

MINUTES

Legislative Post Audit Committee April 24, 2007

The meeting was called to order by Chair Mast at 10:00 a.m. in Room 519-S of the Statehouse. Committee members present:

Representative Peggy Mast, Chair	Senator Nick Jordan, Vice-Chair
Representative Tom Burroughs	Senator Les Donovan
Representative John Grange	Senator Anthony Hensley
Representative Virgil Peck, Jr.	Senator Derek Schmidt
Representative Tom Sawyer	Senator Chris Steineger

Approval of Minutes

Representative Peck moved to approve the minutes of the March 13, 2007, meeting. Representative Grange seconded the motion; motion carried.

Completed Performance Audits

K-12 Education: Reviewing Issues Related to Virtual Schools (School Audit). This audit was presented by Katrin Osterhaus, Senior Auditor. Kansas currently has 28 virtual schools providing education to K-12 students, including adults working towards a high school diploma. These virtual students are a very small but rapidly growing population, currently representing about 2,000 students, or about 1% of Kansas' total student population. Virtual schools are funded the same way as traditional schools, but cost less to operate. Although the data are limited, virtual students scored lower on 2005-06 State assessment tests than traditional students.

The Department of Education has developed a set of comprehensive policies for general oversight of virtual schools, which have been recognized as some of the strongest in the country. However, the Department's actual oversight of virtual schools is weak because it generally isn't following the processes it has established to implement these oversight policies. In addition, many specific risks inherent in operating virtual schools aren't adequately addressed, especially at the State level. Finally, the Mullinville school district's practice of "giving" virtual students to nearby districts isn't allowed by law, and highlights the need for more stringent oversight measures to prevent school districts from manipulating State funding and assessment results. Ms. Osterhaus answered members' questions.

Dale Dennis, Interim Commissioner of Education, made brief remarks and answered members' questions.

Senator Jordan moved the Committee request an interim study of the issues raised in the audit. Senator Donovan seconded the motion; motion passed.

The audit will be distributed to the House and Senate Education Committees, the Senate Ways and Means Subcommittee on the Department of Education, and the House Education Budget Committee.

K-12 Education: Reviewing Staff Recruitment and Retention Strategies Used by Kansas School Districts (School Audit). This audit was presented by Dan Bryan, Auditor. To recruit teachers, districts use strategies to identify traditional candidates, create new pools of teachers, and improve the financial incentives offered to teachers. To retain teachers, districts try to improve teacher working conditions, help new teachers adjust to the district and community environment, and increase compensation for current teachers. To recruit principals, districts try to identify current principal candidates, develop new principal candidates, and offer candidates financial incentives. Superintendents consistently rated financial incentives as effective strategies for teacher recruitment, teacher retention, and principal recruitment. Superintendents generally rate the strategies currently offered by the State as effective, especially the Department of Education's employment website. Superintendents would like the State to remove restrictions on hiring retired teachers, ease teacher licensing requirements, and provide more funding for teacher compensation and other financial incentives. Mr. Bryan answered members' questions.

Dale Dennis, Interim Commissioner of Education, made brief remarks and answered members' questions.

Senator Donovan moved the Committee request an interim study of this issue. Senator Jordan seconded the motion; motion passed.

The audit will be distributed to the House and Senate Education Committees, the Senate Ways and Means Subcommittee on the Department of Education, and the House Education Budget Committee.

Senator Donovan moved that both K-12 education reports be accepted. Senator Jordan seconded the motion; motion passed.

Providing Vehicles for Official State Travel: Reviewing the Impact of Decisions To Disband the State's Motor Pool. This audit was presented by Chris Clarke, Principal Auditor. In late 2003, the Department of Administration eliminated the Central Motor Pool, placed a moratorium on vehicle purchases for two years, and identified and sold unneeded or underused vehicles in the State fleet. These policy changes resulted in one-time savings of about \$25 million (during 2004 and 2005), mainly from buying fewer cars during the moratorium. On an ongoing basis, the State's overall cost of providing vehicles (adjusted for inflation) isn't much different than it was before the vehicle policies were changed. Cost reductions from having a smaller fleet and eliminating the Motor Pool offset increased costs in private car mileage and costs for renting vehicles. Because State employees are driving more miles, the average cost per mile has declined by about 1.5¢.

Other issues: agencies were renting cars from Enterprise on a long-term basis at a cost that far exceeds the cost of leasing or owning a car, Enterprise hasn't always adhered to the terms of the contract with the State, and the Department hasn't adequately monitored the contract. Some agencies said they've had to hire or use more staff to handle fleet management activities since the vehicle policy changes. They also pointed out issues with inaccurate billings from Enterprise and difficulties reconciling charges with the invoices Enterprise provides. Overall, State employees who've used Enterprise rated it favorably in many areas. But a significant number said they had to make other arrangements because the car they reserved wasn't available. Ms. Clarke answered members' questions.

Duane Goossen, Secretary of Administration & Director of the Budget, made brief remarks and answered questions. John Peterson, lobbyist for Enterprise, answered members' questions.

Senator Donovan moved the report be accepted. Senator Schmidt seconded the motion; motion passed. The audit will be distributed to the Senate Ways and Means and House Appropriations Committees, and the House Budget Committee on General Government.

State Hiring Practices: Determining Whether Requirements Related to Veterans' Preferences Are Being Met. This audit was presented by Lisa Hoopes, Senior Auditor. State regulations implementing the Kansas Civil Service Act create a veterans' preference for classified positions. The regulations require State agencies to interview eligible veterans who apply for a classified position and who meet the minimum requirements of the position. A review of 144 veterans who applied for 61 classified positions at four State agencies during 2006 found that in all but three cases, the veterans either were given an interview or there was a valid reason the interview didn't occur. During the review, auditors saw no evidence that veterans received only "token" interviews. State regulations are silent regarding a veterans' preference for unclassified positions. Ms. Hoopes answered members' questions.

George Vega, Director of Personnel Services, Department of Administration, made brief remarks. Jeff Montague, Human Resource Manager, Department of Commerce, distributed and presented prepared remarks. Others present to answer questions: Allen Humphrey, Director, Bureau of Personnel Services, Department of Transportation; Kraig Knowlton, Director of Policy & Pay Administration; and Lois Ryan, Director of Agency Services, both with the Division of Personnel Services.

Senator Hensley moved the report be accepted. Senator Schmidt seconded the motion; motion passed. The audit will be distributed to the Senate Federal and State Affairs Committee and the House Committee on Veterans, Military, and Homeland Security.

Chair Mast adjourned the meeting for lunch, to reconvene at 1:15 p.m.

The Chair called the meeting to order at 1:15 p.m.

Completed Performance Audits (continued)

Health-Care Related Programs in Kansas: Determining What Funding Kansas Receives and Who Administers It. This audit was presented by Laurel Murdie, Principal Auditor. The audit's inventory focused on three types of government-funded health-care related programs in Kansas—State administered, federally administered, and research—and on programs that were clearly medical in nature or related to substance abuse and mental health. Health-care related programs administered by seven State agencies accounted for about \$2.5 billion of the nearly \$6 billion in spending identified for 2006, including \$1.6 billion on health care programs and \$.8 billion on long-term care. Federally administered health-care related programs accounted for \$3.3 billion in spending, nearly all of which was for Medicare. Health-care related research spending totaled about \$131 million, with most of that being spent by the University of Kansas. Ms. Murdie answered members' questions.

The following persons were present and available to answer members' questions: Kansas Health Policy Authority-Scott Brunner, Chief Financial Officer; Kansas Department on Aging-Barb Conant, Director of Public Affairs; Kansas Commission on Veterans' Affairs-George Webb, Executive Director; KDHE-Dick Morrissey, Deputy Director of Health; Kansas Board of Regents-Diane Duffy, Vice President for Finance & Administration; SRS-Mary Hoover, Chief Auditor; Kansas Department of Corrections-Roger Haden, Deputy Secretary.

Others present to answer questions: Rick Shults, SRS, Operations Director, Health Care Policy; and Dennis Williams, Department of Corrections, Fiscal Officer.

Senator Steineger moved the report be accepted. Senator Jordan seconded the motion; motion passed. The audit will be distributed to House Health and Human Services and Senate Public Health and Welfare Committees, the House Appropriations and Senate Ways and Means Committees, the Social Services Budget Committee, the Joint Committee on Health Policy and Oversight, and members who served on the Health Task Forces in the Senate and House this session.

Discussion of the status of the Capitol Renovation Audit

Barb Hinton, Post Auditor, gave an update on the status of this 200-hour audit and answered members' questions. Senator Steineger moved the Committee request an interim study of how estimates are arrived at for renovation or repairs of State-owned buildings. Representative Grange seconded the motion; motion passed.

Representative Sawyer moved the current approved audit on the Capitol renovation be terminated. Senator Donovan seconded the motion; motion passed.

Performance Audit Topics

K-GOAL audit topics. Ms. Hinton briefed members on potential K-GOAL topics on the Kansas Corporation Commission and the Department of Wildlife and Parks, and the various options for Committee action.

Senator Steineger moved the audit, *Department of Wildlife and Parks: Reviewing Its Lease of the Campus House for Its Northeast Regional Office* be designated as the K-GOAL audit of the Department of Wildlife and Parks. Senator Hensley seconded the motion; motion passed with the required super-majority vote.

Senator Schmidt moved to approve request #9, *KAN-ED: Determining Whether It's Achieving the Intended Results* as the K-GOAL audit of the Kansas Corporation Commission. Senator Donovan seconded the motion; motion passed.

Consideration of audit requests. Ms. Hinton took members through the list of legislators' audit requests.

Representative Grange expressed an interest in conducting an audit on the Department of Corrections' parole policy. Staff will put together a scope statement for his review.

Senator Jordan moved to approve and combine audit requests #10, *The University of Kansas Hospital: Reviewing the Relationship between the Hospital and the University of Kansas Medical Center and Selected Hospital Expenditures*, #11, *University of Kansas Medical Center: Determining Whether the Center's Cash Flow Is Sufficient To Cover Its Financial Obligations*, and #12, *University of Kansas Medical Center: Reviewing the Amounts of Money Spent on Research and Education Over Time*, and include an additional objective looking at how indigent care costs are calculated. Senator Hensley seconded the motion; motion passed.

Senator Hensley moved to include the previously approved limited-scope audit, *University of Kansas Medical Center: Reviewing the Commitments Made to Faculty and Department Heads Hired In Recent Years*, in the combined approved audits. Senator Steineger seconded the motion; motion passed.

Legislative Post Audit Operations

Out-of-State travel requests. Ms. Hinton asked the Committee to approve the following for out-of-State travel primarily for the first half of the coming fiscal year:

- *National State Auditors Association Annual meeting June 12-15, Providence, RI*
(Barb Hinton and Scott Frank)
- *National Conference of State Legislatures, Annual meeting, August 5-9, Boston*
(Leo Hafner and Cindy Lash)

-National Association of State Auditors, Comptrollers, and Treasurers, Annual meeting, August 11-15, Nashville (Barb Hinton)

- National Legislative Program Evaluation Society, Annual training conference, September 18-21, Charleston, WV (4 staff members—rotated among audit staff over time)

- NSAA Annual Information Technology Workshop and Conference, September 25-28, Richmond, WV (Allan Foster)

- National Intergovernmental Audit Forum AND National State Auditors Association, Fall meetings held back-to-back, November 28-30, Washington, D.C. (Barb Hinton)

Senator Donovan moved to approve the requested out-of-State travel for staff. Representative Peck seconded the motion; motion passed.

Status of follow-up items. Rick Riggs, Administrative Auditor, brought the Committee up to date on the status of follow-up items related to previous audit reports or recommendations. With regard to the follow-up on the October 2006 Board of Healing Arts audit, Mr. Riggs noted that the House Budget Committee had requested an interim study, as recommended in the audit. Senator Jordan moved, seconded by Senator Donovan, to send a letter to the LCC in support of the House Budget Committee's request. Motion carried.

Budget update. Ms. Hinton briefed members on the Division's expenditures to-date for FY 2007.

Audits in process. Ms. Hinton reviewed the standard schedule showing the status of the performance audits under way. Members directed staff to move back the community colleges audit, and proceed with the combined audit on the University of Kansas Medical Center and Hospital.

Status of audits requested and approved. Ms. Hinton reviewed the standard table showing the sources of the audits that have been requested and approved over time.

Old/New Business

Senator Hensley said that he had not received the Chair's letter, notifying members of her approval of the limited-scope University of Kansas Medical Center audit, until after the five-day disapproval limit had expired. Committee Rule 1-3 states that: "Such notice shall be conveyed to the Chairperson...within five days after the written direction for the limited-scope audit is distributed, or mailed if distributed by mail, including the day of distribution." Ms. Hinton said that she had other rules-related issues to bring before the Committee at the next meeting, and she would add this matter to the list for Committee consideration.

Date of Next Meeting

Members indicated they would be available for a meeting on Wednesday, May 9th; the Chair set the next meeting for that date at 10:00 a.m..

The meeting adjourned at 3:00 p.m..

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