

## AUDIT PROPOSAL

### Federal Funds: Evaluating Costs Associated with Federal Funding in Selected State Agencies

#### SOURCE

This audit proposal was requested by Representative Ron Highland.

#### BACKGROUND

In fiscal year 2017, three state agencies spent almost \$97 million in federal funding. Those agencies include:

- Department of Transportation - \$63 million
- Department of Labor - \$24 million
- Department of Agriculture - \$10 million

This funding supported numerous programs and activities including unemployment insurance, food safety monitoring, and highway safety programs.

To receive federal funding, state agencies often must meet several cost sharing, administrative, and policy requirements. Cost sharing can require the state to match federal funds, whereas administrative requirements may include monitoring activities or reports to federal agencies. In other cases, the agency or state may be required to operate in ways that support national policy goals. For example, to be eligible for certain highway funds, Kansas was required to pass a .08 blood alcohol content law.

Legislators have expressed concerns about the cost of the requirements some state agencies must meet to receive federal funding.

#### AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

*The audit objectives listed below represent the questions that we would answer through our audit work. The proposed steps for each objective are intended to convey the type of work we would do, but are subject to change as we learn more about the audit issues and are able to refine our methodology.*

**Objective 1: How much federal funding have the Department of Labor, Department of Transportation, and the Department of Agriculture spent in recent years, and how have those funds been used?** Our tentative methodology would include the following:

- Work with the Department of Labor, Department of Transportation, and the Department of Agriculture to determine the total amount of federal funds those agencies have received in the last few years.
- For a sample of federally funded programs in those departments, interview agency officials to understand how the federal funds were spent, including any amounts retained by the agency for administrative costs.

- For the sample of programs identified above, work with agency and federal officials to understand any conditions that limit how federal funds can be used.

**Objective 2: What are the costs and obligations associated with federal funds in the Department of Labor, Department of Transportation, and the Department of Agriculture?** Our tentative methodology would include the following:

- For a sample of programs in the agencies listed above, interview agency and federal officials and review documents to identify any funding, administrative, or policy requirements that are tied to receiving those funds.
- For the sample of programs identified above, work with agency officials to determine the resources required to meet any federal requirements we identify.
- Based on information determined above, estimate the cost associated with the resources agency officials reported and any costs related to implementing prescribed policy requirements.
- Work with agency and federal officials to determine the extent to which the costs associated with receiving federal funds can be paid for with federal funds.

#### **ESTIMATED RESOURCES**

We estimate this audit would require a team of **three (3) auditors** for a total of **five (5) months** (from the time the audit starts to our best estimate of when it would be ready for the committee).