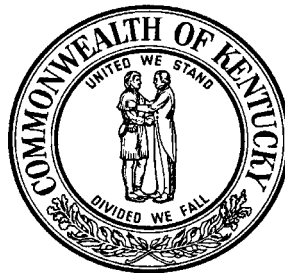


**OWENSBORO COMMUNITY AND TECHNICAL COLLEGE'S
ADMINISTRATION OF DAVIESS COUNTY'S ADULT
EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION
AND KENTUCKY ADULT EDUCATION**

**For The Period
July 1, 2003 Through June 30, 2004**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 8, 2005

Reecie Stagnolia, Associate Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Jacqueline Addington, President and CEO
Owensboro Community and Technical College
4800 New Hartford Road
Owensboro, KY 42301

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Addington:

This report contains the results of the performance audit of Owensboro Community and Technical College's administration of Daviess County's Adult Education Grant for the fiscal year ending June 30, 2004. 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,

Crit Luallen
Auditor of Public Accounts



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**OWENSBORO COMMUNITY AND TECHNICAL COLLEGE'S
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2004**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Owensboro Community and Technical College (local provider) for a limited scope performance audit of its administration of the Adult Education, Corrections, and Family Literacy Grant for Daviess County. An on-site review was conducted May 12 through May 16, 2005 to address the following objectives:

- Reconcile student and faculty data electronically submitted to Adult Education 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
One (1) participant did not appear eligible per their initial assessment (score>11.9).	N/A
Nine (9) participant files did not contain evidence that a goal was set, when applicable.	N/A
Four (4) participant files did not agree with the electronic information reported to KYAE.	N/A
Five (5) participants enrolled in Work-based Project Learning, Program Type 14, did not have evidence on file documenting an association with an employer or employment service.	N/A

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Three (3) part-time instructors did not have documentation to support that they received the six hours of required professional development training.	N/A
Two (2) employees hired during the year audited did not have documentation on file to support completion of required orientation training.	N/A
Eleven (11) employee files lacked documentation of hours worked within the Adult Education program.	N/A
Five (5) employees were not included in KYAE's electronic information system.	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 amounts requested for reimbursement on the KAE-10 Expenditure Reports.

Findings

None.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of 60 participants were selected randomly from the electronic student data sent from KYAE and 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.
- Agreed the establishment and achievement of goals/objectives to the information reported to KYAE.
- 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, 2003 and June 30, 2004.

Findings

Proper file maintenance and accurate data entry is important to support and document the success of a provider in meeting eligibility requirements and goal achievement. CPE and KYAE require that providers administer the initial assessment at orientation, or within a short period thereafter, and shall use the lowest test score in a subject area to determine a learner's entry level and eligibility. Any achievement or completion of goals should be documented. Programs are to maintain assessment forms on file for three years.

The following exceptions were noted:

- One (1) participant did not appear eligible per their initial assessment (score>11.9).
- Nine (9) participant files did not contain evidence that a goal was set, when applicable.
- Four (4) participant files did not agree with the electronic information reported to KYAE.
- Five (5) participants enrolled in Work-based Project Learning, Program Type 14, did not have evidence on file documenting an association with an employer or employment service.

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Recommendations

We recommend that the provider ensure all participant files contain all of the necessary documentation to support compliance with applicable policies and procedures. Initial assessments should be on file to support the participants' eligibility and any necessary follow-up should be documented. Appropriate goals should be established, documented, and accurately reported to KYAE.

Provider Response

Fiscal year 2003-2004 was the second year of our grant activity. During that year, we were still in the process of developing forms to meet all of our accountability requirements that would also be compatible with ease of input into the newly instituted Aerins Data Collection System. We have gone through several form iterations and believe that this year (2004-2005) we have developed a form that will address the concerns noted in the recommendations.

In reviewing the folders, in 7 of 9 instances where an exception was noted that "evidence for establishing a goal is in the file", the goal was noted on a sticker on the outside of the folder while the remaining 2 truly did not have the goal in or on the file. That system obviously was not effective or user friendly (as the auditors did not see the goals notation and in 2 cases neither did we) and was replaced with the new Enrollment Form which lists goals on the backside.

Regarding the 5 exceptions for "documentation of associated (referred) with employment service or company", we found companies noted in 2 of the files on a Student Information Sheet. We again believe that our new Enrollment Form which requests "company testing for" on the Enrollment Form will address that issue.

The remaining exceptions regarding reporting information we believe is due to our steep learning curve in data input. At the beginning of fiscal year 2003-2004 we attempted to not only learn the new Aerins data entry system but also attempted to transition from a single data entry person to having trainers (instructors) learn data entry and assist with input. This was initially quite frustrating and was fraught with numerous errors which we attempted to correct. We believe that the exceptions noted may be due to our learning data entry and learning the Aerins system. This year we have changed our process to a case management system in which trainers are assigned and oversee a caseload of students from enrollment to separation. Each trainer has been trained in Aerins and is responsible for the data entry on students. We believe that this system has already enabled us to better manage, track, and assist our students in achieving their goals as well as allowing us to maintain accurate files.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 14 payroll disbursements, representing approximately 7% 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 and had completed an Individual Professional Development Plan if applicable. 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

CPE and KYAE require all part-time instructors to obtain six hours of professional development training. There were three (3) employees that did not have documentation to support the required level of professional development training.

CPE and KYAE require all new instructors and program managers complete required orientation training within 6 months (instructors, including Orientation to Adult Education; Orientation to Instruction and Curriculum; and Family Literacy Foundation Training) or one year (program managers, including Orientation to Adult Education; Orientation to Program Management; and Family Literacy Foundation Training) of employment. Two (2) employees hired during the year audited did not have documentation on file to support completion of required orientation curriculum training.

CPE and KYAE require that all KAE-funded employees maintain documentation of hours worked. One (1) employee's file did not contain a timesheet or other form of time documentation. Only time and effort reports were available for ten (10) employees. (Authorizing agent does not require timesheets from exempt employees that are ineligible for overtime or compensatory time.)

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. Five (5) staff members were not included in KYAE's electronic information system.

Recommendations

We recommend that documentation be maintained on all training received by staff. Documentation should be maintained to support completion of all orientation training required for new adult educators (program directors, instructors, and instructor's aides).

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All individuals being paid in part or whole by KYAE grant funds should have a timesheet or other form of documentation that includes the number of hours worked, the grant to which time was charged, and the signatures of both the employee and his/her supervisor.

We recommend that staff information be entered accurately and completely in KYAE's electronic information system.

Provider Response

When the auditors reviewed the files of the Adult Education grant employees at the OCTC Human Resources department located on our Main Campus, we were unaware that they would check there for copies of the professional development certificates. KCTCS requires that all full-time employees list professional development activities in the Planning and Performance Evaluation document which is kept on file in HR. Copies of the PD certificates are not required for or kept in the HR file. All KYAE PD certificates and IPDP forms are kept on file by the individual Adult Education grant employees at the Downtown Campus. As we discussed with our auditor during the exit meeting, we will ask our HR departments if we can forward KYAE PD certificates to them to be kept in the file there if that would remedy this situation. If that is not possible, we will pursue another avenue.

The two employees will complete the required orientation training.

As of July 2004, we have all grant-funded personnel, regardless of designation, fill out timesheets.

KCTCS HR requires that employees fill out one timesheet with all employment activity noted. We are not sure what to do about this as our HR requires the timesheets be submitted to them in this manner.

Quite frankly, we do not know why these staff members were not on the staff listing. We do know that at the beginning of 2003-04 fiscal year there was no designation for clerks in the AERIN system, therefore we had no way to enter our folks who performed these functions. At some point during the year, a field was added to correct that omission. We are in process of double-checking our current staff listing to ensure that everyone is indeed included. We have already spoken to Terry Tackett regarding a problem we are encountering with the staff listing and believe that will address the concerns expressed regarding this issue.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 15 expenditures, representing 34.6% 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, 2003 and June 30, 2004.

Findings

None.

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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 1 expenditure, representing approximately 34% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

None.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Owensboro Community and Technical College's fiscal administrator was given an Internal Control Questionnaire regarding the controls in place for cash disbursements, bank reconciliations, 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.

