

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Stephen Morris at 10:30 a.m. on February 3, 2004 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Jill Wolters, Senior Assistant, Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Barb Hinton, Legislative Post Auditor, Division of Legislative Post Audit

Others attending:

See Attached List.

Bill Introduction

Senator Jackson moved, with a second by Senator Helgerson, to introduce a bill concerning income taxation; relating to deduction for Washburn University retirement benefits (3rs1642). Motion carried on a voice vote.

Chairman Morris welcomed Barb Hinton, Legislative Post Auditor, Division of Legislative Post Audit, who presented a briefing on performance audits of interest to the committee regarding key findings/audit-related issues since the last session and audits issued during the last three years (Attachment 1).

The Chairman opened the public hearing on:

SB 365--Deleting a provision in the post audit statute prohibiting a person who is regulated by the KCC from being audited by post audit

Chairman Morris welcomed Barb Hinton, Legislative Post Auditor, Division of Legislative Post Audit, who testified in favor of **SB 365** (Attachment 2). Ms. Hinton explained that under the Legislative Post Audit Act, the Legislative Post Audit Committee currently can direct their office to conduct performance audits of any State agency, any local unit of government, and any person or entity that contracts with, receives a gift or grant from, or is licensed or regulated by a State agency, except for entities regulated by the Kansas Corporation Commission. **SB 365** would remove this prohibition. Further details are explained in her written testimony.

There being no further conferees to come before the committee, the Chairman closed the public hearing on **SB 365**. Chairman Morris requested that Legislative Post Audit come back to the committee with language for **SB 365** regarding the concerns the committee had regarding authorization limits when looking at specific areas.

The Chairman turned the committee's attention to discussion regarding possibly hiring an attorney to represent the Legislature in the Shawnee County Judge Terry Bullock's Memorandum Decision and Preliminary Order on school district funding. Senator Bunten moved, with a second by Senator Jackson, to authorize a letter be written requesting that the Legislative Coordinating Council consider authorizing up to \$100,000 within the existing agency budget, so the Legislative Branch could retain legal counsel, or other experts and consultants, to ensure that the Legislature's perspective is considered as part of the school finance proceedings. (Attachment 3) Committee questions and discussion followed. Motion carried by a show of hands with 6 in favor and 3 opposed to the motion.

CONTINUATION SHEET

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE at 10:30 a.m. on February 3, 2004 in Room 123-S of the Capitol.

The meeting adjourned at 12:05 p.m. The next meeting is scheduled for February 4, 2004.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE February 3, 2004

NAME	REPRESENTING
Chris Clarke	Legislative Post Audit
Katrin Osterhaus	" " "
L Murrie	" " "
Barb Hatton	" " "
BRUCE GRAHAM	KEPCO
MARK SCHREIBER	Westar Energy
Bill Brady	STFF
Julia Butler	KSC
STEVE JOHNSON	Kansas Gas Service
Tom Day	KCC
Jeff Bottenborg	Polsinelli, Shurber & L
Ken Peterson	KS Petroleum Council
Paul Johnson	PACIK
Danielle Price	JSPA
Kd Myg	HEW City Firm

**Briefing Memo on Audit-Related Issues for the
Senate Ways & Means Committee**
Barb Hinton, Legislative Post Auditor
February 3, 2004

1. Performance Audits of Interest to the Committee

- a. Key findings / audit-related issues since the last session (A)
- b. Audits issued during the last 3 years (B)

2. Audits Currently Under Way

- a. Performance audits (C)

3. Audit Topics

- a. Solicitation from Committee and Budget Committees
- b. Topics from BEST list
- c. K-GOAL Audit for 2005
 - State Board of Regents
 - Water Office/Water Authority

Senate Ways and Means
2-3-04
Attachment 1

Legislative Post Audit Key Findings & Audit-Related Issues

Audit Title	Key Findings for This Committee	---Realized---		---Potential---		Legislative or Other Action Needed
		Annual Savings or Missed Revenue	One-Time Savings or Missed Revenue	Annual Savings or Missed Revenue	One-Time Savings or Missed Revenue	
<p>Costs Incurred for Death Penalty Cases: A K-GOAL Audit of the Department of Corrections (December 2003; 04PA03)</p>	<p>Considering all estimated State and local costs through execution or the end of imprisonment, the median cost of a case in which the death sentence was given was \$1.2 million, compared with \$740,000 for a non-death penalty case. Much of the death penalty process is prescribed by law or the U.S. Supreme Court, so there's no real opportunity for eliminating steps in the process. Changes that potentially could reduce costs: providing for a true life sentence without parole, repealing the Supreme Court's authority to look for trial errors beyond those raised on appeal, creating a specialized group of judges or law clerks with expertise in handling death penalty cases, and hiring additional BIDS staff rather than paying for higher-cost expert witnesses or contract attorneys.</p>			Unknown		<p>We recommended that the Judicial Council review the potential cost-savings measures we identified, and recommend those which are most appropriate to consider in Kansas. The Council recommended instituting a true life sentence without parole, and hiring specialized law clerks to assist trial courts handling death penalty cases.</p>
<p>Food Safety Programs in Kansas: Evaluating Possible Costs and Efficiencies of Combining Them (October 2003; 03PA19)</p>	<p>Kansas' food safety system is divided between the Department of Agriculture (meat and poultry, dairy, and egg inspection programs) and KDHE (primarily restaurant inspection program). Together, they spend about \$3.2 million for inspection staff. This system is inefficient because inspectors from more than one agency or program inspect the same businesses, some businesses are inspected more often than needed, similar businesses are regulated inconsistently, and communication and coordination can be hampered in situations where the agencies' regulatory authority overlaps. Combining food safety inspection programs could help address such issues. We estimate Kansas could save about \$680,000 per year and improve food safety if certain inspections were combined, and if all inspections were changed to a risk-based approach.</p>			680,000		<p>Transfer responsibility for all food safety-related inspections into a single agency. Whether or not those inspections are combined, make the food safety inspection program risk-based, and improve coordination and communication between the different agencies or staffs that have food-safety responsibilities. SB 296 moves all inspection functions to the Department of Agriculture; ERO 32 transfers all but restaurant inspections.</p>
<p>CDDOs: Reviewing Issues Relating to the Funding of Community Services (October 2003; 04PA02)</p>	<p>The 2001 Legislature directed SRS to maximize the amount of new federal funds it could draw down to help fund direct-care services to developmentally disabled clients. SRS' 2002 plan initially brought in \$6.8 million in new federal funds, 91% of which was distributed based on client severity. This plan later was disallowed, and SRS had to absorb the cost. SRS' 2003 plan used a different method, but only 22% of the \$8 million in additional federal funds drawn down was distributed based on client severity. CDDOs also got a larger share of these new funds in 2003, mostly because the distribution plans they designed were more favorable to them. (continued on next page)</p>					

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The CDDO structure creates an inherent conflict of interest for the 22 CDDOs that provide services in competition with the CSPs they contract with. Potential conflicts can arise in the areas of client referrals, contract terms, funding distributions, and quality assurance. Prohibiting CDDOs from providing direct services would address most of these issues. In addition, the discretionary State aid CDDOs receive could be distributed on a different basis, and CDDOs could be made sole providers of targeted case management services. All 3 areas would need further study.

Reorganizing and consolidating CDDOs, as the Alliance for Kansans with Disabilities has proposed, isn't likely to help CDDOs draw down as much new federal funding for services as claimed. The proposal is based on 2 questionable assumptions---that SRS will be able to significantly increase reimbursement rates for case management (the mechanism for drawing down more funding) from \$395 to \$504, and that counties will maintain their current mill levy funding. Even if both assumptions held true, the proposal would bring in only about \$6 million in new federal funds, not the \$10.7 million the Alliance reported. Consolidation of CDDOs potentially could result in other advantages, such as reducing administrative costs for both the CDDOs and SRS, and may make the delivery of services more uniform. Potential disadvantages cited include loss of local control, spreading CDDOs too thin, and consolidation costs.

We recommended the Legislature amend State law to separate client intake and service referral functions, and to allow all service providers to receive discretionary State aid. We also recommended studying the feasibility /desirability of consolidating CDDOs and making them sole providers of case management services.

KDHE Information Systems: Reviewing the Department's Management of Those Systems (October 2003; 03-H)

Last year, we found KDHE's computer security was so bad that its computer network and all agency data were at an extremely high risk of fraud, misuse, or disruption. The agency was using a fundamentally flawed method of handling passwords, had allowed infections of serious viruses to be ignored, and its firewall allowed unneeded access to the network. The IS staff's lack of security planning and monitoring allowed KDHE's problems to go undetected and uncorrected. Also, KDHE hadn't conducted any business continuity planning since 1999. KDHE took prompt action to address the problems we identified.

Our concern is that other agencies may have similar problems with similar risks. We're planning to do more audits of agencies' computer security.

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<p>Low-Birthweight and Premature Babies: Reviewing Programs Aimed at Reducing Their Incidence and Associated Costs (June 2003; 03PA07)</p>	<p>Low-birthweight babies cost the Medicaid Program about 5 times as much as normal-birthweight babies during their first year of life—\$16,704 compared with just \$3,180. They account for only about 10% of all births, but more than one-third of the \$54 million spent on Medicaid babies in their first year of life.</p> <p>Lack of prenatal care is one of many risk factors that can increase the chance of having a low-birthweight or premature baby. Overall, 72% of Medicaid mothers reported getting adequate or better medical prenatal care. But those who reported getting no or inadequate care generally had a much higher incidence of low-birthweight babies than women who got adequate care. And babies whose mothers had no such care cost Medicaid significantly more than babies whose mothers got even minimal care—\$22,000 compared with \$14,000. Women who had low-birthweight babies also had a higher prevalence of many of the other risk factors associated with poor birth outcomes— including smoking, substance abuse, and low weight gain during pregnancy.</p> <p>Outside of Medicaid, the State spends very little on prenatal care programs. The State's share of the cost for funding prenatal services through Medicaid was almost \$15 million in fiscal year 2002. The State also spent \$1.4 million on KDHE's Maternal and Infant Program, the State's only program focused primarily on prenatal care.</p> <p>Local health departments cited financial barriers as the primary reason why low-income women don't get prenatal care services, and pointed to a critical gap in the availability of medical services for these women. Neither KDHE nor SRS is doing all it can to educate women about the benefits and availability of prenatal care. KDHE also doesn't collect any information that would allow it to connect the services clients receive with their birth outcomes, but more could be done with existing data.</p>					<p>Recommendations were addressed to KDHE and SRS to increase women's awareness of prenatal-care programs, analyze available data to pinpoint geographic areas where needs are the greatest, target women who are known to be getting no or inadequate prenatal care, and seek additional funding from the Legislature or other sources to provide those services.</p> <p>Amend K.S.A. 65-2423(d) regarding use of birth certificate information for survey purposes. The Senate Public Health and Welfare Committee is looking at this option.</p>
<p>Taxes on Motor Vehicle Sales: Ensuring That Correct Amounts of Sales and Compensating Use Taxes Are Paid (April 2003; 03PA09)</p>	<p>A significant number of privately sold vehicles weren't being taxed on their fair market value, as Department regulations require.</p> <p>County treasurers didn't charge compensating use taxes on manufacturers' rebates for at least 10% of the out-of-State vehicles sales we reviewed.</p> <p>Four of 7 small used car dealers we reviewed hadn't remitted all the sales taxes they owed to the State, but were allowed to continue to operate.</p>	2,000,000		209,000		<p>The Special Committee on Assessment and Taxation recommended tying motor vehicle dealer license renewal to sales tax compliance (incorporated into H 2648); and strengthening rules for private sales, but didn't recommend having treasurers collect motor vehicle sales tax.</p>

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Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds (April 2003; 03PA10)	The Medicaid rates paid for special education services hadn't been increased since 1998. The rates could be raised without federal approval, and without affecting rates paid to other Medicaid providers. SRS estimated the increase would bring in \$7 million. The rates have been raised.	7,000,000				We made a series of recommendations to SRS and the Department of Education to correct the issues we identified.
	The State hasn't sought reimbursement for school district outreach activities.			1,000,000		
	The State could participate in additional services that could be billed to Medicaid			3,000,000		
	If school districts more often obtained the parental-consent signatures necessary for Medicaid reimbursement, districts could be reimbursed for certain services			3,000,000		
	Reduce the error rate in determining eligibility in the Food Stamp Program			1,500,000		
Medicaid: Assessing the Cost-Effectiveness of Current Procedures for Transporting Medicaid Consumers to the Services They Need (100-hour audit) (April 2003; 03PA16)	Non-emergency medical transportation costs increased 37% in 2 years because consumers using the service increased, and because some payments to providers were inappropriate or fraudulent. SRS reviews have found instances of providers transporting clients to non-medical appointments (one provider was overpaid nearly \$400,000 over 12 months), being paid without trip documentation, exaggerating the miles driven, not taking the most direct routes, and making claims for times when clients couldn't have been available. We found Kansas' transportation program isn't structured to effectively control costs. There's a disincentive to use lower-cost methods of transportation, providers have an inherent financial conflict of interest when screening clients' eligibility and determining the necessity of trips, and claims are processed with few controls in place.					We proposed a number of options for SRS to consider, including hiring a "broker" to run the program (like 3 neighboring states), having someone other than providers act as gatekeepers, reviewing claims more thoroughly, changing the rates for transporting multiple clients, building in incentives for using less-costly transportation, and limiting Medicaid transportation.

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Medicaid: Reviewing the Compensation of Payroll Agents for Home and Community-Based Waiver Programs (100-hour audit)	Medicaid clients who direct their own attendant care services under the HCBS waivers must select a payroll agent (a home health agency or center for independent living) to process their Medicaid claims. Records we reviewed at 5 payroll agents showed they kept an average of \$2.14 per hour of service billed, or 18% of the total amounts they bill to Medicaid on clients' behalf. For a small sample of other states, the highest percentage that payroll agents kept was only 12%. A company that provides Medicaid billing services in 11 states told us 6-10% would be reasonable. More than \$50 million is spent each year on self-directed care. Reducing the reimbursement rate for payroll services by a single percentage point translates into about \$500,000 a year, which could be saved or used to increase payments to attendant care providers.			500,000		Two factors are contributing to Kansas' higher costs. Kansas requires the payroll agents to assume some responsibilities other states don't require, and it doesn't solicit competitive bids for these services. We recommended that the Dept. on Aging address both issues.
Staff suggestion to eliminate current requirement for an annual audit of the Racing and Gaming Commission	The current requirement is unnecessary, and costs the State about \$7,000 per year.			7,000		Legislative Post Audit Committee introduced SB 6 in 2003, which became the mega-budget bill. This session, LPAC has introduced SB 306. The bill has passed the Senate Ways & Means Committee.

**LEGISLATIVE DIVISION OF POST AUDIT
SUMMARY OF PERFORMANCE AUDIT REPORTS
Calendar Years 2001 - 2003**



<u>Agriculture</u>		
03PA04	Meat Processing Plants: Factors Contributing to Decline of Small Plants and Impact on State's Economy	November 2002
02PA18	Animal Breeders & Sellers in Kansas: Determining Whether Improvements Have Been Made in Industry Regulation	August 2002
02PA06	Dept. of Agriculture: A K-GOAL Audit of the KS Pesticide and Fertilizer Program	November 2001
<u>Computers/DP</u>		
03-H	KDHE Information Systems: Reviewing the Department's Management of Those Systems	October 2003
03PA14	Information Network of Kansas: Reviewing Revenues, Expenditures, and Administrative Structure (100-hour audit)	April 2003
<u>Corrections & Juvenile Justice</u>		
04PA03	Costs Incurred for Death Penalty Cases: A K-GOAL Audit of the Department of Corrections	December 2003
03-G	Juvenile Justice Authority Information Systems: Reviewing the Authority's Management of Those Systems	March 2003
03PA05	Juvenile Justice Prevention Programs: How Well the Juvenile Justice Authority is Overseeing Those Programs	January 2003
01PA18	Lansing Correctional Facility: Reviewing Issues Related to Overtime and Staffing (100-hour audit)	March 2001
<u>Courts</u>		
04PA07	Kansas Sentencing Commission: Reviewing Organizational and Funding Issues (100-hour audit)	December 2003
03PA11	Diversion Agreements: Reviewing Their Impact on State Revenues (100-Hour audit)	February 2003
01PA23	Assessing the Effect of Moving Certain Child Support Duties to the Kansas Payment Center (100-hour audit)	July 2001
<u>Eco Devo/Commerce/Housing</u>		
01PA05	Economic Development in Kansas: A K-GOAL Audit Reviewing Coordination and Effectiveness of Programs	January 2001
<u>Education (Higher)</u>		
02PA15	Proprietary Schools: Reviewing the Board of Regents' Responsibilities and Oversight	April 2002
<u>Education (K-12)</u>		
03PA02	How Previously Unreported Moneys Spent on K-12 Education Affect Kansas' Rankings Nationally	December 2002
02PA10	School District Budgets: Ways to Make the Budget Document More Understandable and Meaningful	March 2002
02PA04	Why Kansas School Districts Spend Less on Instruction Than School Districts in Other States	November 2001
01PA19	Special Education: Are School Districts Accountable for Meeting Goals in Students' IEPs	August 2001
01PA20	Early Retirement Funding in Kansas School Districts	July 2001
<u>Energy/Natural Resources</u>		
03PA03	Wildlife and Parks' Disposal of Seized Animals and Other Property	September 2002
02PA03	Department of Agriculture: Reviewing the Water Structures Program	March 2002
<u>Financial Management</u>		
04PA15	Reviewing the Operations of the State Treasurer's Office-Fiscal Year 2003 (contracted audit)	December 2003
04PA16	Reviewing the Operations of the Pooled Money Investment Board--Fiscal Year 2003 (contracted audit)	December 2003
03PA22	General Fund Cash Balance: Reviewing the Projected Fiscal Year 2003 Ending Cash Balance	April 2003
03PA23	Reviewing the Operations of the State Treasurer's Office	December 2002
03PA08	Reviewing the Operations of the Pooled Money Investment Board	December 2002
02PA12	Reviewing the Operations of the State Treasurer's Office, FY2001	January 2002
02PA11	Reviewing the Operations of the Pooled Money Investment Board, FY2001	January 2002
01PA21	Determining Whether School Districts Exercise Adequate Oversight Over the Use of District Credit Cards (100-hour audit)	May 2001
<u>General Government</u>		
04PA01	Governmental Ethics Commission: Reviewing Organizational and Funding Issues (100-hour audit)	September 2003
03PA15	Firefighters Relief Fund: Reviewing the Use of Fire Insurance Premium Taxes (100-hour audit)	April 2003
01PA16	Kansas Real Estate Commission: Determining Its Sources of Funding, and How Those Moneys Are Being Spent	March 2001
01PA15	Private-Sector Input: Ways to Foster Such Input If the Kansas Performance Review Board Is Abolished	March 2001
<u>Health/Welfare</u>		
03PA19	Food Safety Programs in Kansas: Evaluating Possible Costs and Efficiencies of Combining Them	October 2003
04PA02	CDDOs: Reviewing Issues Related to the Funding of Community Services	October 2003
03PA07	Low-Birthweight and Premature Babies: Reviewing Programs Aimed at Reducing Their Incidence and Costs	June 2003

RPT.#		DATE
03P/	Medicaid: Assessing the Cost-Effectiveness of Current Procedures for Transporting Medicaid Consumers (100-hour audit)	April 2003
03PA	Medicaid: Reviewing the Compensation of Payroll Agents for Home & Community-Based Waiver Programs (100-hour	April 2003
02PA01.2	Verifying Information Provided by SRS with the Terms of Foster Care Lawsuit Settlement Agreement #15	August 2002
02PA16	Medicaid Cost Containment: Controlling Costs of Long-Term Care	August 2002
02PA07	Regulation of Food Service Establishments: Is KDHE Providing Sufficient Regulatory Oversight	April 2002
02PA09	Medicaid Cost Containment: Controlling Costs of Medical Services	March 2002
02PA08	Medicaid Cost Containment: Controlling Fraud and Abuse	January 2002
02PA02	K-GOAL Audit: Determining Whether Nursing Home Inspections Are Carried Out In a Reasonable Manner	December 2001
02PA01.1	Verifying SRS Compliance With the Foster Care Lawsuit Settlement Agreement: Monitoring Report #14	November 2001
01PA01.1	Verifying Information Provided by SRS with the Terms of Foster Care Lawsuit Settlement Agreement #13	April 2001
01PA06	Medicaid for Long-Term Care: Reviewing SRS' Efforts to Identify Sheltering of Assets	March 2001
01PA08	The State's Adoption and Foster Care Contracts: Reviewing Selected Financial and Service Issues	January 2001
<u>Highways/Motor Vehicles</u>		
04PA05	Highway Construction Change Orders: Reviewing Costs Associated with Construction on Highway 36 Near Marysville	December 2003
03PA06	Life-Cycle Analyses of KS Highway Projects: Evaluating KDOT's Process	February 2003
<u>Local Government</u>		
03PA20	Local Government Reorganization: Assessing the Potential for Improving Cooperation and Reducing	September 2003
03PA13	Financing Local Governments: How to Avoid Future Problems Caused by State Revenue Shortfalls (100-hour audit)	February 2003
<u>Personnel/State Employees</u>		
04PA06	Department of Transportation: Reviewing Wage Payments to Equipment Operators (100-hour audit)	December 2003
01PA14.2	The State Health Benefits Program, Part 2: Reviewing the Staffing and Structure of the Current Program	July 2001
01PA14	The State Health Benefits Program, Part 1: Reviewing Issues Relating to Premium Costs and Management	April 2001
01PA13	Centralized Administrative Hearings: Reviewing the Advantages and Disadvantages	March 2001
<u>Public Safety</u>		
01PA17	Methamphetamine Labs: Reviewing Kansas' Enforcement Efforts	July 2001
<u>Racing & Gaming</u>		
02PA13	Expanded Gaming: Reviewing the Reliability of Estimated Potential Revenues from Slot Machines At Race Tracks	February 2002
<u>Retirement</u>		
03PA12	Reviewing KPERS Long-Term Funding Plan	February 2003
<u>Taxation/Revenue</u>		
03PA18	Motor Fuel Tax Refunds: Determining Whether Adjustments Made to Refund Claims Were Handled Correctly (100-hour	June 2003
03PA09	Taxes on Motor Vehicle Sales: Reviewing the Dept. of Revenue's Procedures	April 2003
03PA10	Federal Funds: Determining Whether Opportunities May Exist To Draw Down More Federal Funds	April 2003
03PA01	Valuing Commercial Buildings for Property Tax Purposes: Determining Whether Procedures Ensure Accurate Appraisals	November 2002
02PA17	Corporate Income Taxes: Reviewing Factors Affecting the Recent Steep Drop in Those Tax Receipts	August 2002
02PA05	Bingo Tax Laws: Reviewing the Department of Revenue's Implementation and Enforcement of Those Laws	November 2001
01PA12	Retailer Sales Taxes: Assessing Whether the Amounts Distributed to Localities Have Been Computed Correctly	March 2001
01PA04	Employee Credits Against Premium Taxes: Reviewing Issues Related to Those Credits	February 2001

Legislative Post Audit Summary of Performance Audits Currently Under Way or Approved (January 5, 2004)
(Italics show changes from previous summary)

1-9

Audit Title	Main Concerns	Questions Asked	Estimated Date Available
<p>West Nile Virus: Reviewing the Department of Health and Environment's Case Reporting (100-hour audit) (Requested by Rep. Mays)</p>	<p>In response to criticisms that its criteria for reporting West Nile virus cases were too narrow, KDHE announced last fall that it would expand its reporting to include unverified infections or deaths. Legislators were concerned KDHE still may be under-reporting the true incidence of the disease in Kansas.</p>	<ol style="list-style-type: none"> 1. How have the Department's criteria for reporting West Nile cases changed, and is it likely there are cases that still are not being reported? 2. How does the Department's reporting of West Nile Virus cases compare with reporting by the federal government and other states? 	<p><i>Mid-late January</i></p>
<p>Encouraging Entrepreneurship: Examining Ways Kansas Could Improve Its Efforts (Requested by House Committee on Economic Development)</p>	<p>Legislators have expressed an interest in knowing whether Kansas is doing enough to encourage those who may want to start their own business enterprises in the State.</p>	<ol style="list-style-type: none"> 1. What efforts are made in Kansas to promote entrepreneurship? 2. What aspects of Kansas laws, policies, and programs inhibit entrepreneurship, and what changes may be needed? 	<p><i>Early February</i></p>
<p>Job Expansion Programs: Determining Whether State Agencies Are Collecting the Information Needed To Know Whether These Programs Are Successful (100-hour audit) (Requested by Sen. Vratil)</p>	<p><i>Based on the results of a study in Ohio that concluded providing State-funded financial incentives to existing businesses made little difference in creating jobs, legislators have questioned whether economic development agencies in Kansas are collecting the kind of data that would allow them to analyze and report on the success of Kansas' job expansion programs</i></p>	<ol style="list-style-type: none"> 1. <i>Do State officials gather and analyze the types of information that would allow them to know whether businesses that participate in State-funded job expansion programs actually create the # of jobs agreed upon within the specified time frame?</i> 2. <i>What steps do State economic development officials take to validate the accuracy of information companies provide?</i> 3. <i>How often are the results of job creation programs measured, and to whom are the results reported?</i> 	<p><i>Early February</i></p>
<p>Reviewing the Hiring and Promotion Practices of the Public Safety Agencies: A K-GOAL Audit of the Adjutant General, Fire Marshal, Highway Patrol, and Kansas</p>	<p>State agencies are subject to certain requirements relating to hiring and promotion practices. Concerns have been raised about whether the public safety agencies are following all the requirements of law and regulations in this area.</p>	<ol style="list-style-type: none"> 1. Do the hiring and promotion practices of the public safety agencies conform to requirements of law and regulations and to good personnel practices? 	<p><i>Mid-late February</i></p>

(C)

Bureau of Investigation (Requested by the Legislative Post Audit Committee)			
Kansas' Central Motor Pool Dispatch: Determining Whether All Significant Costs and Cost Savings Were Considered in Deciding To Outsource This Function (100-hour audit) (Requested by Sen. Kerr)	<i>Recently, the Department of Administration has announced a decision to eliminate the State's Central Motor Pool dispatch and to provide cars through a rental arrangement with a private company. Legislators have expressed an interest in knowing how the amount of potential cost savings were calculated, and whether those computations include all relevant and significant costs and cost savings that might result from such a change.</i>	<ol style="list-style-type: none"> 1. Has the Department of Administration considered all significant and relevant costs and cost savings in making its determination to privatize Motor Pool dispatch functions? 	<i>Mid February</i>
Electronic Certificates of Title: Reviewing the Effects of New Legislation (100-hour audit) (Requested by Rep. Edmonds)	<i>The 2002 Legislature passed SB449, which requires the Division of Vehicles to create and retain a certificate of title electronically when there is a lien or security interest in a motor vehicle, manufactured home, or mobile home. This system reportedly provides the ability to electronically exchange liens and title information directly between financial institutions and jurisdictions, and was to result in such things as fewer duplicate and re-issued titles, fewer data entry errors, and more efficient issuance of titles. This audit was requested to see if the anticipated benefits have been achieved, and whether there have been any unintended consequences.</i>	<ol style="list-style-type: none"> 1. Have the intended benefits of 2002 Senate Bill 449 been realized? 2. Have there been any unintended problems that have arisen as a result of Senate Bill 449? 	<i>Mid February</i>
State Prescription Drug Plan: Reviewing the Accuracy of Payments Made Under the Program (Requested by the Legislative Post Audit Committee)	<i>In response to an audit of Arkansas' state employee drug plan—which found that the drug benefits manager had overbilled Arkansas by about \$480,000 over 15 months—legislators have questioned whether Kansas is being accurately billed for drugs purchased under its State employee drug plan. Both states have the same benefits manager—Advance PCS.</i>	<ol style="list-style-type: none"> 1. Have payments made to Advance PCS for drugs purchased under the State employees' prescription drug program been accurate and in accordance with the terms of the contract? 	<i>Early March</i>
Kansas Fire Marshal: Reviewing the Funding and Administration of the Agency (Requested by Sen. Morris)	<i>A number of legislative concerns have been raised about the operations of the Fire Marshal's Office, including whether there is sufficient oversight of the Office's operations, whether the Office is being managed and operated efficiently and effectively, whether it has the appropriate number and type of staff to effectively carry out its duties, and whether the levy on insurance company premiums is now producing more money than the agency needs to operate.</i>	<ol style="list-style-type: none"> 1. Is there sufficient independent oversight of the operations of the Fire Marshal's Office? 2. Is the Fire Marshal's Office efficiently and effectively carrying out the functions assigned to it by law? 3. How does the amount of money generated by the levy on fire insurance premiums compare to the amount needed to operate the Fire Marshal's Office? 	<i>Not yet started</i>

<p>Regulation of Child Care Facilities and Foster Homes: Determining Whether There Is Duplication in the Regulation of These Facilities <i>(Consolidation of requests made by the Senate Ways & Means Subcommittee on KDHE and the House Social Services Budget Committee)</i></p>	<p><i>An audit we conducted in 1997 of KDHE's regulatory oversight of child care facilities and family day care homes found serious problems with inspections and follow-up on complaints and violations that could potentially put many children at risk. Many of the problems could be attributed in part to inadequate staffing resources and training. During the 2003 legislative session, the Senate Ways & Means Subcommittee on KDHE asked for a follow-up audit, with the concern that staffing resources and training still may be inadequate.</i></p> <p><i>The House Social Services Budget Committee requested an audit to help them know whether having both KDHE and SRS involved in the regulation of these types of child and foster care facilities or programs results in duplication.</i></p>	<ol style="list-style-type: none"> <i>1. Has the Department of Health and Environment exercised sufficient regulatory oversight of child care facilities and family day care homes to ensure the safety and well-being of children cared for in those facilities?</i> <i>2. Are there ways KDHE could refocus its efforts and available resources to increase the effectiveness of its regulation of child care facilities?</i> <i>3. Is there duplication in the regulatory responsibilities and activities of the Departments of Social and Rehabilitation Services and Health and Environment related to facilities, homes, and programs that provide care for children?</i> 	<p><i>Not yet started.</i></p>
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LEGISLATURE OF KANSAS
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Testimony for the Senate Ways and Means Committee on SB 365

Barb Hinton, Legislative Post Auditor

February 3, 2004

Mr. Chairman and members of the Committee, thank you for allowing me to appear before you in support of SB 365.

Under the Legislative Post Audit Act, the Legislative Post Audit Committee currently can direct our office to conduct performance audits of any State agency, any local unit of government, and any person or entity that contracts with, receives a gift or grant from, or is licensed or regulated by a State agency, except for entities regulated by the Kansas Corporation Commission. SB 365 would remove this prohibition.

In my opinion, the current Act unnecessarily limits the Legislature's ability to know whether entities regulated by the KCC are complying with the law in such areas as effectively implementing required programs, or accurately applying the law in setting and collecting various fees and taxes. These are the types of questions legislators have raised over the years, only to learn we don't have the authority to audit these entities.

Our performance audits have addressed legislative questions relating to such non-governmental entities as foster care contractors, vehicle dealers, health insurance companies, race tracks, nursing homes, and the like. We don't have access to all these entities' records—only those the State agency that licenses, regulates, or contracts with them also has access to. Also, any information we look at that's confidential by law stays confidential. These audits have all been conducted in a professional and objective manner, and have allowed the Legislature to more effectively carry out its oversight function.

I would urge the Committee to support this bill, so that legitimate audit questions about entities regulated by the KCC also can be addressed in a meaningful and professional manner through the Legislature's audit function.

Senate Ways and Means
2-3-04
Attachment 2

Speaker Doug Mays
Chairperson
Legislative Coordinating Council
Room 380-W
Statehouse

DRAFT

Dear Speaker Mays:

I am writing you in your capacity as Chairperson of the Legislative Coordinating Council. I have particular concern regarding the current school finance litigation that is taking place in Shawnee County District Court.

The school finance litigation has the potential to have a major impact on our state's school finance statutes, school funding policy, the overall state budget and potentially on tax policy, not only in FY 2005 but perhaps for at least the next decade. While the parties to the lawsuit include local school districts, the State Board of Education and the Attorney General, the Legislature is not directly involved in the proceedings. I fear that the Legislative Branch perspective may not be fully represented during the course of the lawsuit. These vital issues, I believe, are too important to our state to not have that Legislative Branch viewpoint as part of the proceedings.

I would request that the Legislative Coordinating Council authorize up to \$100,000 within the existing agency budget, so the Legislative Branch could retain legal counsel and other experts and consultants to ensure that the Legislature's perspective is considered as part of the school finance proceedings. I would envision that the proposed counsel and experts would work closely with the current counsel of the State Board of Education and the Office of Attorney General to make sure that legislative perspective is considered within their legal arguments.

Within the current FY 2004 Legislative Coordinating Council budget is \$100,000 that was appropriated by the 2003 Legislature for possible consultants on Kansas Public Employees Retirement System pension obligation bonds. With the State Finance Council approving the pension obligation bonds on February 2, 2004, there is no longer a need for further study of the issue.

I would be pleased to discuss this issue with you or provide you with further information at your request. Thank you for your consideration and I look forward to hearing from you in the very near future.

Sincerely,

Senator Stephen R. Morris

*Senate Ways and Means
2-3-04
Attachment 3*