



FINANCIAL AND COMPLIANCE AUDIT REPORT

**STATE OF KANSAS
Single Audit
Fiscal Year 2003**

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 2004**

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 \$8 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 government agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U. S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. These audit standards have been endorsed by the American Institute of Certified Public Accountants and 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 House Minority Leader.

As part of its audit responsibilities, the Division is charged with meeting the requirements of the Legislative Post Audit Act which address audits of financial matters. Those requirements call for two major types of audit work.

First, the Act requires an annual audit of the State's financial statements. Those statements, prepared by the Department of Administration's Division of Accounts and Reports, are audited by a certified public accounting firm under contract with the Legislative Division of Post Audit. The firm is selected by the Contract Audit Committee, which comprises three members of the Legislative Post Audit Committee (including the Chairman and Vice-Chairman), the

Secretary of Administration, and the Legislative Post Auditor. This audit work also meets the State's audit responsibilities under the federal Single Audit Act.

Second, the Act provides for a regular audit presence in every State agency by requiring that audit work be conducted at each agency at least once every three years. Audit work done in addition to the annual financial statement audit focuses on compliance with legal and procedural requirements and on the adequacy of the audited agency's internal control procedures. These compliance and control audits are conducted by the Division's staff under the direction of the Legislative Post Audit Committee.

LEGISLATIVE POST AUDIT COMMITTEE

Senator Derek Schmidt, Chair
Senator Bill Bunten
Senator Anthony Hensley
Senator Dave Kerr
Senator Chris Steineger

Representative John Edmonds, Vice-Chair
Representative Tom Burroughs
Representative Bill McCreary
Representative Frank Miller
Representative Dan Thimesch

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The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.



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STATE OF KANSAS

REPORT ON FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2003

with

INDEPENDENT AUDITORS' REPORTS



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STATE OF KANSAS

REPORT ON FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133

Year Ended June 30, 2003

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Legislative Post Audit Committee
Kansas State Legislature

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Kansas (the State) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. We did not audit the financial statements of the various component units of the six state universities which represent 14 percent and 24 percent, respectively, of the assets and revenues of the University system fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the six state universities in the University system fund, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the State of Kansas in a separate letter dated December 19, 2003.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Allen, Gibbs & Houlik, L.C.

December 19, 2003

Berberich Trahan & Co., P.A.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Legislative Post Audit Committee
Kansas State Legislature

Compliance

We have audited the compliance of the State of Kansas (the "State") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The State's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

In our opinion, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings Nos. 03-1 to 03-16.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. This schedule is the responsibility of the State's management. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the financial statements taken as a whole. The federal awards of the State's component units are included in the single audits of those agencies and therefore the accompanying schedule of expenditures of federal awards does not include these federal awards.

This report is intended solely for the information and use of the State of Kansas Legislative Post Audit Committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Allen, Gibbs & Houlik, L.C.
December 19, 2003

Berberich Trahan & Co., P.A.

State of Kansas
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2003

Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
DEPARTMENT OF AGRICULTURE						
	Direct:					
10.001	Agricultural Research - Basic and Applied Research		1,341,786		29,725	
10.025	Plant and Animal Disease, Pest Control and Animal Care		824,635		491,004	
10.064	Forestry Incentives Program		1,260			
10.200	Grants for Agricultural Research, Special Research Grants		4,032,005		2,022,036	
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act		3,385,687			
10.206	Grants for Agricultural Research - Competitive Research Grants		1,505,380		3,316	
10.210	Food and Agricultural Sciences National Needs Graduate Fellowship Grants		52,479		11,156	
10.212	Small Business Innovative Research		63,646			
10.216	CSREES		13,979			
10.217	Higher Education Challenge Grants		67,768		14,127	
10.219	Biotechnology Risk Assessment Research		52,393			
10.224	Fund for Rural America - Research, Education and Extension Activities		5,166			
10.225	Community Food Projects		4,654			
10.250	Agricultural and Rural Economic Research		20,890		111,095	
10.302	Initiative for Future Agriculture and Food Systems		333,360		186,925	
10.303	Integrated Programs		903,766			
10.304	USDA		350,824			
10.435	State Mediation Grants		380,972			
10.477	Meat, Poultry & Egg Product Inspection		2,011,590			
10.500	Cooperative Extension Service		7,579,942			
10.553	School Breakfast Program		13,304,145		428,893	
10.556	Special Milk Program for Children		60,126,891		13,304,144	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		133,405		59,992,319	
10.558	Child and Adult Care Food Program		41,040,616		38,330,570	
10.559	Summer Food Service Program for Children		27,763,085		27,516,442	
10.560	State Administrative Expenses for Child Nutrition		1,134,845		1,056,380	
10.561	State Administrative Matching grants for Food Stamp Program		1,412,650			
10.567	Sr. Farmer's Market Nutrition Prog.		13,206,177		2,541,538	
10.574	Emergency Food Assistance Program (Administrative Costs)		12,000			
10.574	Team Nutrition Grants		552,524		32,711	
10.600	Foreign Market Development Cooperator Program		255,098			
10.652	Forestry Research		14,793			
10.664	Cooperative Forestry Assistance		78,629			
10.769	Rural Business Enterprise Grants		1,276,297		297,385	
10.771	Rural Cooperative Development Grants		586,874		61,586	
10.855	Distance Learning and Telemedicine Loans and Grants		201,838			
10.901	Resource Conservation and Development		52,449			
10.902	Soil and Water Conservation		7,112		795	
10.903	Soil Survey		15,267			
10.961	Scientific Cooperation and Research		20,667			
			7,142			
	Indirect:					
10.553	School Breakfast Program	Ks Department of Education	31,165			
10.555	National School Lunch Program	Ks Department of Education	49,989			
10.559	Food and Nutrition Service	Ks Department of Education	24,437			
10.561	State Administrative Matching grants for Food Stamp Program	Ks Dept of Social and Rehab Services	1,857,351			
	TOTAL DEPARTMENT OF AGRICULTURE			186,097,628		146,565,552

**State of Kansas
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2003**

Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
DEPARTMENT OF COMMERCE						
Direct:						
11.303	Economic Development - Technical Assistance		52,010			
11.612	Advanced Technology Program		352,561			
TOTAL DEPARTMENT OF COMMERCE						
				404,571		
DEPARTMENT OF DEFENSE						
Direct:						
12.100	Aquatic Plant Control		9,011			
12.107	Navigation Projects		38,000			
State Memorandum of Agreement Program for the Reimbursement of Technical Services						
12.113			208,664			
12.300	Basis and Applied Scientific Research		1,535,601		56,121	
12.401	National Guard Military Operations & Maintenance (O&M) Projects		9,623,229			
12.402	National Guard Special Military Operations and Projects		5,712,884			
12.404	National Guard Civilian Youth Opportunities Program		511,263			
12.405	National Guard Drug interdiction and CI Drug Activities		12,662			
12.420	Military Medical Research and Development		329,207			
12.630	Basic, Applied, & Advanced Research in Science & Engineering		62,958			
12.800	Airforce Defense Research Science Program		497,202			
12.910	Research and Technology Development		115,948			
Indirect:						
12.300	Basic and Applied Scientific Research		18,304			
12.401	National Guard Military Operations & Maintenance (O&M) Projects	Kansas State University Ks Adjutant General	7,500			
TOTAL DEPARTMENT OF DEFENSE						
				18,682,433		56,121
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Direct:						
14.195	Section 8 Housing Assistance Payment Program		31,693,344		31,693,344	
14.228	Community Development Block Grant		30,913,288		29,831,323	
14.231	Emergency Shelter Grants		902,048		877,643	
14.239	Home Investment Partnerships Program		6,973,378		6,443,268	
14.246	Community Development Block Grant/Economic Development Initiative		110,980			
14.248	Community Development Block Grants/Section 108 Loan Guarantees		144,012			
14.512	Community Development Work-Study Program		30,677			
Indirect:						
14.228	Community Development Block Grant	City of Topeka	80,345			
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
				70,848,072		66,845,578
DEPARTMENT OF INTERIOR						
Direct:						
15.035	Forestry on Indian Lands		1,295			
15.222	Cooperative Inspection Agreements with States and Tribes		18,132			
15.224	Cultural Resource Management		43,436			
15.252	Abandoned Mine Land Reclamation (AMLR) Program		2,326,836			
15.503	Small Reclamations Project		40,882		10,030	
15.600	Andadramous Fish Conservation		11,356			
15.605	Sport Fish Restoration		4,967,121			
15.611	Wildlife Restoration		3,119,303			
15.615	Cooperative Endangered Species Conservation Fund		40,359			
15.616	Clean Vessel Act		31,875		31,875	
15.625	WILDLIFE CONSERVATION RESTORATION		242,190			
15.800	DOI		1,700			
15.805	Assistance to State Water Resources Research Institutes		75,998		31,277	
15.808	U.S. Geological Survey - Research and Data Acquisition		702,015			
15.904	Historic Preservation Grants-In-Aid		736,444		228,139	

State of Kansas
 Schedule of Expenditures of Federal Awards
 For Fiscal Year Ended June 30, 2003

Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
15.916	Outdoor Recreation: Acquisition, Development and Planning		1,146,080		494,572	
15.922	Native American Graves Protection and Repatriation Act		5,894			
	Indirect:					
15.600	Andadriamous Fish Conservation	Ks Dept of Wildlife & Parks	35,064			
15.611	Wildlife Restoration	Ks Dept of Wildlife & Parks	69,007			
15.615	Cooperative Endangered Species Conservation Fund	Ks Dept of Wildlife & Parks	9,555			
15.617	Wildlife Conservation and Appreciation	Ks Dept of Wildlife & Parks	191			
	TOTAL DEPARTMENT OF INTERIOR			13,626,733		795,893
	DEPARTMENT OF JUSTICE					
	Direct:					
16.007	FY03 State Homeland Security Grant Program		2,504,618		2,495,458	
16.202	Offender Reentry Grant		199,271			
16.203	Sex Offender Management Discretionary Grant		35,957			
16.523	Juvenile Accountability Incentive Block Grants		3,003,335		2,519,412	
16.540	Juvenile Justice and Delinquency Prevention Allocation to States		722,335		608,366	
16.542	National Institute for Juvenile Justice and Delinquency Prevention		316,122			
16.548	Title V Delinquency Prevention Program		245,251		232,750	
16.549	Part E State Challenge Activities		79,367		79,367	
16.550	State Justice Statistics Program (SAC)		22,283		30,001	
16.554	National Criminal History Improvement		744,730			
16.560	Paul Coverdell-Nall Forensic Science Imp		51,592		19,588	
16.564	Non Suspect Case DNA		113,549		3,500	
16.573	Criminal Justice Block Grants		(636)			
16.575	Victims of Crime Act		3,893,545		3,816,238	
16.576	KS. Attorney General - CVCB		2,924,917			
16.579	Edward Byrne Memorial Drug Abuse		3,813,985		3,813,585	
16.580	Justice Information Act		170,309			
16.586	Violent Offender Incarceration and Truth-		6,658,705		27,254	
16.588	S.T.O.P. Violence Against Women Act		1,566,829		1,550,693	
16.592	Local Law Enforcement Block Grant		376,406		372,000	
16.593	Residential Substance Abuse Treatment		662,150		1,523	
16.606	State Criminal Alien Assistance Program		600,000			
16.609	Community Prosecution and Project Safe Neighborhoods		29,450			
16.710	Community Oriented Policing Services		1,512,926		6,640	
16.727	Enforcing Underage Drinking Laws Program		267,731			
	Indirect:					
16.523	Offender Drug Testing Program	Juvenile Justice Authority	1,850			
16.540	Juvenile Justice & Delinquency Prevention - Allocation to States	Juvenile Justice Authority	29,250			
16.575	Crime Victim Assistance	Ks Attorney General	34,252			
16.586	Violent Offender Incarceration and Truth-In-Sentencing Incentive Grants Programs	Department of Corrections	104,914			
16.588	Violence Against Women Formula Grants	Ks Attorney General	82,248			
16.592	Local Law Enforcement Block Grants Program	KS Sentencing Commission	2,052			
16.607	Bulletproof Vest Partnership Program	KS Sentencing Commission	5,819			
16.727	Enforcing Underage Drinking Laws Program	Ks Dept of Transportation	86,913			
	TOTAL DEPARTMENT OF JUSTICE			30,863,425		15,576,375

**State of Kansas
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2003**

Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
DEPARTMENT OF LABOR						
Direct:						
17.002	Labor Force Statistics		1,059,724			
17.203	Labor Certification for Alien Workers		191,323			
17.207	Employment Service		7,767,571			
17.225	Unemployment Insurance		486,290,402		864,014	
17.235	Senior Community Service Employment Program		904,014			
17.245	Trade Adjustment Assistance Workers		15,073,342			
17.249	School to Work Opportunities		2,077,708			
17.253	Welfare-to-Work Grants to States and Localities		1,745,351			
17.258	WIA Adult Program		4,929,070			
17.259	WIA Youth Activities		4,854,538			
17.260	WIA Dislocated Workers		8,469,695			
17.261	Employment and Training Administration Pilots, Demonstrations and Research Projects		1,532,011			
17.266	Work Incentive Grants		160,080			
17.504	OSHA Consultation Agreements		574,694			
17.801	Disabled Veterans' Outreach Program (DVOP)		632,858			
17.804	Local Veterans' Employment Representative Program		864,238			
Indirect:						
17.259	Workforce Investment Act - Youth	Heartland Works, Inc	3,033			
TOTAL DEPARTMENT OF LABOR				537,129,662		14,146,373
BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS, DEPARTMENT OF STATE						
Direct:						
19.406	College and University Affiliations Program (#4446)		28,114			
TOTAL BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS, DEPARTMENT OF STATE				28,114		
DEPARTMENT OF TRANSPORTATION						
Direct:						
20.005	Boating Safety Financial Assistance		430,269			
20.108	Aviation Research Grants		4,345,255			
20.109	Air Transportation Centers of Excellence		1,696,573			
20.205	Highway Planning and Construction		376,196,797			
20.218	Motor Carrier Safety Assistance Program		2,841,109			
20.219	Recreational Trails Program		476,740			
20.500	Federal Transit Capital Improvement Grants		1,996,569			
20.505	Federal Transit Grants		1,542,768			
20.509	Formula Grants for Other Than Urbanized Areas		3,152,729			
20.515	State Planning & Research		69,443			
20.600	State and Community Highway Safety		2,411,339			
20.601	Alcohol, Traffic Safety and Drunk Driver Prevention Incentives		176,260			
20.604	Safety Incentive Grants for Use of Seatbelts		1,953,176			
20.700	Pipeline Safety		246,899			
20.701	University Transportation Centers Program		17,324			
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		197,573			
Indirect:						
20.205	Highway Planning & Construction		280,610			
20.215	Highway Training and Education	KS Dept of Transportation	452,520			
20.218	FHWA	KS Dept of Transportation	123,239			
20.509	Formula Grants for Other Than Urbanized Areas	KS Dept of Transportation	55,250			
20.600	State and Community Highway Safety	KS Dept of Transportation	931,102			
TOTAL DEPARTMENT OF TRANSPORTATION				399,595,534		674,883
DEPARTMENT OF THE TREASURY						
Indirect:						
21.008	Low Income Tax Payer Clinic	Internal Revenue Service	11,671			
TOTAL DEPARTMENT OF THE TREASURY				11,671		

State of Kansas
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2003

Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
30.002	GENERAL SERVICES ADMINISTRATION Direct: United States Equal Employment Opportunity Commission (EEOC)		424,789	424,789		
	TOTAL GENERAL SERVICES ADMINISTRATION			424,789		
43.001 43.002	NATIONAL AERONAUTICS & SPACE ADMINISTRATION Direct: Aerospace Education Services Program Technology Transfer		466,378 78,232		12,479	
43.001	Indirect: KS Space Grant Consortium.	KS Cntr. for Research, Inc.	19,456			
	TOTAL NATIONAL AERONAUTICS & SPACE ADMINISTRATION			564,066		12,479
45.024 45.025 45.149 45.164 45.301 45.304 45.310	NATIONAL ENDOWMENT FOR THE HUMANITIES Direct: Promotion of the Arts - Grants to Organizations and Individuals Partnership Agreement Promotion of the Humanities - Division of Preservation and Access NFAH Institute of Museum and Library Services IMLS STATE LIBRARY PROGRAM		32,991 374,919 30,860 1,000 36,657 3,640 1,627,631		312,466	
45.024 45.025 45.310	Indirect: Promotion of the Arts-Grants to Organizations and Individuals Promotion of the Arts_Partnership Agreements State Library Program	KS Arts Commission KS Arts Commission Kansas State Library	9,502 15,333 75,149			
	TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			2,207,682		312,466
47.041 47.046 47.048 47.050 47.051 47.070 47.074 47.075 47.076 47.078	NATIONAL SCIENCE FOUNDATION Direct: Engineering Grants Research, Evaluation and Communication Mathematical and Physical Sciences Geosciences Biological Behavioral and Social Sciences Computer Information and Science Engineering Biological Sciences Social, Behavioral, and Economic Sciences Education and Human Resources Polar Programs		1,558,846 344,030 2,241,115 156,313 60,470 1,073,422 3,670,575 165,588 1,639,719 32,825		275,098 79,486	
47.041	Indirect: Engineering Grants	Kansas State University	20,618			
	TOTAL NATIONAL SCIENCE FOUNDATION			10,963,531		973,754
59.037	SMALL BUSINESS ADMINISTRATION Direct: Small Business Development Center		1,097,655			
	TOTAL SMALL BUSINESS ADMINISTRATION			1,097,655		
64.203	DEPARTMENT OF VETERANS AFFAIRS Direct: Kansas Veterans Cemetery at Wakeeney		2,577,105			
	TOTAL DEPARTMENT OF VETERANS AFFAIRS			2,577,105		

State of Kansas
 Schedule of Expenditures of Federal Awards
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Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
ENVIRONMENTAL PROTECTION AGENCY						
Direct:						
66.001	Air Pollution Control Program Support		770,678		5,000	
66.032	State Indoor Radon Grants		121,979			
66.034	EPA		72,957		13,414	
66.433	State Underground Water Sources Protection		312,212			
66.454	Water Quality Management Planning		75,646			
66.458	Capitalization Grants for Clean Water State Revolving Funds		9,870,950		667,421	
66.460	Nonpoint Source Implementation Grants		1,953,601		1,653,663	
66.461	Wetlands Grant		262,311			
66.463	Water Quality Cooperative Agreements		38,377			
66.467	Wastewater Operator Training Grant Program		55,500			
66.468	Capitalization Grants for Drinking Water State Revolving Funds		943,939			
66.500	Environmental Protection - Consolidated Research		895,010		32,091	
66.504	Environmental Justice Grants to Small Community Groups		9,074			
66.505	Performance Partnership Grants		2,831,157			
66.506	Surveys, Studies, Investigations and Special Purpose Grants		585,304			
66.607	Training and Fellowships for the Environmental Protection Agency		444			
66.608	State Information Grants		82,664			
66.707	Title IV State Lead Grants Certification of Lead-Based Paint Professionals		411,165			
66.708	Pollution Prevention Grants Program		100,133			
66.801	Hazardous Waste Management State Program Support		977,684			
66.802	Superfund Specific Cooperative Agreements		357,829			
66.804	State and Tribal Underground Storage Tanks Program		180,080			
66.951	Environmental Education Grants		11,875			
66.805	Leaking Underground Storage Tank Trust Fund Program		1,014,464			
66.809	Superfund Core Program Cooperative Agreements		779,910			
66.811	EPA		8,720			
66.817	State and Tribal Response Program Grants		139,549			
Indirect:						
66.032	State Indoor Radon Grant	KS Dept of Health & Environment	141,641			
66.460	Non Point Source Implementation Grants	KS Dept of Health & Environment	700,890		45,536	
66.500	Environmental Protection, Consolidated Research	Kansas State University	89,416			
66.707	TSCA Title IV State Lead Grants Certification of Lead- Based Paint Professionals	KS Dept of Health & Environment	315			
TOTAL ENVIRONMENTAL PROTECTION AGENCY				23,895,474		2,417,125
DEPARTMENT OF ENERGY						
Direct:						
81.041	State Energy Program		624,094			
81.042	Weatherization Assistance for Low-Income Persons		2,398,227		2,238,579	
81.049	Office of Science Financial Assistance Program		5,217,752		217,100	
81.086	Conservation Research and Development		1,064,111			
81.089	Fossil Energy Research and Development		327,002			
81.114	University Nuclear Science and Reactor Support		170,036		49,935	
81.117	Energy Efficiency & Renewable Energy Information Dissemination, Outreach, Training & Technical Analysis/Assistance		68,270			
81.119	State Energy Program Special Projects		221,128			
81.121	DOE		106,796			
Indirect:						
81.041	State Energy Program	KS Corporation Commission	17,350			
81.086	Biomass Certificate Program	Kansas State University	24,785			
81.119	State Energy Program Special Reports	KS Corporation Commission	624			
TOTAL DEPARTMENT OF ENERGY				10,240,175		2,506,614

**State of Kansas
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	FEDERAL EMERGENCY MANAGEMENT AGENCY					
	Direct:					
83.012	Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)		346			
83.536	Flood Mitigation Assistance		133,413		114,492	
83.539	FEMA Crisis Counseling		55,089			
83.543	Individual and Family Grants		(11,119)		(11,119)	
83.544	Public Assistance Grants		6,777,963		6,571,836	
83.548	Hazard Mitigation Grants		1,541,581		1,601,707	
83.552	Emergency Management Performance Grant		1,195,847		344,611	
83.557	Pre-Disaster Mitigation		195,061		60,859	
83.560	Federal Assistance to Individuals & Households-Other Needs		620,616		620,616	
83.562	State and Local All Hazards Emergency Operation Planning		8,941			
83.564	Citizen Corps and Community Emergency Response Training		20,307			
	TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY			10,538,045		9,303,002
	DEPARTMENT OF EDUCATION					
	Direct:					
84.002	Adult Education - State Grant Program		3,858,915		3,592,664	
84.004	Civil Rights Training and Advisory Services		680,482			
84.007	Federal Supplemental Educational Opportunity Grants		2,045,268		69,165,585	
84.010	Title I Grants to Local Educational Agencies		69,924,149		11,459,032	
84.011	Migrant Education-State Grant Program		11,750,189			
84.013	Title I Program for Neglected and Delinquent Children		4,618			
84.024	Outreach Projects/empowerment Zones		48,311			
84.027	Special Education- Grants to States		66,569,922		64,513,568	
84.029	Training of Personnel / Low Income Handicapped		41,841			
84.032	Federal Family Education Loans		158,819,138			
84.033	Federal Work Study Program		3,103,227			
84.038	Federal Perkins Loan Program-Federal Capital Contributions		2,323,094			
84.042	TRIO-Student Support Services		1,300,228			
84.044	TRIO-Talent Search		484,438			
84.047	TRIO-Upward Bound		1,989,644		5,707,358	
84.048	Vocational Education-Basic Grants to States		39,889,048			
84.063	Federal Pell Grant Program		120,911			
84.066	TRIO Educational Opportunity Centers		613,341		5,800	
84.116	Fund for the Improvement of Postsecondary Education		155,505			
84.129	Rehabilitation Long Term Training		236,273		11,300	
84.133	National Institute on Disability and Rehabilitation Research		361,228		230,283	
84.141	Migrant Education-High School Equivalency Program		4,392,993		19,277	
84.162	Emergency Immigrant Education		34,620		4,269,463	
84.173	Handicapped-Preschool Grants		411,706		3,179,543	
84.181	Special Education Grants for Infants and Families w/ Disabilities		3,141,370		412,456	
84.185	Robert C. Byrd Honors Scholarship		360,576		2,998,332	
84.196	Safe and Drug-Free Schools and Communities-State Grants		7,073			
84.187	Supported Employment Services for Individuals with Severe Disabilities		2,645,226		68,540	
84.194	Bilingual Education Support Services		287,232		272,936	
84.195	Bilingual Education - Professional Development		75,695			
84.196	Education for Homeless Children and Youth		29,538		1,498,956	
84.200	Graduate Assistance in Areas of National Need		330,296			
84.213	Even Start Family Literacy		448,165		296,055	
84.214	Even Start - Migrant Education		308,110		(1,434)	
84.215	Character Education		74,291,865		186,212	
84.216	Capital Expenses		(151)		(151)	
84.217	McNair Post-Baccalaureate Achievement		205,504			
84.224	Assistive Technology		479,563		110,730	
84.243	Tech-Prep Education		2,924,779		189,863	
84.268	Federal Direct Loan Program		863,207		2,901,290	
84.276	Title III - Goals 2000 - Educate America Act				740,783	
84.281	Eisenhower Professional Development					
84.282	Charter Schools					
84.287	Twenty-First Century Community Learning Centers					

**State of Kansas
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Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
84.298	Innovative Education Program Strategies		3,563,993		3,041,664	
84.305	Education Research, Development and Dissemination		78,073			
84.318	Technology Literacy Challenge Fund		3,423,202		3,392,536	
84.323	State Improvement Grant		899,386		411,726	
84.324	Special Education, Research & Innovation to Improve Services and Results for Children w Disabilities		202,542			
84.325	Special Ed Personnel Prep to Improve Services and Results for Children with Disabilities		154,042			
84.326	Deaf/Blind Centers		155,462			
84.330	Advanced Placement Fee Payment Program		290,074		140,550	
84.331	Grants to State for Workplace and Community Transition Training for Incarcerated Youth Offenders		159,009			
84.332	Comprehensive School Reform		2,189,874		2,076,703	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)		694,954			
84.336	Teacher Quality Enhancement		2,702,195		1,289,847	
84.338	Reading Excellence Grant		193,206		109,000	
84.339	Learning Anytime Anywhere Partnerships		262,336		112,504	
84.340	Class-Size Reduction		549,890		549,890	
84.342	Preparing Tomorrow's Teachers to Use Technology		721,900		45,475	
84.346	Career Resource Network State Grant		84,849			
84.348	Title I Accountability		233,887		233,887	
84.350	Transition to Teaching		34,155			
84.352	School Renovation		2,645,442		2,603,341	
84.357	Reading First State Grants		2,277			
84.358	Rural Education Achievement Program		499,968		499,968	
84.365	English Language Acquisition		2,138,333		2,118,333	
84.367	No Child Left Behind		19,789,017		19,657,651	
84.369	Grants for State Assessments & Related Activities		1,148,838			
84.902	National Assessment of Educational Progress		60,740			
84.928	ED		20,000			
84.029C	Kansas Project Partnership		(2,600)		(2,600)	
84.031A	Pitt-Tech/Training		276,657			
84.033A	College Work Study		430,941			
84.038A	Perkins Loans		964,695			
84.069A	Leveraging Educational Assistance Partnership Program (SLEAP)		400,000		400,000	
84.069B	Special Leveraging Educational Assistance Partnership Program (SLEAP)		334,466		334,466	
84.126A	Rehabilitation Services		23,327,746		42,593	
84.133B	Rehabilitation Research and Training Center		73,922			
84.153A	BIE Program		56,282			
84.161A	VR Client Assistance Project		86,465			
84.177A	VR Independent Living Grant		277,305			
84.177A	VR KANSAS		244,916			
84.186B	Safe & Drug Free Schools & Communities		402,523		402,523	
84.195B	Bilingual Ed-Professional Development		211,526			
84.195N	Eng Ling Acqt; Nat'l PDP		94,981			
84.215U	Funds for the Improvement of Education (Christa McAuliffe)		(152)			
84.243A	Tech Prep Education		1,038,944		999,677	
84.265A	VR Training		44,773			
84.281C	Standards, Assessment & Accountability		138,711			
84.326X	General Supervision Enhancement Grant		103,546			
84.010	Indirect:					
84.013	Title I (Chapter I) N&D	Juvenile Justice Authority	23,507			
84.027	Title 1 Program for Neglected & Delinquent Children Fund	Ks Department of Education	494,884			
84.038	Special Grants to States	Ks Department of Education	139,565			
84.048	Title II Basic Corrections Voc Ed	Ks Department of Education	89,203		33,100	
84.051	Vocational Education - Basic Grants to States	Ks Department of Education	21,285			
84.069	ED	Ks Department of Education	6,463			
84.116	Leveraging Educational Assistance Partnership	Board of Regents	427,305			
84.151	Fund for the Improvement of Postsecondary Education	Emporia State University	154,476			
84.168	ECIA Fund	USD#495	478			
84.181	ED	Ks Board of Regents	53,176			
84.243	Special Education Grants for Infants and Families with Disabilities	Ks Department of Health and Environment	198,357		10,477	
84.281	Eisenhower Professional Development State Grants	Ks Department of Education	35,826			
		Board of Regents	140,805		4,745	

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84.298	Innovative Education Program Strategies	Juvenile Justice Authority	9,478		6,136	
84.302	Regional Technology Grant	University of Kansas	24,045			
84.323	Special Ed State Program Improvement Grant	Ks Department of Education	38,640			
84.336	Teacher Quality Enhancement Grants	Ks Department of Education	67,711			
84.367B	Collaborative Science Initiative	Kansas Board of Regents	14,487			
	TOTAL DEPARTMENT OF EDUCATION			541,102,144		210,342,633
	DEPARTMENT OF HEALTH AND HUMAN SERVICES					
	Direct:					
93.003	Public Health and Social Services Emergency Fund		1,160,917			
93.041	Programs for Prevention of Elder Abuse, Neglect and Exploitation		47,597			
93.042	Long-Term Care Ombudsman Services for Older Individuals		126,638		126,638	
93.043	Disease Prevention and Health Prevention Services		220,064			
93.044	Grants for Supportive Services		3,142,758		150,862	
93.045	Nutrition Services		5,796,220			
93.048	Training, Research and Discretionary Projects and Programs		35,514			
93.052	National Family Caregiver Support Program		1,694,356			
93.053	Nutrition Services Incentive Program		264,033			
93.103	Food and Drug Administration - Research		4,572			
93.110	Maternal and Child Health Federal Consolidated Programs		619,431			
93.113	Biological Response to Environmental Health Hazards		1,546,425		16,320	
93.116	Project Grants & Cooperative Agreements for Tuberculosis Control Programs		393,291			
93.119	MH - Aids Integration Project		47,931			
93.121	Oral Diseases and Disorders Research		492,113			
93.124	Nurse Anesthetist Traineeships		48,200			
93.127C	EMSC Partnership Grants		51,989			
93.128	Alcohol and Drug Data Collection		47,238			
93.130	Primary Care Services-Resource Coordination and Development		108,086			
93.136	Injury Prevention & Control Research & State and Community Based Programs		608,287		6,552	
93.145	AIDS Education and Training Centers		133,703		20,000	
93.150	Projects for Assistance in Transition from Homelessness (PATH)		312,647			
93.157	Centers of Excellence		995,742			
93.161	Health Program for Toxic Substances and & Disease Registry		16,255			
93.165	Grants for State Loan Repayment		15,000		15,000	
93.173	Research Related to Deafness and Communication Disorders		1,471,070		7,649	
93.184	Disabilities Prevention		45,712			
93.189	Health Education and Training Centers		90,939			
93.191	Allied Health Special Projects		37,703			
93.192	Quentin N. Burdick Programs for Rural Interdisciplinary Training		230,749		29,900	
93.197	Childhood Lead Poisoning Prev. Projects & Surveillance of Blood Levels		450,886		5,025	
93.211	Rural Telemedicine Grants		313,464			
93.213	Research and Training in Complementary and Alternative Medicine		424,491		14,364	
93.217	Family Planning Services		2,229,993		2,059,065	
93.226	Research on Healthcare Costs, Quality and Outcomes		141,771			
93.230	Consolidated Knowledge Dev & Appl (KD&A) Program		518,853			
93.234A	KS Traumatic Brain Injury Systems Development		48,101			
93.235	Absentee Education		247,177		175,456	
93.241	State Rural Hospital Flexibility Program		671,171			
93.242	Mental Health Research Grants		723,522			
93.243	Methamphetamine Prevention Project		278,474			
93.245	Innovative Food Safety Projects		10,863			
93.246	Health Centers Grants for Migrant & Seasonal Farmworkers		341,523		52,000	
93.247	Advanced Education Nursing Grant Program		122,551			
93.251	Universal Newborn Hearing Screening		80,622		1,000	
93.252	Community Access Program		237,011			
93.253	Poison Control Stabilization and Enhancement Grants		85,492			
93.259	Rural Access to Emergency Devices Act Grant Program		8,171			
93.262	CDC		2,100,393			
93.268	Immunization Grants		229,473			
93.273	Alcohol Research Programs		1,962			
93.274	Clinical Training Grant for Faculty Development in Alcohol & Drug Abuse		160,419		431,814	
93.277	Career Development Awards					

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93.279	Drug Abuse Research Programs		763,111			
93.281	Mental Health Research Career/Scientist Development Awards		177,644			
93.283	Centers for Disease Control & Prev. - Investigations & Tech. Assistance		10,296,722		3,844,328	
93.298	Nurse Practitioner & Nurse - Midwifery Program		216,656			
93.299	Advance Nurse Education		(1,046)			
93.300	HRSA		19,559			
93.301	Small Rural Hospital Improvements Grants		908,145		908,145	
93.306	Comparative Medicine		760,195			
93.333	Clinical Research		47,804			
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		768,414			
93.358	Advanced Education Nursing Traineeships		208,796			
93.361	Nursing Research		1,080,219			
93.364	Nursing Student Loans		1,875,000		1,262,299	
93.375	Minority Biomedical Research Support		162,683			
93.389	Research Infrastructure		6,960,361			
93.390	Academic Research Enhancement Award		58,141			
93.393	Cancer Cause and Prevention Research		952,168		56,387	
93.395	Cancer Treatment Research		887			
93.396	Cancer Biology Research		247,657			
93.397	Cancer Centers Support Grants		1,596,708			
93.398	Cancer Research Manpower		2,356,910			
93.399	Cancer Control		78,022,912			
93.556	Promotion Safe and Stable Families		38,967,340			
93.558	Temporary Assistance for Needy Families		422,023		3,181	
93.563	Child Support Enforcement		13,221,475		4,885	
93.566	Refugee and Entrant Assistance - State Administrative Programs		4,319,935			
93.568	Low-Income Home Energy Assistance		66,539		4,136,525	
93.569	Community Service Block Grant		270,106		218,335	
93.570	Community Service Block Grant-Discretionary Awards		57,929,475		2,053,743	
93.576	Refugee & Entrant Assistance - Discretionary Grants		103,133		103,133	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		2,111,813		45,000	
93.597	State Access and Visitation Program		778,606			
93.600	Head Start		116,287			
93.630	Developmental Disabilities Basic Support and Advocacy Grants		102,807			
93.631	Developmental Disabilities Projects of National Significance		18,431			
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		3,326,076			
93.643	Children's Justice Grants to States		26,320,395		304,980	
93.645	Child Welfare Services		10,609,637			
93.658	Foster Care - Title IV-E		25,160,004			
93.659	Adoption Assistance		631,379			
93.667	Social Services Block Grant		849,331		811,548	
93.669	Child Abuse and Neglect State Grants		873,348		81,340	
93.671	Family Violence Prevention & Services		37,736,758			
93.674	Independent Living					
93.767	State Children's Insurance Program		624,336			
93.768	Medical Infrastructure Grants to Support the Competitive Employment of People with Disabilities		530,154			
93.775	State Medicaid Fraud Control Grant		2,690,593		2,148,153	
93.777	State Survey and Certification of Health Care Providers and Suppliers		1,180,350,599		322,311,062	
93.778	Title XIX Fund		274,853		199,407	
93.779	Health Care Financing Research, Demonstration and Evaluation		1,553,506		90,471	
93.821	Cell Biology and Biophysics Research		2,091,496		20,815	
93.822	Health Careers Opportunity Program		468,101			
93.837	Heart and Vascular Diseases Research		372,428			
93.838	Lung Diseases Research		650,419			
93.839	Blood Diseases and Resources Research		577,167			
93.846	Arthritis, Musculoskeletal and Skin Diseases Research		613,562		57,689	
93.847	Diabetes, Endocrinology and Metabolism Research		3,849,884		146,066	
93.848	Digestive Diseases and Nutrition Research		2,800,062		28,548	
93.849	Kidney Diseases, Urology and Hematology Research		276,790		86,274	
93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders					
93.855	Allergy, Immunology and Transplantation Research					

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93.856	Microbiology and Infectious Diseases Research		1,398,910			
93.859	NIH		216,817		52,543	
93.862	Genetics and Developmental Biology Research and Research Training		502,481			
93.864	Population Research		2,061,571			
93.865	Center for Research for Mothers and Children		3,878,418		257,138	
93.866	Aging Research		1,206,334		52,243	
93.867	NIH		1,221,789			
93.879	Medical Library Assistance		4,573			
93.884	Grants for Residency Training in General Internal Medicine and/or General Pediatrics		322,846		62,965	
93.886	Grants for Programs for Physician Assistants		56,274			
93.887	Health Care and Other Facilities		1,860,000			
93.894	Resource and Manpower Development in the Environmental Health Sciences		344,339			
93.895	Grants for Faculty Development in Family Medicine		244			
93.896	Predoctoral Training in Primary Care (Family Medicine, General Internal Medicine/General Pediatrics)		122,707			
93.913	Grants to States for Operation of Offices of Rural Health		129,435			
93.917	HIV Care Formula Grants		3,764,764		402,610	
93.919	Cooperative Agreements for Comp. Breast & Cervical Cancer Early Detection		355,163			
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds		318,910			
93.926	Healthy Start Initiative		158,707			
93.929	Center for Medical Rehabilitation Research		104,340			
93.938	AIDS Education and Training Centers		276,376		52,333	
93.940	HIV Prevention Activities - Health Department Based		1,629,334		1,108,774	
93.944	HIV/AIDS Surveillance		131,656			
93.945	Assistance Programs for chronic Disease Prevention & Control		304,298		1,200	
93.952	Improving EMS/Trauma Care in Rural Areas		17,000			
93.958	Block Grants for Community Mental Health Services		3,366,553			
93.959	Block Grants for Prevention and Treatment of Substance Abuse		11,727,365		4,963	
93.969	Geriatric Education Centers		248,876		43,553	
93.977	Preventive Health Services - STD Control Grants		819,706		294,433	
93.984	Academic Administrative Units in Primary Care		133,383			
93.988	Cooperative Agreements for State-Based Diabetes Control Programs & Eval. Of Surv. Systems		241,893			
93.991	Preventive Health & Health Services Block Grant		676,351			
93.994	Maternal & Child Health Services Block Grant to the States		4,910,048		2,244,145	
	Indirect:					
93.000	State Planning Grant	Kansas Insurance Department	32,969			
93.041	Prevention of Elder Abuse	Kansas Department on Aging	3,540			
93.042	Special Programs for the Aging - Title VII Chapter 2 - Long Term Care Ombudsman	Kansas Department on Aging	107,151			
93.044	Special Programs for the Aging - Title III Part B - Grants for Supportive Services and	Kansas Department on Aging	160,062			
93.189	Health Education and Training Centers (HETC)	Univ KS Medical Center	3,056			
93.241	Rural Hospital Flexibility Program	Ks Dept of Health and Environment	72,120			
93.259	Rural Access to Emergency	Ks Board of Emergency Medical Services	814			
93.283	Centers for Disease Control and Prevention-Investigations and Technical Assistance	Ks Dept of Health and Environment	1,039,410		8,169	
93.389	K-Birn Research Support	Kansas State University	890,758		33,527	
93.397	Cancer Centers Support Grants	Ks Dept of Health and Environment	972			
93.568	Low-income Home Energy Assistance	Ks Dept of Soc & Rehab Svcs	2,070,012		2,031,549	
93.575	Child Care and Development Block Grant	Ks Dept of Soc & Rehab Svcs	621,155			
93.596	Child Care Mandatory and Matching Funds of the	Ks Dept of Soc & Rehab Svcs	(14)			
93.630	Developmental Disabilities Basic Support and Advocacy Grants	Ks Dept of Soc & Rehab Svcs	(2,670)			
93.632	University Centers for Excellence in Developmental Disabilities Education, Research	University of Kansas	64,035			
93.674	Independent Living Allocation	Juvenile Justice Authority	15,937			
93.866	NIH	Univ of KS Medical Center	166,028			
93.959	Block Grants for Prevention & Treatment	Ks Dept of Soc & Rehab Svcs	31,843			
93.969	of Substance Abuse	University of Ks. Medical Ctr	265,406		348,207	
93.991	Geriatric Education Center	Ks Dept of Health and Environment	365,484			
93.994	Rape Prevention & Education	Ks Dept of Health and Environment				
93.994	Maternal and Child Health Services Block Grant to the States	Ks Dept of Health and Environment				
	TOTAL DEPARTMENT OF HEALTH AND SERVICES			1,610,936,084		349,032,311

**State of Kansas
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2003**

Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
	CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
	Direct:					
94.003	Kansas Commission on National and Community Service		68,799		295,026	
94.004	Learn and Serve America: School-Based Program		364,731		64,856	
94.005	CNCS		262,221		1,074,039	
94.006	AmeriCorps		1,074,045		79,820	
94.007	Promise Fellows		79,820		87,790	
94.009	Program Development Assistance and Training		87,790		439,470	
94.011	Foster Grandparent Program		439,470		421,974	
94.016	Senior Companion Program		421,974			
	Indirect:					
94.006	AmeriCorps	Ks Department of Education	650,625	3,449,475		1,529,564
	TOTAL CORPORATION FOR NATIONAL & COMMUNITY SERVICE			3,449,475		
	SOCIAL SECURITY ADMINISTRATION					
	Direct:					
96.001	Disability Determination Services		12,795,006	12,795,006	416	416
	TOTAL SOCIAL SECURITY ADMINISTRATION			12,795,006		
	NON-CATALOG MISCELLANEOUS					
	Direct:					
10.unknown	Non-catalog miscellaneous		164,689			
10.unknown	Non-catalog miscellaneous		61,698			
11.unknown	Non-catalog miscellaneous		13,266			
12.unknown	Non-catalog miscellaneous		3,195,094		981,010	
12.unknown	Non-catalog miscellaneous		1,316,178		188,211	
12.XXX	Tri-Service Nursing Research Program		143,306			
14.unknown	Non-catalog miscellaneous		28,369			
15.BBW	Non-catalog miscellaneous		600,505			
15.DAX	DOI		16,504		16,504	
15.FFB	DOI		27,039			
20.unknown	Non-catalog miscellaneous		12,627			
39.unknown	Non-catalog miscellaneous		16,560			
43.unknown	Non-catalog miscellaneous		491,023			
43.unknown	Non-catalog miscellaneous		749,111			
47.unknown	Non-catalog miscellaneous		55,991			
66.unknown	Non-catalog miscellaneous		151,241			
81.unknown	Council of States Government Contract with Dept of Energy		2,616			
81.unknown	Non-catalog miscellaneous		148,816		82,227	
81.unknown	Non-catalog miscellaneous		706,641		34,334	
81.unknown	Non-catalog miscellaneous		3,099,188			
81.unknown	Unmet Needs		88,845		3,090,076	
83.unknown	Non-catalog miscellaneous		110,456			
84.unknown	Non-catalog miscellaneous		150,070			
84.unknown	Non-catalog miscellaneous		360,900			
93.unknown	Non-catalog miscellaneous		33,364			
N01-CN-15135	Breast & Gynecological Cancer Research Group - Division of Cancer Prevention		(2-558)			
N01-CN555121	Chemoprevention Branch Cancer Prevention Research Program		82,606			
N01-CN65019	Chemoprevention Branch Cancer Prevention Research Program		1,524,907			
N01-CN-85035	Chemoprevention Branch Cancer Prevention Research Program		(884)			
N02-CO-01110	Cancer Information Service of the Heartland Region, NCI, Research Contract Branch, ESS		129,126			
N1HD13313	Synthesis & Testing of Male Contraceptive Agents, Contracts Management Branch, OAM, NICHD		20,357			
N1HD13313	Synthesis & Testing of Male Contraceptive Agents, Contracts Management Branch, OAM, NICHD		1,779			
N1HD13313	Synthesis & Testing of Male Contraceptive Agents, Contracts Management Branch, OAM, NICHD		87,992			
N1HD13313	Synthesis & Testing of Male Contraceptive Agents, Contracts Management Branch, OAM, NICHD		17,220			
N1HD13313	Synthesis & Testing of Male Contraceptive Agents, Contracts Management Branch, OAM, NICHD		150,101			
NAG2-1491	Biology Program Fundamentals with the Biology Lead Center		4,280			
No CFDA Assigned	Marijuana Eradication		3,607			
unknown	Girls Sport Clinic 03		8,992			
U01-HS-10423	Agency for Healthcare & Research Quality					

State of Kansas
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended June 30, 2003

Federal CFDA / Contract Number	Federal Grantor / Program / Pass-Through Grantor	Received Indirectly:	Expenditures	Total Expenditures by Federal Agency	Funds Passed to Subrecipients	Total Funds Passed to Subrecipients
xx.unknown	Utility Special Project Grants		308,806			
xx.unknown	Reimbursement from Bureau of Prisons for Housing Federal Inmates		305,079			
xx.unknown (USAID)	Non-catalog miscellaneous		85,198		58,869	
xx.unknown (USAID)	Non-catalog miscellaneous		272,900			
xx.unknown (USPS)	Non-catalog miscellaneous		10,196			
unknown	FAA		55,392			
No CFDA Assigned	Marijuana Eradication		86,650			
No CFDA Assigned	High Intensity Drug Traffic Area Program		3,579,282		1,045,331	
	Indirect:					
10.unknown	Non-catalog miscellaneous	KS Animal Health Dept.	96,634			
10.unknown	Non-catalog miscellaneous	KS Dept Commerce & Housing	20,000		21,270	
12.unknown	DACW5600M0026 - Sericea lespedeza (#695)	US Army Corps of Engineers	6,590			
45.unknown	Non-catalog miscellaneous	KS Dept of Transportation	594,733			
45.unknown	Non-catalog miscellaneous	KS Arts Commission	7,258			
66.unknown	Non-catalog miscellaneous	KS Corporation Commission	934			
66.unknown	Non-catalog miscellaneous	KS Dept of Health & Environment	626,760			
81.unknown	Non-catalog miscellaneous	KS State Conservation Commission	6,613			
84.unknown	Non-catalog miscellaneous	KS Corporation Commission	62,465		55,959	
84.unknown	Non-catalog miscellaneous	KS Dept of Health & Environment	1,295			
84.unknown	Non-catalog miscellaneous	KS Board of Regents	31,233			
84.unknown	Non-catalog miscellaneous	Univ of KS Medical Center	126,749			
84.unknown	Non-catalog miscellaneous	Univ of KS Medical Center	221			
93.unknown	Non-catalog miscellaneous	KS Dept on Aging	159,029			
93.unknown	Non-catalog miscellaneous	KS Dept of Health & Environment	62,022			
93.unknown	Non-catalog miscellaneous	KS Dept of Social and Rehabilitative Services	380,293		8,138	
93.unknown	Non-catalog miscellaneous	Univ of KS Medical Center	32,943			
unknown	MAMTC-NIST	KTEC	268,516			
xx.unknown	Commodities Credit Corp-Specially Crop Block Grant	Ks Dept of Agriculture	55,371			
	TOTAL NON-CATALOG MISCELLANEOUS			21,014,984		5,561,929
	TOTAL CASH FEDERAL EXPENDITURES		3,509,094,058	3,509,094,058	828,675,068	828,675,068
	FEDERAL NON-CASH EXPENDITURES:					
	DEPARTMENT OF AGRICULTURE					
10.551	Food Stamps (Electronic Benefit Transfers)		133,944,729			
10.565	Commodity Supplemental Food Program		276,946		131,880	
10.570	Elderly Nutrition Programs		1,401,163			
	TOTAL NON-CASH FEDERAL EXPENDITURES		135,622,838			131,880
	TOTAL FEDERAL EXPENDITURES		\$ 3,644,716,896	\$ 3,644,716,896	\$ 828,806,948	\$ 828,806,948

** Includes State Unemployment Insurance benefits of \$375,608,823

STATE OF KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2003

1 - Basis of Accounting

Except for certain noncash federal award programs, the accompanying schedule is presented on an accrual basis of accounting. Commodity food distribution is presented at the value assigned to the commodities by the federal granting agency. Food stamps are presented on the basis of the redeemable value of the food stamps distributed. Higher Education Act insured loans and revolving fund loans are presented on the basis of the amount of loan awards.

2 - Student Financial Assistance Programs

Federal funded student financial assistance programs are administered for the State of Kansas by the various Board of Regents institutions. The programs at each institution are administered separately from those of any other institution. Totals for each program are presented below:

<u>CFDA #</u>		
84.007	Supplemental Education Opportunity Grants	\$ 2,045,268
84.032	Federal Family Education Loan Program	158,819,138
84.033	Federal Work Study Program	3,103,227
84.038	Perkins Loan Program	2,323,094
84.063	Pell Grant Program	39,889,048
84.268	Federal Direct Loan	74,291,865
93.342	Health Professions Student Loans, including Primary Care Loans/Loans for Disadvantaged Students	768,414
93.364	Nursing Student Loans	162,683
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	318,910

Guaranteed Student Loans, Health Education Assistance Loans and Federal Family Education Loans are made by financial institutions rather than by the educational institution.

STATE OF KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Year Ended June 30, 2003

3 - Revolving Loan Fund

The Community Development Block Grant (administered by the Kansas Department of Commerce and Housing), the Water Pollution Control Revolving Loan Fund and the Public Water Supply Revolving Loan Fund (both administered by the Kansas Department of Health and Environment) are revolving loan funds. The value of the loans associated with these programs is summarized as follows:

	<u>CFDA Number</u>	<u>July 1, 2002 Balance</u>	<u>New Loans</u>	<u>Repayments</u>	<u>June 30, 2003 Balance</u>
Community Development Block Grant Loans	14.228	\$ 20,327,093	\$ 2,406,479	\$ 2,687,828	\$ 20,045,744
Water Pollution Control Revolving Loan Fund	66.458	313,678,991	92,955,583	20,481,326	386,153,248
Public Water Supply Revolving Loan Fund	66.468	94,284,447	27,640,666	3,657,587	118,267,526

STATE OF KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2003

Part I - Summary of Auditor's Results

1. The independent auditors' report on the financial statements expressed an unqualified opinion.
2. No material weaknesses or reportable conditions over the financial statements were reported.
3. No instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. No material weaknesses or reportable conditions over federal awards were reported.
5. The audit disclosed findings related to internal control over compliance with requirements applicable to major federal awards programs that are required to be reported.
6. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
7. The audit disclosed findings required to be reported by OMB Circular A-133.
8. The State's major programs were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Based on Threshold:	
Section 8 Project-Based Cluster	14.182,14.195,14.856
Community Development Block Grant/State's Program	14.228
Unemployment Insurance (UI)	17.225
Trade Adjustment Assistance-Workers	17.245
Migrant Education- Basic State Grant Program	84.011
Improving Quality Teacher State Grants	84.367
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
State's Children Insurance Program (SCHIP)	93.767
Medicaid Cluster	93.775, 93.777, 93.778
Block Grants for the Prevention and Treatment of Substance Abuse	93.959
Social Security -Disability Insurance (DI)	96.001
Additional Selections:	
Adoption Assistance	93.659

9. A threshold of \$10,972,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
10. The State qualified as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II – Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

There were no financial statement findings noted.

Part III - Federal Award Findings and Questioned Costs

Finding No. 03-1

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – During 2003, the new fiscal agent, Electronic Data Systems (EDS), utilized the former fiscal agent Blue Cross/Blue Shield of Kansas (BCBS) MMIS computer system to process provider claim payments under the Medicaid Program. EDS continued to utilize the BCBS MMIS system until October 2003 when their own computer system became operational. Historically, the Department of Social and Rehabilitation Services (SRS) has relied upon the controls of BCBS & MMIS in the processing of these claim payments. A complete review of the controls related to the claim payment process has not been performed by a third party, and a SAS No. 70 report has not been received. SAS No. 70 provides guidance on the factors an independent auditor should consider when auditing the financial statements of an entity that uses a service organization to process certain transactions. The user auditor should consider the effect of the service organization on the internal control of the user organization (the State) and the availability of evidence to obtain the necessary understanding of the user organization's internal control in order to plan an audit, assess control risk at the user organizations, and perform substantive tests.

Criteria – The Office of Management and Budget (OMB) Compliance Supplement for the Medicaid Cluster recommends that a SAS 70 report be received in order to document the understanding of, and gain reliance on, any outside service organization's controls.

Effect – Provider payments on Medicaid claims are processed by MMIS. If the proper controls are not in place and are not being adequately monitored, provider payments may be incorrectly processed.

Questioned Costs – None

Recommendation – SRS should require the new fiscal agent (EDS) to provide a SAS 70 report on the internal control over its provider claims processing for the Medicaid program. Any other areas of processing which are significant to the Medicaid program should also be covered by the report. Additionally, as future contracts are negotiated for service organizations used to process provider payments, the requirement for an annual SAS 70 report should be included as a contract provision.

We understand that the contract for the new claims processor included a provision for a SAS 70 report and therefore this recommendation has been implemented for the year ended June 30, 2004.

Finding No. 03-2

Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition – Two out of a sample of forty-five professional Medicaid providers with expired Kansas Board of Healing Arts (KBOHA) licenses were still shown as active providers on the Medicaid Management Information System (MMIS) system.

Criteria – During 2003, the State utilized Electronic Data Systems (EDS) to ensure that all third party Medicaid providers were licensed in accordance with Federal, State, and local laws and regulations.

Effect – Medicaid providers could be receiving payments despite being ineligible to receive Medicaid payments due to the expiration of their licenses.

Questioned Costs – None. It was verified by EDS that there were no payments for claims to these providers for services rendered after their licenses to practice had expired.

Recommendation – EDS should implement controls in order to ensure that only licensed medical providers who are eligible to receive Medicaid payments be shown as active on the MMIS system.

Finding No. 03-3

Federal Program – Child Support Enforcement (CFDA No. 93.563)

Condition – For two out of 32 total cases selected for compliance testing of special tests and provisions, the noncustodial parent’s address was verified; however, the agency did not (1) establish an order for support, and (2) complete service of process necessary to commence proceedings to establish a support order and, if necessary, paternity within the required timeframe.

Criteria – Within 90 calendar days of locating the alleged father or noncustodial parent, regardless of whether paternity has been established, the agency should establish an order for support or complete service of process necessary to commence proceeding to establish a support order and, if necessary, paternity.

Effect – The applicant parent was unable to use the services available through Child Support Enforcement to determine paternity and collect funds from the noncustodial parent in a timely manner.

Questioned Costs – None

Recommendation – Caseworkers should adhere to federal compliance requirements regarding the establishment of child support orders as well as maintain accurate records of failed attempts to establish a child support order in the case file.

Finding No. 03-4

Federal Program – Child Support Enforcement (CFDA No. 93.563)

Condition – The PSC 272A, *Federal Cash Transaction Report* was incorrectly filed for the quarters ended 12/31/02, 3/31/03, 6/30/03, and 9/30/03. The cumulative amount of cash drawdowns is prepared on a worksheet from the 396A, *Child Support Enforcement Quarterly Report of Expenditures and Estimates*. The reports for the quarters ended 12/31/02 and 9/30/03 were incorrectly filed due to the fact that, when transferring the numbers to the worksheet, the prior quarter adjustment numbers were sometimes transferred with the wrong sign, which resulted in reporting the cumulative amount of cash drawdowns at less than what actually occurred. The report for the quarter ended 3/31/03 was filed incorrectly because the state share of expenditures prior quarter adjustment amount was used instead of the federal share of expenditures prior quarter adjustment amount. The report for the quarter ended 6/30/03 was filed incorrectly because the “CUM – PREV PER” amount for CSE was keyed in incorrectly.

Criteria – The PSC 272A, *Federal Cash Transaction Report* is required to be filed for Child Support Enforcement every quarter, indicating the total amount of grant awards and the cumulative amount of cash drawdowns.

Effect – Amounts represented to the federal awarding agency were misstated.

Questioned Costs – None

Recommendation – The completed PSC 272A should be independently reviewed by someone other than the preparer and matched to the supporting documentation.

Finding No. 03-5

Federal Program – State Children’s Health Insurance Premium (SCHIP) (CFDA No. 93.767)

Condition – The State of Kansas’ Medicaid Cluster program incurred a finding under provider eligibility that in turn affects the maintenance of effort requirement for SCHIP. The finding for the Medicaid Cluster was that two professional Medicaid providers, out of a sample of forty-five tested, had allowed their licenses to practice through the Kansas Board of Healing Arts (KBOHA) expire, yet these providers were still being shown as active providers on the Medicaid Management Information System (MMIS) system.

Criteria – The Office of Management and Budget Circular A-133 Compliance Supplement for SCHIP states “In order to receive Federal matching funds for SCHIP expenditures at the enhanced matching rate, each State must continue to maintain its Medicaid eligibility standards and the methodologies that were applied in its Medicaid State plans as of June 1, 1997.”

Effect – Medicaid providers could be receiving payments despite being ineligible to receive Medicaid payments due to the expiration of their licenses.

Questioned Costs - None

Recommendation - The State of Kansas Medicaid program should implement controls in order to ensure that only licensed medical providers who are eligible to receive Medicaid payments be shown as active on the MMIS system. Once the State of Kansas implements these controls and achieves compliance with provider eligibility for Medicaid Cluster program, then the SCHIP grant will be in compliance with federal maintenance of effort requirements.

Finding No. 03-6

Federal Program – Adoption Assistance (CFDA No. 93.659)

Condition – Adoption subsidy payments were allocated at the State fiscal year 2002 Federal Medical Assistance Percentage (FMAP) of 60.2% instead of the State fiscal year 2003 FMAP rate of 60.15% for a four month period beginning July 1, 2002 through November 30, 2002.

Criteria – According to the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement*, “The percentage of Title IV-E funding in adoption assistance subsidy payments will be the Federal Medical Assistance Program percentage.”

Cause – The State of Kansas Department of Social and Rehabilitation Services (SRS) Funding Table, which allocates costs across the agency, was not updated to reflect the correct FMAP rate.

Effect – For five months, the federal government was providing a match of 60.2% on all subsidy payments instead of a 60.15% match, thus the State was not providing enough match.

Questioned Costs – The State of Kansas received approximately \$5,083 extra from the federal government.

Recommendation - SRS should implement controls in order to ensure that changes in matching rates are updated in the SRS funding table to ensure that subsidy payments for the Adoption Assistance program are being allocated at the correct FMAP rate.

Finding No. 03-7

Federal Program – Adoption Assistance (CFDA No. 93.659)

Condition – In two of twenty-three case files tested, there was a lack of documentation concerning the State making reasonable efforts to place the child for adoption without a subsidy. Also, in two of twenty-three case files, there was a lack of documentation that the child was Title IV-E foster care eligible or SSI (Supplemental Security Insurance) eligible.

Criteria – The State is required to maintain documentation in the case files showing reasonable efforts to place the child for adoption without a subsidy and also that the child is Title IV-E foster care eligible or is eligible for SSI.

Cause – Adequate documentation was not maintained in the case file.

Effect – Subsidy payment could be being made on behalf of children who are not eligible to be receiving payments.

Questioned Costs – None

Recommendation - The Adoption Assistance program should require standard forms to be maintained in all case files documenting all eligibility criteria.

Finding No. 03-8

Federal Program – Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959)

Condition – The State of Kansas failed to meet the Substance Abuse Prevention and Treatment Program’s level of effort requirement relating to non-federal expenditures to substance abusers with tuberculosis. Based upon a review of the Federal Fiscal Year 2004 Annual Application for SAPT, it was noted that non-federal expenditures for substance abusers with tuberculosis did not exceed the required base amount.

Criteria – The Office of Management and Budget (OMB) Compliance Supplement for Block Grants for Prevention and Treatment of Substance Abuse specifies that the State must maintain expenditures of non-federal amounts for tuberculosis services at a level not less than the average of such expenditures maintained by the State for the 2-year period preceding the first fiscal year for which the State receives such a grant.

Effect – If the State of Kansas does not comply with Federal requirements, this could mean that tuberculosis services are not receiving an adequate amount of funding.

Questioned Costs – None.

Recommendation – The State of Kansas should monitor its spending for substance abusers with tuberculosis in order to comply with Federal requirements.

Finding No. 03-9

Federal Program – Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959)

Condition – The State of Kansas inappropriately completed the Federal Fiscal Year 2004 SAPT Block Grant Application using State Fiscal Year 2002 expenditures instead of Federal Fiscal Year 2002 expenditures.

Criteria – The Federal Fiscal Year 2004 SAPT Block Grant Application instructions require that Federal fiscal year expenditures be used to complete the various forms of the application.

Effect – If the State of Kansas uses State fiscal year expenditures rather than federal fiscal year expenditures, then the SAPT Block Grant could receive funding based on incorrect information (depending on the difference between actual and estimated expenditures).

Questioned Costs – None

Recommendation – The State of Kansas should develop and maintain an adequate accounting system that allows them to classify expenditures according to the Federal fiscal year and report such as requested on the SAPT Block grant application.

Finding No. 03-10

Federal Program – Disability Insurance/SSI Cluster (Disability Determination Services) (CFDA No. 96.001/96.006)

Condition – In October 2002, the Social Security Administration’s Office of the Inspector General performed an audit of the State of Kansas’ Disability Determination Services program. This review cited known questioned costs of \$201,218 related to unallowable costs, which have been refunded to the Social Security Administration, and disputed questioned costs of \$4,923,606 related to indirect costs inappropriately charged to the program.

Cause – According to the Office of Inspector General, the questioned costs were caused by “incorrect indirect cost allocations, inappropriate non-SSA work cost charges, and inaccurate other nonpersonnel costs.”

Effect – The State of Kansas has refunded \$201,218 of the unallowable costs to the Social Security Administration. The disputed questioned costs related to the indirect costs are currently under appeal with the Department of Health and Human Services (HHS).

Questioned Costs – \$201,218 known questioned costs, \$4,923,606 disputed questioned costs

Recommendation – The State of Kansas should implement the procedures recommended by the Office of Inspector General to ensure future unallowable costs do not occur. The State of Kansas is currently awaiting the outcome of their appeal to HHS regarding the indirect costs.

Finding No. 03-11

Federal Program – Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558)

Condition – One of 23 files selected for testwork lacked documentation demonstrating the reasons for allowing a TANF recipient who had been terminated from the program to be reinstated after a second refusal to work penalty was assessed.

Criteria – Federal compliance requirements allow states to set guidelines for TANF penalties and states are to adhere to the guidelines they set in order to be in compliance. The Kansas Economic Employment and Support Manual states that “for the second and all subsequent refusal to work penalties, TANF funds are to be taken away until the participant complies with the work requirement or two months, whichever is longer.” Documentation must be evident in the case files to show the participant’s willingness to comply with State guidelines and therefore be reinstated in the TANF program.

Effect – TANF funds could be spent on recipients who have not fulfilled the work requirements and are therefore ineligible.

Questioned Costs - None

Recommendation – The State should implement controls to make sure proper documentation is maintained in the case files concerning compliance with work requirements.

Finding No. 03-12

Federal Program – Unemployment Insurance (CFDA No. 17.225)

Condition – The ETA 581, *Contribution Operations*, the ETA 191, *Financial Status of UCFE/UCX*, and the ETA 227, *Overpayment Detection and Collection Activities* reports are derived from financial information obtained from the State of Kansas Information Technology (IT) department. However, this financial information is not reconciled to the STARS general ledger.

Criteria – The financial information obtained from the IT department used in these reports should be reconciled with or obtained from the STARS general ledger accounting system to ensure data accuracy.

Effect – The reports may contain incorrect or inaccurate information.

Questioned Costs – None

Recommendation – A member of management should reconcile the financial information in these reports with the STARS general ledger accounting system, or establish a computer program that automatically reconciles reports to the Unemployment Insurance Program's general ledger prior to submission.

Finding No. 03-13

Federal Program – Trade Adjustment Assistance (CFDA No. 17.245)

Condition – One expenditure of the total of 25 expenditures selected for testing (or approximately 4%) was overpaid. The amount paid indicated on the voucher and the general ledger was \$91.08. However, the supporting documentation indicated that the amount paid should have been \$68.31.

Criteria – Expenditures must be paid for the correct amount billed by the vendor or reimbursable to the recipient. Any overpayments are considered unallowed costs according to *OMB Circular A-133 Compliance Supplement*.

Effect – The recipient was overpaid by \$22.17.

Questioned Costs – \$22.17

Recommendation – Controls should be implemented so that vouchers are matched against supporting documentation to ensure that the billed amount is the same as the amount paid.

Finding No. 03-14

Federal Program – Trade Adjustment Assistance (CFDA No. 17.245)

Condition – The *Trade Act Participant Report* for the quarter ending March 31, 2003 reported incorrect total earnings from wages for the “1st Quarter Following Exit,” “2nd Quarter Following Exit,” and “3rd Quarter Following Exit.” The amounts reported for each quarter were one quarter behind the actual amounts.

Criteria – The Department of Labor requires that the total earnings from wages for the first, second, and third quarters following exit from training under the Trade Adjustment Assistance be reported correctly by quarter.

Effect – The Department of Labor has received incorrect amounts for the total earnings from wages for the first, second, and third quarters following exit.

Questioned Costs – None

Recommendation – A member of management should review and reconcile the supporting documentation to the report before the report is submitted.

Finding No. 03-15

Federal Program – Trade Adjustment Assistance (TAA) (CFDA No. 17.245)

Condition – During eligibility testing of the Trade Adjustment Assistance Program, two of the thirty-two Trade Readjustment Allowance (TRA) claimants remained eligible for more than the maximum combined number of weeks available for receipt of unemployment compensation.

Criteria – For TAA recipients, the maximum combined number of weeks for receipt of unemployment compensation (UC), extended benefits (EB), and trade readjustment assistance (TRA) cannot exceed 52 weeks, except that up to 26 additional weeks of TRA may be paid to program participants enrolled in approved training. However, the Federal government issued temporary extended unemployment compensation (TEUC) and additional TEUC. TEUC was issued for a maximum of 13 weeks for receipt of benefits; additional TEUC was issued for a maximum of 26 weeks for receipt of benefits. TEUC and additional TEUC served to reduce regular TRA (not the additional TRA). Kansas also issued two additional weeks of state unemployment benefits, Kansas Additional Benefits (KAB). Therefore, for claimants enrolled in approved training, the maximum combined number of weeks for receipt of benefits is 93. For claimants waived from approved training, the maximum combined number of weeks for receipt of benefits is 67.

Cause - The deficiency noted above resulted primarily for two main reasons. Recent changes to the Trade Adjustment Assistance Program such as the introduction of Temporary Extended Unemployment Compensation benefits (TEUC) and extended TRA benefits have increased the program's complexity. Also, recent turnover in the computer programming staff in the information technology department has slowed the process of developing a computer program to deal with the above-mentioned changes.

Effect – Two claimants of the thirty-two selected for testwork were overpaid by a total of \$2,760.

Questioned Costs – \$48,144 (includes \$2,760 of known questioned costs and \$45,384 of likely questioned costs (\$2,760 known errors divided by \$218,313 of TRA payments during SFY 03 in our sample population multiplied by \$3,589,822 of total population TRA payments during SFY 03).

Recommendation – In order to ensure that TAA/TRA claimants are not overpaid, we encourage the Department of Human Resources to hire and train the computer programming staff necessary to develop new programs as changes to TAA/TRA arise.

Finding No. 03-16

Federal Program- Migrant Education- Basic State Grant Program (CFDA No. 84.011)

Condition - The U.S. Department of Education, Office of Inspector General conducted a review of the Migrant Education program in the spring of 2003. As a result of this review, the U.S. Department of Education cited that *“the State of Kansas did not establish and implement appropriate procedures to identify and target “Priority for Services” to migratory children who are failing, or most at risk of failing, to meet State of Kansas standards, and whose education was interrupted during the regular school year”*.

Criteria - Per the OMB A-133 Compliance Supplement, Special Tests and Provisions, “Subgrant Process”, a State educational agency’s process to target Migrant Education funds should take into account the “priority for services” requirement.

Effect - As a result, the U.S. Department of Education has no assurance that the State of Kansas used the Migrant Education funds for “Priority of Services” migratory children before providing services to other migratory children and the State of Kansas was unable to report the correct number of “Priority of Services” migratory children served in the Consolidated State Performance Report.

Questioned Costs – None

Recommendation – We understand that the State is implementing procedures that will effectively identify and target “Priority of Services” to migratory children. The State’s response to the U.S. Department of Education’s finding is that the State of Kansas is (1) *revising the Local Consolidated Plan onsite monitoring instrument to include specific review of documentation of appropriate use of migrant funds for the Priority of Services migratory children;* (2) *have defined what constitutes “at risk of failing” State standards and “whose education has been interrupted during the regular school year”;* and (3) *are implementing procedures to identify and collect the number of Priority of Services migratory students served in Kansas’ schools.*

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)

Year Ended June 30, 2003

Finding No. 03-1 -Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Corrective Action Plan - The Department of Social and Rehabilitation Services (SRS) has signed a new contract for its Medicaid Management Information System contract. The new contract specifies that the service organization obtain independent audit work in compliance with GAAP and CobiT (Control Objectives for Information Technology). The SAS 70 report requirement is specifically mentioned as a requirement in that contract. (This is RFP # 4.4.9 – listed under Additional Requirements)

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-2 - Federal Program – Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Corrective Action Plan - Electronic Data Systems (EDS) the fiscal agent receives a monthly update electronically from the Kansas Board of Healing Arts (KBOHA) listing the expiration date(s) of enrolled providers. EDS will filter this listing to compile a list of providers whose license will expire within 30 days. These providers will receive a letter informing them of possible inactivation if their license is not renewed. A second letter will be sent to providers 30 days after license expiration, with a final letter sent to the provider 60 days after license expiration. Any provider who does not notify EDS of their license renewal will have their enrollment status inactivated. (This process was implemented in January 2004)

SRS will also review the feasibility of initiating a system edit to screen against active provider licenses. This will be included as a system enhancement. (There are currently no defined target dates for system enhancements. The proposed enhancements would be evaluated and prioritized based on a variety of criteria, which may include: changes in Federal or State regulations; program requirements; budgetary constraints; staffing issues/concerns; provider impacts; system capabilities.)

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-3 - Federal Program – Child Support Enforcement (CFDA No. 93.563)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services

Agency Response - Kansas Child Support Enforcement appreciates the opportunity to review and respond to the audit findings. Of the 32 cases sampled, two resulted in findings. This represents a 94% compliance rate which exceeds the Federally mandated Establishment rate of 75%. In addition, it represents an improvement over the Single Audit three years ago which resulted in four findings. Child Support Enforcement staff are pleased with the results and dedicate themselves to striving for continued improvement. The two cases in question have been researched. The errors have been reported to the case manager and supervisor for analysis and resolution.

Corrective Action Plan - In looking toward the future and seeking improvement, three methods of progress either are or will be implemented. First, the Self Assessment Unit will continue to conduct annual reviews of sampled cases. As part of these reviews, establishment requirements are analyzed. If errors are discovered, they are brought to the attention of the field office and case manager for resolution.

Secondly, Self Assessment reports are released quarterly and are used as a training tool for new and existing staff. The reports detail cases in various stages of establishment and enforcement. They also pinpoint any deviations from Kansas policy or Federal regulation. In this manner, they serve as a useful training tool for field staff.

In terms of future plans, Child Support staff are currently developing a report which will identify all Kansas cases in which paternity and child support are not established while an active address is known. This report will be used to focus effort on establishment cases thus increasing the rate of paternity and child support order establishment in Kansas.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-4 - Federal Program – Child Support Enforcement (CFDA No. 93.563)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response - The 12/31/02 396A expenditure report was incorrect, resulting in the 12/31/02 272A report being incorrect. This was the result of a number misread by the person preparing the 272A. This resulted in the 272A for 12/31/02 being off \$50,050.

The 3/31/03 396A was corrected for this but the 272A for the same time period was not. The 6/30/03 272A corrected the earlier \$50,050 error, but another error by the 396A preparer reporting a negative \$24,038 instead of a positive \$24,038 resulted in the 6/30/03 396A and 272A being incorrect.

The 9/30/03 396A corrected the 6/30/03 396A report. The 9/30/03 272A corrected the 6/30/03 error because the 9/30/03 272A is a cumulative report. Because the 272A is a cumulative report and all corrections have been made by 9/30/03 there are no questioned costs overall.

Corrective Action Plan - In the future after the 272A preparer has completed the 272A, the accountant submitting the documentation from the 396A will review the 272A for accuracy before the 272A preparer submits the 272A electronically.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-5- Federal Program – State Children’s Health Insurance Premium (SCHIP) (CFDA No. 93.767)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response/Corrective Action Plan – See the response and plan for Finding No. 03-2 on page 22 on the Medicaid Cluster.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-6- Federal Program – Adoption Assistance (CFDA No. 93.659)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response - The SRS Funding Table **was** updated to reflect the correct FMAP rate. The error occurred because the KSCARES table was not updated timely with the correct funding information.

Personnel in the Federal Financial Reporting Unit update the SRS Funding Table quarterly or more often if changes are needed. When this is done a new Funding Table is issued to the ITS personnel responsible for updating the KSCARES system. There was a change of ITS personnel at the time of the update in question and KSCARES did not get updated with the new FMAP that quarter and the 2 months following.

Corrective Action Plan - In the future the Federal Financial Reporting Unit manager will do a follow up with personnel involved with the systems that derive their funding from the SRS Funding Table to ensure that an update is done.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-7 - Federal Program – Adoption Assistance (CFDA No. 93.659)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response/Corrective Action Plan – Children and Family Service’s policy manuals and forms will be changed and forwarded to all workers statewide to ensure that all documentation required to determine eligibility for adoption assistance will be maintained in a separate adoption subsidy folder in both the financial file and the child’s file for review and audit purposes.

The CFS 4019, Eligibility for Adoption Assistance, will serve as a checklist for workers to use to ensure that all criteria are met when determining if the child is eligible for IV-E adoption subsidy. Copies of all documents used to complete the checklist will be attached to the form and the form and all supporting documents will be placed in a separate adoption subsidy folder in both the financial file and in the child’s permanent case file. Documents included will be a copy of the adoption petition, a copy of the PRT or voluntary relinquishment agreement, the CFS 4024, a copy of the child’s social history and or case planning documentation related to determination of the child’s special needs, documentation of attachment to foster parent, placement with relative, or individual recruitment plan, case planning conference notes related to the reasonable efforts made to place without adoption subsidy, all foster care IV-E determination documentation, and documentation of eligibility or receipt of SSI.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-8 - Federal Program – Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response – Center for Substance Abuse Treatment (CSAT) has agreed to modify the base amount the state is required to meet to \$49,516. This is a substantial reduction from \$103,950. Based on the new base, Kansas does in fact meet the expenditure amounts for 2003 and 2004.

In a letter dated 1/12/04, federal program staff informed SRS that it was in compliance regarding its maintenance of effort for Tuberculosis for FY 2003 and FY 2004. The letter states:

“The Kansas, Department of Social and Rehabilitation Services, Substance Abuse Prevention, Treatment, and Recovery was found to be in compliance regarding its maintenance of effort for Tuberculosis for FY 2003 and FY 2004. The following information outlines the history and steps the State of Kansas has taken in its best effort to meet the maintenance of effort compliance rates for tuberculosis services.

- The Kansas, Department of Social and Rehabilitation Services, Substance Abuse Prevention, Treatment, and Recovery was found to be out of compliance regarding its maintenance of effort for Tuberculosis for FY 2000 and FY 2001.
- As a result, on-site TA was provided to the State In FY 2002, at the conclusion of the TA, a plan was developed and submitted to CSAT as to how the State will be able to meet it’s MOE requirement for TB in the future.
- This plan was submitted in the FY 2003 SAPT Block Grant Application.
- A thorough review of the State’s TB service delivery system was conducted. They are now aware of the nature and extent of all TB services provided within the State, and have an understanding of the methodology used to compute the baseline.

If you need more information please refer to the Technical Assistance Report dated September 20, 2002 that is maintained by the State.”

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-9- Federal Program – Block Grants for Prevention and Treatment of Substance Abuse (SAPT) (CFDA No. 93.959)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response - SRS Health Care Policy concurs with this audit finding. We note that the FFY 2004 application required that SRS report on the use of FFY 2001 Block Grant funds rather than FFY 2002 cited above.

Corrective Action Plan - In the future, SRS Health Care Policy will track and report on the Block Grant expenditures by Federal Fiscal Year. In accordance with the SAPT Block Grant Application guidelines, funds from sources other than the Block Grant will continue to be reported on a State Fiscal Year basis (Section 1, p.5 and Section 2, p. 32).

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-10- Federal Program – Disability Insurance/SSI Cluster (Disability Determination Services) (CFDA No. 96.001/96.006)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response - A state participating in the various public assistance programs is required to determine the amount of commonly incurred expenditures that are allocable to each program the state administers. A state is required to submit a plan for cost allocation to DCA for its approval. This Cost Allocation Plan (CAP), is defined as "a narrative description of the procedures that the State agency will use in identifying, measuring, and allocating all State agency costs incurred in support of all programs administered by the State agency." Once approved by DCA, a CAP would generally continue in effect indefinitely if the state submits an annual statement to DCA certifying that the CAP is not outdated.

The adjustments that the auditors recommended and that SSA has requested are based on retroactive reallocation of KRS Central Office and KS-SRS Administration Division costs. However, SSA may not fairly require a retroactive reallocation, because the allocation methodology that KS-SRS used was exactly in accordance with its CAP as approved by the Department of Health and Human Services Division of Cost Allocation ("DCA"). Once a CAP has been approved by DCA, it continues in effect indefinitely. *See, e.g., New York State Office of Children and Family Services, DAB Dec. No. 1831 (May 29, 2002); see also 45 C.F.R. § 95.509(b).* If DCA believes its original approval was in error, it can require the state *prospectively* to amend its methods of cost allocation. However, DCA may not retroactively require allocation other than in accordance with the approved plan. *See Oklahoma Department of Human Services, DAB Dec. No. 963 (June 15, 1988).*

Kansas was entitled to rely on the terms of its approved CAP so long as allocation in accordance with the approved CAP was not contrary to any requirement of federal law and was not clearly inequitable. *See Oklahoma Department of Human Services, DAB Dec. No. 963.* The terms of the approved CAP were not inconsistent with any federal law and were not inequitable, so there is no justification for SSA to disregard the approved CAP.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED) (Continued)

The Audit Report asserts that the KS-SRS allocation methodology was inconsistent with the requirements of OMB Circular A-87 because it did not result in an allocation to all benefiting programs. That conclusion is wrong. The 1981 version of OMB Circular A-87 stated that a cost is “allocable . . . to the extent of benefits received.” 46 Fed. Reg. 9548, 9549 (Jan. 28, 1981). The HHS Departmental Appeals Board (“the Board” or “the DAB”) has specifically held that the 1981 version of Circular A-87 did not generally require a proportionate or pro rata allocation of costs, *see Illinois Department of Children and Family Services*, DAB Decision No. 1530 (1995), and that the Circular permitted DCA to approve, for example, “an assignment of costs exclusively to one of the fully benefiting programs.” *Id.*; *see also Illinois Department of Children and Family Services*, DAB Decision No. 1645 (1998); *Oklahoma Department of Human Services*, DAB Decision No. 963 (1988). The current version of Circular A-87 states that a cost “is allocable if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.” 60 Fed. Reg. 26484, 26492 (May 17, 1995). The current version made no substantive change in the Circular’s cost allocation provisions. *See* Order of July 16, 2002 in DAB Docket No. A-2000-99. Thus, under the Board’s rulings, the version of Circular A-87 that was in effect during the audit period (as well as currently) did not require proportionate or pro rata allocation or allocation to all benefiting programs.

All that OMB Circular A-87 requires is an equitable allocation of costs. *See Illinois Department of Children and Family Services*, DAB Decision No. 1530. The allocation methodology established in KS-SRS’s approved CAP is equitable because the KS-SRS field offices do not utilize KRS Central Office services to the same degree as the central office program offices.

SRS’s approved cost allocation methodology clearly has not caused KS-DDS’s costs to be out of line. Quite the contrary, KS-DDS’s average cost per case was below the national average and the Kansas City regional average for disability determination agencies for fiscal years 1997, 2000 and 2001; was the lowest average cost per case in the Kansas City region for fiscal year 2001; and for four out of six fiscal years from 1997 through 2002 was at least \$40 lower than the highest average cost per case in the Kansas City region. These results mean that there is no reason for SSA to question (much less for it to seek to override) the approved cost allocation methodology that was in effect for these years.

SRS is now appealing this decision to the HHS Departmental Appeals Board.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-11- Federal Program – Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558)

Auditee Contact - Mary S. Hoover, Chief Internal Auditors, Department of Social and Rehabilitation Services, Office of Audit and Consulting Services.

Agency Response - SRS has reviewed the case in question and concurs that the record does not document that the client was willing to meet the work requirements when the TANF cash case was reopened following a second work penalty. This is an isolated case situation.

Corrective Action Plan - This audit finding will be discussed with the EES Chiefs, and the importance of case record documentation will be emphasized.

In addition, the Program Evaluation Consultation (PEC) staff will plan to include a sample of work program penalty cases in their area reviews to assure there is proper documentation of compliance in the case record.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-12- Federal Program – Unemployment Insurance (CFDA No. 17.225)

Auditee Contact – Gerald Schneider, Chief Financial Officer, Kansas Department of Human Resources

Agency Response -- The United States Department of Labor requires each State to periodically validate the ETA 581 and the ETA 227 for reporting discrepancies. Past validations of these reports have not revealed errors in the reported data. Previous investigations of reports comparing operational data to fiscal data have revealed different criteria for the data elements involved in the particular report, i. e., cutoff dates, definitions, etc.

The ETA 191 is also a computerized report generated from the Unemployment Insurance Benefit system. It also has various elements that affect its information as compared to the STARS record, i.e. cutoff dates, timing of transactions, etc. To try and reconcile the differences between the two would be an almost impossible task considering the volume and the different types of adjustments that can be made in the benefit system to an individual account and when the adjustment is made.

This issue was previously resolved with the federal grantor agency to which the ETA 191 report is submitted. This same finding was contained in our FY 94 and 95 audit with the following Grantor Determination: *“The Grant officer recognizes that fiscal integrity would be greatly enhanced if the two systems could be reconciled, if not periodically, at least as part of the audit process. However, since there is no question of error in the federal reporting system nor difference in the original source documentation, the Grant officer views the incompatibility of the two systems as an internal State problem. Therefore, this finding is RESOLVED for purpose of this Determination process”.*

We are in the initial stage of gathering information for presentation to the 2004 Legislature session for a rewrite of the Unemployment Insurance Benefit system. If the project and funding is approved, we will pursue the auditor’s concern in the design stage of the new system.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-13- Federal Program – Trade Adjustment Assistance (CFDA No. 17.245)

Auditee Contact – Gerald Schneider, Chief Financial Officer, Kansas Department of Human Resources

Agency response - The employee reimbursement request form has been changed so that the number at the bottom the request is no longer transferred to the space at the top of the request. That space now has “Same as below” typed in so that this clerical error cannot happen again. The supporting documentation will only have the single space for the amount to be entered. The individual has been notified of the mileage overpayment and that their next reimbursement check will be reduced by the overpayment of \$22.17.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-14- Federal Program – Trade Adjustment Assistance (CFDA No. 17.245)

Auditee Contact – Gerald Schneider, Chief Financial Officer, Kansas Department of Human Resources

Agency Response – A member of management originally found the discrepancy. When the report was turned over to the auditor, the auditor was notified that it would be incorrect and provided the reason. All prior and subsequent reports to the March 30, 2003 have the correct wage quarters and fully accurate. This was a one time human error in determining the quarters required for this report. Management has instituted a second level review of the report prior to its submission to Department of Labor. Additionally, personnel responsible for extracting and entering the wage information for the report have received additional training to preclude future occurrence.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-15- Federal Program – Trade Adjustment Assistance (CFDA No. 17.245)

Auditee Contact – Gerald Schneider, Chief Financial Officer, Kansas Department of Human Resources

Agency Response - The audit revealed an approximate 1.26% error rate in TAA/TRA benefit payments. The cause of these errors was the incorrect application of complex special rules relating to the implementation of a federal extended benefits program called Temporary Extended Unemployment Compensation (TEUC). Under these rules, TEUC benefits were to be paid before TRA and in certain cases, TRA benefit payments were to be reduced by the number of weeks that TEUC was paid.

TEUC implementation was hampered by delays in getting guidance and clarification of program requirements from the USDOL and the fact that TEUC required extensive, very technical computer program development. These problems resulted in the misapplication of qualifying rules, causing TRA benefits to be paid to the subject individuals for weeks that TEUC should have been paid.

Although the auditor's recommendation is to hire and train additional programming staff to avoid a repeat of these circumstances, we do not agree that this will be the best solution. These payment inaccuracies resulted from a conflict of eligibility rules between two complex federal programs, one of which had not existed prior to March 2002 and likely will not be brought back, at least in its present form. Compounding the situation is an antiquated State Unemployment Insurance System that was written in 1960s, containing over 1M lines of code written in COBOL. It has been patched/modified over the years to the point that a complete rewrite is desperately needed. We feel similar errors can best be avoided in the future by a complete re-write of the Unemployment Insurance System and through better dissemination of information and guidance from our federal partners at the USDOL.

We are currently conducting a need assessment on the Unemployment Insurance Benefit System and intend to have a recommendation for the 2004 Legislature to allow the agency to modernize and rewrite this antiquated system.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

Finding No. 03-16- Federal Program- Migrant Education- Basic State Grant Program (CFDA No. 84.011)

Auditee Contact – Ronald K. Nitcher, Team Leader, Fiscal Service and Operations, Kansas State Department of Education

Corrective Action Plan - The Kansas State Department of Education is in the process of developing and implementing the following procedures to ensure compliance with the Elementary and Secondary Education Act of 1965, as amended, and the recommendations submitted by the Office of the Inspector General. Our corrective actions are categorized under each of the three recommendations made by the OIG.

1. Monitor sub-grantees to ensure funds are used for Priority for Services migratory children before funds are used for other migratory children.

Onsite Monitoring

- The Kansas State Department of Education is currently revising the Local Consolidation Plan (LCP) onsite monitoring instrument to include specific review of documentation of appropriate use of migrant funds for the Priority for Services migratory children.
 - Sub-grantees will be required to provide documentation verifying which students are both at-risk and have had an interruption in education during the regular school year.
 - Lists of students receiving migrant services will be compared against the list of Priority Services migratory students to ensure that these students are receiving migrant services. Rational is provided for any Priority Service migratory students not receiving services.
- An onsite monitoring report is written within 30 days of the visit. The report includes any findings and recommendations. Sub-grantees have 30 days following receipt of the report to respond. Funds may be held until issues are resolved should a sub-grantee be out of compliance concerning serving Priority for Services migratory children and failing to respond to the report.
- Results from the onsite monitoring visits will be reviewed prior to the Kansas State Department of Education allocating future Migrant Education funds.
- Local school districts with Migrant Education Programs will be given priority status by KSDE staff when determining which districts to monitor onsite.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED) (Continued)

- It is anticipated that the revisions to the LCP onsite monitoring instrument will be completed in time to guide audits beginning in the spring of 2004.

Desktop Monitoring

- Beginning with the 2003-04 school year, sub-grantees will report in the LCP Annual Report data on participating students. The LCP Annual Report has been revised to include the number of migrant students served who are identified as Priority Services migratory students and those who are not Priority Services students.
 - Data in the LCP Annual Report will be analyzed by the Kansas State Department of Education to ensure that funds are targeting the Priority Services migratory students.
 - Data in the LCP Annual Report will also be verified for accuracy by cross checking data maintained in the Kansas Migrant Student Network (KMSN), which is the migrant student record data base system, and reviewing the Certificates of Eligibility (COE) submitted by local districts.
 - State assessment results will be reviewed to verify students identified as “at risk”.
 - The KMSN database is monitored by KSDE to ensure that complete information for each migrant student is entered. Special attention is given to the data elements on “at risk” and “interruption of education.”
2. **Define what constitutes "at risk of failing" state standards and "whose education has been interrupted during the regular school year".**

To define these elements, the Kansas State Department of Education convened a committee of sub-grantees. The committee recommended and the Department approved the following definitions:

“At-Risk of Failing” to Meet State Standards -

- Student scores in either the unsatisfactory or basic performance levels on any of the state assessments in reading, writing, mathematics, social studies or science;

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

- Student is classified as either non-English proficient or limited English proficient according to the results of an English Language Proficiency assessment;
- Student is not at grade level based on the 2nd grade diagnostic reading assessment;
- Student is behind in accruing credits toward graduation requirements;
- Student is placed in a class that is not age appropriate, i.e., 8 year-old student placed in first grade;
- Student has repeated a grade level or course;
- Student is not attending school regularly (according to school district policy); and,
- Student is identified as having disabilities.

Education Has Been Interrupted During the School Year -

- Migrant student who moves within the regular school year from one school to another within a district;
- Migrant student who moves across school district boundaries within the school year (and has a new Qualifying Arrival Date.);
- Migrant student who does not officially withdraw from a school but is absent for two or more weeks and then returns; and,
- Migrant student who does officially withdraw, is gone for at least two weeks, and then re-enrolls.

STATE OF KANSAS

CORRECTIVE ACTION PLAN (UNAUDITED)
(Continued)

3. Implement the following procedures to identify and collect the number of Priority Services migratory children served in Kansas' schools.

- Sub-grantees have been notified of the requirements for identifying and serving Priority of Services migratory children and new reporting requirements via letters, e-mail (listserv), migrant director's meetings and the ESOL/Migrant Annual Conference. The new definitions adopted by the Department for identifying "at-risk of failing" to meet state standards and "education has been interrupted during the school year" have also been mailed and/or presented to migrant directors and data collection clerks.
- The web-based data collection system used for the transfer of migrant student records has been modified to include the reporting of Priority for Services migratory children. When reporting these students, school districts must identify the specific criteria the students meet to be defined as Priority for Services migratory children. We have attached printed copies from the system (with the names of students marked out to ensure privacy) to document the reporting of this information. The data currently being collected will be utilized for determining the funding formula for school districts in the 2004-05 school year. To ensure that funds were allocated properly by the Kansas State Department of Education for the 2003-04 school year, school districts were required to report this same information through individual surveys.
- As previously stated, the LCP Annual Report has been revised to include the number of migrant students served who are identified as Priority for Services migratory students and those who are not Priority for Services students. The information provided can be used to confirm the data reported via the web-based data collection system.

By developing and implementing this corrective action plan, we trust you will concur that the Kansas State Department of Education will be able to appropriately identify, as required by federal law, migratory children who are failing, or most at risk of failing, to meet the state's challenging content standards and challenging performance standards, and whose education has been interrupted during the regular school year to receive Priority for Services. In closing, we also wish to mention that with guidance from the U.S. Department of Education, we are in the process of redesigning our needs assessment process to ensure that services provided to Priority Service migratory children are truly the services required to meet their needs.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS

For the Fiscal Year Ended June 30, 2003

Prior Year Finding No. 02-1

Federal Program - Medicaid Cluster (CFDA No. 93.775, 93.777, 93.778)

Condition - During 2002, the State utilized Blue Cross/Blue Shield of Kansas (BCBS) to process provider claim payments under the Medicaid program. The Department of Social and Rehabilitation Services has historically relied upon the controls of BCBS in the processing of these claim payments. A complete review of the controls related to the claim payment process has not been performed by a third party and a SAS No. 70 report has not been received. SAS No. 70 provides guidance on the factors an independent auditor should consider when auditing the financial statements of an entity that uses a service organization to process certain transactions. The user auditor should consider the effect of the service organization on the internal control of the user organization (the State) and the availability of evidence to obtain the necessary understanding of the user organization's internal control in the order to plan an audit, assess control risk at the user organizations and perform substantive tests.

Criteria - The Office of Management and Budget (OMB) Compliance Supplement for the Medicaid Cluster recommends that a SAS 70 report be received in order to document the understanding of and gain reliance on, any outside service organization's controls.

Effect - Provider payments on Medicaid claims are processed by BCBS. If the proper controls are not in place and are not being adequately monitored, provider payments may be incorrectly processed.

Questioned Costs - None.

Recommendation - The Department of Social and Rehabilitation Services (SRS) should request BCBS to provide a SAS 70 report on internal control over its provider claims processing for the Medicaid program. Any other areas of processing which are significant to the Medicaid program should also be covered by the report. Additionally, as future contracts are negotiated for service organizations used to process provider payments, the requirement for an annual SAS 70 report should be included as a contract provision.

Follow-up – Although a SAS 70 report was not received for the year ended June 30, 2003, the new contract with the new fiscal agent, Electronic Data Systems (EDS), specifies that once SRS is no longer using the previous fiscal agent's information system, EDS is required by contract to obtain a SAS 70 report.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-2

Federal Program – Child Care Cluster (CFDA No. 93.575, 93.596)

Condition – One out of 32 applications tested was not dated. As a result we were unable to determine if the eligibility determination process was completed within 30 days.

Criteria – SRS requires that Child Care Assistance Eligibility be determined within 30 days of the agency's receipt of a signed application.

Effect – The timeliness of the eligibility determination process was unable to be assessed.

Questioned Costs – None.

Recommendation – Although a procedure is currently in place to date stamp all applications, we recommend that procedures be strengthened for review of client files during the applicant's appointment to apply for child care assistance in order to ascertain whether the application date was stamped on the application or a phone log entry was made on the correspondence form. This will assist in substantiating compliance with the 30 day requirement.

Follow-up – The stamping of applications was discussed at SRS meetings and the importance of date stamping was emphasized with department chiefs. The department chiefs then emphasized the importance to local office staff.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-3

Federal Program – Child Care Cluster (CFDA No. 93.575, 93.596)

Condition – Grantee had not submitted final reports by deadline.

Criteria – SRS requires final reports from grantees within 60 days of grant period.

Effect – Information is not available to SRS in a timely manner to determine if the grantee is in compliance with requirements of the grant.

Questioned Costs – None.

Recommendation – SRS has a system in place to follow up with grantees who have not submitted their final reports. In this instance SRS did follow up, but the grantee did not respond. We recommend SRS Child Care personnel institute procedures which encourage grantees to respond to requests for information in a more timely manner.

Follow up – During 2003, we no longer had a Child Care Center program at the State due to the budget crisis. We did do site visits and follow-up phone calls to grantees who did not turn in reports. If we reinstate the grant program in the future, we will include this as one of our procedures.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-4

Federal Program – Child Care Cluster (CFDA No. 93.575, 93.596)

Condition – The on-site monitoring occurred 103 days after the grant period.

Criteria – SRS requires that on-site monitoring shall occur once during the grant period.

Effect – The on-site monitoring by SRS during the grant period allows management to determine if the grantee is in compliance with requirements of the grant and make recommendations before the end of the grant period, if required. The ability to make timely recommendation is lost when on-site monitoring is not done during the grant period.

Questioned Costs – None.

Recommendation – We recommend that procedures be instituted to allow for timely on-site monitoring visits to comply with monitoring guidelines.

Follow up – During 2003, we no longer had a Child Care Center program at the State due to the budget crisis. We did do site visits during the conclusion of this grant program. If we reinstate the grant program in the future, we will include procedures that would monitor that site visits are completed timely.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-5

Federal Program – Child Care Cluster (CFDA No. 93.575, 93.596)

Condition – The Head Start on-site monitoring procedures do not include verification of compliance with publicity releases.

Criteria – SRS requires that all publicity releases and materials published in connection with the grant shall conspicuously acknowledge support of the Kansas Department of Social and Rehabilitation Services.

Effect – Without a monitoring step to review for compliance with the requirement for publicity releases, SRS is unable to determine compliance.

Questioned Costs – None.

Recommendation – We recommend that SRS include this requirement on the Head Start monitoring checklist to ascertain compliance.

Follow Up – The compliance with publicity releases has been added as a review element to the Early Head Start site visit review checklist and is currently being used at site visits.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-6

Federal Program – Child Care Cluster (CFDA No. 93.575, 93.596)

Condition – No independent audit report was received by SRS from the grantee.

Criteria – Non-federal entities that expend over \$300,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of OMB Circular A-133. The independent auditor report must be submitted within nine months of grantee's fiscal year end to SRS.

Effect – Without the Single Audit report, SRS is unable to review and determine if all compliance aspects were met.

Questioned Costs – None.

Recommendation – We recommend that SRS implement procedures to timely monitor grantee compliance with the submission of independent auditor reports.

Follow-up- The Office of Audit did implement new procedures to ensure timely submission of independent audit reports. Staff have been assigned to monitor the automated tracking system and report late filing to their audit managers. The audit managers routinely contact the provider if the report is late. If that doesn't result in submission of an audit, they work with program staff to determine what course of action needs to be taken to obtain a report. Possible alternative courses of action include: assessing penalties, withholding current grant funds or closing out the report based on available information.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-7

Federal Program – Workforce Investment Act Cluster (CFDA No. 17.258, 17.259, 17.260)

Condition – 26 percent (compared to the maximum requirement of 25 percent) of the dislocated workers funded amount was reserved for rapid response activities. The overage was due to a modification received late in the fiscal year. The modification was an amount that was rescinded from the program year allotment and divided between administration costs, rapid response, and the five local area allocations based upon the 1999 and 2000 program year expended balances in proportion to the state as a whole. Before the modification, the department was in compliance with the compliance supplement criteria.

Criteria – The Office of Management and Budget (OMB) Compliance Supplement for the Workforce Investment Act Cluster states that the State must reserve for rapid response activities a portion of funds, up to 25 percent, allotted for dislocated workers.

Effect – Funds allocated to Rapid Response in error were unavailable for other program activities.

Questioned Costs – \$31,939.

Recommendation – Procedures be implemented to insure modifications are appropriately rescinded from allotments for administration costs, rapid response and the five local areas.

Follow-up- The adjustment of the fund allocations was completed on December 20, 2002 when the Rapid Response funds were redistributed to Statewide Administration and Setaside activities in the amount of \$30,110 and \$1,829 was allocated to the local area 4. The attachment reflects the notification to the local area and the effect of the movement of funds between the Workforce Investment Act activities. (See Attachment No. 1)

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-8

Federal Program – Special Education Cluster (CFDA No. 84.027, 84.173)

Condition – The total base allocation to preschools in the allocating formula was 1 percent less than the amount stipulated in the award document. However, the preschools overall receive more money than the minimum amount required by the United States Department of Education.

Criteria – For each grant year, the United States Department of Education creates a chart that accompanies the award documents. This chart indicates the minimum or maximum of the grant money that can be allocated to the Local Education Agencies based upon different criteria.

Effect – A number of preschools that received grant money could have received more or less than they should have if the formula was followed correctly.

Questioned Costs – None.

Recommendation – Control be out into place to insure that the allocating formulas accurately reflect all requirements of the grant award.

Follow-up - As discussed previously, the Kansas State Department of Education was directed by the U.S. Department of Education to allocate from its FY 2001 allocation for Special Education – Preschool Grants, a minimum of \$3,347,577 to local education agencies including a base allocation of \$3,091,971.

When computing our local grant awards, an error was made in calculating the base allocation. Rather than using the required amount of \$3,091,971, the department used the amount of \$3,062,527, a difference (shortage) of \$29,444. However, as the auditors noted, from the maximum set-aside the state could have retained amounting to \$1,079,088, an additional \$617,037 was allocated to LEAs. As a result, rather than the minimum required distribution to LEAs of \$3,347,577, the State Department of Education actually approved grants to LEAs totaling \$3,935,170, or \$587,593 in excess of the required amount. When responding earlier to the U.S. Department of Education regarding this finding, we were able to document that every LEA received an amount greater than the total of its required base allocation plus its population/poverty allocation.

Upon learning of our error, we immediately developed and implemented a corrective action plan to address this finding. One employee now computes each LEA's allocation while a supervisor reviews the computation for accuracy. The supervisor initials the allocations to document her review and approval. We followed this procedure for allocations computed during the 2002-03 school year and for the 2003-04 school year. It is our intent to continue to follow our corrective action plan for all future years' grant awards.

STATE OF KANSAS

FOLLOW UP ON PRIOR AUDIT FINDINGS
(Continued)

Prior Year Finding No. 02-9

Federal Program – Vocational Education – Basic Grants to States (CFDA No. 84.048)

Condition – The State has not been requiring leadership fund grantees to submit final reports. While some of the grantees prepare and submit year-end reports or other final products on their own, this has not been a requirement in recent years.

Criteria – Final report are required to be submitted in order for State Education personnel to determine if compliance requirements were met.

Effect – The State has no evidence that all grantees are using the granted leadership money for allowable activities.

Questioned Costs – None.

Recommendation – The State should establish policies related to monitoring the leadership fund grantees to ensure that the federal guidelines for the award are met.

Follow-up - In response to this finding, the Kansas State Department of Education implemented a corrective action plan that requires all recipients of state leadership grants to submit a final project report and final expenditure report. These reports must be completed on forms developed by the department. The forms are due annually by August 15. Department staff review the completed forms to ensure that all project activities and expenditures are in compliance with the federal Carl D. Perkins Vocational and Technical Education Act of 1998. The first year's reports to be submitted under these new procedures were for the 2002-03 school year. They were due by August 15, 2003 and are on file at the department for review. We plan to continue using these forms in the future. Blank final reporting forms were mailed to 2003-04 grantees along with their grant award letters.

Program Year 2001 Funding Streams

Disloc. Worker		<u>Rescission</u>	<u>Correction</u>	<u>FINAL</u> <u>Rescission</u>		
	(Col. 9)	(Col. 10)				
TOTAL	1,834,281	(473,377)	-	(473,377)	1,360,904	
STATE	275,142	(101,117)	30,110	(71,007)	204,135	15.0%
Admin.	91,705	(33,702)	10,036	(23,666)	68,039	
Setaside	183,437	(67,415)	20,074	(47,341)	136,096	
Local Total	1,100,569	(285,855)	1,829	(284,026)	816,543	60.0%
SDA 1	273,381	(93,000)		(93,000)	180,381	
SDA 2	160,903	(39,706)		(39,706)	121,197	
SDA 3	266,008	(60,466)		(60,466)	205,542	
SDA 4	298,144	(31,874)	1,829	(30,045)	268,099	
SDA 5	102,133	(60,809)		(60,809)	41,324	
<i>Rapid Response</i>	458,570	(86,405)	(31,939)	(118,344)	340,226	25.0%
	25%					

WIA NOTICE OF FUNDING AUTHORITY

1) Subrecipient: Local Workforce Investment Board - Area #4
 David Norris, CEO
 DEN Management Co., Inc.
 4053 Navajo
 Wichita, Kansas 67210

2) Notice of Funding Number #3

3) Grant Period: 7/1/01 to 6/30/2003

4) Grantor: STATE OF KANSAS

5) Program Title: WIA TITLE I Dislocated Worker Formula
 Program Year 2001

1) CARRY-IN TRANSFERS (PY'00)	<u>Prior Level</u>	<u>Change</u>	<u>New Level</u>
Base			0
Discretionary			0
Incentive			0
Other			0
Subtotal	0	0	0
2) STATE OBLIGATIONS (PY'01)	<u>Prior Level</u>	<u>Change</u>	<u>New Level</u>
Base	266,270	1,829	268,099
Discretionary			0
Incentive			0
Other			0
Subtotal	266,270	1,829	268,099
3) TOTAL FUND AVAILABILITY	266,270	1,829	268,099

Remarks:

This allocation is made available to meet the State's 60% local area allocation minimum, under the conditions of TEGl 3-01 and WIA Section 133(b)(2)(B). This will require a budget update to your plan.

Gerald Schneider
 Chief Financial Officer
 Department of Human Resources

12/20/2002

Date