



PERFORMANCE AUDIT REPORT

Reviewing the Organization and Structure Of the State Historical Society

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
July 1999**

Legislative Post Audit Committee

Legislative Division of Post Audit

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July 6, 1999

To: Members, Legislative Post Audit Committee


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This report contains the findings, conclusions, and recommendations from our completed performance audit, *Reviewing the Organization and Structure of the State Historical Society*.

The report also contains an appendix showing information about the structure of other states' historical societies, and an appendix showing the Board of Director's responses to survey questions regarding the structure of the State Historical Society.

The report includes several recommendations for areas to be considered should the Legislative want to change the Society's structure. 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. We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials.


Barbara J. Hinton
Legislative Post Auditor



EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

Question 1: How is the State Historical Society Organized, Funded, and Operated, and Could a Revised Organizational Structure Make the Society More Responsive and Effective?

The State Historical Society is essentially a not-for-profit corporation that also has been designated as a State agency. page 2
The Legislature never specifically created a State agency called the State Historical Society, but instead designated the existing not-for-profit corporation as the trustee over the State's historical collections. Over the years the Society has been granted many of the same powers and duties as other State agencies, including being able to spend State moneys and include its employees in the State civil service system.

The State Historical Society now operates as two separate entities housed within a single agency. page 4
In the early years the not-for-profit side of the Society was fairly inactive, with many of its functions performed by State employees. However, beginning in the late 1970s and continuing into the 1990s, the private side began taking on more of its own functions. The private side also made an attempt to become more distinct from the State side both for fund-raising purposes and in order to be able to sign contracts with the State.

Most of the funding for the State Historical Society comes from State appropriations. page 7
The Society as a whole receives about 67% of its total funding from State appropriations. However, each side has always kept separate financial records. The State side receives most of its revenues from appropriations and fees, and salaries are its primary expenditure. The private side revenue and expenses relate primarily to sales and expenses of its gift shops. The private side also spends money for items that the State side can't afford or isn't allowed to purchase, such as parties for volunteers and donors.

Only two of the other nine states whose historical society structures we reviewed were similar to Kansas' structure. page 7
All but one of the nine historical societies- Oregon -received the majority of their funding from state appropriations. No states we reviewed were identical, but they tended to fall into three basic organizational structures: (1) state agency only, (2) combined not-for-profit and state agency, and (3) separate but related not-for-profit and state agency. Kansas is included in the second category along with Minnesota and Oregon. Even within that category Kansas is different from the other two societies because Kansas operates essentially as two separate agencies, while the other two operate essentially as not-for-profit entities.

Many of the people we surveyed or interviewed during this audit thought the current structure worked well, although some had concerns. page 9
Generally, the Board members we surveyed were positive about the way the Society was organized and operated. However, some Board members raised concerns about accountability or effectiveness issues. The

executive committee members we interviewed had some of the same concerns, particularly about the dual role of the Executive Director as State Historic Preservation Officer, which they felt conflicted with fund-raising capabilities.

We identified a number of real or potential problems with the Historical Society's organizational structure. *These problems included a lack of accountability and the potential for too much influence by the person in the executive director position. Also, the statutes were vague about the creation of a State agency, and don't define the responsibilities and level of accountability between the two sides of the organization. Finally, it appeared that the board was too large to be functional.*page 10

Many people we surveyed or interviewed also cited problems with the Society's effectiveness at maintaining historic sites or raising private funds. *Although generally these problems weren't related to the organizational structure of the Society, many people thought they were cause for concern. About 30% of the Board members who responded to the survey felt the Society wasn't very effective at maintaining historic sites, and some said there may be favoritism in funding specific sites. Curators we talked to agreed that more maintenance was needed, but didn't see favoritism as a problem.*page 11

A number of people raised concerns about the effectiveness of fund-raising efforts of the Society. We found that Kansas' society generated less on a per-capita basis than any other historical society that had active fund raising. It doesn't appear that this is related to the structure of the Society because Minnesota, with a similar organizational structure, had the greatest per-capita giving.

Some people we talked to didn't think the Society was responsive to the wishes of donors. However, all but one of the eleven donors we contacted were satisfied with the way their donations were handled. The other donor wasn't happy with how quickly his family's donation was being spent and that improvements weren't made immediately.

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APPENDIX B: Survey of Other State Historic Societies page 23

APPENDIX C: Board Member Survey Results page 28

APPENDIX D: Agency Response page 31

This audit was conducted by Jerry Fair and LeAnn Schmitt. Leo Hafner was the audit manager. If you need any additional information about the audit's findings, please contact Ms. Fair 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 (785) 296-3792, or contact us via the Internet at: LPA@lpa.state.ks.us.

Reviewing the Organization and Structure of the State Historical Society

The State Historical Society was founded in 1875 by Kansas newspaper publishers to collect and preserve the documents and artifacts that tell the history of Kansas. The 1879 Legislature designated it as the official trustee for the State's historical collections, and made it responsible for financial activities related to preserving historical information. Since then, the Society has functioned both as a not-for-profit membership organization and as a State agency supported by legislative appropriations.

As part of a broader examination of the way various State agencies are organized, legislative questions have been raised about whether the State Historical Society's current organization and funding are outdated, and may not be the most effective way for the Society and the State agency to meet today's needs for preserving Kansas' historic treasures. This performance audit, which was requested in anticipation of an interim study looking into the possible reorganization of the State Historical Society, answers the following questions:

- 1. How are the nonprofit and State agency "sides" of the State Historical Society organized, funded, and operated, and does its current structure create any problems?**
- 2. Could a revised organizational structure make the Society and its nonprofit affiliate more responsive and effective?**

To answer these questions, we interviewed State agency staff and not-for-profit staff to determine how the Society actually operates, and we reviewed records to confirm that operations were carried out as described. We also surveyed 106 past and present Board members of the State Historical Society to determine whether they had experienced any problems with the Society's structure and what changes they would suggest to improve the Society's operation. In addition, we contacted a sample of people who'd made large donations to the Historical Society to determine whether they had received feedback from the Society and were happy with the way their donations had been spent. Further, we contacted officials in other states to learn how they had structured their historical societies.

In conducting this audit, we followed all applicable government auditing standards, except we didn't independently verify information given to us by other states' historical societies. We've used some of these data to calculate per-capita contributions.

For reporting purposes, we've combined the two questions into one. A copy of the scope statement for this audit, approved by the Legislative Post Audit Committee, is included in Appendix A.

How Is the State Historical Society Organized, Funded, and Operated, and Could a Revised Organizational Structure Make the Society More Responsive and Effective?

The State Historical Society is essentially a not-for-profit corporation that's also been designated as a State agency. It currently operates as two separate entities housed within a single agency. In Kansas, as in most of the nine other States we contacted, the majority of the Society's funding comes from State appropriations. Only two other states' historical societies were structured similarly to Kansas' Society, and even those two states operate somewhat differently. While some people we surveyed or interviewed during the audit had concerns about the Society's structure, many thought the current structure worked well. We identified or were told about a number of real or potential problems with that structure. Many of those problems stem from a lack of specificity in the statutes, from a lack of accountability, and from concentrating too much authority in a single position. Some people also expressed concerns about the Society's lack of effectiveness at fund raising and at maintaining historical sites. These and related findings are discussed in more detail in the sections that follow.

The State Historical Society Is Essentially a Not-for-Profit Corporation That Also Has Been Designated as a State Agency

The State Historical Society has executive offices in Topeka at the Kansas History Center, where it also operates the Kansas Museum of History and the Center for Historical Research, which houses research and reference materials about Kansas history. The Society also performs a variety of other activities, including the following:

- operating and maintaining 13 historic sites throughout the State
- maintaining and operating visitor centers at various State-owned historic sites
- operating educational programs through exhibits and outreach programs
- administering federal and State historic preservation activities
- administering the Heritage Trust Fund (through which grants are made to entities wanting to maintain or restore properties on the State and national historic registers)

Since its early beginnings, the State Historical Society has had links to the State, although the Legislature never explicitly created an agency called the State Historical Society. The Society was founded in 1875 as a not-for-profit membership corporation by Kansas newspaper publishers who wanted to collect and preserve the documents and artifacts that tell the history of Kansas. The Society initially was located in the State Capitol. Anyone could become a member by paying dues.

In 1879, the Legislature passed a law designating the Society as the official trustee of the State's historic collections and property. In addition, the Legislature gave it the authority to spend State moneys and administer State-owned assets.

Minutes of the Society from as far back as 1876 show that the Society's primary source of revenue was State appropriations, although it got some revenue from membership dues. However, those minutes also show it took 10 years for the Society to officially accept the "trustee" responsibility given to it by statute.

The organizational "framework" for the Society was spelled out in the not-for-profit corporation's by-laws, as follows:

- The Society's dues-paying members were to elect a board of directors for three-year terms. The board was to meet once a year. (The board started out smaller, but current by-laws call for a 99-member board.)
- The board of directors was to elect a 15-member executive committee for terms ranging from 1-3 years. Executive committee members were to include the Board's officers and others, as follows:
 - the president and past president
 - two vice-presidents
 - a treasurer
 - a Secretary of the Society
 - 9 other members at-large

In practice, the Secretary of the Society is hired by members of the executive committee, which then puts his or her name up to the full board for election. In addition, under the by-laws the Secretary automatically is the Executive Director as well, who is responsible for carrying out the Society's day-to-day activities. That makes the Secretary of the Society the de facto head of the State agency "side" of the Society.

Over the years the Legislature has amended the law to grant the Society many of the same powers and duties given to State agencies. For example, within a few years of designating the Society as the official trustee of the State's historic collections, the Legislature passed a law describing the positions and salaries of Society employees. Other amendments have been passed over the years to do the following:

- authorize the Secretary to hire all necessary employees (K.S.A. 75-3148)
- include these employees in the State's civil service system(K.S.A. 75-3148)
- designate the State Historical Society as the State historic preservation agency, which allowed it to administer federal moneys under provisions of the National Historic Preservation Act of 1966 (K.S.A. 75-2717)
- establish and approve expenditures from fee funds (K.S.A. 75-2701)
- adopt rules and regulations to administer provisions of the law (K.S.A. 75-2701)

The State Historical Society Now Operates Essentially as Two Separate Entities Housed Within a Single Agency

Early on, the not-for-profit “side” of the Society was fairly inactive and had little in the way of a separate identity. In addition, many of its functions were performed by State employees.

Gradually, however, the private side has taken on its own identity. According to the previous executive director, in the late 1970s the private side wanted to increase its fund raising efforts. To do that, it had to emphasize its identity as a separate, not-for-profit entity capable of receiving donations.

In 1988, the two sides of the Society found themselves in a position where they were signing contracts with each other and both using the same name. To avoid such conflicts, the private side of the Society changed its name to include the term “Incorporated,” to make the two sides more distinct.

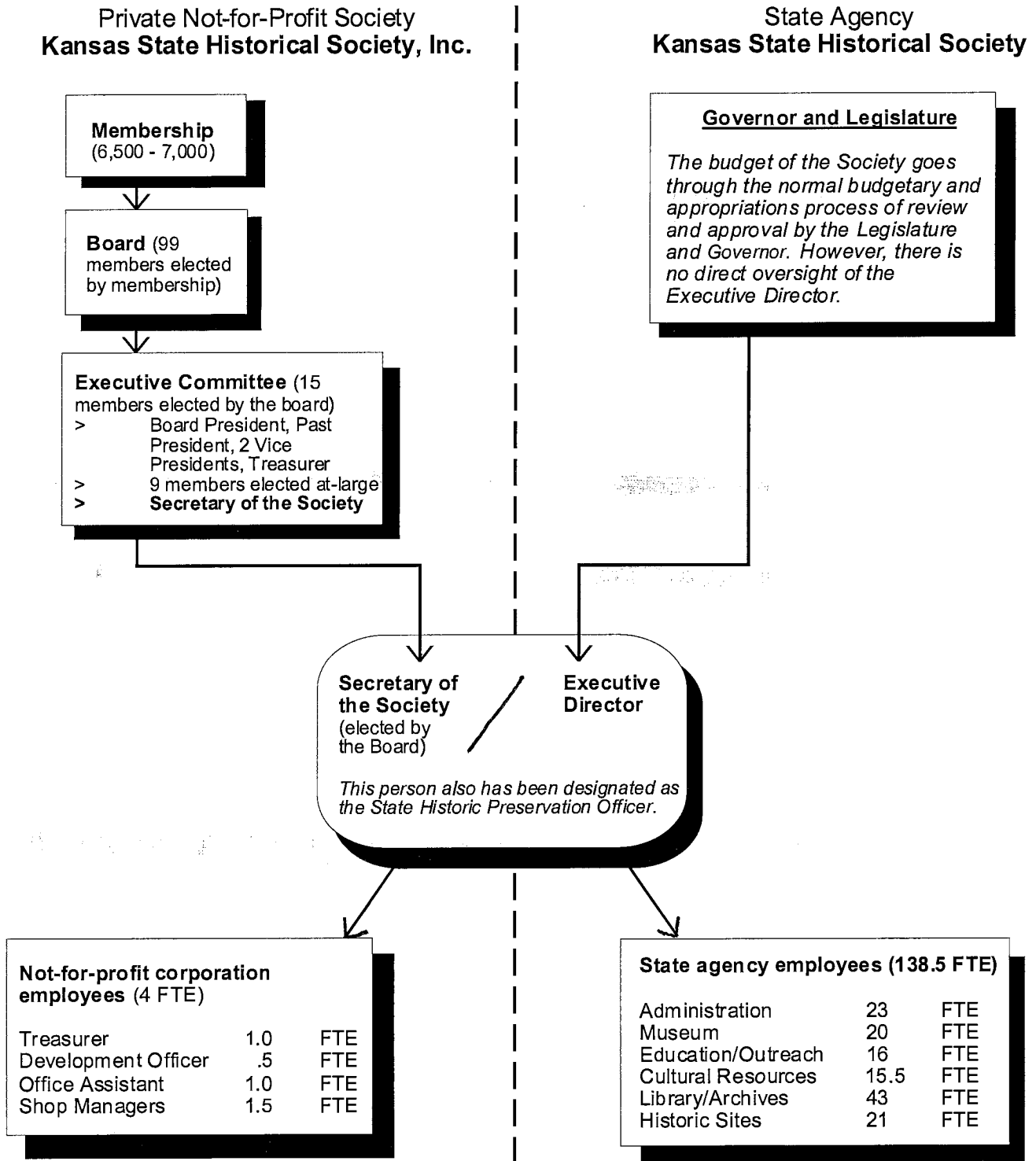
Other changes occurred around that time that gave the Society’s not-for-profit corporation a more separate identity. They include the following:

- In 1978, the not-for-profit corporation hired someone to handle the Society’s membership information. Before that, the Executive Director’s secretary, whose salary was paid with State funds, handled that task.
- In 1988, the not-for-profit corporation hired a person to be the treasurer of the Society. Before that, the assistant director—whose salary was paid with State funds—was the treasurer of the Society, wrote the Society’s checks, and kept its financial records.
- In 1995, the Society’s treasurer took over the job of handling payroll for the not-for-profit corporation’s employees. Before that, this payroll function was handled by a State employee.
- In 1998, the Society’s treasurer took over the job of depositing moneys the not-for-profit corporation received. Before that, a State employee handled these deposits.

The chart on the next page shows the overall organizational structure of the State Historical Society as it is currently operated.

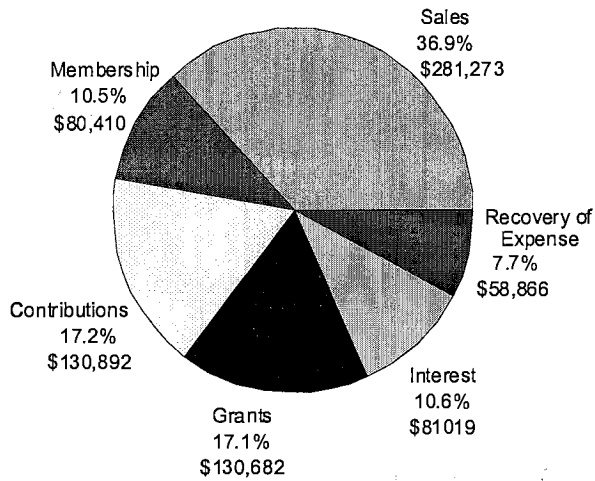
Later sections of this report describe parts of the organizational structure in more detail, and the potential problems we identified with that structure.

Organizational Chart for the Kansas State Historical Society

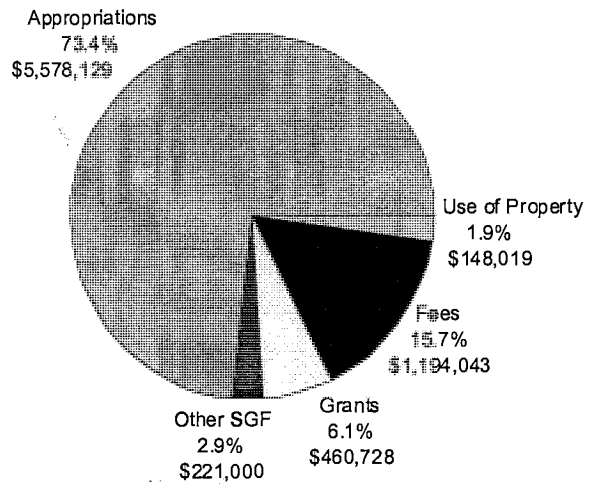


State Historical Society Revenue and Expenditures Fiscal Year 1998

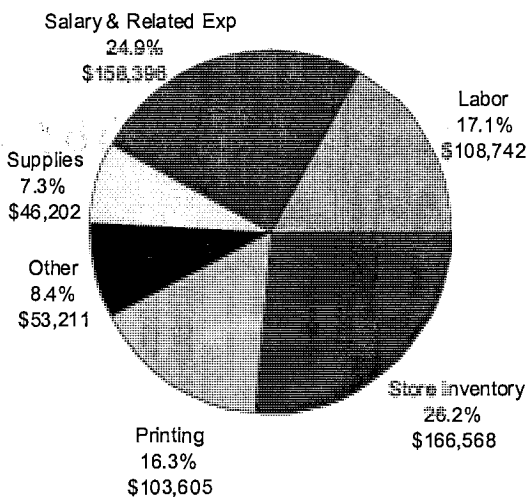
Private-Side Revenues - Total \$763,142



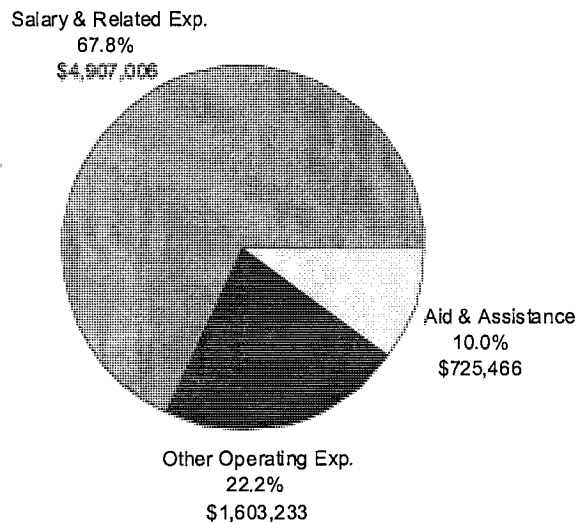
State Agency Revenues - Total \$7,601,919



Private-Side Expenditures - Total \$636,724



State Agency Expenditures - Total \$7,235,685



Most of the Funding for the State Historical Society Comes from State Appropriations

Looking at the State Historical Society as a whole shows that about 67% of its total revenues in fiscal year 1998 were State General Fund appropriations. However, because accounting for the moneys for each side of the Society has always been kept separate, it's important to look at the revenues and expenses for each side separately. That information is summarized in the pie charts on page 6.

As the revenue pie charts at the top of the page show, the not-for-profit corporation's total revenues equaled only about 10% of the revenues of the State side. The corporation's largest source of revenues was sales from museum gift shops. The State side's largest source of revenues was General Fund appropriations.

The expenditure pie charts on the bottom of the page show that salaries for the Society's 140 employees accounted for about two-thirds of the State agency's expenditures. Salaries for the not-for-profit corporation's 5 employees also accounted for a large share of its total expenses, but inventory for the museum gift shops accounted for the largest share.

Moneys from private donors may be restricted to certain uses—such as buying books of a certain type, or making repairs only at specific historic sites. Private donations that don't have restrictions on them can be used for any purpose, including "filling in" where State moneys aren't sufficient, or where State rules don't allow such expenditures. Examples can include:

- additional educational projects
- travel expenses for people interviewing for jobs with the Society
- parties for volunteers and donors
- other special projects

Only Two of the Other Nine States Whose Historical Society Structures We Reviewed Were Similar to Kansas' Structure

We reviewed the structure of historical societies in nine other states. All but one state—Oregon—received the majority of their funding from state appropriations.

Although no two states' historical societies were identical, they tended to group into the following basic organizational structures:

1. state agency only
2. combined not-for-profit and state agency
3. separate but related not-for-profit and state agency

Three Typical Structures of State Historical Societies

<u>State Agency Only</u>	<u>Combined Not-for-Profit and State Agency</u>	<u>Separate but Related Not-for-Profit and State Agency</u>
<ul style="list-style-type: none"> • stand alone or within another agency • no affiliated not-for-profit • may have separate local friends' groups 	<ul style="list-style-type: none"> • single board over both sides • board appoints executive director • may have separate local friends' groups 	<ul style="list-style-type: none"> • separate boards • separate executive directors • not-for-profit grants money to state agency • may have separate local friends' groups
States:		
<ul style="list-style-type: none"> ▶ Illinois ▶ Missouri ▶ Oklahoma 	<ul style="list-style-type: none"> ▶ Minnesota ▶ Oregon ▶ Kansas 	<ul style="list-style-type: none"> ▶ Colorado ▶ Iowa ▶ South Dakota ▶ Nebraska

The table above shows the general structural provisions within each group.

Even within its category, Kansas is somewhat different from Minnesota and Oregon. All three Societies started out as not-for-profit corporations. In fact, Kansas' Historical Society minutes show that the original founders planned to pattern Kansas' Historical Society after Minnesota's. Over the years, however, they took divergent paths:

Minnesota's and Oregon's Historical Societies essentially operate as single, not-for-profit entities (even though their Legislatures have designated them as State agencies for the purposes of receiving State funds).

Their not-for-profit corporations show state appropriations as simply another funding source for the corporation. State moneys can be used to pay any legitimate expenses of the corporation. And unlike Kansas, there's no segregation of duties for employees, and payroll functions and financial recordkeeping are handled through single systems.

Kansas' Historical Society essentially operates like two entities under an umbrella agency.

Accounting for private-side and State-side moneys always has been kept separate. State moneys can only be used to pay for specific employees and authorized State expenses. Most duties have been segregated for private-side and State-side employees as well, and payroll functions and financial record keeping for each side are handled through separate systems.

More detailed information about the structure of the historical societies in the states we contacted can be found in Appendix B.

**Many of the People We Surveyed or Interviewed
During this Audit Thought the Current Structure Worked Well,
Although Some Had Concerns**

As part of this audit we surveyed 106 current and recently retired Board members, and interviewed executive committee members, State and private-side staff, and other interested parties.

Board members' responses generally were positive about the way the Society was organized and operated. The results of our surveys are included in Appendix C. In all, 40 of the 58 Board members who responded to our surveys (69%) thought the Society worked pretty well the way it is now. Here's a sampling of their comments:

"I am firmly convinced that the private Historical Society and the State agency accomplish far more than they would were the partnership nonexistent."

"The two groups work together very efficiently."

"Overall I see no conflict between the State and private side. I strongly believe there must be a private non-profit entity for fund raising, particularly for special projects..."

"To the extent that the "two branches" constitute a problem, it is largely one on paper, not in practice."

However, some members raised questions or concerns about the current organization. Many of their comments related to accountability or effectiveness issues. Here's a sample:

"As the State agency side is currently structured there seems to be little or no accountability by the Executive Secretary to anyone."

"The non-profit side has virtually no input, beyond raising of money, in the functioning of the State agency side of the Historical Society."

"Moneys for both [sides] are controlled by the Executive Secretary."

"Perhaps the private side should have a separate director to make the private side more viable not only from the PR side, but for strengthening programs with a bigger endowment and private support."

"Having a Board of 99 members is ludicrous. It gives the illusion of control and involvement, but its main function is to ensure the decisions of the KSHS Executive Director."

"The area I am most concerned with...is the dual role that the Executive Director takes on when he must also serve as the State Historic Preservation Officer...Being the SHPO has given us difficulty as that role is often the one that carries the preservation stick...This does not make the educational function that we provide easy. I think that at times it makes it impossible."

The majority of the comments from Executive Committee members also were positive. However, several mentioned the Executive Director's dual role as the State Historic Preservation Officer as a potential problem. They thought the controversial decisions the Director had to make as the Preservation Officer conflicted with the Director's role as head of the Historic Society, and with the Society's fund-raising activities.

Two people said they thought the organization was too large for one person to handle, and two indicated they weren't comfortable with a State employee supervising private-side employees.

Current and former employees and other people we interviewed expressed more concerns about the Society's organization and structure. Some of these people contacted us or asked to be contacted because they had concerns, so their comments might be expected to be more negative.

Again, the most common concern related to the Executive Director's dual role as the State Historic Preservation Officer. Other common concerns related to overlap and accountability issues. For example, one person was concerned that State employees worked on private-side matters. Another person thought that an Executive Director appointed by the Governor might have more of an "agency" view.

We Identified a Number of Real or Potential Problems With the Historical Society's Organizational Structure

Based on our own review and analysis of the Historical Society's organizational structure, our review of other states' structures, and the concerns raised by people we surveyed or interviewed, we identified a number of real or perceived problems with the way the Society currently is organized. Very briefly, those problems can be summarized as follows:

- The Society's Executive Director is the de facto head of a State "agency" that spends nearly \$6 million a year in State tax dollars. However, there's no chain of accountability to the public because that position isn't appointed by and can't be removed by the Governor. (A similar situation existed with the Department of Agriculture until recent years.)
- The Executive Director, by virtue of his or her position as Secretary of the Society, serves as secretary of the executive committee, the same committee he or she reports to as Executive Director. Society bylaws are unclear as to whether the secretary is a voting member of the committee. If the secretary is a voting member he may be able to exert too much influence over policy decisions.

- Giving the Executive Director control over the moneys and resources of the private and public sides of the Society creates a situation where that position could make decisions that aren't in the best interests of one side or the other.
- Some State employees continue to perform tasks and duties that benefit the private not-for-profit corporation.
- Because the Secretary of the Society and the Executive Director are the same position, the Board can't change its Secretary without also changing the executive director.
- Having the Executive Director, who is also the Secretary of the Society, statutorily designated as the State Historic Preservation Officer could create potential conflicts of interest.
- Although the public side of the Historical Society "acts like" a State agency, the Legislature has never created it as a State agency in law or specified its relationship with the not-for-profit corporation. As a result, there are no clear lines of responsibility and authority.
- The Board of Directors may be too large to be functional.

These problems are discussed more fully in the boxes on the following pages, together with potential solutions the Legislature could consider if it considers revising the Society's structure.

Many People We Surveyed or Interviewed Also Cited Problems with the Society's Effectiveness at Maintaining Historic Sites or Raising Private Funds

In general, people didn't necessarily think these problems were related to the State Historic Society's organizational structure. However, some thought the fund raising problem related to the fact that the general public saw the Historic Society as a State agency, already supported by tax money and therefore not needing public support.

About 30% of the Board members who responded to our survey thought the Society wasn't very effective at maintaining historic sites. Even some who rated the Society effective qualified their rating by suggesting the Society was as effective as it could be, given the inadequate level of resources available to it. Both Board members and staff told us they thought there wasn't enough available money to fund any site adequately, and that any extra funds often were used to "put out fires" for last-minute emergency repairs at the sites. Some of their comments:

"It seems the Society will upgrade a site, then devote all its attention and resources to other sites for years, leaving the first site with little or no maintenance, eventually creating a crisis situation. It's as if we run to one side of a ship, then when it begins to tip, we all run over to the other side, ad infinitum."

"Lack of adequate funding from the Legislature makes it difficult to maintain and upgrade historic sites, and causes the staff and the Executive Secretary to discourage the acquisition of any additional historic sites."

Issues Related to the Executive Director Position

Issues

The Executive Director's position is less accountable to the State than other heads of State agencies because the Director isn't appointed by and can't be removed, either directly or indirectly by the Governor or any State-appointed official.

Discussion . . .

The Executive Director (through his dual role as Secretary of the Society) is elected by the board of directors of the not-for-profit side of the Society. None of the directors are appointed by the Governor. Thus, neither the Governor nor other officials accountable to the public have any authority in designating or retaining the Executive Director, who is the defacto head of a State agency. Because the State side accounts for approximately 90% of the funding for the operations of the Society as a whole, it's logical to provide some accountability over those moneys. In most other Kansas agencies where an agency head is appointed by a private board, the Governor appoints the majority of the board members, and is able to exercise control in that way. Although the Director has some accountability to the Governor and the Legislature through the budget and appropriations processes, his ultimate accountability is only to the private board of directors.

Options for Addressing This Issue

- Have the Executive Director be appointed by the Governor or by a board controlled by the Governor. In at least two states, Nebraska and Oklahoma, the director is appointed by members of a state board, but the governor appoints some members of that board.
- Make the Historical Society a division within another agency. In Iowa, South Dakota, and Missouri, the historical society is a division within a larger state agency. The director of the historical society is accountable to the director of the umbrella agency, who is accountable to the Governor.
- Create the Historical Society as a State agency separate from the not-for-profit organization, with an executive director appointed by the Governor.
- Don't have the Executive Director be a member of the Board. In Colorado, Illinois, and Iowa, the executive director isn't a member of the board of directors.
- Have the Executive Director be a "non-voting" member of the Board. In Oklahoma and Oregon, the executive director is a "non-voting" member of the board of directors.

Having the Executive Director be a member of the Board may give him or her too much influence over policy decisions.

Current Society bylaws designate the Executive Director of the Society as the Board secretary and the secretary of the Board's executive committee. The bylaws don't specify whether the position of secretary is a voting or non-voting position. However, the bylaws do specifically give the Executive Director / Secretary the authority to call a meeting of either of these two groups. Because the Board and the Executive Committee are the groups that exercise direct supervision over the operations of the Historical Society, it's important that the Director's role as secretary to each group be specifically spelled out. For example, it takes as few as three members of the Executive Committee to constitute a quorum. If the Executive Director/Secretary were allowed to vote on matters before the Committee, he or she and as few as two other members could take action on important issues. It should be noted that although the bylaws aren't specific on this issue, the Board response indicated the current Executive Director

has served only as staff to the Board and the Executive Committee and hasn't voted on issues before either group during his tenure.

Giving one person authority over both the public and private sides of the Society creates a perception and a risk that resources could be "diverted" to one side or the other, or that decisions won't always be made in each side's best interest.

The executive director's position has access to and authority over separate moneys and employees for both sides of the Society. Sometimes State-side employees are used to work on private-side projects. For example, we were told that State staff are used to edit private side publications, and that a State employee supervises staff from the private side. Normally, a State agency wouldn't provide State employees to do work for a private entity. Also, because there are fewer restrictions on private-side moneys, those moneys can be used to pay for things that State appropriations can't be used for. For example, private-side moneys have been used in the past to pay for entertainment, parking tickets, an expensive limestone conference table, and the like. Given the current structure the board of directors exercises the only external "control" over the executive director's expenditure of private-side moneys. However, board members told us they didn't get much detail on expenditure information, so their level of oversight would be limited. We reviewed a sample of fiscal year 1999 expenditures from both sides of the agency during this audit and found that the State side didn't pay any private-side costs during that period, however, private-side funds were used to pay some operating costs for the State side such as printing costs.

Having the Society's Executive Director also be Secretary of the Society means the Board can't change its Secretary without also changing the Executive Director.

If the board of directors wanted to elect a new Secretary but keep the same Executive Director, that couldn't be done because the two positions are linked. The new Secretary would automatically become the new Executive Director. (We also noted that the Society's bylaws don't specifically include a process for removing the Executive Director from office, other than by electing a new secretary during elections which occur every two years.)

■ Have separate executive directors for the State agency and for the not-for-profit sides of the Society. At least four states - Colorado, Iowa, South Dakota, and Nebraska - have totally separate public and private sides with separate boards and separate directors. The private side controls the private money, granting it to the State side as needed.

■ Create the Historical Society as a State agency separate from the not-for-profit organization with an executive director appointed by the Governor.

■ Separate the positions of Board Secretary and Executive Director. Only Oregon and Minnesota had both a not-for-profit secretary and an executive director.

In Oregon, the executive director is not the same person as the board secretary.

In Minnesota, the board secretary may serve as the executive director, but the positions aren't automatically linked. Also, the Minnesota bylaws have a provision for removing the executive director.

Designating the Society's Secretary as the State Historic Preservation Officer could create potential conflicts of interest.

The State Historic Preservation Officer is the State official responsible for reviewing public projects and rendering an opinion about whether the project can proceed as planned without damaging historical property. In this role, the Executive Director may alienate potential contributors to the Historical Society by opposing people who are either for or against a proposed project. This situation may be detrimental to his or her role as a fund-raiser for the Society, because the Executive Director may need to solicit funds from some of the people he may have alienated with a decision as the Historic Preservation Officer. Also, concern about alienating potential contributors could - consciously or unconsciously - affect the decisions the Executive Director renders as the Historic Preservation Officer.

This conflict was the most common problem Society Board members mentioned in their responses to our surveys. Some typical comments are as follows:

"Some consideration may need to be directed to the unwarranted criticism of the Executive Director of the Society as the State Historic Preservation Officer. The preservationists want more rigid enforcement; the developers want less."

"This officer can get a fair amount of flak, and in the past few years this has brought some criticism to the Society."

■ Designate someone within the Historical Society other than the executive director as the Historic Preservation Officer. In Iowa, a lower-level division director within the state historic agency has been designated as the state historic preservation officer. That division director has no connection with fund-raising activities.

■ Designate someone outside the Historical Society as the Historic Preservation Officer. In Colorado, the Governor appoints the historic preservation officer, who isn't necessarily part of the historic society. In both Missouri and Oregon, the historic preservation office isn't connected to the historical agency. Instead, that office is located within a different department or state agency, such as a department of natural resources.

■ Create a separate office of historic preservation. Illinois' historic preservation office is a separate stand-alone agency.

■ If the Executive Director remains as the Historic Preservation Officer, make it so that he or she isn't responsible for fund raising by designating that responsibility to someone else. In Minnesota and Colorado, where the executive directors of the historic agency also serve as the Historic Preservation Officer, there are separate development staffs who concentrate on fund raising, freeing the director from being directly involved in this activity.

Issues Related to the Language in the Statutes

Issue

The statutes are unclear about the structure of the Historical Society.

The Historical Society has never been explicitly created as a State agency by statute. Current laws are unclear regarding whether the Legislature was simply conferring some of the powers of a State agency on a private not-for-profit group. The typical language used when creating a State agency is missing from the statutes governing the Historical Society. However, in 1977 language was added to designate the Society as the State agency for historic preservation purposes. It appears that this may have been done primarily for the purpose of being able to participate in federal funding available from the National Historic Preservation Act of 1966. State laws don't define the responsibilities and level of accountability between the two entities.

Discussion

Options for Addressing This Issue

- Consider explicitly creating the State Historical Society as a State agency in the statutes.
- Decide whether to maintain one entity with separate branches, two completely separate entities, or some other variation.
- Clearly spell out in law what the relationship, responsibilities, and level of accountability are for each of the entities.

Issues Related to the Board of Directors (Not Within the Legislature's Purview)

Issue

A 99-member board of directors may be too large to be functional. Many respondents pointed out that because there's an executive committee of manageable size (15 members), the size of the overall board was less important. Some respondents saw value in having a large board in terms of having broad representation across the State, which could be beneficial for public relations and fund-raising purposes.

Discussion

Options for Addressing This Issue

- Consider reducing the size of the board of directors. The average size of the Boards of other states we reviewed was 25 members. The largest board had 47 members.

Management staff told us they agreed that the historic sites needed attention. They said that for many years the focus has been on building up the Museum in Topeka, and that not much money was available to fund maintenance at the sites. They said they hope to begin addressing the problem conditions at all the sites. In fact, staff told us the Society submitted a three-year, \$2.5 million improvement plan for historic sites as part of their fiscal year 2000 budget. The approved appropriation was \$100,000.

Although some people also said they thought there was favoritism in funding the historic sites, the curators we talked with didn't see that as the problem. When we looked at the Society's procedures in this area, we noted there was no formal written procedure for how funds are allocated to the various historic sites. Staff told us that moneys are allocated primarily based on historical funding levels, with adjustments for previous or current one-time expenses.

We also talked with curators at nine sites. Although some said they didn't get much input into the budget process, they didn't perceive favoritism or unfair funding allocations for the sites.

A number of people we surveyed or interviewed raised concerns about the Society's effectiveness at fund-raising. About half the Board members who responded to our survey thought the Society was fairly effective at fund-raising, but one-fourth of the Board respondents and others we interviewed said they thought the Society wasn't very effective. Some of their comments:

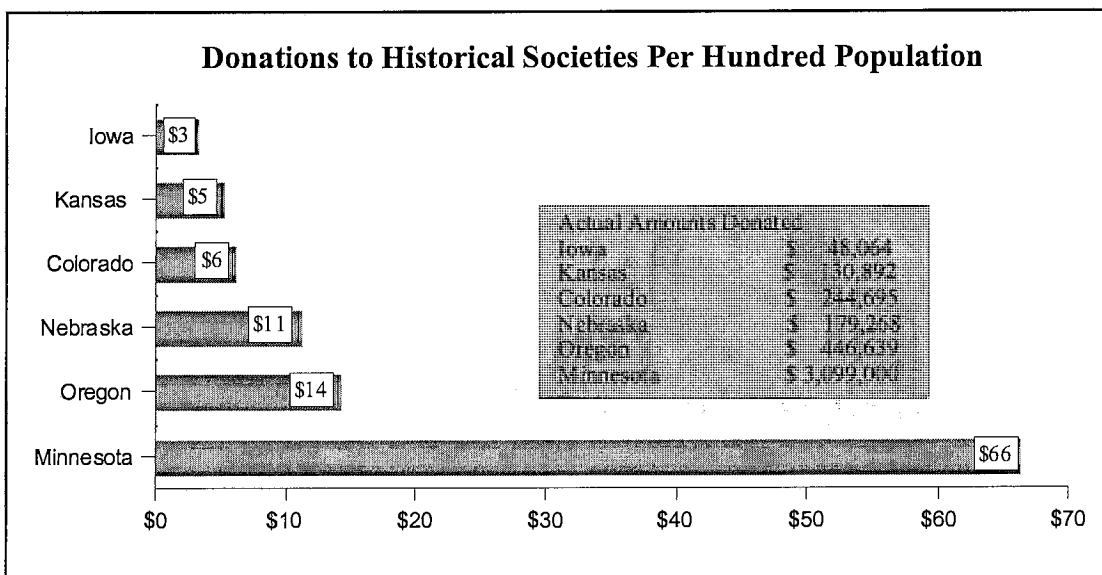
"As a member of the development committee, we have learned that the Kansas public do not understand that the "Society" is a private corporation and requires funding from the private sector. Some private-sector funds are raised; however, performance is poor compared to other states."

"There are foundations eager to give to historical societies, but they must be asked... The current absence of aggressive fund-raising is appalling."

"..KSHS, Inc. could and should do a more effective job of soliciting funds to underwrite special events and project. ...they appear to be reluctant to ask for assistance from their statewide constituency."

"They don't do much to encourage giving beyond a few friends."

On a per-person basis, Kansans' gave less to the Historical Society in fiscal year 1998 than donors in the other states whose historical societies had fund-raising efforts. Our earlier comparisons showed that six states' Societies had a fund-raising arm—either separate from or combined with them. The following graph shows how Kansas compared in fiscal year 1998, based on information reported to us by historical society staff in each state. (We couldn't audit these numbers, but we did work with other state staff to try to ensure we were getting comparable numbers.)



The amount of donations raised didn't necessarily appear to relate to the basic structure of any state Society. For example, Minnesota, with a structure very similar to Kansas, had the highest per-capita rate of donations to its historic society. However, four other states we reviewed did have divisions dedicated solely to fund raising. Still, staff in some of the other states we contacted told us the amount raised often related more to the popularity of the purpose for raising funds than to anything else.

Contributions to the Society Have Varied During the Past Four Years

Members of the Board of the Historical Society told us they thought that fiscal year 1998 might have been a year when contributions to the Society were lower than usual. Because of that, we looked at the contributions for the last four years and found that contributions to the Society didn't follow any specific pattern, but that fiscal year 1998 was actually higher than most recent years.

- 1995 - \$331,532
- 1996 - \$119,656
- 1997 - \$ 82,451
- 1998 - \$130,892

Fiscal year 1995 included a \$250,000 contribution from Koch Industries Inc. for the completion of renovation of the Potawatomi Mission.

Information on the amount of the contributions was obtained from the annual reports prepared by the Kansas State Historical Society.

Nearly three-fourths of the Board members who responded to our survey thought the Society was either very effective or about average in being responsive to the needs of donors. However, several people mentioned at least one donor family that was dissatisfied. To assess people's satisfaction levels, we contacted the 11 largest donors from the last several years, including a member of the donor family that was reported to be dissatisfied.

Ten of the 11 donors we talked with said they were happy with the way their donations had been handled, and would donate again if another project came up they were interested in. The family member that was dissatisfied said he was upset the Society had spent only half the donation his family had made for

a specific historic site in 1992. He said his family's expectation in making the donation was that improvements would be made immediately to the site.

According to an agreement between the Society and the family, these donated funds require a match from the State. Historic Society staff told us they had already met that match, and now the Society was using its available State funds for higher priority projects at sites that have higher attendance levels than the site in question.

Staff also told us the Society had used federal grants in 1993 and 1994 as a match for this site because federal money provides \$4 for every \$1 in donated funds. They said they thought this was a more responsible way to improve this particular site. They also told us they recently applied for another federal grant for improvements to the site, which will again be matched by the donation.

Conclusion

The State Historical Society has evolved over time to encompass the original not-for-profit membership organization "side," and a State agency "side" that has never been explicitly created by law. Meshing these two entities together has resulted in an organizational structure that is confusing, that lacks clear lines of authority and responsibility, and that places considerable power in the hands of one official without providing for the same level of accountability that other agency heads are subjected to. While we didn't identify a significant number of problems stemming from this structure, the risk is there. For these reasons, we think the Legislature should take a close look at the Historical Society's organizational structure.

Recommendation

1. To help ensure that the State Historical Society can effectively maintain and preserve the State's historic treasures while still providing adequate levels of accountability over the use of State monies and resources, the Kansas Legislature should review and evaluate the Society's current organizational structure. As part of that review, the Legislature should pay particular attention to the problem areas and potential solutions we pointed out on pages 12-15 of this report, and should also consider the following:

- a. the need to explicitly create the State Historical Society as a State agency in law, and to give the Governor the authority to appoint and remove the head of that State agency—either directly or indirectly.
- b. the relationship between the not-for-profit organization and the State agency. In deciding whether to keep State agency and “fund-raising” sides of the Society together under an umbrella agency or to separate them, the Legislature may want to obtain testimony from Historical Society officials and Board members, and from officials in other state historical societies, to identify the advantages and disadvantages they perceive with each structure.
- c. the need to separate the positions of Executive Director of the State agency and Secretary of the Society’s not-for-profit corporation (if the decision is made to keep both entities under one umbrella agency).
- d. the need to clearly define the relationships, responsibilities, and lines of authority between the State agency and the not-for-profit organization.
- e. the need to designate someone besides the Executive Director as the State’s Historic Preservation Officer. (This need is most critical if the decision is made to keep both entities under one umbrella agency.)



APPENDIX A

Scope Statement

This appendix contains the scope statement approved by the Legislative Post Audit Committee for this audit on March 16, 1999. The audit was requested by Senator Richard Bond.

SCOPE STATEMENT

Reviewing the Organization and Structure of the State Historical Society

The Kansas State Historical Society was founded in 1875 by Kansas newspaper publishers to collect and preserve the documents and artifacts that tell the history of Kansas. In 1879, it became the official trustee for the State historical collections. Since then, the Society has functioned both as a not-for-profit membership organization and as a State agency supported by legislative appropriations.

The Society has a Board of Directors, whose size and membership the Board itself determines. State law is silent on who appoints the Secretary of the State Historical Society. In practice, the Secretary, who also serves as the State agency's Executive Director, is elected by the Board. However, the Executive Director is in the State's unclassified service, and his salary is set by the Governor.

The Board runs the private, not-for-profit organization, and is primarily involved in fund-raising activities for historic preservation purposes. The day-to-day work is performed by the State agency under the direction of the Secretary / Executive Director.

As part of a broader examination of the way various State agencies are organized, legislative questions have been raised about whether the State Historical Society's current organization and funding are outdated, and may not be the most effective way for the Society and the State agency to meet today's needs for preserving Kansas' historic treasures. This performance audit, which was requested in anticipation of an interim study looking into the possible reorganization of the State Historical Society, would answer the following questions:

1. **How are the nonprofit and State agency "sides" of the State Historical Society organized, funded, and operated?** To answer this question, we'd review applicable State laws, regulations, and Society records, and interview appropriate officials from the Society and the Board. We'd perform other reviews, interviews, or test work as needed to clearly understand and report on the roles, responsibilities, and reporting relationships of each "side."
2. **Could a revised organizational structure make the Society and its nonprofit affiliate more responsive and effective?** In answering this question, we'd compare and contrast the structure and activities of the Kansas State Historical Society with Historical Societies in other states. We'd also interview or survey a sample of people who are involved with the Society, including staff, Board members, patrons, and other interested parties. In addition, we'd examine available comparative statistics that may be indicative of the Society's effectiveness, such as the amount of funding raised by the nonprofit side, the number of projects funded or approved, etc. We'd perform other test work as needed. Based on these reviews, we'd identify potential advantages and drawbacks to the current organizational structure, including such areas as responsiveness and accountability, fund-raising ability, and the like, and we'd make whatever recommendations seem appropriate.

Estimated time to complete: 6-8 weeks

APPENDIX B

Survey of Other States

This appendix contains more detailed information obtained from the historic societies of the nine other states surveyed. The Kansas State Historical Society detailed information is included in Category II.

Category I--State Agency Only		Illinois	Missouri	Oklahoma
Structure Issues	Agency Name	Illinois Historic Preservation Agency	State Historical Society of Missouri	Oklahoma Historical Society
	Number of Full-Time Employees	**213	**23	134
	Primary Agency Functions	<ul style="list-style-type: none"> •Historic Sites •Research Library •Historic Preservation •Publications 	<ul style="list-style-type: none"> •Research Library •Publications •Membership 	<ul style="list-style-type: none"> •Historic Sites •Research Library •Historic Preservation •Education •Archive •Membership •Museum
Oversight Board	Number of Board [Exec. Committee] Members	7	40 [10]	25[9]
	Board [Exec. Committee] Members Selected By	governor	membership [board]	12-governor, 13-membership
	Frequency of Meetings Board [Exec. Committee]	at least quarterly policy,	annually [quarterly]	quarterly [monthly]
	Main Oversight Activities of the Board*	approves collection loans	approve special expenditures	advise, review financial matters
Agency Head	Who Appoints	governor	Vice President of Academic Affairs	board
	Term of Office	4 years	NA	NA
	Is Society Director the SHPO?	yes	NA	yes
Budgetary/Funding Issues	1998 Revenues or Expenditures	\$16,975,176	approx. \$1,066,257	\$15,226,939
	State Appropriations	\$16,912,200	\$957,504	\$5,062,252
	State Appropriations as a % of Revenues or Expenditures	99.60%	90%	33%
	Private Donations	\$62,976	approx. \$108,753	\$37,805
	Private Donations as a % of Budget	0.40%	10%	0.25%
	Private Donations per capita	less than \$0.01	\$0.02	\$0.01
	Private Donations Used For	general operations, historic sites	general operations, special projects	historic sites, board travel
Number of Society Members	NA	6,500	about 7,000	
*In states where the board has an Executive Committee, it is that committee that actually carries out the business of the board.				

Category II--Non-Profit Organization with Appropriations		Minnesota	Oregon	Kansas
Structure Issues	Agency Name	Minnesota Historical Society	Oregon Historical Society	Kansas State Historical Society
	Number of Employees	318	**82	140
	Primary Agency Functions	<ul style="list-style-type: none"> •Museum •Research Library •Historic Sites •Publications •Archaeology •Archives •Historic Preservation •Education •Membership •Fundraising 	<ul style="list-style-type: none"> •Museum •Resesarch Library •Publications 	<ul style="list-style-type: none"> •Museum •Research Library •Historic Sites •Publications •Archaeology •Archives •Historic Preservation •Education •Membership •Fundraising
Oversight Board	Number of Board [Exec. Committee] Members	30 [14]	49 [10 to 15]	99 [15]
	Board [Exec. Committee] Members Selected By	membership [board]	board	membership [board]
	Frequency of Meetings Board [Exec. Committee]	quarterly [about 8 times a year]	6 times a year	twice annually [at least quarterly]
	Main Oversight Activities of the Board*	approves budget, makes policy, assist in planning	makes policy, approves budget	makes policy, advisory, approve budget
Agency Head	Who appoints	executive council	board	executive committee
	Term of Office	NA	NA	NA
	Is Society Director the SHPO?	yes	NA	yes
	1998 Revenues or Expenditures	\$37,694,000	\$5,397,495	\$8,365,061
Budgetary/Funding Issues	State Appropriations	\$22,853,000	\$450,000	\$5,578,129
	State Appropriations as a % of Revenues or Expenditures	61%	8.30%	67%
	Private Donations	\$3,099,000	\$446,639	\$130,892
	Private Donations as a % of Budget	8%	8%	2%
	Private Donations per capita	\$0.66	\$0.14	\$0.05
	Private Donations Used For	general expenses, special projects	general expenses	education, special projects, general expenses
	Number of Society Members	15,206	8,000	6,500 to 7,000
*In states where the board has an Executive Committee, it is that committee that actually carries out the business of the board.				

Category III--State Agency with Separate Private Foundation		Colorado	Iowa	South Dakota	Nebraska
Structure Issues	Agency Name	Colorado Historical Society	State Historical Society of Iowa	South Dakota State Historical Society	Nebraska State Historical Society
	Number of Employees	**108	**73	**35	**110
	Primary Agency Functions	<ul style="list-style-type: none"> •Museum •Historic Sites •Historic Preservation •Archaeology •Publications •Education •Membership •Fundraising 	<ul style="list-style-type: none"> •Museum •Historic Sites •Historic Preservation •Publications •Research Library 	<ul style="list-style-type: none"> •Museum •Historic Preservation •Archaeology •Publications •Education •Membership •State archives 	<ul style="list-style-type: none"> •Museum •Historic Preservation •Publications
Oversight Board	Number of Board [Exec. Committee] Members	36 [6]	15	12	15 [4]
	Board [Exec. Committee] Members Selected By	elected by membership, 3-4 ex officio, 5 emeritus [board]	2 elected by membership, 13 appointed by governor	6 appointed by governor, 6 elected by membership	12 elected by membership 3 appointed by governor [board]
	Frequency of Board [Exec. Committee] Meetings	every other month	5 times a year	4-5 times a year	quarterly [as needed]
	Main Oversight Activities of the Board*	review monthly financial statements, set policy, oversee all assets (money and collections), review budgets, many specialized committees	advise		policy making, review and approve budgets
Agency Head	Who appoints	Board	Director of Cultural Affairs	Secretary of Department of Education & Cultural Affairs	Board
	Term of Office	NA	NA	NA	NA
	Is Society Director the SHPO?	yes, but not required to be so; governor appoints	no, historical sites division director	no, deputy director	yes
Budgetary/Funding Issues	1998 Revenues or Expenditures	\$5,264,508	\$5,067,796	\$3,341,940	\$4,602,557
	State Appropriations	\$2,476,192	\$3,924,527	\$3,191,940	\$3,381,224
	State Appropriations as a % of Revenues or Expenditures	47%	77%	95%	74%
	Private Donations	\$244,695	\$48,064	\$150,000	\$179,268
	Private Donations as a % of Budget	5%	1%	5%	4%
	Private Donations per capita	\$0.06	\$0.03	NA	\$0.11
	Number of Society Members	6,500 to 7,000	1,500	2,000	4,500

Foundation Information		Name of Organization	Colorado Historical Foundation	Iowa Historical Foundation	South Dakota Heritage Fund	Nebraska State Historical Society Foundation
		Primary Functions	manages and grants money to the Society	development, membership, gift shop	fundraising	fundraising
		Number of Board Members	25	22	13	25
		Board Members Appointed By	board election	foundation board subcommittee	board itself	nominating committee
		Head of Organization	Chair of Board of Trustees	Chair	Executive Director (state employee)	President of Board
		Total donations received FY 1998	\$76,729	\$93,594	Not active in 1998	\$174,758
		Amount Given to State Agency FY 1998	\$55,721	\$48,064	**\$150,000	\$179,268
		Private Donations Used For	general expenses, special projects	general expenses, special projects	general expenses, special projects	general expenses, special projects
*In states where the board has an Executive Committee, it is that committee that actually carries out the business of the board.						

APPENDIX C

Results of the Survey of the State Historical Society Board Members

This appendix contains the complete results of the survey of the State Historical Society's current Board members.

Legislative Division of Post Audit

Survey of Members of the Kansas State Historical Society Board of Directors

The Legislative Post Audit Committee of the Kansas Legislature has directed the Legislative Division of Post Audit to conduct a performance audit of the Kansas State Historical Society (KSHS). The following survey is intended to obtain information about your service as a board member and your opinions about how the KSHS functions and how the structure of the organization could be improved.

The returned surveys will be included in the audit working papers which will become public documents upon completion of the audit. **This survey does not require you to give your name and the results will be reported in such a way that you cannot be personally identified.** Thank you for your cooperation. If you have any questions about the survey, please call LeAnn Schmitt, at (785) 296-5832.

Important: Please return the survey in the enclosed, postage paid envelope by Friday, April 16.

Total responses: 58 Response rate: 55%

For each question below the total number of responses and the number of responses and corresponding percentage for each answer is given.

1. How long have you served on the KSHS Board of Directors? *57 responses*

2/4%	Less than a year	15/26%	3-6 years
15/26%	1-3 years	25/44%	More than 6 years

2. What is your level of involvement as a Board member? (Check all that apply)
58 responses

2/3%	No involvement	16/28%	Three Activities
11/19%	One Activity	5/9%	Four Activities
22/38%	Two Activities	2/3%	Five Activities

3. The current KSHS Board of Directors has 99 members. Do you think this is the right size for the board to function effectively? *58 responses*

31/53%	Yes	21/36%	No	6/10%	No Opinion
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If you answered "No," how many members do you think the Board should have?
Average answer: *27 members*

4. How would you rate the KSHS in each of the following categories?

	Very Effective	About Average	Not Very Effective	No Opinion	
Fund raising	5/10%	30/59%	13/25%	3/6%	(51)
Responding to the Needs of . . .					
Donors	15/27%	25/45%	9/16%	7/13%	(56)
Researchers	38/69%	11/20%	1/2%	5/9%	(55)
Volunteers	28/50%	18/32%	1/2%	9/16%	(56)
Visitors	41/73%	13/23%	2/4%	0	(56)
Maintaining and upgrading historic sites	15/27%	21/38%	17/30%	3/5%	(56)
Collecting and preserving library, archive and museum collections	41/72%	11/19%	2/4%	3/5%	(57)
Educational programming	35/63%	14/25%	6/11%	1/2%	(56)

If you answered "Not Very Effective" to any of the above categories, please note any suggestions for improvement you may have.

5. In your opinion, do the State agency side and the private non-profit side of the Historical Society work together effectively? 58 responses

40/69% Yes 11/19% No 7/12% No Opinion

If you answered "No," please explain what specific problems you see in the working relationship between the two branches.

6. Do you think there should be changes to the way the KSHS is currently structured or operated? 58 responses

22/38% Yes 27/47% No 9/16% No Opinion

If you answered "Yes," please explain what changes you think should be made.

APPENDIX D

Agency Response

On June 1, 1999, we provided a copy of the draft audit report to the State Historical Society. The Department's response is included as this Appendix. After carefully reviewing the response, we made some minor clarifications to the draft audit that didn't affect any of our findings or conclusions.



KANSAS
STATE
HISTORICAL
SOCIETY

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KANSAS HISTORY CENTER

Administration
Center for Historical Research
Cultural Resources
Education / Outreach
Historic Sites
Kansas Museum of History
Library & Archives

HISTORIC SITES

Adair Cabin
Constitution Hall
Cottonwood Ranch
First Territorial Capitol
Fort Hays
Goodnow House
Grinter Place
Hollenberg Station
Kaw Mission
Marais des Cygnes Massacre
Mine Creek Battlefield
Native American Heritage Museum
Pawnee Indian Village
Pawnee Rock
Shawnee Mission

June 10, 1999

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



Dear Ms. Hinton:

First, the Society wishes to express appreciation for the professional way your staff treated our board and staff members during the preparation of the performance audit, "Reviewing the Organization and Structure of the State Historical Society." The executive committee of the Society's board of directors reviewed the draft audit report. We respectfully offer the following observations on the report with the understanding that we will have an opportunity to present added information when the audit is submitted to the Legislative Post Audit Committee and the Interim Legislative Committee.

From the earliest days of the American republic, historical societies were created as non-profit corporations to preserve the objects and stories of those whose deeds merited veneration. As the states of the Upper Middle West formed in the nineteenth-century, state governments designated private societies as "trustees of the state" for the purposes of preserving and promoting history. That model became pervasive throughout the country, and the Kansas State Historical Society, created in 1875 by newspaper editors, became trustee of the state by state statute in 1879 for the purposes of collecting, preserving, and promoting Kansas history.

Although you note that the Society has never been established as a state agency, a major portion of its operation is funded by the state and the large majority of its employees are state employees. Designation as a state agency would appear to be a logical step in the sequence of actions that have taken place over the years by the legislature—actions you list on page three of your draft report.

At present the Society's board governs two separate sides: the not-for profit side and the state side. We believe that it is important to maintain this umbrella-nature of the Society over these two sides. The identity of the Society in its present form facilitates the raising of private funds to supplement state resources. The executive committee strongly believes that the maintenance of the two sides of the Society under the board and executive committee benefits the people of Kansas. At a time when governments are

seeking greater public-private partnerships to extend resources by utilizing private sources, the present structure, with perhaps some clarification of roles, is not only workable, but admirable.

The executive committee acknowledges the need to clarify the role of the executive director/secretary of the Society. How the executive director is selected and is subject to termination needs to be reviewed and made explicit. The relationship of the executive director and the board and executive committee to the governor and executive branch may need to be addressed. However, certain assumptions regarding the role of the executive director/secretary that are made in the audit draft may not be correct. For example, in section 10 of the Historical Society's by-laws, the secretary is not identified as a member of the Society's executive committee, although all the other members of that committee are explicitly identified in that section. For the past eleven and a half years, the present secretary has never made a motion or voted on a matter before the executive committee. He has functioned exclusively as staff for the committee.

The roles of the secretary/executive director will be reviewed by the Society's executive committee as we contemplate the issues raised by the audit report. The audit report identifies various state societies, which can be used as models in addressing this issue.

The relationship of the Society to the executive branch is raised in the audit draft report. There are many options and issues to consider if changes are contemplated. Perhaps providing the governor (and the legislature) appointees on the board and executive committee would address some of the concerns raised in the audit report. As part of the next stage in this review, it is important to thoroughly evaluate the organization of the other state historical societies that were surveyed. The strengths and weaknesses of other organizational models should be considered.

We do not think that the problem of the executive director as State Historic Preservation Officer (SHPO) is critical. In fact, over the past two years the Society has entered into agreements with cities around the state that allows them to implement preservation statutes and regulations because we believe that the best preservation is done at the local level. You do note that in many of the other states surveyed, the director of the Society is the SHPO. At present the state statutes make the executive director of the Kansas State Historical Society the SHPO. We are open to other alternatives in the implementation of the SHPO's duties.

We understand that the comments in the audit report regarding the condition of our state historic sites are based on a survey of board members and perhaps others. An incredible amount of work and resources that have gone into the development of the sites over the past ten years. We have always sought legislative appropriations, private donations, and federal grants and have progressed as rapidly as possible given the limited resources.

Although major improvements have been made at the sites over the past decade in moving them from caretaker operations to fully interpreted sites with professional staff, we have done this with

limited resources. Ten years ago legislators directed that we reduce the number of sites with the understanding that greater funding would be provided when that shift occurred. We presently have five fewer sites than a decade ago; however, funding of the remaining state sites continues to be limited in providing for the complete rehabilitation and reinterpretation of those sites where work remains to be done. You correctly state that we are presently seeking funding to complete the rehabilitation and reinterpretation for all the sites.

In relation to the sites, the one dissatisfied donor "said his family's expectation in making the donation [for an historic site] was that improvements would be made immediately to the site." A donation of \$100,000, which was matched by the state for \$100,000, led to immediate use of the \$100,000 of state moneys (which could not be invested and draw interest while the first phase of the project was underway). The donor's money was then used as a match to receive a federal grant that brought \$250,000 to the rehabilitation of the site. We used half of the donor's money and have plans to use the remainder. By leveraging the original gift, we have invested \$450,000 in the site. We are absolutely convinced that we have been proper stewards of the moneys we have been given and awarded to rehabilitate the historic site.

Although private-side funding is mentioned in the audit report, the beneficial uses of those moneys is not presented. Private-side moneys are used for the purpose of funding educational materials, Kansas History Day, summer workshops, member openings, book purchases, internships throughout the agency, and a myriad of other activities related to our mission. The volunteer dinner is in appreciation for over 30,000 hours of volunteer service provided to the Society each year. A grant program provides funds to students and general researchers to study certain Kansas history topics in our collection.

We look forward to working with the Governor, the Post Audit Committee, and the Interim Committee to clarify and address the issues raised in this audit.

Sincerely yours,



D. Cheryl Collins
President

