

Approved _____

Date

Stephen R. Cloud 3-21-85

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

The meeting was called to order by Representative Stephen R. Cloud at _____
Chairperson

9:07 a.m./p.m. on Thursday, March 21, 1985 in room 522-S of the Capitol.

All members were present except:

- Representative Barr - Excused
- Representative Sprague - Excused

Committee staff present:

- Avis Swartzman - Revisor
- Carolyn Rampey - Legislative Research Dept.
- Jackie Breymeyer - Committee Secretary

Conferees appearing before the committee:

- Trudy Racine - Legislative Post Audit
- Jamie Schwartz - Secretary, Department of Economic Development

The meeting of the Governmental Organization Committee was called to order at 9:07 a.m. by Representative Stephen R. Cloud, Chairman. The agenda for Thursday was a presentation of two audits entitled, "Administrative Office Procedures at the Department of Economic Development" and "Administration of the Small Cities Community Development Block Grant Program". (See Attachments A & B)

Trudy Racine, Legislative Post Audit, began with the Office Procedure Audit. She explained the Department has five program divisions which include Minority Business, Industrial Development, Housing, Travel and Tourism and Community Development. There are also several advisory groups and commissions. The Department has grown rapidly in the past two years and the Department's staff and expenditures have increased substantially. A reorganization plan has been proposed for fiscal year 1986, which will place programs which relate to the entire agency directly under the Secretary. Existing activities relating to small business will be placed in one division. Six new positions have been requested as a part of the reorganization. Ms. Racine stated that the audit addresses two questions relating to the administrative operations and if these operations are being carried out in accordance with State and federal statutes, regulations and policies. Generally, operations are being carried out in accordance with the requirements but several problems exist which the Department is trying to clear up.

Senate Bill 177 is the bill that authorizes the reorganization of the Department of Economic Development. This bill has been held up so that Senate Bill 86 which contains the appropriation for this reorganization would be run through first. On March 11, SB 177 bill was withdrawn from Federal & State Affairs and rereferred to Governmental Organization. After answering a few questions, Ms. Racine continued with the second audit.

The Administration of the Small Cities Community Block Grant Program audit addresses four questions. These questions ask what the purpose of the program is, what guidelines are used for distribution of funds, how were the grants determined in 1984 and how can the program be improved. The points given for grant applications was discussed. This is how the Department ranks the applications to select those that will ultimately be funded. Many factors go into and impact upon this process. The problems connected with the grant programs were discussed at length and several questions were asked of Ms. Racine.

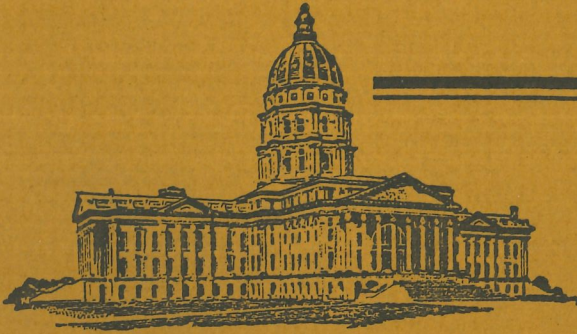
The Chairman asked Secretary Schwartz if he would like to speak to the Committee now, appear before the Subcommittee tomorrow or wait until next Tuesday for the public hearing on the extension bill. The Secretary responded that he would like to say a few words at this time. He explained that the Department cannot 'give the program back'. It is only flexible until it is adopted and then the federal regulations will not let the Department differ from it in any way. No one on staff had worked with the particular type program before and it would have helped to have persons on staff who were acquainted with the processes that occur. Two thousand jobs have been generated so the program has done a lot of good. There is just no overall pattern for finding answers. It is "incredibly complicated".

The Chairman thanked the Secretary. He asked someone from Post Audit to be present at the Subcommittee meeting in the morning. Secretary Schwartz will be back on Tuesday for the hearing on the extension bill.

The meeting was adjourned at 10:02 a.m.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

SAC



PERFORMANCE AUDIT REPORT

Administrative Office Procedures at the Department of Economic Development

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

March 1985

*ATTACHMENT A
3-21-85*

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 \$3 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.

As a guide to all their work, the auditors use the audit standards set forth by the U.S. General Accounting Office and endorsed by the American Institute of Certified Public Accountants. These standards were also adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee.

Legislators or committees should make their requests for performance audits through the Chairman or any other member of the Committee.

LEGISLATIVE POST AUDIT COMMITTEE

Representative Robert H. Miller,
Chairperson

Representative William W. Bunten

Representative Duane Goossen

Representative Ruth Luzzati

Representative Bill Wisdom

Senator August Bogina, Jr.,
Vice-Chairperson

Senator Neil H. Arasmith

Senator Norma Daniels

Senator Ben E. Vidricksen

Senator Joe Warren

LEGISLATIVE DIVISION OF POST AUDIT

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Topeka, Kansas 66612

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PERFORMANCE AUDIT REPORT

Administrative Office Procedures at the Department of Economic Development

OBTAINING AUDIT INFORMATION

This audit was conducted by Trudy Racine, Senior Auditor, and Curt Winegarner and Cynthia Denton, Auditors, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Racine at the Division's offices.

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ADMINISTRATIVE OFFICE PROCEDURES AT THE DEPARTMENT OF ECONOMIC DEVELOPMENT

Summary of Legislative Post Audit Findings

What is the current status of the Department's centralized administrative operations? The Department has five program divisions and an Administration Division. The Administration Division carries out the centralized administrative duties of the Department and monitors two field offices in western Kansas. The program divisions include Minority Business, Industrial Development, Housing, Travel and Tourism, and Community Development. In addition, the Department has several advisory groups and commissions.

The Department has grown rapidly in the past two years. As a result, the Department's staff and general fund expenditures have increased substantially. For fiscal year 1986 the Department has proposed a reorganization plan which would affect most divisions in some way. The reorganization is intended to place programs which relate to the entire agency directly under the Secretary and to consolidate existing activities relating to small business within one division. In addition, six new positions have been requested.

Are the Department's centralized administrative office procedures carried out in accordance with applicable State and federal statutes, regulations, and policies? The auditors reviewed the Department's personnel actions and its handling of general expense and travel vouchers. They found that the Department's general expense and travel vouchers were generally handled in compliance with the applicable requirements. The auditors also found that the Department's personnel policies are generally in compliance with the applicable requirements, but several problems do exist. The Department is not fully in compliance with affirmative action requirements and recommendations. In addition, the Department is not in compliance with State regulations pertaining to posting position vacancies, completing performance evaluations, and reviewing position descriptions. Changes are recommended in these areas to improve the Department's procedures or bring them into compliance with the applicable requirements.

ADMINISTRATIVE OFFICE PROCEDURES AT THE DEPARTMENT OF ECONOMIC DEVELOPMENT

The Kansas Department of Economic Development was created in 1963 as a successor to the Industrial Development Commission. It administers a variety of programs designed to foster the economic development of the State through the promotion of business, commerce, and industry.

This audit examines the centralized administrative operations and office procedures of the Department. Specifically, it addresses two questions:

1. What is the current status of the Department's centralized administrative operations?
2. Are the Department's centralized administrative and office procedures and practices carried out in accordance with applicable State and federal statutes, regulations, and policies?

What is the Current Status of the Department's Centralized Administrative Operations?

To answer this question, the auditors reviewed the organization of the Department, the functions of each Division, and the way various divisions relate to the administrative program. They reviewed the role of the Department's nine-member commission in the centralized administrative operations of the agency. They also reviewed the recent changes in the Department's administrative operations. Finally, they reviewed the Department's plans to reorganize.

The Department Currently Has Five Program Divisions and an Administrative Division

The functions of each division are briefly described below.

Minority Business. This division provides technical assistance to minorities and women seeking to start, improve, or expand businesses. It also assists minority businesses in doing business with the State and federal governments, aids in the organization of local development companies, provides business financing workshops and technical assistance, and assists in the organization of the Governor's Conference on Small Business.

Industrial Development. This division promotes new employment opportunities and capital investment in Kansas by encouraging the location of new and expanded manufacturing facilities. It includes subprograms of domestic development, international development, research, and Kansas industrial training.

Housing. The Housing Division provides technical assistance to communities to help alleviate housing shortages and to conserve existing housing stock.

This program also provides technical assistance and helps communities to apply for federal funds for multi-family housing assistance. Housing staff also administers housing assistance payments under the federal Section 8 housing program.

Travel and Tourism. This division promotes Kansas through three main activities: general promotion activities in and out-of-State, travel information centers, and the publication and distribution of materials in Kansas. In addition, a film services activity promotes Kansas as an on-location filming site.

Community Development. This division provides assistance to local communities in planning and developing economic development activities. It administers the Mainstreet activity for revitalizing downtowns and the PRIDE activity for total community improvement efforts. This division also contains planning activities for economic development, administers the Kansas Enterprise Zone Act, and staffs the Kansas Advanced Technology Commission. In fiscal year 1984, the Division began administering the Small Cities Community Development Block Grant program for Kansas.

Administration. The Administration Division is responsible for carrying out centralized administrative duties for the Department. This includes program and fiscal monitoring, purchasing and financial management, personnel administration, and a centralized word processing function. In addition, the Administration Division monitors the activities of staff in the two recently established field offices located in western Kansas.

The Economic Development Advisory Commission was created to consult with and advise the Department of Economic Development. In addition to its own staff, the Department has several advisory groups and commissions. One of these, the Economic Development Advisory Commission, was created to assist with agencywide concerns. The purpose of this group is to provide a balanced perspective for the agency's programs, planning, and management. The Governor appoints the nine members from varied geographical areas of the State as well as from a wide variety of economic and industrial activities. In this way, they provide a broader background of understanding of the economic and industrial problems and needs of the State. Current appointees hold positions in banking, education, law, and other areas of private business. The Commission meets a minimum of once a year.

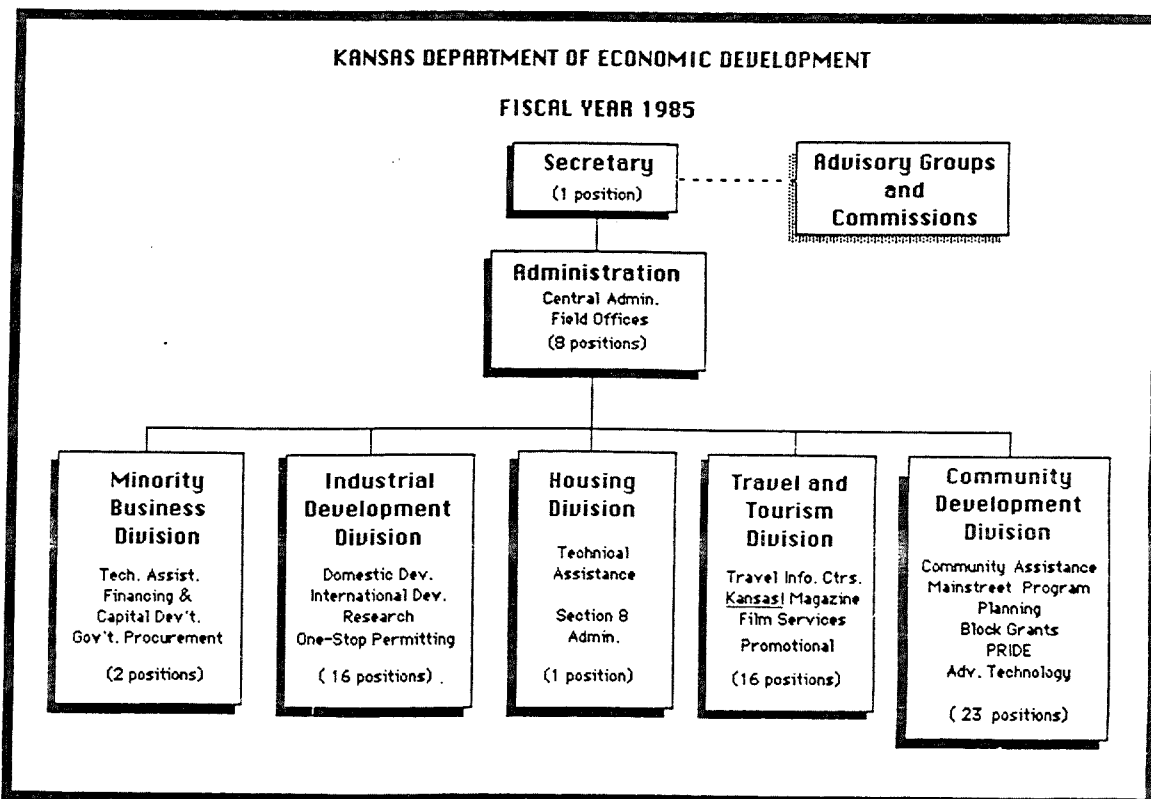
The Department's Recent Growth Has Been Accompanied By Several Changes in its Administrative Operations

The Department of Economic Development has grown rapidly over the last several years. In fiscal year 1984, for example, the northwest Kansas field office was added, the Kansas Advanced Technology Commission was created, and the Department became responsible for administering the Small Cities Community Development Block Grant program. In 1985, a field office was added in southwest Kansas, and the one-stop permitting program for new businesses in the State was initiated. Existing programs have been enhanced as well. As a result, the Department's staff and general fund expenditures have increased substantially, as the table on the next page indicates.

	Fiscal Year		1985 Est.	1986 Gov. Rec.	Percentage Increase 1983-1986
	1983	1984			
Full Time Positions	41	46.5	67	73	78%
Salaries & Wages (in millions)	\$1.1	\$1.3	\$1.9	\$2.0	84%
Total State General Fund Expenditures (in millions)	\$1.8	\$2.8	\$3.6	\$4.2	132%

The Department's total expenditures from other funds have increased dramatically as well. This is primarily due to the addition of the approximately \$17 million in Small Cities Community Development Block Grant funds which flow through the Department.

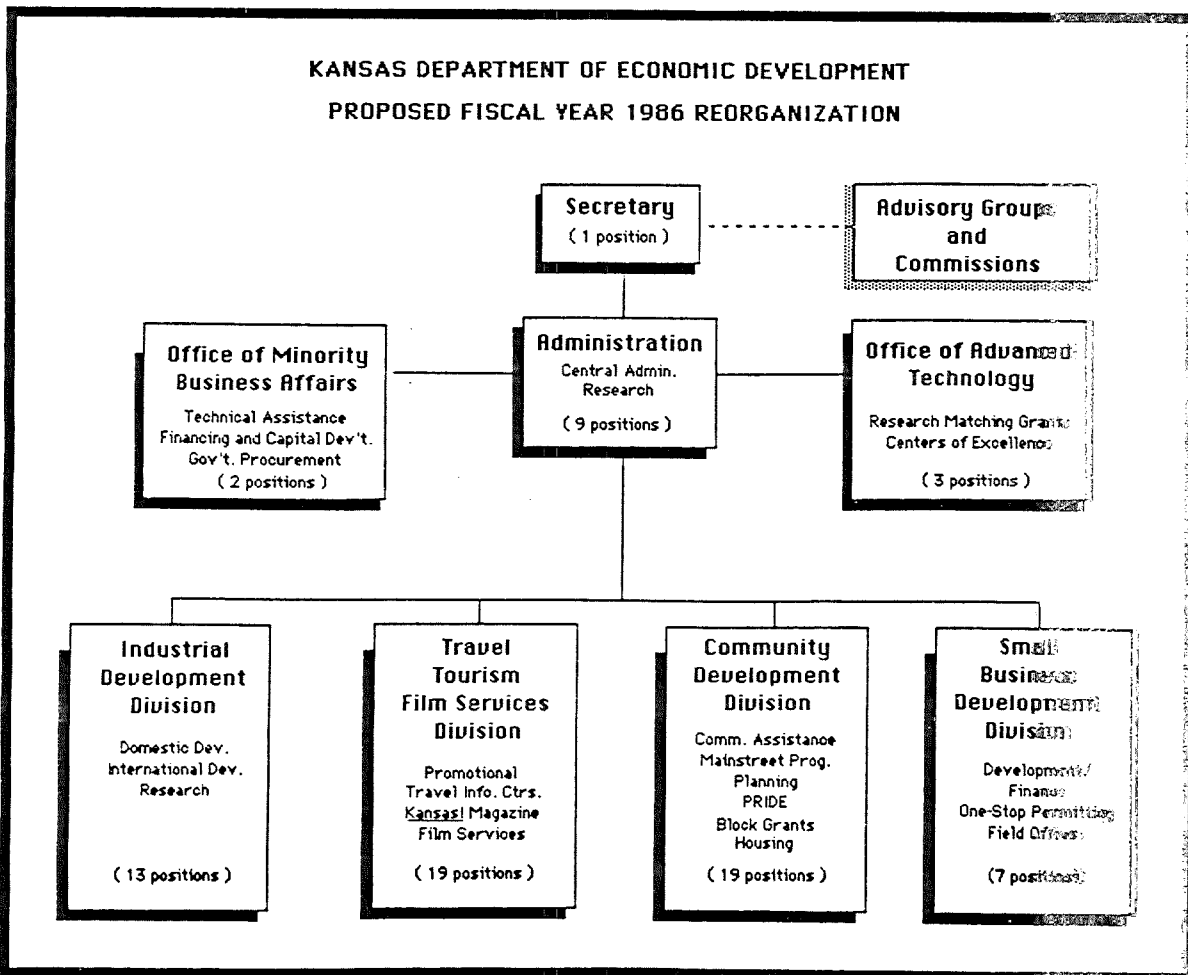
As a result of these changes, the Administration Division staff has assumed several additional responsibilities. They are responsible for monitoring the activities of staff located in the two field offices in western Kansas. This monitoring is accomplished through telephone conferences, weekly reports, and regular visits to Topeka. In addition, the Advanced Technology Research Matching Grant Program has been administered through the Administration Division during fiscal years 1984 and 1985. No new administrative staff positions have been added to carry out these additional responsibilities, although personnel administration has become a full-time position.



The Department Has Proposed a Major Reorganization For Fiscal Year 1986

In its fiscal year 1986 budget materials, the Department has proposed a reorganization plan which would affect most Divisions in some way. The reorganization is intended to place programs which relate to the entire agency such as Advanced Technology, directly under the Secretary and to consolidate existing activities relating to small businesses within one division. The Department would comprise four major program divisions and two offices, instead of the existing five program divisions, in addition to the Administration Division. Under the proposed reorganization, the following changes would be made:

- The existing Housing Division would be incorporated into the Community Development Division.
- The existing Minority Business Division would become an Office for Minority Business Affairs under the Secretary.
- A new Small Business Development Division would be created. Five of the proposed staff members for the new Division would be drawn from existing staff.



--The Advanced Technology Program would be moved from the Community Development Division to an Office under the Secretary.

Fourteen existing positions would be moved under the proposed reorganization. For example, Administration Division staffing would be changed in two ways. The field services staff would be transferred to the newly created Small Business Division, and a central research and policy staff would be obtained through transfer of existing positions. In addition, six new positions are requested for the Department in fiscal year 1986. Two of those new positions would be needed for a Division Director and a secretary in the Division of Small Business Development. Three additional positions are requested to staff a proposed tourist information center in South Haven, and the final position is an additional field representative for the Small Cities Community Development Block Grant Program. The additional field representative would change the composition of Small Cities staffing but not increase it, because the Department also proposes to transfer an existing Small Cities position to the new Small Business Division.

Are the Department's Centralized Administrative Office Procedures Carried Out in Accordance with Applicable State and Federal Statutes, Regulations, and Policies?

The auditors reviewed the Department's personnel policies and practices, and examined a variety of personnel actions which occurred during fiscal year 1984. They also reviewed samples of expenditure vouchers to determine if purchasing policies and practices and the handling of travel and subsistence vouchers were in compliance with the applicable rules and regulations. They found that the Department's personnel policies are generally in compliance with the applicable requirements. However, several problems do exist. The Department is not fully in compliance with affirmative action requirements. In addition, the Department is not in compliance with regulations pertaining to posting vacancies, completing performance evaluations, and reviewing position descriptions. The auditors found that the Department's general expense and travel vouchers were generally handled in compliance with the applicable requirements. The results of the auditors' review in these areas are presented in the following sections of this report.

The Department's Civil Service Policies and Procedures Appear to Comply With Applicable Requirements

State and federal laws and regulations governing matters of personnel administration fall into two main areas: the administration of the civil service system and affirmative action. Both the Kansas Civil Service Act and Department of Administration personnel regulations serve to standardize such procedures as appointments, evaluations, and compensation that pertain to the classified service. They also provide guidelines within which agencies must operate. Federal requirements do not impose additional restrictions on the agency. While hiring for the Department's Small Cities Block Grant program is subject to federal monitoring with regard to civil rights laws, the substance of these laws is generally included in the State requirements.

The auditors' review showed that the Department operates directly from the statutes and regulations and the policy statements of the Division of Personnel Services. The personnel officer refers directly to the regulations and statutes, or contacts the Division of Personnel Services whenever policy guidance is needed. In place of an agency personnel handbook, the personnel officer has supplied all supervisors with a copy of the State personnel regulations. In addition, the personnel officer indicated that supervisors had been provided with training in preparing performance evaluations, position descriptions, and job standards, and in handling appeals and grievance procedures, and affirmative action policies and procedures. In the area of affirmative action, the Department has developed written policies which comply with State requirements, but its practices have not always been consistent with those policies.

The Department has made an effort to implement the recommendations of the Division of Personnel Services. One of the on-going responsibilities of the Division of Personnel Services is to periodically conduct "planned assistance" visits to all State agencies in order to review their personnel programs and provide technical assistance.

The Division of Personnel Services conducted its most recent planned assistance review of the Department in December 1982. At that time, the Department had not yet implemented a comprehensive personnel program, having just established its part-time personnel officer position the previous month. For this reason the review team did not make a determination about the effectiveness of the Department's personnel program. However, their report noted three areas in which improvement was needed, including classification and pay, training and employee development, and employee relations and services. As a result of these findings, the Division of Personnel Services recommended that the Department obtain technical training for its personnel officer, develop an agency training plan and a grievance procedure, and provide pre-retirement planning or counseling. It was also recommended that the Department accept the authority to classify its own positions and conduct civil service examinations after the personnel officer received the appropriate training.

Although no follow-up visit has yet been conducted by the Division of Personnel Services, the Department's personnel officer indicated that steps had been taken to implement each of these recommendations. The auditors confirmed that the personnel officer had received technical training from the Division of Personnel Services, and that a training plan and grievance procedure had been developed. While the agency has not developed a standardized program of retirement planning, the only employee to retire since December 1982 was provided with counseling. Classification and examination authority will be accepted after the personnel officer has received the necessary training, which is scheduled to begin in February 1985.

The Department is Not in Compliance With Some of the State's Affirmative Action Requirements, But Improvements Are Being Made

The Department's written policies regarding affirmative action consist of an agency Affirmative Action Plan which the Department is required to prepare and update annually under Executive Order 80-47. This plan is reviewed on an

annual basis by the State Equal Employment Opportunity Office to ensure that it conforms with the State's comprehensive Affirmative Action Plan. The auditors found that the Department's plan for fiscal year 1985 had been submitted on time and approved without problems. However, other affirmative action requirements were not always met.

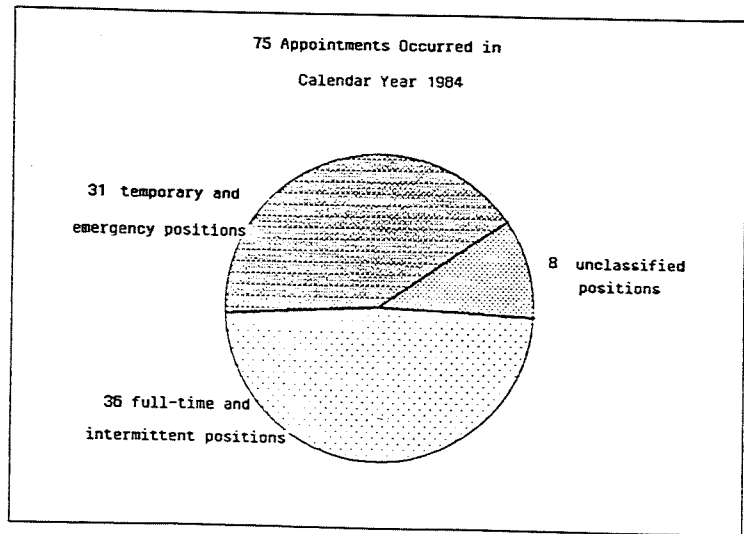
The most recent field review by the State Equal Employment Opportunity Office revealed a lack of compliance with affirmative action requirements. In addition to reviewing agency affirmative action plans, the State Equal Employment Opportunity Office conducts an on-site, annual review of each agency and prepares an "Affirmative Action Field Review Report." The auditors reviewed the report for fiscal year 1984 and found that out of the 35 items covered, the Department had 10 deficiencies. These included failure to disseminate agency policy statements and plans related to affirmative action, insufficient documentation of some required affirmative action activities, failure to document the attainment of affirmative action goals and failure to submit quarterly reports to the State Equal Employment Opportunity Office. Five of the deficiencies were repeated from the previous year's review.

Despite these problems, officials of the State Equal Employment Opportunity Office expect to find some improvement when they conduct their next annual review. In June 1984 the Department changed its personnel officer from part-time to full-time status and combined the duties of that position with those of the agency Equal Employment Opportunity coordinator. The use of a full-time person to monitor both personnel and affirmative action requirements is viewed by staff of the State Equal Employment Opportunity Office as a major positive step in correcting the Department's past deficiencies. Many of the deficiencies, particularly those related to the dissemination of affirmative action information to employees, can be easily rectified if they are given sufficient attention by the Department. Others of a more technical nature, such as those related to the documentation of hiring actions, may require a greater amount of attention and expertise, which a full-time personnel officer should be able to provide.

The Department's personnel officer indicated to the auditors that steps had been taken to correct all 10 of the deficiencies found in the 1984 review. Although the State Equal Employment Opportunity Office has not yet conducted its field review for fiscal year 1985, officials of that agency indicated that the Department's current level of compliance in some areas is much better than in previous years. Quarterly reports are now being submitted on time, without the need for corrections, and the affirmative action plan for fiscal year 1985 was submitted on time.

Some Personnel Actions Do Not Fully Comply With Applicable Requirements, and Interview Records Are Not Always Maintained

During calendar year 1984, there were 75 appointments to positions within the Department. As the pie chart on the following page shows, 36 of these were to classified full-time and intermittent positions, 31 were to temporary and emergency positions, and eight were to unclassified positions. In addition, 12 employees separated from employment with the Department. During



calendar years 1982-1984, two persons were dismissed from the Department and two were laid off. Other personnel actions that occurred within this time period included two civil rights cases resolved by the Kansas Commission on Civil Rights in 1984. There were no grievances filed, and no appeals to the State Civil Service Appeal Board.

To determine if the Department's personnel actions during that time period were carried out according to the applicable laws and regulations, the auditors selected

an agencywide sample of positions that had been filled in calendar year 1984. The sample contained 38 positions, including 18 classified full-time positions, four classified intermittent positions, 12 temporary and emergency positions, and four unclassified positions. This represented one-half of the positions filled during 1984.

For each of the 38 appointments in the sample, the auditors examined the personnel transactions relating to the following:

- the Department's actions in filling the position, including the recruitment and evaluation of applicants
- the minimum qualifications, performance evaluation, and probationary period of each person hired
- the actions relating to the separation of the employee who previously held the position, including the reason for the separation

In addition, the auditors reviewed 35 position descriptions to determine if the job specifications had been reviewed by the supervisor and the employee on an annual basis. This number represented about one-half of the active positions within the agency.

The results of the auditors' review showed that most of the Department's personnel actions were handled properly. The exceptions were in the areas of posting vacancy announcements, conducting performance evaluations and position reviews on a timely basis, and documenting employment interviews.

Notice of position vacancies was not always posted within the agency as required by State regulations. K.A.R. 1-6-2 requires all position vacancies to be posted within the agency, except in certain specified types of appointments and cases where the Director of Personnel Services determines that it is not necessary. Under this regulation, specific authorization must be requested

from the Director of Personnel Services if an agency wishes to make an appointment without the internal posting. The purpose of this requirement is to assure that current employees have an opportunity to compete for positions at least concurrently with other applicants. The posting must be carried out even if the agency requests a certified register, or has reason to believe that no interested or qualified applicants are available within the agency.

The auditors found that in nine of their sample cases (45 percent of those applicable) the required internal notice had not been posted. In eight of these cases, the agency had requested a certified register instead of posting the vacancy internally. In the remaining case, the employee was promoted without a vacancy announcement of any kind. Although appointments without an internal posting are allowed by State regulations if approved by the Director of Personnel Services, the auditors established that no such approval had been requested or granted at any time during 1984. Therefore, all nine appointments were in violation of the State regulations.

Performance evaluations were not always completed within the time period prescribed by the regulations. K.A.R. 1-7-10(b) requires that a performance evaluation be completed for all State employees at least annually. K.A.R. 1-7-3(b) further requires that an evaluation be completed prior to the end of any probationary period.

The auditors found that in 13 of their sample cases (72 percent of those applicable) the performance evaluation of the employee was not completed on time. The average amount by which the evaluations were overdue was three months, and the most overdue was seven months. Although the personnel officer was aware of this situation and had brought it to the attention of supervisors within the agency, the officer indicated that many supervisors had been unable to respond because they were busy doing other things.

Reviews of position descriptions had not been carried out on an annual basis, and when done, were not initialed by the supervisor and employee. Annual position reviews are required by K.A.R. 1-4-6. The purpose of the reviews is to verify that the performance standards and other specifications on a position description accurately reflect the work performed by the employee. The regulation states that "accomplishment of the review shall be indicated on the position description by the date, and the initials of the employee, the supervisor, and the personnel specialist (if any) involved in the review."

According to the Department's personnel officer, an agencywide review of position descriptions was carried out in August 1984. All positions within the agency were reviewed at that time, except those newly created for fiscal year 1985. The position descriptions were handed out to the employees, and were to be returned to the personnel officer when the reviews had been completed.

The auditors' sample contained 25 of the position descriptions which were handed out at that time. Of these, the auditors found that 12 had not yet been returned to the personnel officer. The remaining 13 position descriptions had been returned to the personnel officer, but none had been dated and initialed by the employee and supervisor. Due to the absence of this documentation, it was impossible for the auditors to verify that the position reviews had been

completed in these cases. The personnel officer indicated that while some supervisors had neglected to have the position descriptions initialed, the reviews had in fact been carried out. Nevertheless, with the absence of proper documentation, it is unclear how even the personnel officer can be certain that the reviews were carried out and witnessed by both the employee and the supervisor.

In addition, the auditors found that 17 of the 25 cases the Department had scheduled for review in August 1984, or 68 percent, were overdue for a review at that time. In 13 of these cases the review was at least six months overdue. In one case, the review was 13 months overdue. These findings strongly suggest that the Department has not made an effort to systematically comply with the regulation.

Employment interview records had not been maintained in all cases. The auditors found that in nine of their sample cases (45 percent of those applicable) the files contained no record of the interview proceedings or the reasons for hiring. Although this documentation is not required by State regulations, it is recommended in order to protect the agency in the event of an affirmative action complaint. In addition, this documentation is needed by the State Equal Employment Opportunity Office in order to verify the Department's compliance with affirmative action requirements.

The personnel officer indicated that interviewers were more lax in following this policy when only one person was interviewed. This situation applied to five of the nine sample cases. However, staff of the State Equal Employment Opportunity Office recommended that the documentation be collected in all cases.

Actions relating to employees who left positions, and other personnel actions the auditors reviewed appeared to be in compliance with laws and regulations. For the 22 classified permanent positions in their sample, the auditors reviewed the actions relating to the separation of the previous incumbent. They found no problems in this area. The auditors' review showed that 15 of the 22 positions were new, or had been reclassified, and therefore had no previous incumbent. Of the previous incumbents from the remaining seven positions, three were promoted to other positions within the agency and four resigned. Reasons given by employees for their resignations included moving to another city, seeking other employment, and devoting more time to their family.

The auditors' review of two dismissals between 1982 and 1984 found that they were adequately documented and conducted according to the State requirements. One of the individuals was dismissed for unsatisfactory performance while still under his six month probationary period. The other was dismissed for personal conduct detrimental to the State service.

Both layoffs between 1982 and 1984 were also carried out in compliance with the applicable requirements. Although both individuals were placed on the appropriate reemployment list, neither was reemployed from the list. One was almost immediately rehired by the Department in an unclassified position. The other was in a unique class for which funding had been cut. No hiring for this class was done during the year after the layoff occurred.

Two complaints alleging discrimination by the Department were resolved by the Kansas Civil Rights Commission during 1984. One case concerned sex discrimination and the other concerned age discrimination. Both were dismissed by the Commission for failure to demonstrate probable cause.

Finally, the auditors' review of four unclassified appointments indicated that requests for authorization from the Governor had been documented and that the appointments had been approved. For classified appointments, individuals hired appeared to meet the minimum qualifications of their job class. In addition, probationary periods were ordered in all cases where they were required, and were established for the correct amount of time.

The Department's Handling of General Expense and Travel Vouchers Was Generally in Compliance With the Applicable Requirements

Total expenditures for the Department were \$4,838,842 in fiscal year 1984. Of those expenditures, \$138,778 was for travel and subsistence expenses. The auditors reviewed samples of these two types of expenditures to determine if they were handled in compliance with the applicable rules and regulations and established procedures. So that their work in these areas would complement previous audit work rather than duplicate it, the auditors reviewed the workpapers of the certified public accounting firm that had completed the financial and compliance audit of the Department for the 1982 and 1983 fiscal years under contract with the Legislative Division of Post Audit. Because that audit found the Department's records were in order, and because all central processes relating to expenditures remain unchanged, the auditors selected small samples for review in this performance audit.

One minor problem was found in the area of travel and subsistence expenditures. The auditors took a random sample of 20 vouchers totaling \$9,445 and reviewed them for mileage, dates, destination, reason for travel and the employee's position within the agency. Vouchers were also checked for proper authorization pertaining to out-of-State travel, mathematical accuracy, and documentation of expenses. That review showed that the forms were properly coded and processed.

The auditors did find that one of the Department's assigned motor pool vehicles again did not meet the minimum annual usage requirement of 18,000 miles. During the contracted audit for fiscal year 1983, one of the four vehicles assigned to the Department had been driven only 14,000 miles. This same vehicle still did not meet the requirements in fiscal year 1984, although its usage has improved. In fiscal year 1984, the vehicle logged 17,531 miles. Since a second vehicle assigned to personnel in Topeka logged 22,117 miles during the same period, it would appear that the Department could easily remedy this problem by more carefully monitoring the use of these two cars during the year.

General expense vouchers generally appeared to be in compliance with the applicable requirements. The sample of 20 vouchers reviewed totaled \$25,370. The largest single expenditure was an \$18,000 State grant for petroleum research. Other expenditures included printing services and the acquisition of photos for Kansas! magazine. Vouchers and supporting documentation were reviewed for bidding (when appropriate), evidence of the receipt of goods or

services, cancellation of the voucher, and proper use of codes. The auditors also determined whether expenses were consistent with the program and nature of work involved. The review showed that expenditures were proper and generally well documented. In addition, when a cross-reference was required, such as a grant contract, it was readily available.

Conclusion

The Department's recent growth has resulted in several changes in its administrative operations, and has contributed to the development of a reorganization plan for fiscal year 1986.

The auditors' review of the Department's centralized administrative office procedures showed that general expense and travel vouchers were generally handled in compliance with the applicable requirements.

The Department's personnel policies and practices and its handling of most types of personnel actions generally comply with State and federal requirements as well. However, there are specific areas in which the Department's practices are not in compliance. These include the posting of internal announcements for all position vacancies, the preparation of employee performance evaluations on a timely basis, the completion of annual position reviews, and the documentation of all employment interviews. Lack of compliance with these regulations may have negative effects. For example, failure to post all position vacancies may deny current employees the opportunity to compete for positions. Steps can be taken to bring the agency into compliance or improve its personnel actions in each of these areas.

Recommendations

1. The Department should comply with K.A.R. 1-6-2(b) by ensuring that position vacancies are posted within the agency in all cases, including those for which applicants from within the agency are unlikely. If it is necessary or desirable to obtain candidates without posting a vacancy, the Department should obtain the required authorization from the Division of Personnel Services.
2. The Department should comply with K.A.R. 1-7-10(b) and K.A.R. 1-7-3(b) by conducting performance evaluations at least annually and prior to the termination of all probationary periods. The personnel officer should work closely with supervisors to keep them informed of deadlines and to avoid scheduling conflicts which prevent the evaluations from being dealt with in a timely fashion.

3. The Department should comply with K.A.R. 1-4-6 by conducting position reviews for all positions on an annual basis. In addition, the requirement that position descriptions be initialed and dated by the employee and supervisor should be a priority of the review procedure. Without this documentation, there is no way to verify that the reviews are actually being conducted and that employees and supervisors have both been involved in the process.
4. The Department should comply with the recommendation of the State Equal Employment Opportunity Office that a record of all employment interviews be maintained in the agency's files. A record of the interview proceeding should be prepared even if there is only one applicant for the position. The personnel officer should make all supervisors aware that documentation requirements are to be applied uniformly, rather than according to the number of applicants involved.

APPENDIX A
Agency Response

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

503 Kansas Avenue, Sixth Floor, Topeka, Kansas 66603
Phone (913) 296-3481



JOHN CARLIN
Governor

CHARLES J. "Jamie" SCHWARTZ
Secretary

February 22, 1985

Mr. Meredith Williams
Legislative Post Auditor
109 West 9th, Suite 301
Mills Building
Topeka, Kansas 66612

Dear Mr. Williams:

Thank you for allowing us to review the draft of the report of the performance audit performed on the Administrative Office Procedures at KDED. I wish to use this means to provide you with the following comments regarding recommendations addressed in the audit report.

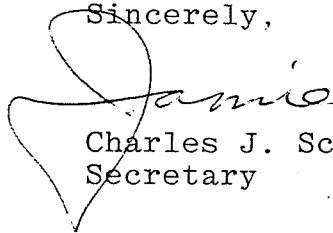
1. The agency has been sometimes loose in the posting of vacancies, but determined in all cases in an informal manner any in-house interest for vacant positions. This has been common practice in smaller agencies. The Department will, and has begun, the practice of posting all available positions regardless of a request for a certified register of applicants.
2. The Department has attempted to implement a system which assures performance evaluations are conducted annually and in a timely manner. The Personnel Officer has begun notifying supervisors of evaluations a month in advance of the date they are due. The supervisors are also provided with the forms which are to be completed and a list of any evaluations which are overdue and the date they were to be completed.

Mr. Meredith Williams
February 22, 1985
Page Two

3. As a result of the Personnel Officer moving from part-time to full-time status, and having recently completed training, the proper review of position descriptions was neglected. The Department will implement a review procedure which will be conducted annually and the personnel officer will work closely with the supervisors to insure that proper documentation is completed.
4. The Personnel Officer will undertake the responsibility of insuring the preparation and maintenance of interview documentation in all proceedings. The Personnel Officer has and will continue to supply all supervisors with information on the required documentation for pre-employment inquiries.

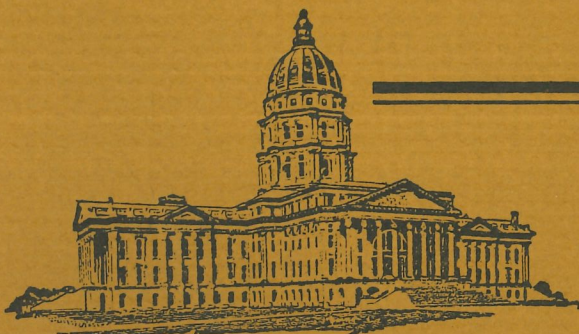
We appreciate the courtesy and professionalism of your staff in working with our staff to perform this audit. If we may be of further assistance, please call on me or any member of our staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles J. Schwartz". The signature is written in dark ink and is positioned above the typed name and title.

Charles J. Schwartz
Secretary

CJS:sk



PERFORMANCE AUDIT REPORT

Administration of the Small Cities Community Development Block Grant Program

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

January 1985

*ATTACHMENT B
3-21-85*

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 \$3 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.

As a guide to all their work, the auditors use the audit standards set forth by the U.S. General Accounting Office and endorsed by the American Institute of Certified Public Accountants. These standards were also adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee.

Legislators or committees should make their requests for performance audits through the Chairman or any other member of the Committee.

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LEGISLATIVE DIVISION OF POST AUDIT

Suite 301, Mills Building
Topeka, Kansas 66612
(913) 296-3792

PERFORMANCE AUDIT REPORT

Administration of the Small Cities Community Development Block Grant Program

OBTAINING AUDIT INFORMATION

This audit was conducted by Trudy Racine, Senior Auditor, and Curt Winegarner and Cynthia Denton, Auditors, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Racine at the Division's offices.

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ADMINISTRATION OF THE SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Summary of Legislative Post Audit Findings

What is the Small Cities Community Development Block Grant Program, and what is its purpose? The Small Cities program is funded through the federal Department of Housing and Urban Development. Kansas' Department of Economic Development assumed administration of the program in 1984. The program is designed to provide grants to smaller cities to fund various types of local projects, such as water projects, street and bridge work, and the like. The purpose of the program encompasses three national objectives: funding community activities that principally benefit low- and moderate-income families, helping prevent or eliminate slums and blight, and meeting urgent community needs that pose a serious and immediate threat to the health or welfare of the community.

What guidelines were developed for the Department's distribution of Small Cities Community Development Block Grant funds? The Department established three types of grants: community improvement, economic development, and State discretionary, and allocated the \$16.8 million in available funds among the grant categories. They also developed written application guidelines for each type of grant category. To be eligible for funding, grant proposals must meet certain minimum requirements. Grant applications that meet the minimum requirements are formally evaluated and scored. For each type of grant category, there are slight differences in the way applications are evaluated.

How did the Department determine the grants to be awarded for the 1984 grant year? The auditors' review and recalculations showed that the Department's initial miscalculations of community improvement grants had been properly corrected. However, other significant errors, miscalculations, and problems in the Department's computation of point totals affected all of the community improvement grant applications reviewed. Those scoring errors may have substantially affected the outcome of grant awards. In addition, the lack of proper documentation was a problem throughout the Department's administration of the Small Cities program. In the other two grant categories, the grant applications generally appear to have been handled properly.

How can the State's administration of the Small Cities Community Development Block Grant program be improved? A number of changes will be required to ensure that the program is viable. Corrective actions will be needed to assure continued federal funding and to restore the Department's credibility with local communities. Administrative changes are recommended in several areas to improve the Small Cities grant program operations and the accuracy of grant award determinations in the future. In addition, program design and funding changes may be needed to assure that the Small Cities program is funding those community projects that represent the State's needs and priorities and that are intended to be funded. As part of those changes, the Department should consider taking remedial action to compensate for funding inequities in the awarding of 1984 community improvement grants.

**ADMINISTRATION OF THE
SMALL CITIES COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM**

In the summer of 1983, the Department of Economic Development was designated by the Governor as the agency to administer the Small Cities Community Development Block Grant Program. This program, funded through the federal Department of Housing and Urban Development, is designed to provide grants to smaller cities to fund various types of local projects, such as water projects, street and bridge work, and the like. The Department of Economic Development is responsible for distributing the roughly \$17 million a year it receives from the federal government for this program.

The first grants under this program were awarded by the Department to Kansas communities early in fiscal year 1985. However, problems were discovered with this initial round of awards. The Department had apparently miscalculated the eligibility of three communities that were initially awarded grants. For a time, it appeared the grant moneys would not be awarded to these communities. But because some of them had already committed their grant moneys to projects, these three communities ultimately received the grant awards.

Legislative Post Audit was directed to conduct this audit to answer the following questions:

1. What is the Small Cities Community Development Block Grant Program, and what is its purpose?
2. What guidelines were developed for the Department's distribution of Small Cities Community Development Block Grant funds?
3. How did the Department determine the grants to be awarded for the 1984 grant year?
4. How can the State's administration of the Small Cities Community Development Block Grant program be improved?

**What is the Small Cities Community Development Block
Grant Program, and What is Its Purpose?**

The Small Cities Community Development Block Grant Program, frequently called the Small Cities program, began as part of Title I of the federal Housing and Community Development Act of 1974. The primary objective of the Title I program was to develop viable urban communities by providing decent housing and suitable living environments, and by expanding economic opportunities, principally for low- and moderate-income persons. This Act replaced several categorical grant and loan programs. Under one of the programs provided for in the Act--the discretionary program--small communities in metropolitan areas and communities in non-metropolitan areas were eligible to receive annual discretionary grants. This discretionary program has evolved into today's Small Cities program.

The Small Cities program was substantially amended in 1981 and 1983. In 1981, the Omnibus Budget Reconciliation Act expanded the program's scope to encompass three national objectives: funding community activities that principally benefit low- and moderate-income families, helping prevent or eliminate slums and blight, and meeting urgent community needs that pose a serious and immediate threat to the health or welfare of the community. The 1981 Act also gave states the option of assuming primary administrative responsibility for the Small Cities program, including the distribution of grant funds.

The Small Cities program was amended in 1983 by the Housing and Urban-Rural Recovery Act. Among other changes, those amendments required the State to certify that, over a specified period of time, at least 51 percent of the grant funds it received would be used to benefit low- and moderate-income persons.

Most States Now Administer Their Own Small Cities Programs; Kansas Began Administering Its Program in 1984

Since the 1981 Omnibus Budget Reconciliation Act, most states have elected to administer the Small Cities program themselves. In fiscal year 1982, 36 states and Puerto Rico chose state administration, and in fiscal year 1983 an additional 10 states made the change. Kansas administered the program for the first time during 1984. For those few states that have elected not to administer the program, small communities have continued to be eligible to receive small cities grants from the program administered by the Department of Housing and Urban Development. However, states that have elected to administer their own programs may not opt to back out.

Under Kansas' current arrangement for administering the Small Cities program, the Department of Economic Development is responsible for the following:

- preparing a program design for each grant year indicating how funds are to be distributed. The public's opinion must be considered in developing the program.
- determining which grant applications will be funded.
- distributing the grant funds allocated to Kansas in accordance with federal statutes and regulations and the State's approved program design.
- ensuring that funded projects meet at least one of the national objectives, that all project activities are eligible for funding under the program, and that localities carry out those projects in accordance with a variety of additional requirements, such as federal fair wage and equal opportunity laws.
- monitoring projects as they are carried out to see that expenditures are proper and are audited, and preparing and submitting reports on program results.

The Department of Housing and Urban Development retains responsibility for approving the program design the State submits, monitoring the State's distribution of grant funds for compliance with federal program requirements and the State's program design, and evaluating and auditing the State's program. Although it will no longer have primary and direct responsibility for monitoring

the grants received by cities and counties, the Department may become involved in concerns related to statutory and regulatory requirements. It will also continue to monitor the numerous local Kansas projects that received funds before 1984 under the federally administered Small Cities program until they are completed and closed out.

What Guidelines Were Developed for the Department's Distribution of Small Cities Community Development Block Grant Funds?

Within the statutory requirements set out by the Housing and Community Development Act and other federal regulations, the State has considerable flexibility both in designing its own procedures for administering the Small Cities program and in developing criteria for selecting grant recipients.

In November 1983, the Secretary of the Department of Economic Development appointed a task force to advise the Department in developing the Kansas Small Cities program. The 19 members appointed included community development professionals who had worked with the program under federal administration, and elected and appointed State and local officials. During January 1984, a series of public hearings was held across the State to obtain public input. Additional written comments were received as well.

The program design that resulted from this process incorporated the three national objectives of funding projects that benefit low- and moderate-income persons, helping prevent or eliminate slums or blight, and meeting urgent community needs. In addition, the Department identified several State goals and objectives. These were to foster local projects and activities relating to community improvements and economic development, and to provide for the discretionary funding of projects that may need an immediate State response or that address specific State priorities. To meet these purposes, the Department set up three types of grants: community improvement, economic development, and State discretionary. These grants and the types of projects they can fund are described in more detail in the box on the next page.

In establishing its program design, the Department also decided to require that, each program year, at least 51 percent of the State's allocation would be used to support projects benefitting low- and moderate-income persons. This requirement is more stringent than the federal requirement, which would allow the State to achieve the 51 percent benefit level over a longer period of time.

The Department Has Developed Written Application Guidelines For Each Type of Grant Category

These application guidelines mostly specify applicants' eligibility requirements and the types of projects that can be funded, and detail the rating factors used in scoring grant applications. The general nature of these guidelines is discussed in the sections that follow. Appendix A provides a more detailed summary.

**Three Types of Grants Awarded in 1984
Under Kansas' Small Cities Program**

All funded projects must address one of the three national objectives, and grant funds may be used only for activities which are eligible under federal guidelines. In addition to those requirements, the Department established three grant categories, each of which included several types of projects intended to address specific needs.

<u>Grant Category</u>	<u>Types of Eligible Projects</u>	<u>Needs That Can Be Addressed</u>
Community Improvement	Public Facilities Street Improvement Water Supply	Support community development by improving existing community infrastructure—such as roads and sewer systems, improving or providing new essential community facilities, or rehabilitating substandard public or private housing units of low- and moderate-income persons. Grants are limited to \$500,000.
	Housing Rehabilitation Weatherization	
Economic Development	Business Financing Start-up or expansion Building construction or renovation	Support economic growth by creating new jobs, retaining existing jobs, or expanding the local tax base. Projects may assist business directly or through the addition of needed improvements. Grants are limited to \$500,000.
	Infrastructure Roads or sewers Industrial park development	
State Discretionary	Planning/Technical Assistance Comprehensive Planning Specific Project Studies	Support planning of future community development activities, with a required 25 percent local match. Grants are limited to \$20,000.
	Hazardous Waste (a) Investigations of Waste Disposal Sites	Provide for site investigations to determine the extent of threat posed by hazardous wastes in preparation for clean-up programs. No dollar limit.
	Imminent Threat (a) Natural disasters (tornado, flooding)	Correct conditions which pose a serious and immediate threat to the health and welfare of the community. No dollar limit.
	Contingency (a) Projects selected from community improvement and economic development categories: streets water and gas community building	Meet special, unusual, or pressing community needs that are not addressed by the community improvement or economic development selection system. No dollar limit.

(a) Grant applications for these projects are evaluated on a case-by-case basis and awards are made by the Governor or his designee. In other project areas, applications are rated and ranked against others of the same type and category.

To be eligible for funding, grant proposals must meet certain minimum requirements. Small counties and cities in Kansas are eligible to apply for a grant under the Small Cities program. Counties may apply on behalf of townships. Special purpose bodies, such as local housing authorities, may not apply for funds directly, but they may be involved in projects by an eligible applicant.

Before a community's grant proposal can be considered eligible for funding under the State's program, it must meet certain "threshold" requirements. These include the community obtaining citizen participation in developing the grant proposal, and having the capacity to administer the program.

Grant applications that meet the minimum requirements are formally evaluated and scored. Points are assigned on the basis of both objective and subjective factors. The maximum points that can be awarded for each type of grant is 1,000. Based on the points given, the Department ranks grant applications to select those that will ultimately be funded.

As the following table shows, most points are awarded on the basis of a community's need and effort to solve community problems with local resources, and on the purpose, method, and expected results of the project. Certain factors, such as the benefit to low- and moderate-income persons, are computed on the basis of standardized formulas. Most types of State discretionary grants are awarded by the Governor or his designee on an as-needed basis.

<u>Community Improvement Grants</u>	<u>Rating Points</u>
1. Community Need/Effort Factors	300
2. Project Quality and Impact	450
3. Benefit to Low- and Moderate-Income Persons	250
<u>Economic Development Grants</u>	<u>Rating Points</u>
1. Community Need/Effort Factors	300
2. Project Quality and Impact	700
State Discretionary Grants:	
<u>Planning/Technical Assistance Projects</u>	<u>Rating Points</u>
1. Community Need/Effort Factors	300
2. Project Strategy and Results	700

For each type of grant category, there are slight differences in the way applications are evaluated, as explained below.

Community improvement grants. Scores assigned for community need and effort and benefit to low- and moderate-income persons are based on objective factors. The project quality and impact scores are based primarily on subjective evaluations made by members of the Department of Economic Development staff and various experts from other agencies, depending on the nature of the proposed project. Each rater fills out a scoring form independently, and the scores are averaged to arrive at the final point score for each application.

Economic development grants. Projects must primarily benefit low- and moderate-income persons. The factors considered include both objective information (such as per-capita income) and subjective factors (such as the reviewers' perception of project need and impact). Only 250 of the 1,000 points are subjective. Four Department staff members and one outside rater from the

National Development Council rate the applications individually, then meet as a group to arrive at a consensus on the points to be awarded.

State discretionary grants. Evaluations for State discretionary grants differ according to the project type. Except for planning/technical assistance projects, State discretionary grants are awarded by the Governor or his designee on a case-by-case basis.

Planning/technical assistance. Each application is rated by four people from the Department of Economic Development. Three people rate the subjective factors, then meet as a group to discuss their results and arrive at a consensus. Points are based on a comparison with other applications. The fourth person calculates the objective points.

Hazardous waste. Investigations of waste disposal sites that have been identified as a potential threat are done in cooperation with and under the authority of the Department of Health and Environment. The Department determines the priority for site investigations, then informs cities and counties of the program and offers them the opportunity to apply for the grant funds.

Imminent threat. Applications are evaluated by three people from within the Department and are selected and funded on a case-by-case basis. Requests for assistance initially come into the Department informally, usually by telephone. If it appears the project may be eligible, a Department representative visits the site and a formal application process is initiated. As part of the application process, the Department obtains independent verification of the nature of the problem.

Contingency grants. All applications considered for funding are selected from those submitted for, but not funded under, community improvement or economic development grants. The ratings given to these applications under the other grant categories are not used; instead, these applications are reviewed for funding on a case-by-case basis by several administrators within the Department. Projects funded under this category must primarily benefit low- and moderate-income persons.

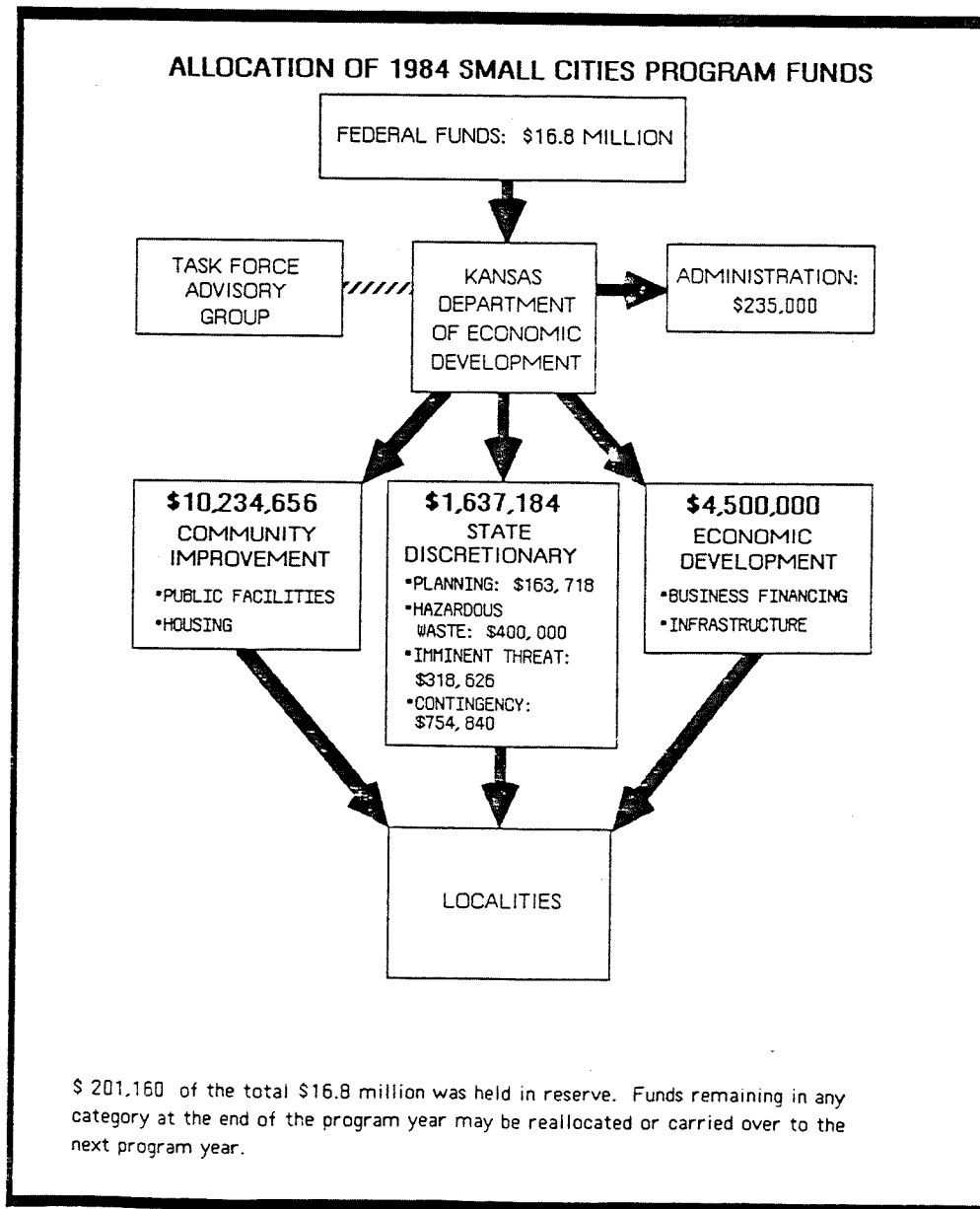
In sum, most grants are awarded by the Department on a competitive basis after being evaluated and ranked under a somewhat complex evaluation and rating system. Applications selected for funding are placed under a formal contract before they actually receive funds.

The Department Sets Goals For Allocating Grant Funds Under Each Type of Grant Category

The Department of Economic Development's program design for 1984 established the following goals for allocating the approximately \$16.8 million available to the State that year:

<u>Grant Category</u>	<u>Approximate Amount (in millions)</u>	<u>Allocation Goals</u>
Community Improvement	\$8.1 - \$11.4	50-70%
Economic Development	\$3.2 - \$ 6.6	20-40%
State Discretionary	\$1.6	10%

The actual allocations for each grant type for 1984 fell well within these goals. As the accompanying figure shows, the allocation for community improvement grants was about \$10.2 million (60.9 percent of the total), for economic development grants was \$4.5 million (26.8 percent), and for State discretionary grants was just over \$1.6 million (9.7 percent). The remainder was held in reserve or spent on grant administration.



How Did the Department Determine the Grants to be Awarded in 1984?

To date, the Department has received 435 applications for grants under the Small Cities program for the 1984 grant year. Of those, 78 were approved,

for a total of more than \$14.7 million. Economic development grants are awarded in three rounds, two of which have been completed. The application deadline for the third round of funding--for which approximately \$1.4 million is available--was January 15, 1985. The Department expects to make these grant awards on January 31. The following table shows the grant funding results to date for 1984. Appendix B lists all applicants, both funded and non-funded, under each grant category.

1984 Kansas Small Cities Program Funding Analysis

Grant Category	Applications		Amount Requested	Amount Awarded
	Received	Approved		
Community Improvement	292	43	\$ 76,537,200	\$10,223,740
Economic Development				
Round 1 of 3	30	3	9,667,759	1,495,000
Round 2 of 3	32	5	9,357,304	1,653,000
Round 3 of 3	<u>16</u>	<u>-</u>	<u>3,903,017</u>	<u>-</u>
Economic Development				
Subtotal	<u>78</u>	<u>8</u>	<u>\$ 22,928,080</u>	<u>\$ 3,148,000</u>
State Discretionary				
Planning/Technical				
Assistance	34	10	\$ 582,000	\$ 163,700
Imminent Threat	14	4	472,650	172,650
Hazardous Waste	8	8	259,920	259,920
Contingency	<u>9</u>	<u>5</u>	<u>1,847,340</u>	<u>754,840</u>
State Discretionary				
Subtotal	<u>65</u>	<u>27</u>	<u>\$ 3,161,910</u>	<u>\$ 1,351,110</u>
TOTAL	<u>435</u>	<u>78</u>	<u>\$102,627,190</u>	<u>\$14,722,850</u>

To assess the Department's determination of grant awards for the 1984 grant year, the auditors selected a sample of applications from each type of grant category. The applicants selected are identified in the listings in Appendix B. For each application in the sample, the auditors reviewed both the calculations made in determining the objective factors and the rater forms used in scoring the subjective factors. They also examined the initial miscalculations the Department made in determining three communities' eligibility for community improvement grants to make sure the formulas used had been properly recomputed.

Based on their computations and analyses, the auditors determined that sometimes major errors and miscalculations had been made in all of the community improvement grant applications they reviewed. Awards for economic development and State discretionary grants generally were properly computed and were in compliance with applicable requirements. However, incomplete or missing documentation relating to grant eligibility, the number of applications received, and subjective ratings was found to be a problem in most aspects of the program. The results of the auditors' findings in these and other areas are discussed in more detail in the following sections.

Significant Errors, Miscalculations, and Problems in the Department's Computation of Point Totals Affected All of the Community Improvement Grant Applications Reviewed

The auditors examined 40 of the 267 applications scored by the Department, and 5 of the remaining 25 applications that were not scored because they failed to satisfy threshold requirements. They reviewed the formulas and calculations for community need and effort factors to determine if the Department had caught all of its initial errors in scoring those factors. In addition, the auditors recomputed all the Department's calculations used for determining benefit to low- and moderate-income persons and project quality and impact. These recalculations allowed the auditors to assess whether the point scores had been computed properly and were in accordance with the established guidelines.

Their review showed that, although the Department's initial error had been properly corrected, numerous other mathematical, transcription, and procedural errors had been made. These errors resulted in 20 communities being given more points than they were entitled to, and 17 being given less. Other problems noted in the handling of community improvement grant awards relate to the inconsistent use of raters and insufficient instructions being given to communities for making grant applications.

The auditors' review and recalculations showed that all of the Department's initial miscalculations had been properly corrected. These miscalculations had occurred in the Department's computation of per-capita property taxes. Community improvement projects can receive up to 300 points for objective factors reflecting community need and local effort to solve problems. Up to 20 of those points may be awarded based on a community's comparative ranking on per-capita property tax. In its original calculations, the Department used an incomplete formula. Per-capita property tax should be determined by multiplying the community's all-purpose mill levy by its assessed valuation, then dividing by the population. The Department had simply divided the mill levy by the population, thereby

Problems In Scoring Community Improvement Grant Applications: Errors in Adding Numbers

Four raters were used to evaluate the subjective rating factors on the application for the town of Buffalo. In reviewing the rater summary, the auditors found that the scores assigned by one of the raters had been added incorrectly. The scores were added as follows:

Project Need	30
Impact-Effectiveness	50
Impact-Strategy	45
Cost-Effectiveness	50
Schedule	13
Financial Support	13
Capital Improvement Plan	<u>0</u>
Total Shown on Form	<u>171</u>
Correct Total	<u>201</u>

The total score for this rater was shown on the form as 30 points less than it should have been, which caused the average score of the four raters to be 8 points too low. Taking into account other errors made in scoring the application, Buffalo's total point score was 7 points lower than it should have been. Its final score would have been 571 instead of 564, bringing it within 5 points of the funding cutoff of 576 points.

obtaining per-capita mill levy, not per-capita property tax. Three communities were affected by this error: Greenwood County and the cities of Ford and Quenemo. Their grant funding was cut, but was later reinstated and paid under the State discretionary grant category.

Although the computations for the one error had been properly corrected, the auditors found that a similar type of formula had been improperly applied as well. Per-capita property valuation is determined by dividing a community's assessed valuation by the urban sales/assessment ratio, then dividing the result by the population. This formula compensates for variations in communities' sales/assessment ratios. However, because the Department applied the sales/assessment ratio as a whole number, rather than as a percentage, the results from these calculations were actually only one percent of the actual per-capita property valuation. Because this error was made consistently and

the result was consistently one-hundredth of the actual desired result, it did not affect the relative ranking of communities or the points awarded for per-capita property valuation. If it had, the outcome of awards could have been substantially different, since a maximum of 50 points were available for this factor.

Problems In Scoring Community Improvement Grant Applications: Errors in Copying Numbers

The community improvement grant application for the town of Admire was a combined application consisting of a water project and a housing project. Seven raters were used to evaluate the subjective rating factors on the application. Of the seven rater forms in the file, the auditors found that only three agreed with the scores noted on the rater summary. On the other four, the scores copied from the rater forms to the rater summary sheet were incorrect. In fact, although three raters had not assigned scores to several items, the summary sheet listed scores for them under those items.

In addition, the rater summary sheet made it appear that there were more raters on each project area than was actually the case. As a result, the average score computed was too low. The combined effect of these errors was to reduce the final scores on the subjective rating factors by 62 points for the public facilities section and by 11 points for the housing section. When all errors made in scoring the application are considered, Admire's total point score was 41 points lower than it should have been. Its final score would have been 575.7 instead of 534.7, bringing it within .3 points of the funding cutoff.

Numerous mathematical, transcription, and procedural errors resulted in incorrect point totals for most community improvement grants. The final scores for community improvement grant applications computed by the auditors agreed with the scores awarded by the Department in only three of the 40 applications reviewed. The average discrepancy between the scores was 9.2 points, with the largest discrepancy being 41 points. Because the auditors recalculated only a sample of the applications scored, it was impossible to determine what specific effect a correction of the final scores would have had on funding in 1984. However, with a margin of only .9 points between the lowest funded application and the highest non-funded application, it is likely that some grant awards could have been different. The funding level cutoff for the original grant award was 576 points. Assuming this same cutoff point, four of the

31 non-funded applications in the auditors' sample would have scored high enough to receive an award. All 9 of the funded applications in the sample would still have been funded, despite some changes in their scores.

The direct cause of the discrepancies in the final point scores appeared to be a combination of mathematical and transcription mistakes in computing project need and impact points, and a procedural error in computing points to be awarded for benefit to low- and moderate-income persons.

Mathematical errors. The mathematical errors can be broken into two main groups. In 13 cases (32.5 percent) they were due to simple miscalculations in multiplication and addition. In another 18 cases (45 percent) they were caused by improper use of number rounding principles. For example, rounding the number 6.6 down to six instead of up to seven. Rounding errors were also found in cases where no decimal place was being used. An example of this occurred on an application where the number 29,562,500 was rounded to 29,562,000 in the middle of an equation.

Transcription errors. The transcription mistakes consisted of entering the wrong numbers into mathematical equations, or transferring the wrong numbers from rater forms to rater summaries. This type of error occurred in 21 (52.5 percent) of the sample cases. In one case, the numbers transferred from the rater forms to a rater summary sheet differed by as many as 62 points.

Procedural errors. The procedural error in computing scores for benefit to low- and moderate-income persons involved an inconsistency in the way administrative costs were handled.

According to the Department of Housing and Urban Development, administrative costs of a grant should be presumed to benefit low-

Problems In Scoring Community Improvement Grant Applications: A Combination of Errors

The Department made multiple errors on some grant applications. For example, Summerfield had a combined application for a public facility project and a housing project. The Department made errors in calculating the benefit for low- and moderate-income persons. As a result of these errors, Summerfield received 9 points too few on that factor for its public facilities project, and 29 points too few on its housing project. In addition, when Summerfield's final weighted score was computed:

- the numbers used for community need and effort factors for both projects were off by 6.
- the number entered for the housing project's need and impact was off by 2.
- the total points for public facilities were rounded off, losing .4 of a point.
- the product of dollars times points for the public facilities project (used in weighting the final score) was rounded down by 500.
- the product of dollars times points for the housing project was 13,250 too low, apparently due to a multiplication error.

As a result of the combined errors, the final point score awarded to Summerfield was 17.4 points too low. If Summerfield had received those additional points, its score would have been 576, within the funding range.

**Problems In Scoring Community Improvement Grant Applications:
Procedural Error**

When calculating the percentage of grant dollars benefitting low- and moderate-income persons, the Department used an incorrect procedure that in many cases caused the percentage calculated to be too low. Even a small discrepancy in this percentage could affect the number of points awarded.

For example, on the application for La Cygne, the Department calculated a value of 77 percent rather than 79.8 percent. This discrepancy of 2.8 percentage points resulted in the La Cygne application receiving 4 points fewer than it should have for the calculation of benefit to low- and moderate-income persons factor. When all errors made in scoring the application are considered, La Cygne's total point score was 9 points less than it should have been.

La Cygne's initial point total was already within the funding range; consequently, it was not adversely affected by the loss of 9 points. However, this type of error may have caused other applicants to be incorrectly left out of the funding range. A margin of only .9 points separated the lowest funded application and the highest non-funded application.

and moderate-income persons in the same percentage as the rest of the grant funds. In other words, if 53 percent of a grant applicant's funds are to go toward a project benefitting low- and moderate-income persons, then 53 percent of the cost of administering that grant could be presumed to benefit low- and moderate-income persons as well. In its calculations, the Department could have achieved this effect either by including administrative costs throughout the formula or by excluding those costs throughout. At one point in the rating process, the Department obtained the correct result by excluding administrative costs throughout the formula. However, it took its answer one step further. In doing so, it included administrative costs in part of the formula. This caused the percentage of total dollars benefitting low- and moderate-income persons to be too low. Appendix C describes the Department's calculations in detail.

The net effect of this procedural error was to modify the number of points awarded for the benefit to low- and moderate-income persons factor in proportion to the percentage of administrative costs on each application. Specifically, communities that included administrative costs on their application were penalized with lower scores, while

those that did not received slightly higher scores. This effect was apparently neither intended nor anticipated by the Department staff.

The auditors found that this procedural error had been made on each of the 40 cases in their sample, and all but 5 cases were affected enough to alter the number of points awarded for benefit to low- and moderate-income persons. In three cases, the applicants should have been awarded at least 28 points more than they got for this factor.

The procedures used for rating subjective factors in community improvement grants did not ensure that the results were comparable. Community improvement grants may receive a maximum of 450 points for factors related to project quality and impact. Those points are based on comparison with applications for similar project types. For public facilities projects, application

guidelines indicate 350 of those 450 points are subjectively determined. For housing projects, all 450 points for project quality and impact are subjectively determined.

The Department has established criteria for awarding the maximum number of points for each rating factor, but these criteria require raters to make subjective determinations. For example, public facilities projects can be awarded 0, 30, 65, or 100 points--in those intervals--for project need based on the following criterion for maximum points:

- Identification and documentation of a major and serious deficiency in public facilities that poses a serious threat to public health and safety, or is otherwise essential to the community.

The auditors' review in this area showed that the Department's lack of guidelines for raters, and its use of different raters and different numbers of raters, rendered comparisons between many projects invalid.

Department officials acknowledged that the instructions given to raters were not sufficient to provide the necessary guidance. The auditors found that in 29 applications (72 percent of those reviewed), there was a significant variance between the scores of different raters. (A significant difference was defined either as a spread of two or more rating intervals--for example, 0 and 65, or 30 and 100--or where there were no set intervals, as two-thirds of the possible points.) In many cases, the variance equaled 100 percent of the total points possible for the item being scored. The basis on which raters awarded rating points could not be determined because, in 21 of the 29 applications with significant variances in scores, one or more of the raters failed to write comments explaining their ratings.

Given the subjective nature of the point determinations and the variance between raters' scores, the only other way to assure comparability between project ratings would have been to consistently use the same raters and the same number of raters for each type of project. However, this was not done. In this area, the auditors were able to determine the following:

- The number of raters used was not always consistent for similar types of project proposals.** For example, one combination water/housing project had four raters while another had seven.
- Outside experts contributed differently to different types of projects.** For instance, staff from the Department on Aging commented on applications but did not assign points. Raters from other departments did assign points, at least for some factors. As a result, different types of projects received different consideration.
- The same expert raters were not used for all applications of specific project types.** For instance, one rater from the Department of Transportation assigned points for cost-effectiveness, while another computed a cost-effectiveness figure but did not assign any points. Such variations jeopardized the comparability of applications within project types.

The auditors could not fully assess the extent to which the individuals used varied, or determine whether individual raters were consistent, because the rating forms were not signed. The Department had no documentation of who the raters were on specific applications, or which agencies had completed and returned the rating forms sent to them.

Some communities were not sufficiently informed of the requirements for applying for community improvement grant awards. The Department's written application guidelines for community improvement grants seem to imply that all grant applications must principally benefit low- and moderate-income persons. Those guidelines do not specify that individual grant applications may be solely for projects that fall under one of the other two national objectives: alleviating slums and blight, or addressing urgent community needs. The guidelines should clearly spell out the types of acceptable applications so that all communities are aware of the options open to them.

In addition, the auditors found evidence that the communities that submitted applications addressing slums and blight and urgent community needs were not fully aware of the minimum requirements their applications needed to address. Of the 25 applications rejected because they failed to meet threshold requirements, the auditors found that over half were directed at one of these two objectives. The auditors' sample contained four of these cases. All four were rejected because they failed to include enough information to show that the criteria for addressing urgent community development needs had been met. This problem might have been avoided if the requirements for applications directed at slums and blight and urgent community needs had been included in the community improvement application guidelines.

The Lack of Proper Documentation Was a Problem Throughout The Department's Administration of the Small Cities Program

Throughout their fieldwork, the auditors frequently found it necessary to request Department staff to explain events surrounding the processing of grant applications. The actions taken often were not clearly documented in the files, or the available information was inconsistent.

Most documentation problems related to the Department's determination of whether a grant application met the threshold requirements or was otherwise eligible for funding. Threshold requirements are generally monitored through a combination of application checklists and site inspections. In general, application checklists are designed to detect major flaws in the applications, such as failure to meet one of the national objectives or proposing an ineligible project. Site visits are intended to verify information submitted on the application.

The lack of proper documentation for grant applications appeared to be a problem in community improvement grants and in three of the four types of projects funded under State discretionary grants. Briefly, the problems noted were as follows:

<u>Grant Category</u>	<u>Documentation Concerns</u>
Community Improvement	<ul style="list-style-type: none"> --13 application checklists were incomplete and one was missing altogether --3 applications' threshold requirements were not verified on the checklist --3 funded applications had incomplete site visit checklists --subjective ratings lacked proper documentation --for those applications that did not meet the threshold requirements, there was insufficient documentation as to why
State Discretionary Grants: Planning/Technical Assistance	<ul style="list-style-type: none"> --3 of the 5 funded projects had incomplete site visit checklists, and a fourth showed no evidence of a visit --6 of 17 applications were deemed ineligible, but the reasons were not clearly stated in the files
Imminent Threat	<ul style="list-style-type: none"> --not all requests for funds were documented --for the funded applications, there was no documentation of the site visits to determine eligibility
Contingency	<ul style="list-style-type: none"> --3 of 5 site visit checklists for funded projects were incomplete

Because of these documentation problems, it was frequently difficult for the auditors to determine whether the Department's actions were consistent. It was also difficult to determine whether actions taken to verify that applications met threshold and other requirements were sufficient to assure that those requirements were met.

Economic Development Grants Appear to Have Been Distributed With Few Problems

The auditors reviewed a sample of 31 of the 62 applications submitted for rounds one and two of the economic development grant awards. The sample included four of the eight funded applications. For round one, the auditors reviewed all phases of the rating process, checked the Department's math, reviewed the required documentation, and examined threshold requirements. Only job creation and project feasibility (subjective factors) were examined in round two. No problems were noted in these ratings.

The auditors concluded that one reason why economic development grant applications appeared to be handled without the same types of problems faced by community improvement grant applications was the way raters were used for economic development grants. The same five people rated the applications individually, then met as a group and arrived at a consensus regarding the points to be awarded. This procedure allowed for errors to be caught, for differences

of opinion to be discussed, and for more consistent comparisons between communities' project proposals and their level of need.

**Other Than the Documentation Problems Discussed Earlier,
State Discretionary Grant Applications
Appear to Have Been Handled Properly**

The auditors reviewed State discretionary grant applications for each of the four types of projects funded under this category. The results of that review are presented in the paragraphs that follow.

Planning/technical assistance grants lay the foundation for development of potential community development projects. Communities may use these funds to evaluate needs and plan projects for which they may later request funding. There were 34 applications for planning/technical assistance grants, all of which were filed by June 1, 1984, as required. Half of these were selected for the auditors' review. Raters' comments, computation of benefits to low- and moderate-income individuals, threshold requirements, and site visits were reviewed. No problems were noted. The use of raters to evaluate planning/technical assistance grants is similar to economic development grants. Four Department officials rated each application individually, then met as a group to discuss the results and arrive at a consensus.

Hazardous waste investigation grants address the effective waste management at disposal sites where hazardous waste has been identified as a potential threat. In 1984, 30 sites were determined to be eligible to apply for hazardous waste investigation grants by the Department of Health and Environment, but only eight applied. All eight were funded. The auditors reviewed these eight applications for completeness of documentation, accuracy of the calculation of benefit to low- and moderate-income individuals, and completion of a site visit. This review showed that all of these items were in place and correct.

Imminent threat grants are intended to meet certain community development needs that have a particular urgency because they pose a serious and immediate threat to the health and welfare of the community. The auditors reviewed the four funded applications, and the correspondence related to two additional inquiries. Required paperwork and approvals, calculation of benefit to low- and moderate-income individuals, and site visit documentation were checked. The only problem identified regarding imminent threat grants was a lack of documentation.

Contingency grants are intended to meet special, unusual, or pressing problems that are not otherwise addressed by community improvement or economic development grants. Five contingency grants had been awarded prior to the audit. The auditors reviewed all of them. Applications were checked for required paperwork, calculation of benefit to low- and moderate-income individuals, threshold requirements, and documentation of site visits. No significant problems were found. The auditors did note, however, that the three communities who were the subject of the Department's initial scoring errors ultimately received their grant awards out of the contingency fund. This use of State discretionary grants may be questionable.

The use of State discretionary grant funds to compensate for errors made in scoring grant applications may not be allowed. Three of the five contingency grants awarded were originally funded under the community improvement category. When an error in the calculations was discovered, funding of grants to Greenwood County and the cities of Ford and Quenemo was cut. However, since these communities had already committed their grant funds, the Department subsequently chose to fund them through the contingency fund. The Department of Housing and Urban Development generally allows grant funds to be used in this manner, so long as a state has specified the manner in which those funds would be used in the event a grant was awarded through some miscalculation or error. If the program design does not specify this, the federal agency could disallow grant awards made from the contingency fund and require the funds to be recouped.

Department of Economic Development officials apparently disagree with federal officials as to whether Kansas' program design allowed the contingency fund to be used in the event a grant was awarded in error as the result of a miscalculation by the State. The federal agency will make that determination in its review of Kansas' use of funds for the 1984 grant year. Its report in this area had not been released at the time this audit was completed.

The Department Has Received One Critical Evaluation Report From the Department of Housing and Urban Development, and a Review of the First Year's Grant Awards is Pending

In addition to the State's allocation of Small Cities block grant funds during fiscal year 1984, the Department also received a federal technical assistance grant in the amount of \$101,000. The purpose of that grant was to help the Department develop its Small Cities program. A Department of Housing and Urban Development monitoring team visited the Department of Economic Development in September 1984 to evaluate the Department's implementation of this technical assistance grant. The resulting federal report, dated January 2, 1985, questioned \$96,922 in expenditures and found \$37,426 ineligible. (There is some overlap between the amounts questioned and found ineligible.) The report contains 10 findings in such areas as cost overruns, failure to maintain required documentation, unbudgeted or ineligible expenditures, and problems with financial records and procedures. The Department is required to respond to that report and detail the corrective actions it plans to take by February 2, 1985.

The Department of Housing and Urban Development has also completed its monitoring visit to evaluate the Department's administration of the 1984 grant awards. Although the report on that evaluation was originally expected to be completed before the end of Legislative Post Audit's review, it had not yet been released as of January 18. However, according to information obtained from Housing and Urban Development staff by Legislative Post Audit, this second monitoring report may be critical in several areas as well.

Several Communities Have Complained About The Distribution of Grant Awards in 1984

During the course of the audit, several communities expressed concerns about the Small Cities program design and funding outcomes. These include the following:

- Cities with a population of 10,000 or greater received only 18.1 percent of the funds awarded in the community improvement category, compared to 57.8 percent for cities with a population under 2,000.
- Because of the way expert raters were used, water-related projects seemed to fare particularly well. Yet, cities with populations under 10,000 also had access to an additional \$15 million in federal grants and loans for water projects in 1984, for which cities over 10,000 could not compete.
- Awarding points for benefit to low- and moderate-income persons on a percentage basis rather than in relation to absolute numbers of people benefitted resulted in additional funding of projects in smaller towns.
- The State's deletion of multiple-year funding may make it difficult for cities to hire and retain competent professional staff in housing rehabilitation and grant administration.
- Applications by counties and cities on behalf of smaller targeted areas, such as townships, are difficult to assess based on the scoring system, and therefore may not score as high as they should.
- Basing the assessment of community need on per-capita personal income, unemployment, and per-capita valuation may make it more difficult for small urban cities to compete with all other small cities.

Given the scope of this audit, the auditors were not able to follow through on all of these concerns. These comments are presented here to help illustrate how complex the determination of grant awards can be, and how decisions in some areas may inadvertently, and sometimes adversely, affect others. As noted earlier in this report, some funding outcomes were unexpected. The Department will need to assess these outcomes further. If some funding results were neither expected nor desired, appropriate changes may need to be made in the State's program design.

How Can the State's Administration of the Small Cities Program be Improved?

The Small Cities program is a complex one. It was implemented in Kansas over a short time frame, by staff without previous experience in Small Cities Community Development Block Grant activities. Some problems might have been anticipated to occur as a result. Nevertheless, a number of the problems which did occur were serious. The most serious of them was in the rating of community improvement grant applications, where scoring errors by the Department may have substantially affected the outcome of grant awards.

Given the serious nature of the problems which occurred during Kansas' first-year implementation of the Small Cities program, some may question whether the State, and specifically the Department, should continue to administer the program. However, the option of returning the program to the Department of Housing and Urban Development is no longer a viable one. Since the federal rules indicate the federal government will not take the program back, the State's refusal to administer the program would mean that Small Cities funds would no longer be available to Kansas localities. In

addition, an audit report issued by the U.S. General Accounting Office in September 1983 concluded that Small Cities programs implemented in seven states generally compared favorably with the previous federally-administered program. The State could designate another Department to administer the Small Cities program; however, this would mean another Department would have to start over again.

If the State and the Department continue to administer the Small Cities program, a number of changes will be required to ensure that the program is viable. Corrective actions will be needed to assure continued federal funding, and to restore the Department's credibility with local communities.

Officials of the Department have indicated to the auditors that a number of changes are being made or considered for the 1985 grant year. Those changes include using a computer to perform mathematical calculations, eliminating combined applications, and changing the rating system for subjective factors on community improvement grants. The Department also indicated it plans to improve its workflow and documentation and develop additional written administrative procedures and guidelines. Some of those changes, and other needed improvements, are included in the recommendations that follow.

Administrative Changes Are Needed in Several Areas

To improve the Small Cities grant program operations and the accuracy of grant award determinations in the future, the Department of Economic Development should make the following changes:

1. The Department should adjust its grant award schedules to provide sufficient time for scoring grant applications and for checking its computations.
2. The Department's acquisition of a microcomputer should facilitate the accurate scoring and ranking of grant applications. Nonetheless, the Department should take the additional steps necessary to assure that scores are accurately determined. For instance, it should be sure that scoring programs which are developed use a consistent rounding logic, and it should check the accuracy of all data entries.
3. Written guidance should be provided to raters to assist them in their ratings, particularly in regard to subjective determinations. The subjective rating system used for community improvement grant applications in 1984 should be abandoned. It should be replaced with a system like that used for economic development and planning/technical assistance grants, where a team of raters reviews applications individually, then collaborates on awarding points. Department raters should be trained, and the same individuals and the same number of individuals should be used consistently for each competition.
4. Application guidelines and related information should be improved to specifically indicate what types of projects can be submitted under each grant category and to provide clearer guidance to communities in making their applications.

5. The Department should take the corrective actions necessary to resolve existing federal concerns and minimize future findings. In particular, the Department should comply with federal management standards and cost allowability requirements.
6. Documentation of point determinations, verification of threshold criteria, and other Departmental actions should be improved. Supporting documentation should be accurate and sufficient enough to lead an independent reviewer to the same determinations as those made by the Department.

Program Design and Funding Changes May Be Needed in Several Areas

The State's program design is intended to assure that projects funded through the Small Cities program not only meet federal program requirements, but also reflect the State's needs and priorities. In order to determine whether the program design is operating as intended, the funding outcomes for each program year will need to be assessed. As part of its review of the operation of the State's program design for 1984, the Department prepared an evaluation of selection criteria for the community improvement grants. In addition, the Small Cities Task Force advisory group reviewed that document and considered information relating to other concerns, such as the ones listed on page 18 of the report.

To further ensure that the Small Cities program is funding those community projects that represent the State's needs and priorities and that are intended to be funded, the Department of Economic Development should do the following:

1. Complete its assessment of the results of its grant award decisions as they relate to such things as types of projects funded, the size of the communities that received grant awards, and the procedures used in handling such things as administrative costs to ensure that they were the types of results intended under the program design. If some outcomes were unanticipated or not intended, changes may need to be made in the program design for future grant years.
2. Whenever possible, the effect of planned changes in program design and related scoring actions should be pretested, using existing application data from previous competitions. This pretest should be used to determine if the change produces the desired outcome, and to develop the necessary administrative processes and procedures to implement those changes successfully.
3. The Department should continue to use both a task force and public hearings to obtain public input to program design.
4. The Department should consider taking remedial action to compensate for funding inequities in the awarding of 1984 community improvement grants. One possible approach to identifying those funding inequities would be to recompute the final rating scores for all applicants whose original scores were within a specified number of points of the existing funding cutoff. Scores for both objective and subjective factors would have to be corrected or recomputed.

For those applicants whose recomputed final scores place them at or above the funding cutoff of 576 points, the Department could consider two options: awarding them grant funds from the remaining 1984 program funds, or directing them to reapply for funding for the 1985 allocation and awarding them the grants without further competition. The Department should consult with federal officials at the Department of Housing and Urban Development before taking any remedial action in this area.

APPENDIX A

Summary of Rating Factors

A formal system was used to evaluate, select and fund applications for Community Improvement, Economic Development, and Planning/Technical Assistance Grants. This summary has been consolidated from application guidelines prepared by the Department.

For each of those types of applications, a total of 1,000 points was available, but the distribution of those points varied, as the following table shows:

<u>Rating Points</u>	<u>Community Improvement Grants</u>
0	1. Threshold Requirements
300	2. Community Need/Effort Factors
450	3. Project Quality and Impact
250	4. Benefit to Low- and Moderate-Income Persons

<u>Rating Points</u>	<u>Economic Development Grants</u>
0	1. Threshold Requirements
300	2. Community Need/Effort Factors
700	3. Project Quality and Impact

<u>Rating Points</u>	<u>Planning and Technical Assistance Grants</u>
0	1. Threshold Requirements
300	2. Community Need/Effort Factors
700	3. Project Strategy and Results

The following sections provide more detailed information about the threshold requirements and the factors which are considered in awarding points for each type of grant.

Community Improvement Grants Threshold Requirements

1. The application must be received within the application period, postmarked on or prior to the deadline.
2. Proposed activities are eligible for federal funding.
3. Applicant must be eligible and have the capacity to administer the program.
4. Citizen participation requirements must have been met.
5. Equal opportunity considerations must have been made.
6. Only complete standard application forms with appropriate certifications will be accepted.
7. Required certifications and assurances are attached to the application.

Community Improvement Rating Factors - 1,000 points possible

Community Need 200 points

- a) Per capita personal income - 100 pts. possible
- b) Unemployment rate - 50 pts. possible
- c) Per capita valuation - 50 pts. possible

Community Effort 100 points

- a) Demonstration of local financial commitment to solve community problems with local resources - 90 pts. possible
 - i) Per capita adjusted government tax revenue (20 pts. possible)
 - ii) Per capita aggregate property taxes (20 pts. possible)
 - iii) Local sales taxes rate (20 pts. possible)
 - iv) Per capita general debt (20 pts. possible)
 - v) Intangibles tax (10 pts. possible)
- b) Demonstration of local leadership commitment - 10 pts. possible

Project Quality and Impact - 700 points

Different factors are used to evaluate public facilities and housing projects.

Public Facilities Projects

- a) Project Need - 100 pts. possible
- b) Project Leverage - 75 pts. possible
This reflects the commitment of other than Small Cities program funds to the project.
- c) Project Impact - 250 pts. possible
 - i) Effectiveness of Project Solution (75 pts. possible)
 - ii) Strategy and Appropriateness of Proposed Action (70 pts. possible)
 - iii) Cost Effectiveness (65 pts. possible)
 - iv) Realistic Schedule (20 pts. possible)
 - v) Long-Range Financial Support (20 pts. possible)
- d) Existence of Capital Improvement Plan - 25 pts. possible
- e) Total Benefit to Low- and Moderate-Income Persons (LMI) - 250 pts. possible

Housing Project

- a) Project Need - 150 pts. possible
- b) Project Financing - 100 pts. possible
- c) Project Impact - 200 pts. possible
Based on resolution of project needs and a realistic schedule.
- d) Total Benefit to Low- and Moderate- Income (LMI) persons - 250 pts. possible

Community Improvement applications may include both Housing and Public Facilities projects. When this occurs, a weighted average of both projects' scores is used to determine the final score.

Economic Development Grants Threshold Requirements

1. The application must be received within the application period, postmarked on or prior to the deadline.
2. Proposed activities are eligible for federal funding.
3. Applicant must be eligible and have the capacity to administer the program.
4. Citizen participation requirements must have been met.
5. Equal opportunity considerations must have been made.
6. Only complete standard application forms with appropriate certifications will be accepted.
7. Certification that at least 51 percent of jobs created or retained will be filled by low- and moderate-income persons.
8. Required certification and assurances are attached to the application.
9. Inclusion of Community Needs Assessment Forms.

Economic Development Rating Factors - 1,000 points possible

Community Need 200 points

- a) Per capita personal income - 100 pts. possible
- b) Unemployment rate - 50 pts. possible
- c) Per capita valuation - 50 pts. possible

Community Effort 100 points

- a) Demonstration of local financial commitment to solve community problems with local resources - 90 pts. possible
 - i) Per capita adjusted government tax revenue (20 pts. possible)
 - ii) Per capita aggregate property taxes (20 pts. possible)
 - iii) Local sales taxes rate (20 pts. possible)
 - iv) Per capita general debt (20 pts. possible)
 - v) Economic Development levy (10 pts. possible)
- b) Demonstration of local leadership commitment - 10 pts. possible

Project Impact Factors - 350 points

- a) Job Creation - 200 pts. possible
 - i) Number of Jobs Created or Retained (150 pts. possible)
 - ii) Federal Cost Per Job Created or Retained (50 pts. possible)
- b) Project Leverage - 100 pts. possible
This reflects the commitment of other than Small Cities Program Funds
- c) Enterprise Zone - 25 pts. possible
If project will occur in such a zone
- d) Jobs Training Program - 25 pts. possible

Project Feasibility Factors 350 points

- a) Financial Feasibility - 200 pts. possible
- b) Recapture - 100 pts. possible
This refers to the funds that will be recaptured.
- c) Demonstration of Need - 50 pts. possible
This refers to alternative sources of financing

Planning/Technical Assistance Grants Threshold Requirements

1. The application must be received within the application period, postmarked on or prior to the deadline.
2. Proposed activities are eligible for federal funding.
3. Applicant must be eligible and have the capacity to administer the program.
4. Citizen participation requirements must have been met.
5. Equal opportunity considerations must have been made.
6. Only complete standard application forms with appropriate certifications will be accepted.

A local match of not less than 25% is also required and may be cash or "in-kind."

Planning/Technical Assistance Rating Factors - 1,000 points possible

Community Need 200 points

- a) Per capita personal income - 100 pts. possible
- b) Unemployment rate - 50 pts. possible
- c) Per capita valuation - 50 pts. possible

Community Effort 100 points

- a) Demonstration of local financial commitment to solve community problems with local resources - 90 pts. possible
 - i) Per capita adjusted government tax revenue (20 pts. possible)
 - ii) Per capita aggregate property taxes (20 pts. possible)
 - iii) Local sales taxes rate (20 pts. possible)
 - iv) Per capita general debt (20 pts. possible)
 - v) Intangibles tax (10 pts. possible)
- b) Demonstration of local leadership commitment - 10 pts. possible

Project Strategy and Results - 700 pts.

- a) Project Need - 100 pts. possible
- b) Project Strategy - 200 pts. possible
 - i) qualified individuals responsible for project (65 pts. possible)
 - ii) adequate description of scope of work (65 pts. possible)
 - iii) implementation strategy (70 pts. possible)
- c) Cost Effectiveness - 100 pts. possible
based on cost effectiveness and local financial participation
- d) Local Involvement and Commitment - 300 pts. possible

APPENDIX B

1984 Grant Applications Under Kansas' Small Cities Community Development Block Grant Program

This appendix includes the names of all applicants for each grant competition through December 1984. Project types and funding amounts are included for all funded applicants. Point scores and rankings are shown where applicable.

1984 COMMUNITY IMPROVEMENT GRANTS

<u>Funded Applicants</u>	<u>Project Type for Funded Applicants</u>	<u>Total Points</u>	<u>Auditors' Recalculated Total Points</u>	<u>Rank Based on Original Total Points^a</u>	<u>Funding Amount</u>
*Uniontown	Housing	783	803	1	\$ 133,500
Howard	Water System	770.7		2	490,000
Treece	Streets & Housing	737		3	283,764
Columbus	Housing	707		4	183,000
Mayetta	Water & Housing	702.2		5	283,000
*Formoso	Water System	701	701	6	92,000
Grenola	Water & Housing	694.1		7	364,500
Scammon	Water & Housing	688.2		8	223,485
St. George	Water System	684		9	136,000
Dexter	Water System	668.1		10	40,000
*Arcadia	Water System	665	663	11	428,420
Altoona	Water System	662		12	179,700
Severy	Water System	660		13	149,000
Osawatomie	Comm. Bldg. & Housing	652.3		14	499,400
Ottawa	Storm Sewer & Housing	648.7		15	169,991
*Riley Co.	Handicapped Access (Courthouse)	647	645	16	40,000
Atchison	Water System	641		17	500,000
WaKeeney	Streets & Housing	635.1		18	71,400
Cedar Vale	Sewage System	633.5		19	142,600
Willis	Water System	633		20	226,500
*La Cygne	Water System	631.7	640.7	21	275,000
Longton	Water System	627.4		22	478,200
Hutchinson	Streets & Housing	614.6		23	497,240
Elk City	Water System	614		24	104,600
Muscotah	Water System	610.3		25	67,000
*El Dorado	Water System	609	609	26	350,000
Marion	Sewage System	608.4		27	486,000
Abilene	Streets & Housing	603.8		28	264,500
McDonald	Sewage System	602.5		29	453,875
Chetopa	Erosion (River Bank)	599		30	280,000
*Council Grove	Water System	594.2	592.2	31	445,275
Pottawatomie					
County	Senior Center	591		32	188,400
Lindsborg	Water System	590.5		33	490,000
Mulvane	Streets	588		34	21,000
Grainfield	Streets	587.5		35	67,000
*Tribune	Community Building	585.5	587.5	36	75,000
Plains	Water System	585.1		37	140,000
Pittsburg	Streets & Housing	585		38	500,000
Cawker City	Streets	584.4		39	33,000
Syracuse	Water & Housing	584.2		40	170,000
*Leoti	Water & Housing	580.6	593	41	67,500
Wallace	Water system	578.4		42	36,000
Allen Co.	Handicapped Access (Courthouse)	576		43	97,890
Total					<u>\$10,223,740</u>

* Indicates applications which were reviewed by Legislative Post Audit.

a) The letter T indicates a tie.

<u>Non-funded Applicants</u>	<u>Total Points</u>	<u>Auditors' Recalculated Total Points</u>	<u>Rank Based on Original Total Points^a</u>
Oswego	575.1		44
Labette Co.	575		45
*Fort Scott	574.9	583.1	46
Coffeyville	574.6		47
Cherryvale	574.3		48
Washington	574.1		49
Jewell	574		50
*Lane	573.6	599	51
Leon	573.3		52
Centralia	573		T-53
Chanute	573		T-53
Ford	573		T-53
*Havana	572.7	608.4	56
Greenwood Co.	572.3		57
Burr Oak	571		58
Rexford	570.9		59
Florence	570.6		T-60
*Hesston	570.6	563.7	T-60
Meriden	570		62
Minneapolis	568.7		63
Herington	568		64
Spring Hill	567.5		65
*Independence	567.4	568.2	66
Baxter Springs	566		T-67
Green	566		T-67
Osage City	564.7		69
Sharon	564		T-70
*Buffalo	564	571	T-70
Caney	564		T-70
Weir	563.5		73
Quenemo	563.3		74
Belle Plaine	563		75
*Baldwin	562.6	548.6	76
Dodge City	562.5		77
Junction City	561.1		78
Narka	560		T-79
White Cloud	560		T-79
*Concordia	559	555	T-81
Englewood	559		T-81
Horton	559		T-81
Johnson Co.	559		T-81
Lakin	559		T-81
*Summerfield	558.6	576	86
Hamilton	558.4		87
Sterling	558.3		88
Glasco	558.2		89
Solomon	558.1		90

* Indicates applications which were reviewed by Legislative Post Audit.
a) The letter T indicates a tie.

<u>Non-funded Applicants</u>	<u>Total Points</u>	<u>Auditors' Recalculated Total Points</u>	<u>Rank Based on Original Total Points^a</u>
*Peabody	557.3	570.3	91
Parsons	555.9		92
McCune	555.2		93
Osborne	555		94
Winchester	553.1		95
*La Crosse	550.9	556.9	96
Enterprise	550.3		97
Effingham	549		98
Galena	548		99
Burlingame	547.9		T-100
*Geuda Springs	547.9	533.9	T-100
Cuba	547.3		102
Melvern	546.5		103
Lebo	546.4		104
Eskridge	546		105
*Cloud Co.	545	543.1	T-106
Downs	545		T-106
Republic	545		T-106
Arma	544.9		109
Humboldt	544		T-110
*Garnett	544	541	T-110
Great Bend	543		112
Douglass	542.1		113
Lehigh	541.6		114
Cherokee	540		115
*Rolla	539.6	533.5	116
Newton	538.4		117
Derby	538		T-118
Madison	538		T-118
Neosho Falls	537.6		120
*Conway Springs	536.6	549.8	121
McLouth	536.4		122
Reading	536.1		123
Mound Valley	535.3		124
Barnes	535		125
*Admire	534.7	575.7	126
Goessel	534.4		127
Haddam	533.4		128
Dennison	533		T-129
Garden City	533		T-129
*Munden	532.4	537.4	131
Miltonvale	532		132
Hardtner	531		133
Holcomb	529		134
Pomona	528		135
*Blue Rapids	527.1	514.1	136
Morland	526.8		137

* Indicates applications which were reviewed by Legislative Post Audit.

a) The letter T indicates a tie.

<u>Non-funded Applicants</u>	<u>Total Points</u>	<u>Auditors' Recalculated Total Points</u>	<u>Rank Based on Original Total Points^a</u>
Fall River	526.5		138
Cullison	526.4		139
Virgil	526		140
*Marysville	525.7	521.8	141
Argonia	523		T-142
Bison	523		T-142
Louisburg	523		T-142
Highland	522.5		145
*Andale	521.5	518.5	146
Attica	521.3		147
Mahaska	521		T-148
Horace	521		T-148
Arkansas City	520.2		150
*Olpe	519.7	544.1	151
Bazine	517		152
Cherokee Co.	515.6		153
Leona	515		154
Delphos	514		155
*Willard	512.1	501.1	156
Washington Co.	509.7		157
Merriam	508.4		158
Harveyville	508		159
Princeton	506.8		160
*Sylvan Grove	506.4	500.4	161
Walton	506		T-162
Huron	506		T-162
Toronto	506		T-162
Caldwell	505.3		165
*Doniphan Co.	504.4	502.4	166
Little River	503.9		167
Butler Co.	503		168
Emporia	502		169
Franklin Co.	501.3		170
*Clifton	501	503	171
White City	500		172
Wellington	497.7		173
Pawnee Rock	496.9		174
Elwood	496.7		175
*Park City	495.6	495.6	176
Sedgwick	495.5		177
Valley Center	495.2		178
Kanopolis	495		T-179
Dorrance	495		T-179
*Oskaloosa	492.5	490.5	181
Ellsworth Co.	492		182
Latham	489		183
Oakley	488		184

* Indicates applications which were reviewed by Legislative Post Audit.

a) The letter T indicates a tie.

<u>Non-funded Applicants</u>	<u>Total Points</u>	<u>Auditors' Recalculated Total Points</u>	<u>Rank Based on Original Total Points^a</u>
Hays	487.7		185
*Roeland Park	487.3	470.3	186
Burrton	486.6		187
Beloit	486.2		188
Kinsley	486		189
McPherson Co.	484.6		190
*Hoisington	484.4	479.4	191
Americus	483		192
Prairie View	481.2		193
Sumner Co.	480		194
Bonner Springs	474.6		195
*Maize	473.9	468	196
Bluff City	473.6		197
Smolan	473		198
Ellsworth	472		T-199
Saline Co.	472		T-199
Hillsboro	471.8		201
Barnard	471		202
Liberal	469.5		203
Chase	469		T-204
Hiawatha	469		T-204
Waverly	469		T-204
Paola	467.8		207
Utica	478.2		208
Colby	467		T-209
Wamego	467		T-209
Manhattan	462.1		211
Yates Center	461		212
Lincoln	460		213
Herndon	455.3		214
Haysville	454.4		215
Liebenthal	453.4		216
Ellis	453		217
McCracken	451.1		T-218
Winfield	451.1		T-218
Bucklin	450.5		220
Canton	450		221
Ashland	448.4		222
Elkhart	447.3		223
Stockton	446.4		224
Lyndon	444.7		225
Logan	442.5		226
Neosho Rapids	442		227
Moran	441.7		228
Thomas Co.	441		229
Macksville	438		T-230
Meade Co.	438		T-230

- * Indicates applications which were reviewed by Legislative Post Audit.
a) The letter T indicates a tie.

<u>Non-funded Applicants</u>	<u>Total Points</u>	<u>Auditors' Recalculated Total Points</u>	<u>Rank Based on Original Total Points^a</u>
Hanston	437.6		232
Kiowa	435		233
Finney Co.	433.5		234
Glen Elder	431		235
Goddard	429		236
Marion Co.	428		237
Lecompton	427		T-238
Oberlin	427		T-238
Lucas	422.8		240
Osborne Co.	421		241
Woodston	416.9		242
Protection	416.2		243
Shawnee	415		244
Hanover	412.1		245
Meade	402		246
Jetmore	400.1		247
Salina	398.8		248
McPherson	398.4		249
Scott City	397.8		250
Rossville	394.2		251
Atwood	391		T-252
Potwin	391		T-252
Valley Falls	389		254
Victoria	385.1		255
Holton	385		256
Fowler	384		257
Ulysses	382.4		258
Gem	380.3		259
Onaga	380		260
Norton Co.	377.9		261
Norton	367.1		262
Hudson	365.5		263
Grinnell	363.4		264
Rooks	361		265
Larned	354.8		266
Montezuma	345		267

- * Indicates applications which were reviewed by Legislative Post Audit.
a) The letter T indicates a tie.

Applicants Which Did Not Meet Threshold Requirements

- *Augusta
- Axtel
- Beverly
- Colwich
- Countryside
- *Frankfort
- Fulton
- Jennings
- LaHarpe
- Linwood
- *Lorraine
- Morrowville
- Mound City
- Neodosha
- Norwich
- *Oxford
- Rose Hill
- Tescott
- Windom
- Decatur County
- *Dickinson County
- Lyon County

- * Indicates applications which were reviewed by Legislative Post Audit.
- a) The letter T indicates a tie.

1984 ECONOMIC DEVELOPMENT GRANTS
Round #1

<u>Funded Applicants</u>	<u>Project Type for Funded Applicants</u>	<u>Total Points</u>	<u>Rank</u>	<u>Funding Amount</u>
Spring Hill	Infrastructure/Business Financing	624	1	\$ 500,000
*Atchison	Infrastructure	579	2	500,000
Osage City	Infrastructure	574	3	495,000
Total				<u>\$1,495,000</u>

Non-funded Applicants

*Chanute	541	4
Winfield	520	5
*Ottawa	505	6
Iola	502	7
*Neodesha	493	8
Lindsborg	489	9
*Hesston	485	10
Haysville	455	11
*Kanorado	446	12
Ellsworth	437	13
*Emporia	435	14
Arkansas City	423	15
*Centralia	421	16
Newton	416	17
*Mulvane	404	18
Hodgeman County	404	19
*McPherson	387	20
Stanton County	381	21
*Hartford	380	22
WaKeeney	374	23
*Scott City	372	24
Meade	358	25
*Hillsboro	343	26
Humboldt	296	27
*Garden City	189	28

Applicants Which Did Not Meet Threshold Requirements

Coffeyville
*Parsons

* Indicates applications which were reviewed by Legislative Post Audit.

1984 ECONOMIC DEVELOPMENT GRANTS
Round #2

<u>Funded Applicants</u>	<u>Project Type for Funded Applicants</u>	<u>Total Points</u>	<u>Rank</u>	<u>Funding Amount</u>
*Fort Scott	Business Financing	641	1	\$ 460,000
Chanute	Business Financing	631	2	303,000
*Mankato	Business Financing	622	3	500,000
Newton	Infrastructure	616	4	240,000
*Hesston	Business Financing	610	5	150,000
Total				<u>\$1,653,000</u>

Non-funded Applicants

Pittsburg	597	6
*Neodesha	590	7
Ottawa	579	8
*Parsons	573	9
Centralia	529	10
*Kanorado	518	11
McPherson	514	12
*Iola	513	13
Treece	511	14
*Coffeyville	448	15
Kincaid	423	16
*Scammon	419	17
Great Bend	402	18
*Seward County	401	19
Republic County	388	20
*Glasco	383	21
Edwards County	383	22
*Scandia	368	23
Hartford	354	24
*Liberal	350	25
Randall	326	26
*Emporia	323	27
Salina	310	28
*Hillsboro	306	29
Simpson	286	30

Applicants Which Did Not Meet Threshold Requirements

Strother Field Commission
 *Crawford County

* Indicates applications which were reviewed by Legislative Post Audit.

1984 PLANNING/TECHNICAL ASSISTANCE GRANTS

<u>Funded Applicants</u>	<u>Project Type for Funded Applicants</u>	<u>Total Points</u>	<u>Rank</u>	<u>Funding Amount</u>
*Burton	Comprehensive Community Development Plan	788	1	\$ 7,500
Virgil	Economic Development Project	756	2	19,287
*Geary County	Economic Development Project	714	3	19,287
Meade	Comprehensive Community Development	675	4	19,288
Scranton	Flood control/drainage study	674	5	11,475
*Haviland	Economic Development Project	655	6	19,288
Elwood	Comprehensive Community Development Plan	635	7	19,288
*Parsons	Flood control/drainage study	634	8	15,000
Independence	Water distribution study	624	9	19,287
*Holton	Comprehensive Community Development Plan	598	10	<u>14,000</u>
	Total			<u><u>\$163,700</u></u>

Non-Funded Applicants

Ellinwood	559	11
*Garden City	549	12
Chanute	542	13
*Hesston	529	14
Fort Scott	522	15
*Johnson City	521	16
St. John	517	17
*Hutchinson	516	18
Stockton	515	19
*Manhattan	505	20
Argonia	501	21
*Attica	471	22
Shawnee	462	23

Applicants Which Did Not Meet Threshold Requirements

- *Barton County
- Gardner
- *Goodland
- Great Bend
- *Holcomb
- Lansing
- *Liberal
- Lyndon
- *Bonner Springs
- Marysville
- *Valley Center

* Indicates applications which were reviewed by Legislative Post Audit.

1984 CONTINGENCY GRANTS

<u>Funded Applicants</u>	<u>Project Type</u>	<u>Funding Amount</u>
*Burr Oak	Water System	\$130,000
*Ford	Water System	160,000
*Greenwood County	Streets	264,640
*Quenemo	Community Building	75,200
*Lebo	Gas System	125,000
	Total	<u>\$754,840</u>

1984 IMMINENT THREAT GRANTS
(as of 12-84)

<u>Funded Applicants</u>	<u>Project Type</u>	<u>Funding Amount</u>
*Denison	Gas line - Flood Damage	\$ 80,000
*Effingham	Emergency Coordination Assistance - Tornado	4,600
*Effingham	Housing rehabilitation - Tornado damage	86,250
*Elwood	Water Pumps - Flood damage	1,800
	Total	<u>\$172,650</u>

Non-Funded Applications

- *Lebo
- *Yates Center

1984 HAZARDOUS WASTE GRANTS

<u>Funded Applicants</u>	<u>Project Type</u>	<u>Funding Amount</u>
*Chanute	The projects will help determine if past activities at the landfills have adversely impacted the site and/or groundwaters adjacent to the site.	\$ 27,000
*El Dorado		35,000
*Ellis		30,650
*Fort Scott		40,220
*Marysville		20,000
*Miltonvale		28,500
*Reno County		35,200
*Shawnee County		43,350
	Total	<u>\$259,920</u>

* Indicates applications which were reviewed by Legislative Post Audit.

APPENDIX C

Calculation of Points to be Awarded for Benefit to Low- and Moderate-Income Persons

Step 1. Calculation of the percentage of low- and moderate-income persons benefitting from the project:

$$\frac{272}{477} \begin{array}{l} \text{(number of LMI persons benefitting)} \\ \text{(total number of persons benefitting)} \end{array}$$

= 57% of persons benefitting are LMI persons

Step 2. Calculation of the amount of CDBG dollars benefitting LMI persons:

$$\begin{array}{r} \$21,000 \text{ (total CDBG cost)} \\ -1,000 \text{ (administrative costs)} \\ \hline \$20,000 \end{array}$$

$57\% \times \$20,000 = \$11,400$ (dollars benefitting LMI persons)

Step 3a. Correct calculation of percentage of CDBG dollars benefitting LMI persons:

$$\frac{\$11,400}{\$20,000} \begin{array}{l} \text{(non-administrative dollars} \\ \text{benefitting LMI persons)} \\ \text{(total CDBG project cost ex-} \\ \text{cluding administrative costs)} \end{array}$$

= 57% of the total cost benefits low- and moderate-income persons (this percentage should always equal the percentage of LMI persons benefitting, as determined in Step 1)

Step 3b. The Department's calculation of the percentage of CDBG dollars benefitting LMI persons:

$$\frac{\$11,400}{\$21,000} \begin{array}{l} \text{(non-administrative dollars} \\ \text{benefitting LMI persons)} \\ \text{(total CDBG project cost in-} \\ \text{cluding administrative costs)} \end{array}$$

= 54% of the total cost benefits low- and moderate-income persons)

Step 4a. Calculation of points to be awarded for benefit to LMI persons, using the correct figure obtained in Step 3a:

$$\frac{57}{100} \begin{array}{l} \text{(this applicant's percentage of} \\ \text{dollars benefitting LMI persons)} \\ \text{(the highest percentage among all} \\ \text{applicants)} \end{array}$$

= $.57 \times 250$ (points possible for benefit to LMI persons)

= 143 points

Step 4b. The Department's calculation of points using the figure obtained in Step 3b:

$$\frac{54}{98} \begin{array}{l} \text{(this applicant's percentage of dollars} \\ \text{benefitting LMI persons)} \\ \text{(the highest percentage among all} \\ \text{applicants)} \end{array}$$

= $.55 \times 250$ (points possible for benefit to LMI persons)

= 138 points

APPENDIX D
Agency Response

KANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT

503 Kansas Avenue, Sixth Floor, Topeka, Kansas 66603

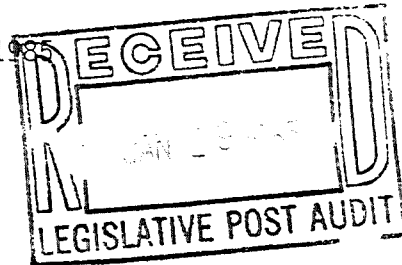
Phone (913) 296-3481



JOHN CARLIN
Governor

CHARLES J. "Jamie" SCHWARTZ
Secretary

January 28, 1985



Meredith Williams
Legislative Post Auditor
109 West 9th, Suite 301
Mills Building
Topeka, Kansas 66612

Dear Ms. Williams:

Thank you for allowing us to review the draft of the report of the performance audit performed on the Kansas Small Cities Community Development Block Grant Program.

I compliment your staff on the thoroughness and objectivity with which their audit was performed.

I wish to use this means to provide you with the following comments and clarifications regarding items addressed in the audit report.

- 1) (ref., p. 5, Draft Report, paragraph 3)

The community effort factor of the rating criteria is not intended to measure "ability to pay for the project or activity"; it does not, for example, include revenue bonding activity. Rather, the rationale is that, as for communities with relatively greater "need", communities which are making a relatively greater effort to use their own resources to solve their problems ought to have a competitive advantage in the CDBG competition.

- 2) (ref., p.5, last paragraph)

While the terms may be synonymous, "(such as average income)" is stated in our program materials as "per capita income."

- 3) (ref., p.6, paragraph 2)

Planning grants were rated by three people and a consensus was reached on the "subjective" points; a fourth person calculated the objective points.

- 4) (ref., p.6, paragraph 4)

The brief description of the Imminent Threat grants should have additional information to clarify understanding of the process. We suggest addition of the following as found in program materials:

"A formal request is made by letter to the Governor with a copy to KDED. Upon receipt of the request, KDED requests verification by an appropriate authority other than the applicant. If the situation is verified as serious and an immediate threat is the health and welfare of the community, KDED assists in making a formal application. The grant is awarded by the Governor."

- 5) (ref., P.8, paragraph 1)

Approximately \$1.4 million is available in Economic Development Round III - January 15, 1985. (\$1.5 million Round I, \$1.6 million Round II, and \$1.4 million Round III totals \$4.5 million.)

- 6) (ref., p.12, last paragraph)

We reference page 4 of the Community Improvements Applications Guidelines booklet (ATTACHMENT A) to demonstrate that 450 points is the maximum to be awarded for both public facilities and housing project applications for Project Quality and Impact. While the distribution of points internal to that category varies, there is comparability for the point category. It is correct that points are awarded based on comparison with applications for similar project types. It is true that for the public facilities projects 100 of the 450 points are determined objectively while all 450 housing project points are subjectively determined.

- 7) (ref., p.17, paragraph 4)

It is our understanding that HUD monitoring reports constitute the consensus opinion of the several (in the case of the October monitoring visit, eight persons) staff people involved in the monitoring visit. We believe that to characterize that forthcoming report as "highly critical" is at least speculative and possibly not representative of that consensus opinion, if it was expressed by no more than one HUD staff member.

We appreciate the courtesy and professionalism of your staff in working with our staff to perform this audit. If we may be of further assistance, please call on me or any member of our staff.

Sincerely,



Charles J. Schwartz
Secretary

CJS:CM:sk

Attachment

III. PROJECT SELECTION - Community Improvement Grants

Overview

A formal system will be used to evaluate, select and fund applications for grants. The selection criteria are designed to facilitate an objective assessment of the community and economic development needs of the area and the applicant's ability to provide an effective and timely response.

Community Improvement Grant applications will be evaluated, scored and ranked according to criteria designed to measure community need and effort, project quality and impact and benefit to low-and-moderate income persons. Points will be based on comparison with other applications of the same type.

Rating Points		
0		1. Threshold requirements
300		2. Community Need/Effort Factors
450	<i>Public Facilities</i>	3. Project Quality and Impact
	PF H	°Project Need
	(100) (150)	°Leverage/Financing
	(75) (100)	°Project Impact
	(250) (200)	°Capital Improvements Plan
	(25) (-)	4. Benefit to Low-and-Moderate Income Persons
250		
1,000		

A. Threshold Requirements

Before the application will be scored and ranked it must meet the threshold requirements which are explained in the Administrative Requirements, Policies and Procedures. Briefly they are:

1. The application must be received within the application period, postmarked on or prior to the deadline.
2. Proposed activities for CDBG funding are eligible.
3. Applicant must be eligible and have the capacity to administer the program.
4. Citizen participation requirements must have been met.
5. Equal opportunity considerations must have been made.
6. Only complete standard application forms with appropriate certifications will be accepted.
7. Required Certifications and Assurances are attached to the application.