

# **PERFORMANCE AUDIT REPORT**

**Department of Social and Rehabilitation Services'  
Grant to Court Appointed Special Advocate of  
Shawnee County, Inc.**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
May 1990**

# **PERFORMANCE AUDIT REPORT**

## **REVIEW OF THE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES' GRANT TO COURT APPOINTED SPECIAL ADVOCATE OF SHAWNEE COUNTY, INC.**

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### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Randy Tongier, Financial-Compliance Audit Manager, and Roy Fitzpatrick, Auditor, of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Tongier at the Division's offices.

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**REVIEW OF THE  
DEPARTMENT OF SOCIAL AND REHABILITATION  
SERVICES' GRANT TO COURT APPOINTED  
SPECIAL ADVOCATE OF SHAWNEE COUNTY, INC.**

**Summary of Legislative Post Audit's Findings**

Court Appointed Special Advocate of Shawnee County, Inc., a private, not-for-profit, advocacy organization, received a grant from the Department of Social and Rehabilitation Services during fiscal year 1989 in the amount of \$1,575. These grant moneys were used to pay State travel expenses. Legislative concerns were raised that this arrangement would result in bypassing the centralized reviews and controls of the Division of Accounts and Reports and in impairing budgetary review and oversight of these moneys. This 100-hour audit determined how the grant moneys were to be used, why the expenditures were made in this fashion, the benefits and costs of this arrangement, and whether the moneys were spent in accordance with applicable requirements.

**How were the grant moneys given to Court Appointed Special Advocate of Shawnee County, Inc. to be used?** The grant moneys were to be used to pay travel expenses for members of the Permanency Planning Task Force. The Permanency Planning Task Force, appointed by the Kansas Supreme Court, studies ways to provide and improve the care of children who are under the jurisdiction of the court. The normal procedure of paying such travel expenses calls for the Department of Social and Rehabilitation Services to make payment directly to the applicable Task Force members.

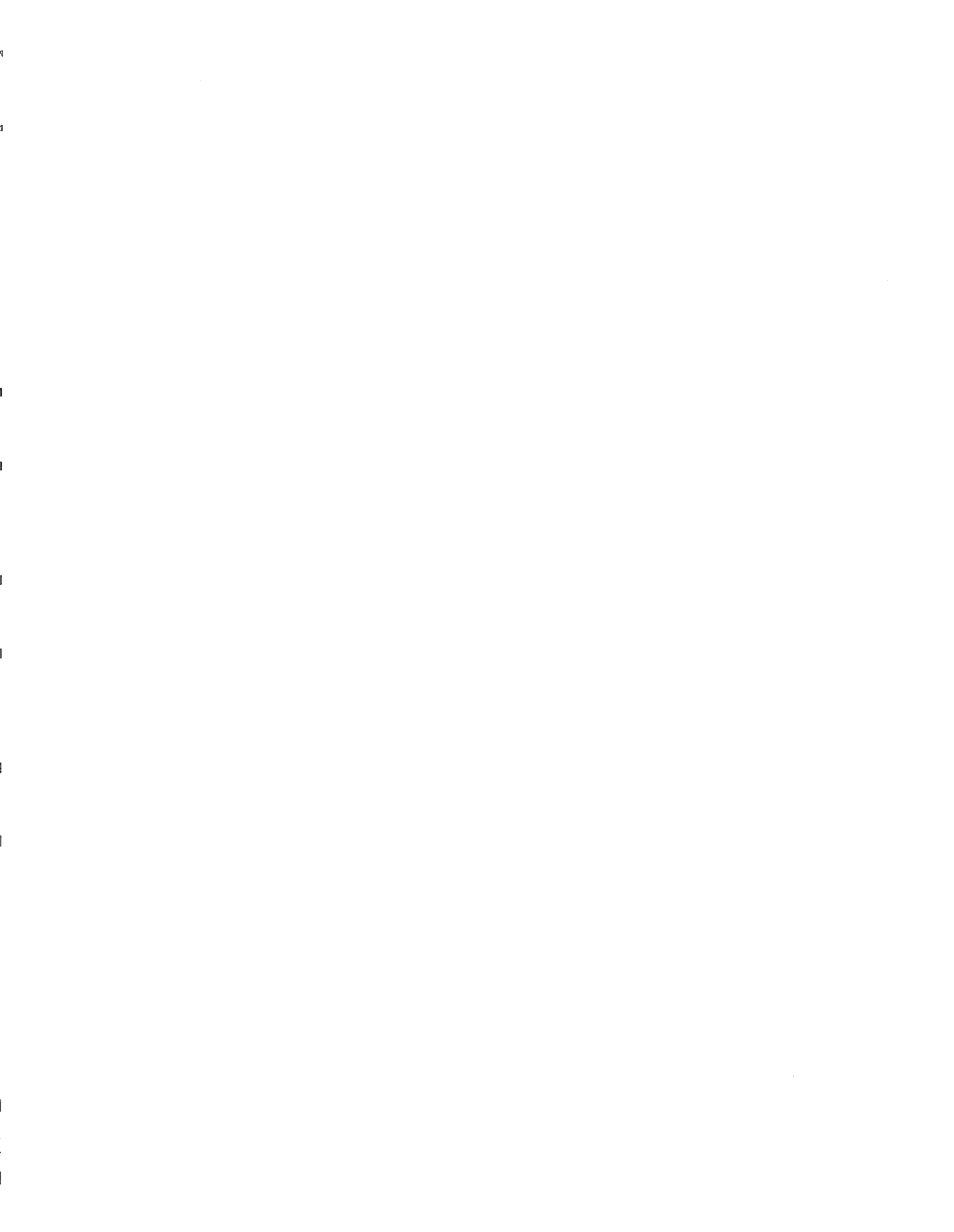
**Why were these expenditures made in this fashion, and what were the benefits and costs?** The expenditures were made in this fashion to avoid processing a number of travel vouchers for small amounts through the State's central accounting system. The use of the grant arrangement did save the Department of Social and Rehabilitation Services some voucher processing time, but it cost more money than the normal way of paying those expenses and called for additional grant oversight procedures. Because some of those grant oversight procedures were not carried out, the Department's control over the grant moneys was decreased. In addition, use of the grant arrangement resulted in inaccurate financial reporting.

**Were the grant moneys spent in accordance with all applicable requirements and limitations?** Some grant moneys were spent for purposes not authorized by the grant, and some grant moneys were spent after the grant period had expired. In addition, unexpended grant moneys on hand were not returned to the Department of Social and Rehabilitation Services as required by the grant documents. In all, about half of the grant moneys were not handled in accordance with the grant requirements.

The report recommends that the Department give serious consideration to eliminating the use of grant arrangements for paying travel expenses. We would be happy to discuss this recommendation or any other items in the report with legislative committees, individual legislators, or other State officials.



Meredith Williams  
Legislative Post Auditor



**REVIEW OF THE  
DEPARTMENT OF SOCIAL AND REHABILITATION  
SERVICES' GRANT TO COURT APPOINTED  
SPECIAL ADVOCATE OF SHAWNEE COUNTY, INC.**

Court Appointed Special Advocate of Shawnee County, Inc., a private, not-for-profit, advocacy organization, received a grant from the Department of Social and Rehabilitation Services during fiscal year 1989 in the amount of \$1,575. The grant was to be used to pay travel expenses for members of the Permanency Planning Task Force, a State-appointed group charged with studying ways to provide and improve the care of children who are under the jurisdiction of the court.

Legislative concerns have been raised that this situation may provide a way for the Department to pay State expenses while avoiding the centralized reviews and controls of the Division of Accounts and Reports. In addition, normal budgetary review and oversight of these expenditures would be impaired because the expenditures might not be reported in the proper categories. To address these concerns, the Chairman of the Legislative Post Audit Committee authorized the Legislative Division of Post Audit to conduct a special, 100-hour audit of this situation. The audit addresses the following questions:

- 1. How were the grant moneys given to Court Appointed Special Advocate of Shawnee County, Inc., to be used?**
- 2. Why were these expenditures made in this fashion, and what were the benefits and costs?**
- 3. Were the grant moneys spent in accordance with all applicable requirements and limitations?**

To answer these questions, we interviewed officials of the Department of Social and Rehabilitation Services and of the Court Appointed Special Advocate of Shawnee County, Inc., to determine the procedures used in administering the grant. In addition, we reviewed and tested applicable grant documents and accounting records to determine how the grant was funded and the purposes for which grant moneys were expended. Finally, we reviewed applicable laws, regulations, and grant requirements and determined whether grant expenditures were made in accordance with those requirements. In conducting this audit, we followed all applicable government auditing standards set forth by the U. S. General Accounting Office.

We found that the grant was made to pay travel expenses for members of the Permanency Planning Task Force, a body appointed by order of the Kansas Supreme Court. We also found that the Department of Social and Rehabilitation Services used the grant arrangement to avoid the effort of processing travel vouchers through the State's central accounting system. While the Department probably did save some voucher processing time by using this arrangement, the administrative fee paid to the

grantee, the additional time required to process and administer the grant, and the resulting inaccuracy in accounting and budgeting information caused us to conclude that the benefit from this arrangement was questionable. In addition, we concluded that, in using the grant arrangement to avoid processing vouchers through the State's central accounting system, the Department of Social and Rehabilitation Services did not exercise the oversight needed to maintain adequate control over the use of grant moneys. As a result, in apparent violation of the specific grant requirements, grant moneys were used to pay travel expenses for one non-member of the Task Force and to replace a Court Appointed Special Advocate book lost or stolen at a regional conference. Additionally, we found that grant moneys were used to pay expenses incurred after the grant period had ended. Finally, unexpended and unobligated grant moneys on hand were not returned to the Department of Social and Rehabilitation Services as required by the grant agreement.

## **How Were the Grant Moneys Given to Court Appointed Special Advocate of Shawnee County, Inc., To Be Used?**

Grant moneys were to be used to pay the travel expenses for members of the Permanency Planning Task Force. This section discusses the purpose of the Permanency Planning Task Force, the development of the need for State funding, and the nature of the grant arrangement adopted to provide State funding.

The original Permanency Planning Task Force was appointed by order of the Kansas Supreme Court on July 5, 1984, to study ways to provide and improve the care of children who are under the jurisdiction of the court. The Task Force was drawn from the Kansas Judiciary, the Kansas Legislature, the Department of Social and Rehabilitation Services, and Kansas Bar Association, private child care providers, and citizen volunteer groups. In the initial stages of the Task Force, expenses of this effort were funded by federal grant moneys received through the National Council of Juvenile and Family Court Judges.

Beginning in fiscal year 1989, federal financial support for the Task Force ended. At that time, the Department of Social and Rehabilitation Services and the Office of Judicial Administration agreed to continue the operation of the Task Force with administrative support to be provided by the Office of Judicial Administration and financial support to be provided by the Department of Social and Rehabilitation Services. The financial support would pay for travel expenses of the Task Force members.

To pay travel expenses for members of the Permanency Planning Task Force, the Department of Social and Rehabilitation Services arranged for a grant to Court Appointed Special Advocate of Shawnee County, Inc., a local not-for-profit organization represented on the Task Force. Under that arrangement, the Department asked the Special Advocate to accept a grant in the amount of \$1,575, of which \$1,500 would be used to pay travel expenses, such as mileage and subsistence, of Task Force members and \$75 would be paid to the Special Advocate organization to cover administrative costs. The Office of Judicial Administration would provide documentation to the Special Advocate organization supporting the payments to be made. The grant period was from June 1, 1988, through May 31, 1989. According to grant documents, any grant moneys not spent or obligated as of the end of the grant period were to be returned to the Department. Essentially, Court Appointed Special Advocate of Shawnee County, Inc., would serve as a paying agent for Department of Social and Rehabilitation Services expenses based on payment authorizations provided by the Office of Judicial Administration.



## **Why Were These Expenditures Made in This Fashion, and What Were the Benefits and Costs?**

The Department of Social and Rehabilitation Services chose the "grant" arrangement for paying expenses over the normal way of paying expenses as a matter of efficiency to avoid processing a number of travel vouchers for small amounts through the State's central accounting system. According to Department officials, the Department's Division of Youth Services has many grants for conferences which, if not handled in a similar fashion, would require the Department to process travel vouchers for all of the participants.

An evaluation of the Department of Social and Rehabilitation Services' use of the "grant" arrangement requires an assessment of benefits and costs of that arrangement compared to the normal way of processing travel expenses. In this type of situation, costs to be considered include such nonmonetary items as the impact on financial reporting for accounting and budgeting purposes and the impact on the level of control the Department has over moneys used to pay travel expenses. It appears that in this case the benefits were not worth the costs.

### **The Use of the "Grant" Arrangement for Paying Travel Expenses Saved Some Voucher Processing Time But Cost More Money Than the Normal Way of Paying Those Expenses And Called for Additional Grant Oversight Procedures**

By using the "grant" arrangement, the Department of Social and Rehabilitation Services was able to process only one expenditure voucher for the grant payment rather than the 15 travel vouchers that would have been processed using normal procedures. That probably saved the Department a small amount of processing time. However, because the processing time for 14 additional vouchers is not significant enough to have an impact on the total dollar cost of processing, the dollar savings is negligible. In return for the savings in processing time, the Department provided a \$75 administrative cost allowance to Court Appointed Special Advocate of Shawnee County, Inc. This amount was based on the Department's normal 5 percent administrative cost allowance for grants.

By using the "grant" arrangement, the Department of Social and Rehabilitation Services chose a process that required grant application and approval processes and called for certain grant oversight procedures that are not needed in the normal processing of travel expenses. Among the latter are a requirement that the grantee's accounting system be certified by the Department's audit staff and whatever additional oversight procedures are needed to ensure that the grantee spends the grant moneys in accordance with the requirements of the grant.

Taking into account the savings in voucher processing time, the administrative fee paid to the grantee, and the additional administrative and oversight procedures called for by the use of a grant, it is not clear that any real savings were achieved by the use of the "grant" arrangement.

## **The Use of the “Grant” Arrangement for Paying Travel Expenses Resulted in Inaccurate Financial Reporting**

According to the Department of Administration’s Policy and Procedures Manual, travel expenses are to be reported in the 250’s series of object codes for accounting and budgeting purposes. The normal way of processing travel expenses includes several reviews to ensure that travel expenses are reported in this fashion. On the other hand, the Department of Social and Rehabilitation Services’ use of the “grant” arrangement for paying travel expenses results in those travel expenses being reported in the 510’s series of object codes, which is used for State aid payments. While the amounts involved in the grant to Court Appointed Special Advocate of Shawnee County, Inc., are not significant enough to render the Department’s accounting and budgeting figures misleading, it does render them inaccurate. In addition, because the Department has other such “grant” arrangements for paying travel expenses, the total impact may be significant enough to cause more serious problems in accounting and budgeting.

## **The Use of the “Grant” Arrangement for Paying Travel Expenses as Operated by the Department of Social and Rehabilitation Services Resulted in Decreased Controls Over Moneys**

The use of the “grant” arrangement for paying travel expenses is different from the normal way of paying travel expenses in that it provides moneys in a package for expenditure by an agency outside of State government.

**The normal way of paying travel expenses provides direct control and allows for correcting errors before payment is made.** The normal way for a State agency to pay its travel expenses is to prepare and submit individual travel expense vouchers. In general, each voucher is reviewed and approved by the applicable employee’s supervisor to ensure that the travel actually occurred and that the expense is appropriate for the State to pay, by the agency’s accounting section to ensure that the amounts due have been properly calculated and that the funding source for the payment is appropriate, and by the Department of Administration’s Pre-Audit Section as an additional check that amounts have been properly calculated, that accounting and budgeting codes are proper, and that proper authorizations and approvals have been made. This process provides direct oversight of the expenses before the State makes payment and allows for correction of errors noted prior to payment.

**The “grant” arrangement for paying travel expenses provides only indirect control and requires correcting errors after payment is made.** The “grant” arrangement for paying travel expenses is to provide moneys in a lump sum to an agency outside of State government with individual payments being made by that agency from those moneys. Because these payments are not subject to the authorizations, approvals, and reviews provided by the normal process, other efforts must be made to ensure that payments are proper. Those efforts might include a pre-grant screening of the grantee’s financial controls, ongoing monitoring of grant activity, an end-of-grant review, and periodic audits. A major difference between this arrange-

ment and the normal way of paying travel expenses is that the State's oversight of the individual payments is done after the payments are made. This places a great deal of reliance on the grantee's financial controls and on the grantor's oversight activity. This also requires correction of errors noted to take place after payment is made.

**To address the additional risks of the "grant" arrangement, additional oversight procedures are called for.** As mentioned earlier in this section, the Department of Social and Rehabilitation Services' grant procedures call for oversight procedures not normally used in processing travel expenses. Among those procedures are a grant application and approval process that specifies the general purposes for which grant moneys may be spent and includes a grant budget that specifies the amounts that may be spent for specific items, a requirement that Department auditors certify the grantee's accounting system. Other oversight procedures might include periodic monitoring of the grantee's use of grant moneys, requiring a close-out report on the use of grant moneys, and requiring periodic audits of the grantee.

**However, the Department of Social and Rehabilitation Services failed to implement many of those additional oversight procedures.** According to Department officials, the Department's auditors did not certify the accounting system of the Court Appointed Special Advocate of Shawnee County, Inc., because the amount of the grant was so small. In addition, while the grant period ended May 31, 1989, no final report had been filed by the Special Advocate organization and unexpended grant moneys were still on hand as of our audit field work in April 1990. According to Department officials, they requested a final report in October 1989 but did not receive one.

**Some additional controls not called for by the grant were in place.** Although it was not required by this grant, Court Appointed Special Advocate of Shawnee County, Inc., was audited by an independent certified public accounting firm for the fiscal year ended June 30, 1989. Additionally, travel expenses paid from the grant were to be authorized by the Office of Judicial Administration.

### Conclusion

The Department of Social and Rehabilitation Services chose the "grant" arrangement for paying Permanency Planning Task Force travel costs to save voucher processing time. That goal was probably accomplished. However, in light of the administrative allowance paid to the grantee, the administrative application and approval processes required for a grant, the additional oversight procedures called for by the "grant" arrangement, and the resulting inaccuracy in financial information for accounting and budgeting lead us to conclude that the benefit from this arrangement was questionable. In addition, the Department's limited implementation of grant oversight procedures resulted in a significant risk of noncompliance with grant requirements.

## **Were the Grant Moneys Spent in Accordance With All Applicable Requirements and Limitations?**

We found that, while grant moneys were generally spent for appropriate purposes, they were not always spent in accordance with all applicable requirements and limitations. In particular, some grant moneys were spent for purposes not authorized by grant documents, some grant moneys were spent for costs incurred after the grant period, and unexpended grant moneys were not returned to the Department of Social and Rehabilitation Services as required by grant documents.

To determine whether the grant expenditures were made in accordance with the requirements of the grant, we reviewed grant documents and grantee accounting records with supporting documents. Based on our review of grant documents, we found that except for the administrative expense allowance, grant moneys were to be used for paying travel expenses of members of the Permanency Planning Task Force. We also found that grant moneys unexpended or unobligated at the end of the grant period were to be returned to the Department of Social and Rehabilitation Services.

### **A Review of Actual Grant Expenditures Indicated Several Instances of Noncompliance With the Grant Requirements**

During our review for compliance with grant requirements, we found that grant moneys were used to pay travel expenses for an individual who was not a member of the Task Force. We also found that grant moneys were used to replace a book belonging to the grantee that had been lost or stolen at a regional conference. We found payments made for travel expenses incurred after the grant period had ended. Finally, we found that unexpended grant moneys had not been returned to the Department of Social and Rehabilitation Services.

**Grant moneys were used to pay travel expenses of an individual who was not a member of the Task Force.** According to an official of the Court Appointed Special Advocate of Shawnee County, Inc., this individual attended a meeting of the Task Force to consult with and advise the Task Force. The Office of Judicial Administration authorized the payment of this person's travel expenses in the amount of \$24.36. While the payment of these travel expenses was authorized and may have been an appropriate State expense, such payment was not in accordance with the requirements of the grant.

**Grant moneys were used to replace a book belonging to the grantee that had been lost or stolen at a regional conference.** According to Office of Judicial Administration officials and Department of Social and Rehabilitation Services officials, the expenditure of grant moneys for this purpose had not been authorized. The amount of the expenditure was \$40.00.

**Grant moneys were used to pay travel expenses incurred by Task Force members after the grant period had ended.** According to grant documents, the grant was made for the period from June 1, 1988, through May 31, 1989. Our

testwork indicated that four payments totaling \$439.65 were made for travel expenses incurred after May 31, 1989. Supporting documentation for these payments indicate that the expenses were incurred in early June 1989 and early August 1989. According to a Special Advocate official and a Department of Social and Rehabilitation Services official, the grant period was to have been extended but the change never took place. While the payment of these travel expenses may have been an appropriate State expense, such payment was not in accordance with the requirements of the grant.

**Unexpended and unobligated grant moneys on hand at the end of the grant period were not returned to the Department of Social and Rehabilitation Services.** Grant documents require the Court Appointed Special Advocate of Shawnee County, Inc., to return to the Department of Social and Rehabilitation Services any unspent or unobligated grant moneys at the end of the grant period. The grant period ended May 31, 1989. In addition to the \$439.65 on hand at May 31, 1989, that was spent subsequent to that date, the Special Advocate organization still had \$323.02 in grant moneys on hand as of our field work in April 1990. Special Advocate organization officials acknowledged that this money was due the Department.

### **Conclusion**

In testing for compliance with grant requirements, we noted instances of four types of noncompliance. Excluding the \$75 administrative expense allowance, fully 55 percent (\$827.03) of the grant moneys were not handled in accordance with the grant requirements. Much of this was probably due to the limited oversight activities of the Department of Social and Rehabilitation Services discussed in the answer to audit question 2. While the amounts involved in this particular grant are not large, the number and nature of the problems encountered together with the Department's indication that other similar "grant" arrangements are common indicate the need for action by the Department to address these situations.

### **Recommendation**

In light of the questionable savings involved, the inaccuracies in financial information, the reduction in controls, and the actual problems resulting from that reduction of controls, the Department of Social and Rehabilitation Services should give serious consideration to eliminating the use of the "grant" arrangement for paying travel expenses.

## **APPENDIX A**

### **Agency Response**

On May 9, 1990, we provided a copy of the draft audit report to the Department of Social and Rehabilitation Services. Its response is included in this Appendix.



STATE OF KANSAS

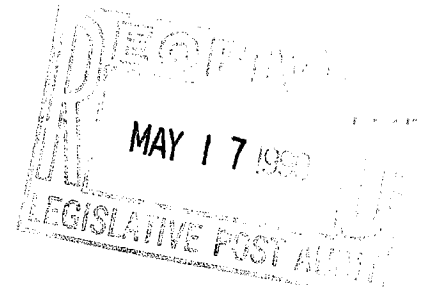
MIKE HAYDEN, Governor

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

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May 16, 1990



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ROBERT BARNUM  
Commissioner

Meredith Williams  
Legislative Division of Post Audit  
109 West 9th, Suite 301  
Topeka, Kansas 66612

Dear Mr. Williams:

We have reviewed your draft of the Court Appointed Special Advocate of Shawnee County, Inc.

We agree with the findings as outlined in the audit.

We will allow no new grant awards to be issued that result in a third party taking over our processing and review functions. We will turn over any possible instances of noncompliance to our internal auditors.

We thank you for the opportunity to comment on this draft audit report.

Sincerely yours,

Winston Barton  
Secretary

WB:JSD:HJH:rda

cc: Sandy Duncan  
Bob Barnum  
Gary Weidenbach  
Ted Maupin  
Herman J Hafenstein