

MINUTES

Legislative Post Audit Committee January 26, 2007

The meeting was called to order by Chair Mast at 7:02 a.m. in Room 519-S of the Statehouse. Committee members present:

Representative Peggy Mast, Chair
Representative John Grange
Representative Virgil Peck, Jr.

Senator Nick Jordan, Vice-Chair
Senator Anthony Hensley
Senator Derek Schmidt
Senator Chris Steineger

Approval of Minutes

Senator Steineger moved to approve the minutes of the January 18, 2007, meeting. Representative Peck seconded the motion; motion carried.

Completed Performance Audits

Department of Labor: Reviewing Error Rates for Unemployment Benefit Payments, a K-GOAL audit of the Department. This audit was presented by Joe Lawhon, Principal Auditor. This audit was required by the Kansas Governmental Operations Accountability Law (K-GOAL). For 2005, the U.S. Department of Labor reported that Kansas had the highest unemployment benefit overpayment rate in the nation; nearly 45% of all unemployment benefits were paid in error. Almost all of Kansas' payment errors occurred because unemployed workers didn't register for job services –an eligibility requirement contained in State law. Historically, Kansas' Department of Labor hasn't enforced the requirement to register for job services, and there have been no consequences at either the federal or State level. To help reduce the unemployment benefit overpayment rate, in November 2006 the Department implemented a new regulation that requires only the "highest need" unemployed workers to register for job services. The regulation eliminates the registration requirement for more than 90% of the unemployed Kansans who previously were required to register. Although Kansas' error rate likely will drop sharply as a result of the new regulation, the lower error rate is being achieved at the expense of the broader goal of helping unemployed workers find jobs through the registration process. Other states we contacted require most unemployed workers to register, but have taken different approaches to keeping their error rates low, including cutting off benefits for workers who fail to register, and looking for ways to automatically register unemployed workers when they apply for benefits. Mr. Lawhon answered members' questions.

Jim Garner, Secretary of Labor, made brief remarks and answered members' questions. Senator Steineger wanted to know the total dollar amount of the fraud-related

payments. Secretary Garner said he would get that figure to the Committee as soon as possible.

Beth Martino, Department of Labor Director of Communications, also was available to answer questions.

Senator Hensley moved the report be accepted. Senator Jordan seconded the motion; motion passed. The report will be distributed to the House Commerce and Labor and Senate Commerce Committees; the House General Government Budget Committee; the Senate Ways and Means Subcommittee on Health, Environment, and Human Resources; and members of the Kansas congressional delegation.

Completed Financial-Compliance Audits

Kansas Public Employees Retirement System, Fiscal Year 2006. The audit was conducted by the audit firm of Berberich Trahan & Co., under contract with Legislative Post Audit. Brad Koehn, Shareholder, Berberich Trahan & Co., distributed a summary of the audit findings, and presented the audit. This performance audit of the Kansas Public Employees Retirement System is required by State law. The audit found that the System fairly presented its financial statements, met applicable legal requirements, and had no significant weaknesses in its financial-management procedures. Although the report made no recommendations, it provided comments on the difference between recommended and actual employer contributions, changes in the System's unfunded actuarial liability, and the financial status of the death and disability program.

Mr. Koehn answered members' questions. Glenn Deck, KPERS Executive Director, and Leland Breedlove, Chief Fiscal Officer, were present to answer questions.

The report will be distributed to the House Appropriations and Senate Ways and Means Committees, and the Joint Committee on Pensions, Investments, and Benefits.

Legislative Post Audit Operations

Sharing information related to an inventory of children's programs. Barb Hinton, Legislative Post Auditor, briefed members on the following situation: In December, the Committee approved an audit looking at whether children's programs are coordinated to avoid duplication and maximize the use of resources. At the start of the session, several Senate task forces were created to address certain issues on a fairly immediate basis, including the Senate Task Force on K-12 Education, chaired by Senator Jordan. One thing the task force is looking at is coordination of programs for pre-school children.

Post Audit staff surveyed State agencies to identify the programs they provide that are targeted to children ages 0-5. Staff cannot make the information public until the finished audit report is released. The Task Force needs this information now and would have to duplicate staff's work. Ms. Hinton asked the Committee to suspend Legislative Post Audit Committee Rule 2-5 only to allow staff to provide the inventory of learning-related programs targeted to children 0-5 to the Senate Task Force on K-12 Education.

Senator Steineger moved to suspend LPAC Rule 2-5 to allow Post Audit staff to provide the inventory of children's programs to the Senate Task Force on K-12 Education. Representative Peck seconded the motion; motion passed.

Date of Next Meeting

The Chair set the next meeting for Friday, February 2, 12:00 Noon - 1:00 p.m in Room 519-S. The meeting adjourned at 7:55 a.m.

(All handouts and other documents referred to in these minutes are on file with Legislative Post Audit.)