



# KANSAS LEGISLATIVE DIVISION *of* POST AUDIT

The Rundown podcast transcript for Performance Audit report titled ***Federal Funds: Evaluating Costs Associated with Federal Funding in Selected State Agencies*** – Released July 2019

**Andy Brienzo, Host and Principal Auditor:** [00:00]

From the Kansas Legislative Division of Post Audit, this is The Rundown. Your source for news and updates from LPA, including performance audits recently released to the Kansas Legislature. I'm Andy Brienzo. In July 2019, Legislative Post Audit released a performance audit evaluating how much federal funding the Department of Labor, [Department of] Transportation, and [Department of] Agriculture spent in fiscal year 2018, how those funds were used, and what state costs and obligations were associated with those funds. I'm here with Meghan Flanders, Senior Auditor II at Legislative Post Audit who supervised the audit. Meghan, welcome to The Rundown. Thank you for joining me in the studio.

**Meghan Flanders, Senior Auditor II and Supervisor:** [00:42]

Thank you.

**Andy Brienzo, Host and Principal Auditor:** [00:43]

So why don't you start by giving me an overview of how much federal funding the three agencies you reviewed got in fiscal year 2018 and then what those agencies used their federal funds for.

**Meghan Flanders, Senior Auditor II and Supervisor:** [00:53]

So we looked at the Department of Labor, [Department of] Transportation, and [Department of] Agriculture. They spent about \$568 million in federal funds in fiscal year 2018. The Department of Labor spent about \$177 million. They spent most of those funds on unemployment insurance, but they also spent some on workplace safety consultations and providing and maintaining statistical data. The Department of Transportation spent about \$380 million in federal funds. They spent most of those on highway construction projects, but also spent money on public transportation, public airports, and safety projects. The Department of Agriculture spent about \$11 million in federal funds in fiscal year 2018 and those were more evenly distributed and spent on various projects like natural resources in livestock and food inspection and safety, water resources, and preparation for natural

disasters.

**Andy Brienzo, Host and Principal Auditor:** [01:56]

So it looks like you selected six programs from those three agencies to review. Why don't you tell me how you selected those programs and which ones you settled on?

**Meghan Flanders, Senior Auditor II and Supervisor:** [02:04]

We initially looked through all the federal grants that we could find that each of the departments were receiving money for and we looked through how much each of those grants were worth and the types of things that they were used on. To pick our programs, we tried to find ones that had the larger percentage of federal spending out of all of their grants. But we also looked at things that just might be interesting, honestly, to us about the programs or might have either a state match or an MOE requirement. That would give us a chance to look at those types of things. We weren't always able to use the largest grants for each of the programs. For example, the largest grant in Transportation is actually for the highway planning and construction funds, but we (LPA) looked at those in our 2015 audit on federal funds, so we didn't want to repeat that work. So, we actually picked smaller funds for transportation and some other projects. We picked six programs from the three departments, two from each. In the Department of Labor, we looked at the Unemployment Insurance Administration program. This is funding to administer unemployment insurance - slight distinction between the money that we receive that actually goes out for benefits. What we looked at was the money that's used to actually process those benefits: the employees that are working at the unemployment office to help people get benefits. The actual administration of it. That fund is what we looked at. Also, in the Department of Labor, we looked at the Occupational Safety and Health Administration Consultation programs, so OSHA, has a consultation program for private businesses. So, this is where the Department of Labor can go in and provide free and confidential safety inspections for private businesses to help them get in compliance in a way that maybe doesn't have the penalties or things associated with an actual OSHA inspection. Then in the Department of Transportation, we looked at the Highway Safety funds. There are multiple grants in this area but, they're all aimed at reducing traffic crashes and the number of injuries or deaths from those crashes, then public awareness, data sharing, and other things like that all related to highway safety. We also looked at, in Transportation, the Transit Assistance program, which also has multiple grants within the program. But, all of those are geared towards funding local projects to improve access to transportation in rural areas and also for seniors and those people with disabilities. So that's all about just helping people get better access to public transportation. In the Department of Agriculture, we looked at the Meat and Poultry Inspection program. This is money to help the state run its own meat and poultry inspection program for meat processors and sellers. This is distinguished from the USDA federal inspections, which also do happen in Kansas. But the funding we looked at is for a separate Kansas-run inspection program for smaller processors and

sellers. Also, in the Department of Agriculture, we looked at the Cooperating Technical Partners. We call it the flood mapping program because it's primarily used to map floodplains and complete engineering projects that will mitigate flood damage and loss of life. So those are the six programs that we looked at. Everything that we talk about later in terms of how much the spending was, the requirements, and all of that, the findings in those areas we can't project to other federal programs or say for sure that it applies to everyone else because we used our judgment to pick the sample. So, all our findings in here apply just to these six programs.

**Andy Brienzo, Host and Principal Auditor:** [06:28]

What did you do to determine how those six programs you reviewed spent their federal funds? And what did you find?

**Meghan Flanders, Senior Auditor II and Supervisor:** [06:35]

So we asked each agency for financial spending information from them. We looked through the data, it just comes in an excel spreadsheet with all their accounting codes, and we tried to take that data and categorize it in a way so we could see: okay, they're spending so much on salaries or on contractors or whatever. So, we put that data into categories and then reviewed it with the agencies to just make sure we were understanding how that money was being spent and that it was accurate. One thing we were not able to do as part of the audit in terms of the spending data was to check and make sure that each specific code that we looked at was correctly entered. So, we took at face value the coding that they had used. We were able to do some data reliability on the total spending for the programs to make sure that we were reporting that accurately. So, we found that depending on the purpose of the program, each of the programs that we looked at spent most of their money either on employee salaries and wages, assistance to other state agencies and local governments, or for contractual services. So for example, the Unemployment Insurance Administration Program, OSHA Consultation Program and Meat and Poultry Inspection spent most of their federal funds on salaries and wages, so that would be- I think I gave the example before, someone in the Department of Labor that's actually processing unemployment benefits, that would be a state employee whose salary is essentially paid for with federal funds. The state and local government aid in Highway Safety and Transportation Assistance in the Department of Transportation, they spent most of their money on those types of things. So that's federal dollars that transportation is then transferring either to other state agencies to use on those types of programs. For example, Kansas Highway Patrol has certain highway safety related programs or the KBI might. And then the transit assistance, that was about public transportation, almost all of that money, 97%, is going to local governments or other organizations that are actually running those programs. So, the Department of Transportation is monitoring and helping, but it's really the locals that are receiving that money and implementing the programs. And then the last category we kind of found was the flood mapping, in [the] Department of Agriculture, used most of its funds on contractual services. And in that case it was

spent on just multiple engineering firms that are actually out there doing the mapping and getting that work done for the state.

**Andy Brienzo, Host and Principal Auditor:** [09:39]

The second part of the audit question dealt with state costs and obligations associated with these federal funds. How did you go about identifying these things?

**Meghan Flanders, Senior Auditor II and Supervisor:** [09:49]

So the main thing we did, we started with the code of federal regulations which is a very large document and we used that (the most recent version of that) with a compliance supplement that the Office of Management and Budget puts out in addition to that. And we reviewed all the regulations in those sections about each of our sample programs. And then we also asked the agency if they had any additional documents like specific grant agreements or things like that and if they did, we reviewed those as well. And we just came up with as big a list as we could of all the important requirements for each of the programs. And then we sat down with the agencies and reviewed that with them, made sure we understood what was going on, and then also made sure that we didn't miss any big requirements that might be costing them a lot of resources, time, or money.

**Andy Brienzo, Host and Principal Auditor:** [10:52]

It looks like through that process you found three types of obligations tied to the federal funds you were looking at- funding, administrative, and policy requirements. Tell me a little bit about each of these.

**Meghan Flanders, Senior Auditor II and Supervisor:** [11:04]

So we put everything into these three categories. They don't come like that in the compliance supplements or anything like that. Those are categories we made up to kind of understand the information a little bit better. So, the funding requirements were things that actually required the state to spend a specific amount of money. So, the two that we encountered were matching requirements and maintenance of effort requirements. The matching requirements are a requirement for the state to spend a certain percentage of money on the program to match what the federal government is spending on the program. So, in one of our sample programs, there was a 10% match, so we would describe that as for each dollar spent on the program, the state spends \$0.10 and the federal government spends \$0.90. The other type of funding requirement we found in one of our programs was a maintenance of effort. And that just means that the state has to spend at least as much money in state funds as it did in a previous time period. So, in the Highway Safety Program, there was a grant where the state had to keep it's spending at the 2014- 2015 level. So that just means they have to keep spending what they were spending on the program. And the reason that those are in place is because these federal programs benefit the state. Oftentimes, the federal government wants to require the state to pitch in and spend a certain amount of money on the program as well, since it's benefiting that

state. So, all the other programs also, instead of the funding requirements, had administrative and policy requirements. So, we defined administrative requirements as tasks that the state agency had to complete to ensure that funds are properly tracked, that performance measures are met, or any other standards are met. So, for example, this would be something that might require the agency to fill out a form, or plan. In one of the transportation programs, the department has to fill out a comprehensive annual safety plan. So, anything that requires them to gather that type of information and submit it to the government, or things along those lines, is what we would call an administrative requirement and all the programs had those types of things. All the programs also had policy type requirements. We define those as requirements that are principles or guidelines for how the agency should do the program's work. They might impose certain standards on the programs like which training employees have to get, or what laboratory methods have to be used, or a certain penalty that they have to impose. Like for fraudulent unemployment claims, there's a requirement that we have to impose a certain percentage of a fine on those. All six programs had those type of requirements. The big example that we included in the report is the Meat and Poultry Inspection program has to operate a program that's at least equal to the federal government's program. So that means we have to have a program in place that looks very similar to, or almost exactly like, the federal program. So, we've got to make sure all of our statutes are in line and things like that. So those would be policy requirements.

**Andy Brienzo, Host and Principal Auditor:** [14:51]

Tell me more about the funding requirements you found. How much did those total?

**Meghan Flanders, Senior Auditor II and Supervisor:** [14:57]

So we found that the state had to spend about \$3.4 million for all six of the programs. Only three of the programs out of six had funding requirements. The OSHA Consultation program had a 10% match, so that was about \$72,000. The Transportation Highway Safety program had a matching requirement and an MOE requirement. The matching requirement for fiscal year 2018 was about \$1.5 million and the MOE was \$250,000. And then the Meat and Poultry Inspection program in the Department of Agriculture had a 50% match, so expenditures there were about \$1.6 million in fiscal year 2018. The other programs did not require a state match or an MOE.

**Andy Brienzo, Host and Principal Auditor:** [15:53]

How did the state pay for the costs and obligations you found?

**Meghan Flanders, Senior Auditor II and Supervisor:** [15:57]

So the funding requirements are paid for with state dollars and they're funding requirements because they have to be paid for with state dollars, so those are state resources that are used for those funding requirements. And then the administrative

and policy requirements would be some combination of those state funds that are used to show the match or MOE, and then the federal dollars that are received. So, what we did was we went through all those requirements that we found. We went through them with the agencies and asked them how do they cover the cost to do those things? So how do they cover the cost to fill out all those reports or how do they cover the costs to you know, get the statutes--make sure their statutes are written correctly, and those types of things. The way they cover those costs is that they use the federal money that's given to them or the state money that they're using to match as part of the program. Generally, this aligns with the regulations that we found about how state agencies can use federal money. So, state agencies can use federal money to generally pay for anything that's necessary and reasonable to perform the work of the program. Sometimes there are restrictions and conditions on that, but for the most part they can use the federal money on anything they need to get the program done, including those requirements that the federal government places on them.

**Andy Brienzo, Host and Principal Auditor:** [17:35]

What other limitations and conditions exist on how the federal funds could be used for these six programs?

**Meghan Flanders, Senior Auditor II and Supervisor:** [17:43]

Like I alluded to, there are sometimes limits on how agencies can spend money and there's sometimes conditions on how they can spend money. So, there's a minor distinction there, so limitations, kind of tell them what types of things they cannot spend their money on. So, for example, the Meat and Poultry program- they can't spend the federal funds on certain types of meat inspection. I think one of them was maybe buffalo. And then there are also conditions which tell them they maybe have to spend a certain amount of money on certain activities. For example, in the Highway Safety program, Transportation has to spend at least 40% of the federal funds on local aid so there might be conditions like that that meet the specific goal of the program.

**Andy Brienzo, Host and Principal Auditor:** [18:40]

Finally, what's the main takeaway from this report?

**Meghan Flanders, Senior Auditor II and Supervisor:** [18:43]

I think the main takeaway from the report is that there is state money that is spent on the federal programs that is required to be spent. That there are definitely requirements that state agencies have to follow that do take time and resources to comply with. But that overall, at least in the six programs that we looked at those requirements are generally covered with either the state money that was already required to be spent or the federal dollars that are coming in as part of that program.

**Andy Brienzo, Host and Principal Auditor:** [19:20]

Megan Flanders is a Senior Auditor here at Legislative Post Audit and she supervised an audit evaluating how much federal funding the [Department] of Labor, [Department of] Transportation and [Department of] Agriculture spent in fiscal year 2018, how those funds were used, and what state costs and obligations were associated with those funds. Meghan, thanks again for joining me.

**Meghan Flanders, Senior Auditor II and Supervisor:** [19:39]

Thank you.

**Andy Brienzo, Host and Principal Auditor:** [19:41]

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