



# SPECIAL REPORT

STATE SUBSIDY OF STATE AGENCY  
AFFILIATED EMPLOYEE CREDIT UNIONS

April 26, 1973

STATE OF KANSAS  
—  
LEGISLATIVE DIVISION OF POST AUDIT  
TOPEKA



36-73



LEGISLATURE OF KANSAS  
DIVISION OF POST AUDIT  
TOPEKA, KANSAS 66612

April 26, 1973

Members, Legislative Post Audit Committee

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Senator Jack Steineger

Senator Ross O. Doyen, Vice-Chairman  
Rep. Duane S. McGill  
Rep. Donn J. Everett  
Rep. Richard Loux  
Rep. George Wingert

Re: State Subsidy of State Agency  
Affiliated Employee Credit  
Unions

Gentlemen:

Enclosed is a special report on State Subsidy of State Agency  
Affiliated Employee Credit Unions.

The estimated annual subsidy is:

Salaries	\$ 32,434.52
Overhead (excluding estimated rent)	3,410.00
Use of state owned equipment	<u>2,860.00</u>
Total subsidy	<u>\$ 38,704.52</u>

Estimate of cost to replace space used:

New construction	<u>\$ 63,055.00</u>
Old construction	<u>\$ 36,060.00</u>

Recommendations are set forth on page 5 of the report.

This Special Report is respectfully submitted for your consideration.

W. KEITH WELTMER  
Post Auditor

SPECIAL REPORT

State Subsidy of State Agency  
Affiliated Employee Credit Unions

During recent audit engagements, it was observed that certain state agencies were probably subsidizing affiliated employee credit unions. To determine the magnitude of the subsidy, if any, and to be able to express an audit opinion on authorized expenditure of state funds, all credit unions chartered to do business in the state were reviewed.

The following credit unions were determined to have some degree of affiliation with one or more state agencies:

Kansas Air National Guard Credit Union  
Employment Security Division Employees' Credit Union  
Kansas Highway Credit Union  
KSIR Credit Union (Kansas State Industrial Reformatory)  
Kansas State University Federal Credit Union  
Emporia State College Employees and Consumers Federal Credit Union  
SEK Teachers Credit Union (Southeast Kansas)  
Larned State Hospital Credit Union  
State Welfare Employees Credit Union  
Fort Dodge Credit Union (Soldiers Home)  
KU Federal Credit Union (University of Kansas)  
KUMC Credit Union (University of Kansas Medical Center)  
W.S.H. Employees Credit Union (Winfield State Hospital)  
Campus Credit Union (Wichita State University)

On April 17, 1964 the Budget Division and the Research Department issued a Joint Report on State Employee Credit Unions addressed to the Committee on Legislative Budget. This study noted nine affiliated credit unions, but its primary emphasis was upon the following three, then occupying space in the State Office Building:

Kansas Capital Credit Union  
Kansas Highway Credit Union  
State Welfare Employees Credit Union

It is reported that as a result of this study, the Kansas Capital Credit Union and the Kansas Highway Credit Union moved out of the State Office Building to privately-owned quarters. The Kansas Capitol Credit Union is not now considered to be an affiliate of any state agency.

This study is of the "office audit" type, i.e., certain information was requested from the state agencies, classified and reported without verification. Therefore, no opinion concerning the accuracy of the information reported by the agencies with identifiable affiliated credit unions is expressed. However, the regular audit of the State Highway Commission included a review of Division 1, located in Topeka, Kansas. Highway Credit Union operation of this Division Headquarters are summarized in Exhibit "A".

### Methodology

The Kansas Credit Union Department was requested to furnish a list of credit unions believed to be affiliated with state agencies. This list was matched with a list furnished by the Kansas Highway Credit Union and there were no differences.

A letter was directed to each identified state agency requesting answers to the following:

1. Does the Union occupy office space in a state-owned or leased building? If so, estimate the approximate square feet used.
2. Are any state employees involved in the management of, or working for the Credit Union?
3. What are the office hours of the employees of the Credit Union? Please list the names of the employees on duty during these hours.
4. If the Union is subsidized in any way by the state, what is the approximate cost to the state for:
  - a. Salaries and Wages
  - b. For Other Overhead.

The Kansas Credit Union Department, forwarded, upon request, the Statement of Condition for each affiliated credit union. This is a statement prepared by the credit union which includes a balance sheet, income statement, and selected statistical information. Comparable information for the three federal chartered credit unions was not available.

Inasmuch as the fair rental value of space used by credit unions in state-owned buildings cannot be easily determined, the cost to replace the space used was projected. If the agency did not estimate the square feet of space used, but did report the number of persons working for the credit union, the square feet was determined by using the federal guide of 90 square feet per person. The estimated square feet was then multiplied by the following architect's estimate of office building costs:

New construction	\$35.00 per square foot
Old construction (i.e., purchase of a used building)	\$20.00 per square foot

Although some agencies reported estimated overhead costs, the elements included therein varied to a considerable degree. Therefore, the estimate given for the maintenance cost of a square foot in a federal building was used as a standard. This was \$1.75 per square foot for utilities and maintenance (excluding telephone) and was approximately the same as the \$1.723 reported by the University of Kansas.

Statements of Condition were used as the basis of determining whether or not the credit unions were using office equipment owned by the state. If the Statement showed that the union owned no furniture or equipment, then it was assumed that state-owned equipment was being used for credit union business. In several instances, the agency reported specifically that state-owned equipment was being used by the credit union in which case the agency report was used as a basis of reporting upon this item.

The following procedure was used to determine the Post Auditor's Estimate of Total State Subsidy (Exhibit 'B'):

Salaries are shown as reported or constructed based upon hours reported multiplied by estimated pay rate of state employee.

Overhead was computed by multiplying the estimated square feet by the estimated standard of \$1.75 per square foot.

If state-owned office equipment was used, a cost of \$5.00 per week was imputed.

#### Costs not Included in the Study

Unless specifically reported, salary costs for state employees involved in the management of the several credit unions are not included, because the boards and credit committees meet during off-duty hours. However one agency verbally reported that some of the meetings are held during the lunch hour and sometimes the lunch hour is unusually long.

The Highway Credit Union, and perhaps others, have state employees in some state agencies designated to represent the credit union for the purpose of liaison with credit union members. How much state duty time is spent by these representatives on credit union business is unknown.

Most of the credit unions have business hours that are concurrent with the designated working hours of the affiliated state agency. How many hours of state pay time are used by credit union members, to do credit union business, is unknown.

Campus Credit Union (Wichita State University) costs are excluded in Exhibit "B" because the credit union is located in the W.S.U. Union Corporation building. The credit union pays \$1500.00 per year rent for 800 square feet of space or an annual rent of \$1.875 per square foot. This revenue, according to the report made by Wichita State University, is pledged to pay maintenance, debt service, and operating expenditures of the building. Without a cost study on the operation of the building, no conclusion can be drawn as to whether or not the rent income is sufficient to cover costs.

Summary

Estimated annual state subsidy of affiliated credit unions (Exhibit "B"):

Salaries	\$ 32,434.52
Overhead	3,410.00
Use of state-owned equipment	<u>2,860.00</u>
Total Estimated Subsidy	<u>\$ 38,704.52</u>

This total does not include the estimated cost of space used. If the state were to build offices for use by the state because it could not use the space occupied by the credit unions, the estimated cost would be:

New Construction	<u>\$ 63,055.00</u>
Old Construction	<u>\$ 36,060.00</u>

Dividends paid to members by State Chartered affiliated credit unions during Fiscal Year 1971 totaled (Exhibit "C") \$468,689.09. If the credit unions are not subsidized then the total dividends paid out will undoubtedly be reduced.

Recommendations:

- a. All state subsidy of affiliated state employee credit unions be discontinued.
- b. In those situations where it may be desirable to have the credit union office located at the agency, an arms length contract between the credit union and the agency be negotiated for the fair rental value of the space and equipment.

4 Attachments

- Exhibit "A" - Kansas Highway Credit Union
- Exhibit "B" - State Employee Credit Unions, April 4, 1973
- Exhibit "C" - Schedule of Dividends Paid
- Exhibit "D" - Copy of Questionnaire Letter Sent to State Agencies

KANSAS HIGHWAY CREDIT UNION  
(Located at Division I, Topeka, Kansas)  
April 1973

The Credit Union occupies a room approximately 12' x 12' in the Division I Headquarters building. The room has a window air conditioner.

Items in the room:

One 5-Drawer File	-Property of State Highway Commission
One 4-Drawer File	-Property of State Highway Commission
One Typewriter	-Property of State Highway Commission
One Adding Machine	-Property of State Highway Commission
One Wood Table	-Property of State Highway Commission
One Metal Desk	-Property of State Highway Commission
Five Chairs	-Property of State Highway Commission
One Posting Machine	-Property of Highway Credit Union
One File Cabinet	-Property of Highway Credit Union

One Clerk Typist I is on the State Highway Commission payroll, but works full time for Highway Credit Union.

When asked about the cash-on-hand, the Clerk Typist stated that at the first of the month, there is about \$800.00 in currency which goes down to nearly \$300.00 at month's end. The only safe keeping is a locked file cabinet.

Money and correspondence from the Division office to the main office of Credit Union, 1010 Tyler Street, is hand-carried by another State Highway employee as they hand-carry the Division mail to the Highway Commission office in the State Office Building.

The Division auditor observed that the reported eight (8) hours per week spent by committee members may be less than time actually spent.

## STATE EMPLOYEE CREDIT UNIONS

April 4, 1973

Exhibit "B"

Agency Number	Agency	Affiliated Credit Union	Address	Space Used		State Employees		Office Hours	Agency Estimate of State Subsidy		Net Income F.Y. 72
				State Owned Building	State Leased Building	In Manage-ment	Working for Credit Union		Salaries	Overhead	
034	Adjutant General	Kansas Air National Guard Credit Union	Forbes Air Force Base, Kansas	Five square feet in federal building.		none	none	12:00-1:00 after 5:00	none	none reported	\$ 17,118.74
210	Employment Security Division	Employment Security Division Employees' Credit Union	401 Topeka Avenue, Topeka, Kansas	120 square feet		Total 10 on Board & Credit Committee- one hour each per month.	none	9:00-12:00 1:00-3:00	none	\$155.00 per year maintenance costs for space used.	\$ 29,863.92
276	Highway Commission	Kansas Highway Credit Union	Headquarters address for each of six divisions.	Yes		Total 22 35 1/2 hours per week.	Total 5 full time.	Not reported.	\$ 31,369.52	\$ 1,040.00	\$ 331,744.67 (9 months)
313	Kansas State Industrial Reformatory	KSIR Credit Union	101 South Walnut, Hutchinson, Kans.	No	No	Yes-during off-duty hours.	None	12:30-5:30 Mon.-Wed.-Fri.	none	none	\$ 4,283.39 (6 months)
367	Kansas State University	Kansas State University Federal Credit Union	Fairchild Hall, KSU, Manhattan, Kansas.	523 square feet		Directors & officers meet once each month during noon hour.	none	9:00-11:50 1:00-3:00	none	\$239.53 per year maintenance cost for space used.	Federal Union no information.
379	Kansas State Teachers College, Emporia	Emporia State College Employees & Consumers Federal Credit Union	Science Hall, KSTC, Emporia, Kansas	162 square feet		Board & Committee. Two unclassified state employees paid small sum for their involvement.	none	8:45-11:45 1:00-4:00	none	Not estimated	Federal Union no information.
385	Kansas State College Pittsburg	SEK Teachers Credit Union	422 North Broadway, Pittsburg, Kansas	none	none	Not reported.	none	Not reported	none	none	\$ 70,060.42 (6 months)
410	Larned State Hospital	Larned State Hospital Credit Union	121 West Fifth St., Larned, Kansas	none	none	Five serve on Board of Directors.	none	9:00-5:00 Mon. thru Fri.	none	none	3,280.00



STATE EMPLOYEE CREDIT UNIONS  
April 4, 1973

Affiliated Credit Union	Address	Space Used		State Employees		Office Hours	Agency Estimate of State Subsidy		Net Income F.Y. 72	Cost to Replace		Utilities & Maintenance at 1.75 Standard Per Year	Office Equipment Furnished by State	Post Auditor's Estimate of Total Annual State Subsidy			
		State Owned Building	State Leased Building	In Management	Working for Credit Union		Salaries	Overhead		New Construction	Old Construction			Salaries	Overhead	Use of Equipment	Total
Kansas Air National Guard Credit Union	Forbes Air Force Base, Kansas	Five square feet in federal building.		none	none	12:00-1:00 after 5:00	none	none reported	\$ 17,118.74			\$ 8.75	No	\$ 8.75			\$ 8.75
Employment Security Division Employees' Credit Union	401 Topeka Avenue, Topeka, Kansas	120 square feet		Total 10 on Board & Credit Committee— one hour each per month.	none	9:00-12:00 1:00-3:00	none	\$155.00 per year maintenance costs for space used.	\$ 29,863.92	\$ 4,200.00	\$ 2,400.00	\$ 210.00	Yes	\$ 480.00 (4x10x12)	\$ 210.00	\$ 260.00	\$ 950.00
Kansas Highway Credit Union	Headquarters address for each of six divisions.	Yes		Total 22 35 1/2 hours per week.	Total 5 full time.	Not reported.	\$ 31,369.52	\$ 1,040.00	\$ 331,744.67 (9 months)	\$ 15,700.00 (at 90 square foot per person)	\$ 9,000.00	\$ 647.50	Yes	\$ 31,369.52	\$ 1,040.00	\$ 1,560.00 (six officers)	\$ 33,969.52
KSIR Credit Union	101 South Walnut, Hutchinson, Kans.	No	No	Yes—during off-duty hours.	None	12:30-5:30 Mon.-Wed.-Fri.	none	none	\$ 4,283.39 (6 months)				No	none	none	none	none
Kansas State University Federal Credit Union	Fairchild Hall, KSU, Manhattan, Kansas.	523 square feet		Directors & officers meet once each month during noon hour.	none	9:00-11:50 1:00-3:00	none	\$239.53 per year maintenance cost for space used.	Federal Union no information.	\$ 18,305.00	\$ 10,460.00	\$ 915.25	Federal-No Information	none	\$ 915.25	none	\$ 915.25
Emporia State College Employees & Consumers Federal Credit Union	Science Hall, KSTC, Emporia, Kansas	162 square feet		Board & Committee. Two unclassified state employees paid small sum for their involvement.	none	8:45-11:45 1:00-4:00	none	Not estimated	Federal Union no information.	\$ 5,670.00	\$ 3,240.00	\$ 283.50	Federal-No Information	none	\$ 283.50	\$ 260.00	\$ 543.50
SEK Teachers Credit Union	422 North Broadway, Pittsburg, Kansas	none	none	Not reported.	none	Not reported	none	none	\$ 70,060.42 (6 months)				No	none	none	none	none
Larned State Hospital Credit Union	121 West Fifth St., Larned, Kansas	none	none	Five serve on Board of Directors.	none	9:00-5:00 Mon. thru Fri.	none	none	3,280.00				No	none	none	none	none

STATE EMPLOYEE CREDIT UNIONS  
April 4, 1973

Agency Number	Agency	Affiliated Credit Union	Address	Space Used		State Employees		Office Hours	Agency Estimate of State Subsidy		Net Income F.Y. 72
				State Owned Building	State Leased Building	In Management	Working for Credit Union		Salaries	Overhead	
628	Department of Social Welfare	State Welfare Employees Credit Union	State Office Bldg., Room 620, Topeka, Kansas	Reported as no separate office space. Estimated five square feet.		Thirteen	Two, during off-duty hours.	11:45-12:45 & coffee breaks.	none	none reported	\$ 3,020.02 (6 months)
640	Kansas Soldiers' Home	Fort Dodge Credit Union	Fort Dodge, Kansas	Five square feet.		Not reported	One (part-time)	8:00-5:00 Mon. thru Fri.	No estimate given.	No estimate given.	\$ 606.94
682	University of Kansas	K.U. Federal Credit Union	Strong Hall, KU Campus, Lawrence, Kansas	214 sq. feet		Several on Board & Credit Committee. Meet during off-duty hours.	none	9:00-3:00	none	Maintenance \$368.00 per year.	Federal No information
688	University of Kansas Medical Center	KUMC Credit Union	KU Medical Center, 39th & Rainbow, Kansas City, Kansas	300 sq. feet-Bldg. A		Yes	none	8:00-4:30	none	Maintenance \$750.00 per year.	\$ 10,481.63 (6 months)
713	Winfield State Hospital	WSH Employees Credit Union	Winfield State Hospital Reimbursement Office, Winfield, Kansas.	24 sq. feet		Directors & officers.	One	8:00-5:00 Mon. thru Fri.	15 minutes each day for one state employee.	None according to statement by R.K. Dean, Supt.	\$ 8,914.89
715	Wichita State University	Campus Credit Union	WSU Union Bldg.	800 square feet. Credit Union pays rent \$125.00 per month.		none	none	8:00-5:00	none	none	\$ 39,993.36 (6 months)

STATE EMPLOYEE CREDIT UNIONS  
April 4, 1973

Affiliated Credit Union	Address	Space Used		State Employees		Office Hours	Agency Estimate of State Subsidy		Net Income F.Y. 72	Cost to Replace		Utilities & Maintenance at 1.75 Standard Per Year	Office Equipment Furnished by State	Post Auditor's Estimate of Total Annual State Subsidy			
		State Owned Building	State Leased Building	In Management	Working for Credit Union		Salaries	Overhead		New Construction	Old Construction			Salaries	Overhead	Use of Equipment	Total
State Welfare Employees Credit Union	State Office Bldg., Room 620, Topeka, Kansas	Reported as no separate office space. Estimated five square feet.		Thirteen	Two, during off-duty hours.	11:45-12:45 & coffee breaks.	none	none reported	\$ 3,020.02 (6 months)	\$ 175.00	\$ 100.00	\$ 8.75	Yes	none	\$ 8.75	\$ 260.00	\$ 268.75
Fort Dodge Credit Union	Fort Dodge, Kansas	Five square feet.		Not reported	One (part-time)	8:00-5:00 Mon. thru Fri.	No estimate given.	No estimate given.	\$ 606.94	\$ 175.00	\$ 100.00	\$ 8.75	Yes	\$ 260.00 (65 x 4.00)	\$ 8.75	\$ 260.00	\$ 528.75
K.U. Federal Credit Union	Strong Hall, KU Campus, Lawrence, Kansas	214 sq. feet		Several on Board & Credit Committee. Meet during off-duty hours.	none	9:00-3:00	none	Maintenance \$368.00 per year.	Federal No information	\$ 7,490.00	\$ 4,280.00	\$ 374.00	Federal-No information	none	\$ 368.00	none	\$ 368.00
KUMC Credit Union	KU Medical Center, 39th & Rainbow, Kansas City, Kansas	300 sq. feet- Bldg. A		Yes	none	8:00-4:30	none	Maintenance \$750.00 per year.	\$ 10,481.63 (6 months)	\$ 10,500.00	\$ 6,000.00	\$ 525.00	No	none	\$ 525.00	none	\$ 525.00
VSH Employees Credit Union	Winfield State Hospital Reimbursement Office, Winfield, Kansas.	24 sq. feet		Directors & officers.	One	8:00-5:00 Mon. thru Fri.	15 minutes each day for one state employee.	None according to statement by R.K. Dean, Supt.	\$ 8,914.89	\$ 840.00	\$ 480.00	\$ 42.00	Some	\$ 325.00 (65 x 5.00)	\$ 42.00	\$ 260.00	\$ 627.00
Campus Credit Union	WSU Union Bldg.	800 square feet. Credit Union pays rent \$125.00 per month.		none	none	8:00-5:00	none	none	\$ 39,993.36 (6 months)	N/A	N/A	N/A	No	none	none	none	none
										\$ 63,055.00	\$ 36,060.00	\$ 3,023.50					
										\$ 32,434.52	\$ 3,410.00	\$ 2,860.00	\$ 38,704.52				

Dividends Paid to Members of Affiliated  
State Employee Credit Unions

	Rate Percent of Share Value	Dividends Paid F.Y. 71 (1)
Kansas Air National Guard Credit Union	6.5%	\$ 12,681.38
Employment Security Division Employees' Credit Union	5.5%	23,652.68
Kansas Highway Credit Union	5.2%	286,489.98 (2)
KSIR Credit Union (Kansas State Industrial Reformatory)	6.0%	3,123.37
Kansas State University Federal Credit Union	Federal - No information	
Emporia State College Employees and Consumers Federal Credit Union	Federal - No information	
SEK Teachers Credit Union (Southeast Kansas)	5.2%	55,731.67
Larned State Hospital Credit Union	5.25%	2,443.00
State Welfare Employees Credit Union	3.0%	8,566.08
Fort Dodge Credit Union (Soldiers Home)	3.0%	562.79
KU Federal Credit Union (University of Kansas)	Federal - No information	
KUMC Credit Union (University of Kansas Medical Center)	5.0%	9,016.08
W.S.H. Employees Credit Union (Winfield State Hospital)	5.0%	4,283.93
Campus Credit Union (Wichita State University)	5.25%	<u>62,138.13</u>
 Total Dividends State Chartered Credit Unions		 <u>\$ 468,689.09</u>

(1) F.Y. 1972 dividends will not be reported until September 30, 1973.

(2) Paid during C.Y. 1972.



LEGISLATURE OF KANSAS  
DIVISION OF POST AUDIT  
TOPEKA, KANSAS 66612

February 8, 1973

(Agency Name)

Dear Sir:

I have been advised that the following organization is affiliated with your agency:

(Credit Union Name)

I would appreciate receiving answers to the following questions:

1. Does the Union occupy office space in a State-owned or leased building? If so, estimate the approximate square feet used.
2. Are any State employees involved in the management of, or working for, the Credit Union?
3. What are the office hours of the employees of the Credit Union? Please list the names of employees on duty during these hours.
4. If the Union is subsidized in any way by the State, what is the approximate cost to the State for:
  - a. Salaries and Wages,
  - b. For Other Overhead.

Thank you for your cooperation in answering this inquiry.

Sincerely,

W. Keith Weltmer /s/  
W. KEITH WELTMER  
Post Auditor

WKW:pwb