

# **PERFORMANCE AUDIT REPORT**

**Examining Contract Oversight By the Department of  
Social and Rehabilitation Services**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
July 1995**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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# **PERFORMANCE AUDIT REPORT**

## **EXAMINING CONTRACT OVERSIGHT BY THE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES**

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### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Ellyn Sipp, Tracey Elmore, and Laurel Murdie. If you need any additional information about the audit's findings, please contact Ms. Sipp at the Division's office.

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# EXAMINING CONTRACT OVERSIGHT BY THE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

## Summary of Legislative Post Audit's Findings

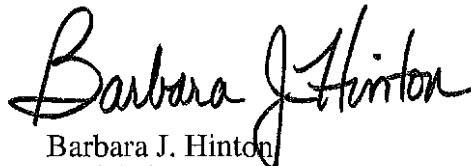
The Department of Social and Rehabilitation Services obtains services from individuals, private agencies and companies, and public agencies through contracts, grants, and provider agreements. In fiscal year 1994, the Department spent more than \$181 million for such services.

**How does the Department ensure that vendors are providing agreed-upon services?** The Department has established few agencywide procedures for this purpose. Most procedures have been established by individual commissions and divisions, and they vary from one to another.

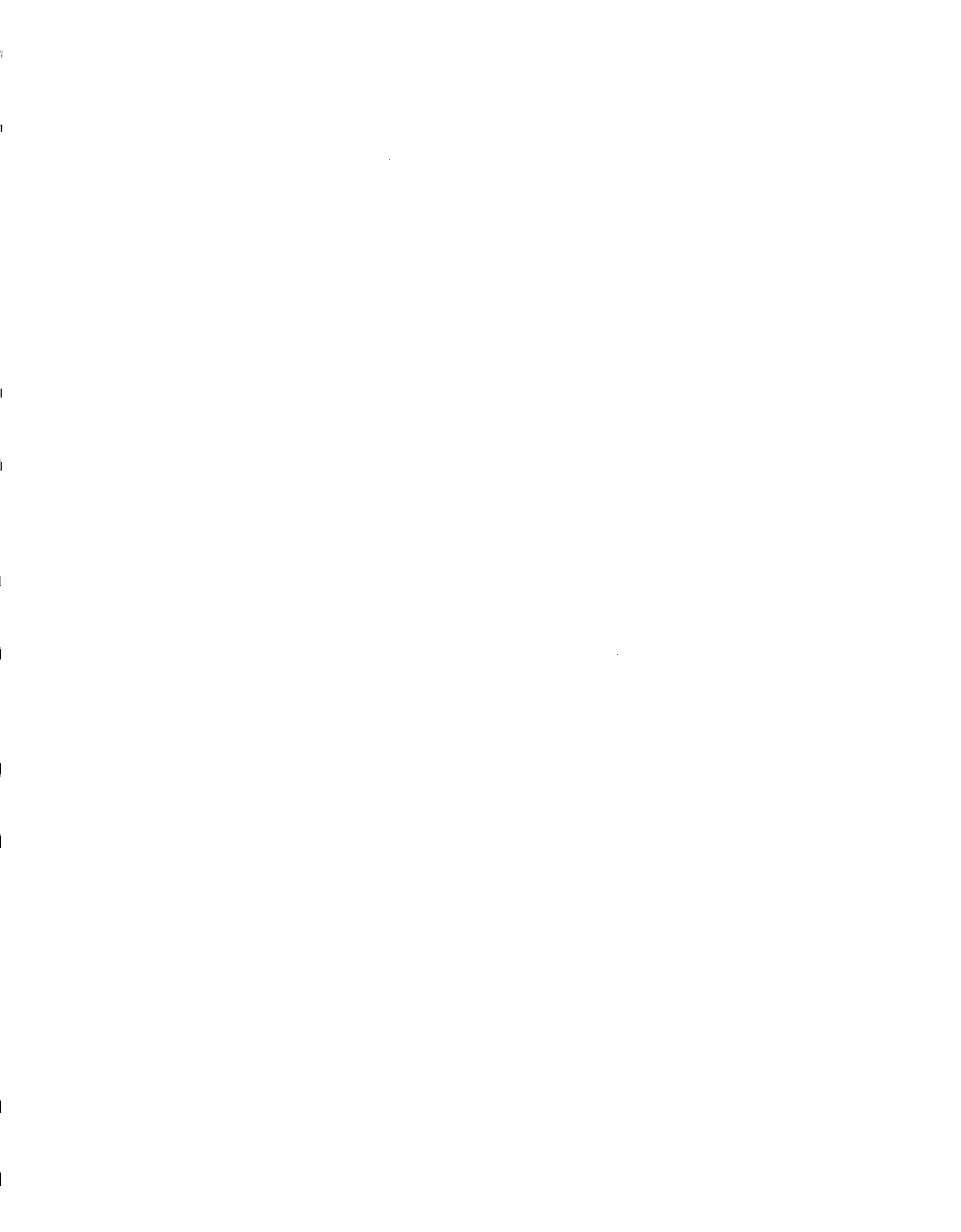
For nearly one-fourth of the 62 contracts and grants we reviewed, it appeared the Department didn't get the services it expected, or it was not possible to tell whether it got them. For the cases where the Department didn't get the services it expected, its staff took steps to resolve the problems, even though in most of those cases the vendors still were paid.

We also identified some procedural weaknesses that create a risk that other contractors and grantees could be paid for services that aren't provided. Sometimes commissions failed to require vendors to provide documentation to show what services were being provided. When documentation was required, sometimes the vendors were paid whether they submitted it or not. In other cases, the information wasn't used to verify that the services were provided, or it wasn't given to the persons responsible for making payments. In some cases, the Department established grants that didn't require a certain level of service to be provided in order to obtain payment. Also, final reviews of grant expenditures often occurred long after grants were over, which could make it more difficult to recover moneys grantees owe to the Department.

This report contains recommendations to ensure that the Department follows its policies and procedures relating to contract oversight. We also make recommendations to ensure that the Department can determine whether vendors are providing the agreed-upon services, and that grant and contract moneys are spent in the most cost-effective manner. Finally, we recommend that the Department require information about provider agreements to be maintained centrally. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or State officials.



Barbara J. Hinton  
Legislative Post Auditor



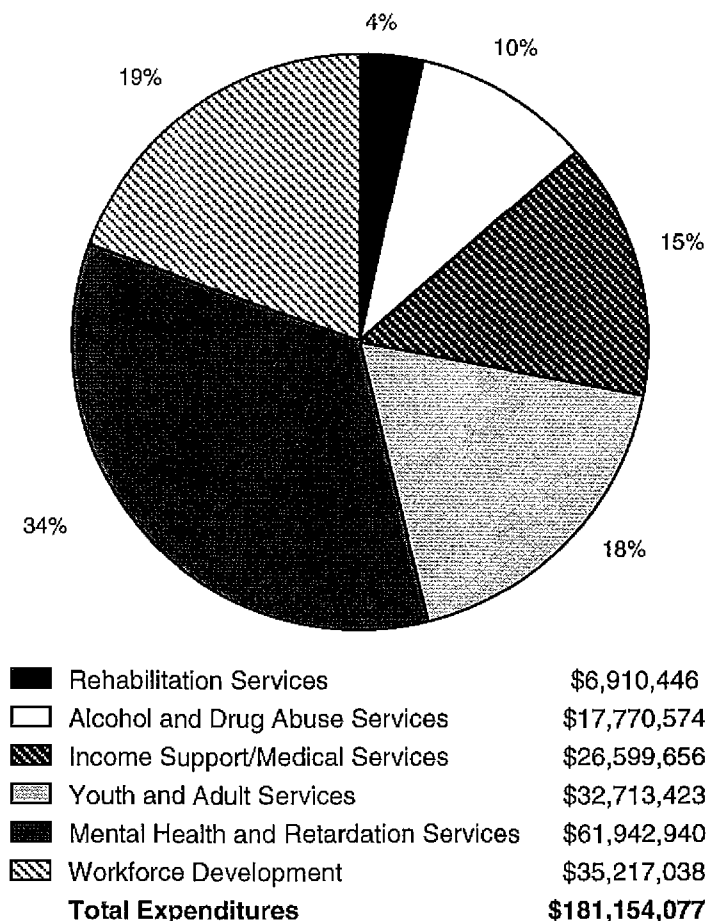
viewed documentation to verify that the information they submitted to the Department was correct. In conducting this audit, we followed all applicable government auditing standards set forth by the U. S. General Accounting Office.

In general, we found that the Department has established few agencywide procedures for ensuring that vendors are providing agreed-upon services. Most procedures have been established by individual commissions and divisions, and they vary from one to another. For nearly one-fourth of the contracts and grants we reviewed, it appeared that the Department didn't get the services it expected, or it was not possible to tell whether it got them. For those cases where the Department didn't get the services it expected, it appeared that the Department had taken some steps to resolve the problems. However, we also found that weaknesses in the Department's policies and procedures increase the risk that contractors and grantees could be paid for services that aren't provided. Finally, we found that the final review of grant expenditures often occurred long after grants were over, which could make it more difficult to recover moneys that grantees owed to the Department.

These findings are discussed after a brief overview of the Department's grants and contracts.

As a check on these figures, we contacted each commission and division to find out how much they spent on grants, contracts, and provider agreements. Commissions and divisions also were not always able to provide complete information. Nevertheless, when we compared the information they supplied with the information we got from the Department's records, we concluded the numbers presented in the accompanying graphic are a reasonable estimate of annual Department expenditures for contracts, grants, and provider agreements. As the graphic shows, in fiscal year 1994, the Department spent more than \$181 million for grants, contracts, and provider agreements. With so much money at stake, it is critical that the Department provide adequate oversight to ensure that it is getting the agreed-upon services.

**Department of Social and Rehabilitation Services  
Expenditures on Grants, Contracts, and Provider Agreements  
Fiscal Year 1994**



This chart shows an estimate of the Department's annual expenditures during fiscal year 1994 for contracts, grants, and provider agreements. Most of the funds (34%) were spent by the Commission on Mental Health and Retardation Services.



The rest of this audit examines what the Department does to ensure it gets the agreed-upon services, and looks at whether the Department actually gets the services it is contracting or issuing grants for. The scope of this audit did not include determining whether the Department is contracting for the right services, whether the services are effective, or whether the Department is acquiring the services at the lowest cost. Such issues may be of interest to both the Legislature and the Department in the future.

## **How Does the Department Ensure That Vendors Are Providing Agreed-Upon Services?**

We found that the Department has established few agencywide procedures for ensuring that vendors are providing agreed-upon services. Most procedures have been established by individual commissions and divisions, and they vary from one to another. For nearly one-fourth of the contracts and grants we reviewed, it appeared that the Department didn't get the services it expected, or it was not possible to tell whether it got them. For those cases where the Department didn't get the services it expected, it appeared that the Department had taken some steps to resolve the problems. However, we also found that weaknesses in the Department's policies and procedures—including paying vendors that haven't submitted any information about the services they are providing, and not always linking payments directly to the services provided—increase the risk that contractors and grantees could be paid for services that aren't provided. Also, we found that final reviews of grant expenditures often occurred long after grants were over, which could make it more difficult to recover moneys grantees owe to the Department. These and other findings are discussed in the rest of this audit.

### **The Department Has Established Few Agencywide Procedures For Ensuring That Vendors Are Providing Agreed-Upon Services**

A number of good practices should be followed to help ensure that an agency gets the services it sets out to get from contractors and grantees. Some of the key practices include the following:

- identifying those vendors who are qualified to provide the services
- clearly spelling out in the contract or grant agreement what services the vendor is expected to provide
- establishing a way of checking to ensure that the vendor actually provided the services
- making payment for the services dependent upon the satisfactory performance by the vendor

These individual practices can be accomplished in any number of ways. For example, an agency can check to ensure that the vendor actually provided the service by doing one or more of the following:

- requiring the vendor to submit documentation to show that the service was provided
- conducting site visits to verify that the services are being provided
- sending confirmation letters to a sample of clients to find out whether they really received the service
- conducting periodic audits of vendor records to verify that the required services were provided

Our review of the Department of Social and Rehabilitation Services' grant and contract oversight procedures showed that the Department has a few standardized procedures for paying grantees and auditing and closing-out grants. Grantees generally must submit a financial expenditure report before they can be paid. All grants of \$25,000 or more are required to have an independent audit to verify that expenditures were allowable and that grant conditions were met, and the Department's audit staff reviews these independent audits before it closes out each grant. Beyond these relatively few standardized procedures, however, the monitoring function is the responsibility of each division or commission.

**State Laws Sometimes Have Limited the Department's Ability  
To Obtain the Services It Expected**

The Department of Social and Rehabilitation Services has had a contract with the Department of Human Resources since 1991. According to the \$1.5 million contract for fiscal year 1995, Human Resources was to provide vocational counseling and testing, career exploration workshops, on-the-job training, job development and placement, individual job search, and employment follow-up services to job-ready or employable KanWork clients. By State law, the Department had to contract for the Services with Human Resources.

The contract outlined each agency's duties, and specified performance standards Human Resources was supposed to meet. Over the course of the contract periods, the Department received performance reports from Human Resources, but Human Resources did not always meet the required performance standards.

However because the Department was required to contract with Human Resources for the services listed above, the Department's ability to make sure that the services were provided was limited.

During the 1995 legislative session, Substitute for House Bill No. 2458 passed and amended the KanWork Act. This law becomes effective January 1, 1996, and allows the Department to enter into agreements with public, private, and community-based providers for the services listed above. The amendment should give the Department a better opportunity to ensure it is receiving the employment services it is paying for.

According to Workforce Development Division staff, the Department is planning to extend the 1995 contract, which ends June 30, 1995 to December 31, 1995, after which it may exercise its options to contract with someone else.

**Individual commissions and divisions have developed their own procedures to monitor grants and contracts and ensure that vendors provide services.** For example, the Division of Mental Health Services has one program coordinator in the central office who monitors consolidated grants. Two other program coordinators monitor mental health reform contracts and consumer-run grants. Alcohol and Drug Abuse Services has five grant consultants to monitor its grants. Two are located in the central office in Topeka, and the other three are located in area offices in other regions of the State. Youth and Adult Services and Rehabilitation Services use staff in the Department's 12 area offices to do the actual monitoring of contracts and grants, but they provide information on vendor activities to central office staff for review.

Department officials told us that grant and contract monitors generally do the following types of things to help ensure that the Department gets what it contracts or issues grants for:

- review contracts and grant applications to ensure that applicants are qualified to provide the services

- receive and review monthly or quarterly reports submitted by contractors and grantees
- conduct periodic site visits to see how programs are operating and to make sure that services are being provided
- correspond with contractors and grantees to resolve problems, and set up corrective action plans when problems persist
- make recommendations about paying contractors and grantees
- make recommendations about terminating or renewing grants and contracts

To determine whether the Department had adequate procedures for ensuring that it gets the services it contracts for, we compared the procedures established by six of the Department's commissions and divisions with a list of good business practices we assembled. Also, we reviewed files and other documentation related to a sample of 62 grants and contracts established by those commissions and divisions, generally during fiscal years 1993 through 1995. In total, we reviewed contracts and grants that were worth nearly \$30 million to providers. A complete listing of the specific grants and contracts we reviewed can be found in Appendix A.

Our review of the Department's procedures, files, and documentation related to specific grants and contracts showed that although the Department had established a number of good practices, its procedures were weak in several areas.

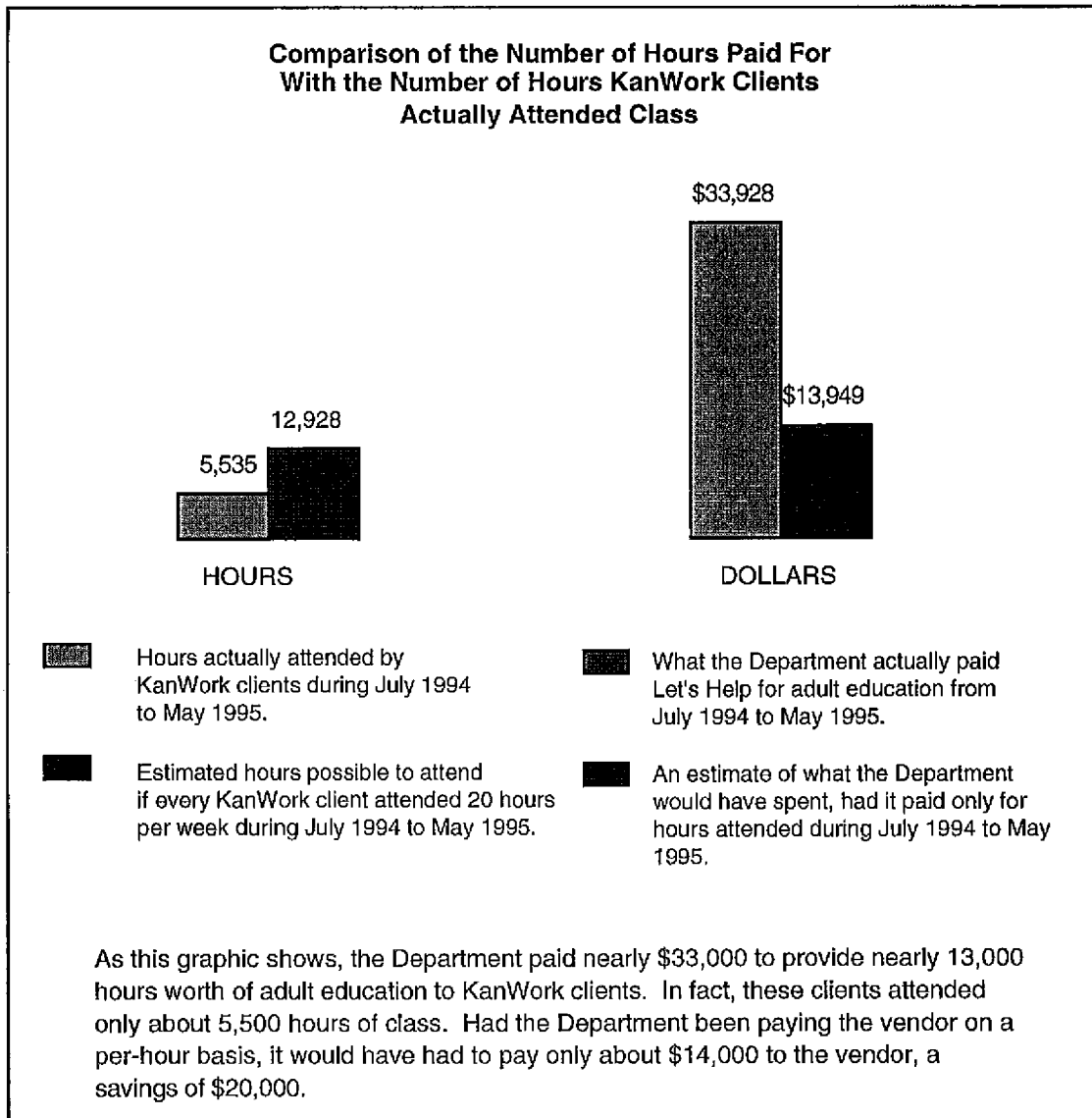
**In About One-Fourth of the Cases We Reviewed, The Department Didn't Get the Services It Contracted For, Or It Couldn't Tell Whether It Had Gotten Them**

In 47 of the 62 grants, contracts, and provider agreements we reviewed (75.8%), the Department got the services it expected to receive from the vendor. These 47 agreements totaled \$23.5 million, and represented 78% of the total dollar value of the agreements we reviewed.

**In eight cases (12.9%), the Department didn't get the services it contracted for.** These eight agreements totaled \$1.4 million. Here's a breakdown of those eight cases:

- in six cases, the vendor provided some services, but not the level expected. For instance, a vendor who received a grant from Mental Retardation/Developmental Disabilities was supposed to provide supported employment opportunities to eight individuals, but actually provided them to fewer individuals. As a result of not providing the level of services required, the grantee owed the State about \$16,000.
- in two cases, the vendors were struggling to get established and were not yet providing any services

In all eight cases, the Department took some action to resolve the problems identified, even though in six of these cases, the vendor still was paid. For instance, we identified some Workforce Development Division contracts that paid vendors a monthly rate for each client served. These contracts were set up to provide education to KanWork clients, who were supposed to attend 20 hours of class each week. We noted that some clients attended only one-half hour of class during a month, or were referred and apparently didn't attend class at all. The vendors were paid for a full month regardless of how much time the client spent in class. As a result, the State was paying for services it didn't get. The accompanying graphic shows the impact on the Department. Division officials told us they had already discovered this problem, and that this arrangement would be changed in fiscal year 1996 so that the Department would pay only for the hours of adult education classes the clients actually attended.



In another case, Rehabilitation Services officials were funding a grant for independent living services to help disabled individuals live on their own. A Departmental program review revealed that the grantee was not in complete compliance with applicable State and federal regulations. For example, the grantee was underserving individuals with hearing and mental disabilities and individuals from racial/ethnic minority groups. The building where the grantee's office was located was not accessible to disabled persons. The grantee was not providing the basic level of core services, such as independent living skills training and counseling. Finally, the grantee did not allow its clients to become involved in deciding what services the center should offer and how those services should be provided.

Department staff required the grantee to establish a corrective action plan to address these problems. The grantee prepared this plan and implemented it during the grant period. According to progress reports from the grantee and Department memos, the Department's staff was satisfied with the grantee's performance after this plan was enacted.

In the two cases where the vendor was struggling to get established, the Department did not pay the vendor until it was established enough to begin offering services.

**In seven other cases (11.3%), the Department couldn't tell whether it got the expected services.** These agreements totaled \$5 million. They were as follows:

- in four cases, the Department didn't get any information from the grantee on what services had been provided
- in three cases, the Department told us that documents apparently had been provided by the grantees, but that information from those documents would need to be sorted, compiled, and analyzed before anyone could tell whether the services had been provided. In essence, no central monitoring of these grants took place.

In all seven cases, the vendors were paid even though the Department couldn't tell whether agreed-upon services actually had been provided. In two of these cases, it appeared that the Department's monitoring efforts "broke down." These cases are profiled on the next page. In the last three cases cited above, the Department eventually will find out if the grantee provided the agreed-upon services through the independent audit of the grant.

### **Weaknesses in the Department's Policies and Procedures Increase the Risk That Contractors or Grantees Could Be Paid for Services That Aren't Provided**

All told, we found weaknesses in the way the Department monitored grants and contracts in about two-thirds of the files we reviewed. Although these weakness-

### **Two Grants Totaling About \$600,000 Apparently Were Not Being Adequately Monitored**

When the Department fails to monitor its agreements, providers have the opportunity to pursue their own agendas and provide the services they want rather than the services required by the Department. They may also spend their funds improperly.

In most cases, the Department monitored its providers closely enough to ensure that these things did not happen. But at the Commission on Youth and Adult Services, a review of the Commission's files showed two providers who were not being monitored. We reviewed eight grant files and of those, two grants (25%) were not monitored by the Commission's staff. One grant had been awarded to Keys for Networking (\$123,698) to provide training, support, and advocacy services to parents of children with severe emotional disabilities. The other grant had been awarded to St. Francis Academy (\$459,110) to provide shelter for chronic runaway juveniles.

We wanted to know if the providers were rendering the required services. The files did not contain progress reports, and there was no other information available to show if services were actually being provided. We questioned various central office and area office Commission staff members. Each of them said he or she did not monitor either of the providers and was not aware of anyone else who did. One staff member told us she made sure the expenditure reports for each provider were approved and

paid, but she did not check to ensure that the providers were providing services.

We asked several staff members why no one was monitoring these providers. Some people told us it wasn't their responsibility. Others said they did not know. One staff member, referring to St. Francis Academy, told us there was no reason for not monitoring the provider except that the Commission just overlooked it. He assured us that now that the Commission was aware that St. Francis Academy was not being monitored, a staff member would be assigned to monitor the facility in the future.

To learn more about Keys for Networking, we talked to staff members in the Area Office. Most had no information regarding the provider. But one employee told us that after our initial inquiries, the Central Office staff became concerned about the provider. He said the provider was discussed during a meeting between staff members from the Area Office and the Central Office. Central Office staff members wanted to know if anyone was familiar with the provider.

We later visited the offices of Keys for Networking where we learned that the Department recently asked the staff of Keys for Networking to develop performance indicators. The Department also recently asked the provider to start submitting progress reports about the services provided during its current grant period.

es didn't necessarily result in payments for services that were not provided, they certainly increased the risk that this could happen in the future.

**The commissions and divisions don't always require agencies to submit information about the services they are providing, and, even when they do require such information, they sometimes pay vendors even if they haven't submitted it.** To help ensure that it is getting the services it expects, the Department needs to have information about what services have been provided. This information also can help the Department develop corrective action plans for contractors and grantees who are not providing the required services. This "early intervention" is one way to ensure accountability, because it can occur before the grantee or contractor has been paid the full amount of the agreement.

Until the most recent grant year, the Commission on Alcohol and Drug Abuse Services did not require progress reports from its grantees detailing the level of services they were providing. It received an annual report as part of the next grant year's application, but that report did not cover a full grant year because it was submitted before the grant year was over. As a result, the Commission never received

full information on all the services provided for any particular grant, and it could never be sure that it got the services it paid for. The Commission also was not in a position to intervene early in the grant period if its grantees were not providing the agreed-upon services.

Beginning with grants issued in the most recent year, the Commission is starting to require grantees to submit quarterly reports that indicate the levels of service that have been provided. If done correctly, those reports should provide the Commission with the ongoing information it needs and with a summary of a full grant year's activities.

We also found that grant payments sometimes were made before required reports of expenditures were submitted to Alcohol and Drug Abuse Services and Mental Health Services. According to Department policies and procedures, the vendor payment process is supposed to work in the following manner:

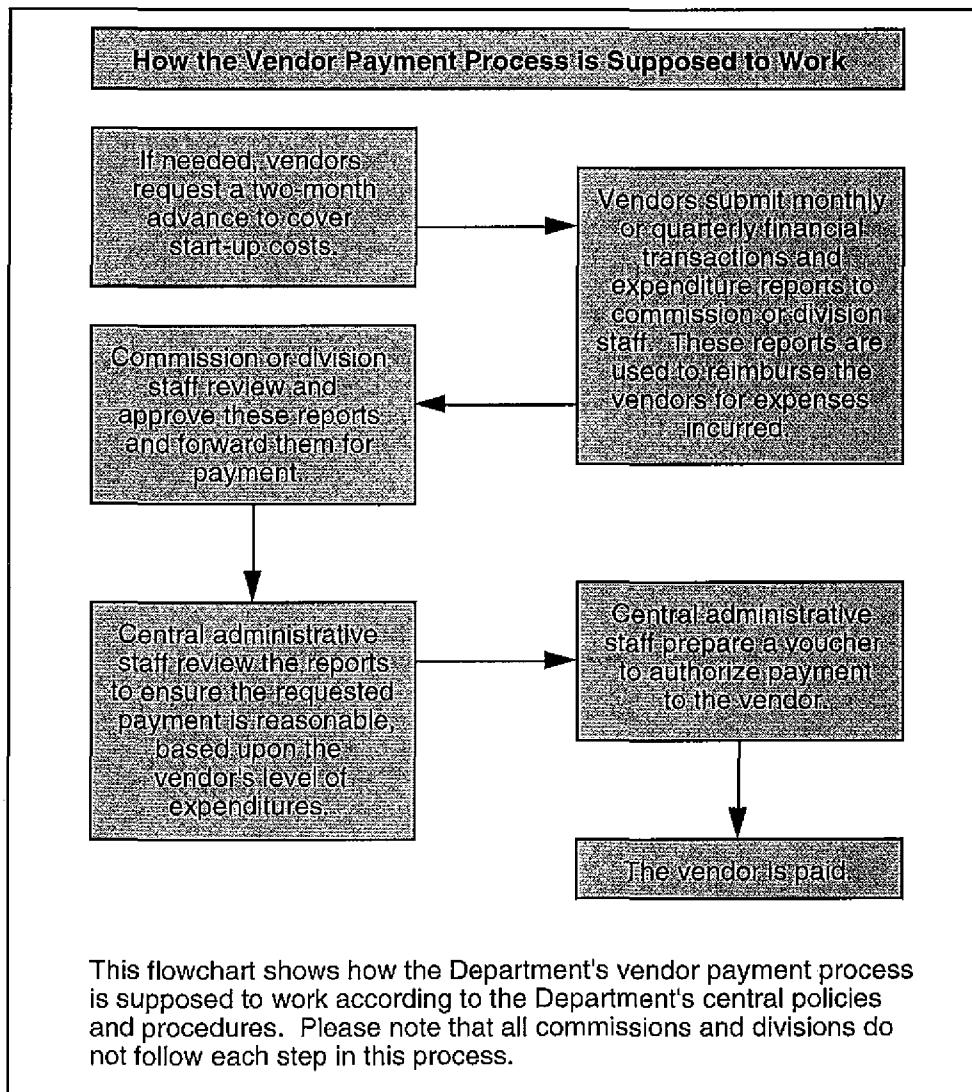
- after a grant award, vendors can request a two-month advance to pay for start-up expenses
- vendors submit monthly or quarterly financial transactions and expenditure reports to commission or division staff so they can be reimbursed for expenses incurred
- commission or division staff review and approve these reports, and forward them for payment
- central staff review the reports to ensure that the amount of payment requested is reasonable, given the grantee's level of expenditures
- central staff prepare a warrant that is sent to the grantee

The graphic on the facing page displays these steps.

Alcohol and Drug Abuse Services' grantees are set up on a monthly or quarterly payment schedule. Like grantees of other commissions and divisions, they receive an initial two-month advance. However, unlike grantees of other commissions and divisions, they then are paid in equal installments for subsequent months or quarters before they are required to submit a financial report. For example, one grantee for Alcohol and Drug Abuse Services had been paid for five months without any documentation of how the money was spent. Another grantee had spent only \$28 during its first quarter; that grantee still received the full quarterly payment of \$3,750. The grantee had sent a letter to the Commission requesting full payment, and saying that it had delayed spending until it was sure it would receive the grant. Although the Department could detect imbalances in spending through its final grant review, the risk still exists that the vendor could have been paid for several months of the grant, not provide the services, go out of business, and not repay the Department money it is owed. According to Department staff, this payment method has been in place for a number of years.

We also found that Mental Health Services doesn't enforce a requirement that expenditure reports and program reports be submitted before payments are made to its





contractors and grantees. As a result, payments are made with no documentation of what the money was spent for. Mental Health officials told us they would begin enforcing this requirement next year.

**The Department doesn't always use the information vendors submit to determine whether agreed-upon services have been provided or the agreement has been fulfilled.** To ensure that agreed-upon services are being provided, the Department not only needs to receive information from the contractor or grantee, but it also needs to use that information to compare what the vendor says it is providing to what the contract or grant says it should be providing.

During our review of grant and contract files, we identified 10 cases where the Department got information from the vendor, but didn't compile or use it. For example, we noted that one Youth and Adult Services' grantee was supposed to serve 100 clients during a grant year. The grantee submitted daily client information to Department staff, but those staff did not compile it to tell whether 100 clients actually had been served.

In six other cases, we found that community mental retardation centers that provide services to the Department had been sending client-service information to the Division of Mental Retardation/Developmental Disabilities. However, the Division had not reviewed or compiled the reports since 1993 because it was installing a new computer information system. The Division relies on an audit by an independent auditor to verify that services were provided for any particular grant but, in some cases the independent audit had not been completed. Therefore, the Division didn't know whether the Centers were providing the level of services they should have been, or if it needed to take corrective action.

A related problem was that the information on services provided was scattered in a lot of different places. When we first reviewed our sample of 62 files, we couldn't tell whether services had been provided in 28 cases. We then began to look for other sources of data that might tell us whether services had been provided. Sometimes, the information was in an annual report attached to the next year's grant

**The Department Is Trying to Make Its Agreements  
Performance Oriented**

In previous years, most of the Department's agreements, except for its contracts, didn't include performance measures. Most agreements were concerned about output measures (the number of clients served and/or the level of services provided). But little consideration was given to outcome measures (the effectiveness of services).

The Department is making an effort to change this. Many of its recent agreements include measures designed to determine if a particular service is beneficial and accomplishes the desired results. Some examples include:

- The Commission on Alcohol and Drug Abuse Services has a grant agreement with KANZA Mental Health and Guidance Center in Hiawatha. The grantee provides treatment programs to individuals with a chemical dependency. As part of its calendar year 1994 grant, KANZA was expected to assist clients in acquiring job skills or obtaining employment. Upon discharge from the program, 60% of the clients were to be employed.
- The Commission on Youth and Adult Services has a grant agreement with the YWCA of Kansas City. The grantee provides day supervision and intervention services to juvenile offenders. For its fiscal year 1994 grant, the YWCA was expected to serve 100 youth, with at least 90% of them completing the program. During the program, at least 90% of the youth were to be free from new felony type offense adjudications, and 95% were to complete the program without any revocations. Upon

completing the program, all youth were to be enrolled in school or have a job.

- The Commission on Mental Health and Retardation Services has a grant agreement with Bert Nash Community Mental Health Center, Inc. in Lawrence. The grantee provides programs to enable mentally ill individuals to live outside inpatient institutions. As part of its fiscal year 1994 grant, Bert Nash was expected to reduce the total number of non-state hospital days by 10% from the total reported in fiscal year 1993.
- The Commission on Rehabilitation Services has a grant agreement with Independence, Inc. in Lawrence. The grantee provides independent living services to developmentally and emotionally disabled clients. As part of its federal fiscal year 1992 grant, Independence was expected to assist clients to maintain legal rights and benefits. This service was expected to result in at least 20 individuals being awarded Social Security benefits.

These examples illustrate the direction the Department is moving with many of its agreements. For a performance-based system to be effective, however, the Department will have to do a number of things:

- identify the results it wants to achieve
- develop indicators that tell it whether the expected results are being achieved
- ensure it has accurate information about whether providers are meeting these performance measures

application. Sometimes it was in the files of staff in the area office. And sometimes it was in different files in the central office. For instance, in two contracts with the University of Kansas, the person who was responsible for monitoring the contract and approving the invoices did not receive any documentation about the services that had been provided. We found that information in the records of a staff member in a different section.

We also found that in seven of 10 cases we reviewed at Youth and Adult Services, central office staff did not receive information it could use to monitor grants and contracts from the area office staff. At least quarterly, and sometimes even monthly, the area office staff, who do most of the actual monitoring, are supposed to submit progress reports and other pertinent information to staff in the Commission's central office. This enables central office staff members to make informed decisions about the providers, such as whether to make payments and whether to renew grants. We found that area office staff members do not always submit this information to the central office. Instead, they maintain this information in their own files. The central office can contact the area office at any time to obtain copies of this information, but often they make decisions without doing this. They also may seek a recommendation from area office staff before making decisions but, without seeing progress reports and other documentation submitted by providers, they are not completely informed.

**Most commissions and divisions did not have any standardized procedures to verify that the information vendors submitted about services provided was accurate.** Information the Department receives from vendors is self-reported. Because grantees and contractors want to continue receiving State money, they have an incentive to make sure the information they submit shows they are doing a good job. To provide a reasonable assurance about accuracy of the information the vendors submit, some procedures should be in place to verify the data, at least on a spot-check basis.

Information vendors submit can be verified in a number of ways, such as asking clients whether they received the services listed, or conducting periodic site visits to verify that the vendor has records of the services he or she claimed to provided.

Officials from one of the commissions we reviewed—Youth and Adult Services—told us they required site visits for all grantees as part of its grant monitoring activities. Yet when we reviewed eight grants in that Commission, we found that site visits were not conducted in four cases.

Some commissions and divisions we reviewed did not require site visits by program staff or did not otherwise have procedures to verify the information submitted. However, they did have licensing staff visit grantees and contracts as part of the license renewal process. One possibility would be to expand the role of the licensing staff to include a review of the accuracy of the data submitted to the Department.

**We found that vendors generally submitted accurate information about the services they provided.** Department staff don't routinely verify the information vendors submit on the services they provided. To determine whether the information was accurate, we selected 10 grants and contracts from the sample of 62 we reviewed, and visited the vendors to examine records they maintained pertaining to selected goals and objectives. We found some slight differences between the vendor records and what the vendor submitted to the Department. Overall, however, the information appeared to be accurate. For example, our reviews confirmed that the number of clients involved in independent living programs offered by Shawnee Community Mental Health Center and Lawrence-based Independence, Inc. were accurate. Also, Kanza Mental Health and Guidance Center reported that it had served 208 clients during the first six months of a 1994 grant. Our review of client admission logs showed that 207 individuals had been served, an insignificant difference.

**Some grants and contracts do not require the vendor to provide a specific level of service before being paid.** These grants and contracts frequently are set up to ensure that services are available in a particular area. For example, the Department has awarded grants to do the following:

- to provide day supervision and intervention services to juvenile offenders in Wyandotte County
- to provide independent living services to developmentally disabled persons in Southcentral Kansas

In most of the commissions and divisions we reviewed, these types of grant payments were based on the grantee's approved budget, which is designed to pay for the staff, supplies, and equipment the grantee thinks are needed to provide the services outlined in the grant agreement. As long as the grantee's monthly or quarterly financial reports indicate the grantee is spending according to its budget, the Department pays the grantee. And unless it is a specific grant condition, the grantee is not held to any specific level of services.

If the grantee fails to provide services or operates its programs at a much lower level of activity than contemplated by the grant, the grant monitors can withhold grant money, terminate the agreement, or not renew the grant for the next year. But they are not required to take any of these actions.

Although there can be merit in providing operating funds to agencies— particularly in the early years—to ensure that they can stay in business and make services available, the risk in setting grants up this way is the Department will fund agencies that do not provide the anticipated level of services. It also may provide agencies with an inappropriate level of funding. For instance, if an agency is set up to provide mental health services in a particular county, but has few clients, it might not make sense for the Department to continue funding that agency, even though it makes services available to a small number of clients. It might be more cost-effective for the

Department to fund a nearby mental health agency at a somewhat higher level, and pay for transportation for the clients from the other agency to the nearby agency. Or, the Department might decide to pay the agency a pre-set amount for each service rendered, and let the "market" dictate how the agency operates.

We noted that several commissions or divisions within the Department have recognized this problem and appear to be working on ways to overcome it. For example, the Division of Mental Retardation/Developmental Disabilities requires its grantees to meet certain "level-of-service" requirements as part of the grant conditions. When an independent audit is made of the grantee's expenditures, the auditors verify that the required levels of service were provided. If the services were not provided, Department officials will determine the amount that the grantee owes the Department during a final review process.

Alcohol and Drug Abuse Services and Rehabilitation services also appear to be moving towards this greater level of accountability.

### **The Department Often Did Not Conduct a Final Review of Grant Expenditures Until Long After the Grants Expired**

A final review of a grant involves checking to see if all the money has been spent appropriately. If money were spent inappropriately, the staff conducting the final review would determine how much money the State should recoup from the vendor. As such, the final review is a check that helps ensure that grantees are accountable for their activities.

To be effective, a final review process should be completed for grants in a timely manner to identify money that should be repaid because of inappropriate expenditures or failure to provide services, and the Department should have a consistent policy for recouping moneys owed to it. The longer the final review is delayed, the more difficult it could be to collect any moneys from the grantee.

**The final review often was done several years after a grant was completed.** The final review is conducted by Department audit staff. These staff conduct an initial review of the independent audit report to make sure it meets all federal and State audit requirements. Using the information in the independent audit, they determine if any moneys are owed to the State or to the grantee.

We looked at the 24 grants in our sample that had ended and that should have had an independent audit on file. Twenty-two of these grants (92%) had not had a final review. Of this backlog, four of the grants in our sample had ended two years ago and 12 had ended one year ago. When we reviewed the grant files we also noted that final reviews for earlier grant periods also did not appear to be timely. For example, a final review for a Mental Health Services grant was completed in December 1993 for grant years ending 1989 to 1992.

In another case, a final review done in April 1994 for grant periods ending in June 1991 and 1992 showed that the grantee owed the State more than \$161,000. The grantee requested an administrative review, which was completed in April 1995 and which upheld the audit findings. The money owed to the Department is supposed be taken out of the agency's fiscal year 1996 grant of \$1.2 million, five years after the money was improperly spent.

Department audit officials told us there were several reasons for delays in the final grant reviews:

- grantee audit reports are not always submitted on a timely basis
- the independent audit may not be sufficient to meet State and federal requirements, and additional audit work has to be requested
- audit staff are assigned to special projects such as detailed financial and program reviews of grantees that cut into the time they have available

In its response to the audit, the Department also pointed out that federal regulations allow providers one year after the end of their fiscal year to submit an independent audit. Because independent audits are expensive, providers include the contract audit within the entire agency audit, typically at the end of their fiscal year, which creates a delay.

All these factors tend to delay the final review process. Because of such delays, the final review process is not as effective a check on grantee expenditures as it could be. And, as the Department moves to increase vendor accountability by requiring that vendors provide specific levels of service or performance, these delays will become more of a problem if the final review process is to be used as a check to ensure that the Department only pays for those services it receives.

We also found that the Department's contracts generally did not go through this final review process. As noted earlier, some of the contracts pay for a specific service after it has been provided. But some contracts are set up much like grants and pay for an agency's operating expenses. Because there is no final review mechanism, there is less accountability over how the Department's money was spent, and a greater risk that money could be spent inappropriately.

Finally, we found that Department audit findings that showed the vendor owed money to the State sometimes are waived by program staff. The audit staff forwards the results of their final reviews to commission or division program staff for review. Department audit staff told us that program staff often waive the amounts grantees owe the Department before the findings are forwarded to the vendor.

For example, we found that at least three grantees in our sample had been found to owe the State money for previous grant periods. Program staff waived the amount due the Department in two of the three cases. In one of these cases, program staff waived the money owed to the Department because of their concerns that the

agency would not be able to continue providing services if it had to repay money to the Department.

In another case where the final review had not yet been completed, we also noted, based on the independent audit, that program staff had decided to waive the amount of money owed to the Department.

### **Conclusion**

The Department of Social and Rehabilitation Services, through its many commissions and divisions, pays outside vendors more than \$181 million each year to provide various types of client-related services. To ensure that these dollars are properly accounted for, the Department has to have a system in place that will allow it to monitor its contractors and grantees effectively. In about three-fourths of the files we reviewed, the Department appeared to be getting what it was contracting for, although this wasn't necessarily because of its monitoring efforts. In particular, weaknesses in some of the monitoring procedures resulted in the Department sometimes not getting, not using, or not verifying the information necessary to determine whether vendors were providing the expected services. In at least two cases, these weaknesses resulted in vendors being essentially forgotten and not monitored at all.

The Department also needs to consider whether paying providers for operating expenditures so that they can stay in business and make services available continues to be the best way to purchase services. As providers become more established, it may make sense for the Department to "wean" them from State-guaranteed financing to encourage them to find other sources of revenue, and to pay them for the specific services they provide on a fee-for-service basis.

The Department also needs to decide what it wants to accomplish through the annual audits of grants. If it wants them to ensure that specific services have been provided, it will have to build those requirements into its agreements with vendors, as Mental Retardation/Developmental Disability Services has done, and as Alcohol and Drug Abuse Services is beginning to do.

At the same time, however, it will have to decide what role it wants its audit staff to play. If the final review is the mechanism by which vendors repay the State money, the Department will need to make getting those reviews done a priority, and to develop a plan so the current backlog can be eliminated and future reviews completed more timely. On the other hand, if the audit staff is going to continue to be asked to do specific

projects, some other method of doing the final reviews, such as contracting them out to outside auditors or making them part of the independent audit, may have to be devised.

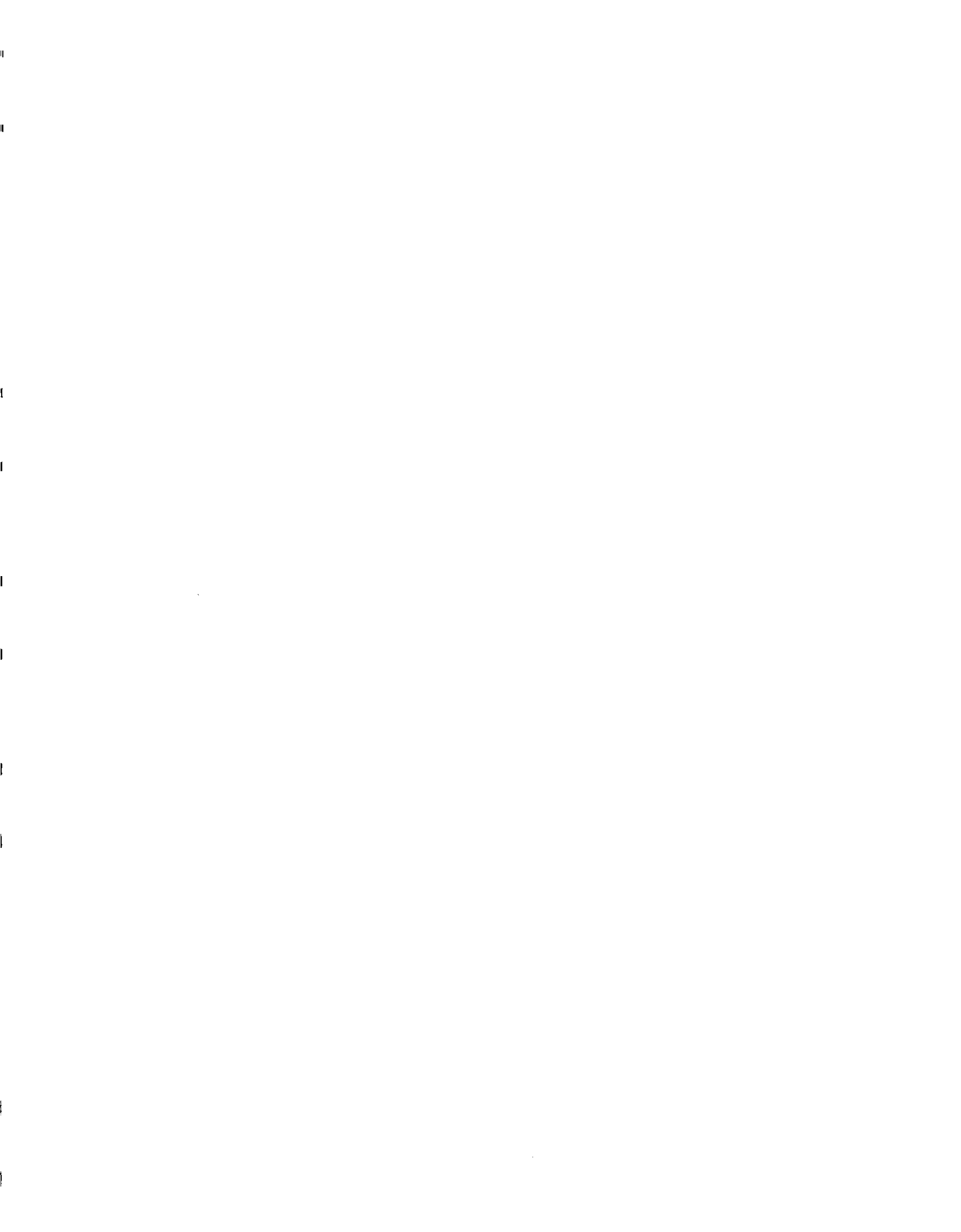
As the Department continues to be as fiscally responsible as possible, it also will have to consider how to ensure that it is contracting for the right services, that the services it contracts for achieve the desired level of performance, and that the services are obtained at the lowest possible cost.

### **Recommendations**

1. To ensure that policies and procedures relating to contract monitoring and oversight are followed:
  - a. the Commissioner of Youth and Adult Services should review the Commission's monitoring and oversight policies and procedures with his or her staff, and should monitor staff efforts to make sure information is sent to central office staff and site visits are conducted.
  - b. the Commissioner of Alcohol and Drug Abuse Services and the Director of Mental Health Services should require monthly expenditure reports from grantees, and should ensure that vendors do not get paid unless those reports have been submitted.
2. To ensure that the Department can determine whether vendors are providing the agreed-upon services, the Department's central staff or other appropriate staff should do the following:
  - a. make sure vendors are required in grants and contracts to submit information on their progress towards meeting contract and grant goals and objectives.
  - b. develop policies and procedures to ensure that information that is submitted is provided to staff who have responsibility for authorizing payment, and is used to verify that the vendors provided agreed-upon services.



- c. develop policies and procedures to verify the information submitted by the vendor on at least a periodic spot-check basis.
3. To ensure that grant and contract moneys are spent in the most cost-effective manner, the Department should do the following:
  - a. review the types of services it is purchasing with grant moneys and, wherever possible, make providing a specific level of services a condition of the grant agreement.
  - b. require all independent audits of these grants to assess whether the specified level of service was actually provided.
  - c. critically evaluate all operating grants funded to provide services in certain areas of the State to determine whether the services have been used intensively enough to warrant continued funding.
  - d. review its close-out procedures for grants to ensure that close outs are conducted on a timely basis, and that recoupment of moneys misspent by grantees is not waived without good cause.
  - e. on a periodic basis, require that contracts be audited to ensure that the required services have been provided, and that moneys have been spent appropriately.
4. To ensure that it has good management information on the amount it is spending for contractual services, the Department should require that information about provider agreements be maintained centrally.



## APPENDIX A

This appendix lists the grants, contracts, and provider agreements we reviewed in each commission and division. A brief summary of the purpose of the agreement is also shown. The date of the agreement is indicated, as is the amount of money awarded to the provider, or the rate of payment indicated in the contract or provider agreement.

### Summary of Grants, Contracts, and Provider Agreements We Reviewed During the Audit

#### COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES

##### **Grants**

Cypress Recovery (10/1/94 to 9/30/95)	\$ 30,000
<i>To provide outpatient substance-abuse counseling to low-income clients</i>	
DCCCA, Inc. Outpatient Services (7/1/94 to 6/30/95)	134,400
<i>To provide outpatient substance-abuse counseling to clients</i>	
Deaf Hope, Inc. (4/1/94 to 3/31/95)	155,280
<i>To provide substance-abuse services to deaf and hearing-impaired persons</i>	
Dickinson County Council on Alcohol and Other Drugs, Inc. (7/1/94 to 6/30/95)	373,357
<i>To provide substance-abuse treatment to low-income women and children</i>	
Kansas Alcoholism and Drug Addiction Counselor's Association (4/1/94 to 3/31/95)	15,000
<i>To provide training to people involved in substance-abuse counseling and treatment</i>	
KANZA Mental Health and Guidance Center (1/1/94 to 12/31/94)	50,000
<i>To provide substance-abuse treatment to clients</i>	
New Chance, Inc. (7/1/94 to 6/30/95)	815,902
<i>To provide outpatient substance-abuse services to clients in Southwest Kansas</i>	
Shawnee Community Mental Health Center (7/1/94 to 6/30/95)	
(Services for Alcohol-Related Problems)	1,015,755
<i>To provide substance-abuse services to clients and their families</i>	

#### COMMISSION ON INCOME SUPPORT AND MEDICAL SERVICES

##### **Division of Income Maintenance Contracts**

Kansas Legal Services (7/1/93 to 6/30/94)	\$ 298,700
<i>To provide legal assistance to Department clients seeking Social Security and Supplemental Security Income benefits</i>	

##### **Division of Medical Services Contracts**

Bock Associates (7/1/93 to 12/31/94)	\$ 6,066,204
<i>To implement and maintain a system to screen and track all individuals seeking placement in Kansas nursing facilities</i>	
Kansas Foundation for Medical Care, Inc. (7/1/94 to 6/30/97)	5,088,600
<i>To provide hospital utilization review services for hospitals submitting claims under the Medicaid/Medicare program</i>	

#### COMMISSION ON REHABILITATION SERVICES

##### **Fee-For-Service Agreements**

Breakthrough Club of Sedgwick County (Effective 11/93)	N/A
<i>To provide job-placement services to mentally ill clients</i>	
Shawnee Community Mental Health Center (Effective 7/94)	N/A
<i>To provide community-based, supported-employee services to mentally ill clients</i>	

**COMMISSION ON REHABILITATION SERVICES****Grants**

Arrowhead West (9/30/93 to 9/29/94)	\$ 181,597
<i>To provide supported-employment and living services to developmentally disabled clients</i>	
Independence, Inc. (10/1/91 to 9/30/92)	152,353
<i>To provide independent living services to developmentally and emotionally-disabled clients</i>	
Independence, Inc. (10/1/94 to 9/30/95)	322,196
<i>To provide independent living services to developmentally and emotionally - disabled clients</i>	
Independent Living Center of Southcentral Kansas, Inc. (7/1/93 to 6/30/94)	203,196
<i>To provide independent living services to developmentally-disabled clients</i>	
Kansas Elks Training Center for the Handicapped, Inc. (KETCH) (10/1/93 to 9/30/94)	603,944
<i>To provide job placement services to disabled clients</i>	
Kansas Elks Training Center for the Handicapped, Inc. (KETCH) (9/30/93 to 9/29/94)	136,300
<i>To provide supported-employment and living services to disabled clients</i>	

**COMMISSION ON YOUTH AND ADULT SERVICES****Contracts**

Children's Institute of Kansas City (1/1/94 to 9/30/94)	\$ 14,200
<i>To provide sexual abuse training to Department staff and other professionals</i>	
University of Kansas - Task Order A (7/1/94 to 6/30/95)	956,484
<i>To provide Title IV-E training services to Department staff</i>	

**Grants**

Associated Youth Services (7/1/93 to 6/30/94)	\$ 80,100
<i>To provide two case managers to work with children in the Department's custody to help them return to their biological families</i>	
The Chelsea Coalition (1/1/95 to 9/30/95)	45,771
<i>To provide alternative-education services to children suspended from school</i>	
Domestic Violence Association of Central Kansas (10/1/93 to 9/30/94)	24,000
<i>To provide services to abused spouses and children and to those abused sexually</i>	
Kansas State Association of Foster and Adoptive Parents (1/1/93 to 12/31/93)	39,641
<i>To provide training, education, and information to foster and adoptive parents and their children and to social workers</i>	
Keys for Networking, Inc. (7/1/93 to 6/30/94)	123,698
<i>To provide support services to families with emotionally/behaviorally disturbed children</i>	
Native American Family Services (7/1/93 to 6/30/94)	92,764
<i>To provide preventative and protective services to foster children</i>	
St. Francis Academy, Inc. (7/1/93 to 6/30/94)	459,110
<i>To provide secure shelter services to chronic runaway juveniles</i>	
YWCA of Kansas City (7/1/93 to 6/30/94)	730,000
<i>To provide day supervision and intervention services to juvenile offenders</i>	

**Provider Agreements**

Adolescent and Family Counseling and Support Services, Inc. (Established 2/94)	N/A
<i>To provide counseling, therapy, etc. to families with problems</i>	
Parkview Hospital of Topeka (Established 4/95)	N/A
<i>To provide counseling, therapy, and substance-abuse services to outpatients</i>	
Robert Frost (Established 5/95)	N/A
<i>To provide tutoring to Department clients</i>	

**COMMISSION ON MENTAL HEALTH AND RETARDATION SERVICES****Mental Health Services, Consolidated Grants**

Bert Nash Community Mental Health Center (7/1/92-6/30/93)	\$ 261,014
Johnson County Mental Health Center (7/1/92-6/30/93)	606,061
Kanza Mental Health and Guidance Center (7/1/92/6/30/93)	78,620
Shawnee Community Mental Health Center (7/1/93-6/30/94)	846,975
Southeast Kansas Mental Health Center (7/1/92-6/30-93)	69,328

*Consolidated Grant recipients must provide programs to enable individuals to live outside inpatient institutions*

**Mental Health Services, Consumer Grants**

Kansas Mental Illness Awareness Council (7/1/93-6/30/94)	\$ 50,000
Project Acceptance (7/1/93-6/30/94)	25,000

*Consumer-Run/Self-Help grantees must provide programs to enable individuals to live outside inpatient institutions, provide emotional support, and educate the community about mental illness*

**Mental Health Reform Contracts**

Bert Nash Community Mental Health Center (7/1/93-6/30/94)	\$ 309,889
Johnson County Mental Health Center (7/1/93-6/30/94)	1,077,174
Kanza Mental Health and Guidance Center (7/1/93-6/30/94)	152,932
Northeast Kansas Mental Health and Guidance Center. (7/1/93-6/30/94)	374,725

*Contracts by which the participating Mental Health centers agree to use the funds to assist the State in Mental Health Reform. Each catchment area must improve the services it offers, which in turn will eliminate the need for using State hospital beds. This will help the State in down-sizing the State hospital capacity, consistent with Mental Health Reform.*

**Mental Retardation/Developmental Disability Services****Consolidated Grants/Contracts**

Arrowhead West (7/1/93-6/30/94)	\$ 1,761,085
Big Lakes Developmental Center, Inc. (7/1/93-6/30/94)	1,046,664
Futures Unlimited, Inc. (7/1/93-6/30/94)	462,369
Kansas Elks Training Center for the Handicapped, Inc. (KETCH) 7/1/93-6/30/94)	1,044,414
Nemaha County Training Center (7/1/93-6/30/94)	369,786
Southwest Developmental Services (SDSI) (7/1/93-6/30/94)	1,611,188
<i>Consolidated Grants are awarded to the Community Mental Retardation Centers to provide services to consumers and enable the consumers to remain or become functioning members of the community</i>	
Hetlinger (7/1/93-6/30/94)	61,259
<i>Received discretionary State Aid</i>	
Supported Family Living Provider Contract (7/1/93-6/30/94)	12,276
<i>Provide residential services to a mentally disabled child</i>	
Topeka Association for Retarded Citizens (TARC) (6/1/94-6/30/95)	6,000
<i>To develop a monitoring committee for services in Shawnee County</i>	

**WORKFORCE DEVELOPMENT****Child Care Services Grants**

Lakeshore Learning Center (6/1/94-5/31/95)	\$ 22,500
<i>Purchased a van for day care transportation</i>	
Rainbows United, Inc. (7/1/94-6/30/95)	49,011
<i>Site-based consultation services to child care staff serving young children with disabilities.</i>	
Salina Family YMCA(8/1/94-7/31/95)	6,957
<i>To provide after-school child care for children Kindergarten through sixth grade</i>	

University of Kansas (7/1/94-6/30/95)	47,228
<i>For research, training and service for persons with developmental disabilities</i>	
U.S.D. #409, Atchison Public Schools (7/1/94-6/30/95)	43,815
<i>To provide day care to teen mothers</i>	
Wichita Indochinese Center (9/1/94-8/31/95)	37,746
<i>To teach English as second language, and find jobs for and place refugees</i>	
<b>Employment Preparation Services Contracts</b>	
University of Kansas School of Social Welfare (7/1/94-6/30/95)	167,640
<i>Development and training services related to KanWork and Income Maintenance</i>	
Let's Help ((7/1/94-6/30/95)	\$ 201.95 per client/month
<i>Basic education services to Shawnee County KanWork participants</i>	
U.S.D. #501 ((7/1/94-6/30/95)	\$ 183.50 per client/month
<i>Basic education services to Shawnee County KanWork participants</i>	
Topeka YWCA (7/1/94-6/30/95)	\$ 2,049/client
<i>Non-traditional jobs training for women, in the areas of manufacturing, construction and production</i>	

## **APPENDIX B**

### **Agency Response**

On June 29 we provided copies of the draft audit report to the Department of Social and Rehabilitation Services. After carefully reviewing the Department's response, we made a few minor changes to clarify the report.

In its response to the draft report, the Department indicated it wanted to emphasize broader outcomes and program results, rather than paying excessive attention to contracting details. We would point out that the Department still will need to perform adequate and effective monitoring to determine whether the desired program results and outcomes have been achieved.

The Department also questioned our recommendation that independent audits be required to assess whether the specified level of services actually was provided. We think this type of assessment is more meaningful than simply seeing how the grant or contract dollars were spent. Mental Retardation/Development Disabilities already requires this type of assessment, and Alcohol and Drug Abuse Services is requiring this type of assessment on its newer grants.

The Department also provided a further analysis of adult education value, using data from fiscal year 1994. That analysis does not change our conclusion, which was based on fiscal year 1995 data. The Department still is paying for more adult education hours than students are attending, resulting in an extra cost to the State of about \$20,000 in fiscal year 1995.

Finally, the Department raised some questions about whether it was worthwhile to require periodic program and financial reports from its mental health grantees. The point we were making was that Mental Health Services currently does require financial and program reports to be submitted before it pays its grantees; however, it has not been enforcing that requirement. If Department officials think the requirement is no longer necessary, they should eliminate it.



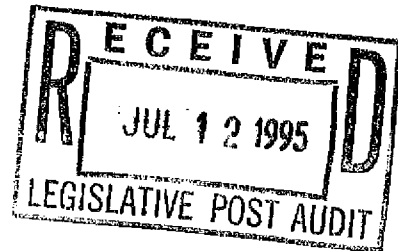
KANSAS DEPARTMENT OF SOCIAL  
AND REHABILITATION SERVICES

915 SW HARRISON STREET, TOPEKA, KANSAS 66612

ROCHELLE CHRONISTER, SECRETARY

July 12, 1995

Barbara Hinton  
Legislative Post Auditor  
Legislative Division of Post Audit  
800 SW Jackson, Suite 1200  
Topeka, KS 66612-2212



Dear Ms. Hinton:

The performance audit identifies several areas needing improvement within the department's management of grants and contracts. A firm grounding in sound contractual processes is a prerequisite as the department looks for new opportunities to expand the involvement of private agencies in providing human services.

**Current Improvements**

Since the period used for the audit analysis, several improvements have been implemented which address the recommendations in the report:

***Contract Monitoring and Oversight***

- During FY 1995, the Commission on Mental Health and Retardation Services implemented a consolidated financial reporting process for all community mental health center grants and contracts. These reports are provided twice a year, in addition to annual independent audits.
- The FY 1996 contract with the University of Kansas will require monthly reports which detail services provided and assessments of the services.
- The Commission on Youth and Adult Services recognized the need to improve its grants/contracts management process, and began last year to develop a grants/contracts policy manual. The manual is in the final phases of development. The commission's grants/contracts management activities have been consolidated with its fiscal operations to improve communication and follow-up. Monitoring capability will be strengthened by basing grants and contracts on performance and outcomes. This emphasis will be incorporated in the commission's training curriculum.

***Assurance of Service Provision***

- An additional auditor position will be trained in the final grant review process.
- Stricter performance standards have been proposed within the FY 1996 contract with the Department of Human Resources for KanWork employment services.

***Cost Effectiveness of Grants and Contracts***

- The two adult education contracts reviewed in the audit have been converted to provider agreements



**Corrective Action**

Recognizing the deficiencies cited by the audit, I have instituted a working group to propose general improvements in contract management; however, I will direct this group to carefully weigh the substantial costs accompanying the strict audit recommendations. This cost arises from a focus on inputs and a rigid adherence to rules over outcomes. The following are my objectives:

1. To review current grants/contracts to determine their effectiveness.
2. To identify staff needing training and improvement.
3. To propose improvements in centralizing grant and contract information.

**Specific Findings**

The attachment contains a more detailed response to findings which merit comment. Although I accept the recommendations aimed at improving monitoring and performance-based contracting, there are several misunderstandings presented by the audit which I would also like to highlight.

The department will continue to improve its grant/contract processes and work to correct the omissions and errors contained in this report.

Sincerely,



Rochelle Chronister  
Secretary

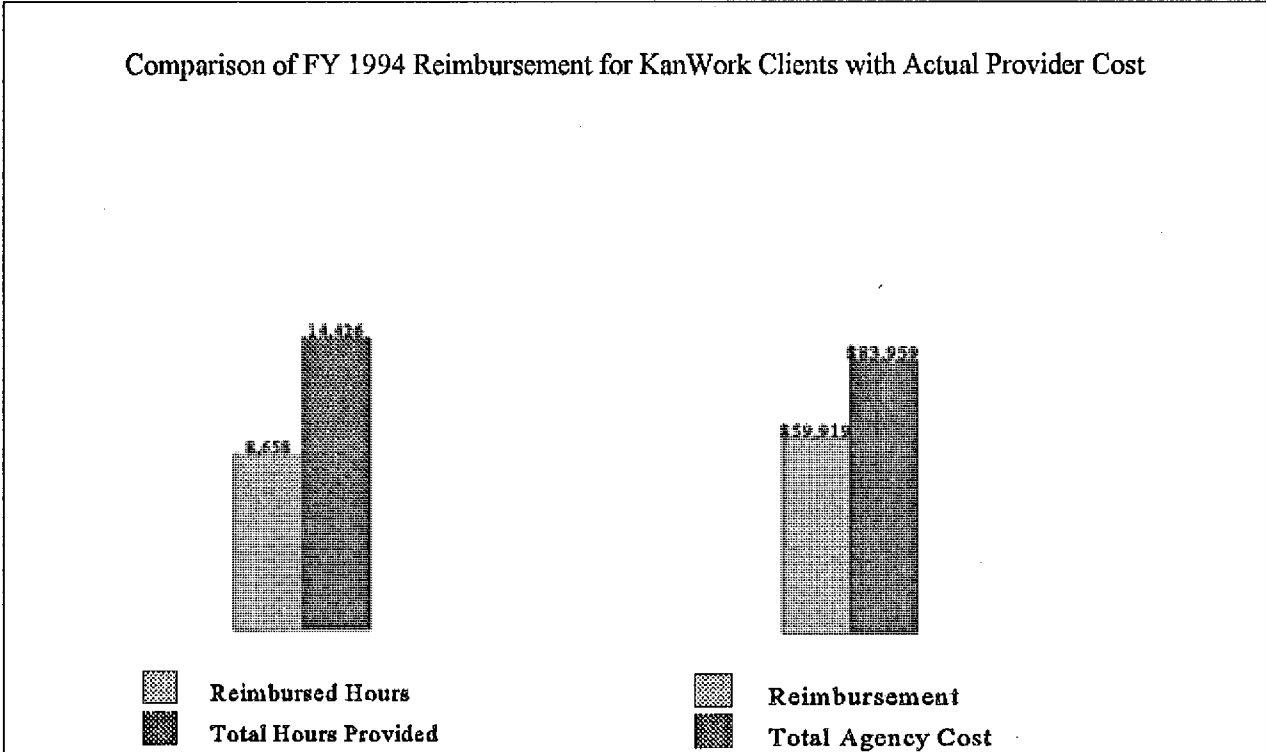
## Attachment: Comments on Audit Findings

### General Issues

1. **Department Emphasis on Broader Outcomes.** The audit report stresses the need for an in-depth grant/contract monitoring capacity. A management choice arises immediately when balancing this recommendation with the need to focus on broader program results and outcomes. Often grants and contracts serve as part of a strategy to achieve a program outcome. Excessive attention to contracting details can become extremely time consuming. In addition, broader performance indicators should signal underlying performance problems, including grant and contract issues.
2. **Questionable Recommendation.** The audit proposes a standard to “require all independent audits of these grants to assess whether the specified level of service was actually provided”. This process has the potential to add additional costs to the grantee. In addition, a process would need to be developed which would allow the independent auditors to be trained or otherwise become familiar enough with the service to be in a position to determine whether outcomes or the desired service have actually been provided. *(Reference: page 21, Recommendation 3.b.)*
3. **Provider Agreement Mechanism.** The audit report fails to accurately describe provider agreements and how they are used by the agency. The report begins incorrectly by stating that provider agreements “establish a fixed rate for different types of services”. Provider agreements are simply contractual statements expressing an agency’s willingness to do business with a particular vendor. Provider agreements do not specify a product, a rate, or the client population. The key element of control in the execution of a provider agreement is the client service agreement, which is based on the plan between the client and the department’s staff. The client service agreement is the controlling arrangement between the client, the provider, and the agency. It sets out the services to be provided, the outcome to be achieved, the unit of service, the rate, the units to be purchased, and the periodicity of the delivery of service. Thus, it is the department’s staff who assure that the client receives the service from the provider in accordance with the specifics of the client service agreement. *(Reference: page 1, paragraph 1)*
4. **Delays in Independent Audits.** The audit indicated that the time delay between the end of the grant period and the final audit impedes the department in assessing services provided. It is noted that a delay in the receipt of the final audit is inevitable - under federal regulation, providers have one year after the end of their fiscal year to submit their independent audit. Because independent audits are expensive, providers include the contract audit within the entire agency audit, typically at the end of their fiscal year. This alone will create a delay. *(Reference: page 17, paragraph 4)*
5. **Fiscal Control.** The audit criticizes the grant prepayment method used by the Commission on Alcohol and Drug Abuse. It would be inaccurate to infer a lack of fiscal control. Regardless of the timing of payments and reports, the department’s central Operations Division compares grant payments and grantee expenditures. A fiscal review of a grant occurs when imbalances (either overspending or underspending) occur, particularly at the conclusion of the grant period. Imbalances during the grant period result in the discontinuation of payments until authorized by program staff. In addition, delinquent financial reports from the grantee will cause a termination in grant payments. If the final expense report does not substantiate the expenditure of the full grant, the “unearned” amount will be withheld. *(Reference: page 12, paragraph 4)*

**Specific Issues**

6. **Incorrect Characterization of Two Youth and Adult Services Grants.** The audit states the department “apparently lost track of two grants”. The report’s finding is correct in that monitoring was inadequate; however, I disagree with the characterization that the Commission on Youth and Adult Services “lost track” of two grants. With regard to the grant to the St. Francis Academy, local staff throughout the state rely on their services, and SRS social workers who are involved in making placements work closely with the staff at St. Francis to monitor the progress of youths placed there. With respect to the grant to Keys for Networking, it is not unexpected that some staff in the area offices may be unfamiliar with the grantee. The express purpose of the grant is to support an advocacy organization. At the local level, the department is a small part of the network of existing community-based services which provide prevention services to families. *(Reference: page 11, vignette)*
  
7. **Further Analysis of Adult Education Value.** The report asserts that the department could have saved \$20,000 in FY 1995 (July 1994 to May 1995) if a provider had been paid on the basis of attended hours. The analysis fails to recognize 1) the local agency’s actual cost of providing adult education services and 2) the value of hours provided to clients but which were not reimbursed due to an enigmatic federal regulation. Accounting for these factors, the department benefitted from \$24,040 in unreimbursed services during FY 1994 as detailed in the following table. *(Reference: page 9, graphic)*



8. **Incomplete Information Regarding Mental Health Grant Monitoring.** The audit relates the absence of monitoring for mental health services. This presentation omits background information with regard to mental health services funding. Community Mental Health Centers are required by statute to serve all Kansans without regard to their ability to pay. State aid grants (\$10 million) are issued to support this broad mandate. Furthermore, the allocation of Mental Health Reform funds to Community Mental Health Centers is based on statutorily determined performance regarding the diversion of clients from state hospitals to community services. The department's emphasis is therefore on the attainment of annual performance goals. *(Reference: page 12, paragraph 5)*
9. **Incorrect Description of Kansas City Area Grant.** The audit states that the Kansas City area grant for the deaf and hearing impaired does not specify service levels. In fact, a specific level of service is defined in the grant application and monitored for progress. *(Reference: page 16, paragraph 2)*
10. **Absence of "Good Practices" List.** The report references a "list of good business practices" against which department policies were evaluated. It would be clarifying to include the contents of this list. *(Reference page 8, paragraph 1)*
11. **Use of "People First" Language.** Throughout the audit it is recommended that the use of "people first" language be adopted. For example, the description "disabled individuals" would be replaced by "individuals with disabilities". *(Reference page 10, paragraph 1 and throughout the report)*

