audit showed KPERS had many, but not all, controls to help prevent and detect fraud and abuse. (p. 8)

- KPERS fully implemented all three of the recommendations made in our 2015 audit. (p. 9)
 - *KPERS resumed its field audits in June 2015.*
 - *KPERS established data-sharing agreements with the Kansas Department of Labor and the Kansas Department of Revenue to identify members who may no longer be eligible for disability benefits.*
 - *KPERS put a procedure in place to check for individuals on the payroll of a KPERS employer but not working directly for that employer and made corrections to the teacher records we identified as inaccurate.*
 - *However, KPERS reversed the corrections and stopped making this check following a ruling by a Shawnee County District Court judge.*

FINDINGS RELATED TO THE KANSAS DEPARTMENT OF WILDLIFE, PARKS, AND TOURISM AUDIT

- In 2014, the Kansas Department of Wildlife, Parks, and Tourism (KDWPT) purchased more than 800 acres of land in Jefferson County for about \$1.1 million. (p. 11)
- Our 2016 audit showed KDWPT complied with all federal purchase requirements, but not all state purchase requirements. (p. 11) Further, KDWPT did not acquire the full amount of land it had paid for.
- KDWPT fully implemented one recommendation made in our 2015 audit and only partially implemented the other. (p. 12)
 - *KDWPT acquired two deeds to the land left out of the original Jefferson County land purchase.*
 - *KDWPT included state requirements in its land acquisition procedures but did not include clear guidance on how to meet each requirement or how the overall process should be reviewed.*

SUMMARY OF RECOMMENDATIONS

This audit did not have any recommendations.

AGENCY RESPONSE

The audited agencies were not required to submit responses because this audit had no agency recommendations. However, KPERS officials chose to submit an official response, in which they concurred with the audit findings.

HOW DO I REQUEST AN AUDIT?

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. Any legislator who would like to request an audit should contact the division directly at (785) 296-3792.

Legislative Division of Post Audit

800 SW Jackson Street
Suite 1200
Topeka, Kansas 66612
Telephone (785) 296-3792
Website: <http://www.kslpa.org/>

Justin Stowe
Interim Legislative Post Auditor

For more information on this audit report, please contact:

Josh Luthi
joshua.luthi@lpa.ks.gov