



PERFORMANCE AUDIT REPORT

**Federal Funds: Determining Whether Opportunities
May Exist To Leverage State Spending
To Draw Down More Federal Funds**

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 2003**

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 \$9 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

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March 27, 2003

To: Members, Legislative Post Audit Committee

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This report contains the findings, conclusions, and recommendations from our completed performance audit, *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*.

The report includes several recommendations for the Department of Social and Rehabilitation Services, the Department of Education, and the Department of Administration. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

A handwritten signature in black ink, reading "Barbara J. Hinton". The signature is written in a cursive, flowing style with a large, prominent "B" and "H".

Barbara J. Hinton
Legislative Post Auditor

EXECUTIVE SUMMARY

LEGISLATIVE DIVISION OF POST AUDIT

Are State Agencies Maximizing the Amount of Federal Moneys Available to Them through Federally Funded Programs?

Census data show that Kansas receives considerably less federal assistance per capita than other states. Kansas ranks 44th in the nation in the amount of federal assistance (per capita) to state and local governments. This suggests that opportunities may exist for the State to draw down additional federal funds. page 3

Claiming more expenses incurred by school districts and CDDOs could generate as much as \$20 million in additional Medicaid funding. The majority of opportunities we identified to draw down additional federal funds related to the Medicaid Program and would directly benefit school districts and CDDOs. Those opportunities that appear to be feasible include: page 5

- Opportunity 1: Updating Medicaid reimbursement rates for school districts and other local educational agencies (\$7 million in additional federal funds)
- Opportunity 2: Claiming reimbursement for administrative costs incurred by school districts when serving Medicaid-eligible students (\$1 million-to-\$4 million in additional federal funds)
- Opportunity 3: Claiming reimbursement for eligible services delivered by nurses and other health personnel in school districts to Medicaid-eligible students (\$3 million in additional federal funds)
- Opportunity 4: Gathering required signatures from the parents of Medicaid-eligible children that will allow school districts to bill for eligible services provided to those children (\$3 million-to-\$5 million in additional federal funds)
- Opportunity 5: Consolidating CDDOs to allow a larger amount of State and local funds to be matched by Medicaid for selected services. (\$2 million in additional federal funds)

Reducing error rates in Kansas' Food Stamp Program could avoid as much as \$1.4 million in penalties. For federal fiscal year 2002, Kansas' error rate in determining eligibility (instances in which SRS incorrectly determined eligibility or the amount of benefits for an individual) was 11.2%, significantly higher than the national average of 8%. Because of this, the State is estimated to be penalized \$1.4 million. page 5

We identified several other opportunities that could generate additional federal funds from existing programs or save the State money. Because of time constraints, we weren't able to fully examine these opportunities, but additional follow-up work could show them to be as promising as those identified above. They include ways to further maximize Medicaid reimbursements and to take advantage of local funds to draw down additional federal dollars. Examples of these opportunities include: page 9

- Ensuring that medical services are provided to foster care children by Medicaid providers
- Increasing targeted Medicaid rates
- Auditing agencies' cost allocation plans
- Maximizing federal reimbursement to local/county governments

We also identified a number of federally funded programs that Kansas may not be participating in. By matching the list of federal grants available to state governments contained in the Catalog of Federal Domestic Assistance with a listing of federal grants Kansas received in fiscal year 2002, we identified 29 programs Kansas may not be participating in. In some cases, we found that Kansas already was receiving these federal funds under another grant, so we can't be sure which grants the State isn't getting. Nonetheless, these opportunities, which are listed in Appendix B, page 16, should be explored. page 10

Kansas could benefit from a more coordinated effort to identify and secure federal moneys. We identified several obstacles that appear to be hindering the State's efforts in securing federal funds. For example, there's no one at the State level that agencies can consult with to find out what federal programs may be available. Also, no one in the State is looking at overall strategies to maximize federal moneys. page 10

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This audit was conducted by John Curran, Scott Frank, Lisa Hoopes, and Joe Lawhon. Leo Hafner was the audit manager. If you need any additional information about the audit's findings, please contact John at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or contact us via the Internet at LPA@lpa.state.ks.us.

Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds

State agencies received approximately \$2.8 billion in federal moneys in fiscal year 2002 to help fund State programs or to pass through to school districts and other local entities. In all, 45 State agencies received federal funds, and those moneys made up nearly 30% of the State's total receipts for the year. Some moneys are provided as the federal share of ongoing State-federal programs such as Medicaid, highway construction, and special education. Other federal funds are received as one-time grants to accomplish specific objectives.

Legislative questions have been raised about whether Kansas is receiving all the federal dollars it can. Maximizing the use of federal moneys can help free up the State General Fund for other uses, or can allow Kansas to provide additional programs or services without spending additional State dollars.

This performance audit answers the following question:

Are State agencies maximizing the amount of federal moneys available to them through federally funded programs?

To answer this question, we canvassed State and federal agency staff, lobbyists, and Congressional staff for potential ways to draw down additional federal moneys. We also searched the internet and reviewed other states' audit reports to determine what other states were doing to maximize their federal moneys. In addition, we determined what federal grants the State is eligible for but may not be receiving, and reviewed large federal grants received by the State to see if State agencies were spending all the funds allocated to them.

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in Appendix A.

In conducting this audit, we followed all applicable government auditing standards. The reader should be aware that this audit was designed only to identify potential opportunities to increase federal funding and to point out those that appear to have the most promise. There may be other opportunities that weren't brought to our attention in the course of the audit. Given the audit's scope, we didn't attempt to verify that the methods suggested by agency

officials would be acceptable to the federal agencies that provide the funding, and in most cases, we didn't do detailed work to verify the accuracy of the estimates of financial impact agency officials provided to us.

Our findings begin on the next page.

Are State Agencies Maximizing the Amount of Federal Moneys Available to Them through Federally Funded Programs?

Our survey work identified additional opportunities for drawing down more federal funds – primarily relating to the State’s Medicaid Program. We identified 5 areas within that Program where changes could be made to potentially generate as much as \$20 million in additional federal funding. An additional \$1.4 million in penalties could be avoided by improving the accuracy of eligibility determination in the State’s Food Stamp Program. Other opportunities we identified may result in additional federal moneys if further investigation shows they are feasible. From our conversations with Kansas officials and officials in other states, we also determined that Kansas could better coordinate its efforts in securing federal moneys.

Census Data Show That Kansas Receives Considerably Less Federal Assistance Per Capita Than Other States

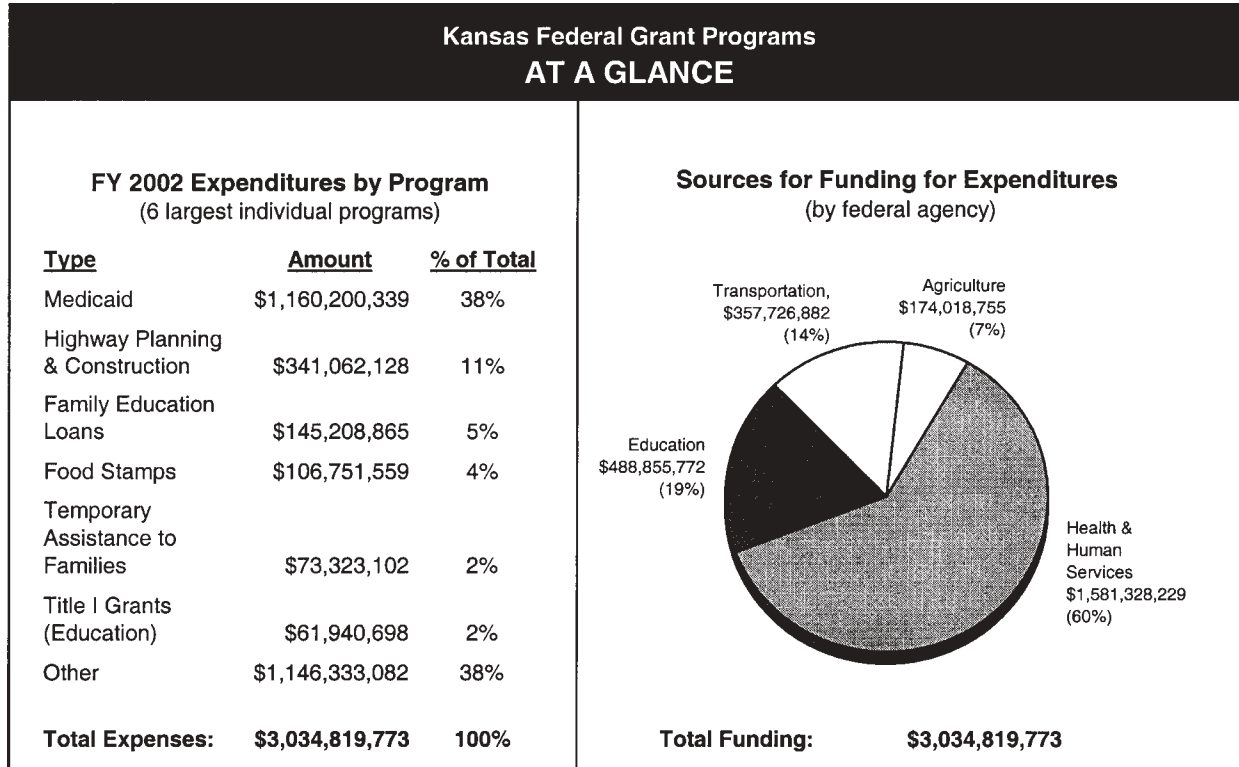
Data from the U.S. Census Bureau shows that Kansas ranks 44th in the nation in the amount of federal assistance (per capita) to state and local governments. We couldn’t determine what differences may exist in how states report their figures. But they do suggest opportunities may exist for the State to draw down additional federal funds.

This audit was designed to help try to identify such opportunities. In doing so, we generally focused on opportunities that don’t require the State to spend additional State funds or changes to federal rules or regulations. The actions we took to generate our list of opportunities included:

- Canvassing State agencies that received more than \$1 million of federal moneys during fiscal year 2002
- Interviewing staff in Kansas Congressional offices and from federal agencies—including their offices of inspectors general
- Speaking with local recipients of federal moneys such as the Southeast Kansas Educational Center and the Kansas Children’s Service League
- Reviewing actions taken by other states to maximize their federal moneys
- Interviewing members from the Governor’s BEST teams
- Canvassing Kansas lobbyists who represent clients with an interest in federally funded programs
- Searching the internet for ideas by professional associations and research centers
- Reviewing federal grants that Kansas receives to determine whether all available moneys are being spent
- Identifying federal grants that Kansas is eligible for but isn’t receiving

From our work, we developed a sizeable list of ideas, grant opportunities, and actions taken by other states to maximize federal moneys. We then investigated those that appeared to us to have the most potential to generate significant additional federal funds for the State.

Other opportunities people suggested that would directly benefit the State dropped off the list either because State agencies were already taking advantage of the opportunity or because Kansas wouldn't qualify for the particular source of funding being suggested. The majority of opportunities that did appear feasible related to the Medicaid Program and directly benefitted school districts or community developmental disability organizations (CDDOs). We found in recent years that the Department of Education has taken steps to inform school districts about these opportunities and to provide information about how to claim these moneys. However, many school districts still don't participate. Capturing the additional federal funds from these opportunities may help off-set the costs incurred by these entities. Additional opportunities we didn't have time to look into also could prove fruitful after further investigation.



Source: State of Kansas Single Audit, fiscal year 2002.

Opportunities That Appeared To Have a High Potential for Generating Additional Federal Funds

Claiming More Expenses Incurred by School Districts and CDDOs Could Generate As Much As \$20 Million in Additional Medicaid Funding

Medicaid is a joint State and federal program that provides medical and mental health services to Kansans. The program is State administered and eligible costs are borne 40% by the State and 60% by the federal government.

Generating more than \$1.1 billion in federal reimbursements annually, the Medicaid Program is the largest single source of federal funding Kansas receives. Accordingly, most of the opportunities we identified to increase federal funding relate to the Medicaid Program. The areas that appeared to us to provide the most opportunity for capturing additional federal funding are the following:

- Opportunity 1: Updating Medicaid reimbursement rates for school districts and other local educational agencies
- Opportunity 2: Claiming reimbursement for administrative costs incurred by school districts when serving Medicaid-eligible students
- Opportunity 3: Claiming reimbursement for eligible services delivered by nurses and other health personnel in school districts to Medicaid-eligible students
- Opportunity 4: Gathering required signatures from the parents of Medicaid-eligible children that will allow school districts to bill for eligible services provided to those children
- Opportunity 5: Consolidating community developmental disability organizations (CDDOs) to allow a larger amount of State and local funds to be matched by Medicaid for selected services

Each of these opportunities is described in the boxes in Table I-1.

Reducing Error Rates in Kansas' Food Stamp Program Could Avoid \$1.4 Million in Penalties

The Food Stamp Program is a nutrition assistance program for Kansans who meet certain low-income and other eligibility requirements. Recipients use a debit card to purchase food from local grocery stores. The program is administered by the State, but the federal government pays for the full cost of benefits provided to recipients—over \$100 million in fiscal year 2002.

From data provided by the U.S. Department of Agriculture, we identified the following opportunity.

- Opportunity 6: Reducing the State's error rate in determining eligibility for the Food Stamp Program

This opportunity also is described in the boxes in Table I-1.

Table I-1 Opportunities To Increase Federal Funding for the Medicaid and Food Stamp Programs						
Identified Opportunity	Program Summary	Opportunity	Potential Funding Impact	What it Would Take	Advantages	Potential Problems
#1 Increase the Amount of Federal Funds to Local Education Agencies for Providing Medicaid-Eligible Services to Special Education Students	School districts and other local education agencies in Kansas provide special education services to more than 75,000 students. These entities may be reimbursed by Medicaid for services they provide to their special education students who are eligible.	The Medicaid rates paid for these special education services haven't been increased since October 1, 1998. According to SRS officials, SRS could increase these rates for inflation without seeking federal approval. Because the special education services provided are unique, the rates can be increased without having any impact on rates paid to <u>other</u> service providers.	\$7 million per year	SRS would need to revise the applicable rates for special education services.	Local education agencies (including the Schools for the Blind and Deaf) would receive additional federal funding without the schools or the State incurring any additional costs.	None noted.
#2 Increase School District Participation in the Medicaid School District Administrative Claiming Program	Through the School District Administrative Claiming Program, Medicaid reimburses school districts for conducting outreach activities aimed at students who might be eligible for Medicaid. Examples of these activities include educating families about the Medicaid Program, helping them apply for Medicaid, and referring their children to the services they need. Currently, it's up to each district to decide if it wants to participate in the program.	Even though most school districts do these kinds of outreach activities, only about 180 of the 303 school districts participate in the program and receive federal Medicaid reimbursements. Because school districts are already providing these services, no additional State funds are required.	\$1 million to \$4 million per year	The remaining 123 school districts would need to sign-up for the program.	School districts would be reimbursed for the time staff already spend on administrative activities. No additional State funds would be required.	As part of the program, school districts are required to submit additional reports on a quarterly basis. Some smaller districts may not find the additional funds sufficient to justify the resources needed to administer the program. However, administrators from a couple of smaller school districts (300 to 800 students) that participate in the program told us the quarterly paperwork isn't difficult to complete.

Identified Opportunity	Program Summary	Opportunity	Potential Funding Impact	What it Would Take	Advantages	Potential Problems
#3 Expand the Types of Services That School Districts Can Bill to Medicaid	Most school districts provide medical services to Medicaid eligible students through staff such as school nurses and psychologists. Currently, Medicaid doesn't reimburse school districts for providing these services because it doesn't pay for services that are already free to the consumer.	One exception to the free services rule: service providers that are funded at least in part with funds from the Maternal and Child Health Services Block Grant. Service providers that receive these funds qualify as Medicaid providers and are allowed to bill Medicaid for medical services they provide (as long as they comply with all Medicaid billing procedures), even if they were already free to the consumer. The Maternal and Child Health grant is administered by the Department of Health and Environment.	\$3 million SRS' response to the audit indicates that school districts couldn't be reimbursed for some Medicaid-eligible students. However, we weren't able to determine the effect this would have on the Department's \$3 million estimate.	SRS and KDE would have to work out an agreement to give each school district a small amount of funding from the Maternal and Child Health grant. SRS staff would have to specify which types of services school districts would be allowed to seek reimbursement for. School district staff would need to be trained on how to keep adequate medical records and how to file medical claims.	School districts would be reimbursed for medical services they are already providing. No additional State or local funds would be required.	Many of the Medicaid-eligible children served in schools are part of managed care. For them, Medicaid has already paid a managed care provider to take care of all their medical needs. School districts would be required to keep more extensive medical records in order to document the new Medicaid claims. Historically, school districts have found it difficult billing for services in a "fee-for-service" system.
#4 Improve School Districts' Efforts in Obtaining Parental Consent To Bill Medicaid	In order to bill Medicaid for the services they provide to special education students, school districts have to share certain pieces of information from the student's school records with the Medicaid agency (SRS). Under federal law, districts must have signed consent from the parents to share this information.	For many special education students, districts haven't obtained signed parental consent. This means that although the district provides special education services to the student, it can't bill Medicaid for those services. Getting more signatures would bring in more money to districts.	\$3 million to \$5 million	The "best practices" of those districts that are able to get parental consent for all or a substantial number of their Medicaid-eligible students would need to be identified and shared with districts that have difficulty in obtaining consent signatures.	School districts would be reimbursed for special education services that they are already providing. No additional State funds would be required.	Some parents may refuse to provide consent.

Identified Opportunity	Program Summary	Opportunity	Potential Funding Impact	What it Would Take	Advantages	Potential Problems
#5 Consolidate Community Developmental Disability Organizations (CDDOs) To Allow a Larger Amount of State and Local Funds To Be Matched by Medicaid for Selected Services	CDDOs are the single point of entry, eligibility determination, and referral for anyone seeking developmental disability services. People with developmental disabilities include those who have a low intellectual functioning and require special protection and services, as well as people with such disabilities as epilepsy, cerebral palsy, and autism. Kansas currently has 28 CDDOs.	To some extent, the amount of federal Medicaid funds a CDDO receives depends on the amount of State and local funds available to it. Consolidation allows CDDOs with limited amounts of State and local funds to pool their resources. The more State and local funds that are available, the more federal funds that can be drawn down. The additional federal funds could be drawn down by increasing the Medicaid rates in which CDDOs are reimbursed for selected services. The Medicaid rates would be raised to a level sufficient enough to use the State and local funds available after consolidation and not require additional State funds.	\$2 million Data analyzed by The Alliance for Kansans with Developmental Disabilities shows that federal Medicaid reimbursements could increase by \$10.7 million if the 28 existing CDDOs were consolidated into 13. A more conservative estimate we developed shows an increase of about \$2 million.	The Legislature would need to modify State law regarding how developmental disability services are provided. Senate Bill 242, being considered by the 2003 Legislature, would accomplish this change. SRS also would need to change selected Medicaid rates accordingly.	An increase in federal Medicaid funds without additional State or local funds.	An increase in Medicaid rates in this instance requires federal approval. Also for additional federal funds to be realized, the amount of funding provided to CDDOs by counties must remain the same as before consolidation.
#6 Reduce the Food Stamp Program Error Rate	The Food Stamp Program provides low-income households with an opportunity to buy the food they need for a nutritionally adequate diet. The program is operated by State and local welfare offices with the federal government overseeing the State's operation of the program. Eligibility criteria for the program include income and resource limits and work requirements. The amount of federal moneys awarded to the State is based, in part, on the State's error rate in determining eligibility.	Data provided by the U.S. Department of Agriculture shows that Kansas' error rate in determining eligibility was 11.2% during fiscal year 2002 (unofficial). That means the State incorrectly determined eligibility or the amount of benefits a client is eligible to receive. The national average error rate was 8% (unofficial). States that exceed the national average error rate are assessed financial penalties. Kansas is estimated to incur \$1.4 million in penalties because of its high error rate in federal fiscal year 2002. By reducing its error rate, Kansas could avoid those penalties in future years.	\$1 million or more	To obtain the additional funding: Provide training for workers who determine eligibility, and place a greater emphasis on accuracy in eligibility determinations.	The Food Stamp Program would avoid future losses in federal funds.	None noted.

Additional Opportunities We Couldn't Fully Pursue in This Audit

We Identified Several Other Opportunities That Could Generate Additional Federal Funds From Existing Programs Or Save the State Money

These opportunities include additional ways SRS identified to draw down more Medicaid dollars. They also include areas other states have identified or used to maximize their federal moneys, which also may apply to Kansas. Because of time constraints, we weren't able to examine these opportunities as in-depth as those mentioned above, but additional follow-up work could show them to be equally promising. These opportunities are summarized in Table I-2.

Table I-2 Other Possible Ways To Increase the Amount of Federal Funds Flowing into Kansas	
Opportunity	Description
#7 Ensure that Medical Services Are Provided to Foster Care Children by Medicaid Providers	The foster care program serves children the courts have removed from their homes because these children have been judged to be in need of care or juvenile offenders. SRS contracts with several non-profit agencies to manage the cases of all foster care children who are to be placed outside their homes. When a foster care child needs mental or physical health services, those services are supposed to be provided by a Medicaid service provider as often as possible. It's possible that foster care contractors may be acquiring medical or mental health services for some foster care children from non-Medicaid providers, thereby causing the State to incur unnecessary expenses that Medicaid would otherwise have reimbursed.
#8 Increase Targeted Medicaid Rates	As we noted earlier, special education reimbursement rates could be increased to provide local education agencies with additional federal funds at no additional cost to the State. Similar strategies might be possible where particular services are provided only by entities that already receive State funds (e.g. State hospitals).
#9 Maximize Medicaid Payments to Public Hospitals	<p>The disproportionate share hospital program allows additional payments of federal funds to hospitals that serve a disproportionate number of Medicaid and uninsured patients. Congress has modified the program to allow states to reimburse all public hospitals, including State-owned hospitals, at 175% (instead of 100%) of their uninsured costs. This provision becomes effective for Kansas starting fiscal year 2004 and will remain in effect for 2 years. In order to take advantage of the provision, SRS needs to amend the State's Medicaid Plan.</p> <p>Another option that SRS officials told us could be explored is to increase Medicaid rates for out-patient services to the maximum rate allowed for public hospitals only. If the University of Kansas Medical Center and other public hospitals could certify that they are already providing the State's 40% matching share, then the remaining 60% would be paid by federal reimbursements. The State would incur no additional costs.</p>
#10 Maximize Federal Reimbursements to Local/County Governments	As we identified ways to increase federal Medicaid reimbursements to school districts and CDDOs, we realized the same types of opportunities may exist for counties and other local governments. For example, an SRS staff member thought some local health departments may not be seeking Medicaid reimbursement when possible, resulting in a loss of federal funds.
#11 Audit Agencies' Cost Allocation Plans	For example, SRS has a complex cost allocation plan which it uses to allocate administrative and indirect costs to various funding sources. For the 2 nd quarter of fiscal year 2003, SRS allocated more than \$723 million in costs to these sources - \$288 million was allocated to the State General Fund and \$435 million was allocated to various federal programs. SRS officials told us that an internal audit of the entire plan is currently underway; in part, to determine whether it allocates as many costs to federal programs as possible. Other agencies that receive substantial amounts of federal funds (such as Department of Health and Environment and Department of Transportation) may benefit from such an audit of their cost allocation plans. It's important to note that while an audit could find that more costs could be billed to federal programs, there is also a risk that an audit could find that federal programs have been over-billed, causing the State to incur additional costs.
#12 Use of Subgrants	Many federal grant programs require the State to provide matching funds for a portion of the program's expenditures. In some instances, State agencies are able to use moneys they're already spending as the State's matching funds. Subgranting is a process that allows local funds to be used as the State match for certain federal grant programs when State moneys aren't available. The Department of Wildlife & Parks is currently pursuing this avenue, which would allow local entities to take part in furthering wildlife conservation.
#13 Participate in Cooperative Purchasing	A proposed federal rule would allow state governments to purchase IT equipment using federal contracts issued by the U.S. General Services Administration. While this may not be an opportunity to draw down additional federal funds, it could make State procurement more efficient and result in lower prices for computer equipment.
#14 Use of Medicaid Fraud Control Units	From previous audits, we also identified the benefits of increasing resources given to the State's Medicaid Fraud Control Unit. Federal funds are available to support the efforts of these units. But according to a recent GAO report, all states forgo some of the federal funds available to help their units investigate and prosecute fraud.

***We Also Identified 29
Federally Funded
Programs That
Kansas May Not Be
Participating In***

During this audit, we developed a list of federally funded programs available only to state governments from the Catalog of Federal Domestic Assistance (maintained by the U.S. General Services Administration). We then compared it to a Kansas list of federal financial assistance contained in the State Single Audit for fiscal year 2002. The comparison produced a significant list of federal programs Kansas didn't appear to be participating in.

- We selected a sample of 6 programs from the original list including the Hunter Education and Safety Program and the Migrant Education Program to see if Kansas could obtain those funds. We found that for 2 of the programs, the State would have to pay a significant share of the program's costs. For the other 4 programs, we contacted agency officials to find out why Kansas didn't participate in the grant. From that work, we learned that the State either was receiving the grant but it was lumped into other federal funds (therefore not readily identifiable), or the grant required program standards that the State isn't currently meeting. We removed those programs from the list, which is shown in Appendix B.

Although some programs shown in the Appendix may not be things the State could benefit from, or may entail spending additional State moneys to access the federal funding, there could be additional opportunities for accessing federal moneys that should be investigated further.

Other Issues Relating To Maximizing Federal Funds

***Kansas Could Benefit
From a More
Coordinated Effort To
Identify and Secure
Federal Moneys***

Keeping up with all the federal programs that provide money to states and their accompanying requirements and regulations can be a daunting task for many agency officials. That's especially true for some of the smaller agencies that have more limited staff resources.

During this audit, we identified several obstacles that appear to be hindering the State's efforts in securing federal grants and maximizing federal funds:

- **There's no one at the State level that agency officials can consult with to find out what federal programs may be available, and how to go about securing those moneys.** At least one agency official cited this as a reason why the State may not be maximizing its share of federal revenues.
- **No one is looking at overall strategies for the State to maximize federal moneys.** This was a comment we heard numerous times when speaking with agency officials. For example, SRS, the State's

Medicaid agency, isn't charged with nor does it try to find ways for other agencies and local entities to maximize Medicaid funding. Without looking across State government for ways to maximize federal moneys, it's likely opportunities are missed.

Several other states have taken a more centralized approach toward managing its federal grants. Missouri, Kentucky, and Texas all have central offices that coordinate federal funding within the state. In Texas, for example, a unit within the Governor's office assists all state agencies and local governments in finding and applying for federal grants. That unit also makes sure Texas is receiving all the federal moneys it can. One way staff members accomplish this is to identify the federal grants Texas is eligible for but isn't getting. They then contact the appropriate agency officials to determine if they're aware of the opportunity and the reasons why grant funding isn't being received.

Kansas has made some movement towards this centralized approach. For example, the Department of Administration maintains a website with links to the Catalog of Federal Domestic Assistance and other federal grant information. Also, the Governor recently established the Governor's Federal Grants Program. While the program currently oversees several grants transferred from the Attorney General's Office, its role could be expanded to serve as a central clearinghouse for federal grant information and assistance.

CONCLUSION

Almost one-third of the State's expenditures are financed by some form of federal funding. This funding not only enhances the lives of many Kansans, but also helps ease the tax burden placed on Kansas's citizens and corporations. In this audit, we've identified several opportunities that could potentially bring millions of additional federal dollars into the State. The most significant opportunities we identified related to local entities such as school districts and CDDOs. If these entities took full advantage of the federal dollars available to them, it could indirectly impact the State General Fund by lessening the need for additional State aid in the future. There were numerous additional opportunities suggested to us that we didn't have time to fully investigate in this audit. That suggests that Kansas may be able to benefit from the creation of an ongoing grant oversight function to identify opportunities for securing federal funding and assist agencies in obtaining those moneys.

RECOMMENDATIONS

1. To ensure that the State is maximizing the federal match for its Medicaid Program, the Department of Social and Rehabilitation Services should do the following:
 - a. review the benefits to be gained from updating Medicaid reimbursement rates for special education services provided by school districts, and raise those reimbursement rates accordingly.
 - b. consider proposals put forth by the Alliance for Kansans with Developmental Disabilities, and determine the most advantageous configuration of CDDOs that allows the provision of adequate services to client populations while maximizing the availability of federal funds to provide those services.
 - c. follow-up on opportunities 7, 8, 9, 11, and 14 listed in Table I-2 to determine their potential for generating additional federal moneys, and report its findings back to the Legislative Post Audit Committee before the start of the 2004 legislative session.
 - d. explore with the Department of Health and Environment the possibility of providing each school district with a small amount of funding from the Maternal and Child Health Grant so that the districts can be designated as Medicaid providers and be reimbursed for services they already provide.
2. To ensure that the State complies with federal Food Stamp Program regulations and isn't penalized for its error rate in food stamp eligibility determinations, the Department of Social and Rehabilitation Services should identify those factors that are causing its error rate to be higher than the national average, develop a plan for correcting the problems identified, and provide the Legislative Post Audit Committee with a status report on the actions taken and any results achieved before the beginning of the 2004 legislative session.
3. To help ensure that school districts are fully taking advantage of Medicaid funding when appropriate, the Department of Education should continue its efforts to notify and train school districts about claiming reimbursement for administrative expenses related to serving Medicaid-eligible students and receiving parental consent to bill Medicaid. The Department should target its efforts toward

those school districts that don't claim reimbursement or that have difficulty in obtaining parental consent.

4. To help ensure that Kansas takes full advantage of federal funding opportunities that exist, the Department of Administration should do the following:
 - a. consider assigning one or more of its employees the responsibility to actively search out opportunities for obtaining additional federal dollars for Kansas, and to serve as a resource for State agencies to contact regarding applications for federal funding and ways to maximize funds from federal grants that have already been awarded.
 - b. assign those employees the responsibility of following up on federal funding Kansas is eligible for but may not be receiving such as those contained in Appendix B of this report.
 - c. periodically assess the cost-effectiveness of that function by tracking and reviewing key statistics such as the number of grants identified and applied for and the amount of federal funding received.

APPENDIX A

Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on February 1, 2003. The audit was requested by the Legislative Post Audit Committee.

SCOPE STATEMENT

Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Dollars

State agencies received approximately \$2.5 billion in federal monies in fiscal year 2002 to help fund programs. In all, 45 State agencies received federal funds and those moneys made up nearly 25% of the State's total receipts for the year. Some moneys are provided as the federal share of ongoing state-federal programs such as Medicaid, highway construction, and special education. Other federal funds are received as one-time grants to accomplish specific objectives.

Legislative questions have been raised about whether Kansas is receiving all the federal dollars it can, because maximizing the use of federal moneys can help free up the State General Fund for other uses. A couple of recent examples: the Kansas Intergovernmental Transfer Program, established in fiscal year 2000, is expected to allow the State to draw down more than \$200 million in additional federal funds for long-term care services before the program ends in fiscal year 2003. And, with changes in State law in 1999 that required certain juvenile offenders to be placed in community residential facilities rather than State correctional facilities, many of the services for those youth became eligible for federal Medicaid match.

An audit in this area would address the following question:

- 1. Are State agencies maximizing the amount of federal moneys available to them through federally funded programs?** To answer this question, we would canvass a wide variety of people and resources to try to identify ways to draw down additional federal funds. For instance, we would interview staff of State agencies, lobbyists, members of interest groups, congressional staff, national organizations, federal agencies, and others to see if they are aware of any opportunities for receiving additional federal moneys, either on a match or grant basis. We would review reports from state and federal auditors, and search the internet for ideas. For the State agencies that currently receive federal moneys, we would see if any of those funds were "turned back" and if so, what Kansas could do to retain those moneys in the future.

Estimated time to complete: 8 - 9 weeks

Staff Note: While some ideas generated by this work may have immediate applicability, it's likely others will require further investigation to determine their feasibility. This audit would be a listing of the potential opportunities for increasing federal revenues in Kansas. However, many of the options may take more in-depth review to determine whether and how much additional federal revenue they would generate. The Legislative Post Audit Committee could direct additional work on the options members thought were most promising.

APPENDIX B

Federal Grants Available to State Governments Which Kansas Didn't Receive in FY 2002

This list represents federal grants that only state governments are strictly eligible for. It doesn't include the several hundred more grants in which state governments along with other entities can apply for and receive. We removed some grants from the list because the grant currently isn't available or it appeared to be targeted to a specific state or group of states (e.g. Alaska Salmon Enhancement Grant).

CFDA #	Title	Objective
10.156	Federal-State Marketing Improvement Program	To solve marketing problems at the State and local level through pilot marketing service projects conducted by States.
10.205	Payments to 1890 Land-Grant Colleges and Tuskegee University	To support continuing agricultural research at colleges eligible to receive funds under the Act of August 30, 1890 (26 Stat. 417-419, as amended; 7 U.S.C. 321-326 and 328), including Tuskegee University.
10.857	State Bulk Fuel Revolving Fund Grants	To provide grants to State entities for revolving funds to promote more cost-effective fuel purchases for communities where fuel cannot be shipped by surface transportation.
10.859	Assistance to High Energy Cost Rural Communities	Assistance to rural communities with extremely high energy costs.
11.432	Office of Oceanic and Atmospheric Research (OAR) Joint and Cooperative Institutes	To increase the effectiveness of research and the quality of education in the environmental sciences by facilitating cooperation between government, university, and nonprofit research institutions.
11.450	Integrated Flood Observing and Warning System (IFLOWS)	The Integrated Flood Observing and Warning System is a joint undertaking by the National Weather Service and the participating States to improve flood warning capabilities.
11.481	Educational Partnership Program	To develop a program aimed at increasing research and educational partnerships between NOAA and Minority Serving Institutions.
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	To reimburse each State and territory for their costs incurred by providing technical services in support of Department of Defense Environmental Restoration Program activities.
14.244	Empowerment Zones Program	The purpose of this program is to provide for the establishment of Empowerment Zones, Enterprise Communities and Renewal Communities in urban and rural areas.
15.623	North American Wetlands Conservation Fund	To provide grant funds for wetlands conservation projects in the United States, Canada, and Mexico.
15.810	National Cooperative Geologic Mapping Program	To produce geologic maps of areas in which knowledge of geology is important to the economic, social, or scientific welfare of individual States.
16.525	Grants to Reduce Violent Crimes Against Women on Campus	To encourage institutions of higher education to adopt comprehensive, coordinated responses to violence against women, including sexual assault, stalking, and dating and domestic violence.
16.733	National Incident Based Reporting System	To allow State and local jurisdictions to capture detailed offense, offender, victim, property, and arrest information.
17.263	Youth Opportunity Grants	To increase the long-term employment of youth who live in empowerment zones, enterprise communities, and high poverty areas.
17.600	Mine Health and Safety Grants	To assist States in providing safety and health training and developing programs to improve mine health and safety conditions.

20.303	Grants-in-Aid for Railroad Safety	To promote safety in all areas of railroad operations.
20.714	National Pipeline Mapping System	To create a National Pipeline Mapping System that consists of multiple State repositories, and a National repository that includes location and selected attributes of the major natural gas transmission and hazardous liquid pipelines and liquefied natural gas facilities operating in the United States.
45.167	Promotion of the Humanities Extending the Reach Grants to Presidentially-Designated Minority Institutions	To strengthen the humanities at Historically Black, Hispanic-Serving, and Tribal Colleges and Universities.
81.105	National Industrial Competitiveness through Energy, Environment, and Economics	To generate new processes and/or equipment that can significantly reduce the use of energy and energy intensive feed-stocks and reduce the generation of wastes in industry.
83.105	Community Assistance Program State Support Services Element (CAP-SSSE)	To ensure that communities participating in the National Flood Insurance Program (NFIP) are achieving flood loss reduction measures consistent with program direction.
83.526	National Urban Search and Rescue (US&R) Response System	To develop an immediately deployable, national response capability to locate and extricate, and medically stabilize victims of structural collapse during a disaster, while simultaneously enhancing the US&R response capabilities of State and local governments.
84.314	Even Start Statewide Family Literacy Program (a)	To plan and implement Statewide family literacy initiatives consistent with the purpose of Even Start that coordinate and integrate existing Federal, State, and local literacy resources.
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration	To stimulate and foster the development of effective and durable service delivery capacity for HIV prevention and treatment among organizations closely linked with the minority populations.
93.051	New Demonstration Grants to States with Respect to Alzheimer's Disease	To assist States in creating a system of dementia care for persons with Alzheimer's disease and their families.
93.253	National Poison Control Systems Stabilization and Support	To stabilize an existing certified Poison Control Center of poison control system.
93.256	State Planning Grant Health Care Access for the Uninsured	To support States in the development of plans to provide access to health insurance coverage for all citizens.
93.583	Refugee and Entrant Assistance Wilson/Fish Programs	To develop alternative projects which promote early employment of refugees, including certain Amerasian immigrants, Cuban and Haitian entrants, asylees, and certified victims of a severe form of trafficking.
93.584	Refugee and Entrant Assistance Targeted Assistance	To provide funding for employment-related and other social services for refugees, asylees, Amerasians, and entrants in areas of high refugee concentration and high welfare utilization.
93.769	Demonstration to Maintain Independence and Employment	To provide benefits equivalent to those provided by Medicaid to the categorically needy and to workers that have physical or mental impairments and without medical assistance, will result in a disability.
<p>Source: U.S. General Services Administration -- Catalog of Federal Domestic Assistance (December 2001), U.S. Census Bureau -- Federal Assistance Award Data System (FY 2002), and the State of Kansas Single Audit, FY 2002.</p> <p>(a) Department of Education reported that no federal funds were available for this program in FY 2002.</p> <p>Additional information on these and other federal grants is provided at http://www.cfda.gov/.</p>		

APPENDIX C

Agency Responses

On March 17, 2003, we provided copies of the draft audit report to the Department of Social and Rehabilitation Services, the Department of Education, and the Department of Administration. Their responses are included as this Appendix. Due to the length, the attachments to the Department of Administration's response aren't included in the audit report but are available in our office.

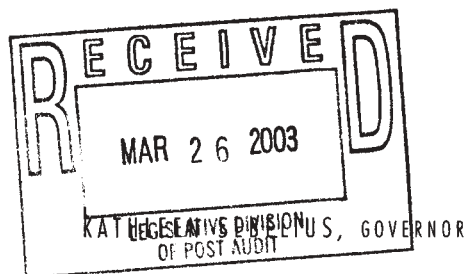


K A N S A S

JANET SCHALANSKY, SECRETARY

DEPARTMENT OF SOCIAL AND
REHABILITATION SERVICES

March 19, 2003



Office of the Secretary
Docking State Office Building, 6th Floor
915 S.W. Harrison
Topeka, Kansas 66612

Barbara J. Hinton, Legislative Post Auditor
Legislative Division of Post Audit
Mercantile Bank Tower
800 Southwest Jackson Street, Suite 1200
Topeka, Kansas 66612-2212

Re: Legislative Post Audit Performance Audit Report, *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*

Dear Ms. Hinton:

Thank you for the opportunity to respond to the draft audit report. The report identified opportunities to maximize federal funding in SRS. Many of these are currently underway in the department as we have identified in our response to the report. Our comments can be found in the attachment.

We continue to look at ways we can work with our federal partners to maximize funding, which has been a long established practice in the department. We always welcome any new suggestions and found the audit to be helpful. As always, we appreciate the professionalism of your staff. Should you have any additional questions, please coordinate them through Mary Hoover, Chief Internal Auditor at 785-296-2973. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Janet Schalansky".
Janet Schalansky, Secretary

Enc.

cc: Laura Howard, Deputy Secretary, HCP
Candace Shively, Deputy Secretary, ISD
Rick Shults, Director of Operations, HCP
Phil Anderson, Director of Operations, ISD
Mary S. Hoover, Chief Internal Auditor

915 SW HARRISON, 6TH FLOOR, NORTH WING, TOPEKA, KS 66612

Phone 785-296-3271 Fax 785-296-4685 <http://www.srskansas.org>

Attachment

Department of Social and Rehabilitation Services

Response to LPA Audit: *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*

Page 2

Identified Opportunity	Reference d in Report	Agency Comments
#1 Increase the Amount of Federal Funds to Local Education Agencies for Providing Medicaid Eligible Services to Special Education Students	Pages 5-6	SRS is beginning the process that will increase the current Medicaid reimbursement rate to Local Education Authorities for students in special education.
#2 Require School Districts to Participate in the Medicaid School District Administrative Claiming Program	Pages 5-6	SRS supports increased participation in this program, but cannot require school districts to participate.

Attachment

Department of Social and Rehabilitation Services

Response to LPA Audit: *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*

Page 3

Identified Opportunity	Reference d in Report	Agency Comments
#3 Expand the Types of Services That School Districts Can Bill To Medicaid	Pages 5 and 7	<p>SRS would like to affirm the problems Legislative Post Audit identified for this opportunity. Many children covered by Medicaid participate in the capitated managed care program. The capitated payment made to the managed care organization is intended to take care of all of the child's medical care needs. Therefore, additional Medicaid reimbursement to schools for health care services would not be available for children in the capitated managed care program.</p> <p>Many of the remaining children are covered by the primary care case management (PCCM) system. As the "medical home," the PCCM is responsible for overseeing and coordinating all medical care for children enrolled in the program. Reimbursement to schools for expanded health care services to these children could only be provided if the PCCM made a specific referral to the school for medically necessary services.</p> <p>For the remaining children, not only would schools be required to keep more extensive medical records to bill Medicaid for health care services, but the school and their health care professionals would have to become enrolled Medicaid providers and comply with all Medicaid billing procedures.</p> <p>Finally, Medicaid only reimburses social workers who are affiliated with local community mental health centers and only psychologists with Ph.Ds may bill Medicaid for services. School social workers can currently affiliate with community mental health centers, but very few school psychologists have a Ph.D.</p>

Attachment

Department of Social and Rehabilitation Services

Response to LPA Audit: *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*

Page 4

Identified Opportunity	Reference d in Report	Agency Comments
#5 Increase Medicaid Rates for Targeted Case Management by Consolidating Community Developmental Disability Organizations (CDDOs)	Pages 5 and 8	<p>Again, SRS wants to affirm the potential problems Legislative Post Audit identified related to this opportunity. Medicaid rates for targeted case management to persons with developmental disabilities was recently raised substantially. The goal of the rate increase was to bring more Medicaid funding into the developmental disability service system. Another even higher rate increase would likely be seriously questioned by the Center for Medicare and Medicaid Services. Much more justification exists to raise home and community based services waiver rates for persons with developmental disabilities (DD Waiver). DD Waiver rates have not been increased for several years. However, to achieve the desired outcome of using unmatched funds held by CDDOs, all DD Waiver payments would have to be made through the CDDO and not individual providers as is currently done.</p> <p>Finally, the CDDOs, by state statute, were established by local county government which may, at its discretion, fund the CDDO with local tax dollars. Many of the unmatched funds are local county dollars. If the state were to take over the responsibility of identifying the CDDOs from local county government, the counties might be less invested in the developmental disability service system and could choose to reduce or eliminate their contribution to the community developmental disability service system.</p>

Attachment

Department of Social and Rehabilitation Services

Response to LPA Audit: *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*

Page 5

Identified Opportunity	Reference d in Report	Agency Comments
#6 Reducing the Error Rates in Kansas' Food Stamp Program Could Generate as Much as \$1 Million in Additional Federal Funding. (Also detailed in Item #6 of Table I-1).	Pages 5 and 8	<p>The draft states the high payment error rate in the Food Stamp Program will result in the loss of \$1.4 million in federal funds, and suggests that the state could avoid future federal fund losses by lowering the error rate. This is not accurate. The state's payment error rate is expected to lead to a \$1.4 million state fund penalty. Depending on the terms of the penalty, Kansas may be permitted to spend the \$1.4 million on efforts to reduce the error rate, pay the U.S. Department of Agriculture \$1.4 million, or perform a combination of these absolutes. Regardless of the terms of the penalty, the state will be required to spend \$1.4 million in additional state funds. The U.S. Department of Agriculture provides enhanced funding to States with high or improved performance for actions centering on lowering errors. However, this opportunity is secondary to the department's present goal of avoiding an error rate penalty. Thus, reducing the Food Stamp error rate to a level that would avoid a penalty will not increase federal funding. As such, the department respectfully suggests that this item should be omitted from the list of opportunities to increase federal funding.</p> <p>If the proposal to remove Item 6 from the report is not accepted, the department urges the authors to amend the second sentence under the Opportunity column to the following: "That means the State either granted eligibility to individuals who didn't meet the program's criteria, or miscalculated benefits to eligible individuals."</p>
#7 Ensure that Medical Services Are Provided to Foster Care Children by Medicaid Providers	Page 9	<p>There is no incentive for contractors to use non-Medicaid providers since the services are reimbursed by the Medical Card. We are reviewing encounter data to ensure Medicaid Providers are used when available.</p>
#9 Maximize Medicaid Payments to Public Hospitals	Page 9	<p>SRS is actively pursuing the two possibilities listed by Legislative Post Audit and will take whatever reasonable steps necessary to secure all funds for which the public hospitals are eligible.</p>

Attachment

Department of Social and Rehabilitation Services

Response to LPA Audit: *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*

Page 6

Identified Opportunity	Reference d in Report	Agency Comments
#10 Maximize Federal Reimbursements to Local/County Governments	Page 9	<p>The examples listed in this item are mostly SRS programs, implying that local government funds may be available to leverage federal funds. In several cases, the department feels the opportunity is limited or nonexistent. One example lies in Employment and Training, which ties to the TANF work requirements. The TANF Block Grant is fixed and depends on a state maintenance of effort. Therefore, there is no opportunity to leverage additional TANF federal funds. The Child Welfare and Child Support programs are state administered. Thus there are no apparent possibilities for local governments to leverage federal child support of federal child welfare (particularly foster care) funds. To reduce confusion, the department suggests removing references to these three programs.</p>
#11 Audit SRS' Cost Allocation Plan	Page 9	<p>The draft incorrectly states that a comprehensive audit of the entire SRS cost allocation plan has not been undertaken. This is inaccurate. Maximus has reviewed the plan twice in the past four years to discover federal funding opportunities. In both cases, Maximus had no suggestions to improve the plan. In addition, the Department's internal auditors have recently completed an audit of REST, the time study component of the cost allocation plan, and are currently auditing the remaining components of the cost allocation plan.</p> <p>The draft also alludes to the department's concern when it states "While the audit <i>[of the cost allocation plan]</i> could find that more costs could be billed to federal programs, there is also a risk that an audit could find that federal funds have been over-billed, thereby causing the State to incur additional costs." A test of the department's aggressiveness in drawing federal funds is the amount of funds challenged by the many federal agencies to which the department must answer. Certainly any state will be beset by these challenges which range from questions to formal penalty notices. The presence of these challenges, however, signals that the department is sufficiently aggressive. The penalties associated with an even more aggressive policy may exceed the simple refunding of federal fund errors.</p>

Other Comments and Observations

- SRS is experiencing a much higher level of federal oversight and scrutiny related to access of federal funds. It is reported that CMS has hired 200 more auditors to review states Medicaid claims. CMS has questioned and deferred the payment of Kansas Medicaid claims for education

Attachment

Department of Social and Rehabilitation Services

Response to LPA Audit: *Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds*

Page 7

costs incurred by state mental health hospitals and claims associated with intergovernmental transfer. SRS claims for enhanced administrative costs for CDDOs were denied last year. While the state must aggressively seek every available form of federal funding, caution should also be taken to not count on the availability of these funds until all federal approvals have been obtained and secured.

- ▶ In the report draft (page 3), there was a reference to the fact that census data shows that Kansas receives considerably less Federal Assistance Per Capita than other states. The draft suggests that Kansas' 44th ranking in federal assistance per-capita may indicate opportunities to draw down additional federal funds. This comment is not intended to refute the possibility raised by the authors, but rather to provide a key statistics relevant to the department's level of federal fund use. As most of the major SRS federal funding sources are based on some form of means testing, it may be generally assumed that federal funds spent by a given state should correlate with the percentage of the states' population in need. A proxy for persons in need is the percentage of the population below poverty. Over the past 10 years (1992-2001), the percentage of Kansans in poverty was 2.6 percent below the national rate. (In this comparison the national median rate was compared to the state's median rate.) This would imply that SRS's use of federal funds would be lower on a per-capita basis relative to other states.



Kansas State Department of Education

120 S.E. 10th Avenue
Topeka, Kansas 66612-1182

March 21, 2003

Barbara J. Hinton
Legislative Post Auditor
Mercantile Bank Tower
800 Southwest Jackson Street, Suite 1200
Topeka, KS 66612-2212

Dear Ms. Hinton:

We appreciate having the opportunity to respond to your recommendation for the Kansas State Department of Education in the draft copy of your performance audit report, *Federal Funds: Determining Whether Opportunities Exist to Leverage State Spending to Draw Down More Federal Funds*. For your convenience, we are restating your recommendation followed by our response.

Recommendation No. 3:

To help ensure that school districts are fully taking advantage of Medicaid funding, when appropriated, the Department of Education should:

- a. notify all school districts about the federal funds they are losing by not claiming administrative expenses related to Medicaid outreach and serving Medicaid eligible students, provide information about how to take advantage of these opportunities, and require those districts that would receive significant financial benefit to participate in the program.
- b. identify school districts that have a high percentage of parents who have signed consent forms to allow the district to bill Medicaid for special education services provided to their children, identify what practices those districts have instituted to secure parental consent, and share that information with all school districts.

Agency Response:

For several years, the Kansas State Department of Education has partnered with the State Department of Social and Rehabilitation Services to promote the implementation of programs by local school districts to claim Medicaid reimbursement for health related services provided to students with disabilities, as well as for certain administrative activities that support all students who are Medicaid eligible. Kansas school districts now claim over \$20 million a year in Medicaid funding which allows the state to reduce the amount it contributes for special education. We have also worked with school administrators to develop effective practices for obtaining parental consent to bill Medicaid for services provided to their children. We have found that schools are generally most successful in securing parents' signatures when they meet on a one-to-one basis during enrollment, open houses, parent-teacher conferences and other types of school

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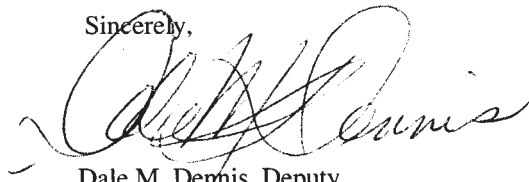
activities. A simple consent form was designed for schools to use to help obtain the signatures of parents. We have enclosed for your review copies of numerous letters, bulletins and agendas in which we have encouraged school districts to seek Medicaid funding. Additionally, we would like to mention that we have a link on our web-page that school personnel and other interested stakeholders can access to learn more about Medicaid reimbursement and training that is available.

We would also like to note that we have reviewed Appendix B of the report which identifies federal grants available to state governments which Kansas did not receive in FY 2002. One of the grants identified, Team Nutrition Training Grants, is a competitive grant program that the Kansas State Department of Education has participated in since 1995. These have been either two or three-year grants and the most recent TNT Grant awarded to the department in 2002 totaled \$200,000. It appears we reported an incorrect CFDA number for this grant in our schedule of federal financial assistance which prevented you from identifying it as a program for which Kansas receives funding.

Appendix B also identifies two Even Start competitive grant programs designed to improve family literacy. To-date, under the first program identified, Even Start Migrant Education, the U.S. Department of Education has made a limited number of awards available only to local education agencies (LEAs). Currently, there are three Kansas LEAs participating in this program as part of a three-state consortium that includes LEAs from Missouri and Arkansas. Grants awarded to Kansas LEAs total approximately \$775,000 this year. The second program identified, Even Start Statewide Family Literacy, was established in 1999 and required a dollar for dollar match from non-federal resources. One of the major purposes of this grant was to help fund the development of "indicators of program quality", which states are required to use to evaluate program performance of local Even Start projects. Rather than try to secure additional state funding to meet the match requirement for this program, the development of our state's "indicators of program quality" was financed through our Even Start Family Literacy grant. No funding was appropriated by Congress to fund the Even Start Statewide Family Literacy program for FY 2002.

In closing, we wish to assure the Legislative Post Audit Committee that the Kansas State Department of Education makes every effort possible within available resources to maximize the use of federal funds. We monitor new federal programs as they become available and apply for grants that are compatible with the goals and mission of the State Board of Education.

Sincerely,

A handwritten signature in black ink, appearing to read "Dale M. Dennis", written over a horizontal line.

Dale M. Dennis, Deputy
Commissioner of Education

Enclosure



K A N S A S

HOWARD R. FRICKE, SECRETARY

DEPARTMENT OF ADMINISTRATION

KATHLEEN SEBELIUS, GOVERNOR

March 21, 2003

Ms. Barbara J. Hinton
Legislative Post Auditor
Legislative Division of Post Audit
800 SW Jackson Street, Suite 1200
Topeka, KS 66612-2212

RE: Federal Funds: Determining Whether Opportunities May Exist To Leverage State Spending To Draw Down More Federal Funds

Dear Ms. Hinton:

Thank you for the opportunity to respond on behalf of the Department of Administration to the aforementioned audit. We concur that state agencies should maximize federal funding provided those funds contribute to the achievement of the agency's mission and priorities.

In order to assist state agencies and the public in obtaining information on available grants, eligibility and application requirements, the Department established the "Kansas Grants Clearinghouse" website at www.Kansasgrants.org. Attachment A is a copy of the website home page. The Clearinghouse provides links to sites such as the most recent Catalog of Federal Domestic Assistance (CFDA) (Attachment B); Federal Commons the federal grant's management portal (Attachment C); the Federal Register (Attachment D); and the United States Department of Agriculture Rural Housing Service Community Facilities Grant Program (Attachment E).

Additionally, the Clearinghouse has links to foundation resources, grant training, tutorials/resources and state grants. Sites such as the Catalog of Federal Domestic Assistance also has tips on applying and writing grant proposals. The Department intends to continue maintenance of the Kansas Grants Clearinghouse website and will provide information to agencies regarding this site.

CURTIS STATE OFFICE BUILDING, 1000 SW JACKSON ST., STE. 500, TOPEKA, KS 66612-1368

Voice 785-296-3011 Fax 785-296-2702 <http://da.state.ks.us/>

Recently the Governor established the Governor's Federal Grants Program within her office. As that program continues to develop, the Department will coordinate and maintain communication with the Governor's staff.

Please do not hesitate to contact me should your staff need additional information or clarification.

Sincerely,

A handwritten signature in cursive script, reading "Howard R. Fricke". The signature is written in black ink and is positioned above the printed name and title.

Howard R. Fricke
Secretary of Administration

HRF:bls