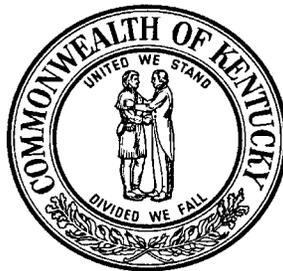


**WINCHESTER/CLARK COUNTY LITERACY COUNCIL,
INC.'S ADMINISTRATION OF ADULT EDUCATION
GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period July 1, 2005
Through June 30, 2006**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

June 27, 2007

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

Alice Tucker, Board President
Winchester/Clark County Literacy Council, Inc.
PO Box 4023
Winchester, KY 40392

Re: Adult Education Grants

Dear Ms. Hawker and Ms. Tucker:

This report contains the results of the performance audit of Winchester/Clark County Literacy Council, Inc.'s administration of its Adult Education Grants for the fiscal year ending June 30, 2006. The Council on Postsecondary Education and Kentucky Adult Education contracted with us to conduct performance audits of selected local adult education providers. This report represents our findings, recommendations, and the provider's responses.

We conducted this performance audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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**WINCHESTER/CLARK COUNTY LITERACY COUNCIL, INC'S
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2006**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Winchester/Clark County Literacy Council, Inc. (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Clark County. An on-site review was conducted on April 10, 2007 through April 12, 2007 to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE with the information retained by the local provider.
- Determine whether the local provider's professional development activities comply with applicable professional development policies and procedures.
- Determine whether local providers' expenditures and costs comply with the terms of their grant agreement and reconcile to invoices submitted.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the provider's grant proposal and final agreement with KYAE. During the on-site review, the audit team reviewed the provider's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of participant files, personnel files, and expenditure documentation for compliance with applicable requirements. Below is the summary of findings:

FINDINGS SUMMARY

| FINDING | Disallowed Costs |
|--|-------------------------|
| The accounting system used was a running total with no summary totals and the accounts did not correspond with KAE-10 report categories. In addition, the trial balance provided also includes the receipt of donated funds to cover expenditures as needed. This is considered co-mingling of funds and is prohibited by the grant agreement. | N/A |
| Ten (10) participants had zero (0) hours of attendance recorded in AERIN. These were participants within program types required to report attendance hours. | N/A |
| Six (6) participants' attendance documentation did not support the recorded attendance hours in AERIN. | N/A |

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| | |
|---|-----|
| One (1) participant's file did not contain evidence of an approved initial assessment. | N/A |
| Two (2) participant files did not contain an applicable withdrawal statement. | N/A |
| Two (2) Family Literacy participant files did not contain documentation to support their involvement in Parent Time and Parent and Child Time activities. | N/A |
| Thirty-five (35) participant files did not contain evidence of separation due to no contact for 90 consecutive days. | N/A |

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

The KAE-10 Expenditure Reports were compared to the line item budget approved in the final agreement modification. This comparison was used to determine whether the provider's reimbursements complied with the approved budget.

The KAE-10 Expenditure Reports were then compared to the internally generated financial records maintained by the local provider. This comparison was used to determine whether the local provider's accounting records support the total amount requested for reimbursement on the KAE-10 Expenditure Reports.

Findings

Based upon the above comparison, it appears that the disbursements reported on the final KAE-10 Expenditure Report were supported by the Grantee's trial balance. However, the accounting system used was a running total with no summary totals and the accounts did not correspond with KAE-10 report categories. In addition, the trial balance provided also includes the receipt of donated funds to cover expenditures as needed. This is considered co-mingling of funds and is prohibited by the grant agreement.

Recommendations

We recommend that the Adult Education Grant accounting records correspond with the KAE-10 expenditure categories and generate summary totals. This will allow the provider to conduct a reconciliation to the KAE-10 Expenditure Report. At a minimum, a written explanation/crosswalk should be developed to provide a reconciliation of each expenditure category to the provider's accounting records.

Other revenues and expenditures paid by an in-kind source should be maintained in separate accounting records. If additional revenue is needed for adult education expenditures, the Kentucky Adult Education Policy and Procedure Manual allows eligible providers that lack sufficient working capital to submit a written request for a working capital advance. The amount of the advance cannot exceed one quarter of the approved budget. Upon approval, the recipient of the advance must submit monthly invoices for cost reimbursement. If the total disbursement amount exceeds the actual costs incurred, the provider shall reimburse the state.

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Provider Response – [Management provided this response when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

As the new director (6/15/05), I was not aware of the Forward Funding possibility and did not ask for the funds for the 2005-06 year. I borrowed funds from our In-kind bank account to meet our financial responsibilities and repaid that account when our state KYAE funds arrived. I applied for and received Forward Funding for the 2006-07 year. I developed a form to meet the expenditure need as stated in the above recommendation.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

Providers are required to submit participant data electronically using KYAE's management information system, AERIN. A total of 60 participants were selected randomly from AERIN. The electronic data was then compared to the documentation maintained in the participant files. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives.
- Evidence to support attendance.
- Proper separation from the program when applicable.
- Other requirements were tested based upon the applicable program requirements.

The participants tested received services during the period of July 1, 2005 and June 30, 2006.

Findings

Proper file maintenance and accurate data entry is important to support and document the success of a provider in meeting eligibility requirements. Providers are required to retain records to support participant data submitted electronically, as dictated by the program type. Information entered into AERIN should be supported by evidence maintained in the participant's file. The following exceptions were noted:

- Ten (10) participants had zero (0) hours of attendance recorded in AERIN. These were participants within program types required to report attendance hours.
- Six (6) participants' attendance documentation did not support the recorded attendance hours in AERIN.
- One (1) participant's file did not contain evidence of an approved initial assessment.
- Two (2) participant files did not contain an applicable withdrawal statement.
- Two (2) Family Literacy participant files did not contain documentation to support their involvement in Parent Time and Parent and Child Time activities.
- Thirty-five (35) participant files did not contain evidence of separation due to no contact for 90 consecutive days.

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Recommendations

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. Staff entering participant data should require documentation for any data entry performed on a participant and any file deficiencies should be reported to the Program Director. To address the findings, we also recommend:

- Attendance hours should be accurately recorded in AERIN for all participants enrolled in program types 01, 07, 10, and 11 and supporting documentation should be maintained.
- Initial assessments should be on file to support the participants' eligibility, as well as withdrawal forms when required.
- Diligently work to document all required aspects of the Family Literacy program in the participant's file.
- A standard separation form should be developed to provide supporting documentation of the participant's separation from the program.

Provider Response – [Management provided this response when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

The staff member tasked with the AERIN's entry was assigned the responsibility in June 05. He had not received the state training but has since been to three formal KYAE classes for AERIN's. He has developed a Separation form and will follow the guidance in all the four areas listed in the above recommendation.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of fourteen (14) payroll disbursements, representing 20% of the total payroll expenditures, was judgmentally selected for payroll testing. Personnel files were examined to verify that staff had received the required professional development training hours. Timesheets were examined for existence and approval. Personnel files were examined to verify evidence of the instructor's bachelor's degree. A determination was made as to whether the employee was included in the staff listing information reported to KYAE.

Findings

No exceptions noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of ten (10) expenditures, representing 20% of the total purchases, was selected judgmentally from the detailed general ledger. These expenditures were tested for authorization/approval, supporting documentation, proper recording, and that it was an actual expense during the grant period of July 1, 2005 and June 30, 2006.

Findings

No exceptions noted.

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PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE

Scope and Methodology

Professional Development expenditures were tested for proper authorization, supporting documentation, and adherence to approved rates and reimbursement policies. A sample of five (5) expenditures, representing 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions noted.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Winchester/Clark County Literacy Council, Inc.'s fiscal administrator for the Adult Education Grant was given an Internal Control Questionnaire regarding the controls in place for cash disbursements, bank reconciliation's, revenue, expenditures, and payroll. The questionnaire was completed by the fiscal administrator and reviewed for any significant control deficiencies.

Findings

No significant control deficiencies noted.

