

Audit Proposal

Evaluating Implementation of the Performance Based Budgeting Process

SOURCE

This audit proposal was requested by Senator Caryn Tyson and Representative Kristey Williams.

BACKGROUND

State law (K.S.A. 75-3718b) required a Kansas performance-based budgeting system to be implemented in three phases. This required coordination between state agencies, the Division of the Budget, the Department of Administration, and Legislative Research.

- Phase 1 required agencies to develop a program inventory with an objective and purpose for each program listed. Further, agencies were to identify mandatory or statutory programs, any federal funding sources, and prioritize the programs. This was to be done by January 2017.
- Phase 2 required agencies to submit budgets to the legislature that included their program inventories. It also required agencies use an integrated budget fiscal process which included alignment of state accounting (SMART), budget (IBARS), and personnel (SHARP) systems. This was to be done by January 2018.
- Phase 3 required agencies to include outcome-based performance measures. This was to be done by January 2019.

Legislators have expressed concern that agencies are not adhering to this process and that some of the information being presented is not accurate or reliable.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objectives listed below are the questions we would answer through our audit work. The steps listed for each objective convey the type of work we would do. These may change as we learn more about the audit issues.

Objective 1: Was Kansas performance-based budgeting system adequately implemented as outlined in state law. Our tentative methodology would include the following:

- Review state law and meet with relevant stakeholders such as Department of Administration, Division of Budget, Legislative Research and Revisor of Statutes staff to determine what was required for the budget system overall, and for individual agency budgets.

- Review documents and communications, and interview officials see if Department of Administration and Division of Budget staff took appropriate actions related to the budget system such as:
 - Communicating the requirements and expectations with state agencies.
 - Setting up and disseminating necessary templates, forms and instructions to state agencies
 - Adjusting SMART, IBARS, SHARP systems as necessary to establish an integrated system.
- Select a sample of state agencies and review documents and interview officials to determine if state agencies provided what was required.
- Discuss results with officials and gather their opinions on barriers, challenges, and unexpected complications with the new budget system, and any suggestions for improvement.

Objective 2: Are state agencies providing accurate and reliable information for the required budget system? Our tentative methodology would include the following:

- For a sample of state agencies, evaluate their program inventories for completeness and compliance with statutory requirements (e.g. funding sources, prioritization, statutory authority, etc.)
- For those agencies, also evaluate a sample of outcome measures to determine:
 - What is the agencies rationale for using that measure?
 - Is it a valid outcome measure for the agency or program?
 - Is it calculated correctly and based on reliable data?
- Follow up with agency officials to better understand any issues we identify.

ESTIMATED RESOURCES

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