



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

August 4, 2008

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 29 counties. These counties involved 31 providers because two of the audited counties, Hardin and Jefferson, had two providers. The scope of the audits included the providers' basic adult education grants, English Literacy/Civics (EL/Civics) grants, and Workplace Essential Skills (WES) grants. The audit reports were sent to the Council on Postsecondary Education (CPE) and to the local providers.

The total dollar amount of the grants audited was \$11,626,358 and the number of grant participants was 22,380. Five providers in Caldwell, Hardin (Board of Education and the Department of Military Affairs), Muhlenberg, and Nicholas counties had no reportable audit exceptions. Audit findings for four of the 31 providers (Bullitt, Christian, Harlan, and Lawrence) resulted in disallowed costs totaling \$10,540, which is 0.09 percent of the total grant dollars audited. Overall, the providers appear to be managing adult education funds within the parameters established by CPE.

To determine the significance and frequency of the findings, a summary of exceptions was compiled and is enclosed with this letter. This summary documents the frequency of each exception and the number of providers with that exception. The following is a brief summary of the exceptions within each report category.

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Financial Reporting and Compliance

Five providers had findings in this category. One provider, Lawrence, had a portion of its 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 agreed to reimburse CPE for the disallowed amount. The reconciliations for Adair, Garrard, and Whitley were difficult because the cost categories on the KYAE-10 Expenditure Reports were not categorized the same as the accounts within the local provider's financial management system (MUNIS). One county, Christian, had an accounting error that is not considered a disallowed cost, but could affect the current fiscal year.

Participant Eligibility and Record Keeping

Files for 1,483 participants were examined and 166 findings were identified for 23 of the 31 providers. (Note: Auditors found multiple exceptions in some participant files.) The largest number of findings in this category, 49, resulted from the lack of evidence in the participant's file to support the hours recorded in the Adult Education Reporting Information Network (AERIN). The second largest number of findings, 29, was due to providers failing to separate, or not documenting the separation of, a participant from the program due to the participant having no activity for 90 consecutive days. The third largest number of findings, 16, resulted from a lack of evidence to document follow-up actions concerning the child's progress for Program Type 11 participants.

Payroll and Staff Requirements

The auditors identified 71 findings related to 16 providers in this category. There were 28 instances among six providers where staff did not have an Individual Professional Development Plan included in their personnel file. Also, five providers were unable to provide support that 13 staff members obtained the amount of professional development required for their position. Six providers did not have at least one staff member with training in the following areas: Kentucky Adult Educators Literacy Institute, computer-based GED Official Practice Test, AERIN, PDtrack, or Introduction to TABE.

Purchasing/Expenditure Compliance

Two providers had exceptions in this category resulting in a total of three findings. One provider did not have two inventory items on site for review by the auditor and the other provider did not have an invoice signed by the Program Director to support an expenditure.

Professional Development Reimbursement Compliance

Three providers had disallowed costs in this category. One provider, Harlan, misclassified expenditures in the amount of \$837 as professional development. Another provider, Christian, included a meal reimbursement expenditure of \$11.22 without a qualifying overnight stay. One provider, Bullitt, reimbursed \$2.51 over the allowable meal reimbursement rate.

Internal Controls Relating to Grant

While there were verbal discussions with the providers related to the segregation of duties, only one provider, Jefferson Office for the Blind, had a reportable control weakness as the KYAE-10 Expenditure Reports are not reconciled to the provider's financial records and is not reviewed by someone other than the preparer.

Miscellaneous

No exceptions were noted in this category.

English Literacy/Civics Grants

This was the second year the English Literacy/Civics (EL/Civics) grants was audited by this office. Of the seven programs reviewed, one provider, Christian, had five instances where there were no initial formal assessments for the participants on file and one occurrence where the hours reported in AERIN were not supported by documentation in the participant's file.

Workplace Essential Skills Grants

This was the third year the Workplace Essential Skills (WES) grants were audited by this office. We found that documentation was inconsistent concerning the final Scope of Work for one provider, Bullitt. Without a final approved Scope of Work, it was difficult to determine compliance regarding the number of participants provided training and the number of training classes. In another finding for this provider, a final project completion report was not submitted to CPE within 30 days of the completion of the grant or at the close of the grant year.

Observations/Recommendations

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

- Additional information should be included in the KYAE Policy and Procedure Manual to provide guidance to the local providers in one location. 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.
 - Clarification concerning the professional development requirements of in-kind staff.
 - Guidance for accounting for split purchases (what can and cannot be split between what line items.)
- The function of separating participants could benefit by implementing an edit in AERIN to notify the providers when a participant has not had activity for 90 consecutive days. If this function is possible, it would assist the providers in maintaining an active roster of participants.
- 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 WES participants were not recorded in the AERIN system. In addition, procedures should be developed for when a WES project's Scope of Work is amended or discontinued. Final project completion reports should be required and monitored to ensure that the projects were completed according to the grant requirements.
- CPE should request that all adult education providers submit a final report from their accounting system to show support of their final KYAE-10 Expenditure Reports. This report should be reconciled to the final expenditure reports and reviewed for encumbered expenditures, accounting errors, etc. This review could also be used as a basis for choosing specific programs that may require further investigation.

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We will be glad to discuss this audit or the services offered by our office at any time. If you or your staff have any questions, please contact Brian Lykins, Executive Director of the Office of Technology and Special Audits, or myself.

Sincerely,

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

Crit Luallen
Auditor of Public Accounts

Enclosure

Summary of Exceptions

| Findings for the Adult Education Grants - 29 Counties/31 Providers | Total: | Providers: |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------|
| Total Disallowed Costs | \$10,539.73 | 4 |
| Financial Reporting and Compliance | | |
| Variances between the KYAE-10 and Trial Balance: Disallowed costs. | \$9,689.00 | 1 |
| Variances between the KYAE-10 and Trial Balance: No disallowed costs. | \$0.00 | 4 |
| Totals per Category | \$9,689.00 | 5 |
| Participant Eligibility and Recordkeeping | | |
| Participant file(s) had no initial formal assessment. | 13 | 4 |
| Participant(s) not eligible per initial assessment. | 11 | 1 |
| Participant file(s) did not contain evidence to support that goals were met as reported in AERIN. | 11 | 7 |
| Participant file(s) did not have an applicable withdrawal statement. | 12 | 6 |
| Participant file(s) did not contain evidence to support the hours recorded in AERIN. | 49 | 11 |
| Participant file(s) did not contain Post-Assessment Exception Form. | 12 | 3 |
| Participant file(s) did not contain evidence of separation if there was no contact for 90 consecutive days. | 29 | 5 |
| Participant file(s) could not be located. | 3 | 2 |
| Participant file(s) did not document age of participant. | 1 | 1 |
| Program Type 11: Participant file(s) had no evidence of follow-up actions concerning the participant's child's progress. | 16 | 8 |
| Program Type 11: Participant file(s) did not contain documentation of Parent Time & Parent/Child Time activities. | 8 | 6 |
| Program Type 11: Participant file(s) did not contain documentation to verify responsibility for a child. | 1 | 1 |
| Totals per Category | 166 | 23 |
| Payroll and Staff Requirements | | |
| Employee file(s) did not support the required level of professional development training. | 13 | 5 |
| None of the instructors at the program had the required KAELI training. | 4 | 4 |
| None of the instructors at the program had the required OPT training. | 4 | 4 |
| None of the instructors at the program had the required AERIN training. | 1 | 1 |
| None of the instructors at the program had the required PDtrack training. | 3 | 3 |
| None of the instructors at the program had the required Introduction to TABE training. | 3 | 3 |
| Employee file(s) did not contain documentation of a bachelor's degree. | 4 | 4 |
| Employee name(s) not included in KYAE's electronic staff listing, per AERIN. | 9 | 5 |
| Employee file(s) did not include an IPDP. | 28 | 6 |
| Instructor's Aide(s) did not have a High School Diploma or a GED as required. | 1 | 1 |
| Timesheet documentation showed administrative functions performed but paid from instructional funds. | 1 | 1 |
| Totals per Category | 71 | 16 |
| Purchasing/Expenditure Compliance | | |
| Item(s) on inventory report were not provided for visual verification. | 2 | 1 |
| Invoice(s) not signed/approved by the Program Director. | 1 | 1 |
| Totals per Category | 3 | 2 |
| Professional Development Reimbursement Compliance | | |
| Expenditure(s) misclassified as professional development: Disallowed cost. | \$837.00 | 1 |
| Expenditure(s) for meal reimbursement without an overnight stay: Disallowed cost. | \$11.22 | 1 |
| Meal reimbursement(s) exceeded the acceptable rate: Disallowed cost. | \$2.51 | 1 |
| Totals per Category | \$850.73 | 3 |
| Internal Controls Relating to Grant | | |
| KYAE-10 Expenditure Reports are reviewed for accuracy, but there is no reconciliation of those reports to the provider's financial records by someone other than the preparer. | 1 | 1 |
| Totals per Category | 1 | 1 |

Title: A-17 FY07 Summary of Exceptions

Purpose: Provide an overall summary of all exceptions found for CPE/KYAE.

SOI: Final county audit reports.

Summary of Exceptions

| Findings for the Workplace Essential Skills Grants - 3 Counties/3 Providers | Total: | Providers: |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|
| Total Disallowed Costs | \$0.00 | N/A |
| Financial Reporting and Compliance | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |
| Participant Eligibility and Record Keeping | | |
| A Scope of Work for the project(s) did not reflect the executed training schedule. It is unclear as to whether or not the updated project(s) Scope of Work was submitted to or requested by CPE-KYAE because updates were not provided. | 2 projects | 1 |
| Final project completion report(s) not submitted to KYAE. | 2 projects | 1 |
| Totals per Category | 4 | 1 |
| Payroll and Staff Requirements | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |
| Purchasing/Expenditure Compliance | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |
| Miscellaneous Findings | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |

| Findings for the English Literacy/Civics Grants - 7 Counties/7 Providers | Total: | Providers: |
|-------------------------------------------------------------------------------------|---------------|-------------------|
| Total Disallowed Costs | \$0.00 | N/A |
| Financial Reporting and Compliance | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |
| Participant Eligibility and Record Keeping | | |
| Participant file(s) had no initial formal assessment. | 5 | 1 |
| Participant file(s) did not contain evidence to support the hours recorded in AERIN | 1 | 1 |
| Totals per Category | 6 | 1 |
| Payroll and Staff Requirements | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |
| Purchasing/Expenditure Compliance | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |
| Miscellaneous Findings | | |
| No exceptions noted in any of the programs tested. | N/A | N/A |