



KANSAS LEGISLATIVE DIVISION *of* POST AUDIT

The Rundown transcript for the Performance Audit report titled ***Assessing the Impact of Permanent Work from Home Options*** – Released August 2023

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

Welcome to The Rundown your source for the latest news and updates from the Kansas Legislative Division of Post Audit featuring LPA staff, talking about recently released audit reports and discussing their main findings, key takeaways and why it matters. I'm Andy Brienzo. In August 2023, LPA released a performance audit, examining how many state employees could potentially work from home all or part of the time, and the impact the state's permanent work from home options would have on costs, hiring and productivity. I'm with Macie Smith, senior auditor at Legislative Post Audit who supervised this audit. Welcome to the Rundown, Macie.

Macie Smith, Supervisor and Senior Auditor: [00:39]

Thanks, Andy.

Andy Brienzo, Host and Principal Auditor: [00:41]

So, let's set the stage for the rest of our conversation by going over how many state agencies and employees we're talking about, the kinds of jobs state employees do, and what agencies work from home policies currently entail.

Macie Smith, Supervisor and Senior Auditor: [00:54]

Sure. So, for our work, we looked at 81 state agencies in the executive branch. These include agencies like the Kansas Department of Health and Environment and the Kansas Department of Corrections. It also includes small boards and commissions like the Kansas Human Rights Commission or the State Board of Healing Arts. And all these agencies serve a broad range of functions, so you can appreciate that there are all kinds of jobs within state government: jobs like police officers, administrative assistants, park rangers, accountants, engineers, case managers, transportation professionals, and so many more. So, the 81 agencies, we looked at account for about 18,000 jobs. Then around 80% of those agencies have work from home policies and about 20% of agencies don't allow employees to work from home. We were able to review 26 of those work from home policies, and most of those policies consider working from home to be a benefit so employees have to meet specific criteria

before they can work from home. Criteria might include an employee meeting or exceeding performance objectives, not having reprimands in the last 12 months, and then having an appropriate office at home that has internet access. Also, most of the policies indicated that employees have to have a job compatible with working from home, so the job must be portable.

Andy Brienzo, Host and Principal Auditor: [02:23]

Okay, so for question one, your team determined how many state employees currently work from home and how many could work from home going forward. So first tell me how you determined these things. How many employees are currently working from home, and how their arrangements look?

Macie Smith, Supervisor and Senior Auditor: [02:39]

So I want to start with explaining what the different work from home arrangements look like. The first is full-time working from home. They have a home office and they work from home full-time. The second arrangement is called a hybrid model. In a hybrid model, an employee may be required to go into the office a certain number of days each week, or they may have to report to the office or specific locations as their job duties require it. Think of a caseworker who may work from home, but also needs to go make in-person visits. For our work, we sent out an information request to the 81 agencies. All 81 responded, and then as part of the request we asked them about their employee makeup: how many employees they have, how many of them currently work from home, and how many could potentially work from home. So as of spring 2023, the agencies reported that about 3,500 employees work in that hybrid capacity, another 2000 work from home full-time. So that is about 30% of the 18,000 state employees who are working from home either full-time or in a hybrid capacity.

Andy Brienzo, Host and Principal Auditor: [03:52]

How many additional employees did agencies estimate could work from home going forward, and what did you do to determine whether this seemed reasonable?

Macie Smith, Supervisor and Senior Auditor: [04:01]

Agencies reported that about 1,500 current positions could work from home full-time and 1000 more could work from home in a hybrid capacity that is about 15% of current state employees. So basically there is the potential for up to 45% of that workforce to work from home in some capacity, either full-time or hybrid. Now, we did do some additional work to check for the reasonableness of the numbers that the agencies reported to us. For example, we reviewed state job titles and descriptions to identify positions that could reasonably work from home. We did a couple other things, but the checks were reasonably close to the agency's estimates.

Andy Brienzo, Host and Principal Auditor: [04:49]

Now the second question dealt with how permanent work from home options

might affect costs, hiring and productivity. How did you approach answering this question?

Macie Smith, Supervisor and Senior Auditor: [04:59]

We pursued four different lines of evidence and feedback to help us. First, we selected seven different state agencies to further talk to about their experiences with employees working from home. They were the Department for Children of Families, the Department of Health and Environment, uh, Departments of Labor, Revenue, Transportation, and then the Kansas Historical Society and the Office of the State Bank Commissioner. Second, we also conducted a literature review, meaning we looked at academic research and government reports and audits. Third, we talked to officials from Michigan and Arizona who had experience with working from home. And then finally we looked at responses provided to us when we sent out our information requests to the 81 state agencies. We ask them about benefits and barriers to working from home. That particular work you can learn more about in the audit report.

Andy Brienzo, Host and Principal Auditor: [05:58]

, with all that in mind, uh, what did you find about how permanent work from home options might affect hiring and retention?

Macie Smith, Supervisor and Senior Auditor: [06:06]

Working from home may help the state hire more employees. From talking to agency officials, it appears the hiring pool has increased, and this was also born out in the research we reviewed and something both Michigan and Arizona experienced. It seems to be a couple of factors. First, working from home is considered a benefit to employees, but also second, candidates from different regions and backgrounds are able to apply. In fact, the Department of Labor officials told us that while they are based in Topeka, they were able to hire attorneys from Garden City, which is about 300 miles away. As far as retention, offering work from home, uh, options has helped state agencies retain their current employees. So, state agency officials from six of the seven agencies said they have seen less staff turnover since they began offering work from home options. This was also something that the research we looked at found as well.

Andy Brienzo, Host and Principal Auditor: [07:06]

And what did you find about productivity?

Macie Smith, Supervisor and Senior Auditor: [07:08]

The overall finding here is that working from home appears to have a limited impact on staff productivity, but productivity is very difficult to assess. And state agencies we spoke to found it challenging. For example, it's more straightforward to measure productivity in a job with narrow regular outputs, such as number, number of calls handled each hour. But it is far more difficult to find quantifiable outputs of let's say

a budget analyst who may have a variety of tasks to complete over the course of the month. However, the state agencies we talk to report using things like employee performance, higher staff retention rates, fewer sick days used, and feedback from direct managers to help them understand productivity. As an example, the Kansas Department of Revenue told us they use debt collection data and speed of income tax refund distributions to help assess productivity. Officials told us that in their opinion, working from home had either a positive impact on productivity or there were no changes.

Andy Brienzo, Host and Principal Auditor: [08:15]

This was also something borne out in the research and reports we, we reviewed, and this is discussed in more detail in our audit report, but overall, the research indicated that remote workers are equally, if not more productive than their onsite counterparts. But there is something important to note here. A couple of the reports we mention in our audit indicate there are several factors that affect productivity. Basically, not every job or employee is a good fit for working from home. And if that is the case, this will affect productivity. A good example of this comes from the Kansas Historical Society. Some of their employees are responsible for handling artifacts. They can't do that at home. So, if those employees were to work from home, which they don't, they would not be productive because they could not do that aspect of the job.

Andy Brienzo, Host and Principal Auditor: [09:05]

And finally, what did you find about costs?

Macie Smith, Supervisor and Senior Auditor: [09:08]

The short and long of it here is that there are some short-term costs and potential savings. Costs might include things like laptops and other technology to support working from home. When we talked to agency officials, they told us they either paid for those expenses with ARPA funds or from within their existing budgets, but I also want to talk about potential cost savings. The reports and research we reviewed as well as state officials from Michigan and Arizona said that there were cost savings to be found from reducing office space. For example, Arizona reported saving around \$1.2 million by moving the state's Medicaid program to virtual offices. With that said, a major reduction in office space has not taken place in Kansas. Some agencies have had some limited space reductions, but most state agencies have not reduced their physical office space. There are a couple of big factors here. The first being that agencies are hesitant to make major changes. There is caution here over concerns that the state's work from home policy may change in the future and require more in-person work. If they don't have the office space, that could be problematic. The second factor being that some state agencies lease their office space. These leases are often for long periods of time and breaking these types of leases have significant financial repercussions that would need to be paid by the state.

Andy Brienzo, Host and Principal Auditor: [10:35]

Finally, what's the main takeaway of this audit report?

Macie Smith, Supervisor and Senior Auditor: [10:38]

There is a potential to increase the number of employees working from home, and that could lead to some benefits to the state.

Andy Brienzo, Host and Principal Auditor: [10:45]

Macie Smith is a senior auditor at Legislative Post Audit. She supervised an audit examining Kansas' permanent work from home options. Thanks for joining me.

Macie Smith, Supervisor and Senior Auditor: [10:54]

Thanks for having me.

Andy Brienzo, Host and Principal Auditor: [10:56]

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