



PERFORMANCE AUDIT REPORT

**Agricultural-Related Agencies: A K-GOAL Audit
Determining Whether Cost Savings Could Be
Achieved By Making the Animal Health Department
And the Conservation Commission Part of the
Department of Agriculture**

Executive Summary
with Conclusions and Recommendations

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
December 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.

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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.

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LEGISLATURE OF KANSAS
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December 19, 2008

To: Members of the Kansas Legislature

This report contains the findings, conclusions, and recommendations from our completed performance audit, *Agricultural-Related Agencies: A K-GOAL Audit Determining Whether Cost Savings Could Be Achieved by Making the Animal Health Department and the Conservation Commission Divisions of the Department of Agriculture.*

The report also contains an appendix which shows where other states have placed their equivalents to the Kansas Animal Health Department and the Kansas Conservation Commission.

The report includes a recommendation for the Legislature to merge the Animal Health Department and the Conservation Commission with the Department of Agriculture. The report also contains recommendations which should help make the operations of the Animal Health Department and the Conservation Commission more efficient and effective. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

If you would like a copy of the full audit report, please call our office and we will send you one right away.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

Overview of Kansas Agricultural-Related Agencies

In Kansas, three agencies are responsible for overseeing many agricultural-related activities. The Kansas Department of Agriculture is the largest of the three agencies. It regulates various agricultural industries, promotes agricultural development, regulates water resources, and disseminates information on Kansas agriculture. The Animal Health Department helps ensure public health and safety by working to prevent, control, and eradicate infectious and contagious diseases and conditions affecting the health of livestock and domestic animals. The State Conservation Commission works to protect and enhance Kansas' natural resources by working with local governments and individuals to conserve the State's renewable resources. During fiscal year 2008, the combined spending for all three agencies was more than \$44 million.

Restructuring agricultural agencies has been considered several times since the mid-1990s. Legislation to make the Animal Health Department a division of the Department of Agriculture was introduced in 2005 and again in 2008. No action was taken in either instance. The possibility of moving the Conservation Commission was discussed in an audit issued by Legislative Post Audit in 1996 and studied by the Governor's Transition Team in 2003. Again, no actions were taken.

Question 1: Could Kansas Achieve Greater Operating Efficiencies And Reduce Costs by Merging Its Animal Health Department and Conservation Commission Into the Department of Agriculture?

Kansas is one of only six states that doesn't place any of its animal health oversight or conservation grant functions within its Department of Agriculture. The remaining 44 states have varying degrees of those functions placed under their Department of Agriculture. For example, three states have placed all these functions within their Department of Agriculture, and 40 states have placed the responsibility for animal disease control with a Department of Agriculture.

Kansas could save about \$710,000 a year by merging the two agencies with the Department of Agriculture. That annual amount represents about 13% of the combined fiscal year 2008 operating costs for the Animal Health Department and the Conservation Commission. Over five years, those savings would amount to about \$3.6 million.

About \$630,000 of the savings comes from eliminating or restructuring staff positions. In fiscal year 2009, the Animal Health Department and Conservation Commission have a combined total of 56 authorized positions. With the proposed restructuring, only 44 of those positions would be retained and 12 could be eliminated. The positions we propose for elimination include the Assistant Director at the Conservation Commission, a total of nine clerical and support positions from both agencies, an emergency management planning position at the Animal Health Department, and one unfunded position at the Conservation Commission.

About \$80,000 of the savings comes from reductions in other operating costs. Changing the amount of office space these two agencies lease could save the State almost \$73,000 per year. Another \$7,000 a year could be saved by reducing costs directly associated with the eliminated positions and other actions.

If no changes were made to the existing structure or staffing levels, the State *might* be able to save about \$6,000 per year in rental costs by having the agencies adhere to the State's office space standards.

Although agency officials expressed concerns about restructuring, we found those issues could be overcome. Department of Agriculture officials cited no major concerns. Officials from the Animal Health Department and the Conservation Commission expressed several concerns including the possibility of a reduced level of service for constituents, and the possibility that established relationships could be compromised or lost. While each concern would need to be addressed, it appears to us that none are sufficient to prohibit a restructuring of these agencies.

During this audit, we identified other issues regarding the operations of the Animal Health Department and the Conservation Commission. The Animal Health Department hasn't fully developed and implemented policy manuals and criteria for assessing the results of inspections—these items were recommended in a previous audit issued in 2002. The Animal Health Department also has a handshake agreement with the federal Department of Agriculture that needs to be formalized. Presently, the two agencies share animal disease control inspection duties across the State. The absence of a written agreement makes it possible for either party to withdraw unannounced. While such an action appears unlikely, both parties would benefit by having a written agreement. Other issues related to efficient use of staff and technology need to be studied by management at both agencies.

Question 1 Conclusion. The three agencies included in this audit have been separate and autonomous for at least 40 years. Each has its own set of managerial, programmatic, and administrative support staff and functions. Restructuring these agencies into a single entity would provide the opportunity to eliminate duplicate functions and staff,

streamline processes, and create economies of scale associated with larger agencies. In addition, such a restructuring would bring Kansas more in line with the majority of other states that have placed some or all of their conservation and animal health functions within their agriculture departments. While the concerns agency officials expressed about restructuring would have to be examined and addressed, we found no clear reasons not to combine these agencies.

Question 1 Recommendations for Legislative Action. *To help achieve goals of reducing operating costs and increasing administrative efficiencies, we recommended the Legislature merge the Conservation Commission and the Animal Health Department with the Department of Agriculture.*

Question 1 Recommendations for Executive Action. *We recommended the Animal Health Department formalize all verbal agreements with the U. S. Department of Agriculture. We also recommended the agency develop a written policy manual, along with guidance and criteria for determining whether a facility passes or fails an inspection. For the Companion Animal Facility Inspection program, we recommended the agency develop a written plan to implement a risk-based inspection model. We recommended the Animal Health Department and the Conservation Commission evaluate the benefits of computerizing various processes to free up staff time, and that both agencies comply with office space standards set by the Department of Administration or seek an exemption.*

These appendices can be found in the full report.

APPENDIX A: *Scope Statement*

APPENDIX B: *Assumptions and Methodologies*

APPENDIX C: *Analysis of Where Other States Place Their Equivalents to the Kansas Animal Health Department and the Kansas Conservation Commission*

APPENDIX D: *Summary of Changes to Organization Charts*

APPENDIX E: *Agency Responses*

Department of Agriculture officials agree with the findings of this audit. Animal Health Department and Conservation Commission officials continue to express concerns about whether their agencies should be merged into the Department of Agriculture.

This audit was conducted by Joe Lawhon, Dan Bryan and Lynn Retz. Chris Clarke was the audit manager. If you need any additional information about the audit's findings, please contact Joe Lawhon at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.