

# **PERFORMANCE AUDIT REPORT**

## **Examining Out-District Tuition Expenditures For Leavenworth County**

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

# **Legislative Post Audit Committee**

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## **Legislative Division of Post Audit**

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# **PERFORMANCE AUDIT REPORT**

## **EXAMINING OUT-DISTRICT TUITION EXPENDITURES FOR LEAVENWORTH COUNTY**

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### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Jim Davis, Auditor, of the Division's staff. If you need any additional information about the audit's findings, please contact Mr. Davis at the Division's offices.

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verify that the colleges are charging counties the correct amounts for out-district tuition. Also, both Leavenworth County and Kansas City Kansas Community College have steps in place to provide assurance that out-district tuition is charged properly.

We also found that the County's budgeted expenditures for 1988 and 1989 were reasonable, based on information available to County officials at the time those budgets were made. The County's estimated out-district tuition expenditures for 1990 appeared to be reasonable as well. However, County officials in essence double-counted the expenses associated with repayment of short-term financing it obtained in 1989. As a result, the mill levy for 1990 was set at a level to collect about \$160,000 more in taxes than needed. Finally, based on the most currently available information at the time of this audit, we estimated that the County's 1991 out-district tuition expenditures would probably range from a low of about \$600,000 to a high of about \$660,000.

## **Are Community Colleges Properly Billing Leavenworth County for The Students That Come From That County?**

Leavenworth County is paying the correct amount in out-district tuition for its residents who are taking classes at community colleges. The Department of Education audits community college charges to counties for out-district tuition. These audits are done at the same time the Department audits the colleges' claims for State aid. Leavenworth County officials and Kansas City Kansas Community College officials also take steps to assure the accuracy of out-district tuition bills.

### **Leavenworth County Is Paying the Correct Amount Of Out-District Tuition for County Residents Who Are Taking Classes at Community Colleges**

The Department of Education conducts audits to verify that the colleges are charging counties the correct amounts for out-district tuition. To avoid duplication, government auditing standards call for us to coordinate with other government auditors to determine whether work they have already completed may be used to satisfy our audit objectives. We found that the work done by Department auditors is sufficiently comprehensive so that we can rely on it without conducting additional testwork of colleges' out-district tuition billings.

In these audits, Department auditors look at student residency to confirm that the college is billing counties only for their residents. They verify that colleges are not charging out-district tuition for students with more than 64 credit hours of postsecondary credit; the credit hour limit is 72 for some program areas, and neither limit applies to students enrolled in vocationally approved courses. Counties also are not liable for out-district tuition for students who reside on federal military posts located in the county, such as Fort Leavenworth. Department auditors also look for confirmation that the students actually attended the courses and that the courses were properly approved for out-district tuition by the Department.

Leavenworth County and Kansas City Kansas Community College also take steps to assure the accuracy of out-district tuition bills. Personnel in the Leavenworth County Clerk's office review colleges' out-district tuition bills for accuracy before making payment. The colleges' billing statements include a list of students and their addresses, along with the number of credit hours billed for each of them. Clerk's office personnel look to see that each student is a resident of the County and that they have no more than 64 (or 72) hours of postsecondary credit. When inaccuracies are found, Clerk's office personnel contact the colleges and make the necessary adjustments to the bills.

Because nearly 80 percent of Leavenworth County's out-district tuition payments are made to Kansas City Kansas Community College, we contacted officials there to



find out what steps they take to make sure that their out-district tuition billings are accurate. College officials reported that the information used to bill counties for out-district tuition is obtained from students at the time of enrollment. The College then cross-checks that information with information already contained in its records for accuracy.

**Leavenworth County's Out-District Tuition Expenditures  
And the Credit Hours These Charges Were Based On  
Have Both Increased By About 50 Percent From 1985 to 1989**

The table below shows the amounts paid by Leavenworth County in out-district tuition from 1985 through 1989, by institution.

**Leavenworth County Out-District Tuition  
Expenditures 1985 Through 1989**

<u>Institution</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>% Change 1985 to 1989</u>
Allen County	\$1,768	\$1,081	\$805	\$1,323	\$1,560	-11.8%
Barton County	1,342	679	368	230	480	-64.2
Butler County	3,437	4,025	2,898	2,911	1,488	-56.7
Cloud County	1,472	2,185	1,449	1,206	1,008	-31.5
Coffeyville	396	1,403	2,944	4,688	2,616	+560.6
Colby	132	0	0	0	0	-100.0
Cowley County	1,591	1,909	483	0	360	-77.4
Dodge City	2,551	3,818	1,495	368	0	-100.0
Fort Scott	462	610	1,909	6,244	9,708	+2,001.3
Garden City	1,303	0	345	483	0	-100.0
Highland	6,115	5,428	9,200	11,622	12,768	+108.8
Hutchinson	875	713	782	1,073	816	-6.7
Independence	1,432	0	1,081	2,640	2,688	+87.7
Johnson County	21,881	19,389	25,346	31,599	41,746	+90.8
Kansas City	222,806	218,026	245,769	300,002	350,206	+57.2
Labette	0	264	1,012	2,754	2,472	+836.4 (a)
Neosho County	264	0	345	870	403	+52.7
Pratt	1,246	782	184	846	1,320	+5.9
Washburn University	14,889	15,560	11,316	16,528	15,432	+3.7
<b>TOTALS (b)</b>	<b>\$283,962</b>	<b>\$275,872</b>	<b>\$307,731</b>	<b>\$385,387</b>	<b>\$445,071</b>	<b>+56.7%</b>

(a) This percentage change is from 1986 to 1989.

(b) The totals on this line represent amounts actually paid during the calendar years indicated; they have not been adjusted to match payments to the year when the cost was incurred, as is done for the County's annual financial audit. Audited amounts are used in later sections of this report.

As the table shows, the percentage increase in expenditures for Kansas City Kansas Community College (57.2 percent) closely parallels the percentage increase for all the schools combined (56.7 percent). For the entire period, out-district tuition payments to Kansas City accounted for almost 80 percent of the total payments. The school with the largest percentage increase was Fort Scott, with more than a 2,000 percent increase. However, the dollar amount the County paid to Fort Scott in 1989 was less than 3 percent of what it paid to Kansas City for that same year.

## **Do Leavenworth County's Projected Expenditures For Out-District Tuition Appear To Be Reasonable Based On Enrollment and Expenditure Trends?**

Leavenworth County's budgeted expenditures for out-district tuition for 1988 and 1989 appear to be reasonable, based on information available to County officials when they set those budgets. Out-district tuition expenditure estimates for 1990 also appeared to be reasonable, but the County in essence double-counted the expenses associated with repayment of short-term financing it obtained in 1989. As a result, the mill levy was set at a level to collect about \$160,000 more in taxes than needed. Finally, using the most current information available at the time of this audit, we estimated that the County's 1991 out-district tuition expenditures would probably range from a low of about \$600,000 to a high of about \$660,000. Even the larger of these estimates is significantly less than the \$1 million suggested by the Chairman of the Board of County Commissioners.

### **Leavenworth County's Projected Expenditures for Out-District Tuition Appeared To Be Reasonable For 1988, 1989, and 1990, Based On Information Available to County Officials At the Time**

Counties make their budgets one year ahead. The most recent year for which they have complete actual revenue and expenditure information is the previous year. For example, the 1988 Leavenworth County budget was made in 1987; the most recent actual revenue and expenditure information available at the time was for 1986. Therefore, we reviewed information that was available to County officials in 1987 when they made their 1988 budget, in 1988 when they made their 1989 budget, and in 1989 when they made their 1990 budget. (Appendix A contains actual County revenues and expenditures for the out-district tuition fund for 1985 through 1989, along with amounts budgeted for 1990.)

According to Leavenworth County officials, they begin their budget-making process in May. An outside accountant conducts the County's annual audit and County departments begin preparing their next year's expenditure estimates. In May and June, the County receives estimates from the colleges of the amounts they expect to bill the County for out-district tuition the following year. The Board of County Commissioners holds budget hearings in July and, with the accountant's assistance, completes the budget in August. The table on the next page sets out the information officials had available when they set the County budgets for 1988, 1989, and 1990.

As the table shows, in 1987 and 1988, when preparing the 1988 and 1989 budgets, County officials estimated expenditures at or slightly above what the colleges estimated. Budgeted expenditures for 1988 and 1989 also appeared to be in line with actual and projected cost information available to the County at the time. In fact, it may be argued that, in 1988 when setting the 1989 budget, the County's estimate of \$370,000 was somewhat low, given that Kansas City Kansas Community College's Leavenworth satellite facility would be open all year.

from tax revenues. In preparing the 1990 budget documents, however, County officials did not record the proceeds of that financing for 1989. As a result, a negative out-district tuition fund balance of \$159,029 was carried forward to 1990. In determining how much they would need to generate in tax revenues, County officials calculated an amount that would not only make up the deficit, but also provide funds for its repayment. This approach in essence double-counted the \$159,029, and taxes were levied to recover it twice. In short, the County mill levy was set to collect nearly \$160,000 more in taxes than necessary. If the amounts budgeted for other revenues and out-district tuition expenditures in 1990 prove to be substantially correct, the County should have a larger-than-anticipated year-end cash balance. This balance would then be available to fund out-district tuition expenditures for the following year, thus potentially lowering the mill levy needed for 1991.

At the time of this audit, the County had not yet begun the process of formulating its 1991 budget. However, using the most current revenue and expenditure information available (including unaudited actual 1989 data), we projected the County's out-district tuition expenditures for 1991.

Out-district expenditures for the County increased in previous years as follows:

- from 1986 to 1987: 12 percent
- from 1987 to 1988: 24 percent
- from 1988 to 1989: 16 percent
- from 1989 to 1990 (budgeted): 19 percent

Projecting a 12 percent increase—the low for the four periods—over the 1990 budgeted amount of \$530,0971, we estimated 1991 out-district tuition expenditures of \$594,688. Assuming a 24 percent increase—the high for the four periods—we estimated 1991 expenditures of \$658,404.

The 24 percent increase could be high—1988 was the year the Kansas City Kansas Community College's facility in Leavenworth opened, and a similar increase in attendance for 1990 may be unlikely. However, a 12 percent increase may be low; starting with the Spring 1990 semester, Kansas City is expanding its offerings at the Leavenworth facility. Therefore, assuming that the 1990 budgeted expenditure amount is generally accurate, a reasonable estimate of the County's 1991 out-district tuition expenditures would be between about \$600,000 and about \$660,000. Even the larger of these estimates is significantly less than the \$1 million suggested by the Chairman of the Board of County Commissioners.

### **Conclusion**

Leavenworth County is paying the correct amount of out-district tuition for its residents who are taking classes at community colleges and Washburn University. Assurance of this is provided by Department of Education audits of the colleges' out-district tuition billings. Further assurance is provided by steps taken by officials of Leavenworth County and Kansas City Kansas Community College.

Leavenworth County's projected expenditures for out-district tuition appeared to be reasonable for 1988, 1989, and 1990, based on information available to officials at the time such estimates were made. However, when determining how much they would need to generate in tax revenues for 1990, County officials calculated an amount that would collect nearly \$160,000 more in taxes than necessary. For 1991, we estimated the County's out-district tuition expenditures would fall between \$600,000 and \$660,000. Assuming the higher of these two amounts, the County's out-district tuition costs would have risen 132 percent from 1985 to 1991.

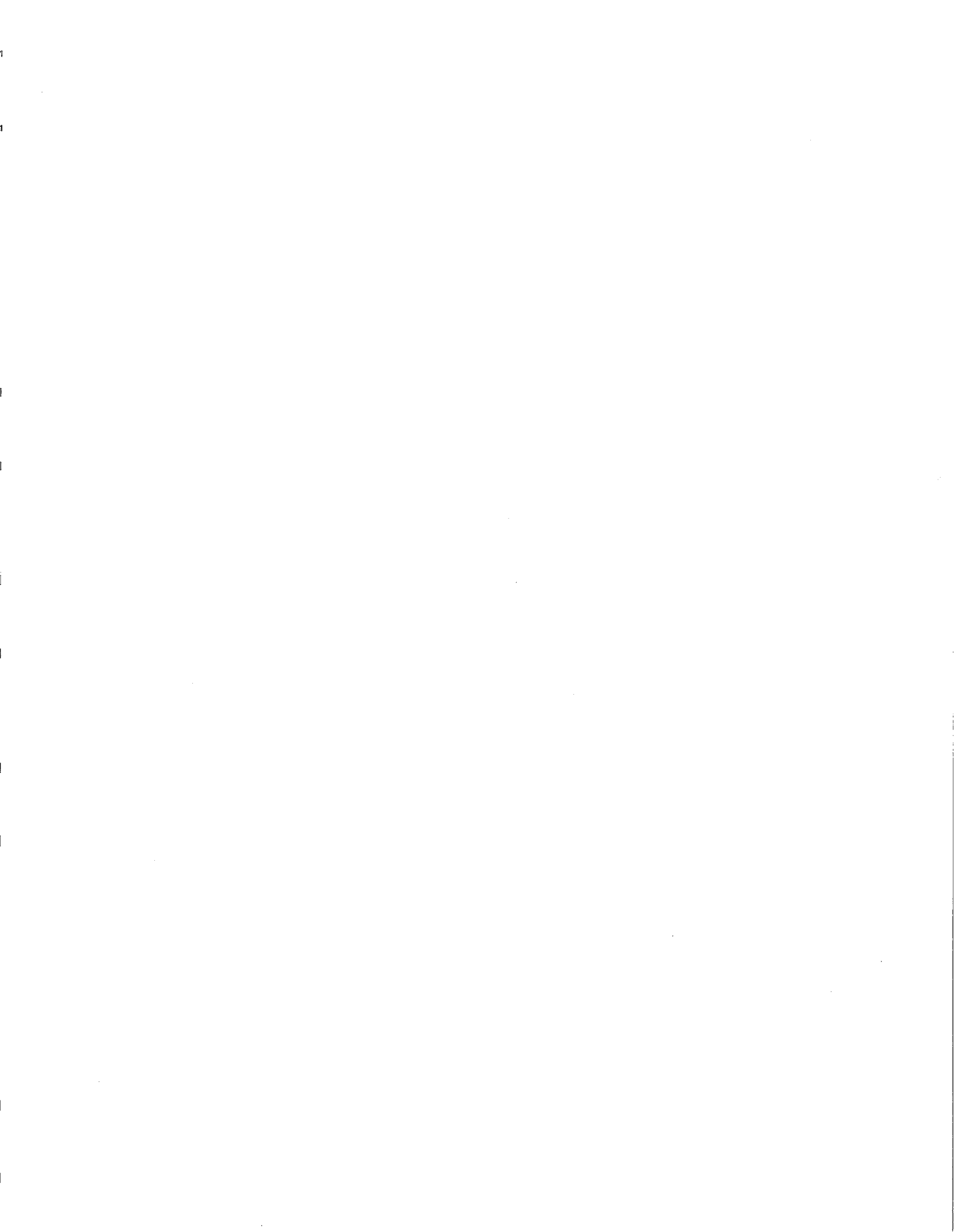


## APPENDIX A

### Leavenworth County's Out-District Tuition Fund: Actual Revenues and Expenditures, 1985 Through 1989 Budgeted Revenues and Expenditures, 1990

	Actual <u>1985</u>	Actual <u>1986</u>	Actual <u>1987</u>	Actual <u>1988</u>	Unaudited Actual <u>1989</u>	Budgeted <u>1990 (a)</u>
Unreserved Fund Balance, January 1	\$4,889	\$143,427	\$300,942	\$271,832	\$82,617	\$45,336
REVENUES						
Ad Valorem Tax	324,167	334,435	171,501	134,032	210,903	793,750
Delinquent Tax	10,931	4,777	6,698	13,976	3,806	3,900
Motor Vehicle Tax	84,353	89,933	100,107	45,057	42,886	62,773
Motor Vehicle Tax Stamps	410	958	970	295	322	
Rent In Lieu of Tax	2,831	2,307	897	626	951	350
Refund	187	681	449	92		
Other (undesignated)		7				
Short-Term Financing (no fund warrants)					150,000	
<b>TOTAL REVENUES</b>	<b>422,879</b>	<b>433,098</b>	<b>280,622</b>	<b>\$194,078</b>	<b>\$408,868</b>	<b>\$860,773</b>
<b>RESOURCES AVAILABLE</b>	<b>\$427,768</b>	<b>\$576,525</b>	<b>\$581,564</b>	<b>\$465,910</b>	<b>\$491,485</b>	<b>\$906,109</b>
EXPENDITURES						
Out-District Tuition	284,341	275,583	309,732	383,293	445,071	530,971
Refund					1,078	
Repayment of Short-Term Financing						159,029
Interest on Short-Term Financing						3,750
<b>TOTAL EXPENDITURES</b>	<b>\$284,341</b>	<b>\$275,583</b>	<b>\$309,732</b>	<b>\$383,293</b>	<b>\$446,149</b>	<b>\$693,750</b>
Unreserved Fund Balance, December 31	\$143,427	\$300,942	\$271,832	\$82,617	\$45,336	\$212,359
<b>MILL LEVY</b>	<b>3.087</b>	<b>2.986</b>	<b>1.476</b>	<b>1.125</b>	<b>1.723</b>	<b>4.092</b>

(a) The County based its 1990 budget on the need to obtain the authority to get short-term financing and issue no fund warrants in the amount of \$159,029 and pay interest of \$3,750. As shown in the 1989 column, the amount short-term financing actually obtained was \$150,000. According to unaudited 1990 County records, the financing has been repaid with interest of \$518. These and other differences between budgeted and actual amounts will affect the December 31 Unreserved Fund Balance.

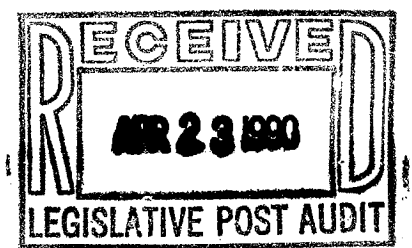


## **APPENDIX B**

### **Agency Response**

On April 17, 1990, we provided a copy of the draft report to the Leavenworth County Board of Commissioners. Their response is included in this Appendix.





APPENDIX BY LEAVENWORTH COUNTY

We, the County Commissioners of Leavenworth County, Kansas, are attaching this appendix to the foregoing audit styled "Examining Out-District Tuition Expenditures for Leavenworth County."

The two items hereinafter listed in the audit need to be addressed by us:

1) The estimate that community college expenses would exceed one million dollars next year, and

2) The mistake in our community college budgeting process by \$150,000.

We hereby address these issues as follows:

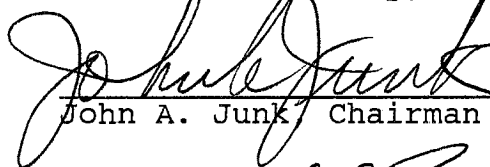
1) The million dollar figure was not meant to be a firm figure and the language in our correspondence dated February 2, 1990 suggesting that the million dollars was a firm figure was an inadvertent error which was not caught in proofreading said letter. Our correspondence was intended to suggest that if present trends continued in respect to community college expenses there might be a real possibility that such expenses would exceed one million dollars in Leavenworth County in the near future. Our fears in this regard were based upon the proven and existing increases in community college expenses and on recent newspaper stories that such expenses for Leavenworth County were swelling, and in this connection we attach hereto copies of such news stories appearing in the Kansan City Kansan of February 1, 1990 and another appearing in the Leavenworth Times of February 1, 1990.

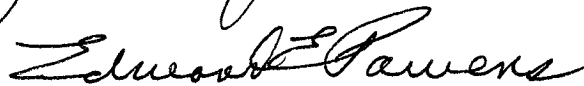
Community college expenses here in Leavenworth are growing

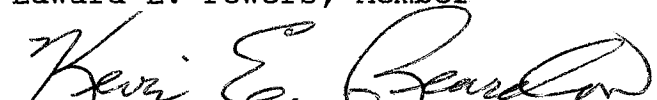
and all available information indicates that they will continue to grow substantially in the immediate future. Such expenses are a heavy budget item for Leavenworth County and in our opinion such expenses are out of control in Leavenworth County and we think that Leavenworth County taxpayers should be entitled to some legislative relief from this onerous and growing burden.

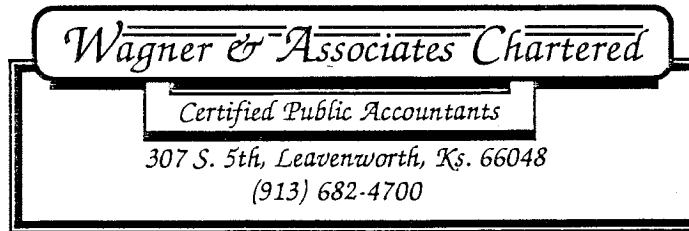
2) There was a \$150,000 mistake in our 1990 budget in respect to community college fund as set out in the instant audit report. The mistake was one made by our accountant as confirmed in his letter to us dated April 18, 1990, a copy of which is attached hereto and incorporated herein by reference. This mistake was inadvertent and unintentional. It was an innocent mistake not discovered by the accountant, not discovered by the County Clerk, not discovered by The State Reviewing Board, and not discovered by one and perhaps two legislatively ordered audits of our budget, and in fact such mistake was only discovered during the instant audit investigation. Now that this matter has been brought to our attention we will of course redress this mistake by allowing the excess to be used in reducing the 1991 county budget.

Board of County Commissioners  
Leavenworth County, Kansas

  
\_\_\_\_\_  
John A. Junk, Chairman

  
\_\_\_\_\_  
Edward E. Powers, Member

  
\_\_\_\_\_  
Kevin E. Reardon, Member



April 18, 1990


County Commissioners  
Leavenworth County  
Leavenworth, KS 66048

Gentlemen,

During the recent review by Legislative Post Audit of the County's Junior College fund, an error was discovered in the 1989 receipts, in that the receipt of the temporary notes in 1989 for \$150,000.00 was not included in the budget calculations for the 1990 budget in the Junior College Fund. These were issued in December of 1989 after the budget was completed.

In the beginning of the budget process, the issuance of the notes was a tentative course of action. As the process proceeded, the decision was made that temporary notes would have to be issued. In finalizing the Junior College budget, in early August, we then included the expenditures to repay the temporary notes, but accidentally overlooked the inclusion of the proceeds of the temporary notes in the 1989 column, of the 1990 budget, thus causing this error.

We have reviewed our quality assurance and control procedures to determine the cause of the oversight and have added additional measures to ensure that the affect of items introduced during the budget process are fully accounted for in the future.

  
\_\_\_\_\_  
Wagner & Associates, Chartered  
Certified Public Accountants

R&A/lwh

## Record enrollment at KCKCC

Spring enrollment at Kansas City Kansas Community College is again at an all-time high.

College officials said today 4,328 students have enrolled for 35,959 credit hours for the 1990 Spring Semester.

That's a 6.2 percent increase in head count and a 4.8 percent increase in credit hours over the previous spring record of 4,075 students and 34,326 credit hours established just a year ago.

The third straight record spring enrollment, it marks the ninth consecutive semester (spring, summer and fall) that KCKCC has recorded all-time highs.

The spring enrollment is just 28 students and 92 hours short of the all-time KCKCC record of 4,356 students and 36,051 credit hours established this past Fall.

Several factors are responsible for the new high, according to Dr. Charles Johnson, Dean of Instruction. The biggest gain was in off-campus enrollment, which increased 68 percent to 5,049 hours. Most of that increase was reported at the Leavenworth Service Center, where morning and additional late afternoon classes were added this semester to meet the swelling demand there.

Dr. Johnson said increases were also reported in the high school partnership program and in classes offered at Bonner Springs, Basehor and Tonganoxie.

Biggest on-campus increases came in foreign language, up 37 percent; and the new Paralegal program. Started just last fall, eight paralegal courses are now

(See RECORD, page 2)



## Record

(Continued from page 1)

being offered with an average of 23.5 students per class.

"Nursing also increased 100 hours, putting us at capacity with our present staff," said Dr. Johnson.

While overcrowding has not become a problem, Dr. Johnson said: "We're just about at our maximum for morning and evening classes." Community colleges traditionally schedule most classes in the morning or evening because most students hold full or parttime jobs.

Leav. Times 2-1-90

Joan D. Richter, an accounting technician in the commissary, retired Wednesday after 25 years of federal service.

### Enrollment up at KCKCC.

KANSAS CITY, Kan. — Spring enrollment at Kansas City Kansas Community College is at an all-time high, the school reports.

College officials said 4,328 students are enrolled for 1990 Spring Semester.

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## Markets



Stock market summary as of 1 p.m. New York time: Dow Jones 30 industrials 2597.30 up 6.76, NYSE volume 86,811,530.

The Leavenworth Office of Edward D. Jones and Co.,

## Bush

(Continued from page 1)  
"A swift conclusion to our arms control talks — conventional, chemical and strategic — must now be our goal. That time has come," he said.

However, Bush's budget provides continued buildups for most nuclear weapons systems and the Star Wars missile defense, a reflection of what the president called Moscow's continued modernization effort in that area.

In the only other concrete announcement in his speech, Bush said he would pull back the remaining U.S. troops sent to Panama for the December invasion by the end of February.

The Pentagon said Wednesday that troop levels now are about 16,000, or about 3,000 more than the pre-invasion number.

Amid the agreement, there also were signs that a tough year lies ahead. When Bush repeated his "no new taxes" pledge and again when he vowed to seek a cut in tax rates for capital gains, Republicans in the House chamber erupted into applause, while Democrats sat silent.

And Foley's only mention of foreign policy came in two areas where Democrats take issue with the administration: South Africa and China. Condemning Bush's earlier veto of a bill to protect Chinese stu-

ents, Bush said he would support legislation to protect Chinese students.

Asked if he could Democratic gubernatorial candidate Fred Phelps' phase out property tax several years, Hayden said, "Politics are the possibility."

Members of a Topeka group of taxpayers' group, Citizens Responsible Government, seemed somewhat heartened by Hayden's plan. Dana Hays, a spokesman for the group, said a constitutional amendment seemed a way to assure real change in the right

governor's on the right to roll back in all property and a strict budget lid on entities.

He said the rollback would be only about 4 percent for most government entities and 12 percent for schools. "This won't bring governments to their knees," Hayden insisted, pointing out that the local level to revenues.

Hayden prefers letting a local-option school district vote on an earnings tax or other local taxes. He said he would like to see the local government have the flexibility to decide on the revenue mix.

Eastern Europe and the Soviet Union.

"Since we've got three years, things may change," said Moser.

If the cutbacks are approved by Congress, Moser said, the guard will face more problems in deciding whether to close armories in some communities or realign troops to keep them open.

Hayden's plan in a taxing district could not to roll back property which he said probably happen in only a few instances.

Coffey County might opt to roll back property taxes, because of taxes from the Wolf Creek plant, he doubts it would happen in many counties.

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