



KANSAS LEGISLATIVE
DIVISION *of*
POST AUDIT

A Limited-Scope Performance Audit Report Presented to the Legislative Post Audit Committee

Federal Funds: Verifying Funding for a Sample of State Employees

March 2020

Report Number: L-20-007

Introduction

Representative Ron Highland requested this limited-scope audit, which the Legislative Post Audit Committee authorized at its October 2, 2019 meeting.

Objectives, Scope, & Methodology

Our audit objective was to answer the following question:

1. Were any state funds used to pay salaries or benefits for a sample of state employees who were federally funded?

This audit follows up on our July 2019 audit titled *Federal Funds: Evaluating Costs Associated with Federal Funding in Selected State Agencies*. We looked at the six federally funded programs included in that audit. We interviewed officials from the Departments of Agriculture, Labor, and Transportation. We also reviewed the funding sources for agency staff salaries and benefits. Finally, we reviewed Department of Administration data to verify how those three agencies paid program staff.

We looked at data for two pay periods from fiscal year 2018. We selected one pay period from the beginning and one pay period from the end of the fiscal year. This reduced the risk our results misrepresent the rest of fiscal year 2018. The results of our work are not projectable to other pay periods or federally funded programs.

We also reviewed the Department of Transportation's federal reimbursement requests for the two pay periods we reviewed. That is because the department pays for all salaries and benefits with State Highway Fund money and then seeks reimbursement from the federal government.

We include specific details about the scope of our work and the methods we used throughout the report as appropriate.

Important Disclosures

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. Overall, we believe the evidence obtained provides a reasonable basis for our findings and conclusions based on those audit objectives.

Audit standards require us to report our work on internal controls and information systems controls relevant to our audit objectives. Because this is a limited-scope audit, we did not review such controls and only conducted minimal reliability checks on agency data.

The salaries and benefits for all program staff we reviewed were funded using the expected federal and state fund ratios.

The Kansas Departments of Agriculture, Labor, and Transportation spent about \$568 million in federal funds in fiscal year 2018.

- To determine agencies' federal and total expenditures, we reviewed data reported to the Division of Budget and the 2020 Governor's Budget Report.
- As shown in **Figure 1**, the three departments' federal expenditures ranged from about \$11 million to about \$380 million in fiscal year 2018. Federal funding portions ranged from about 24% to about 86% of total agency expenditures.

Figure 1
In fiscal year 2018, federal funds made up between about 24% and 86% of our sample agencies' budgets.

	Department of Agriculture	Department of Labor	Department of Transportation
Total Agency Expenditures	\$45 million	\$206 million	\$1.3 billion
Total Federal Expenditures	\$11 million	\$177 million	\$380 million
Federal Percentage of Agency Expenditures	24%	86%	29%
Total Number of Federally Funded Programs	31	10	4
Total Agency Staff	329	377	2,355
Total Staff Required to Administer Federally Funded Programs	50	222	Unknown (a)
Federal Percentage of Agency Staff	15%	59%	

(a) Department of Transportation officials told us they could not accurately estimate this number. Any agency staff could work on and charge to a federal project at any time.

Source: LPA summary based on review of agency expenditure information (unaudited) and interviews with agency officials.

We reviewed staffing information for two federally funded programs from each of these three agencies.

- This audit reviews the same six federal programs we looked at in our July 2019 audit titled *Federal Funds: Evaluating Costs Associated with Federal Funding in Selected State Agencies*. **Figure 2** lists these six programs. The results of our work are not projectable to other federally funded programs.
- As shown in our previous audit, these programs each spent between about \$710,000 and \$20 million in federal funds in fiscal year 2018. They provide important services to Kansans. Our previous audit has more information about these six programs.
- For this audit, we only reviewed staff salaries and benefits. The previous audit looked at all program expenditures. This audit only looks at a subset of what our July 2019 audit reviewed.

Figure 2
All but 7 of the 258 staff (about 97%) who administered our sample programs were at least 50% federally funded.

Agency	Program	July 15, 2017 Staff Count	June 2, 2018 Staff Count	Federal Funding Percentage	State Funding Percentage
Agriculture	Cooperating Technical Partners (Flood Mapping)	3	2	100%	0%
Agriculture	Meat & Poultry Inspection	47	51	50%	50%
Labor	Occupational Safety & Health Administration (OSHA) Consultation	12	13	75% (a)	25%
Labor	Unemployment Insurance Administration	184	180	100%	0%
Transportation	Transit Assistance	5	5	100% (b)	0%
Transportation	Highway Safety	7	7	0%	100% (c)
Total for all 6 programs		258	258		

(a) The federal government required at least a 90%-10% federal to state ratio for this program. Department of Labor officials told us they decided to use a 75%-25% federal to state ratio for staff salaries and benefits.

(b) These staff salaries and benefits were 100% federally funded through reimbursement by the Federal Transit Administration. They were initially paid using state funds.

(c) These staff salaries and benefits were not federally reimbursed. They contributed to the state match the National Highway Traffic Safety Administration required, though. They were paid using state funds.

Source: LPA summary based on review of agency payroll information (unaudited) and interviews with agency officials.

Three of the six programs we reviewed used state money to help fund staff salaries and wages due to federal match requirements.

- We asked agency officials to identify staff working on these six programs. We defined these staff as those who worked on planning, implementing, managing, tracking, or evaluating these programs. Generally, this includes staff who spent about 20% or more of their time working on these programs. We did not include indirect support staff such as finance, legal, or IT staff.
- We also requested payroll information for all staff agency officials identified as working on these programs. We selected two fiscal year 2018 pay periods: the periods ending July 15, 2017, and June 2, 2018. Looking at two pay periods reduces the risk our results misrepresent how the agencies paid these staff during fiscal year 2018. However, the results of our work are not projectable to other pay periods.
- As shown in **Figure 2**, agency officials identified 258 staff who worked on these programs during each of the two pay periods we reviewed. Agency officials said state funds made up the rest because some programs require state matches. Because this was a limited-scope audit, we did not have time to verify the matching percentages agency officials told us the federal government requires.
 - Agriculture officials told us the Meat & Poultry Inspection program required a 50%-50% ratio for federal and state funds.
 - Labor officials told us the OSHA Consultation program required at least a 90%-10% ratio for federal and state funds. They decided to use a 75%-25% ratio for staff salaries and benefits. They told us this ensures the overall program does not run out of federal funds before the end of the year. This simplifies the accounting for this program.
 - Seven staff within the Highway Safety program were entirely funded with state money. However, Transportation officials told us those staff's salaries and benefits contributed to the program's required state match amount.

All 516 paychecks we reviewed funded salaries and benefits using the expected federal and state fund ratios.

- We reviewed payroll data the Department of Administration provided for the two pay periods ending July 15, 2017, and June 2, 2018. This included 516 total paychecks paid to the 258 staff who administered our sample programs in each pay period. We compared this data to the payroll information agency officials had provided us.

- All 516 paychecks we reviewed paid salaries and benefits such as insurance and retirement contributions as expected. In other words, the Department of Administration's payroll data matched the federal and state fund percentages agency officials provided.
 - Three paychecks paid to Meat & Poultry Inspection staff were immaterially different from what we expected to see. Each paycheck differed by less than 2% from the 50%-50% federal to state funding ratio agency officials told us this program used.
 - Agriculture officials told us two of these three paychecks included inspections the federal grant did not cover. This increased the state proportion above the expected 50%. They did not know why the third paycheck differed from what we expected, but the difference was less than 1%.

Almost all (about 95%) these paychecks were paid directly from the relevant federal and state funds.

- The 492 Agriculture and Labor paychecks we reviewed were paid directly from the relevant federal and state funds. The amounts depended on the percentages covered by each funding source.
 - The 24 Transportation paychecks we reviewed for both programs were initially paid with state funds. Agency officials said the programs we looked at are federally funded through reimbursement. As a result, we also reviewed Transportation's requests for federal reimbursement for these pay periods. We saw each sample program employee in Transportation's requests for federal reimbursement. This confirmed the agency requested federal reimbursement based on these salaries and benefits.
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Recommendations

We did not make any recommendations for this audit.

Potential Issues for Further Consideration

We did not identify any issues during this audit that might be worth evaluating in more detail.

Agency Response

On February 21, 2020, we provided the draft audit report to the Departments of Agriculture, Labor, and Transportation. The agencies did not have to submit formal responses because we did not make recommendations. Only the Department of Agriculture submitted a formal response, which is below. Agriculture officials generally agreed with our findings and conclusions.

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Mike Beam, Secretary

Laura Kelly, Governor

February 24, 2020

Andy Brienzo
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Re: "Federal Funds: Verifying Funding for a Sample of State Employees"

Dear Mr. Brienzo,

This letter is in response to the audit "Federal Funds: Verifying Funding for a Sample of State Employees," received in final form by the Kansas Department of Agriculture (KDA) on February 21, 2020. As a follow-up to the prior audit, "Federal Funds: Evaluating Costs Associated with Federal Funding in Selected State Agencies," KDA is pleased to acknowledge receipt of the additional document. The Legislative Division of Post Audit was a pleasure to work with throughout the entire process, completing their research in a competent, professional manner.

As we believe is evident from the final audit report, both programs included in the review (Meat & Poultry Inspection and Cooperating Technical Partners) utilize federal funding, either by itself or in combination with state funds, in order to provide integral services to producers, business owners, and the public on a daily basis. Furthermore, the report noted that the payroll data provided matched the federal and state fund percentages expected, with only minor deviations of note. While no recommendations were provided as a part of this audit, KDA appreciates the opportunity to provide factual, transparent information about federal funding.

Once again, thank you for the opportunity to participate in this important process.

Sincerely,

Michael M. Beam
Secretary
Kansas Department of Agriculture

Kellen L. Liebsch
Chief Fiscal Officer
Kansas Department of Agriculture

Appendix A – Cited References

This appendix lists the major publications we relied on for this report.

1. Federal Funds: Evaluating Costs Associated with Federal Funding in Selected State Agencies (July, 2019). *Kansas Legislative Division of Post Audit*.