



# **COMPLIANCE AND CONTROL AUDIT REPORT**

**KANSAS STATE UNIVERSITY**  
Fiscal Year 1993

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
June 1994**

# **Legislative Post Audit Committee**

## **Legislative Division of Post Audit**

The Legislative Post Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$6 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of government agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U. S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. These audit standards have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the representatives, three are appointed by the Speaker of the House and two are appointed by the House Minority Leader.

As part of its audit responsibilities, the Division is charged with meeting the requirements of the Legislative Post Audit Act which address audits of financial matters. Those requirements call for two major types of audit work.

First, the Act requires an annual audit of the State's financial statements. Those statements, prepared by the Department of Administration's Division of Accounts and Reports, are audited by a certified public accounting firm under contract with the Legislative Division of Post Audit. The firm is selected by the Contract Audit Committee, which comprises three

members of the Legislative Post Audit Committee (including the Chairman and Vice-Chairman), the Secretary of Administration, and the Legislative Post Auditor. This audit work also meets the State's audit responsibilities under the federal Single Audit Act of 1984.

Second, the Act provides for a regular audit presence in every State agency by requiring that audit work be conducted at each agency at least once every three years. Audit work done in addition to the annual financial statement audit focuses on compliance with legal and procedural requirements and on the adequacy of the audited agency's internal control procedures in areas not covered by the annual audit. These compliance and control audits are conducted by the Division's staff under the direction of the Legislative Post Audit Committee.

### **LEGISLATIVE POST AUDIT COMMITTEE**

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### **LEGISLATIVE DIVISION OF POST AUDIT**

800 SW Jackson  
Suite 1200  
Topeka, Kansas 66612-2212  
Telephone (913) 296-3792  
FAX (913) 296-4482

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

# **COMPLIANCE AND CONTROL AUDIT REPORT**

## **KANSAS STATE UNIVERSITY**

**Fiscal Year 1993**

### **OBTAINING AUDIT INFORMATION**

This audit was conducted by Randy Tongier, Financial-Compliance Audit Manager, and Tom Vittitow, 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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# KANSAS STATE UNIVERSITY

## Summary of Legislative Post Audit's Findings

Legislative Post Audit conducted compliance and control audit work at Kansas State University 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 revenues, locally administered funds, and central services. The period covered by this audit was fiscal year 1993.

**Did Kansas State University adequately manage its revenues and comply with applicable State requirements?** The University adequately managed its revenues and complied with State requirements. This conclusion applies not only to the collection of revenues but also to the deposit of those revenues in a local bank account and the subsequent transfer of those revenues to the State Treasury.

**Did Kansas State University adequately manage its locally administered funds and comply with applicable State requirements?** The University's locally administered funds include imprest funds and the organizational safekeeping account, which primarily is used to account for moneys of student organizations. The University managed its locally administered funds adequately and complied with applicable State requirements.

**Did Kansas State University provide central services in accordance with applicable State requirements?** The University provided central services only to authorized users. In addition, during the most recent five fiscal years, the University's central service clearing fund collected enough revenues to cover its costs.

We would be happy to discuss these findings or any other items in the report with legislative committees, individual legislators, or other State officials.



Barbara J. Hinton  
Legislative Post Auditor



## KANSAS STATE UNIVERSITY

The Legislative Post Audit Act requires that audit work be conducted at each State agency at least once every three years. In partial fulfillment of that requirement, the Legislative Division of Post Audit has conducted compliance and control audit work at Kansas State University covering fiscal year 1993.

Compliance and control audits identify noncompliance with applicable requirements and poor financial management practices. Although the resulting audit findings usually do not result in significant program improvements or cost savings, they often identify needed improvements that can help minimize the risk of potential future loss or misuse of State resources.

To avoid duplication of audit work conducted as part of the statutorily required audit of the State's financial statements, our audit work generally focused on areas not covered by that audit. These areas included revenues, locally administered funds, and central services. This audit addresses the following specific questions:

- 1. Did Kansas State University adequately manage its revenues and comply with applicable State requirements?**
- 2. Did Kansas State University adequately manage its locally administered funds and comply with applicable State requirements?**
- 3. Did Kansas State University provide central services in accordance with applicable State requirements?**

To answer these questions, we identified applicable State requirements 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 documents to identify the agency's procedures. We then compared those procedures with the applicable requirements. In addition, we assessed the potential for loss or misuse, and the level of control provided by the University's procedures in preventing and detecting loss or misuse. Finally, we reviewed accounting records and tested a sample of transactions.

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

We found that Kansas State University adequately managed its revenues and locally administered funds, and complied with applicable State requirements. Our review of central services found that the University provided those services only to authorized users, and collected fees sufficient to cover costs. These findings are described following a background section on Kansas State University.

## **Background on Kansas State University**

Kansas State University was originally established in 1863 as a land grant college. The University provides three major programs—education and research.

The education program provides undergraduate instruction through seven undergraduate colleges, including agriculture, arts and sciences, engineering, business administration, architecture and design, human ecology, and education. The graduate school offers masters' degrees in areas such as accounting, agriculture, architecture, business administration, landscape architecture, music, regional and community planning, and fine arts. The graduate school also offers a doctorate in areas such as biochemistry, chemistry, human ecology, history, horticulture, and mathematics.

The research program is conducted through the Engineering Experiment Station, Bureau of General Research, and Center of Excellence.

The public service program includes the Division of Continuing Education, Regents Educational Communications Center, International Trade Institute, and Institute for Rural Development.

Kansas State University also operates the Extension Systems and Agriculture Research Programs, the Veterinary Medical Center, and the College of Technology in Salina

According to the Governor's Budget, during fiscal year 1993 the University spent \$291.1 million, including \$179.3 million for salaries and wages. The Governor's Budget reported that the University had about 4,600 full-time employee positions in fiscal year 1993.



## **Did Kansas State University Adequately Manage Its Revenues and Comply With Applicable State Requirements?**

For fiscal year 1993, we concluded that Kansas State University adequately managed its revenues and complied with applicable State requirements. The basis for our conclusions is discussed in the following sections.

### **University Procedures Should Ensure Collection and Deposit of All the Money Due And Compliance With Applicable Requirements**

A State agency's primary objective in managing its revenues is to ensure that it collects and deposits all the money it should. To ensure that the proper amounts of money are collected and deposited, Kansas State University should follow a number of basic procedures. These procedures would not only ensure that the University collects and deposits all the money it should, but would also help prevent loss or misuse. The following list includes the basic procedures necessary:

- ◇ The University should establish a system of recordkeeping and reporting, including reconciliations with other State records, that will ensure that amounts due are collected and deposited.
- ◇ The University should ensure that receipts are collected and deposited promptly.
- ◇ The University should put the above policies and procedures in writing to increase the likelihood that employees will follow them.

A State agency also must comply with State requirements applicable to revenues. The following list includes the basic State requirements applicable to the University's revenues.

- ◇ The University should collect fees as authorized by the Board of Regents.
- ◇ The University's local bank for handling revenues should be designated by the Pooled Money Investment Board.
- ◇ The University should use these local bank accounts only for deposit and transfer of receipts to the State Treasury and refunds.
- ◇ The University should deposit and transfer receipts on a timely basis.

## **Our Review and Evaluation of the University's Revenue Procedures Found No Problems**

We reviewed and evaluated the University's procedures for managing its revenues. In particular, we focused on the general Business Office procedures that apply to collection and deposit of all University revenues, and on the specific procedures that apply to collection of the two major types of revenues we actually tested—enrollment fees and dormitory fees. Based on our review, we concluded that the University's revenue procedures are adequate to ensure that proper revenues are collected and deposited in the proper funds on a timely basis.

## **Our Tests of the University's Procedures, Records, and Reports Found No Problems**

We tested samples of revenue transactions, including collections of amounts due, deposits in the University's local bank account, and deposits in the State Treasury. In testing these transactions, we determined that the University collected the correct amounts, that these receipts were properly recorded, that they were deposited on a timely basis, and that transfers to the State Treasury were made in the proper amount and on a timely basis. Our tests of specific revenues focused on enrollment fees and dormitory fees, which account for about 69 percent of the University's revenues other than transfers among University departments and federal grant moneys. (Federal grant moneys are covered by the annual Statewide audit conducted by a certified public accounting firm under contract with Legislative Post Audit.)

## **Did Kansas State University Adequately Manage Its Locally Administered Funds and Comply With Applicable State Requirements?**

For fiscal year 1993, we concluded that Kansas State University adequately managed its locally administered funds and complied with applicable State requirements. The basis for our conclusions is discussed in the following sections.

### **University Procedures Should Control The Risk of Loss or Misuse and Ensure Compliance With Applicable Requirements**

Locally administered funds are moneys the University primarily keeps in local bank accounts rather than in the State Treasury. These moneys are spent by writing checks on the local bank account rather than by issuing State warrants. The University's locally administered funds comprise its imprest fund, including related petty cash and change funds, and its organizational safekeeping account.

The imprest fund is used to make small payments that need to be paid faster than they could be paid by using the normal State payment procedures. The University periodically reimburses this fund from its other funds.

In general, the organizational safekeeping account is used for moneys that belong to student organizations. The University administers this account on behalf of those organizations.

A State agency's primary objectives in managing its locally administered funds are to make sure that these moneys are used only for authorized purposes and to protect these moneys from loss or misuse. To accomplish these objectives, the University should follow a number of basic procedures:

- ◇ The University should establish a system of recordkeeping, reconciling, and reporting, including reconciliations with other State records, that will ensure that locally administered fund are properly accounted for.
- ◇ The University should provide adequate security for any moneys on hand.
- ◇ The University should provide for a system of approvals and authorizations to ensure that moneys are used only for proper purposes.
- ◇ The University should ensure that advances from the imprest fund are reimbursed on a timely basis.
- ◇ The University should put the above policies and procedures in writing to increase the likelihood that employees will follow them.

A State agency also must comply with State requirements applicable to locally administered funds. The following list includes the basic State requirements applicable to the University's locally administered funds.

- ◇ The individual funds should be properly established.
- ◇ The local banks for handling locally administered funds should be designated by the Pooled Money Investment Board.
- ◇ The University should use the funds only for the purposes authorized.
- ◇ The University should adhere to any limitations placed on the nature and amount of payments from these funds.
- ◇ The University should adhere to the recordkeeping and reporting requirements of the Division of Accounts and Reports.

#### **Our Review and Evaluation of the University's Basic Procedures for Locally Administered Funds Disclosed No Problems**

We reviewed and evaluated the University's basic procedures for managing its locally administered funds. In particular, we focused on the general Business Office procedures that apply to these funds, as well as the specific procedures that apply to the individual funds we actually tested—the imprest fund and the organizational safe-keeping account.

Based on our review, we concluded that the University's established procedures generally are adequate to ensure proper accountability of the funds and to minimize the risk of loss or misuse.

#### **Our Tests of the University's Procedures, Records, and Reports Found No Problems**

We tested samples of imprest fund transactions, including payments and reimbursements, and reviewed reconciliations of the local bank accounts and reports submitted to the Division of Accounts and Reports. In doing this testwork, we determined that payments made were proper, advances were reimbursed, and reconciliations and reports were prepared as required.

## **Did Kansas State University Provide Central Services in Accordance With Applicable State Requirements?**

During fiscal year 1993, Kansas State University provided central services only to authorized users. In addition, for the period covering fiscal years 1989 through 1993, the central service clearing fund collected enough revenues to cover its costs. These findings are described in more detail below.

### **The State Requires That University Central Services Be Provided Only to Authorized Users, and That the Services Collect Enough Revenue to Cover Their Costs**

State law (K.S.A. 76-755) specifies that the University's internal services, such as telecommunications and printing, should be provided only to its own departments, other University-related organizations such as the Student Union Corporation, and specific organizations and individuals approved by the Board of Regents. In addition, that law calls for the University's services taken together to be self-supporting, which means that they collect enough revenues to cover their costs.

**The University provided internal services only to authorized users.** We focused our review on two providers of internal services—telecommunications and printing. For each of those services, we reviewed all users for one test month. In addition, we reviewed the Telecommunications Department's current customer list. We identified no unauthorized users.

**During fiscal years 1989 through 1993, the University's central services collected sufficient revenues to cover costs.** Using the University's annual financial reports, we compared total revenues and costs for those central services still in operation during fiscal year 1993. We identified total revenues of \$61.4 million and total costs of \$60.3 million.



## **Appendix A**

### **Agency Response**

On June 1, we provided copies of the draft audit report to Kansas State University. Its response is included as this appendix.



Office of the President

Anderson Hall  
Manhattan, Kansas 66506-0112  
913-532-6221



June 7, 1994

Ms. Barbara Hinton  
Legislative Post Auditor  
800 S.W. Jackson, Suite 1200  
Topeka, Kansas 66612-2212

Dear Ms. Hinton:

Thank you for sending the draft copy of your recently completed compliance and control audit report on Kansas State University. I am very pleased that the report contains no audit findings. It is reassuring to know that our University policies and procedures are producing appropriate results.

We appreciate the thoroughness and professionalism of Tom Vittitow as he conducted the audit on our campus. I know that he spent many days reviewing the detailed accounting records and reports for Fiscal Year 1993.

Please let me know if members of the Legislative Post Audit Committee have any questions about our audit when they meet on June 13.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Wefald".

Jon Wefald  
President

cc: Vice President Rawson



