



PERFORMANCE AUDIT REPORT

**Federal Funds: Determining Whether Opportunities
May Exist To Leverage State Spending
To Draw Down More Federal Funds**

Executive Summary ***with Conclusions and Recommendations***

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 2003**

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 \$9 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. General Accounting 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.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

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

tors 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.

LEGISLATIVE POST AUDIT COMMITTEE

Representative John Edmonds, Chair
Representative Tom Burroughs
Representative Bill McCreary
Representative Frank Miller
Representative Dan Thimesch

Senator Derek Schmidt, Vice-Chair
Senator Bill Bunten
Senator Anthony Hensley
Senator Dave Kerr
Senator Chris Steineger

LEGISLATIVE DIVISION OF POST AUDIT

800 SW Jackson
Suite 1200
Topeka, Kansas 66612-2212
Telephone (785) 296-3792
FAX (785) 296-4482
E-mail: LPA@lpa.state.ks.us
Website:
<http://kslegislature.org/postaudit>
Barbara J. Hinton, Legislative Post Auditor

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.



LEGISLATURE OF KANSAS
LEGISLATIVE DIVISION OF POST AUDIT

800 SOUTHWEST JACKSON STREET, SUITE 1200
TOPEKA, KANSAS 66612-2212
TELEPHONE (785) 296-3792
FAX (785) 296-4482
E-MAIL: lpa@lpa.state.ks.us

April 2, 2003

To: Members of the Kansas Legislature

This executive summary contains the findings and conclusions, together with a summary of our recommendations and the agency responses, from our completed performance audit, *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*.

This report includes several recommendations for the Department of Social and Rehabilitation Services, the Department of Education, and the Department of Administration. We would be happy to discuss these recommendations or any other items in the report with you at your convenience.

If you would like a copy of the full audit report, please call our office and we will send you one right away.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is fluid and cursive.

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

Are State Agencies Maximizing the Amount of Federal Moneys Available to Them through Federally Funded Programs?

Census data show that Kansas receives considerably less federal assistance per capita than other states. Kansas ranks 44th in the nation in the amount of federal assistance (per capita) to state and local governments. This suggests that opportunities may exist for the State to draw down additional federal funds. page 3

Claiming more expenses incurred by school districts and CDDOs could generate as much as \$20 million in additional Medicaid funding. The majority of opportunities we identified to draw down additional federal funds related to the Medicaid Program and would directly benefit school districts and CDDOs. Those opportunities that appear to be feasible include: page 5

- Opportunity 1: Updating Medicaid reimbursement rates for school districts and other local educational agencies (\$7 million in additional federal funds)
- Opportunity 2: Claiming reimbursement for administrative costs incurred by school districts when serving Medicaid-eligible students (\$1 million–to–\$4 million in additional federal funds)
- Opportunity 3: Claiming reimbursement for eligible services delivered by nurses and other health personnel in school districts to Medicaid-eligible students (\$3 million in additional federal funds)
- Opportunity 4: Gathering required signatures from the parents of Medicaid-eligible children that will allow school districts to bill for eligible services provided to those children (\$3 million–to–\$5 million in additional federal funds)
- Opportunity 5: Consolidating CDDOs to allow a larger amount of State and local funds to be matched by Medicaid for selected services. (\$2 million in additional federal funds)

Reducing error rates in Kansas' Food Stamp Program could avoid as much as \$1.4 million in penalties. For federal fiscal year 2002, Kansas' error rate in determining eligibility (instances in which SRS incorrectly determined eligibility or the amount of benefits for an individual) was 11.2%, significantly higher than the national average of 8%. Because of this, the State is estimated to be penalized \$1.4 million. page 5

We identified several other opportunities that could generate additional federal funds from existing programs or save the State money. Because of time constraints, we weren't able to fully examine these opportunities, but additional follow-up work could show them to be as promising as those identified above. They include ways to further maximize Medicaid reimbursements and to take advantage of local funds to draw down additional federal dollars. Examples of these opportunities include:

..... page 9

- Ensuring that medical services are provided to foster care children by Medicaid providers
- Increasing targeted Medicaid rates
- Auditing agencies' cost allocation plans
- Maximizing federal reimbursement to local/county governments

We also identified a number of federally funded programs that Kansas may not be participating in. By matching the list of federal grants available to state governments contained in the Catalog of Federal Domestic Assistance with a listing of federal grants Kansas received in fiscal year 2002, we identified 29 programs Kansas may not be participating in. In some cases, we found that Kansas already was receiving these federal funds under another grant, so we can't be sure which grants the State isn't getting. Nonetheless, these opportunities, which are listed in Appendix B, page 16, should be explored.

..... page 10

Kansas could benefit from a more coordinated effort to identify and secure federal moneys. We identified several obstacles that appear to be hindering the State's efforts in securing federal funds. For example, there's no one at the State level that agencies can consult with to find out what federal programs may be available. Also, no one in the State is looking at overall strategies to maximize federal moneys.

..... page 10

Conclusion. Almost one-third of the State's expenditures are financed by some form of federal funding. This funding not only enhances the lives of many Kansans, but also helps ease the tax burden placed on Kansas's citizens and corporations. In this audit, we've identified several opportunities that could potentially bring millions of additional federal dollars into the State. The most significant opportunities we identified related to local entities such as school districts and CDDOs. If these entities took full advantage of the federal dollars available to them, it could indirectly impact the State General Fund by lessening the need for additional State aid in the future. There were numerous additional opportunities suggested to us that we didn't have time to fully investigate in this audit. That suggests that Kansas may be able to benefit from the creation of an ongoing grant oversight function to identify opportunities for securing federal funding and assist agencies in obtaining those moneys.

.....page 11

Recommendations. We recommend that SRS review and page 12
update the Medicaid reimbursement rates for special education services,
determine the most advantageous grouping of CDDOs, explore the
possibility of designating school districts as Medicaid providers, correct
problems with the accuracy of food stamp determinations, and follow-up
on opportunities identified in this report related to Medicaid.

We also recommend that the Department of Education continue
its efforts in getting school districts to participate in the Medicaid Adminis-
trative Claiming Program and assisting them in securing parental consent
to bill Medicaid.

Finally, we recommend that the Department of Administration
consider assigning one or more employees to search out federal funding
opportunities for State agencies and identify the federal grants that
Kansas isn't receiving but is eligible for.

APPENDIX A: Scope Statement page 14

APPENDIX B: Federal Grants Available to page 16
State Governments Which Kansas Didn't
Receive in Fiscal Year 2002

APPENDIX C: Agency Responses page 18

This audit was conducted by John Curran, Scott Frank, Lisa Hoopes, and Joe Lawhon. Leo Hafner was the audit manager. If you need any additional information about the audit's findings, please contact John 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.