

MINUTES

Legislative Post Audit Committee August 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
Representative Tom Burroughs
Representative John Grange
Representative Virgil Peck

Senator Nick Jordan, Vice-Chair
Senator Les Donovan
Senator Derek Schmidt
Senator Chris Steineger

Approval of Minutes

Senator Steineger moved approval of the July 11, 2007, minutes. Senator Jordan seconded the motion; motion carried.

Completed Performance Audits

Kansas Housing Resources Corporation: Reviewing the Section 42 Housing Tax Credit Program. This audit was presented by Laurel Murdie, Principal Auditor. From 2004-2007, 93 developments comprising 3,200 housing units and costing about \$316 million were constructed with Section 42 tax credits. Developers were awarded tax credits with a 10-year value of \$217 million, which they sold for approximately \$184 million, to offset their development costs. About two-thirds of the housing units built were new and one-third were rehabilitated. The Kansas Housing Resources Corporation has recently taken steps to increase the number of rehabilitated developments receiving tax credits. Overall, 87% of developments approved were in one or more of the higher-need areas identified in either federal requirements or State plans used to administer the Program. However, in many smaller communities with waiting lists for public housing, developers haven't proposed any developments. Overall, the average rents charged for many of the tax-credit-financed housing units were well below federal limits, and in most regions, were below rent limits set for HUD-administered low-income housing. For 14 developments receiving tax credits, the Corporation didn't compare the proposed development to other developments as required by State regulation. Finally, compared to Kansas, several other states made more funding available to supplement their Section 42 tax credit program. The most common ways other states supplemented their Section 42 tax credit programs included general fund appropriations, state-level tax credit programs, revolving loan funds, and earmarking certain fees (such as mortgage registration fees) for housing. Ms. Murdie answered members' questions.

Gary Allsup, Kansas Housing Resources Corporation Executive Director, made brief remarks and answered members' questions.

Fred Bentley, Director, Rental Housing Division, also answered members' questions. Norma Phillips, Deputy Director, and Ryan Vincent, General Counsel, also were available to answer questions.

The Chair recognized Representative Kay Wolf, the requesting legislator. She made brief remarks and directed questions to Mr. Bentley.

Senator Steineger moved to accept the audit report. The motion was seconded by Senator Jordan. Motion carried. The report will be distributed to the Joint Committee on Economic Development, the House Economic Development and Tourism Committee, and the Senate Commerce Committee.

K-12 Education: Reviewing the Cost of Vocational Education Programs (school performance audit). This audit was requested by the 2010 Commission. It was presented by Katrin Osterhaus, Principal Auditor. Traditionally, Vocational Education focuses on preparing students for occupations that don't require a bachelor's degree. Vocational Education programs fall into seven major program areas—the most common ones are Business and Computer Technology, Family and Consumer Sciences, and Trade and Industry. Of the \$34 million in State funding for Vocational Education in 2006-07, the auditors estimated about \$5 million (or 13%) was for classes that weren't related to a specific occupation; these classes helped students develop general employability and life skills, or were generic study hall periods. While the Department of Education has a systematic process to review new and existing Vocational Education programs, staff approved four of 10 programs without having all the necessary information to assess their quality. A major overhaul of Vocational Education at the federal level will broaden the State's current structure to include a number of professional occupations in the near future. This expansion could affect State funding by generating interest in new programs, or by bringing in more students. Ms. Osterhaus answered members' questions.

Dale Dennis, KSDE Deputy Commissioner, answered members' questions. William Hagerman, KSDE Director of State & Federal Programs, also answered questions.

Senator Steineger moved to accept the audit report. Senator Schmidt seconded the motion; motion carried. The report will be distributed to the 2010 Commission, the House and Senate Education Committees, the House Education Budget Committee and the Senate Ways and Means Subcommittee on the Department of Education, and the Legislative Educational Planning Committee.

Legislative Post Audit Committee Operations

Fiscal Year 2007 Annual and Follow Up Reports: Rick Riggs, Administrative Auditor, presented the 2007 Annual Report, Follow-Up Report, and Fiscal Year 2007 Audit Abstracts Report. Committee rules require staff to report to the Committee by September 1 of each year about the extent to which audit recommendations have been implemented for audits issued in the previous calendar year. The information is included in the annual Follow-Up report. The FY 2007 Annual Report also describes the work of the Division and the Committee,

and describes the benefits of the Division's audit work to the State. Mr. Riggs answered members' questions. Senator Jordan moved to accept the reports, seconded by Representative Peck. Motion carried. The final reports will be distributed to all legislators in November 2007.

Legislative Post Audit Operations

Request for a new computer-support staff position. Barb Hinton, Post Auditor, briefed the Committee on a memo distributed to members explaining the need for this new position. Senator Donovan moved, seconded by Representative Peck, that the Committee wait to take action until after hearing the recommendation of the Budget Subcommittee.

Status of follow-up items. Rick Riggs brought the Committee up to date on the status of follow-up items related to matters before the Committee. Cindy Lash, Audit Manager, took the Committee through a summary of a response from the Department on Aging related to a 2005 audit of the frail-elderly waiver. The response had been requested by the Committee at its last meeting.

Budget update. Ms. Hinton presented a summary of the Division's budget status through June 2007.

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

Status of audits requested and approved. Ms. Hinton briefly discussed the table showing the sources of the audits that have been requested and approved.

Old/New Business

Ms. Hinton informed the Committee of several personnel changes in the Division: Cindy Lash and Jill Shelley will be moving from Post Audit to Legislative Research, and Chris Clarke will be taking over for Cindy as an Audit Manager.

Date of Next Meeting

The Chair set the next meeting for Monday, September 24th. The Budget Subcommittee will meet sometime in the preceding week to consider the draft budget request.

The meeting adjourned at 12:15 p.m..

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

