

**CAMPBELLSVILLE UNIVERISTY'S ADMINISTRATION
OF TAYLOR COUNTY'S WORKPLACE ESSENTIAL
SKILLS GRANTS FROM THE COUNCIL ON
POSTSECONDARY EDUCATION AND KENTUCKY
ADULT EDUCATION**

**For The Period
July 1, 2004 Through June 30, 2005**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 13, 2006

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

Dr. Michael V. Carter, President
Campbellsville University
1 University Drive
Campbellsville, KY 42718

Re: Workplace Essential Skills Grants

Dear Mr. Stagnolia and Dr. Carter:

This report contains the results of the performance audit of Campbellsville University's administration of Taylor County's Workplace Essential Skills Grants for the fiscal year ending June 30, 2005. 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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**CAMPBELLSVILLE UNIVERSITY'S ADMINISTRATION OF WORKPLACE
ESSENTIAL SKILLS GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected Campbellsville University (local provider) for a limited scope performance audit of its administration of five (5) Workplace Essential Skills (WES) Grants in Taylor County. An on-site review was conducted on April 18, 2006 to address the following objectives:

- Determine that expenditures requested for reimbursements are properly supported and allowable per the grant agreement.
- Determine whether participant training is documented and complies with the provider's Scope of Work proposal.

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 proposals and final agreements with KYAE. During the on-site review, the audit team reviewed the provider's accounting records (trial balance/general ledger), tested samples of participant files, personnel files, and expenditure documentation for compliance with applicable requirements. Below is the summary of findings:

FINDINGS SUMMARY

| |
|---|
| The local provider could not provide internally generated financial records to support the KAE-10 Expenditure Reports. |
| The only documentation maintained were the sign-in sheets for each training class, which is not sufficient to identify the results of the services provided to each individual. |
| The hours spent were adequately supported but the employee's salary was not based on the hourly rate proposed in the Memorandum of Agreement. |
| The non-payroll charges were based on a flat rate charged per student and was not supported by actual expenditure documentation. |

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE - WES

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.

We also attempted to compare the KAE-10 Expenditure Reports to internally generated financial records to determine whether the local provider's accounting records support the amounts requested for reimbursement.

Findings

The local provider could not provide internally generated financial records to support the KAE-10 Expenditure Reports. The payroll charges were supported by the time charges shown on printed calendars. The number of participants attending the training classes and the estimated cost to create and provide in-house course materials supported the non-payroll charges. The requested reimbursements were all based on the agreed-upon rates in the memorandum of agreement. Because of the documentation to support that training classes were provided and the instructor's calendars supporting the time spent on the projects, the reimbursements are not disallowed but they are questionable due to the lack of an accounting/tracking system.

Recommendations

We recommend that Campbellsville University develop an on-site accounting system to capture actual expenditures and report summary totals. The accounts established should be the same accounts/categories used in the KAE-10 Expenditure Reports. This will allow for a proper reconciliation of each expenditure category to the KAE-10 Expenditure Reports each month to ensure that amounts requested are supported by the provider's accounting records.

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

Campbellsville University Technology Training Center was not aware of the specific accounting procedures required. We will immediately put in place a system to track expenditures as required.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING - WES

Scope and Methodology

The provider did not maintain any type of student roster for each project. The only documentation maintained were the sign-in sheets for each training class. Based on these sign-in sheets, we compared the number of signatures to the number of trainees proposed by the provider in the Scope of Work. In addition, we also compared the number of classes proposed to the documented number of classes. The training classes reviewed were conducted during the period of July 1, 2004 and June 30, 2005.

Findings

KYAE requires the provider to maintain records that are sufficient to identify the results of the service provided to each individual and for use in evaluating the effectiveness of the total program. The current method does not achieve this objective.

The following tables illustrate our findings for each WES project as a whole even though we were not able to determine the services provided to each individual.

AirGuard: WES 2005-217

| Class Dates | # On Sign-In Sheet | # of Trainees Per Scope of Work |
|---------------------------|---------------------------|--|
| 7/13/04 | 15 | 16 |
| 7/20/04 | 23 | 16 |
| 7/27/04 | 24 | 16 |
| 8/3/04 | 24 | 16 |
| 8/10/04 | 22 | 16 |
| 8/17/04 | 22 | 16 |
| 8/24/04 | 23 | 16 |
| 8/31/04 | 21 | 16 |
| 9/7/04 | 18 | 16 |
| 9/14/04 | 17 | 16 |
| 9/21/04 | 21 | 16 |
| 9/28/04 | 20 | 16 |
| 10/5/04 | 19 | 16 |
| 10/12/04 | 19 | 16 |
| 10/19/04 | 18 | 16 |
| 10/26/04 | 12 | 16 |
| Totals: 16 Classes | 318 | 256 |
| | Participation Rate | 124.22% |

Note: Scope of Work proposes 16 classes.

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Emhart Fastenings Technologies: WES 2005-218

| Class Dates | # On Sign-In Sheet | # of Trainees Per Scope of Work |
|--------------------------|---------------------------|--|
| 8/31/04 | 69 | 88 |
| 9/7/04 | 68 | 88 |
| 9/14/04 | 74 | 88 |
| 9/21/04 | 68 | 88 |
| 9/28/04 | 72 | 88 |
| 10/5/04 | 58 | 88 |
| 10/12/04 | 68 | 88 |
| 10/19/04 | 56 | 88 |
| 10/26/04 | 47 | 88 |
| Totals: 9 Classes | 580 | 792 |
| | Percentage Rate | 73.23% |

Note: Scope of Work proposes 9 classes.

Laurel Cookie Company: WES 2005-232

| Class Dates | # On Sign-In Sheet | # of Trainees Per Scope of Work |
|---------------------------|---------------------------|--|
| 11/3/04 | 43 | 75 |
| 11/4/04 | 61 | 75 |
| 11/10/04 | 57 | 75 |
| 11/11/04 | 60 | 75 |
| 11/17/04 | 55 | 75 |
| 11/18/04 | 39 | 75 |
| 12/1/04 | 45 | 75 |
| 12/8/04 | 51 | 75 |
| 12/9/04 | 56 | 75 |
| 12/15/04 | 46 | 75 |
| 12/16/04 | 41 | 75 |
| 1/12/05 | 48 | 75 |
| 1/13/05 | 41 | 75 |
| Totals: 13 Classes | 643 | 975 |
| | Percentage Rate | 65.95% |

Note: Scope of Work proposes 16 classes.

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American Wood Fibers: WES 2005-239

| Class Dates | # On Sign-In Sheet | # of Trainees Per Scope of Work |
|---------------------------|---------------------------|--|
| 2/8/05 | 11 | 20 |
| 2/15/05 | 10 | 20 |
| 2/22/05 | 11 | 20 |
| 3/1/05 | 9 | 20 |
| 3/8/05 | 11 | 20 |
| 3/15/05 | 8 | 20 |
| 3/22/05 | 10 | 20 |
| 3/29/05 | 7 | 20 |
| 4/5/05 | 7 | 20 |
| 4/12/05 | 8 | 20 |
| 5/16/05 | 6 | 20 |
| Totals: 11 Classes | 98 | 220 |
| | Percentage Rate | 44.55% |

Note: Scope of Work proposes 10classes.

Ingersol Rand: WES 2005-243

| Class Dates | # On Sign-In Sheet | # of Trainees Per Scope of Work |
|--------------------------|---------------------------|--|
| 4/1/2005 | 148 | 127 |
| 5/2/2005 | 126 | 127 |
| 6/1/2005 | 140 | 127 |
| Totals: 3 Classes | 414 | 381 |
| | Percentage Rate | 108.66% |

Note: Scope of Work proposes 1 class.

Recommendations

We recommend the provider create a system to document each participant's attendance per class meeting so that the number of training hours per participant can be tracked. Maintaining an electronic spreadsheet listing each project's trainees and which classes were attended would provide documentation as to the number of training hours provided. This information would be useful documentation for the provider and for the employers to identify problems with employee participation.

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

Since the date of the audit, April 18, 2006, Campbellsville University Technology Training Center (CUTTC) has implemented a system to document participant attendance.

As may be seen through the sign-in sheet system CUTTC had previously used, CUTTC many times served more than stated in the Memorandum of Agreement. At times absences were due to individuals being needed in their particular positions to make production in emergency situations. Absentees were due to company unplanned production needs.

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PAYROLL AND STAFF REQUIREMENTS - WES

Scope and Methodology

A sample of seven (7) payroll disbursements, representing over 40% of the total payroll expenditures for this project, was judgmentally selected for payroll testing. Personnel files were examined to determine that timesheets existed to support payroll costs, the employee was paid according to the hourly rate proposed in the Scope of Work, and that instructors had evidence of a Bachelor's Degree. The payroll costs reviewed were incurred during the period of July 1, 2004 and June 30, 2005.

Findings

The provider charged the program based on the hourly rate agreed to in the Memorandum of Agreement, but the instructors were paid at different rates because these projects are just one component of their job duties. The hours spent were adequately supported but the employee's salary was not based on the hourly rate proposed in the Memorandum of Agreement.

Recommendations

Because these projects are only one component of the employee's total salary, documenting that the employee was paid according to the hourly rate proposed in the Scope of Work may not be feasible. Therefore, the current approach should be discussed with KYAE to establish compliance with the Memorandum of Agreement.

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

Campbellsville University Technology Training Center (CUTTC) employees are adequately paid. These duties are part of their daily assignments. For future contracts CUTTC employees' salaries will be reflected in the report.

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PURCHASING/EXPENDITURE COMPLIANCE - WES

Scope and Methodology

A sample of expenditures could not be selected for review due to the lack of detailed accounting records. We did perform an analytical review to determine reasonableness of reimbursements received during the period of July 1, 2004 and June 30, 2005.

Findings

The total reimbursements for all five of the projects were \$56,246. The total non-payroll charges were \$10,959, which is less than 20% of the total charges. The non-payroll charges were based on a flat rate charged per student and were not supported by actual expenditure documentation. Class materials were created by the provider and copied. The charge included a supply component and copying costs.

Recommendations

According to the Memorandum of Agreement, reimbursements should be based on reasonable, allowable, and actual costs incurred. While the above approach seems reasonable, we recommend that documentation of the expenses incurred should be maintained with actual invoices when applicable.

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

Campbellsville University Technology Training Center will adhere to the finding and will provide appropriate documents for all expenditures including internal.