

MINUTES OF THE Senate COMMITTEE ON Governmental Organization

The meeting was called to order by Senator Vidricksen at
Chairperson

1:30 ~~am~~/p.m. on January 29, 1985 in room 531N of the Capitol.

All members were present except:

Committee staff present:

Julian Efird - Research
Bruce Kenzie - Revisor

Conferees appearing before the committee:

Meredith William - Division of Post Audit

The Chairman called the meeting to order and introduced Meredith Williams who discussed briefly the role of the Division of Post Audit (Exhibit A) and answered questions from the Committee.

The Committee then turned its attention to S.B. 25 and the Research Department explained the bill. It was pointed out that the words "or another senator of the same party designated by the president" were inserted in lines 28 and 29. After brief discussion a motion to report this bill favorably for passage was made by Senator Frey. This was seconded by Senator Gaines and motion carried.

Senate Bill 26, establishing an efficiency in government hotline, was introduced as a companion bill to the Whistle Blower bill of the previous year. This would create a place for people to call with problems, complaints or reports of violations of suspected cases of improper governmental activity and allow for audits in that Department.

Meredith Williams explained the procedures used in other states with a Hotline and distributed a memorandum to that effect. (Exhibit B) He explained that they frequently referred calls to the appropriate agency and stated that he felt it was important to know who the callers are in the event that someone needed to be recontacted for more information on a case. However, he stressed the fact that confidentially must be preserved and stated his support for the bill.

There were questions concerning how this Hotline would be handled, who would answer the phones and the volume expected. Post Audit recommended that their staff of 13 could be used initially to see how it would run and then adjustments could be made accordingly.

A suggestion was made that this Hotline should be set up independently and run by another agency other than Post Audit. The Chairman stated that no action would be taken on this bill at this time and that further discussion would be continued at another time.

Senator Bogina made a motion to approve the minutes of the January 28th meeting. This was seconded by Senator Francisco and motion carried.

The meeting was then adjourned.

Fiscal Note for S.B. 26 - (Exhibit C)

GUEST LIST

COMMITTEE: Senate Governmental Organization

DATE: Jan 29, 1985

NAME	ADDRESS	COMPANY/ORGANIZATION
Meredith Williams	Topeka	legislative post Audit
Jim Murphy	Topeka	Gov. Office

**RECENT AUDIT WORK IN
AGENCIES SUBJECT TO
SUNSET REVIEW IN 1985**

Department of Human Resources

Unemployment Compensation:
Reviewing Protested Claims

Guidelines developed by the Department of Human Resources reduce but cannot eliminate the amount of judgment involved in deciding who is eligible for unemployment claims. Most employers will protest questionable claims, but few will appeal if their protest is overruled. State agencies generally do not understand about when they should protest or appeal such claims.

Contact person: Leo Hafner

Personnel Policies and Practices of
The Department of Human Resources

Some Departmental actions--particularly those related to filling positions--were either not in compliance with State and federal requirements or there was insufficient documentation to tell. In addition, such actions as non-competitive appointments, reclassifications, and employee grievances are not consistently handled or help create employee dissatisfaction. The report recommends needed changes in the Department's personnel practices.

Contact person: Trudy Racine

Financial and Compliance
Audit Report

This audit, which was issued in September, 1984, covers fiscal years 1982 and 1983.

Contact person: Randy Tongier

Department of Economic Development

Administration of the Small Cities
Community Development
Block Grant Program

This audit reviews the guidelines developed by the Department of Economic Development to administer the program, its determination of grant awards, and possible ways to improve the program. It will be released in late January.

Contact person: Trudy Racine

Administrative and Office Procedures
at the Department of Economic
Development

A review of written policies and practices, and
of the current status of the Department's
centralized administrative operations. This
audit has just started and should be available
in late February.

Contact person: Trudy Racine

Financial and Compliance
Audit Report

This audit, which was issued in April, 1984,
covers fiscal years 1982 and 1983.

Contact person: Randy Tongier

Insurance Department

Financial and Compliance
Audit Report

This audit, which will be issued later this
week, covers fiscal year 1984.

Contact person: Randy Tongier

State Treasurer's Office

Sunset Review of the
State Treasurer's Office

This audit examines the Office's procedures
for handling investments, making bond pay-
ments, and administering the Unclaimed Prop-
erty Act. It also reviews the impact of
placing some State moneys in out-of-State
banks. The audit will be released in mid-
February.

Contact person: Ron Green

Financial and Compliance
Audit Report

This audit, which was issued in September,
1984, covers fiscal year 1983 and part of 1984.

Contact person: Randy Tongier

Pooled Money Investment Board

No performance audit work scheduled. However, the sunset review of
the State Treasurer's Office will include some work in the Pooled
Money Investment Board.

Financial and Compliance
Audit Report

This audit, which was issued in November,
1984, covers fiscal year 1983.

Contact person: Randy Tongier

**INSTITUTING AN
"EFFICIENCY IN GOVERNMENT HOTLINE"
AT LEGISLATIVE POST AUDIT**

This report examines the establishment of a special telephone line for state employees and the public to report inefficiency, mismanagement, or waste in State programs or activities.

The Division's staff contacted a number of agencies in Kansas, other states, and the federal government, to determine what experiences others have had with their hotline programs. A brief summary of their findings is included in this report, together with a brief discussion of the options and issues that would need to be addressed before operation of a hotline program could begin.

Possible reasons to institute a hotline. There are several reasons for considering installation of a "Legislative Post Audit hotline":

1. There is now no such hotline program in the State. Although other Kansas agencies use the hotline concept (for example, for welfare fraud), none address the issues of inefficiency and waste in State government.
2. A Legislative Post Audit hotline could help identify ways to improve the efficiency and management of State agencies. It could alert the Legislature to such problems as improper personnel practices, failure to comply with administrative regulations, and similar matters.
3. A Legislative Post Audit hotline has the potential to save, recover, or improve management of State funds. This has been the case in other states. A hotline accessible to any citizen and applicable to any State agency has the potential to recover misspent State funds, or to save money by alerting the Legislature to possible problem areas.
4. A hotline could assist in the prevention and detection of illegal or unethical conduct by State suppliers, officials, or recipients of State funds.

Hotlines in Other Kansas Agencies. Three State agencies have hotline programs:

- The SRS Fraud and Recovery Unit uses a WATS line to receive tips on welfare fraud or other abuse of SRS funds. Officials report that they received about 6,500 calls in fiscal year 1984 , resulting in an estimated savings of \$123,000.
- The Kansas Bureau of Investigation's 1-800-KS-CRIME line receives information from the public on crimes committed in Kansas.
- The Highway Patrol's REDDI (Report Every Drunk Driver Immediately) system takes reports on drunk drivers observed by motorists.

In general, the experiences of Kansas agencies have been very favorable. Officials of each of the three systems reviewed reported being very satisfied with their systems' operation.

Federal hotline programs. The program most analogous to the one being discussed for Legislative Post Audit is the hotline of the U.S. General Accounting Office. Its staff has indicated that their screening process eliminates all but 10 percent of the calls. Of the remainder, all are investigated and about 15 percent of those are later substantiated. Although that percentage seems low, federal officials report that the system may be responsible for savings of up to \$44 million over 5 years.

Programs in Other States. Many states have had similar experiences. The Division's staff identified 10 states with "government efficiency" hotlines.

--**California** has a hotline established by state statute in the Office of the Auditor General. Auditors there told the Division that they have received 4,000 calls over the last four or five years, about 10 percent of which proved valid. Hotline calls are carefully screened, and those that appear to be valid are reported to a legislative committee, which may assign topics for further investigation.

--**Delaware** has an elected state auditor, who has extensively promoted the hotline to the public. Officials there indicate, however, that most of their substantive calls come from state workers.

--**South Dakota** officials estimate that they have saved \$10,000-\$15,000 through their hotline program. They warn, however, that proper ground work must be laid with other state officials to avoid charges that the project is aimed at a specific state official, or that it is politically motivated.

Staff in all the states contacted strongly endorsed the hotline concept. Other states with similar hotlines include Pennsylvania, Wyoming, West Virginia, Tennessee, Oklahoma, Ohio, and Washington.

Procedures. Although all of the systems are different, most hotline programs reviewed by the staff share some basic similarities. Typically, a government efficiency hotline is staffed by investigators or others with the training and experience to ask the right questions. The hotline may receive as many as 60 calls a day, or as few as three per month.

The telephone tips received are then reviewed by either a senior official or a team of staff, to decide which calls merit a preliminary investigation. For those calls which do seem to merit further investigation, staff may work several hours or more to determine if the allegation is substantive. The investigator's findings are reviewed by senior staff, the state auditor, a legislative committee or others who determine the course of further work on the matter. In some states (as well as the General Accounting Office) the complaint may be referred to the affected agency for investigation. In these cases, the agency is required to submit a report on its findings and action.

A complaint may also be investigated by the audit staff directly, or referred to the state comptroller, attorney general, or other official.

Finally, hotline officials may determine that no further investigation is warranted, and the file is then closed.

Conclusions

In their contacts with other states, the auditors identified a number of questions and concerns. Target groups, confidentiality of callers, type of phone system, hours of operation, and other issues will have to be resolved before a hotline program can be implemented.

At this preliminary stage, the Division recommends that the following courses of action may be appropriate if the Legislative Post Audit Committee and the Legislature think a hotline should be established within the Division:

1. The experience of other states suggests that most substantive calls come from state workers. In view of the Division's limited resources, the hotline could, at least initially, be targeted to State employees rather than the general public.
2. While the confidentiality of the callers should be assured, the Division should not accept anonymous tips.
3. A WATS line should be used to avoid the possibility that KANS-A-N calls could be traced back to a whistleblowing employee. The line would be answered during business hours by a staff member, and an answering machine would be used at night.
4. Procedures should be devised to assess the effectiveness of the system after a reasonable period of operation.
5. Some matters will require guidance from the Legislative Post Audit Committee and the Legislature. Staff and Committee members will have to determine the amount of flexibility and judgment to be exercised by staff in the disposition of calls.

Estimated cost of establishing a hotline in Kansas. Staff of the Division of Information Systems and Communications indicated that a WATS line would cost \$110 to install, and could be installed and ready to operate with three weeks of notification. They estimated that the monthly fee for 20 hours of use would be \$500. A recorder/answering machine costs \$300-\$400. The Division can prepare a more detailed proposal, with specific options and projected cost estimates, upon request.

The Honorable Ben Vidricksen, Chairperson
Committee on Governmental Organization
Senate Chamber
Third Floor, Statehouse

Dear Senator Vidricksen:

SUBJECT: Fiscal Note for Senate Bill No. 26 by Senators
Vidricksen, Allen, Arasmith, et al

In accordance with K.S.A. 75-3715a, the following fiscal note concerning Senate Bill No. 26 is respectfully submitted to your committee.

Senate Bill No. 26 is an act establishing an efficiency in government hotline which would provide toll-free access by the public for reporting improper governmental activity. Improper governmental activity as defined in this act includes activities which are in violation of any state or federal law, activities which are economically wasteful or inefficient, or activities which involve misconduct, mismanagement or incompetency. This act further provides that the existence of the hotline and its telephone number be prominently displayed by each state agency. Hotline phone calls would be received by the Legislative Division of Post Audit.

The total cost of operating the efficiency in government hotline is difficult to access at this time. Savings to the state as a result of information provided is equally difficult to assess and would likely vary from year to year. Information provided by other states utilizing a similar hotline indicates operating costs and reporting experience differ a great deal.

Should the bill be passed, the Legislative Division of Post Audit initially anticipates utilizing existing staff to receive and screen phone calls, conduct the preliminary investigations, and to carry out any additional audit work directed by the Legislative Post Audit Committee. The cost of establishing the toll-free number and related line charges is estimated to be \$6,000 for FY 1986. The true fiscal impact will, however, depend on the volume of calls received and the nature of the information reported and can be better projected after gaining operating experience.

Any fiscal liabilities or savings resulting from passage of Senate Bill No. 26 would be in addition to provisions of the 1986 Governor's Budget Report.

Alden K. Shields
Alden K. Shields
Director of the Budget

AKS:WD:sr