

## MINUTES

### Legislative Post Audit Committee April 29, 2008

The meeting was called to order by Chair Derek Schmidt at 1:05 p.m. in Room 519-S of the Statehouse. Committee members present:

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
Senator Chris Steineger	Representative Tom Sawyer

#### Approval of Minutes

Senator Steineger moved approval of the March 12, 2008 minutes. Representative Mast seconded the motion; motion carried.

#### Completed Performance Audits

**Department of Wildlife and Parks: Reviewing Issues Related to the Walk-In-Hunting Access Program (*limited-scope audit*).** This audit was presented by Justin Stowe, Auditor. In general, the Department of Wildlife and Parks has reasonable policies and procedures to identify and prevent conflicts of interest. However, those policies and procedures could be strengthened by having a more centralized reporting process, having upper management periodically review what's been reported, and more explicitly specifying consequences for non-compliance with policies. Auditors didn't identify any Walk-In Hunting Access Program staff with outside employment that represented a conflict of interest. However, auditors found one instance in 2005 where the Department approved an employee's request to lease some land to hunters for a fee. That situation had the appearance of a conflict of interest, although the employee reported that he never actually leased the land. Finally, the report noted that the Department could improve the way it maintains information about land leased through the Program by keeping its databases current, and by assigning a unique and static number to each lease.

Mike Hayden, Secretary of Wildlife and Parks, made brief remarks and answered members' questions. Dick Koerth, Assistant Secretary for Administration, Department of Wildlife and Parks, was available for questions.

Senator Steineger moved to accept the audit and Senator Jordan seconded the motion. Motion carried. The audit will be distributed to the House Agriculture and Natural Resources Committee and the Senate Natural Resources Committee.

**Foster Care: Reviewing Selected Issues Related to State Contracts for Foster Care and Family Preservation Services.** This audit was presented by Katrin Osterhaus, Principal Auditor. SRS and the Division of Purchases didn't follow appropriate procedures during the latest foster care and family preservation contract negotiations in 2004. Late in the negotiations, an SRS employee appears to have inadvertently disclosed information to The Farm Inc., which allowed that organization to raise its bids. That disclosure ended up costing the State an additional \$2.9 million during the first two years of the contract. With a few minor exceptions, SRS and the Division of Purchases officials handled other aspects of the negotiated procurement process appropriately. The Farm's outcomes were similar to other contractors in 2006 and 2007. The money the Farm spent from the \$23.5 million it received in fiscal year 2007 generally went for items that seemed reasonably related to providing foster care and family preservation services. In accordance with best practices for non-profits, The Farm didn't directly compensate its board members, its management compensation was in line with other contractors, and the auditors didn't see any extravagant travel expenses. The report did identify two issues related to a board member that represent a potential conflict of interest. In addition, The Farm donated \$500,000 of its fiscal year 2007 net revenues to one of its affiliates. It reported that donation to SRS as an expense rather than a transfer, which made its financial position appear less positive than it was.

Don Jordan, Secretary of Social and Rehabilitation Services, made brief remarks and answered members' questions. Also present from SRS were Candace Shively, Deputy Secretary, and Tanya Keys, Director of Children and Family Services. From The Farm: Steven Solomon, Director of Public Policy; Dale Bell, President of Administration; Brenden Long, Human Resources Director; Michael Patrick, President of Operations; and Todd Wright, Senior Comptroller. Mr. Solomon distributed and read prepared remarks. Senator Steineger expressed concerns about the large salaries paid to administrators at The Farm and Secretary Jordan said that he would look into salaries of administrators at comparable facilities.

Senator Donovan moved to accept the audit and Representative Mast seconded the motion. Motion carried. The audit will be distributed to the Senate Public Health and Welfare and House Health and Human Services Committees, the Joint Committee on Children's Issues, and the Senate Ways and Means and House Appropriations Committees.

**Disability Waiver Programs: Reviewing the Use of Appropriations Intended To Upgrade the Wages of Certain Caregivers.** This audit was presented by Dan Bryan, Auditor. Direct caregivers provide services that help people with developmental and physical disabilities stay in their homes. These services include help with typical life functions such as dressing, feeding, bathing, and shopping. For fiscal years 2007 and 2008, the Legislature provided a combined total of more than \$50 million in additional funding to SRS to increase reimbursement rates and decrease the waiting lists for both the developmental and physical disability waivers. The 2007 additional funding was expressly intended for increasing caregiver wages. The 2008 additional funding had no such expressed intent. For developmental disability services, SRS used the additional funding to increase reimbursement rates by about 4% in fiscal year 2007 and by almost 9% in fiscal year 2008. All five developmental disability service providers sampled increased their direct caregivers' average hourly wages in fiscal years 2007 and 2008. For physical disability services, SRS didn't use the additional funding it received in fiscal year 2007 to increase reimbursement rate. Instead, SRS used the additional funding to eliminate the waiting list. In fiscal year 2008, SRS did use the additional funding to increase the self-directed services reimbursement rate by 3%. For that year, only two of the five physical disability service providers sampled increased the average hourly wage rate they paid to their direct caregivers. Under both waivers, even when the average hourly rate increased, not all caregivers received an increase.

Don Jordan, Secretary of Social and Rehabilitation Services, was present to answer members' questions. Also present from SRS were Laura Howard, Deputy Secretary and CFO; Ray Dalton, Deputy Secretary, Disability and Behavioral Health Services; Candace Shively, Deputy Secretary; Mary Hoover, Chief Auditor; Tanya Keys, Director of Children and Family Services; and Margaret Zillinger, Director, Community Supports and Services.

Senator Hensley moved to accept the audit and Senator Jordan seconded the motion. Motion carried. This audit will be sent to the House Appropriations and Senate Ways and Means Committees, the House Social Services Budget Committee, the Senate Ways & Means Subcommittee on SRS, and the Senate Public Health and Welfare and House Health and Human Services Committees.

**K-12 Education: Assessing the Quality of English as a Second Language Teachers in Kansas Teacher Education Programs (*school audit*).** This audit was presented by Ivan Williams, Senior Auditor. In general, teacher education programs in Kansas don't appear to adequately prepare teachers to teach students for whom English is a second language (ESL). Overall, 60% of the new teachers the auditors surveyed who've taught ESL students said they didn't feel adequately prepared to teach them. Survey respondents also said they felt far less prepared to teach ESL

students than to teach either the general population of students or students with disabilities. Those teachers who felt less prepared to teach ESL students also felt less prepared to teach students in general. Teachers from academic programs that emphasize hands-on experience tended to feel more prepared than those from programs that rely primarily on classroom instruction. Teachers told the auditors requiring more dedicated coursework, hands-on training experience, and foreign language training could improve ESL training. Other factors that affected how prepared teachers felt included the English proficiency of their ESL students and the support they received from their schools.

Present to answer questions were Dr. Gary Alexander, VP for Academic Affairs, Kansas Board of Regents; Dale Dennis, Assistant Commissioner, Department of Education; and Dr. Howard Smith, Legislative Liaison, Pittsburg State University.

Senator Steineger moved to accept the audit and Senator Jordan seconded the motion. Motion carried. This audit will be distributed to the House and Senate Education Committees, and the Legislative Educational Planning Committee.

### **Compliance and Control Audits**

**Committee review and approval of three-year audit cycles.** This information was presented to the Committee by Barb Hinton, Legislative Post Auditor. Ms. Hinton provided an overview of the proposal staff prepared for the 2008-2010 compliance and control audit cycle. That proposal showed the suggested focus of those audits and the types of agencies, programs, systems, or issues that might be reviewed during that cycle. Ms. Hinton said that staff generally hadn't specified in advance which agencies they would audit during the cycle because they'll be using a risk-based approach in selecting them. Once those agencies are selected, staff will prepare and provide scope statements to the Committee.

Representative Mast made a motion to accept the audit cycle as presented, except that the Racing and Gaming audit be deleted. Senator Donovan seconded the motion. Motion carried.

### **Consideration of Audit Topics**

Representative Burroughs talked about his concern that the practice in recent years of mandating audits by proviso harmed the integrity of the Legislature's audit process. He suggested that a letter be sent to the entire Legislature asking legislators to refrain from inserting, or supporting, provisos requiring audits. Senator Schmidt suggested that the letter be signed by all Committee members. The suggestion was

approved by unanimous consent. Staff was directed to draft a letter for the Chair's review.

Leo Hafner, Deputy Post Auditor, took the Committee through the lists of possible audit topics.

Senator Steineger moved to authorize audit request #4, Financial Regulatory Agencies, and #8, State Universities, and to designate them as Senate Bill 316 (efficiency) audits. Representative Burroughs seconded the motion. Motion passed.

Senator Hensley moved to authorize audit request #20, Commission on Veterans Affairs, and to incorporate questions 1 and 3 of request #14, Veterans Services. This audit would satisfy the proviso in Senate Bill 534 for an audit of the Commission on Veterans' Affairs, but would not be considered a K-GOAL audit. Representative Mast seconded the motion. Motion passed.

Senator Karin Brownlee addressed the Committee requesting approval of audit request #11, the Kansas State High School Activities Association. Senator Steineger moved to approve this request; Senator Jordan seconded the motion. Motion carried.

Representative Peck made a motion to approve efficiency audit #5, on Agricultural-Related Agencies, and to designate it as a K-GOAL audit. Senator Hensley seconded the motion. Motion carried.

Senator Donovan moved to authorize audit request #6, Prescription Drugs. The motion died for lack of a second.

Representative Mast moved to approve efficiency audit #1, Department of Commerce, and to designate it as a K-GOAL audit. Representative Sawyer seconded the motion. Motion carried.

Senator Hensley made a motion to approve the statutorily required E-911 audit. Representative Mast seconded the motion. Motion carried.

Representative Dillmore spoke in favor of audit request #12, on the economic impact of illegal immigration on the State. Representative Sawyer made a motion to approve the audit; Senator Hensley seconded the motion. Representative Burroughs made a substitute motion to approve the audit but to strike question #4. Senator Donovan seconded the motion. The substitute motion carried.

Representative Peck made a motion to authorize audit request #4 on Motor Vehicles. After discussion, Representative Peck withdrew the motion.

Representative Mast made a motion to authorize audit request #13 on the Department of Health and Environment. Representative Grange seconded the motion. Motion passed.

### **Legislative Post Audit Operations**

**Out-of-State Travel.** Barb Hinton reviewed the current travel requests with the Committee, and outlined new travel requests. Representative Mast moved to accept the requests for out-of-state travel. Senator Donovan seconded the motion. Motion passed.

**Status of follow-up items.** There were no new follow-up items to present.

**Budget update.** Ms. Hinton presented a summary of the Division's budget status through March 2008.

**Audits in process.** Ms. Hinton briefly discussed the standard schedule showing the status of the performance audits under way.

**Status of audits requested and approved.** Ms. Hinton briefly discussed the standard table showing the sources of the audits that are requested and approved.

### **Old/New Business**

Ms. Hinton presented a 10-year service pin to Katrin Osterhaus, Principal Auditor, and introduced Abby Jaskolski, attending the Committee meeting on her first day of employment with Legislative Post Audit.

Ms. Hinton informed the Committee that staff are working to correct some expenditure figures that were shown in Part I of the Economic Development Audit, primarily relating to the Department of Commerce, and that will be used in the analyses in Part II. She said that these corrections will lower the amounts spent specifically for economic development purposes, but those figures still will be quite large.

Ms. Hinton summarized the findings from the Division of Accounts and Reports' annual review of State agencies, and showed members the latest mention of Legislative Post Audit in the "Grading the States" project published in *Governing* magazine.

**Date of the Next Meeting**

No date was set for the next meeting . The Chair adjourned the meeting at 4:45 p.m.

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