

PERFORMANCE AUDIT REPORT

Student Wage Expenditures at the Regents' Institutions

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 1986**

Legislative Post Audit Committee

Legislative Division of Post Audit

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PERFORMANCE AUDIT REPORT

Student Wage Expenditures at the Regents' Institutions

OBTAINING AUDIT INFORMATION

This audit was conducted by Ellyn Rullestad, Senior Auditor, and Cindy Denton, Auditor, of the Division's staff. If you need any additional information about the audit's findings, please contact Ms. Rullestad at the Division's offices.

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STUDENT WAGE EXPENDITURES AT THE REGENTS' INSTITUTIONS

Summary of Legislative Post Audit's Findings

How do total expenditures for student wages from general use funds compare with authorized expenditure levels? Actual expenditures from the universities' General Fund accounts for student salaries and wages were within the appropriated limits. But the line item for this account does not prohibit universities from paying for student salaries out of other fund accounts. As a result, total expenditures for student salaries and wages are considerably greater than the General Fund line-item appropriation for student salaries and wages.

What controls exist at the State, institution, and department levels to ensure that expenditures for student wages are in line with authorized expenditure levels, and to ensure that student wage expenditures are made from the appropriate accounts? Some type of control exists at each level to ensure that student wage expenditures are within limits and are made from appropriate accounts. State-level controls ensure that fund limits are not exceeded, institutional controls ensure that the university stays within its budget for student salaries, and department controls ensure that expenditures for student salaries do not exceed the allocated amount.

What changes, if any, are needed to ensure that expenditures for student wages are in line with authorized expenditure levels and are made from the appropriate accounts? To increase legislative control and oversight over student wage expenditures, two options are identified. First, the Legislature could clarify its intent with regard to student salaries and wages by making the appropriations bills more specific. Second, to ensure that the intent of the line-item appropriation is being followed, changes may be required in the State's central accounting system.



STUDENT WAGE EXPENDITURES AT THE REGENTS' INSTITUTIONS

The 1983 Legislature appropriated a General Fund line item for student salaries and wages for each of the Regents' universities. Previously, student salaries and wages had been included as part of the General Fund line item for regular salaries and wages.

Recently, legislative questions have been raised about the effect of the line-item appropriation on expenditures for student salaries and wages, the amount Regents' universities are spending for student wages, and the controls in place to ensure that student wage expenditures are appropriate. To address these concerns, the Legislative Post Audit Committee directed the Legislative Division of Post Audit to conduct an audit examining student wage expenditures at Regents' institutions. The audit answers the following specific questions:

1. **How do total expenditures for student wages from general use funds compare with authorized expenditure levels?**
2. **What controls exist at the State, institution, and department levels to ensure that expenditures for student wages are in line with authorized expenditure levels, and to ensure that student wage expenditures are made from the appropriate accounts?**
3. **What changes, if any, are needed to ensure that expenditures for student wages are in line with authorized expenditure levels and are made from the appropriate accounts?**

To answer these questions, the auditors reviewed appropriations bills and central accounting records. They summarized student payroll records at two Regents' universities, Emporia State University and Kansas State University. In addition, they interviewed appropriate budget, accounting, and payroll officials at the Department of Administration's Division of Accounts and Reports and at both sample universities. Finally, the auditors interviewed officials at a sample of departments within both universities.

In general, the auditors found that the amount actually spent by a university for student wages may differ significantly from the amount authorized by the General Fund line-item appropriation for student salaries and wages because student wages can be paid from other funds. Because universities have different practices for paying student wages, the controls on student wage expenditures vary between the universities and have different purposes. The final section of the audit identifies options for increasing legislative control and oversight over expenditures for student salaries and wages.

How Do Total Expenditures for Student Wages From General Use Funds Compare With Authorized Expenditures Levels?

Each year, the Legislature appropriates money to the Regents' universities to fund their expenditures for the following year. These appropriations generally set limits on the amounts the universities can spend from their general use and restricted use funds. General use funds, which are the focus of this audit, include the State General Fund and the General Fees Fund. Appropriations from the General Fund are for regular salaries and wages, student salaries and wages, extension programs, organized research, and the like. Each area is given a separate account name, and each account receives a line-item appropriation.

The line item limits the amount the university can spend out of that particular account. General Fees Fund money comes from various university receipts, and can be used for any purpose, including student salaries and wages. Although these funds belong to the universities, the Legislature limits the total amount that can be spent from this fund through the appropriations process.

To answer this question, the auditors reviewed summary data for all six Regents' universities and detailed information for a sample of two universities. In general, they found that actual expenditures from the universities' General Fund accounts for student salaries and wages were within the appropriated limits. But the line item for this account does not prohibit universities from paying for student salaries out of other fund accounts. As a result, total expenditures for student salaries and wages are considerably greater than the General Fund line-item appropriation for student salaries and wages.

Total Student Wage Expenditures Are Much Higher Than The General Fund Appropriation for Student Wages

For the six Regents' universities, the auditors compared the fiscal year 1985 line-item appropriations for the student salaries and wages General Fund account with expenditure data from the State's central accounting system for all student salaries and wages. The results of this comparison are presented in the following table.

Student Wage Expenditures for Fiscal Year 1985

<u>Regents' University</u>	<u>Actual Expenditures For Student Salaries and Wages</u>	<u>General Fund Line-Item Appropriation For Student Salaries And Wages</u>
Fort Hays State	\$ 915,150	\$ 734,098
Kansas State		
Main Campus	4,728,666	1,063,209
Veterinary	187,924	90,939
Emporia State	1,096,808	699,993
Pittsburg State	680,100	530,471
Kansas University	7,660,788	1,097,324
Wichita State	2,166,435	863,686

As the table shows, the universities' expenditures for student wages exceeded the General Fund line-item appropriation for student wages at every school. The difference primarily reflects the fact that line-item appropriations are for one fund account only, and that expenditures for student salaries and wages are made out of more than one fund account. The fund accounts used to pay student salaries at the six universities are shown in Appendix A. The summary data available from the State's central accounting system and from the universities did not allow the auditors to separate the amounts spent for undergraduate student hourly employees and salaried graduate students, which was another area of legislative interest.

To provide more specific detail about universities' actual expenditures for student salaries and wages and their controls over those expenditures, the auditors selected two universities, Kansas State and Emporia State, for further testwork. They interviewed

officials at both universities and reviewed payroll records. Information was collected by source of funding for undergraduate and graduate students.

The auditors determined that neither university exceeded its General Fund line-item appropriation for the student salaries and wages account. But this line-item account was not the sole source of expenditures for student wages. A review of payroll records at each university showed that students were being paid out of a variety of funds. The results of their findings are discussed in the following sections.

Neither University Exceeded the Line-Item Limit for Its General Fund Account for Student Salaries and Wages

For fiscal year 1985, Emporia State University's line-item appropriation for this fund account was \$699,993. Its expenditures from that account in 1985 were \$699,877. Kansas State's fiscal year 1985 General Fund line-item appropriation for student salaries and wages was \$1,063,209 for the main campus, and \$90,939 for the Veterinary Medicine Center. Its expenditures from the student salaries and wages account was \$1,062,511 for the main campus, and \$90,436 for the Veterinary Medicine Center.

At the Sample Universities, Student Salaries and Wages Were Paid Out of a Variety of Fund Accounts

At Emporia State University, students were paid from two main fund accounts: the General Fund account for student salaries and wages and the General Fund account for regular salaries and wages. (There were also some negative expenditures in the General Fees Fund that represented reimbursements to that fund from the student salaries and wages account.) For fiscal year 1985, Emporia State spent a total of about \$1.1 million for student salaries. The following table shows the University's expenditures for student salaries and wages by source of funding.

Student Salaries and Wages at Emporia State University, Fiscal Year 1985

<u>Funding Source</u>	<u>Undergraduate Students (Hourly)</u>	<u>Graduate Students (Monthly)</u>	<u>Total</u>
General Fund			
Student Salaries and Wages	\$638,317	\$ 61,560	\$ 699,877
Salaries and Wages		431,591	431,591
General Fees Fund		(29,778) (a)	(29,778)
TOTAL	\$638,317	\$463,373	\$1,101,690

(a) This figure is a reimbursement to the General Fees Fund from the student salaries and wages account for payment of some graduate students' salaries and wages.

As the table shows, all undergraduate student hourly employees at Emporia State were paid from the General Fund account for student salaries and wages, while salaried graduate students were paid from both salary and wage accounts. Emporia State officials indicated to the auditors that they view of the General Fund line-item appropriation for student salaries and wages as limiting the amount that can be spent out of this account for

student employees. In practice, Emporia State does not spend other general use moneys for non-teaching student employees.

At Kansas State University, separate payroll records are kept for the main campus and for the Veterinary Medicine Center. At the main campus, students were paid from a total of 12 fund accounts. The three major funding sources were the General Fund account for student salaries and wages, the General Fund account for regular salaries and wages, and the General Fund account for organized research. In fiscal year 1985, Kansas State University spent just over \$4.7 million on student employees at its main campus. The following table breaks out student wage expenditures at Kansas State University.

**Student Salaries and Wages at Kansas State University's
Main Campus, Fiscal Year 1985**

<u>Funding Source</u>	<u>Undergraduate Students (Hourly)</u>	<u>Graduate Students (Monthly)</u>	<u>Total</u>
General Fund			
Student Salaries and Wages	\$807,630	\$ 254,881	\$1,062,511
Salaries and Wages		1,935,833	1,935,833
Organized Research	268,524	1,129,607	1,398,131
Research on Arkan Wheat Extension	2,599	26,558	29,157
Center for Excellence	45,467	7,404	52,871
Wheat Nonfood Stuff		5,276	5,276
Agricultural Institute	5,344	3,480	3,480
Research on Feed Wheats	2,513		2,513
Experimental Fields	5,726		5,726
Garden City Branch	5,371		5,371
General Fees Fund		<u>227,887</u>	<u>227,887</u>
TOTAL	<u>\$1,143,174</u>	<u>\$3,590,926</u>	<u>\$4,734,100</u>

As the table shows, wages for undergraduate and graduate students at Kansas State were paid from many fund accounts. This practice is in contrast to Emporia State University's practice of paying all its undergraduate hourly students from the General Fund account for student salaries and wages. Kansas State officials do not view the General Fund line-item appropriation for student salaries and wages as limiting the amount that can be spent for undergraduate student hourly employees. Thus, Kansas State did not limit its total expenditures for undergraduate student employees to the General Fund line-item appropriation figure for student salaries and wages.

Student employees at the Veterinary Medical Center at Kansas State University were paid from just three sources: the General Fund account for student salaries and wages (\$90,436), the General Fund account for regular salaries and wages (\$18,727), and the General Fee Fund (\$84,857), for a total expenditure of \$194,020. All of the veterinary medicine students on the payroll were listed as hourly.

What Controls Are There Over Student Wage Expenditures?

To answer this question, the auditors reviewed the appropriate laws, regulations, policies, and procedures. They interviewed appropriate State officials. They also

interviewed budget and payroll officials at each of the two sample universities, as well as a sample of department officials at each of the two universities.

In general, the auditors found that some type of control exists at the State, institutional, and department levels to ensure that student wage expenditures are within limits and are made from appropriate accounts. Because of different interpretations about the meaning of the line appropriation for student wages, however, the controls accomplish different objectives at each level. In general, controls at the State level ensure that fund limits are not exceeded. Controls at the institutional level ensure that the university stays within its budget for student salaries and wages. At the department level, the controls ensure that the expenditures for student salaries and wages do not exceed the allocated amount.

Controls At the State Level Ensure That The Fund Limit Is Not Exceeded

At the State level, controls exist in the central accounting system. These controls are designed to ensure that universities do not spend more than the appropriated limit for any particular fund account.

The annual appropriations bills for the Regents' institutions specify a limit on expenditures for student salaries and wages from the State General Fund. This line-item appropriation is given an account name (usually "student salaries and wages"). The State's central accounting system is designed to control expenditures at the fund and account levels. The expenditure limit specified in the appropriations bill for a particular account is entered into the central accounting system. This procedure provides a limit on expenditures from that account; warrants can be issued only up to the limit specified in the appropriations bill. Expenditures in excess of the expenditure limit will not be processed by the central accounting system.

As part of the central accounting system, expenditures for student salaries and wages are also coded as object code 120, whether they are paid from the General Fund line-item appropriation account, the General Fees Fund, or other restricted fee funds. The Central Accounting System for Kansas does not control expenditures at the object-code level. Because it is set up in this manner, that system does not limit expenditures for student salaries and wages paid from other fund accounts.

Controls At the University Level Ensure That Students Are Paid From the Appropriate Funds And That Certain Limits Are Not Exceeded

At the institution level, payroll and budget controls help ensure that university expenditures for student salaries and wages do not exceed appropriated spending limits. Payroll controls further ensure that expenditures for student wages are made from appropriate funds and accounts.

At Emporia State University, the payroll office ensures that students are paid from the appropriate funds and are paid appropriate amounts. Each month, a payroll is run. If the fund listed on a student's contract is not a valid payroll fund, the student's payroll transaction will not be accepted. Similarly, if the wage payment will cause the student's contract limit to be exceeded, the student's monthly transaction will not be accepted. In both cases, the contract is returned to the department for correction.

Emporia's budget office monitors departments' expenditures for student wages. It receives a copy of monthly payroll transactions and compares them

with the budget. A print-out is compiled that shows the amount of expenditures, by fund, for each department and the unexpended balance. The budget officer sends a copy of this print-out to each department, and also prepares a report for the university administration. The budget officer reviews the monthly report to ensure that departments are not exceeding their allocation for student wages.

If a department is nearing its budget allocation, it must find another source of funding to be able to continue paying student wages. For example, the department may use restricted fee funds to pay a student. Alternatively, departments do some "swapping" of allocations. Thus, if a department is underspending its allocation, it may "give" some of that to another department which is overspending its allocation. The total university-wide allocation must be adhered to, however. The control system is not computerized, but it appears that the monthly budget reports provide adequate information to monitor expenditures for student salaries and wages.

At Kansas State University, the payroll section of the controller's office plays a key role in ensuring that the expenditure limits are not exceeded. The budget office prepares an annual budget that allocates student wages to each department. The budget office does not monitor the departments' expenditures, however. Such monitoring is done by the payroll section within the controller's office. The payroll section identifies the amount that can be spent for student wages out of the General Fund line-item appropriation for student salaries and wages. Departments pay both undergraduate and graduate students out of this fund account. As the total expenditures from this account near the appropriations limit, the controller's payroll section changes the funding source so that the departments begin paying students out of the General Fees Fund.

Kansas State has no university-wide system for monitoring student wage expenditures from different accounts or for ensuring that departments do not exceed their student wage allocations. That monitoring takes place at the department level.

Departments Within Each University Carefully Review Their Expenditures For Student Wages

Departments at both universities are given allocations for student wages at the beginning of the year. Controls exist at the department level to ensure that actual expenditures for student salaries and wages do not exceed the amount they have been allocated. Although the departments are generally expected to stay within those allocations, some discretion does exist for changing student wage funding sources.

Departments keep manual payroll ledger sheets. The auditors found that departments keep detailed manual payroll ledgers. When they receive the monthly reports from the payroll or budget departments, the departments reconcile the figures with the information from the ledger sheets. In the six departments examined, the officials interviewed were very aware of the student wage allocation limitations. All of the officials indicated that they watch student wage expenditures very closely so that they do not have to lay students off.

The departments do have some discretion to change funding sources. At both universities, if a department determines that it is reaching its student wage allocation limit, it can change the source of funding from a general use fund to a restricted fee fund. Within the general use funding sources, however, most of the changes in funding source were handled at the institution level, rather than by departments.

What Changes, If Any, Are Needed To Ensure That Expenditures For Student Wages Are In Line With Authorized Expenditure Levels and Are Made From the Appropriate Accounts?

As previous sections of this report have shown, the General Fund line-item appropriation for student salaries and wages limits the amount universities can spend out of that particular fund account, but it does not limit universities' total expenditures for students' salaries and wages. Student employees, whether graduate or undergraduate, can be paid from other General Fund or General Fee Fund accounts. As a result, total expenditures are several times greater than the line-item amount. The universities' practice in this area is consistent with the policies of the Division of Accounts and Reports.

For this section of the report, the auditors explored options for increasing legislative control and oversight over expenditures in this area through the appropriations process.

The Legislature could clarify its intent with regard to student salaries and wages by making appropriations bills more specific. The auditors found that the two universities whose records they reviewed had different practices for paying student employees. For example, Emporia State University officials limit the amount they spend for student employees who do not teach to the line-item appropriation limit. Kansas State University officials view the line-item appropriation as limiting the amount that can be spent for student salaries and wages from that particular General Fund account and pay student wages out of many accounts.

The Legislature could clarify the intent of the General Fund line-item appropriation for student salaries and wages in several ways. It could indicate whether the line-item appropriation is intended to be used for undergraduate or graduate student employees. If the Legislature intended to limit student salary and wage expenditures from any or all fund accounts, it could state those limitations specifically in the appropriations bills.

To ensure that the intent of the General Fund line-item appropriation for student salaries and wages is being followed, changes may be required in the State's central accounting system. The central accounting system provides controls on State expenditures. If the Legislature intends to limit student salary and wage expenditures for a certain type of student, or to limit the total expenditures for all student employees, the Division of Accounts and Reports may need to make changes in the central accounting system to provide an additional level of control. One possible change is establishing more detailed object codes so that undergraduate and graduate student salary and wage expenditures from all funds could be readily identified through the central accounting system. Another possible change is controlling expenditures by object code. The accounting system would require modifications so that it could compare expenditures for student salaries and wages from all funds to the specified limit or limits. It cannot do that now because it tracks expenditures by fund, not by object code.



APPENDIX A

This appendix presents expenditures made by the Regents' universities for student salaries and wages in fiscal year 1985. The data was compiled from the State's central accounting records. Fringe benefits are not included in the figures.

**EXPENDITURES FOR STUDENT SALARIES AND WAGES AT THE
REGENTS' INSTITUTIONS FOR FISCAL YEAR 1985**

UNIVERSITY OF KANSAS

General Fund

Student Salaries and Wages	\$1,081,477
Salaries and Wages	2,833,189
General Research	389,854
Geological Survey	373,095
Tertiary Oil Recovery Research	62,938
Capitol Complex Program	16,986
Center of Excellence Research	12,011
Remote Sensing Program	6,158
Centers for Excellence Salaries	4,278
Subtotal	\$4,779,988
General Fees Fund	2,880,800
TOTAL	<u>\$7,660,788</u>

KANSAS STATE UNIVERSITY

MAIN CAMPUS

General Fund

Student Salaries and Wages	\$1,048,362
Salaries and Wages	1,927,736
Organized Research	1,385,234
Extension	52,100
Research on Arkan Wheat	29,144
Agricultural Institute	5,323
Expermental Fields	5,317
Centers of Excellence	5,276
Garden City Branch	5,066
Wheat Nonfood Stuff Research	3,480
Research on Feed Wheat	2,503
Other Operating Expenditures	(28)
Subtotal	\$4,469,513
General Fees Fund	259,153
Total	<u>\$4,728,666</u>

VETERINARY MEDICAL CENTER

General Fund

Student Salaries and Wages	\$ 87,854
Salaries and Wages	17,458
Subtotal	\$105,312
General Fees Fund	82,612
Total	<u>\$187,924</u>
TOTAL	<u>\$4,916,590</u>

**EXPENDITURES FOR STUDENT SALARIES AND WAGES AT THE
REGENTS' INSTITUTIONS FOR FISCAL YEAR 1985**

WICHITA STATE UNIVERSITY

General Fund	
Student Salaries and Wages	\$855,749
Salaries and Wages	946,611
General Research	28,237
Centers of Excellence	<u>93</u>
Subtotal	\$1,830,690
General Fees Fund	335,745
TOTAL	<u>\$2,166,435</u>

EMPORIA STATE UNIVERSITY

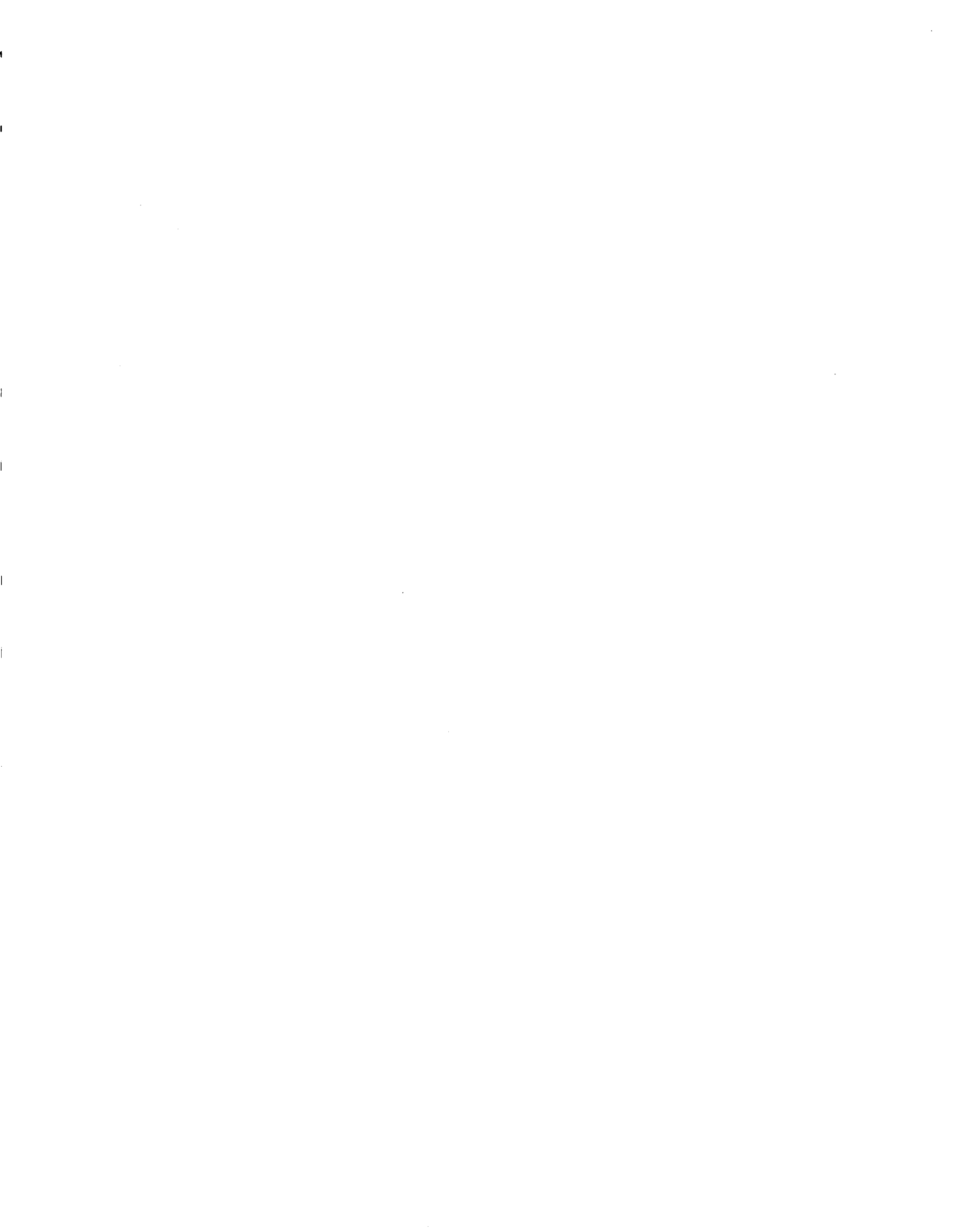
General Fund	
Student Salaries and Wages	\$695,796
Salaries and Wages	<u>430,790</u>
Subtotal	\$1,126,586
General Fees Fund	(29,778)
TOTAL	<u>\$1,096,808</u>

FORT HAYS STATE UNIVERSITY

General Fund	
Student Salaries and Wages	\$725,334
General Fees Fund	189,816
TOTAL	<u>\$915,150</u>

PITTSBURG STATE UNIVERSITY

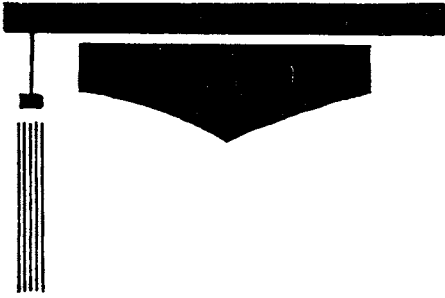
General Fund	
Student Salaries and Wages	\$527,220
Salaries and Wages	125,921
Capital Improvement/Carney Hall	<u>6,270</u>
Subtotal	\$659,411
General Fees Fund	20,689
TOTAL	<u>\$680,100</u>



APPENDIX B

Agency Responses

A copy of the draft audit report was sent to Kansas State University, Emporia State University, the Kansas Board of Regents, and the Department of Administration for review and comments on March 27, 1986. The responses of each agency are presented in this Appendix.

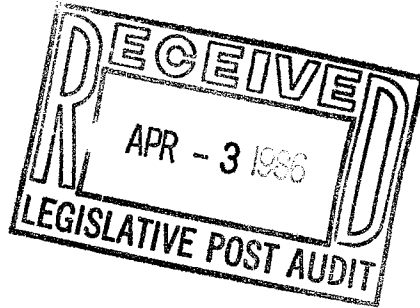


KANSAS BOARD OF REGENTS

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April 2, 1986

Mr. Meredith Williams
Legislative Post Auditor
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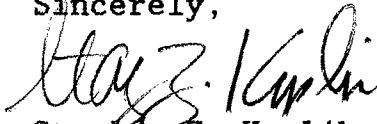
Dear Mr. Williams:

We have reviewed the draft copy of your audit report, Student Wage Expenditures at the Regents' Institutions, and we offer the following observations.

Insofar as we can determine, your audit findings are accurate and answer the three questions raised by the Post Audit Committee.

We would simply observe that student wage expenditures serve two very important purposes at the Regents institutions. First, they provide an invaluable source of part-time labor for a wide variety of institutional departments. At the same time, those expenditures help students defray a part of their educational expenses. While we agree that the institutions should be held accountable for student wage expenditures, we would hope that such accountability could be achieved without sacrificing the benefits derived from those expenditures.

Sincerely,


Stanley Z. Koplik
Executive Director

SZK:jp

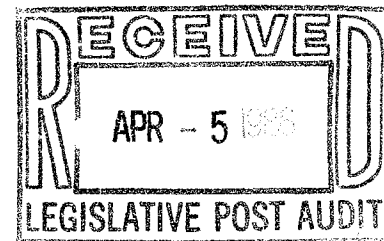
cc: President Duane Acker
President Robert Glennen

EMPORIA STATE UNIVERSITY

1200 COMMERCIAL / EMPORIA, KANSAS 66801 / TELEPHONE 316-343-1200

OFFICE OF THE PRESIDENT

April 3, 1986



Mr. Meredith Williams
Legislative Post Auditor
Legislative Division of Post Audit
109 W. 9th St.
Suite 301, Mills Building
Topeka, KS 66612-1285

Dear Mr. Williams:

Thank you for the opportunity to respond to the draft of the performance audit report, Student Wage Expenditures at the Regents' Institutions. I have reviewed it as have University finance and personnel officials.

We feel that this draft report represents fairly the use of funds included in the student salary and wages line item for Emporia State University during fiscal year 1985. We would like to clarify our perception of the legislative intent in the use of a separate line item for student salaries and wages. It is our interpretation that the general fund line item appropriation for student salaries and wages may be expended on salaries and wages for any student, with the exception of graduate teaching assistants which are provided for by the Legislature in specifically budgeted full-time equivalent positions. Although we presently do not do so, our interpretation of the line item appropriation for student salaries and wages would allow the University to expend other funds, general-use or restricted-use, for student salaries and wages.

We would, accordingly, recommend revision of the third sentence in the third paragraph of the draft report to read as follows: "For example, Emporia State University officials view the line item appropriation as limiting the amount of money that can be spent out of this general fund account for all student employees."

We believe that in separating the student salaries and wages line item from the regular salaries and wages line item, legislative intent was to provide a floor (rather than a ceiling) for total salaries and wages expenditures for student employees at the Regents institutions. As your analysis indicates, the University spends significantly more than the specific line item appropriation amount on student salaries and wages.

We hope that this response is helpful in the finalization of your performance audit report. Please feel free to contact me or the University Business Manager, Mr. Morgan Olsen, should you desire to discuss this matter further.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. E. Glennen".

Robert E. Glennen
President

cc: Morgan R. Olsen
Dr. Stanley Z. Koplik

16.

STATE OF KANSAS



DEPARTMENT OF ADMINISTRATION
Office of the Secretary

JOHN CARLIN,
Governor
ALDEN K. SHIELDS,
Secretary of Administration

April 7, 1986

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Meredith Williams
Legislative Post Auditor
Legislative Division of Post Audit
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BUILDING MAIL



Dear Mr. Williams:

We have reviewed the draft audit report entitled Student Wage Expenditures at Regents Institutions. Although this was not an audit of the Department of Administration, several issues were raised which could affect the Central Accounting System for Kansas (CASK).

We will endeavor to adapt CASK to provide any level of control deemed necessary for student wage expenditures.

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

Sincerely,

A handwritten signature in cursive script that reads "Alden K. Shields".

Alden K. Shields
Secretary of Administration

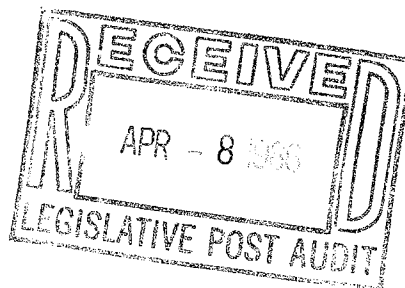
AKS:cm



Controller's Office

Anderson Hall
Manhattan, Kansas 66506
913-532-6210

April 4, 1986



Mr. Meredith Williams
Legislative Post Auditor
109 West 9th, Suite 301
Mills Building
Topeka, Kansas 66612-1285

Dear Mr. Williams:

President Acker has requested that I coordinate and prepare our response to the draft copy of the completed performance audit report, Student Wage Expenditures at the Regents' Institutions. Therefore, the following comments are provided for your consideration:

1. Page 1, last paragraph, second sentence -- states that the appropriations set expenditure limits on restricted use funds. This statement is inaccurate as no limits are established for expenditures from restricted fees.
2. Page 6, third paragraph, next to last sentence -- we believe this sentence may be misleading. The payroll section monitors the funding of our student wages payroll to make certain that we don't exceed the general fund appropriation. The payroll section has not "directed" that both undergraduate and graduate student workers may be paid from it. The payroll section's responsibility is to make certain funds are available to fund the student payrolls.
3. Page 6, fourth paragraph -- this statement is accurate; however, we did review with the auditors the features of the new accounting system we are implementing July 1, 1986. Our new system will provide for monitoring of actual student wage expenditures with budgeted student wage expenditures by account, department, college, division, and university-wide. This new system will enable us to make significant improvements in our monitoring process.

Regarding the options listed by the auditors for increasing legislative control and oversight over expenditures in this area, we have several comments. We agree that the Legislature should clarify its intent when it determines that a specific line appropriation is established from another line item appropriation. However, we also believe that the intent of the Legislature can be expressed in the appropriation's bill without the establishment of line-item appropriation with language such as a) "provided that a minimum of

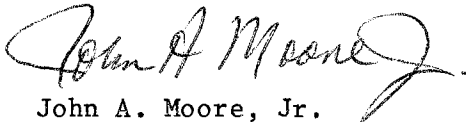
Mr. Meredith Williams
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\$xxx,xxx of this line item be expended for student wages" or b) "provided that no more than \$xxx,xxx of this line-item may be expended for student wages." Agency compliance could be verified by either an audit by your agency or a report prepared by the agency. Perhaps the audit report could mention these alternatives for expressing Legislative intent.

The option of CASK control by object code concerns us greatly and would, in effect, result in more line-item appropriations at the object code level. It would be completely unrealistic to expect a state agency to project with a high degree of accuracy what its needs are at the object code level. Thus, our recommendation is that you delete this option from the audit report.

We appreciate the opportunity to review the draft report and to offer our comments for your consideration in preparing the final report. Your auditors were courteous and understanding as they performed their fieldwork and for that we are most appreciative. If you have questions about our response, please call me at 562-6210.

Sincerely,



John A. Moore, Jr.
Controller

cj

cc: President Duane Acker
Vice President George Miller
Dr. Stanley Koplik

