

Approved

Stephen R. Cloud 27-86  
Date

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION

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

9:05 a.m. ~~pm~~ on Thursday, January 23, 1986 in room 522-S of the Capitol.

All members were present except:

Committee staff present:

Avis Swartzman - Revisor  
Carolyn Rampey - Research Dept.  
Russ Mills - Research Dept.

Conferees appearing before the committee:

Robert Haley, Department of Transportation  
Lynne Holt, Legislative Research Department

The meeting of the House Governmental Organization Committee was called to order at 9:05 a.m. by Representative Stephen R. Cloud, Chairman. Minutes of January 16, 17, 21 and 22 were distributed. Robert Haley, Department of Transportation, was introduced.

Mr. Haley gave a slide presentation that coincided with the attachment he distributed to the Committee. (See Attachment A) In 1983, the House Governmental Organization Committee had reviewed the Department of Transportation and came up with the recommendation that KDOT report to the Committee for the next four years. The Financial Information and Reporting System for Transportation (FIRST) is the new accounting system that was developed because of concern with the Department's financial system in the past. Formerly, instead of an integrated system, KDOT had many different, fragmented systems that did not meet the needs of the Department or the standards set by the Governmental Accounting Standards Board (GASB). The IBM system should be ready by July 1, 1986. At least three months will be needed for further modifications. As the old system stood, information had to be recorded three times because, as Mr. Haley put it, "that is the way it's always been with the old system". The new system will only have a single entry.

Mr. Haley was asked about the Bid Analysis Monitoring System (BAMS). Mr. Haley responded that this software system was developed in Florida and is used in another area where the Department functions. Mr. Haley went through a complete set of charts and explained what each meant in relation to the Department. The system will be able to produce reports regularly for departmental personnel as they are needed. The voucher system has come from Wichita State University, with the software modified for KDOT by the Bureau of Computer Services. Finally, a General Ledger System was purchased. Mr. Haley said that an analysis of the system would show that KDOT's needs and requirements were assessed and a system was designed to meet those needs and requirements.

The next step involved a Request for Quotation (RFQ), which was issued and drafted by the Division of Purchases, Department of Administration. A KDOT requirement included maintenance and new releases for five years. The contract was awarded to Systems and Computer Technology Corporation and was signed December 12, 1985. The programs are scheduled to be delivered and installed on the computer by April 30, 1986. The Corporation will also send staff to Topeka to advise and assist the FIRST team in the system's use. Mr. Haley said there would be no increase or reduction in staff.

The Chairman thanked Mr. Haley for his report and introduced Lynne Holt. Ms. Holt was present to finish her overview of the Department on Aging that she had begun Tuesday. She began on page 3 of her attachment (See Attachment B). Most of the federal funds for agency operations and assistance are designated for the Older Americans Act programs. The rest is spread through agency grants and functions, including administration. She went through the various grants, task forces and programs, giving the financial details of each while the Committee followed along with the attachment. She ended the overview and added that she would be glad to assist the subcommittee with its work.

The Chairman thanked Ms. Holt and adjourned the meeting at 10:00 a.m.

SRE



FINANCIAL INFORMATION AND REPORTING SYSTEM FOR TRANSPORTATION  
REPORT TO THE LEGISLATURE - 1986

January 23, 1986

- I. Financial Information and Reporting System for Transportation (FIRST)
- A. In 1983, the House Committee on Governmental Organization reviewed the Department of Transportation's financial information system.
  - B. The Committee recommended "that an annual report on the status of developing a new accounting system be submitted to the House Governmental Organization Committee on the first day of each Session for the next four years."
  - C. This report is in response to that recommendation.
- II. History of FIRST
- A. Before reporting on activities for 1985, it may be well to review why the Financial Information and Reporting System for Transportation was recognized as a high priority. It was established as a result of a joint legislative and executive concern with the Kansas Department of Transportation's financial system.
    - 1. This concern dates back to at least 1976 when a KDOT task force, formed to study KDOT information requirements, found that "perhaps the greatest need identified concerns additional financial information."
    - 2. A CPA study conducted in 1982 for Secretary Kemp noted that instead of an integrated system, KDOT has "fragmented, stand-alone accounting subsystems."
    - 3. The Sunset Audit by Post Audit in 1982 recommended KDOT should "redesign its financial management system so that the system will produce more complete, accurate, and useful information."
    - 4. Acting on these findings, the Legislature and KDOT agreed that the system should be revised.
  - B. In 1984 KDOT established the FIRST Task Force, staffed it with KDOT employees, and charged it to develop a financial system that would provide information for decision making and meet the standards set forth by the Governmental Accounting Standards Board (GASB).

REPORT TO THE LEGISLATURE - 1986

- C. The order of implementation recommended by the project team was general ledger, budget tracking, accounting manuals, and cost accounting.
- D. Through the appropriation process, the Legislature approved funding for general ledger/budget tracking software acquisition.

III. Time Frame.

- A. The following schedule was presented to the 1985 Committee:
  - 1. Because a change in administration can result in a redirection of agency effort, it was decided to have part of the system operational by January 1987. Since revision to the accounting structure was to be included, the beginning of the State's fiscal year (July 1986) was established as the conversion date.
  - 2. Prior to conversion, at least three months is anticipated for testing and training. Thus, the system must be installed and ready for use in April of 1986.
  - 3. An additional three months is required for technical consulting, coding and modifications. This requires that KDOT must have possession of the system, with contracts signed, by January, 1986.
- B. The contract was signed in December of 1985 and the other critical dates still appear reasonable.

IV. Four Concurrent Paths of Development in 1985.

The development effort of FIRST in 1985 has taken four separate, but related, paths.

- A. Of primary importance has been the development of a KDOT Chart of Accounts.
  - 1. Reasons for developing a KDOT Chart of Accounts.
    - a. An important trend in government is the shift from cash basis accounting to modified accrual, recognizing revenues when they become available and expenditures when the liability is incurred.

## REPORT TO THE LEGISLATURE - 1986

- 1) In Kansas, as in many states, the Department of Administration maintains a Chart of Accounts more at the "checkbook level," accounting for revenues and expenditures.
  - 2) The KDOT Chart of Accounts will contain the accounts necessary to recognize expenditures, revenues, assets and liabilities on the modified accrual basis.
- b. A KDOT Chart of Accounts will incorporate budget tracking in the general ledger using budget accounts. These budget accounts will be used to replace a separate, stand-alone KDOT budget system.
- 1) The Department of Administration budget system does not contain the detail that KDOT uses to manage its budgets. For instance, the Department of Administration manages expenditures at what is called the 3-digit object code level, whereas, KDOT uses a 5-digit object code.
  - 2) This difference is illustrated by DA's Materials and Supplies Account, Object 342. Within this category are included lumber, sign posts, paint, asphalt and aggregate. KDOT needs to track these items individually, not as a consolidated unit.
2. Classification of Accounts.
- a. The following accounts will be used to prepare financial reports, both balance sheets and income statements:  
  
Assets, Liabilities, Fund Equity, Budget, Revenue, Expenditure, and Transfer.
  - b. Under each of these classifications, there are detailed accounts in the Chart of Accounts.
3. Funds and Account Groups.
- Because state government operates on a fund basis, where every fund has its own self-balancing set of accounts, KDOT has grouped those funds and account groups as follows:

REPORT TO THE LEGISLATURE - 1986

a. The Governmental Fund Group

State Highway Fund  
State Freeway Fund  
State Freeway Construction Fund  
State Highway Refunding Bonds, Series 1985a,  
Interest and Sinking Fund  
State Highway Refunding Bonds, Series 1985,  
Interest and Sinking Fund

- 1) The number of funds in this group reflects the consolidation of funds as recommended by GASB, the Government Accounting Standards Board. GASB states that only the minimum number of funds required by law and sound financial administration should be maintained.
- 2) KDOT has worked with the Division of the Budget and the Legislative Research Department to consolidate funds from fourteen to five. For example, the Weigh-in-Motion Demonstration Grant will no longer be treated as a separate fund but will be consolidated into the Highway Fund. This consolidation will reduce the complexity of managing many small funds. The grant can still be identified through the account structure.

b. Fiduciary Fund Group.

Restricted Fees Fund  
Special City/County Highway Fund  
County Equalization and Adjustment Fund

- 1) The number of funds managed in any group is not fixed or constant. The new system will provide flexibility for adding new funds.
- 2) The Economic Development Highway Loan Fund, recommended by the Governor, would be a new Fiduciary Fund.

c. Account Groups.

General Fixed Assets  
General Long-term Obligations  
Federal Aid  
Assets Not in KDOT Possession

REPORT TO THE LEGISLATURE - 1986

- 1) General Fixed Assets and Long-Term Obligations are fairly standard account groups.
- 2) The Federal Aid Account Group is unique. It will be used to record federal aid apportionments and obligation authority in order to provide information about the amount of federal aid available during different stages of the federal aid process.
- 3) The "Assets Not in KDOT Possession" account group is also unique. It is necessary to account to the federal government for local federal government equipment purchased with federal funds.

B. Reports.

1. At the same time the Chart of Accounts was being developed, FIRST developed a list of proposed reports that the new system needed to provide.
2. The objectives in developing meaningful reports were:
  - a. To provide information useful for evaluating managerial and organizational performance.
  - b. To provide information useful for planning and budgeting, and for forecasting the impact of the acquisition and allocation of resources on the achievement of operational objectives.
  - c. To provide financial information useful for monitoring performance under terms of legal, contractual, and fiduciary requirements.
  - d. To provide financial information useful for determining and forecasting the financial condition of the governmental unit and changes therein.
  - e. To provide financial information useful for determining and forecasting the flows, balances and requirements of short-term financial resources of the governmental unit.
3. These reports will support information requirements from KDOT managers, the Department of Administration, Post Audit and Legislative

## REPORT TO THE LEGISLATURE - 1986

Research, the federal government, vendors, and contractors. Some will be standard financial reports as specified by GASB (such as balance sheets) and others will be tailored to suit specific needs.

4. The system will be able to produce these reports regularly or permit managers to request them as they need them.

### C. Voucher Data Entry System.

1. A third path of development has been the acquisition of an on-line system from Wichita State University for producing vouchers from invoices keyed in the districts. This software was modified for KDOT by the Bureau of Computer Services.
2. Features of the product include early and single entry of vouchers in the field, creation of vouchers from invoices and purchase authorities, and the transfer of voucher information to DA via magnetic tape.
3. The training effort has begun as a joint effort by Computer Services and the Fiscal Section of KDOT. This system will be integrated into FIRST.

### D. Purchase of General Ledger System.

The final path of development was the analysis of the system leading to the purchase of a General Ledger System.

#### 1. Analysis of System.

System analysis by the FIRST project team involved documenting the current financial system, determining KDOT's requirements for a new or revised system, and designing the new system.

2. After it was determined what features were desirable, General Ledger specifications were developed and a Request for Quotation (RFQ) was drafted.
  - a. This RFQ was reviewed by the FIRST Advisory Steering Committee whose membership includes Division Directors from KDOT, Division Directors from the Department of Administration, and the Division Administrator of the Federal Highway



## REPORT TO THE LEGISLATURE - 1986

Administration. Legislative Post Audit and Legislative Research also had the opportunity to review the draft.

- b. The RFQ was issued on September 16, 1985, and distributed by the Division of Purchases, Department of Administration.
- c. KDOT required that the contract include maintenance and new releases for five years.

### 3. Award of Contract.

#### a. Low Bid.

Three bidders responded to the RFQ. The low bid was from Systems and Computer Technology Corporation. In evaluating the dollars bid, it was apparent that bidders were not consistent in how they bid (for example, some bid estimated per diem, as requested, while others did not). The bids were adjusted for evaluation purposes and Systems and Computer Technology Corporation remained the low bidder.

- b. Systems and Computer Technology Corporation's response was examined carefully for compliance to specifications and a contract was signed on December 12, 1985.

## V. Schedule of Implementation.

Together with the vendor, Systems & Computer Technology Corporation, the FIRST project team is developing a schedule of implementation activities and tasks. The phases of this implementation, which may run concurrently, are:

### A. Installation of the product.

The activities in this phase include project planning for the next six months, developing a test environment for ensuring the product does, indeed, perform all the functions specified in the contract, and physically delivering the programs and installing them on the computer. Installation of the product is scheduled to be completed by April 30, 1986.

REPORT TO THE LEGISLATURE - 1986

B. Consulting and Training.

1. During this phase, accounting and data processing staff from the vendor will come to Topeka and advise and assist the FIRST project team to finalize the KDOT chart of accounts and develop new financial procedures to facilitate use of the product and produce the information needed by KDOT management.
2. System and Computer Technology Corporation will also provide training for KDOT staff in how to use the product and how to run the system.

C. Integrating KDOT Information into the System.

1. As part of the contract, the vendor agreed to develop programs to take KDOT's existing data collection system and interface it into their product. Specifications for these programs will be developed and implemented during this phase.
2. There are a number of KDOT subsidiary systems that will also require some changes to conform to the new coding structures. KDOT staff will design and complete these changes during this phase.

D. Testing and Implementation.

1. This phase will begin soon after the product is installed. KDOT will test all features of the system to guarantee that the system performs in accordance with specifications. At least three accounting cycles will be run through the system. Year-end closing procedures will be thoroughly tested before the system is certified as complete.
2. At the end of systems acceptance, files will be moved from a test environment to a production environment and information for the new fiscal year will be entered. The vendor will continue to supply technical assistance during this period until KDOT is satisfied the system is operational.

IV. Future of FIRST.

- A. While this general ledger implementation satisfies many of the needs of KDOT and establishes a sound foundation, the project team will continue to complete financial documentation and evaluation of the system in 1986.

REPORT TO THE LEGISLATURE - 1986

- B. Other areas of concern continue to be cost accounting (particularly detailed variance analysis) and budget formulation. Preliminary analyses for these areas have been done and FIRST will continue this analysis beginning early next year.

MEMORANDUM

January 21, 1986

TO: House Committee on Governmental Organization  
FROM: Lynne Holt, Kansas Legislative Research Department  
RE: Brief History of Kansas Department on Aging

The Kansas Department on Aging was created through the passage of H.B. 2173 by the 1977 Session of the Legislature. Throughout its almost nine years of existence as a free-standing agency, its total budget has increased by approximately \$5.6 million, from original appropriations for FY 1978 of \$6,132,578 to recommended expenditures for FY 1986 of \$11,765,629. Of the estimated increase of \$5.6 million, approximately \$4 million results from increased federal funding. State General Fund support for the agency's operations and programs has increased from approximately \$150,000 (including supplemental appropriations) in FY 1978 to slightly over \$1.7 million recommended for FY 1986. In addition, the number of positions has increased by 8.3 when the actual staffing level in FY 1978 (20) is compared to that of FY 1986 (28.3).

The following discussion will attempt to highlight the programs and services provided by the agency and to outline the changes experienced by the agency since its creation in FY 1978. As the agency is funded by slightly over \$1.7 million from the State General Fund and approximately \$10 million from federal funds (as recommended by the Governor), this summary is divided into two sections. The first section addresses programs and activities supported entirely, or in part, from the State General Fund. The second addresses federally-funded programs and activities.

I. State General Fund

Nutrition -- OAA Program. Of all aging-related programs administered by the agency, the nutrition programs appear to have invited the most legislative concern. There are perhaps two reasons for this:

1. these programs receive the largest share of State General Fund support allotted to the agency; and
2. these programs extend services to many counties and communities throughout the state.

There are two major nutrition programs administered by the Kansas Department on Aging: the Older Americans Act (OAA) congregate and home-delivered meals programs and the in-home nutrition program.

The OAA nutrition programs provide meals and other social services within congregate settings to Kansans, age 60 and over,

ATTACHMENT B

1/23/86 Hs. Gov. Org.

and their spouses. In addition, meals are delivered to home-bound elderly Kansans with the intent of preventing premature institutionalization. Both OAA nutrition programs are financed by a combination of federal, state, local cash, participant, and State General Fund resources. These meals are available to individuals over 60 years old regardless of income, but all participants are asked to contribute up to the full cost of the services.

The funding is determined as follows: each year the legislature determines the number of meals to be served as well as the cost per meal for the OAA nutrition programs. For example, the 1985 Legislature decided that a total of 3,530,221 meals would be served for the congregate and home-delivered programs at \$2.867 per meal. The total amount needed, multiplying 3,530,221 by \$2.867, was \$10,121,144. The next step is to estimate all potential revenue sources to finance those meal programs (federal, local cash, and participant). As it turned out, projected revenues from those sources totaled \$9,600,194. The remaining amount needed to ensure provision of the approved number of meals at the approved cost per meal was \$520,950, and this was the amount from the State General Fund that was authorized by the Legislature for FY 1986.

The Kansas Department on Aging allocates and disburses funds for the OAA programs on a formula basis to the eleven Area Agencies on Aging which are, for their part, required to adhere to an approved Area Agency plan. Area Agencies contract with local service providers on a subgrant basis to furnish those meals.

OAA nutrition programs received no support from the State General Fund until FY 1980. In fiscal years 1980, 1981, and 1982, these programs were funded with \$875,000 from the State General Fund. Expenditures of \$658,142 from the State General Fund are recommended for FY 1986, to include \$483,814 for meals and \$174,328 for transportation to congregate sites. Recommended State General Fund expenditures for FY 1986 reflect a reduction of almost \$200,000 from expenditures approved by the 1985 Legislature. The number of meals served under the OAA programs has more than doubled from 1,780,596 in FY 1978 to 3,582,037 recommended for FY 1986. This increase is due in large part to the agency's improved performance in curbing meal costs and to continued increases in federal and local support.

In-Home Nutrition Program. The in-home nutrition program provides home-delivered meals to Kansans age 60 and over in Kansas City, Wichita, Topeka, Eureka, Manhattan, McPherson, Barton County, Dodge City, and areas of southeast Kansas. Participants in this program must meet income guidelines. The Kansas Department on Aging contracts directly with service providers who provide the meals and determine participant eligibility. The 1985 House Ways and Means Committee recommended that the agency develop rules and regulations that specify the criteria for proposals and the bidding procedures to which applicants for in-home service contracts must adhere. (The same recommendation was made with reference to applicants for OAA nutrition services contracts.)

The in-home nutrition program, which is totally state funded, was not offered by the Department on Aging until FY 1983. Prior to that time it was funded 75 percent from federal funds and 25 percent from the State General Fund through the budget of the Department of Social and Rehabilitation

Services. Funding for the program was \$361,000 in FY 1983. For FY 1986, \$449,860 is recommended to finance 201,370 meals.

Senior Citizens Day Care Projects. In FY 1980 and FY 1981, \$100,000 from the State General Fund was appropriated for grants to develop senior citizens day care projects. In FY 1982, \$50,000 was authorized for that purpose. No funding has been authorized for these projects since FY 1982.

Older Kansans Employment Program. The Older Kansans Employment program (OKEP) places older workers, age 55 and over, in private sector positions, trains them in job seeking skills, and assists employees in hiring the elderly. For FY 1985, the program reported 433 placements. In FY 1983, \$125,000 was budgeted for the establishment of three locally-based employment programs. Since FY 1984, \$100,000 has been budgeted each year for that purpose, and the Governor recommends continued support at that funding level for these employment projects in FY 1987.

Positions. Although the position limitation for the Department on Aging was set at 22.0 F.T.E. in FY 1978, only 20.0 F.T.E. positions were filled in that year, and that number was authorized for FY 1979. The greatest increase in the number of positions (5.0) occurred in FY 1981 when two ombudsmen, one training officer, one auditor, and one clerk joined the staff. Another position was added in FY 1982. In FY 1983 the staffing complement was reduced by .4 F.T.E. to 25.6 F.T.E. positions due to an attrition in federal training funds.

The number of positions did not change until FY 1985 when it increased to 27.3 with the addition of an employment and training policy and program analyst, a part-time accountant, and an expansion in the training officer's position. The 1985 Legislature increased the agency's staffing complement by one position for FY 1986. The agency chose to fund an accountant position with this approved position limitation increase. For FY 1987, the Governor has recommended 28.3 full-time positions, the same staffing level as was approved for FY 1986. All the salaries, with the exception of those for three ombudsmen, the attorney in the Advocacy program, the training officer in the Technical Assistance program, and a fiscal person are financed, at least in part, from State General Fund expenditures.

## II. Federal Funds.

Because over \$10 million of the agency's recommended \$11.7 million budget for FY 1986 is financed from federal funds, one cannot ignore one of the perhaps most important functions of the agency Secretary's statutorily prescribed duties -- to receive and disburse federal funds made directly to the department for providing services to senior citizens (K.S.A. 75-5908). Much of the agency staff's activities revolve around monitoring and assessing federal grant programs and activities discharged by the Area Agencies on Aging and other recipients of federal support.

Federal funds for agency operations and assistance have increased from slightly over \$5.7 million since the agency's inception to over \$10 million recommended for FY 1986. Most of the federal funds (over \$6.3 million) are designated for the previously discussed OAA nutrition programs.

The remaining amount, approximately \$3.7 million, is apportioned among other agency grants and functions, including agency administration which in FY 1986 totals \$577,678 from various federal revenue sources.

General Community Grants. The next major share of federal support (almost \$2.7 million) is recommended for FY 1986 for general community grants to Area Agencies on Aging. Funds are granted to the agencies on a formula basis which takes into account the ratio of elderly, low income, and minority populations served by each area agency. Funds can be expended for such services as transportation, counseling, senior centers, home visitation, information, referral, escort services, house repair, and chore maintenance.

Legal Services/Ombudsman. Since the establishment of the agency, there have been funds available for legal services and the ombudsman program. The legal services program is mandated by the federal Older Americans Act. To comply with this mandate, the agency employs an attorney who provides legal assistance to older Kansans through training and technical assistance. The attorney also assists aging organizations throughout Kansas by providing information and legal research on public issues. Finally, in compliance with the 1984 Amendment to the Older Americans Act, this position is responsible for coordinating efforts of other legal service providers and ombudsmen on issues related to the prevention of abuse of older individuals.

The ombudsman program is mandated by the federal Older Americans Act and K.S.A. 75-5916 et seq. Three ombudsmen employed by the agency and situated in Wichita, Topeka, and Kansas City receive, investigate, and resolve complaints concerning the care of older Kansans at nursing, board and care, and adult family homes.

In FY 1978, slightly over \$25,000 was available for advocacy services and \$18,000 for the ombudsman program. This amount has increased to almost \$146,000 for both functions in FY 1986. It should be noted that these functions have always been financed exclusively from federal funds.

Alzheimer's Disease Task Force. The 1985 Legislature authorized for FY 1986 \$50,000 in federal funds for the salaries and operations of an Alzheimer's Disease Task Force which was directed to submit a report to the Governor and the 1986 Legislature, to include a profile of the disease as it afflicts Kansans, an analysis of existing resources and barriers to family care, and recommendations.

Training Grants. Training grants were available in FY 1978 when \$69,473 was budgeted for that purpose. Funding from those grants was reduced in subsequent years. For FY 1986, expenditures in excess of \$45,000 are recommended from those grants, to include funding for the Alzheimer's Disease Task Force, discussed above.

Older Workers Job Training Partnership Act Program. The Older Workers Job Training Partnership Act (JTPA) program, which has placement sites in Wichita, Topeka, Manhattan, and Chanute, was funded in FY 1985 through moneys transmitted from the Department of Human Resources to the Kansas Department on Aging. Over \$500,000 is budgeted in FY 1986 for the placement of elderly workers who are both 55 and older and disadvantaged. The major difference between the state-funded employment program and the JTPA program is that older

workers must meet certain income guidelines to qualify for federal assistance. By contrast, assistance from OKEP is targeted to elderly Kansans whose income eligibility is slightly over poverty level. According to the agency, both programs coordinate, whenever possible, their administrative and placement efforts.

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