

# **COMPLIANCE AND CONTROL AUDIT REPORT**

**SCHOOL FOR THE DEAF  
SCHOOL FOR THE VISUALLY HANDICAPPED  
COUNCIL ON VOCATIONAL EDUCATION**

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## **OBTAINING AUDIT INFORMATION**

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

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**SCHOOL FOR THE DEAF  
SCHOOL FOR THE VISUALLY HANDICAPPED  
COUNCIL ON VOCATIONAL EDUCATION**

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

The Legislative Division of Post Audit conducted compliance and control audit work at the School for the Deaf, School for the Visually Handicapped, and Council on Vocational Education in partial fulfillment of the Legislative Post Audit Act's requirement that audit work be conducted at each State agency at least once every three years. This compliance and control audit addressed the areas of receipts and locally administered funds. The audit also followed up on prior audit findings and recommendations. The period covered by this audit was the fiscal year ended June 30, 1990.

**Did the School for the Deaf, School for the Visually Handicapped, and Council on Vocational Education comply with legal and procedural requirement applicable to their receipts, and provide adequate internal control over receipts?** The agencies' procedures for handling receipts were in accordance with legal and procedural requirements, and provided adequate controls over receipts, with one exception. The School for the Deaf could improve its internal controls over receipts if it made more frequent deposits of receipts in its local fee bank account.

**Did the School for the Deaf and School for the Visually Handicapped comply with legal and procedural requirements applicable to their locally administered funds, and provide adequate internal control over those funds?** The agencies' procedures for handling locally administered funds were in accordance with legal and procedural requirements, and provided adequate controls over locally administered funds, with three exceptions. The School for the Deaf did not always document the approval of trust fund expenditures. In addition, the School for the Visually Handicapped deposited fees from the Career Conference for Visually Impaired Youth in the student trust fund, which is not in accordance with procedural requirements of the Division of Accounts and Reports. Finally, the School for the Visually Handicapped did not monitor and follow up on payments from its imprest fund to ensure that they were reimbursed.

The prior audit reports addressed five recommendations to the School for the Deaf, two recommendations to the School for the Visually Handicapped, and one recommendation to the Council on Vocational Education. All of these prior recommendations have been implemented.

The report recommends that the School for the Deaf make more frequent deposits of receipts in its local fee bank account, and better document the approval of trust fund expenditures. In addition, the report recommends that the School for the Visually Handicapped work with the Division of Accounts and Reports to ensure that fees from the Career Conference for Visually Impaired Youth are properly handled, and monitor and follow up on unreimbursed payments from its imprest fund. We would be happy to discuss these recommendations or any other items in the report with legislative committees, individual legislators, or other State officials.



Meredith Williams  
Legislative Post Auditor

**SCHOOL FOR THE DEAF  
SCHOOL FOR THE VISUALLY HANDICAPPED  
COUNCIL ON VOCATIONAL EDUCATION**

The Legislative Post Audit Act requires that an annual financial statement audit be conducted of the State's general purpose financial statements. The Act also requires that audit work be conducted at each State agency at least once every three years. Audit work conducted as part of the annual financial statement audit partially fulfills the latter requirement. Also in partial fulfillment of that requirement, the Legislative Division of Post Audit has conducted compliance and control audit work at the School for the Deaf, School for the Visually Handicapped, and Council on Vocational Education, covering the fiscal year ended June 30, 1990.

To avoid duplication of audit work conducted as part of the annual, Statewide audit, our audit work focused on areas not covered by the Statewide audit. These areas include receipts and locally administered funds. In addition, we followed up on any prior audit findings and recommendations. The audit addresses the following specific questions:

- 1. Did the School for the Deaf, School for the Visually Handicapped, and Council on Vocational Education comply with legal and procedural requirements applicable to their receipts, and provide adequate internal control over receipts?**
  
- 2. Did the School for the Deaf and School for the Visually Handicapped comply with legal and procedural requirements applicable to their locally administered funds, and provide adequate internal control over those funds?**

We identified the legal and procedural requirements applicable to the audited agencies' receipts and locally administered funds by reviewing relevant statutes, administrative regulations, and sections of the Division of Accounts and Reports' Policy and Procedure Manual. We also interviewed agency personnel, reviewed written procedures, and examined related supporting documents to identify the agencies' procedures for handling receipts and locally administered funds. We then compared those procedures with the applicable legal and procedural requirements. In addition, we identified the potential for loss or misuse of receipts and locally administered funds, and we evaluated the level of control provided by the agencies' procedures in preventing and detecting loss or misuse in those areas. Finally, we performed analytical tests, reviewed accounting records, and tested a sample of transactions at each agency.

In conducting this audit work, we followed all applicable generally accepted government auditing standards set forth by the U.S. General Accounting Office.

## **Background**

This audit report covers three State agencies — the School for the Deaf, School for the Visually Handicapped, and Council on Vocational Education. The operations of each agency are briefly described below.

### **School for the Deaf**

The School for the Deaf in Olathe provides a residential elementary and secondary education program for hearing impaired children between the ages of 3 and 21. The institution operates under the jurisdiction of the State Board of Education, which appoints a superintendent. The Board also accredits the curriculum, which includes all essential academic subjects, with special emphasis on speech, speech reading, and communication skills.

Students are referred to the school by parents or by their local school district. Any Kansas hearing impaired resident of Kansas is eligible for admission. In addition, non-residents may attend on a space-available basis, with tuition set by the Board of Education. During fiscal year 1990, the School's enrollment was approximately 200 students.

According to the Governor's Budget Report, the School for the Deaf's fiscal year 1990 expenditures totaled \$5.5 million, with \$5.2 million (94 percent) of that amount funded by appropriations from the State General Fund. Of the \$5.5 million spent, \$4.7 million (85 percent) was for salaries and wages.

### **School for the Visually Handicapped**

The School for the Visually Handicapped in Kansas City provides a residential elementary and secondary education program for visually impaired children up to 21 years of age. The institution operates under the jurisdiction of the State Board of Education, which appoints a superintendent. The Board also accredits the curriculum, which includes all essential academic subjects.

Students are referred to the school by parents or by their local school district. Any Kansas visually impaired resident of Kansas is eligible for admission. In addition, non-residents may attend on a space available basis, with tuition set by the Board of Education. During fiscal year 1990, the School's enrollment was approximately 60 students.

According to the Governor's Budget Report, the School for the Visually Handicapped's fiscal year 1990 expenditures totaled \$3.0 million, with \$2.8 million (93 percent) of that amount funded by appropriations from the State General Fund. Of the \$3.0 million spent, \$2.4 million (80 percent) was for salaries and wages.

### **Council on Vocational Education**

The Council on Vocational Education was created to meet federal requirements. For a state to receive federal vocational education funding, it must establish an advisory council to monitor and evaluate the activities of the state's education agency and local vocational education providers. In accordance with federal requirements, the Council comprises 13 members appointed by the State Board of Education, seven of whom represent the private sector, and six of whom represent vocational education institutions and other education interests.

According to the Governor's Budget Report, the Council on Vocational Education's fiscal year 1990 expenditures totaled \$129,402, funded entirely by federal grant moneys. About \$82,000 (63 percent of the total) was spent for salaries and wages.

**Did the School for the Deaf, School for the  
Visually Handicapped, and Council on Vocational Education  
Comply With Legal and Procedural Requirements  
Applicable to Their Receipts, and Provide Adequate  
Internal Control Over Receipts?**

For fiscal year 1990, our review showed that these agencies complied with legal and procedural requirements applicable to receipts, except that the School for the Deaf did not always transfer receipts from its fee bank account to the State Treasury as frequently as required by State law. In addition, the agencies' procedures provided adequate internal control over receipts, except that the School for the Deaf should have deposited its receipts in its fee bank account more frequently. Our conclusions were based on the following.

**With One Exception, the Agencies  
Complied With Applicable Requirements  
And Provided Adequate Internal Controls**

In the area of receipts, we identified the agencies' procedures for handling receipts, determined whether those procedures met applicable legal requirements, evaluated the internal controls provided by those procedures, and tested a sample of transactions, records, and reports to determine whether the applicable procedures had been followed. In particular, we determined whether:

- ◇ amounts due the agencies were properly assessed and collected
- ◇ amounts collected by the agencies were deposited in the local fee bank account on a timely basis
- ◇ amounts collected by the agencies were deposited in the State Treasury on a timely basis
- ◇ the agencies' receipts procedures provided adequate controls to limit to an acceptable level the risk of loss or misuse of receipts and the risk of noncompliance with legal and procedural requirements

With the exception discussed in the following section, we found that amounts due were assessed and collected, amounts collected were deposited on a timely basis, and agency procedures provided adequate controls.

**The School for the Deaf Could Improve  
Its Procedures for Depositing Receipts and  
Transferring Those Receipts to the State Treasury**

State law allows State agencies not located in Topeka to deposit receipts in a local fee bank account designated by the Pooled Money Investment Board. These re-

ceipts are then to be transferred to the State Treasury at least monthly, or more often if required by the Pooled Money Investment Board. State law does not specify how frequently receipts are to be deposited in the local fee bank account. In reviewing and testing the School for the Deaf's receipts procedures, we found that the School could improve its procedures for depositing receipts and transferring those receipts to the State Treasury.

For agencies with a local fee bank account, timely deposit of receipts reduces the risk of loss or misuse because moneys in a bank are more secure than moneys on hand at a State agency's offices. While State law does not address the frequency of deposits in a fee bank account, we found that on average the School for the Deaf was depositing receipts in its fee bank account only about once every three weeks, and that the average deposit was about \$4,800. In addition, we noted that December 1989 receipts of more than \$17,600 were not deposited until January 23, 1990. While we found no indication of loss or misuse, we concluded that more frequent deposits to the fee bank account would improve internal control over School receipts.

In addition, whether moneys are on hand at an agency's office or in a local fee bank account, those moneys are not available for the Pooled Money Investment Board to invest until they are transferred to the State Treasury, and the State loses the interest it could be earning on those moneys. State law calls for moneys in fee bank accounts be transferred to the State Treasury at least monthly, unless more frequent transfers are required by the Pooled Money Investment Board. In testing for compliance with this requirement, we found no instances where the School for the Deaf did not meet the requirement. However, as indicated in the previous paragraph, receipts could have been deposited in the fee bank account more frequently. This would then allow for more frequent transfers to the State Treasury. Although information was not available to allow us to estimate the loss, it appears that the amount of interest lost was very small. However, even this loss could have been avoided.

#### **Recommendation**

To improve controls over receipts, the School for the Deaf should make more frequent deposits of receipts in its local fee bank account.

## **Did the School for the Deaf and School for the Visually Handicapped Comply with Legal and Procedural Requirements Applicable to Their Locally Administered Funds, and Provide Adequate Internal Control Over Those Funds?**

For fiscal year 1990, we concluded that the Schools for the Deaf and Visually Handicapped generally complied with legal and procedural requirements applicable to their locally administered funds. We also concluded that these agencies' procedures generally provided adequate internal control over locally administered funds. However, we did find that the School for the Deaf could improve control over its pupils' trust fund by maintaining better supporting documentation for withdrawals from the fund. We also found that the School for the Visually Handicapped could improve procedures for handling its imprest fund by ensuring more timely reimbursements and by performing proper reconciliations of the fund. Finally, the School for the Visually Handicapped needs to change the way it handles receipts from the Career Conference for Visually Impaired Youth. Our conclusions were based on the following.

The schools each have four locally administered funds — a trust fund, a canteen fund, a benefit fund, and an imprest fund. The trust fund is used to account for student moneys held in trust by the schools. The canteen fund is used to account for moneys collected and spent in the operation of each school's snack shop and store. The benefit fund is used to account for moneys transferred from the canteen fund and received from other sources to be used for the benefit of the students. The imprest fund is used to make small expenditures that require immediate attention. That fund is then reimbursed from the schools' other funds. Generally, each of these funds has a related local bank account.

In the area of locally administered funds, we identified the agencies' procedures for handling those funds, determined whether those procedures met applicable legal requirements, evaluated the internal controls provided by those procedures, and tested a sample of transactions, records, and reports to determine whether the applicable procedures had been followed for those transactions. In particular, we determined whether:

- ◇ trust, canteen, benefit, and imprest fund moneys had been properly deposited in local bank accounts
- ◇ the agencies' use of local bank accounts was proper, and the banks themselves were designated by the Pooled Money Investment Board
- ◇ interest earned from investment of trust, canteen, and benefit fund moneys was properly credited to the appropriate accounts
- ◇ trust, canteen, and benefit fund recordkeeping and reporting was performed as required by the Division of Accounts and Reports

- ◇ the agencies' receipts procedures provided adequate controls to limit to an acceptable level the risk of loss or misuse of trust, canteen, benefit, and imprest fund moneys and the risk of noncompliance with legal and procedural requirements

### **The School for the Deaf Could Improve Its Documentation for Expenditures from the Trust Fund**

The School for the Deaf's trust fund is used to account for student moneys held in trust by the School. To demonstrate proper expenditure of these moneys on behalf of the students, the School should be able to document authorization for each expenditure from the trust fund. That documentation is provided by withdrawal orders issued by the Dean of Students or other appropriate School personnel. However, in reviewing expenditures from the trust fund, we found that copies of withdrawal orders were not on file for nine (43 percent) of the 21 expenditures we tested. While we saw no evidence that the expenditures had not been properly authorized, we concluded that internal control over the pupils' trust fund could be improved by maintaining a file copy of the withdrawal order supporting every expenditure from the fund.

#### **Recommendation**

To improve internal controls over its pupils' trust fund, the School for the Deaf should document the approval of trust fund expenditures by maintaining a copy of the withdrawal order supporting every expenditure from that fund.

### **The School for the Visually Handicapped Needs To Improve Its Imprest Fund Procedures**

The School for the Visually Handicapped has an imprest fund of \$500, which is maintained in a local bank account. Moneys in the fund are used to make payments that need to be made more quickly than can be handled through normal expenditure procedures. Such payment are subsequently reimbursed to the imprest fund from the School's other funds. To maintain accountability for the fund and ensure its availability for authorized use, the School should ensure that the fund is reimbursed on a timely basis and reconciled periodically to identify any discrepancies in the fund.

As part of our testwork on the imprest fund, we reviewed 32 payments made from the fund during fiscal year 1990. For our review of reimbursements for timeliness, we used 60 days as a reasonable period within which reimbursement could easily be made. We found that, of the 32 payments tested, 11 (34 percent, totaling \$345)

had not been reimbursed within 60 days, and five payments (totaling \$121) were still unreimbursed as of June 30, 1990. One of those five payments had been outstanding for eight months. To maintain proper control over the imprest fund, unreimbursed payments should be monitored and followed up on.

As part of our testwork on the imprest fund we also reviewed reconciliations of the fund. We noted that reconciliations performed by the School for the Visually Handicapped did not include lists of unreimbursed payments. Such a listing would help identify payments that had not been reimbursed on a timely basis. We also noted that as of June 30, 1990, the fund had an overage of \$27.87. Reviews of earlier reconciliations performed by the School for the Visually Handicapped disclosed that this overage had been in existence since at least June 30, 1989, but had not been corrected. Guidance provided in the Division of Accounts and Reports' Policy and Procedures Manual specifies that any discrepancies found in an imprest fund should be corrected immediately.

#### **Recommendation**

The School for the Visually Handicapped should monitor and follow up on unreimbursed payments from its imprest fund. To assist in this effort, the School should list unreimbursed payments as part of its periodic reconciliation of the fund. Finally, any discrepancies in the fund, whether shortages or overages, should be promptly corrected.

#### **The School for the Visually Handicapped Needs to Change the Way It Handles Receipts From the Career Conference for Visually Impaired Youth**

The School for the Visually Handicapped conducts career planning conferences for students and parents. Speakers at the conferences include personnel from the Department of Social and Rehabilitation Services and from the School for the Visually Handicapped. The School charges an attendance fee and uses the moneys collected to pay for any miscellaneous expenses of the conference. The School has been depositing the fees collected in its student trust fund. During fiscal year 1990, the School collected \$145 in attendance fees, and as of the end of fiscal year 1990 had accumulated \$670 in the trust fund from these conferences.

According to State law and the guidance provided by the Division of Accounts and Reports' Policy and Procedures Manual, student trust funds should be used only for handling student moneys held in trust by the School. Accordingly, deposit of career conference moneys in the trust fund is not an appropriate use of the fund.

### **Recommendation**

To ensure that fees from the Career Conference for Visually Impaired Youth are properly handled, the School for the Visually Handicapped should work with the Division of Accounts and Reports to determine how these fees should be dealt with.

## **Follow Up of Prior Audit Findings and Recommendations**

As part of this audit, we followed up on prior audit findings and related recommendations. The prior audit reports made five audit recommendations to the School for the Deaf, two audit recommendations to the School for the Visually Handicapped, and one audit recommendation to the Council on Vocational Education. Our review indicated all prior audit recommendations had been implemented.

### **School for the Deaf**

The prior audit recommended that the School for the Deaf transfer audio training equipment rental fees out of the pupils' trust fund.

**We found that the rental fees plus applicable interest earned had been transferred to the State General Fund.**

The prior audit recommended that the School for the Deaf improve its internal controls over receipts by increasing segregation of duties.

**We found that this recommendation had been implemented.**

The prior audit recommended that the School for the Deaf request the Pooled Money Investment Board to review the School's local bank accounts to determine whether the number of accounts is proper.

**We found that this recommendation had been implemented, and that the number of local bank accounts now matches the number of locally administered funds.**

The prior audit recommended that the School for the Deaf request the Director of Accounts and Reports to review and approve the School's method for distributing the interest earnings of the pupils' trust fund.

**We found that the School had obtained the approval of both the Director of Accounts and Reports and the Social Security Administration for its interest distribution method.**

The prior audit recommended that the School for the Deaf ensure that student activities moneys are administered in accordance with statutory requirements.

**We found that, after consultation with the Division of Accounts and Reports, the School transferred the student activities moneys from the pupils' trust fund to the general fees fund.**

### **School for the Visually Handicapped**

The prior audit recommended that the School for the Visually Handicapped transfer receipts from its local fee bank account to the State Treasury at least monthly as required by State law.

**We found that the School was making transfers from its fee bank account to the State Treasury on a timely basis.**

The prior audit recommended that the School for the Visually Handicapped reconcile summary totals of the student trust account to its bank account balance on a monthly basis.

**We found that the reconciliations were being made.**

### **Council on Vocational Education**

The prior audit recommended that, to ensure accurate federal financial reports, the Council on Vocational Education reconcile its federal reports to the records of the State's central accounting system.

**We found that this recommendation had been implemented.**



## **APPENDIX A**

### **Agency Responses**

We provided a copy of the draft audit report to the School for the Deaf, School for the Visually Handicapped, and the Council on Vocational Education. Their responses are included in this Appendix.



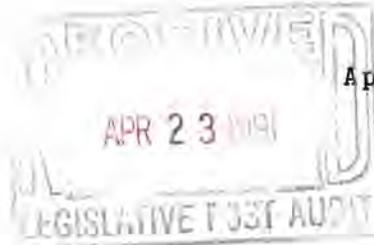
# KANSAS STATE SCHOOL FOR THE DEAF

OVER A CENTURY OF SERVICE. ESTABLISHED 1861.

450 EAST PARK STREET  
OLATHE, KANSAS 66061  
TELEPHONE (913) 782-2530

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April 22, 1991



Meredith Williams  
Legislative Post Auditor  
109 West 9th, Suite 301  
Topeka, KS 66612-1285

RE: Legislative Div. of Post Audit Report on School for the Deaf

Dear Mr. Williams:

Thank you for the opportunity to respond to the draft report recommendations of the Legislative Division of Post Audit covering state fiscal year 1990.

Recommendation: To improve controls over receipts, the School for the Deaf should make more frequent deposits of receipts in its local fee bank account.

Recommendation: To improve internal controls over its pupils' trust fund, the School for the Deaf should document the approval of Trust fund expenditures by maintaining a copy of the withdrawal order supporting every expenditure from that fund.

Agency Response: The School for the Deaf agrees with the intent of both recommendations and has taken measures already to correct the situations. We do aim to be in compliance on them.

Sincerely,

Gerald L. Johnson  
Superintendent

KANSAS STATE SCHOOL FOR THE VISUALLY HANDICAPPED

OVER A CENTURY OF SERVICE. ESTABLISHED 1867



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April 5, 1991

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



Dear Mr. Williams:

Thank you for the opportunity to review the draft copy of your compliance and control audit report on the Kansas State School for the Visually Handicapped.

We have reviewed the report and have changed our procedures in order to immediately implement your recommendations.

We appreciate the professional, objective, and courteous manner of the auditor from Legislative Post-Audit, and we believe that the auditor's findings and recommendations accurately and fairly represent the current status of the agency.

Sincerely,

Ralph E. Bartley, Ph.D.  
Superintendent

REB:gl

cc: Mr. Timothy Emert, Kansas State Board of Education, Chairman  
Dr. Lee Droegemueller, Commissioner, Kansas State Dept. of  
Education



**KANSAS COUNCIL ON  
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May 8, 1991



Meredith Williams  
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Roland Walsh  
President and CEO  
Pratt Regional Medical Center  
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Dear Mr. Williams:

Thank you for the opportunity to respond to the audit of KCOVE. It is an honor to be found in complete compliance with no audit recommendations. We appreciate the process of examination and your assistance in being accountable for public funds.

Sincerely,

David L. DePue  
Executive Director

DLD:vdc

cc: Executive Committee