



AUDITING FOR THE LEGISLATURE:

*The Annual Report of the
Legislative Post Audit Committee and the
Legislative Division of Post Audit*

Fiscal Year 2008

Legislative Post Audit Committee

Legislative Division of Post Audit

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$13 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee. Legislators

or committees should make their requests for performance audits through the Chairman or any other member of the Committee. Copies of all completed performance audits are available from the Division's office.

LEGISLATIVE POST AUDIT COMMITTEE

Senator Derek Schmidt, Chair
Senator Nick Jordan
Senator Les Donovan
Senator Anthony Hensley
Senator Chris Steineger

Representative Virgil Peck, Jr., Vice-Chair
Representative Tom Burroughs
Representative John Grange
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DO YOU HAVE AN IDEA FOR IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?

The Legislative Post Audit Committee and the Legislative Division of Post Audit have launched an initiative to identify ways to help make State government more efficient. If you have an idea to share with us, send it to ideas@lpa.state.ks.us, or write to us at the address above.

You won't receive an individual response, but all ideas will be reviewed, and Legislative Post Audit will pass along the best ones to the Legislative Post Audit Committee.

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

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November 20, 2008

TO: All Members of the Kansas Legislature

This report, *Auditing for the Legislature*, describes the work of the Legislative Division of Post Audit during fiscal year 2008.

We think this report is worth your reading time because it describes what your audit staff have done to help improve State government, and how you can enlist Legislative Post Audit to help meet your information needs.

This report is accompanied by two companion volumes: a follow-up report on each audit issued during the previous calendar year, and a compilation of brief summaries of each audit report issued during fiscal year 2008, with an index to help you quickly find reports relevant to you.

The Committee remains committed to audit work that is responsive to legislative needs and that meets the highest professional standards for quality. We encourage legislative requests for performance audits. We welcome any questions or comments you may have concerning the Committee's or the Division's activities.

Sincerely,

Senator Derek Schmidt, Chair

Representative Virgil Peck, Jr., Vice-Chair

Senator Les Donovan

Representative Tom Burroughs

Senator Anthony Hensley

Representative John Grange

Senator Nick Jordan

Representative Peggy Mast

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September 2008*

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Auditing for the Legislature

A distinguishing mark of an auditor is acceptance of responsibility to serve the public interest.

-- Government Auditing Standards

Legislators have a thirst for accurate, unbiased information. They need to know how well Kansas programs are working, and whether they're working as intended. They need to know whether taxpayers' money is being well spent. Legislative Post Audit's job is to provide lawmakers with that information. We point out opportunities to operate more effectively or efficiently so that Kansans receive the most benefit from the billions of dollars legislators appropriate on their behalf each year.

Auditing also provides a deterrent to misuse and abuse. The anticipation of periodic audits helps keep officials and agencies on their toes, and it encourages them to keep an eye on the efficiency, effectiveness, and legal compliance of their own operations.

The benefits audits provide come at a low cost to Kansans. In fiscal year 2008, the cost of audit work to the State was about \$2.5 million, less than two-tenths of one percent of total State expenditures for the year.

What We Do

Legislative Post Audit conducts its audit work as directed by the Legislative Post Audit Committee or as mandated by law. All our audits are one of three kinds:

Performance audits are conducted to answer questions raised by individual legislators or legislative committees about potential problem areas in State agencies or programs. They answer questions such as:

- Are agencies following the law?
- Are State programs effective at meeting their stated goals?
- Are officials managing their operations efficiently?

In fiscal year 2008, we completed 24 performance audits. Those audits covered a wide variety of topics, including foster care and children's programs, economic development, and K-12 education.

Compliance and control audits are a specialized type of performance audit. Some compliance and control audits examine agencies' financial-management practices. In other compliance and control audits, we use sophisticated data-mining techniques to comb through the huge amount of information maintained by the State, looking for telltale signs of misuse of State resources or other problems, or for indications of poor agency practices that allow problems to happen.

A third type of compliance and control audit is the computer-security audit. For example, in our June 2008 computer-security audit of disposal of surplus computers, we found that the State had a significant problem with how surplus computers were handled, and was at significant risk of disclosing confidential or sensitive data to the public or to potential hackers. We found recoverable files on 10 of the 15 computers we checked. Seven computers contained confidential information (social security numbers, Medicaid information, and password files), four contained sensitive files that agencies probably wouldn't want made public, and one contained copyrighted music files. Because of the severity of our early findings, Department of Administration officials temporarily stopped selling surplus computers. The fact that we were able to use simple, inexpensive software to retrieve confidential files from almost half of our sample is frightening. Our review didn't include State agencies located outside the Topeka area, but there's little reason to think that their computer disposal practices are much better.

**National Group Recognizes
Legislative Post Audit's Work**

For almost a decade, the Pew Center on the States, Governing Magazine and a group of academic experts have collaborated on the "Grading the States" project to assess the quality of management in state government. In 2008, the Project graded Kansas's performance in the key areas of people (C+), money (B-), infrastructure (C+), and information (B). The State got middling marks in most areas, and only two were named as strengths, both in the "information" category. One of those areas of strength was program evaluation. The study said, "The Legislative Division of Post Audit's performance audit function has improved in recent years, with more ambitious audits and increased cost-analysis capabilities aiding the Division's efforts."

For more information, go to www.pewcenteronthestates.org.

During fiscal year 2008, we performed two compliance and control audits (including the computer-security audit described above), with several more planned for fiscal year 2009.

Financial-compliance audits of the Retirement System, the Lottery, and the State's financial statements are performed by public accounting firms under our direction. Legislative Post Audit contracts for these three annual audits, all of which are required by State or federal law.

All our reports for fiscal year 2008 are listed in Appendix A.

The Legislative Post Audit Act (K.S.A. 46-1101 et seq.) outlines responsibilities of the Legislative Post Audit Committee, Legislative Post Audit, and the agencies we review. In all our work, we follow the audit standards published by the U.S. Government Accountability Office. These standards, adopted by the Legislative Post Audit Committee, govern auditors' professional qualifications and training, the quality of the audit work, and the characteristics of timely and meaningful reports.

How Audits Are Requested and Acted Upon

Any legislator or legislative committee can request a performance audit by contacting any member of the Committee or by contacting Legislative Post Audit directly. Audits are done only at the Legislative Post Audit Committee's direction.

Once a performance audit is approved, we assign it to an audit team. When an approved audit is started, it usually takes 6-16 weeks to complete, depending on its complexity.

Legislative Post Audit Receives National Award

In June 2008, Legislative Post Audit won the Certificate of Recognition of Impact award from the National Legislative Program Evaluation Society (NLPES) for its April 2007 performance audit report, *K-12 Education: Reviewing Issues Related to Virtual Schools*.

The audit found that while the Department of Education had developed good policies for general oversight of virtual schools, it often had failed to follow them. In addition, many risks specific to virtual schools hadn't been adequately addressed, including the risk that districts could manipulate virtual schools for financial gain. For example, the audit identified one school district that had "given" 130 virtual students to nearby districts to allow those districts access to more State funding. Such practices aren't allowed by law, and the audit highlighted the need for more stringent oversight measures.

After the audit was issued, the 2008 Legislature passed Senate Bill 669, also known as the Virtual School Act. Among other things, the Act gave the Department of Education increased authority over virtual schools, and reduced the amount of State funding virtual schools receive, recognizing that such schools are less expensive to operate than traditional schools.

The National Legislative Program Evaluation Society is part of the National Conference of State Legislatures. The award was presented at the NCSL Legislative Summit in New Orleans in July.

***We Try To Make
Our Work Readily
Accessible***

The Division's work reaches a wide audience of legislators and other decision-makers. We distribute hard-copy versions of our full reports, report summaries, or other information about our work to all interested parties. In addition, our website at www.kslegislature.org/postaudit has searchable summary information on all audits done since 1976, as well as the full text of more recent audits.

We also present our audits to the Legislative Post Audit Committee and other interested committees or groups during the legislative session and throughout the year. During fiscal year 2008, Division staff presented information on 15 completed reports to 19 legislative committees and other groups. Appendix B lists the reports that were presented to bodies other than the Legislative Post Audit Committee.

How To Contact Us

We encourage you to contact us if you have any questions. Our office hours are 8 a.m. to 5 p.m., Monday through Friday except State holidays.

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telephone: (785) 296-3792 Those who have hearing or speech disabilities
can reach us through the Kansas Relay Center at (800) 766-3777.
fax: (785) 296-4482
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***Fiscal Year 2008
Audits Answered a
Variety of Questions
For Legislators***

Our work in the last fiscal year examined topics that fell under these broad questions and more:

- ***Are State Agencies Following Best Practices When Negotiating Contracts with Vendors?***
- ***How Has Kansas Adapted to Accommodate Current Trends in Education?***
- ***Are State Agencies Effectively Carrying Out Their Missions?***

The following sections briefly describe some of the answers we found to those questions.

Are State Agencies Following Best Practices When Negotiating Contracts with Vendors?

When the State needs a service that one of its agencies can't provide, or when it needs to purchase a large amount of a certain product, a contractual agreement usually is sought with outside vendors via a competitive bidding process. Contracts between the State and outside vendors can lead to big savings for State agencies, when done properly. Additionally, the competitive bidding process ensures that biases are not a factor in the selection of a contractor. Two of our fiscal year 2008 audits revealed instances in which State agencies failed to follow best practices when contracting for goods and services.

Foster Care: Reviewing Selected Issues Related To State Contracts for Foster Care and Family Preservation Services (April 2008)

The Kansas Department of Social and Rehabilitation Services provide multiple programs to Kansas children and adults, including foster care. In order to address previous quality of care concerns, SRS began privatizing its family preservation and foster care programs in 1996. Four-year contracts are now competitively bid with Kansas non-profits to provide these services.

Because the costs of these services have risen sharply in recent years—the cost of out-of-home services increased from \$84 million to \$141 million (68%) from 2005 to 2007—thoughtful contract negotiation is crucial. While SRS handled certain aspects of its service contract negotiations appropriately, we identified one major weakness and three minor weaknesses in their procedures for awarding service contracts:

- Late in the contract negotiations, an SRS employee appears to have inadvertently disclosed information to one bidder—The Farm—that allowed it to increase its foster care and family preservation bids. Sharing this information with The Farm—and accepting its higher bid—resulted in the State paying \$2.9 million more than it otherwise would have during the first two years of the contract.
- SRS didn't have a mechanism to check its own employees for conflicts of interest. In contracts as large as these, there should be procedures to check for and document potential conflicts of interest.
- SRS didn't use an official scoring method for the technical proposal. SRS officials provided general directions to contract evaluators on which aspects of the request for proposal were most important to review. However, those directions didn't include a scoring method or specific guidance that would have allowed them to objectively measure contractors' responses for those sections.
- Division of Purchases' officials didn't provide reasons to the appropriate legislative committees on why SRS didn't select the lowest-cost contractor

for each region, as required by law. SRS officials documented their explanations for not picking the lowest-cost contractors, which included non-monetary reasons, such as outcomes performance, strength of technical proposals, or strong working relationships with other regions. Division of Purchases' officials told us they had since rectified this problem in their periodic reports to the Senate Ways and Means and House Appropriations Committees.

To help ensure that these sizeable contracts are negotiated in line with best practices in the future, we made several recommendations to SRS, such as ensuring that all members of the contract negotiation team are aware of what information should be kept confidential from bidders, and instituting a formal scoring system for evaluating proposals.

**Legislative Post Audit's Mission Statement, Goals, and Objectives
Reflect Our Determination To Provide the Legislature With
High-Quality, Objective Information**

Legislative Post Audit's philosophy. The Division will act in accordance with the highest standards of ethics, accountability, efficiency, and openness. Through our audit work, we will strive to provide the Legislature with sound, accurate, clear, and unbiased information for use in the legislative oversight process. We will work hard to maintain an effective relationship with the Legislature, and we'll deal with agency officials in a courteous and professional manner.

Legislative Post Audit's mission. The Legislative Division of Post Audit's mission is to conduct audits that provide information for the Legislature and other government officials who make and carry out policies and procedures. This information helps the Legislature ensure that Kansans receive economical, efficient, and effective services that are in compliance with applicable requirements. It also helps the Legislature ensure the integrity of the State's financial management control systems.

Legislative Post Audit's goals and objectives. To achieve its mission, the Division has established the following goals and objectives:

- Goal 1:** To conduct and issue audits that are responsive to the needs and mandates of the Legislature.
Objective: Audits should address the concerns and answer the questions raised by legislators or legislative committees.
- Goal 2:** To conduct audits that promote improved efficiency, effectiveness, and financial management practices in Kansas government.
Objective: Whenever possible, audits should identify ways that agencies can do their jobs more efficiently or economically, ways that agencies can improve their financial management practices, or ways the Legislature can help accomplish these improvements.
- Goal 3:** To conduct audits in accordance with all applicable government auditing standards.
Objective: Within the time constraints imposed by the Legislature or the Legislative Post Audit Committee, audits should adhere to all applicable government auditing standards.
- Goal 4:** To conduct audits in a timely and cost-effective manner.
Objective: Audits should be planned and conducted using only the time and resources needed to efficiently and effectively answer the audit questions and accomplish the audit objectives.

***Statewide Expenditures:
Reviewing Transactions
in the STARS
Accounting System
for Fraud and Abuse
(December 2007)***

The State Accounting and Reporting System (STARS) is subject to a traditional financial audit each year to ensure that its financial statements are accurate. However, traditional auditing techniques aren't as capable of revealing fraud, abuse, or non-compliance. Consequently, we utilized a new auditing technique—data mining—to look at the STARS system in a different way. Data mining makes use of new technology to identify single transactions, or groups of transactions, that might represent problematic or inefficient spending habits.

Among other things, this audit uncovered multiple instances in which State agencies purchased large amounts of goods and services from the same vendor but failed to negotiate a Statewide contract with them. The types of services provided included publishing academic journals, library services, legal information, newspapers, manufacturing, and construction supplies. We identified six vendors who each had done \$400,000 worth of business with 10 different State agencies, but none of these vendors had a Statewide contract.

Additionally, we identified four cases in which State agencies did more than \$5,000 worth of business with a vendor in a short amount of time without requesting bids. While the Division of Purchasing doesn't require competitive bidding in such circumstances, we thought these repeated purchases from one vendor represented multiple opportunities for the State to save money.

We recommended that the Division of Purchases attempt to negotiate contracts with all the vendors with whom the State had conducted \$400,000 or more worth of business. We also recommended that individual State agencies review their own records periodically in order to pinpoint vendors with whom they do significant business, and subsequently attempt to negotiate contracts with them.

How Has Kansas Adapted to Accommodate Current Trends in Education?

The field of education is evolving constantly in response to new research, technological advances, and changes in demographics and economics. Four of our fiscal year 2008 audits looked at ways in which the State is handling or adapting to changes in Kansas K-12 education.

***K-12 Education:
Assessing the Quality of
English as a Second
Language Preparation in
Kansas Teacher Education
Programs (April 2008)***

Kansas has an ever-growing population of non-native speakers of English, and this fact is particularly visible in our K-12 schools. In fact, the Department of Education states that ESL students represent 6% of the total K-12 population. This influx of students has presented a challenge for teachers who feel unprepared to teach non-native speakers, and for the Kansas colleges and universities responsible for preparing their student teachers for the classroom. We surveyed Kansas teachers to assess their feelings of preparedness for ESL students, and we also examined their responses in light of the teacher education program they completed.

Our findings suggest that Kansas teacher education programs aren't doing an adequate job of preparing their teachers to

teach ESL students in the classroom. In all, 60% of surveyed teachers indicated they felt unprepared to teach ESL students. Additionally, those teachers who graduated from a teacher education program that had included hands-on ESL preparation felt more prepared than teachers whose program included only ESL classroom

instruction. The level of support from their respective schools and the students' level of English proficiency also affected teachers' feeling of preparedness.

We recommended that State Board of Education consider requiring teacher education programs to include a dedicated ESL course, hands-on experience adapting lesson plans, and foreign language training for each prospective teacher.

What's An Audit?

In essence, an audit is a comparison of what is with what should be. A financial audit may compare the preparation of the State's financial statements to generally accepted accounting principles to ensure that the financial statements can be relied on. A performance audit might compare an agency's programs to its authorizing legislation, its goals to its results, its expenditures to those of its peers in other states, or its operations to good business practice. The goal is to ensure that programs are operating lawfully, efficiently, effectively, and as the Legislature intended.

***K-12 Education:
Determining the Reasons
for Variations in Virtual
School Costs (October
2007)***

Virtual schools, which allow K-12 students to complete coursework without having to be physically present in a classroom, are growing rapidly in popularity throughout the country. This form of education allows students the flexibility to complete their coursework according to their own schedule, as well as choose from a much wider variety of courses than traditional schools typically offer. Virtual schools also allow adults to earn their high school diploma at a pace that may be more convenient for an individual who works full time. Kansas has 28 of these schools with a total of over 2,000 full-time students. While virtual schools are less expensive to operate than traditional schools, the amount of variation between each school's operating budget was significant. This audit sought to discover the reasons for that variation.

The three basic explanations for this variation were:

- Differences in reporting methods
- Differences in the number of students per teacher
- Differences in the cost of technology

We didn't make any recommendations to the Department of Education; because virtual schools are such a new approach to education, the State is still learning by doing, and best practices in this area aren't yet clear.

During the 2008 Legislative Session, Lawmakers Significantly Changed the K-GOAL Law

Legislation passed in 2008 expanded the Kansas Governmental Operations Accountability Law (K-GOAL) to allow any State agency or program to be audited under the law, as directed by the Legislative Post Audit Committee, and to provide a greater emphasis on efficiency issues. This bill essentially mirrored the plan endorsed earlier by the Legislative Post Audit Committee to focus up to half the Division's regular performance audit work on efficiency and cost-savings topics. The Committee is required to direct the Post Auditor to conduct at least four K-GOAL audits each year.

Each K-GOAL audit must include a determination of the following factors:

- whether the agency or program is still needed
- whether another federal, state, local, or private agency exists that could effectively perform the functions of the agency or program
- whether the agency or program can be operated more efficiently and still fulfill its intended purpose
- whether there are any other factors determined by the Post Auditor or directed by the Committee that are needed for the audit

The bill authorized the Senate Ways and Means Committee, the House Appropriations Committee, the Legislative Budget Committee, or other committees as determined by the Legislative Coordinating Council to review and evaluate the operations of the State agency or program that is audited under K-GOAL.

***K-12 Education:
Reviewing the Cost of
Vocational Education
Programs (August 2007)***

Vocational education—a phrase traditionally used to describe courses that prepare a student for careers in a trade or industry—serves as an alternate track for high school students who don't plan to attend college after graduation. Kansas schools aren't required to offer these courses to their students; however, the State does cover a portion of the cost of these programs if schools choose to offer them. In 2006-07, the State provided its participating school districts with \$2,158 for each of the 16,000 vocational education students. Over the last eight years, student enrollment in vocational education courses has risen by more than 26%.

By selecting 30 random Kansas school districts and analyzing their vocational education course offerings, we discovered that many of the courses placed in this category did not actually prepare students for an occupation; rather, they were either basically study halls, or they focused on general employment or independent living skills. We estimate that Kansas school districts received \$5 million in vocational education funding for these courses, which do not lead to a specific career.

Our analysis of the State's vocational education program is particularly timely, because the federal government is planning a major overhaul of Vocational Education at the federal level that will broaden the State's current structure to include a number of professional occupations. This expansion could affect State funding by generating interest in new programs, or by bringing in more students.

Our recommendations included amending State law to remove study halls and courses that focused on general employment and independent living skills from vocational education funding. Additionally, we urged the Legislature to ensure that the Department of Education was preparing appropriately for the new changes that will be required of the State's vocational education program in the coming years. We also urged the Legislature to keep an eye on the number and types of courses that are approved as part of a vocational education program to ensure that the State's costs for such courses don't get out of hand.

***K-12 Education:
Reviewing Issues
Related to Special
Education Funding
(December 2007)***

The State of Kansas is required by federal law to provide special education programs to all children between the ages of 3 and 21 with disabilities. Children who fall into this category are those who require special assistance in the classroom due to mental retardation, hearing or visual impairment, emotional disturbance, or autism. Additionally, the State requires its school districts to provide special education to those children who are gifted.

School districts have the option of providing these services on their own, or through cooperatives or interlocal agreements. In this audit, we looked at two issues affecting special education funding in Kansas—the formula for allocating categorical aid, and upcoming Medicaid changes.

The State gives districts categorical funding to compensate for the “excess costs” of providing special education services—costs that aren’t covered by traditional per-pupil funding or other outside funding sources. Although the State provided enough categorical aid to cover 89.3% of the Statewide excess costs in 2005, the percentage of excess costs covered for individual districts and cooperatives ranged from 45% to 207%. Districts and cooperatives that spent more money per special education student had less of their excess costs covered by categorical aid.

The second funding issue we examined was the upcoming change in Medicaid funding for health-related special education expenses. These changes included:

- Changing from a bundled rate to a fee-for-services rate
- Requiring a doctor’s authorization for services before they are eligible for reimbursement
- Requiring a parent’s authorization before a school can use Medicaid for reimbursement

These changes were estimated to reduce Medicaid funding from \$35 million to just \$11.5 million in the 2007-08 school year. Under current law, the Legislature will be responsible for replacing a portion of that loss with categorical aid. Because State funding for special education is distributed based on the number of special education *teachers* employed by the district or cooperative, not on the number of *children* who qualify for Medicaid reimbursement, some districts actually will gain money rather than lose it.

We recommended that the Legislature consider revising its current formula to distribute categorical aid more equitably.

Are State Agencies Effectively Carrying Out Their Missions?

The Legislature creates State agencies in order to address a need or provide a service that will benefit Kansas citizens. When legislators think an agency might not be living up to its goals, we can act as the Legislature's eyes and ears, evaluating and reporting on the agency's performance. Two of our fiscal year 2008 performance audits took this approach.

Kansas Corporation Commission: Reviewing Issues Related to Consumer Complaints (December 2007)

The Kansas Corporation Commission (KCC) is responsible for regulating public utilities, motor carriers, and oil and natural gas production. Within the KCC is its Office of Public Affairs and Consumer Protection, which is responsible for fielding and addressing informal and formal complaints from customers. In fiscal year 2007, the office handled nearly 3,700 complaints.

Recently, lawmakers became concerned that the KCC was “rubber-stamping” explanations from the utility companies rather than actively investigating consumers’ complaints. To evaluate the KCC’s effectiveness in dealing with these complaints, we looked at the resources the agency reserves for this watchdog function, and we compared the number of cases that came out in favor of the utility company versus those that came out in favor of the customer.

We reviewed a sample of 30 complaint records and found that the KCC’s 8.5 FTE public affairs and consumer protection staff, together with its legal staff, gave consumers at least some relief in most cases, even if the utility company was not found to be in the wrong. In the formal complaint cases, customers received relief half of the time.

***“Auditing is essential to government
accountability to the public.”***

-- Government Auditing Standards

***Kan-Ed: A K-GOAL
Audit Determining
Whether It's Achieving
the Intended Results
(October 2007)***

The Kan-Ed Act, passed by the 2001 Legislature, called for the creation of a broadband network for Internet access, and for intranet access for distance learning. The Kansas Board of Regents was required to establish a plan to implement the Act.

The Kan-Ed network began connecting members (K-12 organizations, libraries, higher education institutions, and hospitals) in 2004. Kan-Ed has two types of membership—member and connected member. Services available to all members can be accessed through any Internet connection, whereas services for connected members require a physical connection to the Kan-Ed network. Only connected members have access to videoconferencing and interactive distance learning services.

Legislators had expressed concern that Kan-Ed might not be working as originally intended. They were particularly concerned that many members—such as schools, hospitals, and libraries—lacked a direct connection to the network. Further, legislators wanted to find out why certain members had been unable to obtain a direct connection. They also wanted more information on how Kan-Ed had used its funding.

The audit found that only 34% of all members actually were connected to the network. The reasons members cited for not connecting included:

- Lack of need for the services provided
- Lack of awareness about the benefits of connecting
- Lack of money to purchase the needed equipment
- Lack of staff with the requisite technical expertise

Even so, more than half the connected members we spoke to indicated that they used the benefits of Kan-Ed, such as video conferencing and distance learning, multiple times a week.

We recommended that Kan-Ed work to make its members more aware of the benefits of connecting to the network. Additionally, in order to obtain more accurate information about the number of members using their services, we recommended that Kan-Ed management develop procedures to identify members who have indirect access to the network through another connected member.

Are State Agencies Making the Best Use of Taxpayer Dollars?

One responsibility of government is to ensure that the resources it uses to provide programs and services are being used wisely. Two of our fiscal year 2008 audits examined how well certain agencies and organizations work together to maximize their services and avoid duplication.

***Children’s Programs:
Reviewing Whether They
Are Coordinated To
Avoid Duplication And
Maximize the
Use of Resources
(July 2007)***

In 2006 the State listed approximately 220 children’s programs, operated by over 33 agencies and institutions, in its Children’s Budget. Of those, we identified 20 State-administered and 3 federally administered programs that focus primarily on children from birth to age five. We analyzed those programs, which are funded by both the State and the federal government, to determine whether they actually provided unique, unduplicated services.

At the State level, the risk of duplication comes from having multiple programs offering similar types of services. This risk appears highest in three categories: preschool services for children, home-based education services to parents of young children, and child-care services to low-income clients.

Having multiple agencies involved in administering programs can create administrative duplication. We identified six education-related programs administered by agencies other than the Department of Education and three social services/child safety programs administered by agencies other than SRS. At the local level, where most services actually are provided, the same types of administrative duplication can exist when multiple local agencies administer programs.

Efforts to coordinate children’s programs at both the State and local levels primarily consist of coordinating groups and interagency agreements. A primary example is the Kansas Early Childhood Comprehensive Systems Plan Stakeholders Group, which has worked to develop Statewide strategies for serving young children. Legislation passed in 2007 would bring early childhood education services under a single office in the future, which could have a number of benefits, but issues involving funding and the definition of “education” still will be need to resolved.

The Performance Audit Process

Requests for Audits

A legislator or legislative committee contacts Legislative Post Audit



Post Audit staff prepare a scope statement for the requestor's approval; this scope statement outlines expectations for the audit.



The version of the scope statement the requestor approves is presented to the Legislative Post Audit Committee for its consideration.



Audit Work

Approved audits are assigned to teams of auditors.



Auditors complete fieldwork, analysis, and drafting of the report; this usually takes 6-16 weeks.



A copy of the draft report is sent to the audited agencies for review and comment.



Staff present the final report to the Legislative Post Audit Committee; the report then is a public document. Staff distribute the report.



Follow-Up

Legislators and the agencies review the findings and take action.



Legislative Post Audit contacts agencies to determine whether they have implemented audit recommendations. This information is published annually.

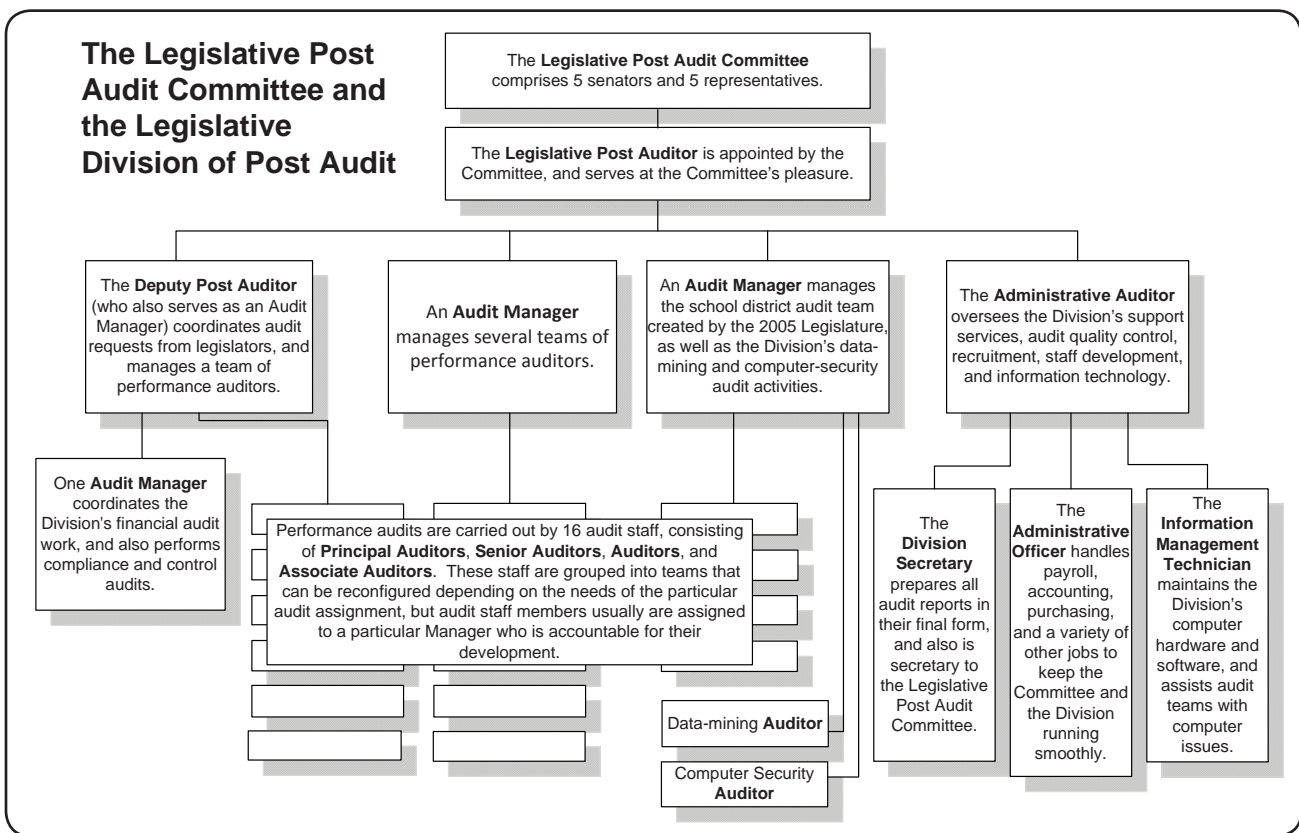


The Legislative Post Audit Act (K.S.A. 46-1101 et seq.) outlines responsibilities of the Legislative Post Audit Committee, Legislative Post Audit, and the agencies we audit.

Legislators and legislative committees may request an audit. We work with the requestor to develop a "scope statement" that outlines the questions the audit would answer and the methods we would use to answer those questions. This scope statement is confidential until the requestor approves it. The Legislative Post Audit Committee must approve any audit work we do.

**Community Colleges:
Examining Whether
There Are Ways To
Share Resources
To Reduce Costs
(February 2008)**

Kansas currently has 19 community colleges, which offer a variety of degree and certificate programs. The Higher Education Coordination Act of 1999 sought to change the funding method for Kansas' community colleges by reducing their dependence on property taxes. Each college was issued operating grants, which would increase each year until they reached 65% of the State aid per FTE lower-division student at the regional universities. The colleges were instructed to use 80% of any increase in the prior year's State aid to reduce their mill levies. However, over time the mill levies of many Kansas community colleges either failed to decrease or started increasing. As a result of inadequate funding of the Act, as well as some college's failure to abide by the law, property tax relief has been minimal.



We also looked to see whether Independence and Coffeyville Community Colleges could share certain resources, which could help to reduce costs and mill levies. We concluded that these two colleges had many opportunities to coordinate specialized programs; share payroll processing, online courses, and professors for advanced math and science courses; and create new joint purchasing agreements to save money on things like technology, utilities, and insurance.

Our recommendations included encouraging each college's board of trustees to ensure that they are abiding by the Act, and encouraging

community colleges in close proximity to eliminate duplicate degree programs, share advanced-level faculty, combine and streamline administrative functions, and search for joint purchasing opportunities.

Audits Can Help Legislators Make the Most of Available State Resources

Legislative Post Audit issues a number of audits annually that point out potential ways to control costs or bring in additional revenue. The table below lists savings, both realized and potential, stemming from recommendations made by Legislative Post Audit in fiscal years 2006, 2007, and 2008.

Fiscal Year	Realized		Potential		Total
	Annual	One-Time	Annual	One-Time	
2008	0	0	65,200	0	65,200
2007	0	2,568	3,900,100	23,700	\$3,926,368
2006	0	0	2,128,000	0	\$2,128,000
Total	\$0	\$2,568	\$6,093,300	\$23,700	\$6,119,568

As the table shows, in the last three fiscal years, Legislative Post Audit reports have identified more than **\$6.1 million** in opportunities to save money or increase revenues. Here is a sampling of some of the recommended savings in the past three fiscal years:

Audit	Findings	Estimated Savings or Revenue
Community Colleges: Examining Whether There Are Ways They Could Share Resources to Reduce Costs (February 2008)	Independence and Coffeyville community colleges could do a lot more than they currently do to share resources. Strategies such as eliminating duplicate programs with small enrollments, sharing faculty, and making joint purchases could save at least \$65,000 a year, and possibly much more. We also noted that, given the additional amounts of State aid the colleges received in 2001-2007 to provide local property tax relief, some colleges didn't provide all the tax relief they were required to by law. For the years we reviewed, local property taxes should have been reduced by about \$5.0 million more than they were.	Yearly: \$65,200
K-12 Education: Reviewing Free-Lunch Student Counts Used as the Basis for At-Risk Funding, Parts I and II (November/December 2006)	In 2005-06, the Department's child nutrition team determined that about 1,850 students receiving free lunches were ineligible, but they didn't pass that information on to the fiscal auditors. In addition, the auditors didn't audit every school in the six largest districts, potentially missing about 100 ineligible students. Not paying at-risk funding for this many ineligible students would save the State an estimated \$3.8 million at the current at-risk funding rate. Our testwork also showed that, overall, an estimated 23,000 free-lunch students were ineligible, costing the State about \$46 million a year at the current at-risk funding rate. Because districts can't review supporting tax records and federal law limits the amount of verification work districts can do, these savings likely can't be realized.	Yearly: \$3.8 million
Medicaid Waivers Part I: The Department on Aging's Frail Elderly Waiver Program (July 2005)	If Frail Elderly waiver clients who self-direct their own attendant care services received about the same number of volunteer hours as clients with agency-directed care (who get about 17 more hours of volunteer services per month), Kansas would save about \$2 million each year in State funding. Total Medicaid savings (when both State and federal shares are included) would be about \$5 million each year.	Yearly: \$2.0 million

How We Counted the Savings:

We counted the savings or revenue increases as "realized" if we confirmed that the recommended change has taken place, even if the added income isn't yet on the books. We show savings as "potential" if the recommended change has not yet been made. In either case, the estimates shown are conservative. For example, recurring savings are counted only for the first year they occur. Similarly, if the audit estimated a range of possible savings, we recorded the lowest value. These figures are updated as additional information becomes available.

APPENDIX B

Fiscal Year 2008 Presentations to Legislative Committees and Other Groups

Our reports always are presented to the Legislative Post Audit Committee, and they also may be presented to other interested legislative committees or other groups. During Fiscal Year 2008, Division staff presented 15 reports to 19 legislative committees or other groups in addition to the Legislative Post Audit Committee.

2010 Commission

- Children's Programs: Reviewing Whether They Are Coordinated To Avoid Duplication and Maximize the Use of Resources
- K-12 Education: Reviewing Issues Related to Special Education Funding

Kansas Autism Task Force

- Children's Programs: Reviewing Whether They Are Coordinated To Avoid Duplication and Maximize the Use of Resources
- K-12 Education: Reviewing Issues Related to Special Education Funding

House Agriculture and Natural Resources

- Food Safety Programs in Kansas: Evaluating Possible Costs and Efficiencies of Combining Them

House Appropriations Committee

- K-12 Education: Reviewing Issues Related to Virtual Schools
- K-12 Education: Reviewing the Cost of Vocational Education Programs
- K-12 Education: Reviewing Issues Related to Special Education Funding
- Statewide Expenditures: Reviewing Transactions in the STARS Accounting System for Fraud and Abuse (*compliance and control audit*)
- Business Procurement Card Program: Reviewing for Fraud and Abuse (*compliance and control audit*)

House Commerce and Labor Committee

- Economic Development: Determining the Amounts that State Has Spent on Economic Development Programs and the Economic Impacts on Kansas

House Economic Development and Tourism Committee

- Economic Development: Determining the Amounts that State Has Spent on Economic Development Programs and the Economic Impacts on Kansas

House Education Budget Committee

- K-12 Education: Reviewing Issues Related to Virtual Schools
- K-12 Education: Reviewing the Cost of Vocational Education Programs

House Energy and Utilities Committee

- Wireless Enhanced 911: Reviewing Implementation of the 2004 Act
- Kan-Ed: A K-GOAL Audit Determining Whether It's Achieved Its Intended Results
- Kansas Corporation Commission: Reviewing Issues Related to Consumer Complaints

House Government Efficiency and Technology Committee

- Board of Healing Arts: Reviewing Issues Related to Complaint Investigations, Background Investigations, and Composition of the Board

House Taxation Committee

- Economic Development: Determining the Amounts that State Has Spent on Economic Development Programs and the Economic Impacts on Kansas

Joint Committee on Information Technology

- Kan-Ed: A K-GOAL Audit Determining Whether It's Achieved Its Intended Results

Legislative Educational Planning Committee

- K-12 Education: Reviewing Issues Related to Developing and Retaining Teachers and School Principals

Senate Agriculture Committee

- Food Safety Programs in Kansas: Evaluating Possible Costs and Efficiencies of Combining Them

Senate Assessment and Taxation Committee

- Community Colleges: Examining Whether There Are Ways To Share Resources To Reduce Costs

Senate Commerce Committee

- Economic Development: Determining the Amounts that State Has Spent on Economic Development Programs and the Economic Impacts on Kansas

Senate Education Committee

- K-12 Education: Reviewing Issues Related to Virtual Schools
- K-12 Education: Reviewing Issues Related to Special Education Funding

Senate Judiciary Committee

- Board of Healing Arts: Reviewing Issues Related to Complaint Investigations, Background Investigations, and Composition of the Board

Senate Ways and Means Committee

- K-12 Education: Reviewing Issues Related to Virtual Schools
- K-12 Education: Reviewing the Cost of Vocational Education Programs
- K-12 Education: Reviewing Issues Related to Special Education Funding

Special Committee on Financial Institutions and Insurance

- Regulations of Credit Unions: Reviewing the Department of Credit Unions' Procedures for Ensuring Institutions' Safety Soundness, and Compliance with the Law

APPENDIX C

Staff of the Legislative Division of Post Audit, Fiscal Year 2008

Legislative Post Audit had a total staff of 25 during the fiscal year. The staff comes from a wide variety of backgrounds and disciplines, including law, accounting, finance, the social sciences, and business and public administration. Most are Kansas natives or have deep roots in the Midwest.

Levi Bowles (Senior Auditor) Levi has a master's degree in political science from the University of Kansas and a bachelor's degree in political science from Kansas State University. Before coming to Legislative Post Audit, Levi worked for Cottonwood Inc. in Lawrence.

Jack Brooks (Associate Auditor) Jack joined the Division in 2007. Before coming to work for Legislative Post Audit he worked as a legal analyst for a Kansas City, Missouri law firm. He has a bachelor's degree in philosophy and classical language from the University of Kansas as well as a J.D. from the University of Kansas School of Law.

Dan Bryan (Auditor) Dan came to us from the Kansas Health Institute, where he was a research and policy analyst. He has a master's degree in public administration from Wichita State University, and a bachelor's degree in political science from Emporia State University.

Sharon Chandler (Division Secretary) Sharon joined the Division in December, 2007. Before coming to work for Legislative Post Audit, Sharon worked for the Seaman School District as a school secretary.

Chris Clarke (Auditor Manager) Chris joined the Division in 1995. She received her bachelor's degree from the University of Kansas in 1988 and a law degree from St. Louis University Law School in 1991.

Nathan Ensz (Associate Auditor) Nathan joined the Division in October, 2007, from the Kansas Department of Health and Environment where he was a research analyst. Nathan received a bachelor's degree from the University of Kansas in political and science economics and a master of arts degree in political science also from the University of Kansas.

Allan Foster (Information Systems Auditor) Allan started with the Division in October 1983. He has a master's degree in business administration from the University of Kansas, and is both a Certified Information Systems Auditor and a Certified Information Systems Security Professional.

Scott Frank (Audit Manager) Scott joined the Division in 1999, after graduating from the University of Kansas with a master's degree in human resource management.

Leo Hafner (Deputy Legislative Post Auditor) Leo joined the Division in 1975. He has a bachelor's degree in business administration and accounting from Washburn University, and is a Certified Internal Auditor.

Brenda Heafey (Auditor) Brenda joined the Division in 2005. Before coming to Legislative Post Audit, she worked in evaluation services at DCCCA, Inc. in Lawrence for 4 years. Brenda holds a bachelor's degree in psychology and a master's degree in business administration.

Barbara Hinton (Legislative Post Auditor) Barb has been with the Division since 1977. She served as an audit supervisor, manager, and Deputy Legislative Post Auditor before being appointed to the position of Legislative Post Auditor in 1991. She has a bachelor's degree in English and a master's degree in journalism from the University of Kansas.

Brad Hoff (Auditor) Brad joined the Division in 2004 after completing a bachelor's degree in political science from the University of South Dakota and a master's degree in public administration from the University of Kansas. Before joining Post Audit, Brad worked in the Lawrence City Manager's Office.

Lisa Hoopes (Senior Auditor) Lisa joined the Division in 2001. She has a bachelor's degree in business administration from the University of Kansas, and a law degree from Washburn University School of Law.

Joe Lawhon (Principal Auditor) Joe started working for the Division in 1992. He has a bachelor's degree in business from Benedictine College at Atchison, and is also a Certified Fraud Examiner. Joe came to the Division from the State Auditor's Office in Nebraska. He has been involved in performance auditing since going to work for the Kansas City, Missouri, Auditor's Office in 1979.

Jamie Medaris (Administrative Officer) Jamie joined the staff in 1996. Before that, she worked for Disability Determination in the Kansas Department of Social and Rehabilitation Services, and for Kansas State University.

Laurel Murdie (Principal Auditor) Laurel joined the Division in 1995. She has a bachelor's degree in agribusiness/agriculture economics from Kansas State University, and a J.D. from Washburn University School of Law.

Katrin Osterhaus (Principal Auditor) Katrin joined Legislative Post Audit in 1998. Originally from Germany, she holds bachelor's and master's degrees in business administration, as well as a bachelor's degree in psychology, from Washburn University.

Lindsey Rousseau (Associate Auditor) Lindsay started with Post Audit in March 2008. She has a bachelor's degree in journalism and political science from the University of Kansas. In December, 2007 she received her law degree also from the University of Kansas.

Rick Riggs (Administrative Auditor) Rick has been with the Division since 1984. Before that, he worked as a correctional officer and parole officer for the Kansas Department of Corrections, and as a management analyst for the Kansas Corporation Commission. A Topeka native, Rick graduated from Washburn University, and has a master's degree in public administration from the University of Kansas.

Justin Stowe (Auditor) Justin joined Post Audit in 2006. He received a bachelor's degree in political science from Kansas State University and is currently completing a master's degree in public administration, also from Kansas State.

Amy Thompson (Senior Auditor) Amy joined the Division in 2003. She received both a bachelor's degree in business administration and a master's of accountancy from Kansas State University.

Randy Tongier (Audit Manager) Randy joined the Division in 1975. A Coffeyville native, he has a bachelor's degree in business administration and accounting and a master's in business administration from the University of Kansas. He is a certified public accountant, has taught accounting at Washburn and KU, and worked for two years for Arthur Andersen and Co. in Kansas City.

Ivan Williams (Senior Auditor) Ivan joined Legislative Post Audit in 2003 after working more than 10 years in healthcare, most recently as a quality improvement coordinator. A native of Nickerson, he has a bachelor's degree in Psychology from Louisiana Tech University and a master's in Business Administration from Wichita State.

Travis Williams (Information Management Technician) Travis came to us in December, 2007, from Legislative Services where he had worked since 2003 as a Network Specialist. He has certifications from both Microsoft and Novell.

Heidi Zimmerman (Auditor) Heidi started with Post Audit in 2005 after working as a research analyst for the Kansas Sentencing Commission. She holds a bachelor's degree in Political Science and a master's degree in History from Fort Hays State University.