



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 27, 2007

Sarah Hawker, Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Dear Ms. Hawker:

We have completed our performance audits of the local adult education providers for the selected twenty-nine counties, three of which were follow-ups to previous audits conducted. The counties' basic adult education grants, English Literacy/Civics (EL/Civics) Grants, and workplace essential skills grants were included in our audit scope. The audit reports have been sent to the Council on Postsecondary Education (CPE) and to the local providers.

Overall, the providers appear to be managing adult education funds within the parameters established by CPE. These performance audits continue to show improvement in the number of deficiencies and instances of disallowed costs as compared to our findings for the FY 2004 and FY 2005 periods. Due to the fact we are often auditing the last fiscal year's data near the close of the current fiscal year, FY 2006 was the first audit period in which we began to see full or partial implementation of our previous audit recommendations at other providers and at CPE.

The total dollar amount of the grants in our audit scope was \$7,648,227 and the number of participants was 29,021. Eight providers (Floyd, Jessamine, Meade, Montgomery, Powell, Simpson, Spencer, and Trigg) did not have any reportable exceptions. Of the twenty-nine counties audited, only one provider's (Marion) audit resulted in disallowed costs (\$9,758.00 or 0.13% of the total dollars audited). This disallowance is discussed further in the Financial and Reporting Compliance section of this letter.

To determine the significance and frequency of the findings, a summary of exceptions was compiled and forwarded on July 13, 2007, to Terry Pruitt, who has served as our contact for this audit. This summary documents the frequency of each exception and the number of providers with that exception. Based on this summary, the following is a brief synopsis of the exceptions within each report category.



Financial Reporting and Compliance

There were only two providers with findings in this category. As previously mentioned, one provider (Marion) had a portion of their expenditures classified as disallowed costs because the amount requested for reimbursement was more than the amount recorded in the provider's accounting system. This provider has subsequently sent a check to CPE to repay the amount disallowed. The other provider's (Clark) accounting system had no summary totals that would correspond with the KAE-10 report categories and there was evidence of commingling funds.

Participant Eligibility and Record Keeping

Our auditors reviewed files for 1718 participants and noted 237 findings for seventeen of the twenty-nine providers. (Note: Auditors found multiple exceptions in some participant files.) The highest number of findings in a category (76) resulted from ten providers who did not always include evidence to support the hours recorded in AERIN in a participant's file. The second highest number of findings for a category (60) resulted from five providers who failed to include evidence of separation from the program in the participant's file. The third highest number of findings for a category (32) resulted from eight providers that had participants whose AERIN record showed zero hours of attendance.

Payroll and Staff Requirements

The auditors assessed nine providers with findings in this category, twenty-nine instances in total. The most frequent finding (thirteen instances among four providers) in this category was the staff person not being included in KYAE's electronic information system. Also of importance was the fact that four providers were unable to provide support for a total of ten employees related to obtaining the required level of professional development for their position and status.

Purchasing/Expenditure Compliance

Only four providers had findings in this category with four instances in all. The most frequent finding was that three providers had one instance each of not recording equipment expenditures on their inventory list.

Professional Development Reimbursement Compliance

This was not a significant area for findings this year, as no exceptions were noted. We did observe that several providers' local travel policies allow meal reimbursements that exceed the Commonwealth's per diem amounts.

Internal Controls Relating to Grant

While there were verbal discussions with the providers related to the segregation of duties, there were no reportable internal control deficiencies.

Miscellaneous

This, also, was not a significant area for findings this year, as no exceptions were noted.

English Literacy/Civics Grants

This was our first time to audit the English Literacy/Civics (EL/Civics) Grants. No exceptions were noted in any of the counties audited.

Workplace Essential Skills Grants

This was our second time to audit the Workplace Essential Skills (WES) Grants and we continued to find inconsistent documentation maintained by the providers, especially regarding participant eligibility and record keeping (162 findings). In the case of three WES grant providers, 107 participants did not receive the projected hours of training in the Scope of Work. In addition, one of those providers had 54 instances where a participant's recorded hours of attendance did not agree with the attendance documentation maintained by the provider.

Observations/Recommendations

While conducting this work, the auditors made several observations that CPE should consider addressing to provide consistent administrative support to local providers.

- Standard enrollment forms should be designed for specific program types. Each provider should use the same forms to facilitate the collection of necessary information and outline the required information and records based on the program. These forms should coordinate with the AERIN enrollment screen to facilitate recording the information into the system.
- Additional information should be included in the KYAE Policy and Procedure Manual to provide guidance to the local providers. While guidance may be provided through other sources, this manual should contain the required criteria in the following areas:
 - Eligibility/assessment requirements for each program type.
 - Documentation required for each program type; especially the documentation required for family literacy activities.
 - Standard documentation method for supporting the attendance hours recorded in AERIN.
- Separation of participants is an issue that needs to be addressed based on our findings. Some providers noted the separation date on the participant's folder, some used a separation form, some maintained a printed copy of the AERIN separation screen in the participant's folder, and others were not aware that separation was required. The separation function could benefit from the installation of an edit function in AERIN to notify the providers when a participant has not had activity in 90 days. If this function is possible, it would assist the providers in maintaining an active roster of participants.

July 27, 2007

Page 4

- Providers would like more flexibility within their program budgets. For example, amendments may only be required for the sub grant budget totals instead of each line item, as it is now. This could provide flexibility and reduce CPE's administrative responsibilities.
- The Memorandum of Agreements for the WES projects should provide detailed tracking and documentation requirements along with standard forms that would ensure consistency between providers. Financial and electronic documentation requirements should be addressed since some of the providers are not part of the AERIN system. In addition, procedures should be developed for when a WES project's Scope of Work is amended or discontinued.

We will be happy to discuss this audit or the services offered by our office at any time. If you or your staff have any questions, please contact Ellen Hesen, Director of the Division of Performance Audit, or myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Crit Luallen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Crit Luallen
Auditor of Public Accounts

Enclosure

Summary of Exceptions

Findings for the Adult Education Grants	Number	Counties
Total Disallowed Costs	\$9,758.00	1
Financial Reporting and Compliance		
Variance between the KAE-10 and Trial Balance: disallowed costs.	1	1
Year-to-date expenditures do not agree with monthly reports: no disallowed costs.	1	1
Participant Eligibility and Recordkeeping		
Goals related information not reported accurately to KYAE.	10	7
Participant file(s) did not contain evidence to support the hours recorded in AERIN.	76	10
Zero (0) hours of attendance recorded in AERIN.	32	8
Participant file(s) did not have an applicable withdrawal statement.	9	5
File(s) could not be located.	3	2
File(s) did not document age of participant.	4	3
Participant file(s) had no initial approved formal assessment.	17	8
Participant not eligible per initial assessment.	3	1
Participant file(s) did not contain evidence of separation due to no contact for 90 consecutive days.	60	5
Participant, enrolled as a carryover from the previous fiscal year, did not have a goal established.	1	1
Participant, enrolled as a carryover from the previous fiscal year, did not meet their goal within the first quarter of the fiscal year.	1	1
Program Type 11: Participant file(s) had no evidence of follow-up actions concerning the participant's child's education.	1	1
Program Type 11: Participant file(s) did not contain documentation of Parent Time & Parent/Child Time activities.	8	4
Program Type 09 or 25: No evidence documenting an association with an employer or employment service.	12	5
Payroll and Staff Requirements		
Employee name not included in KYAE's electronic information system, AERIN.	13	4
Employee file did not support the required level of professional development training.	10	4
Employee file did not contain documentation of a bachelor's degree.	4	1
Employee files did not contain documentation of required orientation training.	2	2
Purchasing/Expenditure Compliance		
Expenditure(s) not recorded as inventory.	3	3
Expenditure misclassified as professional development: No disallowed costs.	1	1
Professional Development Reimbursement Compliance		
No exceptions noted in any of the counties tested.	N/A	N/A
Internal Controls Relating to Grant		
No exceptions noted in any of the counties tested.	N/A	N/A
Miscellaneous Findings		
Meal reimbursements exceeded the Commonwealth's per diem amounts. No disallowed costs.	N/A	N/A

Summary of Exceptions

Findings for the Workplace Essential Skills Grants	Number	County
Total Disallowed Costs	\$0.00	0
Financial Reporting and Compliance		
No exceptions noted in any of the counties tested.	N/A	N/A
Participant Eligibility and Record Keeping		
Participant file did not contain documentation to support the recorded attendance hours.	1	1
Participants did not receive the projected hours of training in the Scope of Work.	107	3
Recorded hours did not agree with the attendance documentation maintained by the provider.	54	1
Payroll and Staff Requirements		
No exceptions noted in any of the counties tested.	N/A	N/A
Purchasing/Expenditure Compliance		
No exceptions noted in any of the counties tested.	N/A	N/A
Miscellaneous Findings		
No exceptions noted in any of the counties tested.	N/A	N/A

Findings for the English Literacy Grants	Number	County
Total Disallowed Costs	\$0.00	0
Financial Reporting and Compliance		
No exceptions noted in any of the counties tested.	N/A	N/A
Participant Eligibility and Record Keeping		
No exceptions noted in any of the counties tested.	N/A	N/A
Payroll and Staff Requirements		
No exceptions noted in any of the counties tested.	N/A	N/A
Purchasing/Expenditure Compliance		
No exceptions noted in any of the counties tested.	N/A	N/A
Miscellaneous Findings		
No exceptions noted in any of the counties tested.	N/A	N/A

Adult Education Grant Findings	Boyle	Carroll	Carter	Clark	Edmonson	Estill	Fayette	Lloyd	Grayson	Hancock	Henderson	Henry	Jessamine	Knox	Laurel	Marion	Meade	Mercer	Montgomery	Owen	Pike	Powell	Russell	Simpson	Spencer	Todd	Trigg	Trimble	Wayne	Totals
FINANCIAL REPORTING & COMPLIANCE																														
Total Disallowed Costs	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,758.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$9,758.00
Variations with Trial Balance: disallowed costs.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	X	--	--	--	--	--	--	--	--	--	--	--	--	--	X
Year-to-date expenditures do not agree with monthly reports: no disallowed costs.	--	--	--	X	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	X
PARTICIPANT ELIGIBILITY & RECORDKEEPING																														
No initial approved formal assessment.	1	--	--	1	2	--	1	--	1	--	--	--	--	--	--	7	--	1	--	3	--	--	--	--	--	--	--	--	--	17
Not eligible per initial assessment.	--	--	--	--	--	--	--	--	--	--	--	--	--	3	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3
Goals related information not reported accurately to KYAE.	--	1	--	--	3	--	2	--	--	--	--	--	--	--	1	1	--	--	--	--	--	--	--	--	--	1	--	1	--	10
Participant enrolled as a carryover from the previous fiscal year did not have a goal established.	--	--	--	--	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
Participant enrolled as a carryover from the previous fiscal year did not meet their goal within the first quarter of the fiscal year.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--	--	--	--	--	--	--	--	1
No applicable withdrawal statement.	1	--	--	2	--	--	--	--	2	--	--	--	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	3	--	9
Participant file(s) did not contain evidence to support the hours recorded in AERIN.	--	8	--	6	--	1	5	--	3	--	--	--	--	10	1	--	--	--	--	4	--	--	--	--	--	25	--	13	--	76
Zero (0) hours of attendance recorded in AERIN.	--	3	--	10	1	--	6	--	5	--	--	1	--	--	--	--	--	5	--	--	1	--	--	--	--	--	--	--	--	32
Program Type 09 or 25, no evidence on file documenting an association with an employer or employment service.	--	--	--	--	--	--	--	--	--	--	--	1	--	--	4	--	--	--	--	1	--	--	--	--	--	5	--	1	--	12
No evidence of separation due to no contact for 90 days.	--	5	--	35	--	--	3	--	--	--	--	1	--	--	--	--	--	--	--	16	--	--	--	--	--	--	--	--	--	60
File(s) could not be located.	--	--	--	--	--	--	2	--	--	--	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3
File(s) did not document age.	--	--	--	--	--	--	2	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	1	--	4
Program Type 11, no evidence of follow-up concerning the participant's child's education.	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	--	--	--	--	--	--	1
Program Type 11, file did not contain documentation of Parent Time and Parent and Child Time activities.	--	--	--	2	--	--	1	--	--	--	--	3	--	--	--	--	--	--	--	2	--	--	--	--	--	--	--	--	--	8

Adult Education Grant Findings	Boyle	Carroll	Carter	Clark	Edmonson	Estill	Fayette	Floyd	Grayson	Hancock	Henderson	Henry	Jessamine	Knox	Laurel	Marion	Meade	Mercer	Montgomery	Owen	Pike	Powell	Russell	Simpson	Spencer	Todd	Trigg	Trimble	Wayne	Totals
PAYROLL & STAFF REQUIREMENTS																														
No support of the required level of professional development training.	--	--	--	--	--	--	2	--	--	--	--	--	--	--	--	4	--	--	--	1	--	--	--	--	--	3	--	--	--	10
No documentation of a bachelor's degree.	--	--	--	--	--	--	4	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4
Employee's name not included in KYAE's electronic system, AERIN.	--	--	1	--	--	--	--	--	--	--	--	--	--	1	--	1	--	--	--	--	--	--	10	--	--	--	--	--	--	13
No documentation of required orientation training.	--	--	--	--	--	--	--	--	--	1	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2
PURCHASING/ EXPENDITURE COMPLIANCE																														
Expenditure(s) not recorded as inventory.	--	--	--	--	--	--	--	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	1	3
Expenditure misclassified as professional development: No disallowed costs.	--	--	--	--	--	--	--	--	--	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1

WES Grant Findings	Boyle	Carroll	Carter	Clark	Edmonson	Estill	Fayette	Floyd	Grayson	Hancock	Henderson	Henry	Jessamine	Knox	Laurel	Marion	Meade	Mercer	Montgomery	Owen	Pike	Powell	Russell	Simpson	Spencer	Todd	Trigg	Trimble	Wayne	Totals
PARTICIPANT ELIGIBILITY & RECORDKEEPING																														
Participant file did not contain documentation to support the recorded attendance hours.	--	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
Participants did not receive the projected hours of training in the Scope of Work.	--	61	--	--	--	--	--	--	--	41	5	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	107
Recorded hours did not agree with the attendance documentation maintained by the provider.	--	54	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	54

EL-Civics Grant Findings	Boyle	Carroll	Carter	Clark	Edmonson	Estill	Fayette	Floyd	Grayson	Hancock	Henderson	Henry	Jessamine	Knox	Laurel	Marion	Meade	Mercer	Montgomery	Owen	Pike	Powell	Russell	Simpson	Spencer	Todd	Trigg	Trimble	Wayne	Totals
None	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	N/A

Legend: Darkened Counties: No Exceptions Noted