

# **PERFORMANCE AUDIT REPORT**

**Reviewing Issues Related to  
Community Colleges' Customized  
Employee Training Courses**

***Executive Summary***  
*with Conclusions and Recommendations*

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
August 1998**

# ***Legislative Post Audit Committee***

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## ***Legislative Division of Post Audit***

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

800 SW Jackson  
Suite 1200  
Topeka, Kansas 66612-2212  
Telephone (785) 296-3792  
FAX (785) 296-4482  
E-mail: LPA@mail.ksleg.state.ks.us

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LEGISLATURE OF KANSAS  
**LEGISLATIVE DIVISION OF POST AUDIT**

MERCANTILE BANK TOWER  
800 SOUTHWEST JACKSON STREET, SUITE 1200  
TOPEKA, KANSAS 66612-2212  
TELEPHONE (785) 296-3792  
FAX (785) 296-4482  
E-MAIL: LPA@postaudit.ksleg.state.ks.us

August 25, 1998

To: Members of the Kansas Legislature

This executive summary contains the findings and conclusions, together with a summary of our recommendations and the agency response, from our completed performance audit, *Reviewing Issues Related to Community Colleges' Customized Employee Training Courses*.

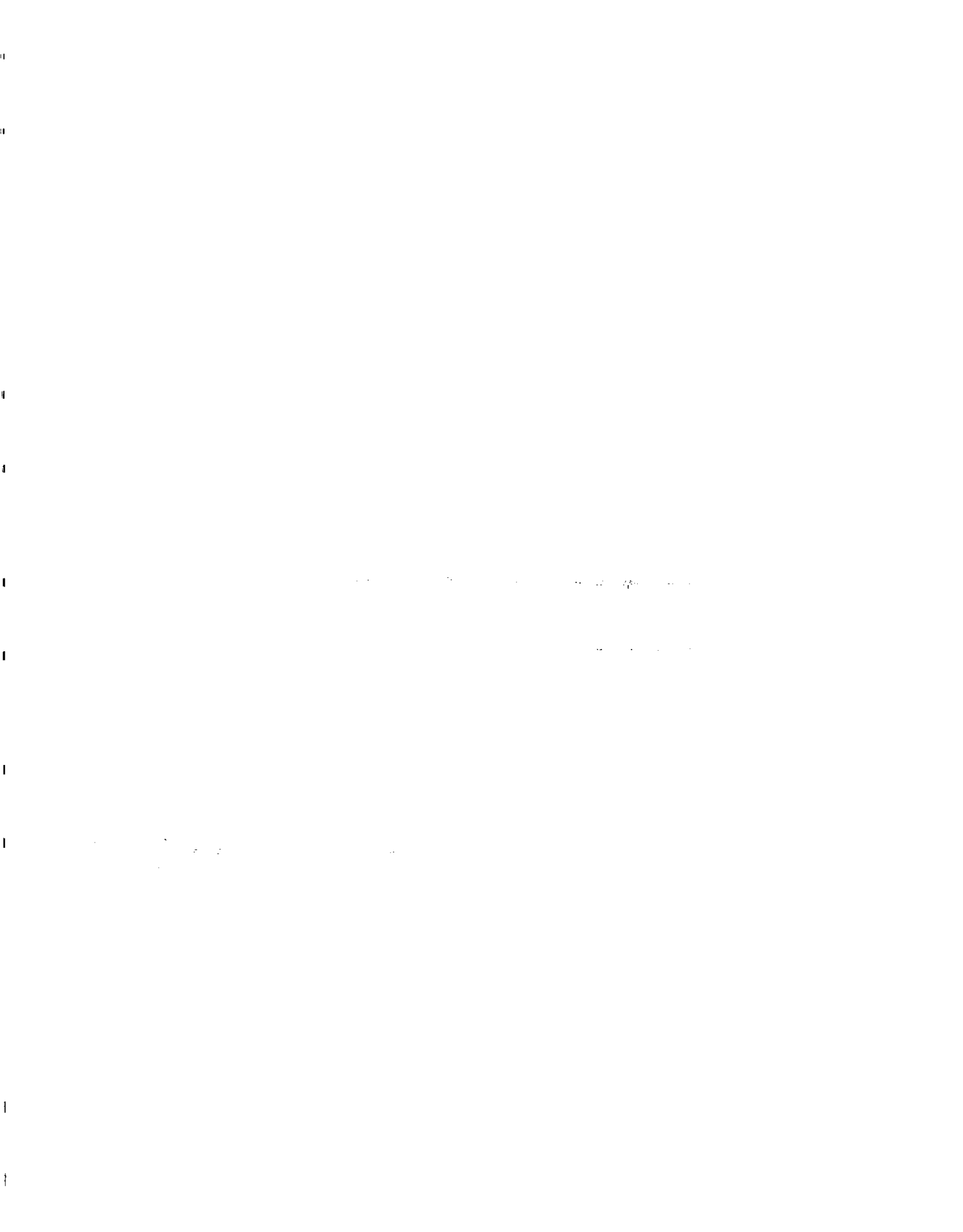
The report also contains two appendices—one provides financial information about the customized training classes provided by each community college in fiscal year 1997, and the other provides detailed information about the sample of 28 customized training classes we reviewed in this audit.

This report includes several recommendations for strengthening the Department of Education's controls over and oversight of customized training classes. This report also recommends that the Legislature's Joint Committee on Economic Development consider the policy issues and questions raised in this report.

We would be happy to discuss these recommendations or any other items in the report with you at your convenience. If you would like a copy of the full audit report, please call our office and we will send you one right away.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is written in a cursive, flowing style.

Barbara J. Hinton  
Legislative Post Auditor



**Reviewing Issues Related to Community Colleges'  
Customized Employee Training Courses**

**EXECUTIVE SUMMARY**

**LEGISLATIVE DIVISION OF POST AUDIT**

**Question 1: To What Extent Are the State's Community Colleges  
Offering Customized Employee Training Courses  
For Businesses Essentially at No Cost**

**In fiscal year 1997, 16 of 19 community colleges provided cus- ..... page 5**  
**tomized training courses for college credit to businesses; Dodge City**  
**Community College provided most of the training.** *Community colleges*  
*reported that they provided customized training to more than 300 companies,*  
*and generated 34,000 credit hours through those classes. Dodge City Com-*  
*munity College generated about 80% of those credit hours, primarily through*  
*classes offered to employees of two meat-processing companies.*

**We estimate that at least 82% of the customized training classes ..... page 6**  
**taught for college credit in fiscal year 1997 were provided at no cost to**  
**the requesting businesses.** *Dodge City and Seward County Community*  
*Colleges provided 99% of the no-cost credit hours, with nearly all of the free*  
*training being provided to two meat-processing companies. The classes*  
*were taught by company employees at the processing plants, and using com-*  
*pany equipment. The colleges and businesses worked out various financial*  
*arrangements that usually involved the company paying tuition and the col-*  
*lege paying money back to the business for facility or equipment "rent," for in-*  
*structor "fees," or for both. Classes taught with "payback" arrangements ac-*  
*tually resulted in community colleges paying the companies about \$600,000*  
*more than the companies paid in tuition. State law doesn't prohibit communi-*  
*ty colleges from entering into such payback arrangements with the compa-*  
*nies they provide training to, but these types of arrangements don't seem to*  
*be reasonable.*

**The Department of Education doesn't have a clear and consis- ..... page 10**  
**tent process for reviewing and approving customized training courses.**  
*We identified several weaknesses. For example, the process for submitting,*  
*approving, and teaching a customized course isn't well documented or under-*  
*stood. Department staff also weren't consistent in their approval or disap-*  
*approval of courses. In addition, they didn't always get enough information to*  
*know whether a course should be approved.*

**In the absence of clear policies regarding customized training ..... page 12**  
**courses, some courses are being approved, offered, or marketed in**  
**ways that may not have been intended.** *The Department has approved a*  
*number of customized training courses for credit hour aid that appeared to us*  
*to be little more than regular on-the-job training. These included initial train-*  
*ing orientation classes for new meat-processing employees in processing*  
*techniques and plant procedures. Customized training courses such as "En-*  
*hancing Personal Relationships" or "Self-Discovery-Unlocking the Doors"*  
*may not be what other people envisioned for this program. Finally, some*  
*community colleges are improperly marketing customized training courses to*  
*other companies or the public, which could significantly increase the State aid*  
*these courses generate.*

**Two other states we contacted that allow their community colleges to provide state-subsidized customized training for business and industry use a different mechanism for providing that state funding. Pennsylvania funds its customized training program through grants awarded by an economic development agency. Utah funds its program through a separate legislative appropriation. Funding customized training courses on a non-credit-hour basis could help eliminate questions about whether courses are worthy of college credit, or whether they are being offered simply because of the revenues they generate. A new funding mechanism also could be designed to eliminate the current "payback" arrangements.** ..... page 14

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**Question 2: What Effect Have Customized Training Courses Provided to Companies or Businesses Had on Community Colleges' State Aid?**

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**In fiscal year 1997, customized training classes offered through the Business and Industry Program generated nearly \$2.1 million in State aid for community colleges. On average, community colleges received only 4% of their total State aid from customized training classes, but at Dodge City Community College that figure was 49%.** ..... page 16

*Community colleges that pay out more on customized training courses than they take in still can come out ahead because of the State aid they receive. For example, in fiscal year 1997 Dodge City Community College collected about \$900,000 in tuition from two meat-processing companies, but paid these companies about \$1.5 million. Because the College collected about \$1.6 million in State aid for these classes, the College still came out ahead by about \$1 million.*

**In fiscal year 1997, customized training classes didn't affect the amount of credit hour aid the State paid to community colleges, but did increase the amount paid for out-district aid by about \$123,000. Because the Legislature appropriates a specific amount of credit-hour funding for the Department of Education to distribute to community colleges, customized training classes had no impact on total credit-hour State aid. However, customized training classes did cause the State to pay about \$123,000 in out-district aid.** ..... page 18

**The number of credit hours generated through customized training classes did affect the distribution of State credit hour aid among the community colleges. The Department distributes funding for credit-hour State aid based on the proportional share of credit hours generated by each community college. Because Dodge City Community College generated such a large number of customized training credit hours, it was able to collect a bigger share of the funding available. If the community colleges hadn't offered any customized training courses in fiscal year 1997, Dodge City Community College would have received about \$1.5 million less in credit-hour State aid. In all, 16 of the 18 other colleges would have received more of the credit-hour aid available, ranging from nearly \$15,000 to more than \$450,000.** ..... page 19

**Conclusion: The absence of good controls over—or oversight of—the Business and Industry Service Program being operated by community colleges, has left the Program subject to abuse. In part, the Program initially was approved as a way to help colleges fund customized training for Kansas** ..... page 21

business and industry, and thus provide needed training to companies at a somewhat reduced cost. Today, however, Dodge City Community College's program has become a moneymaker for both the College and the companies. That's true to a much lesser extent at a few other colleges as well.

This audit has raised numerous questions. Should colleges be allowed to provide customized training at no cost to companies? Should the State subsidize on-the-job training that companies normally would provide anyway? What types of courses should be allowed to get credit-hour and out-district aid under this program? Should they get State funding through a different mechanism, as some other states have done? If the program's purpose is primarily economic development, should it be administered by the Department of Commerce and Housing?

The Legislature should play an active role in addressing these policy issues to ensure that customized training is being provided—and taxpayer moneys are being spent—in ways that are reasonable and appropriate.

**Recommendations:** We recommended that the Legislature's Joint ..... page 21  
Committee on Economic Development should consider the policy issues raised in this report. We recommended that the Department of Education develop formal written policies for the Business and Industry Service Program, and that the Department conduct periodic reviews to ensure that colleges are operating their programs in compliance with those policies. We also recommended that the Department take several actions to ensure that its approval process for customized training courses is efficient, consistent, and well documented. Finally, we recommended that the Department notify all community colleges that teachers must be hired by and paid directly by the colleges.

The Department of Education agreed to implement the recommendations made in the audit. Overall, community college officials generally agreed with the audit's findings and recommendations. Dodge City and Seward County Community Colleges disagreed with our finding that their contracts with meat-processing companies violated a Department requirement. Several colleges pointed out that although customized training classes were provided at no cost, businesses still incurred salary costs and the costs of lost production while their employees were in training. Several colleges also said that they thought it was appropriate for the colleges to pay facility rent or instructor fees.

**APPENDIX A:** Companies Receiving Customized Training Through ..... page 23  
the Business and Industry Program in Fiscal Year 1997

**APPENDIX B:** Detailed Information About the Sample of ..... page 27  
Business and Industry Classes We Reviewed

**APPENDIX C:** Agency and Community College Responses ..... page 29

This audit was conducted by Joe Lawhon, Scott Claassen, LeAnn Schmitt, and Trish Rolfstad. Leo Hafner was the audit manager. If you need any additional information about the audit's findings, please contact Mr. Lawhon at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (785) 296-3792, or contact us via the Internet at: [LPA@mail.ksleg.state.ks.us](mailto:LPA@mail.ksleg.state.ks.us).

