

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:40 A.M. on January 16, 2007 in Room 123-S of the Capitol.

All members were present except:

Jean Schodorf- excused  
David Wysong- unexcused  
Susan Wagle- excused

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department  
Norm Furse, Revisor of Statutes  
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Laurel Murdie, Post Audit

Others attending:

See attached list.

Chairperson Brownlee called the Committee's attention to two handouts for their review: *Benchmarks for Designing Worker's Compensation Medical Fees 2006* from the Division of Workers Compensation, (Attachment 1); and *County Economic Research Institute (CERI) Johnson County Indicators*, (Attachment 2), making note for the Committee to check on how the housing and building construction has done. Chairperson Brownlee then introduced Laurel Murdie from Post Audit to review the Performance Audit Report on Workforce Development. (Copy on file)

Ms. Murdie began by stating Post Audit answered four questions and the first three had to do with the Workforce Investment Act and the fourth question was to determine what other programs beside the Workforce Investment Act meet the definition of Workforce Development and what level of coordination exist for those programs.

Ms. Murdie stated that at the state level a lot of the programs are housed in the Kansas Department of Commerce. The Workforce Investment Act deals with three targeted groups: adults; dislocated workers; and disadvantaged youth. The intent of the Workforce Investment Act is to streamline access to workforce services.

She stated Kansas has five local workforce investment areas covering the state, and the report includes several recommendations for ensuring that the Workforce Network of Kansas fulfills its responsibilities, insuring that the Department of Commerce improves the effectiveness of its monitoring efforts. In addition, it includes recommendations for ensuring that the contracting process for services provided with the Workforce Investment Act money is open to competition, as well as recommendations for improving the coordination that exists among workforce development programs in Kansas.

Ms. Murdie began the review with Question 1: *Does the administrative structure Kansas has established for the Workforce Investment Act comply with the requirements of the act?*

She stated even though the overall administrative structure in Kansas conforms to the requirements of the Workforce Investment Act, the Post Audit identified several problems related to administration at the state and local levels. The following are the problems at the State level:

- The Workforce Network of Kansas Board has not met on a regular basis.
- The State's efforts to monitor workforce development programs needs improvement.
- The Kansas Department of Commerce serves as the administrator for Local Area III and Local Area V, creating a conflict of interest.

Ms. Murdie stated that since the Post Audit, Local Area III has retained another administrative entity and Local Area V is moving in the same direction.

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- The one-stop centers in three of the five local areas are not fully in compliance with the Workforce Investment Act.

Ms. Murdie stated that each local workforce area should have a one-stop center with core services, intensive services, and training services made available by partners in the one-stop center.

Ms. Murdie stated the following recommendations were being made by Legislative Post Audit regarding Question 1, to ensure that it is fulfilling its responsibilities under the Workforce Development Act, the Workforce Network of Kansas Board should do the following:

- Schedule and hold meetings frequently enough to take an active role in the planning and coordinating of Workforce Investment Act programs.
- Develop a plan that specifies the steps needed for Kansas to have comprehensive One Stop Centers that meet the intent of the Workforce Investment Act.

Ms. Murdie also stated that to address concerns raised in the federal reviews regarding the ineffectiveness of Kansas' monitoring program, the Department of Commerce should do the following:

- Develop a regular schedule of monitoring efforts that will be carried out to ensure that the Workforce Investment Act moneys are appropriate and that performance goals are met.
- Determine an appropriate number of staff to carry out that function, and staff the monitoring unit accordingly.

Ms. Murdie stated to insure that the Department of Commerce is not in the position of monitoring its own performance, it should work with Local Areas III and V to find another administrative entity for their program.

Also, to ensure that board members in all Local Areas have the information they need to make budgetary and spending decisions, the Kansas Department of Commerce should work with the local board members to come up with a report format that will serve the needs of both the Department of Commerce and the Local Area Board members and ensure those reports are provided to local officials on a timely basis.

*Question 2: How much of the Workforce Investment Act Funding is being spent on administration and oversight, and how much is being spent directly on worker training and assistance activities.*

Ms. Murdie stated that states are required to report their spending to the U.S. Department of Labor in two categories: administrative costs and program costs. Program costs generally means money spent on job seekers.

In fiscal years 2004 and 2005, an average of 11 percent of the Workforce Invest Act moneys was spent on administration, with the most administrative money being spent on salaries and wages for employees administrating the program and for professional services such as accounting and consulting services. For a variety of reasons, the total expenditures per job seeker can vary significantly from area to area and from year to year. Federal and State monitoring reviews have pointed out a number of problems related to fiscal procedures in recent years, including significant problems with Local Area I's administrative entity, inadequate documentation for some expenditures, inadequate contract provisions, and poor cash management procedures. Other issues that were noted related to a new building lease in Local Area IV and the Department's use of rent money from space it has leased in Local Area V to other agencies. Legislative Post Audit also noted that three of the five workforce investment areas have had difficulty meeting their performance measures.

Ms. Murdie stated spending slightly more than \$2 million out of nearly \$17 million in Workforce Invest Act money on administrative costs such as salaries, professional services, and travel may seem high to some, but that amount falls within the federal limits for administrative spending. It also has to be considered in light of fairly top-heavy administrative structure required by the Act. Of equal importance is the way processes

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and procedures are set up to safeguard program funds and ensure they are being spent appropriately. Over the years, Federal and State monitoring reviews have identified such things as open-ended contracts, inadequate fiscal procedures, and a lack of supporting documentation.

Moving on to Question 3: *What Types of Contracts Are in Place To Provide Training or Job-Assistance Services, What Are Their Terms, and Have They Been Awarded Competitively?*

Ms. Murdie stated at the time of the audit, the Department of Commerce had 14 active service contracts totaling about \$1 million. The contracts were funded with Workforce Investment Act money and were for such things as consultants and customized training for Department employees. Nine were awarded on a sole-source basis. For most of those sole-source contracts the Department hadn't adequately documented the research it undertook to ensure there were no other vendors who could supply those services. In addition, one \$234,000 contract was sole-sourced without the Division of Purchases approval and it likely should have been competitively bid.

Post Audit reviewed 31 active contracts at the Local Area level. These contracts were with entities to provide case-management services or programs to youth, adults and dislocated workers which is the job seekers targeted by the Workforce Investment Act. All but one of these were competitively awarded. In addition, one Local Area is operating with expired contracts, and one inappropriately paid a contractor additional incentive payments. For six contracts at the Local Area level, a member of the Local Investment Board had or currently has an interest in the entity the board has contracted with, but those board members did not vote on these contracts.

Ms. Murdie stated that overall, Post Audit found few problems with the way Local Areas were handling their contracts, but the Department does need to improve its process for awarding contracts by seeking competitive bids or by providing justification for sole-source contracting when competition does not exist.

Ms. Murdie moved on to Question 4: *What Other Programs in Kansas Meet the Definition of Development Adopted by the Joint Committee on Economic Development in 2005, and What Level of Coordination Exists for Those Programs?*

Ms. Murdie stated Post Audit identified 35 State and Federally funded workforce development programs that meet the Joint Committee on Economic Development definition of Workforce Development with most programs being managed by four state agencies. They also identified about 700 business partnerships with the State's post-secondary institutions, and multiple certificate or associate in applied science degree programs and short courses offered by educational institutions that appear to fit the definition.

Despite attempts to coordinate workforce programs in Kansas, on the whole they've not been well coordinated with the Local Area Workforce Investment Boards being slow to create comprehensive One-Stop Centers.

A 2005 study found that most states have tried to coordinate their workforce programs, most commonly by linking together two of the largest programs, Temporary Assistance to Needy Families and Workforce Investment Act. At least three states had consolidated all workforce programs under a single agency, but one of them later reversed their decision.

Ms. Murdie stated despite the attempts to coordinate workforce development programs in Kansas, many problems exist. She stated the following entities are responsible for coordinating workforce development programs in Kansas: The Workforce Network of Kansas, the Department of Commerce, and the Local Workforce Investment Boards. To help improve the coordination among workforce development programs in Kansas, Post Audit made the following recommendations.

- Solicit ideas from staff in the local workforce areas on specific ways they could share staff or other resources without violating federal program requirements. Such steps could include surveying staff, setting up working groups, or the like.
- Establish a mechanism such as a newsletter or web link for local workforce investment areas to be able to share ideas for coordination on an ongoing basis.

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- Provide information to the Workforce Network of Kansas to be used in developing State plans and establishing overall policies and goals for the State.

Upon the conclusion of Ms. Murdie's review, Chairperson Brownlee stated that she would give the Kansas Department of Commerce time to respond to the Post Audit Report at the meeting in the morning due to the time.

Chairperson Brownlee adjourned the meeting at 9:30 a.m., with the next scheduled meeting tomorrow, Wednesday, January 17<sup>th</sup> at 8:30 a.m. in room 123S.