

**Performance Audit of the
Kentucky Department of Education's
Oversight of State Assessment Contracts**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

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List of abbreviations/acronyms used in this report

APA	Auditor of Public Accounts
CATS	Commonwealth Assessment Testing System
Committee	Kentucky Government Contract Review Committee
CTBS/5	Comprehensive Test of Basic Skills, Fifth Edition
EAARS	Education Assessment and Accountability Review Subcommittee
EFT	Electronic Funds Transfer
ELLs	English Language Learners
Finance	Kentucky Finance and Administration Cabinet
FMM	Division of Financial and Materials Management
KBE	Kentucky Board of Education
KCCA	Kentucky Core Content for Assessment
KCCT	Kentucky Core Content Test
KDE	Kentucky Department of Education
KERA	Kentucky Education Reform Act
KIRIS	Kentucky Instructional Results Information System
LRC	Kentucky Legislative Research Commission
NCLB	No Child Left Behind
NTAPAA	Kentucky National Technical Advisory Panel for Accountability and Assessments
OAA	KDE Office of Assessment and Accountability
OEA	LRC Office of Education Accountability
OIAS	Office of Internal Administration and Support
OTL	Office of Teaching and Learning
RFP	Request for Proposal
SCAAC	School Curriculum Assessment and Accountability Council
WIDA	World-Class Instructional Design and Assessment



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

January 13, 2009

Dr. Jon Draud, Commissioner
Kentucky Department of Education
500 Mero Street
Frankfort, Kentucky 40601

RE: Performance Audit of the Kentucky Department of Education's Oversight of State Assessment Contracts

Dear Commissioner Draud:

The enclosed report, *Performance Audit of Kentucky Department of Education's Oversight of State Assessment Contracts*, identified nine findings and offers specific recommendations to strengthen the controls and oversight process of contract assessment services. The audit process included: determining the amount and source of funds expended on Kentucky's assessment program at the state level; determining whether contract services were provided prior to KDE authorizing payments; examining KDE contract procurement procedures; examining certain assessment contracts, payments, and related contract modifications; and, examining KDE contract control and oversight processes.

We will distribute this report in accordance with the mandates of Kentucky Revised Statute 43.090. Additionally, we also distribute the report to members of the General Assembly committees with oversight authority, as well as other interested parties.

In accordance with Kentucky Revised Statute 43.090(1), the Department of Education must notify the Legislative Research Commission and the Auditor of Public Accounts of the audit recommendations it has implemented and of the recommendations it has not implemented, and reasons therefore, within sixty (60) days of the completion of the final audit.

Our Performance and Examination Audits Branch evaluates the effectiveness and efficiency of government programs as well as performs risk assessments and benchmarking of state operations. We will be glad to discuss with you at any time this audit or the services offered by our office. If you have any questions, please contact Brian Lykins, Executive Director of the Office of Technology and Special Audits, or me.



Commissioner Draud
January 13, 2009
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We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

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

cc: Elaine Farris, Interim Commissioner



Performance Audit of the Kentucky Department of Education’s Oversight of State Assessment Contracts

Audit Objective

This audit was conducted in response to a July 2008 letter from the Government Contract Review Committee requesting an audit of the following three service contracts related to the Commonwealth Assessment Testing System (CATS): Measured Progress, HumRRO, and William Auty. This report presents the audit findings related to these three contracts, background and financial information associated with CATS, as well as other assessment components.

Background

CATS was established in 1998 through a revision of the 1990 Kentucky Education Reform Act legislation. It is the state system for assessing public school students in the achievement of educational goals established by the General Assembly and the Kentucky Board of Education (KBE). This is accomplished through a norm-referenced test, performance-based test, on-demand writing prompts, and writing portfolios. CATS also provides an accountability system used to score schools based on students’ assessment performance and the progress in meeting overall achievement goals.

CATS is administered through the Office of Assessment and Accountability (OAA) within the Kentucky Department of Education (KDE). In addition, the OAA manages other assessment components and all aspects of the accountability system. Total expenditures in FY 2008 for all assessment components administered by the OAA was \$18,665,652.

The various assessment program components administered by OAA are implemented using multiple contract vendors. The primary vendors that develop testing materials are ACT, Inc. and Measured Progress. ACT products are nationally recognized standardized tests specifically required by KRS 158.6453. Measured Progress develops a customized test based on the requirements of KBE and KDE. Smaller contracts with the University of Kentucky and the University of Wisconsin – Madison provide assessment components for severely disabled students and limited English proficient students, respectively.

OAA also retains two vendors to provide oversight of assessment testing vendors. HumRRO conducts reliability and validity studies of the assessment materials and test scoring. William Auty provides on-call expertise in psychometrics and advises KDE staff in the oversight and administration of the assessment program. Psychometrics is the field of study concerned with the theory and technique of educational and psychological measurement.

Together the six vendors mentioned comprised nearly 90 percent of all assessment expenditures made in FY 2008. The following table details these contract expenditures.

FY 2008 Primary Assessment Contract Expenditures

Vendor	FY 2008
ACT, Inc.	\$2,146,904
HumRRO	\$657,658
Measured Progress	\$13,373,226
University of Wisconsin – Madison	\$127,098
University of Kentucky	\$319,103
William Auty	\$80,225
Total	\$16,704,214

Source: APA based on data from the statewide accounting database and KDE

Findings and Recommendations

Finding 1: KDE overpaid HumRRO \$58,400 for services provided due to an inadequate review of invoices.

In April 2008, KDE paid an invoice for \$113,660 to HumRRO for services provided during the period July 1, 2006 through June 30, 2007. However, the true amount of services provided on this specific invoice was only \$55,260, resulting in a \$58,400 overpayment. This overpayment demonstrates that KDE’s invoice review process did not ensure that the total value of services invoiced were provided prior to payment. In this instance, weak contract oversight and administration by KDE led to the overpayment.

Recommendations: KDE should develop and implement improved invoice review procedures that require staff to determine that services have been provided prior to payment and that the payment does not exceed the true cost of the service. KDE staff should consider the contract payment structure during the invoice review process.

Finding 2: An administrative error necessitated a \$3.5 million increase to the Measured Progress contract.

The Measured Progress contract was modified in March 2007 to increase the total amount of the contract by \$3,483,816 after an Electronic Funds Transfer (EFT) payment was sent in error to a nonexistent bank account that was to receive the payment. Though the funds were returned and the vendor did not receive payment, the contract continued to reflect that this payment was made, reducing the contract amount available to expend. In order to reissue the payment, the contract needed to be increased by the EFT payment of approximately \$3.5 million. In the end, KDE never paid an additional \$3,483,816 towards the contract.

Recommendations: KDE should obtain written verification of vendor account numbers. Also, should a similar situation requiring a significant contract modification occur in the future, KDE should thoroughly document the need for the modification. This information should be communicated to the Committee to explain the rationale for the modification and its financial impact.

Finding 3: A significant number of payments to Measured Progress and HumRRO were made from accounts not in the contract documentation.

Although only state funds were originally specified as the funding source for Measured Progress and HumRRO contracts in effect between July 1, 2006 and June 30, 2008, both federal and state funds were used to pay contract expenditures. KDE offered two explanations for payments made from unidentified funding sources. First, copying previous contract information into the new statewide accounting system without identifying all of the funding sources used to make contract payments. Second, only an estimate of federal funds, not an exact amount, is known when the contracts are initiated.

Recommendations: KDE should identify all funding sources associated with assessment contracts as the information becomes available. At the initiation of a contract, KDE should communicate to legislators an estimate of federal funds that will be used to pay for a portion of the assessment contracts.

Finding 4: Invoices for assessment contracts reviewed provided insufficient detail to allow a thorough review process to occur prior to payment.

The invoices provided by Measured Progress, HumRRO, and William Auty do not provide sufficient detail to allow an efficient and thorough review of services provided and invoiced. Additional detail provided on the invoice would assist KDE in determining that all services billed have been rendered. Findings and recommendations associated with each vendor follow.

Measured Progress

Measured Progress invoices do not sufficiently describe services provided and contract requirements are not reconciled to invoices.

Recommendations: KDE should require a detailed description of the service provided to be included on the invoice. At a minimum, KDE should require Measured Progress to include the completed action items within the task calendar on the invoices. When applicable, invoices should also note the associated section of the contract (page number and paragraph number) to ensure obligations are being fulfilled.

HumRRO

Invoices submitted by HumRRO to KDE do not reflect the specific report or service completed.

Recommendations: KDE should require a detailed description of the service provided to be included on the invoice. The invoice should identify the title of any reports produced by HumRRO to facilitate KDE's ability to verify the service or tasks performed.

William Auty

William Auty invoices only provide the total hours worked and do not detail the hours spent on each service performed.

Recommendations: KDE should require that all invoices provide the maximum amount of detail to ensure a thorough review of services. KDE should require William Auty document the number of hours worked for each line item on the invoice.

Finding 5: KDE monitors Measured Progress contract deliverables through frequent communication, but is not documented in sufficient detail to ensure proper monitoring of the contractor's performance.

KDE uses a project calendar, weekly conference calls, quarterly meetings, and meeting minutes to monitor the contract performance of Measured Progress. However, KDE does not require:

- A description of each task identified on the project calendar;

- A linkage between the tasks on the project calendar and contract requirements; and,
- Quarterly meeting minutes documented by the vendor to be delivered, reviewed, and approved.

Recommendations: KDE should cross-reference the project calendar to the contract requirements. This could be accomplished by providing the relevant page and paragraph number within the contract beside each task listed on the calendar. The tasks appearing on the project calendar should provide sufficient detail to ensure a clear distinction from each task and clarity among all users.

KDE should continue frequent and open communication with Measured Progress.

KDE should, in a timely manner, thoroughly review and approve meeting minutes generated by Measured Progress or generate their own version.

Finding 6: Not all of Kentucky’s assessment related expenditures are tracked.

Accounting for all of the costs associated with Kentucky’s assessment program is not possible due to the lack of tracking certain state level expenditures and the inability to determine local district assessment costs accurately. At the state level, KDE only tracks assessment expenditures incurred by OAA, but not the assessment expenditures incurred by other KDE offices.

Recommendations: KDE should begin tracking all state level assessment related costs, even those outside of OAA.

KDE should consider developing a uniform process to track local district assessment costs.

Finding 7: Third grade norm-referenced tests are not currently used in accountability scores.

The scores from third grade norm-referenced tests, as of the 2006-2007 school year, are no longer used as part of a school’s accountability score. Prior to the 2006-2007 school year, norm-referenced tests were provided by a vendor through a central contract with KDE. This contract was not renewed, and instead, KDE provided limited funding to assist the local school districts with the cost of a norm-referenced test of their choice. KDE determined at that time that the results of these various district chosen tests would not be a part of the scores.

Recommendation: Under the current funding structure, KDE should consider requiring districts to use the same third grade norm-referenced test to allow for the scores to be measured equally and used in the accountability scores of schools.

Finding 8: NTAPAA last met in 2007 and is not currently funded.

Pursuant to KRS 158.6454, Legislative Research Commission is to appoint a panel known as the National Technical Advisory Panel on Assessment and Accountability (NTAPAA). Despite the statutory requirement, KDE stated that the last recorded meeting for NTAPAA was in 2007 and that the panel is not currently funded.

Recommendation: To comply with KRS 158.6454, NTAPAA should be implemented to review Kentucky’s assessment and accountability program and advise LRC, KBE, and KDE.

Finding 9: KDE would benefit from hiring a fulltime psychometrician rather than contracting by the hour.

Based on a simple cost-to-benefit analysis, it can be determined that KDE would receive a greater return on the funds expended by hiring a full-time psychometrician. Using the potential employment amount of \$150,000, the hourly rate of \$76.92 is lower than the \$150 per hour currently paid to William Auty. In addition, a full-time psychometrician would provide a 289 percent increase in the number of hours available to KDE. Increasing the overall cost of this service would certainly be difficult given current financial constraints; however, the state’s assessment program would benefit from this additional service.

Recommendation: As budget constraints allow, KDE should consider retaining a full-time psychometrician.

Conclusion

It was determined that the services required under the reviewed contracts were provided. KDE has developed an extensive monitoring process for the primary CATS contract with Measured Progress. However, some weaknesses were found related to the documentation submitted by the three vendors and KDE’s review process. The audit makes eleven recommendations that would further strengthen administration of the assessment program in Kentucky.

Introduction and Background

Introduction

In July 2008, the Kentucky Government Contract Review Committee (Committee) requested that the Auditor of Public Accounts (APA) conduct a review of the Kentucky Department of Education's (KDE) contracts pertaining to the Commonwealth Assessment Testing System (CATS) and No Child Left Behind (NCLB). Specifically, the Committee requested an audit of KDE's contracts with three vendors: Measured Progress, HumRRO, and William Auty.

In response to the Committee's written request for services, the APA solicited further direction from the Committee members and staff regarding the objectives of this audit. From the additional information received, the APA developed the following audit objectives to address the issues conveyed by the Committee:

- Determine the amount and source of all funds expended on Kentucky's assessment program for public school students at the state level;
- Review the procurement procedures employed by KDE to establish contracts with Measured Progress, HumRRO, and William Auty;
- Review contracts with Measured Progress, HumRRO, and William Auty for any contract changes or modifications;
- Review the propriety and accuracy of payments made to Measured Progress, HumRRO, and William Auty;
- Review contract management and oversight procedures adopted by KDE; and,
- Determine whether all contracted services billed by Measured Progress, HumRRO, and William Auty were received by the state prior to KDE authorizing payment.

These objectives address the issues of the Committee that could be answered in the required timeframe using the skills and experience available to the APA. In addition, an understanding was obtained of the established procedures related to the following issues:

Reliability and validity of CATS

Determining the reliability and validity of CATS requires significant expertise in the education field and can best be determined by those trained in this area. It appears that KDE retained the proper type of expertise needed to oversee and evaluate this process. The 2005 Kentucky Legislative Research Commission (LRC) report, *An Analysis of the Commonwealth Accountability Testing System*, provided an extensive discussion on assessment reliability and validity using information from a non-profit education research firm and Kentucky's National Technical Advisory Panel for Accountability and Assessments (NTAPAA).

Introduction and Background

Test material development, production, and delivery

The APA did not undertake a review of material development because doing so would require an understanding of psychometrics, a specialized skill set. Psychometrics is the field of study concerned with the theory and technique of educational and psychological measurement. However, through interviews with KDE staff and a review of contract materials, the APA determined that a process was in place to ensure qualified entities were producing test materials for KDE.

The production and delivery of test materials did not occur during the audit. However, the APA did determine that a process was in place to sufficiently monitor the production and subsequent delivery of test materials to schools.

Test scoring and resolution

The test scoring and resolution process did not occur during the audit, but the APA reviewed the process implemented by KDE to monitor scoring and resolution. It appears that KDE retained the proper expertise to oversee and evaluate this process.

History of Assessment in Kentucky

The 1989 Kentucky Supreme Court ruling, *Rose v. Council*, 790 S.W. 2d 186, required that Kentucky legislators recreate a new statutory system for an “efficient” school system. The ruling defined an “efficient” school system as an organization that provides a “free, adequate education to all students throughout the state, regardless of geographical location or local fiscal resources.” This Supreme Court decision states that an efficient system of education must provide each child with at least the following seven capacities:

1. Sufficient oral and written communication skills to enable students to function in a complex and rapidly changing civilization;
2. Sufficient knowledge of economic, social, and political systems to enable the student to make informed choices;
3. Sufficient understanding of governmental processes to enable the student to understand the issues that affect his or her community, state, and nation;
4. Sufficient self-knowledge and knowledge of his or her mental and physical wellness;
5. Sufficient grounding in the arts to enable each student to appreciate his or her culture and historical heritage;
6. Sufficient training or preparation for advanced training in either academic or vocational fields so as to enable each child to choose and pursue life work intelligently; and,
7. Sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in surrounding states, in academics or in the job market.

The *Rose v. Council* decision eventually resulted in the Kentucky Education Reform Act (KERA) of 1990. In addition to the above capacities outlined in the Kentucky Supreme Court ruling, KERA established the following six goals for the schools of the Commonwealth:

Introduction and Background

KERA established six goals for the schools of the Commonwealth

1. Schools shall expect a high level of achievement of all students.
2. Schools shall develop their students abilities to:
 - a. Use basic communication and mathematics skills for purposes and situations they will encounter throughout their lives;
 - b. Apply core concepts and principles from mathematics, the sciences, the arts, the humanities, social studies, and practical living studies to situations they will encounter throughout their lives;
 - c. Become a self sufficient individual;
 - d. Become responsible members of a family, work group, or community including demonstrating effectiveness in community service;
 - e. Think and solve problems in school situations and in a variety of situations they will encounter in life; and,
 - f. Connect and integrate experiences and new knowledge from all subject matter fields with what they have previously learned and build on past learning experiences to acquire new information through various media sources.
3. Schools shall increase their students' rate of school attendance.
4. Schools shall reduce their students' dropout and retention rates.
5. Schools shall reduce physical and mental health barriers to learning.
6. Schools shall be measured on the proportion of students who make a successful transition to work, post-secondary education, and the military.

The Kentucky Instructional Results Information System (KIRIS), the state's assessment and accountability system, was developed to implement KERA and to address reforms in school curriculum, governance, finance, assessment, and accountability. According to KDE, the content of the original KIRIS assessment is defined broadly as the seven capacities in the court decision and as the six learning goals in the KERA legislation.

KERA was revised by House Bill 53 in 1998

In 1998, the Kentucky legislature passed House Bill 53, a revision of KERA, and replaced KIRIS with CATS. Assessments under CATS consist of both performance-based and norm-referenced components, using multiple choice items, open response items, or both. CATS uses both academic and non-academic components in determining schools' accountability scores. One academic measure under CATS is the Kentucky Core Content Test (KCCT), which tests students in third through twelfth grades in reading, math, science, social studies, arts and humanities, practical living/vocational studies, and writing. Other academic measures include on-demand writing prompts, writing portfolios, alternate portfolios for students with severe disabilities, and a nationally norm-referenced test in math, reading, and language arts. Students in grades 4, 7, and 12 submit a writing portfolio. Non-academic measures include attendance rate, retention rate, dropout rate, and transition to adult life.

Introduction and Background

NCLB, a 2001 federal law that reauthorized and amended the Elementary and Secondary Education Act of 1965, sets federal accountability requirements for state education systems. Kentucky used CATS standards and assessments to satisfy NCLB requirements; however, additional requirements had to be incorporated into CATS to fully comply with NCLB. Key differences between NCLB and CATS are listed below:

Table 1: Key Differences Between NCLB and CATS

NCLB	CATS
Only reading and mathematics results are used in accountability decisions	Results for seven core content subjects are used in accountability decisions: math, reading, science, social studies, writing, practical living and vocational studies, and arts and humanities
All schools in the state that serve the same grades have the same reading and math objectives	Each school has its own goals based on the seven core subjects and some non-academic data
The baseline for establishing performance goals uses 2002 CATS scores	The baseline for establishing performance goals uses the average of the 1999-2000 CATS scores
The assessment is intended to measure the progress of groups of students and schools	The assessment is intended to measure the progress of schools
Annual accountability performance judgments are produced	Biennial accountability performance judgments are produced

Source: APA based on Kentucky’s Legislative Research Commission’s 2005 report *An Analysis of the Commonwealth Accountability Testing System* and the Prichard Committee for Academic Excellence report *Assessment and School Accountability August 2008 Update*

Further Defining CATS

Subsequent to the passage of House Bill 53, KRS 158.6453 established CATS in 1998, to create a statewide assessment program that ensures school accountability for student achievement of the education goals set forth by the General Assembly in KRS 158.645 and KRS 158.6451. CATS requires that certain assessment components be used to determine if these goals are being met. These components include:

- A customized or commercially available norm-referenced test;
- Open response or multiple-choice items, or both, that assess skills in math, reading, science, social studies, the arts, the humanities, and practical living and vocational studies;
- On-demand assessment of student writing; and,
- Writing portfolios.

The following provides an overview of each of these components.

Introduction and Background

Norm-referenced testing

The norm-referenced test component was initially implemented using the Terra Nova or Comprehensive Test of Basic Skills, Fifth Edition (CTBS/5). A norm-referenced test provides a score that can be comparable to any other student that took the same test. Three tests known as EXPLORE, PLAN, and ACT later replaced the Terra Nova and CTBS/5 in 2007, after a revision to KRS 158.6453 specifically required the ACT, Inc. assessment products.

The EXPLORE test is a high school readiness test of English, mathematics, reading, and science, which is given in the eighth grade. The PLAN test is a test of English, mathematics, reading, and science, which is given in tenth grade and is intended to help the student plan for postsecondary education or work. The ACT is a widely recognized college entrance test given to students in the eleventh grade.

Kentucky Core Content Test

The KCCT has been developed by KDE to fulfill the requirements for open response, multiple choice, and on-demand writing components. The KCCT assesses how well students are doing relative to a predetermined performance level on a specified set of goals. Its purpose is to measure how well the school is preparing the student to master the core content. The students are assessed on their performances in reading, math, science, social studies, arts and humanities, practical living and vocational studies, and writing. Scores are divided into the four categories of novice, apprentice, proficient, or distinguished.

Writing portfolios

Student writing portfolios are assessed in fourth, seventh, and twelfth grades. The writing portfolio is a collection of the student's best writings and work over a period of time. At least one writing piece has to be from each of the following categories:

- Reflective Writing (letter that discusses the students growth as a writer);
- Personal Expressive Writing (personal narrative that focuses on a single event);
- Literary Writing (can be a short story, poem, or script); and,
- Transactive Writing (produced to get something done in the real world).

The required number of writing pieces varies by grade. The writing portfolios are scored by trained teachers and are scored using the performance categories of novice, apprentice, proficient, and distinguished. The scorer assigns one score based upon the students overall performance, and that score is included in the calculation of the school academic index.

Alternate assessments are given to those students with a severe disability and where the traditional assessment is inappropriate. They are given during the same grades as students taking part in the regular assessments.

Introduction and Background

The following table provides the current components of CATS as required by KRS 158.6453, along with the grade levels that are impacted by each component.

Table 2: Kentucky Assessment Components by Grade Level

Component	Grade									
	3	4	5	6	7	8	9	10	11	12
Reading Core Content	X	X	X	X	X	X		X		
Mathematics Core Content	X	X	X	X	X	X			X	
Science Core Content		X			X				X	
Social Studies Core Content			X			X			X	
Arts & Humanities Core Content			X			X			X	
Practical/Vocational Core Content		X			X			X		
Writing Portfolio		X			X					X
On-Demand Writing			X			X				X
Norm-Referenced Test (not used for accountability)	X									
EXPLORE Test: English, Reading, Math, Science (High School Readiness)						X				
PLAN Test: English, Reading, Math, Science (College Readiness)								X		
ACT: English, Reading, Math, Science (College Entrance Exam)									X	
WorkKeys (optional; not used for accountability)								X	X	X

Source: APA based on the Prichard Committee for Academic Excellence report *Assessment and School Accountability August 2008 Update*

The above assessment components and other non-academic data such as, attendance and dropout rates, are eventually used to gauge individual school progress as required in KRS 158.6455. Schools falling short of their goal at the end of a particular cycle, by regulation 703 KAR 5:120, receive a Scholastic Audit, the assistance of a Highly Skilled Educator, and are eligible to receive state funds for targeted improvement.

Legislative Oversight

Four primary groups have been created under statute to advise policy makers and education officials on issues relating to CATS. The four groups are the:

- Education Assessment and Accountability Review Subcommittee (EAARS);
- LRC Office of Education Accountability (OEA);
- National Technical Advisory Panel on Assessment and Accountability (NTAPAA); and,
- School Curriculum Assessment and Accountability Council (SCAAC)

Introduction and Background

*Education
Assessment and
Accountability
Review
Subcommittee*

EAARS advises and monitors the Kentucky Board of Education (KBE) on the implementation of the state’s system of assessment and accountability. It also advises and monitors OEA in the performance of its duties. This is a permanent subcommittee of LRC, which consists of eight members who are appointed to serve. The membership is comprised of:

- Three members from the senate, appointed by the President;
- One member of the minority party in the Senate appointed by the Minority Floor Leader;
- Three members of the House appointed by the Speaker of the House; and,
- One member of the minority party in the House appointed by the Minority Floor Leader.

*Office of Education
Accountability*

KRS 7.410 establishes the OEA as a component within LRC. Under the direction of EAARS, OEA provides a variety of oversight and monitoring activities related to Kentucky’s educational system. These activities include reviewing the public education finance system, investigating allegations of wrongdoing, as well as conducting studies of the state assessment program. By December 1 of each calendar year, EAARS must adopt an annual research agenda for OEA. At the end of each year, OEA is to prepare an annual report of the status and results of the current year’s investigative activities. Once submitted to and approved by EAARS, this report should be sent to the Governor, LRC, and KBE.

*National Technical
Advisory Panel on
Assessment and
Accountability*

KRS 158.6454 requires LRC to appoint NTAPAA panel members, which should be comprised of no fewer than three professionals with a variety of expertise in education, testing, and measurement. The panel is required to advise LRC and with the approval of the LRC Director, also advises KBE and KDE, on the implementation of the statewide assessment program and school accountability index. LRC is authorized to contract for the services and expenses of the panel members.

*School Curriculum
Assessment and
Accountability
Council*

Pursuant to KRS 158.6452, SCAAC is created to study, review, and make recommendations concerning Kentucky’s system of setting academic standards, assessing learning, holding schools accountable for learning, and assisting schools to improve their performance. SCAAC advises KBE and LRC on issues related to the development and communication of the academic expectations and core content for assessment and the development and implementation of the statewide assessment and accountability program. The Governor appoints the 17 members of SCAAC who are teachers, principals, superintendents, school board members, school district assessment coordinators, parents, employers, and university professors with backgrounds in education assessment and measurement.

Introduction and Background

KDE’s Office of Assessment and Accountability

KDE’s Office of Assessment and Accountability (OAA) administers Kentucky’s assessment program and accountability system. OAA oversees all aspects of implementing and monitoring assessment contracts and other assessment components at the state level, as well as provides support and training to school districts for the assessment programs. OAA also oversees the accountability system that is a product of the assessment program. The accountability system attempts to accurately reflect the success of schools in achieving state education goals.

OAA is divided into three units. The table below lists the enacted budgets for each of these units over a six-year period (state fiscal years). Because OAA also administers the accountability system for the state, the budgetary numbers include funding for accountability components as well as assessment components.

Table 3: KDE Office of Assessment and Accountability Enacted Budgets by Unit and Fiscal Year

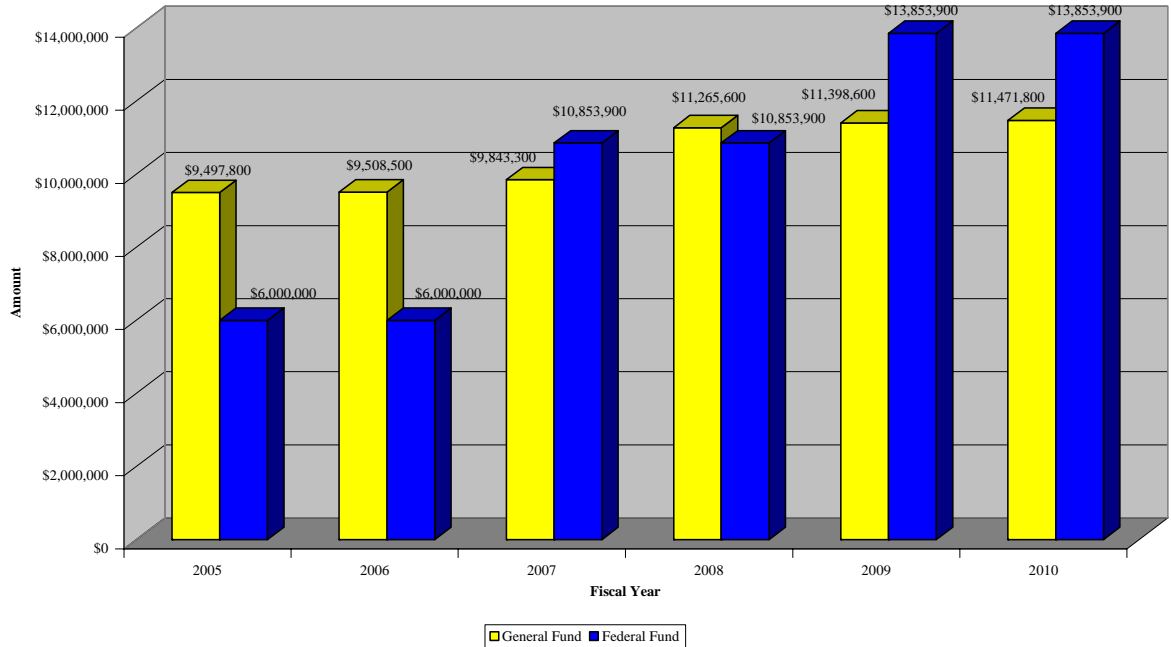
Budget Unit	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Associate Commissioner	\$393,300	\$398,400	\$362,600	\$367,700	\$434,100	\$458,900
Assessment Implementation	\$7,085,200	\$7,090,800	\$7,231,400	\$7,241,100	\$7,228,700	\$7,246,700
Assessment Support	\$8,019,300	\$8,019,300	\$13,103,200	\$14,510,700	\$17,589,700	\$17,620,100
Total	\$15,497,800	\$15,508,500	\$20,697,200	\$22,119,500	\$25,252,500	\$25,325,700

Source: APA based on information provided by the Office of State Budget Director

Like many aspects of education, resources for the implementation of Kentucky’s assessment program come from two primary sources: the state general fund and federal funds. The following graph illustrates the enacted budget amounts for OAA by funding source. As in the previous table, this information includes budgeted amounts for both assessment and accountability components.

Introduction and Background

Graph 1: KDE Office of Assessment and Accountability Enacted Budgets by Fund Source and Fiscal Year



Source: APA based on information provided by the Office of State Budget Director

No Child Left Behind Funding

As part of NCLB, Kentucky receives funding for various educational components. One of these components is the support of state assessment programs. Currently, Kentucky receives approximately \$6.2 million in federal NCLB dollars specifically for state assessments and related costs. This is a small portion of the more than \$300 million in NCLB funds received in FY 2008. This vast amount of funding is for numerous educational purposes, some of which may overlap with select assessment components and provide further funding opportunities for the state’s assessment program. The table below illustrates NCLB funding received by Kentucky since 2002, the first year in which funding was specifically designated for state assessments.

Table 4: No Child Left Behind Funding Awarded to Kentucky by Federal Fiscal Year

Federal Fiscal Year	NCLB Funds		
	State Assessment Component	All Other Components	Total
2002	\$5,843,217	\$258,256,949	\$264,100,166
2003	\$5,977,064	\$275,216,678	\$281,193,742
2004	\$6,078,444	\$288,652,036	\$294,730,480
2005	\$6,172,269	\$302,781,237	\$308,953,506
2006	\$6,172,269	\$290,187,804	\$296,360,073
2007	\$6,211,746	\$292,395,682	\$298,607,428
2008	\$6,228,945	\$311,371,779	\$317,600,724

Source: APA based on information provided by the U.S. Department of Education

Introduction and Background

General Assessment Expenditures

While budgetary information and funding sources provide insight into program administration, actual expenditures demonstrate exactly what the state has spent on implementation, rather than what was available to be spent.

The following table provides the assessment expenditures made at the state level through OAA, including payments made to vendors providing assessment services to KDE. The table does not include incidental assessment related work by KDE staff outside of OAA because KDE does not track this information, nor does the table include accountability system expenditures.

Table 5: Total State Level Expenditures for Education Assessment Program

Fund Source	FY 2007	FY 2008
General Fund	\$9,917,367	\$12,221,291
Federal Funds	\$5,382,261	\$6,444,362
Total	\$15,299,628	\$18,665,653

Source: APA based on data from the statewide accounting system and KDE

State assessment expenditures increased over \$3 million in FY 2008

The previous table illustrates that total state assessment expenditures increased approximately \$3.3 million from FY 2007 to FY 2008. The largest contributing factor in the increase of expenditures between the two years involved payments made to two vendors (ACT and Measured Progress).

During FY 2008, a new legislative mandate required the increased use of ACT tests and provided additional funding to meet this requirement. Payments for ACT testing increased from \$760,782 in FY 2007 to \$2,147,054 in FY 2008.

As illustrated in Table 6, payments to Measured Progress nearly doubled from FY 2007 to FY 2008 because over \$3.9 million of services provided in FY 2007 were paid for in the first quarter of FY 2008. According to KDE, this is due to the nature of the federal fund distribution schedule as well as the difference between the state and federal fiscal year. This federal fund distribution schedule resulted in KDE exhausting budgeted state funds for the Measured Progress contract prior to the end of FY 2007, and then waiting until the federal funds were received at the beginning of the next state fiscal year to complete the payment to Measured Progress.

The increase in assessment expenses from FY 2007 to FY 2008 would have been larger had it not been for another anomaly. A payment in excess of \$3.6 million was made to CTB/McGraw-Hill in FY 2007, but not in FY 2008. While the contract with CTB/McGraw-Hill ended after the 2005-2006 school year, the scores from that year were not available until the fall of 2006 (part of FY 2007). The result was a payment to the vendor in FY 2007 for testing services provided in the previous year.

Introduction and Background

Payments for seven major contracts comprised 84 percent of total assessment expenditures in FY 2007 and approximately 89 percent in FY 2008. The table below provides a breakdown of payments made to these seven vendors in FY 2007 and FY 2008 for assessment services.

Table 6: FY 2007 and FY 2008 Primary Assessment Contract Expenditures

Vendor Name	FY 2007		FY 2008		Contract Totals	
	General Fund	Federal Funds	General Fund	Federal Fund	FY 2007	FY 2008
ACT, Inc.	\$0	\$760,632	\$2,113,154	\$33,750	\$760,632	\$2,146,904
CTB/McGraw-Hill	\$0	\$3,624,454	*N/A	*N/A	\$3,624,454	*N/A
HumRRO	\$382,473	\$0	\$509,608	\$148,050	\$382,473	\$657,658
Measured Progress	\$7,505,903	\$0	\$7,205,473	\$6,167,753	\$7,505,903	\$13,373,226
University of Wisconsin (Madison)	\$0	\$257,092	\$0	\$127,098	\$257,092	\$127,098
University of Kentucky	\$249,400	\$33,497	\$257,500	\$61,603	\$282,897	\$319,103
William Auty	\$0	\$48,875	\$0	\$80,225	\$48,875	\$80,225
Total	\$8,137,776	\$4,724,550	\$10,085,735	\$6,618,479	\$12,862,476	\$16,704,214

Source: APA based on data from the statewide accounting system and KDE

*The CTB/McGraw-Hill contract was not renewed for FY 2008.

The APA determined not to attempt a calculation of expenditures made by local school districts for assessments. This decision was supported by a 2005 report by LRC, which demonstrated that calculating district costs was inconsistent and subjective, resulting in somewhat unreliable numbers. More information on this LRC report can be read in Appendix I.

KDE student assessment contracts

ACT – ACT provides several nationally recognized norm-referenced tests as part of CATS. This includes the ACT test for eleventh grade, the PLAN test for tenth grade, and the EXPLORE test for eighth grade.

CTB/McGraw-Hill – This contract was created to fulfill the requirements of KRS 158.6453(2). CTB/McGraw-Hill provided a norm-referenced test for Kentucky students through the 2005-2006 school year. This contract was not renewed starting in FY 2007 and each local school district was given the authority to choose a norm-referenced test for third grade students. In FY 2008, the state provided school districts \$316,152 to assist with the cost of this testing.

Introduction and Background

HumRRO –This contract fulfills the requirements of KRS 158.6453(5) to validate student scores on the KCCT and assure the potential of all scores to provide fair, consistent, and accurate results. In addition, the vendor provides ongoing research and studies on the effects of Kentucky’s assessment and accountability system on Kentucky schools.

Measured Progress – Produces and scores the state KCCT, a major component of CATS that assesses students’ progress in achieving established academic goals. The test includes multiple choice and open response questions.

University of Wisconsin (Madison) – The World-Class Instructional Design and Assessment (WIDA) consortium is part of the University of Wisconsin – Madison School of Education. It is a cooperative of 19 states working together to meet the requirements of NCLB for English Language Learners (ELLs). This contract provides all of Kentucky’s Limited English Proficient population a placement test known as the WIDA ACCESS Placement Test and the ACCESS for ELLs.

University of Kentucky – This contract originally provided for the development and scoring of alternate portfolios for those students with the most severe disabilities. Recently, the contract was modified to meet the updated requirements of NCLB and the federal Individuals with Disabilities Education Act to include attainment tasks and performance records.

William Auty (Education Measurement Consulting) – Provides psychometric services and consultation directly to KDE for the planning, implementation, and oversight of CATS and other assessment program components.

Detailed Examination of Three Assessment Contracts

**The Government
Contract Review
Committee
Specifically
Requested an
Examination of
Three Assessment
Contracts**

The July 21, 2008 letter from the Committee specifically requested that the APA conduct an audit of Kentucky's contracts with Measured Progress, HumRRO, and William Auty. In compliance with this request, the APA initiated a detailed review of these three contracts.

Discussions were held with KDE personnel concerning subcontractors for these three vendors and the relationships of KDE staff with the vendors. These discussions and further research did not indicate the need for an additional review.

*Contract
procurement
process review*

The procurement process for each of the three contracts was also examined and no violations of procurement law or Kentucky Finance and Administration Cabinet (Finance) policies were observed. KDE provided substantial documentation for the development and bidding of the Measured Progress and HumRRO contracts, including:

- The names of individuals assigned to various teams for the CATS Request for Proposal (RFP) (Development/Writing Team, Reviewers, KDE panel members for the Vendors' Conference, Alignment Study Team, Bidder Qualification & Experience Evaluation Team, Technical Evaluation Committee, Cost Evaluation Committee, and Executive Review Committee);
- The names of the original 15 vendors that submitted proposals in September 2005, the six that made oral presentations in December 2005, and the four vendors with which KDE entered into negotiation; and,
- The scoring and results from the evaluations performed by the Bidder Qualification & Experience Evaluation Team, Technical Evaluation Committee, Cost Evaluation Committee, and Oral Presentation Team.

This information was especially important for Measured Progress due to the vendor's history with the Commonwealth. Measured Progress had previously served as the primary assessment contractor between 1991 and 1998 under the name Advanced Systems for Measurement and Evaluation, but that contract was terminated due to quality control issues. KDE staff stated that during the vendor vetting process, very pointed questions were asked of Measured Progress concerning quality control processes.

*Contract payment
review*

The primary focus of this detailed contract review involved the payments made to the three vendors and the documentation and process that KDE relies on to ensure vendors provided the services required under the contracts. Each payment made to Measured Progress, HumRRO, and William Auty during FY 2007 and FY 2008 was examined. This included a review of the funding sources and the purpose of payments. All payments were reconciled to vendor invoices to compare the amounts billed versus paid and to ensure KDE was only paying for services covered under the contracts. Detailed evidence was requested from KDE to demonstrate that the services claimed in the vendor billing invoices had been provided prior to payment.

Detailed Examination of Three Assessment Contracts

KDE contract oversight process

Prior to this audit, KDE did not have written procedures to oversee and manage assessment vendors' invoices. The APA immediately recommended that KDE document such procedures because having a documented set of procedures to address the payment of invoices would provide a consistent approach in working with assessment contractors and would lessen the impact that employee turnover might have on the oversight and payment process. KDE staff took immediate action to document the procedures being used to manage the invoices received from Measured Progress, ACT, UK, William Auty, and HumRRO.

Per written procedures developed by KDE, the process to manage assessment invoices is as follows:

1. Upon arrival of an invoice to the Office of Internal Administration and Support (OIAS) contract staff, the invoice will be date stamped received and forwarded to the OAA for review and approval. A copy is given to the Director of the Division of Budgets within OIAS at that time as well. The OAA Associate Commissioner will review the invoice with the OAA Project Manager, who will also provide a copy of the invoice to Office of Teaching and Learning (OTL) for review and approval of the writing component of the contract.
2. The OAA Project Manager will create a printout of all action items occurring in the invoice period and determine in writing whether the items are (1) completed, (2) in progress, or (3) not started.
3. The OAA Project Manager will provide a briefing to the OAA Associate Commissioner and copy the printout to the OAA Division Managers for comment.
4. Once the OAA Division Managers have commented, the OAA Associated Commissioner and the OAA Project Manager will (1) sign-off on the invoice for payment or (2) not sign-off and alert the Division of Financial and Materials Management (FMM) within OIAS to potential problems. Original invoice and authorization to pay is then routed to contract staff in FMM.
5. FMM staff will follow their internal steps to determine payment/non-payment.

According to KDE staff, all the above procedures, except for number two, were in place and executed while managing assessment invoices during FY 2007 and FY 2008. The second procedure was implemented starting in the fall of 2008, in response to an APA recommendation.

Measured Progress Contract

Measured Progress provides services to meet provisions of KRS 158.6453 and the expectations of KDE. A contractual agreement for this vendor's services began on February 1, 2006, and ends September 30, 2012, contingent on available funding and satisfactory performance. Measured Progress is responsible for the following components of the CATS assessment program:

Detailed Examination of Three Assessment Contracts

- KCCT test development;
- Test scoring and resolution;
- Writing portfolio support and scoring;
- CATS material development, production, and distribution;
- CATS test material receipt;
- CATS data files and score reporting;
- CATS technical specifications;
- CATS online for special populations and a pilot test for general population; and,
- Project management (i.e. master calendar, management meetings, technical meetings, records, and minutes).

KDE chose to track expenditures for these components by establishing four commodity lines in the original contract. These commodity lines included CATS core contract, KCCT test development, writing portfolio support and scoring, and CATS online administration. The original contract amount was \$22,994,955.

Changes or modifications to Measured Progress contract

The Measured Progress contract in effect from July 1, 2006 through June 30, 2008 (PON2, 540, 0600000160) was modified four times. The first and third modifications were administrative changes. The second and fourth modifications actually increased the dollar amount expended on this contract due to changes in the contract scope. Though the contract was originally established with four commodity lines (CATS core contract, KCCT test development, writing portfolio support and scoring, and CATS online administration), a fifth commodity line (standard setting) was added as part of the second modification.

An administrative error led to a \$3.5 million contract modification

While the first contract modification added \$3,483,816 to the total contract amount, the modification was only necessary due to an administrative error that did not result in additional payments to the vendor. A more detailed discussion of this modification can be reviewed in Finding 2.

Increased contract services led to a \$893,187 contract modification

The second contract modification added \$893,187 to the original contract amount. The purpose of the modification was to increase services under the scope of the contract to include item development, administration and field testing of reading and mathematics for additional NCLB grades and Kentucky Core Content for Assessment (KCCA) changes, reading form design changes, mandated standard setting, and additional shipping costs for completed testing materials. A new commodity line item was added within this modification for standard setting.

The third contract modification was also due to an administrative change. The modification was necessary in order to reenter the contract into the statewide accounting system, as it had been inadvertently deleted from the system.

Detailed Examination of Three Assessment Contracts

A modification increased the contract amount by an additional \$275,386

The fourth contract modification added \$275,386 to the original contract amount. The modification was necessary in order to produce, handle, and process paper test materials for a sector of the student population that had originally been designated as online test takers. KDE decided that testing must remain in a paper/pencil format due to several factors hindering the implementation of online testing. These factors include:

- infrastructure problems such as district network issues, school computer capacity, and school schedules;
- the requirement that schools test all students at the same time to maintain test security;
- the need for additional technology resources for schools and districts, as well as professional development for teachers and administrators; and,
- a federal requirement that online and paper/pencil assessments are comparable.

The fourth modification also corrected the total contract amount to reflect only the amounts added to the contract under the second and fourth modifications. This action reduced the total amount available under the contract from \$27,647,344 to \$24,163,528, a difference of \$3,483,816 or the amount necessitated by the administrative error that lead to the first modification.

The following tables illustrate the total amounts (federal and state) that were paid to Measured Progress during FY 2007 and FY 2008 for the contract in effect from July 1, 2006 through June 30, 2008. The first table offers a breakdown by commodity line and the second table provides the funding source for each payment made on the contract. These tables do not include a \$3,284,400 amount paid in FY 2009 for services provided in FY 2008.

Table 7: Measured Progress - Expenditures by Commodity Line (FY 2007 and FY 2008 Funds Only)

Commodity Line Description	FY 2007		FY 2008	
	State	Federal	State	Federal
#1 – CATS Core Contract	\$3,393,251	\$0	\$3,142,870	\$4,098,529
#2 – KCCT Test Development	\$2,918,380	\$0	\$3,313,985	\$442,982
#3 – Writing Portfolio Support and Scoring	\$485,238	\$0	\$331,410	\$1,184,318
#4 – CATS Online Administration	\$709,034	\$0	\$253,605	\$441,924
#5 – Standard Setting	\$0	\$0	\$163,603	\$0
Total	\$7,505,903	\$0	\$7,205,473	\$6,167,753
Total by FY	\$7,505,903		*\$13,373,226	

Source: APA based on data from the statewide accounting system

* Payments made in FY 2008 include a \$3,990,050 payment for services provided in FY 2007. Also, this table does not include a \$3,284,400 payment using FY 2009 state funds for services provided in FY 2008.

Detailed Examination of Three Assessment Contracts

**Table 8: Measured Progress – Funding Source for each Payment
(FY 2007 and FY 2008 Funds Only)**

Payment Number (#)	Payment Date	Portion Paid with Federal Funds	Portion Paid with State Funds
Payment #1	11/21/06	\$0	\$1,627,266
Payment #2/#3	2/5/07 & 2/16/07	\$0	\$3,483,816
Payment #4	4/5/07	\$0	\$2,394,821
Payment #5	7/19/07	\$3,990,050	\$0
Payment #6	7/23/07	\$0	\$729,584
Payment #7	10/11/07	\$0	\$2,115,944
Payment #8	1/17/08	\$0	\$2,590,639
Payment #9	4/3/08	\$1,183,832	\$1,769,306
Payment #10	7/3/08	\$993,871	*\$0
Total		\$6,167,753	\$14,711,376

Source: APA based on data from the statewide accounting system

* KDE paid \$3,284,400 in FY 2009 state funds for services provided in FY 2008. This amount is not included in the above table.

HumRRO contract

HumRRO provides services to meet the requirements of KRS 158.6453(5) for validation of the student level scores and quality assurance of the consistency of student results, the accuracy of scores, and the potential of all scores to yield fair, consistent and accurate student performance decisions. The vendor conducts ongoing research, studies, and documentation of the effects of the assessment and accountability system on Kentucky schools. HumRRO also reviews the validity of test construction and the congruence of school scores with documented improvements in instructional practice and the school-learning environment.

Changes or modifications to HumRRO contract

Since the current contract with HumRRO first began in July 1, 2006, it has been modified one time. This modification was done to change the cited authority and add accounting information. This change had no effect on the actual contract amount, which remained at \$998,131 for the period of July 1, 2006 through June 30, 2008.

Expenditures and funding sources for HumRRO contract

As noted in the table below, state general funds is the primary funding source for the HumRRO contract. The majority of these funds were for the contract in effect during FY 2007 and FY 2008; however, a \$42,000 payment was made in FY 2007 for a separate contract with HumRRO that expired in September 2006.

Table 9: HumRRO Expenditures by Contract Commodity Line

Commodity Line Description	FY 2007		FY 2008	
	State	Federal	State	Federal
CATS Research Quality and Assurances	\$382,473	\$0	\$509,608	\$148,050
Total by FY	\$382,473		\$657,658	

Source: APA based on data from the statewide accounting system

Detailed Examination of Three Assessment Contracts

**Education
Measurement
Consulting
(William Auty)
contract**

On March 1, 2007, KDE entered into a contract with Education Measurement Consulting to provide psychometric services. As the sole proprietor, William Auty provides all services for this Oregon-based consulting firm. As a result, KDE refers to this contract as the William Auty contract. In general, the contract provides KDE with on-call psychometric services and gives the agency a direct representative with expertise in this field.

Psychometrics is the field of study concerned with the theory and technique of educational and psychological measurement. The primary focus is on the construction of procedures and instruments for measurement, such as tests, and the statistical analysis of the results. A psychometrician can be used to ensure the reliability and validity of tests and for the norming or standardization of results.

According to contract documents and invoice descriptions, some of the services provided through this contract include:

- Consulting and planning with KDE staff regarding design, methodology, and protocols for incorporating diagnostic and predictive measures into CATS;
- Consulting with CATS testing contractors and KDE staff to accomplish scaling and equating of the CATS assessment and setting standards for future CATS assessments and longitudinal assessment models;
- Evaluating the validity and reliability of the alternate assessment of students with severe cognitive disabilities;
- Evaluating how KCCT scores relate to other measures of evaluating educational achievement;
- Assisting KDE staff in the preparation of the annual NCLB work plan;
- Directing, guiding, and overseeing KDE's participation in the NCLB Standards and Assessment Peer Review conducted by the U.S. Department of Education;
- Assisting in the preparation of staff notes, reports, and presentation before the KBE, NTAPAA, EAARS, SCAAC, or other legislative, constituency, or stakeholder groups; and,
- Reviewing and overseeing the validity and reliability studies conducted under the existing CATS testing contracts.

*Changes or
modifications to
William Auty
contract*

Since the initial contract with William Auty began in March of 2007, it was modified three times. Two of these modifications were to renew the contract from one fiscal year to the next for a continuation of existing contract services. This is a routine occurrence and is considered a housekeeping issue. Only one of the modifications to the contract made significant changes.

Detailed Examination of Three Assessment Contracts

William Auty contract was increased by nearly 78 percent on December 26, 2007

On December 26, 2007, a change was made to increase the William Auty contract amount by nearly 78 percent, from a total of \$108,400 to \$192,740. According to KDE, this increase was needed due to substantial changes to the testing system, including a legislative mandate to include the ACT and other assessments into CATS accountability. KDE was also undergoing a federal peer review and needed the professional assistance of the contractor. The full explanation provided by KDE is as follows:

Because several substantial changes to the testing system have been made (updates to and redesign of the KY Core Content For Assessment (CCA); updates to and redesign of the KY Core Content Tests (KCCT) to comply with NCLB; alignment of new tests to KY standards including validating and setting standards for the new tests; revision of subject-area weights), more psychometric oversight is needed than was allocated. Continued involvement with this work is especially critical during future refinements to the system, which include the legislative mandate that EXPLORE, PLAN, ACT and WorkKeys, diagnostic and predictive measures of college and workplace readiness be incorporated in CATS accountability. In addition, KY is undergoing a No Child Left Behind Standards and Assessment Peer Review conducted by the U.S. Dept. of Education and still needs the expertise of Education Measurement Consulting to guide us through the process. This modification will add \$84,340.41 (\$78,340.41 for Services; \$6,000.00 for Travel) to the contract to pay for psychometric services and related expenses for the remaining contract period.

Original Amounts--Services: \$81,900.00; Travel: \$21,500.00; Other Expenses: \$5,000.00
Original Contract Total: \$108,400.

Amounts after Modification--Services: \$160,240.41; Travel: \$27,500.00; Other Expenses: \$5,000.00 (No Change)
Contract Total After Modification: \$192,740.41

Expenditures and funding sources for William Auty contract

The contract with William Auty is fully funded by federal funds for state assessment costs. While the total amount of the contract was \$192,740, this does not represent the actual amount spent. Below are the total amounts that have been expended by KDE to William Auty during FY 2007 and FY 2008. Since the original contract did not start until March 2007, FY 2007 expenditures only represent four months of services. This accounts for the dramatic increase in expenditures from one year to the next.

Detailed Examination of Three Assessment Contracts

**Table 10: William Auty (Education Measurement Consulting)
Expenditures by Contract Commodity Line**

Commodity Line Description	FY 2007		FY 2008	
	State	Federal	State	Federal
Services	\$0	\$43,950	\$0	\$75,225
Travel	\$0	\$4,925	\$0	\$5,000
Other Expenses	\$0	\$0	\$0	\$0
Total by FY	*\$48,875		\$80,225	

Source: APA based on data from the statewide accounting system

* Contract in effect for only four months of FY 2007.

Findings and Recommendations

Finding 1: KDE overpaid HumRRO \$58,400 for services provided due to an inadequate review of invoices.

In April 2008, KDE paid an invoice for \$113,660 to HumRRO for services provided during the period July 1, 2006 through June 30, 2007. However, the true amount of services provided on this specific invoice was only \$55,260, resulting in a \$58,400 overpayment.

HumRRO stated that the reason for the billing error was due to its misunderstanding of the payment structure of the current contract. Under a previous contract arrangement with KDE, HumRRO was paid a fixed price for providing a particular service regardless of the actual cost to provide that service or product. However, effective July 1, 2006, KDE established the contract as a personal service contract in which the vendor is only paid for the determined value of the services provided. According to HumRRO staff, the invoice error resulted from mistakenly applying the payment structure from the former contract to bill for the service provided under the current contract.

This overpayment demonstrates that KDE's invoice review process did not ensure that the total value of services invoiced were provided prior to payment. Had KDE known the value of this service and thoroughly reviewed this invoice it would have identified that the service was incorrectly billed. In this instance, weak contract oversight and administration by KDE led to the overpayment.

Due to the overpayment of \$58,400, the HumRRO contract prematurely reached its maximum contract amount available to expend for the contract period. The result was KDE could only pay \$88,050 of a year-end HumRRO invoice for \$116,450. Initially, KDE planned to create a contract modification to pay the remaining balance of \$28,400. After audit inquiries concerning the outstanding balance, KDE and HumRRO discovered the overpayment and HumRRO has agreed to issue a net \$30,000 credit to KDE. The \$30,000 credit was the net amount of the \$58,400 overpayment less the \$28,400 remaining balance.

According to KDE, this discovery has resulted in the development of new invoicing requirements and review procedures. Such process improvements if consistently applied with due diligence, should reduce the risk of future overpayments.

Recommendations

KDE should develop and implement improved invoice review procedures that require staff to determine that services have been provided prior to payment and that the payment does not exceed the true cost of the service. KDE staff should consider the contract payment structure during the invoice review process.

Findings and Recommendations

Finding 2: An administrative error necessitated a \$3.5 million increase to the Measured Progress contract.

The Measured Progress contract was modified in March 2007 to increase the total amount of the contract by \$3,483,816 after an Electronic Funds Transfer (EFT) payment was sent in error to a nonexistent bank account that was to receive the payment. According to KDE staff, an error was made concerning the Measured Progress account number, either by the KDE employee recording the number or the Measured Progress staff member providing it. Though the funds were returned and the vendor did not receive payment, the contract continued to reflect that this payment was made, reducing the contract amount available to expend. In order to reissue the payment, the contract needed to be increased by the EFT payment of approximately \$3.5 million.

When the EFT payment was returned, Finance issued a Cash Receipt document to redeposit the money into the original accounts from which the payment was made. However, the refund did not add the payment amount back to the total contract amount available to expend. Though the funds were technically available to KDE, a contract modification was needed to properly reflect the balance of the contract.

In the end, KDE never paid an additional \$3,483,816 towards the contract. As a result of this situation, KDE staff indicated that a procedure was initiated to specifically require that employees obtain written verification of vendor account information.

Recommendations

KDE should obtain written verification of vendor account numbers. Also, should a similar situation requiring a significant contract modification occur in the future, KDE should thoroughly document the need for the modification. This information should be communicated to the Committee to explain the rationale for the modification and its financial impact.

Finding 3: A significant number of payments to Measured Progress and HumRRO were made from accounts not in the contract documentation.

Although only state funds were originally specified as the funding source for Measured Progress and HumRRO contracts in effect between July 1, 2006 and June 30, 2008, both federal and state funds were used to pay contract expenditures. KDE issued total payments of \$8,454,005.60 to Measured Progress and HumRRO from accounts not specified in the contract documentation. This represents 34 percent of the total amount expended for these two contracts. Federal funds of \$6,167,753 were used to pay for 26 percent of Measured Progress' contract expenditures. Federal funds in the amount of \$148,050 were also used to pay for 14 percent of HumRRO's contract expenditures.

Findings and Recommendations

The following table details the payments made from funding sources not identified in the Measured Progress or HumRRO contracts.

Table 11: Payments Made From Funding Sources Not Identified in the Contracts

	Measured Progress (7/1/06-6/30/08 Contract)			HumRRO (7/1/06-6/30/08 Contract)		Total
	FY2007	FY2008	FY2009	FY2007	FY2008	
Payments from Unidentified Accounts	\$988,203	\$6,921,805	\$0	\$0	\$543,998	\$8,454,006
Total Amount Paid on Contract	\$7,505,903	\$13,373,226	\$3,284,400	*\$340,473	\$657,658	\$25,161,660
% of Total Amount Paid that was from Unidentified Accounts	13%	52%	0%	0%	83%	34%

Source: APA based on data from the statewide accounting system

* An additional payment of \$42,000 was issued to HumRRO during January of FY 2007; however, the payment was for services provided under the previous contract, which expired in September 2006. This payment has not been included in the above table.

KDE offered two explanations for payments made from unidentified funding sources. First, KDE staff copied previous contract information into the new statewide accounting system without identifying all of the funding sources used to make contract payments. Second, only an estimate of federal funds, not an exact amount, is known when the contracts are initiated. The actual amount of federal funds allocated on an annual basis to each state’s assessment program have been historically confirmed at the end of the federal fiscal year. Because a specific federal dollar amount cannot be identified at the onset of these contracts, KDE does not identify the federal source of funds at the initiation of the contract. As a result, the Committee and other policymakers may not be aware that federal funds are intended to be used to pay for a portion of these contracts.

Recommendations

KDE should identify all funding sources associated with assessment contracts as the information becomes available. At the initiation of a contract, KDE should communicate to legislators an estimate of federal funds that will be used to pay for a portion of the assessment contracts.

Finding 4: Invoices for assessment contracts reviewed provided insufficient detail to allow a thorough review process to occur prior to payment.

The invoices provided by Measured Progress, HumRRO, and William Auty do not provide sufficient detail to allow an efficient and thorough review of services provided and invoiced. Vendors supply KDE with invoices that document the services provided for a particular period of time and the cost of those services. KDE staff reviews these invoices to ensure that the services billed have been provided as stated. Additional detail provided on the invoice would assist KDE in determining that all services billed have been rendered. Findings and recommendations associated with each vendor follow.

Findings and Recommendations

Measured Progress invoices do not sufficiently describe services provided and contract requirements are not reconciled to invoices

Measured Progress submitted quarterly invoices with only general headings, or line items, appearing on the invoices. These line items are closely associated with the components of CATS that the vendor was contractually required to provide; however, no additional detail was provided. A typical invoice included the following line items:

- Project Management;
- KCCT Test Development;
- Writing Portfolio Support and Scoring;
- CATS Materials Development;
- CATS Test Material Receipt and Scoring;
- CATS Data Files;
- CATS Score Reporting;
- CATS Technical Specifications;
- On-Line Administration; and,
- Standard Setting.

The line items are vague and lack an actual description of services provided by the vendor. While verbal communication between KDE and the vendor are frequent (see Finding 5), KDE does not require Measured Progress to provide additional written detail on their invoices describing the services rendered, such as identification of which contract obligations or specific project tasks were fulfilled. Without additional details, KDE cannot be certain which specific project tasks were completed during the invoice period, nor can they determine if Measured Progress succeeded or failed to complete assigned tasks and provide key deliverables in a proper and timely manner.

KDE should be aware of tasks billed in order to properly monitor contractor performance. Both KDE and the vendor would benefit from a more detailed description of services provided and the identification of which sections of the contract are being fulfilled. Due to the lack of detail provided, Measured Progress invoices cannot be used as a record to resolve discrepancies between services provided and contract costs. A more specific description would reduce the risk of conflict, the potential for duplicate payments, and other miscommunication.

Recommendations

KDE should require a detailed description of the service provided to be included on the invoice. At a minimum, KDE should require Measured Progress to include the completed action items within the task calendar on the invoices. When applicable, invoices should also note the associated section of the contract (page number and paragraph number) to ensure obligations are being fulfilled.

Findings and Recommendations

Invoices submitted by HumRRO to KDE do not reflect the specific report or service completed

HumRRO does not include sufficient information on invoices to allow KDE to ensure that all services or reports produced that are billed have actually been delivered. The HumRRO contract states that upon completion of the task, HumRRO is to submit an invoice for payment to include an original signature as well as dates and descriptions of services provided along with the total amount due. HumRRO submits invoices for payment as required by the contract. HumRRO also submits memoranda that indicate which tasks were completed; however, the memoranda did not provide sufficient detail to link the activity to the task of the contract. For example, HumRRO does not include the titles of the reports produced during a particular invoice period. Audit Finding 1 illustrates that insufficient invoice documentation can create a weakness in the review process and result in payment errors.

Recommendations

KDE should require a detailed description of the service provided to be included on the invoice. The invoice should identify the title of any reports produced by HumRRO to facilitate KDE's ability to verify the service or tasks performed.

William Auty invoices only provide the total hours worked and do not detail the hours spent on each service performed

William Auty invoices did not provide the number of hours billed for each line item. Invoices included a listing of services provided during a particular invoice period with only the total hours worked for all services. Therefore, it is not possible to determine if a reasonable amount of time was spent on specific services, such as reviewing Peer Review documents or meeting with testing vendors.

To strengthen contract administration, KDE should require the vendor to identify the hours worked for each service listed on the invoice. Detailing the hours worked for specific services will assist KDE in budgeting the time and funds needed to perform similar services in the future.

Recommendations

KDE should require that all invoices provide the maximum amount of detail to ensure a thorough review of services. KDE should require William Auty document the number of hours worked for each line item on the invoice.

Finding 5: KDE monitors Measured Progress contract deliverables through frequent communication, but is not documented in sufficient detail to ensure proper monitoring of the contractor's performance.

The Measured Progress contract requires project management, which include the following:

- Maintain a master calendar (project calendar) that tracks deadlines and the progress of all activities and tasks;
- Conduct weekly telephone management meetings with KDE and other vendors to review and discuss task implementation and status and provide an agenda in advance of the conference call;
- Conduct four to six telephone, face-to-face, or video management meetings per year at KDE; and,
- Take minutes of each contractor meeting and submit all minutes and records to KDE for approval.

Findings and Recommendations

KDE uses the project calendar, weekly conference calls, quarterly meetings, and meeting minutes to monitor the contract performance of Measured Progress. However, KDE does not require:

- A description of each task identified on the project calendar;
- A linkage between the tasks on the project calendar and contract requirements; and,
- Quarterly meeting minutes documented by the vendor to be delivered, reviewed, and approved.

The record keeping should clearly identify what is expected in unambiguous and detailed terms in order to ensure the following:

- Goals and objectives are fully understood by the contracting parties;
- Questions and issues are identified for early resolution;
- Services are performed timely and to expectations; and,
- Contract billings are accurate with proper and measurable evidence.

Contract activity project calendar

Measured Progress provides KDE with a project calendar that tracks activities required by the contract. This project calendar is a timeline that illustrates the task name, start and completion date, and the contractor(s) associated with each task line item. Although the project calendar provides a rough outline of what is to occur and when, the project tasks do not provide a sufficient description to ensure all participants understand and agree on the project tasks to be performed. The project tasks appear to use standard, boilerplate, and repetitive terminology.

The project tasks within the timeline of contract deliverables are not presently cross-referenced to the appropriate sections of the contract. KDE may have difficulty ensuring that all aspects of the contract are being delivered if the project calendar is not cross-referenced to the contract. KDE needs to clearly understand each project task within the project calendar in order to ensure that the vendor complies with contract requirements. The review of invoices could be improved and accelerated by referencing project tasks to the contract requirements.

KDE weekly and quarterly meetings with Measured Progress

Measured Progress provides KDE with an agenda for each week's conference call and minutes from the previous week's conference call on the day before the next scheduled conference call. The weekly discussions, along with the quarterly face-to-face meetings, provide an opportunity for all parties to routinely discuss task implementation, review the project status, and ensure work is progressing in a timely manner.

Findings and Recommendations

The auditors attended a weekly conference call between KDE, Measured Progress, and a few other parties. The auditors observed a good working relationship and open dialogue among the participants. The status of each current project task was discussed and any implementation issues or concerns were resolved. Responsibilities were clearly defined and deadlines were established. The facilitator summarized each conversation to ensure all participants had the same understanding of the discussion.

In addition to the weekly conference call minutes, Measured Progress also generates and maintains minutes for the face-to-face quarterly meetings. KDE receives the conference call minutes weekly from Measured Progress, but it is questionable if KDE received and thoroughly reviewed the minutes from the quarterly face-to-face meetings.

The auditors made repeated requests for the quarterly meeting minutes. Because KDE had to request most of these minutes from Measured Progress, it is questionable whether KDE reviewed and approved the minutes. In case of a discrepancy between KDE and the vendor, the minutes are to serve as an official record. Without thoroughly reviewing and approving meeting minutes, KDE cannot determine that the minutes accurately reflect the meeting discussion and the vendor performance.

Recommendations KDE should cross-reference the project calendar to the contract requirements. This could be accomplished by providing the relevant page and paragraph number within the contract beside each task listed on the calendar. The tasks appearing on the project calendar should provide sufficient detail to ensure a clear distinction from each task and clarity among all users.

KDE should continue frequent and open communication with Measured Progress.

KDE should in a timely manner thoroughly review and approve meeting minutes generated by Measured Progress or generate their own version.

Finding 6: Not all of Kentucky's assessment related expenditures are tracked.

Accounting for all of the costs associated with Kentucky's assessment program is not possible due to the lack of tracking certain state level expenditures and the inability to determine local district assessment costs. At the state level, KDE only tracks assessment expenditures incurred by OAA, but not the assessment expenditures incurred by other KDE offices. For example, the Office of Teaching and Learning regularly provides assistance and consultation to OAA staff concerning assessment contracts. The assessment related time of these staff are not tracked; therefore, those costs cannot be calculated.

Findings and Recommendations

While the majority of state level administrative costs have been calculated, district level administrative and implementation costs cannot be accurately determined. This was most recently demonstrated in a 2005 analysis report by LRC. The conclusion of the report was that calculating district assessment costs was inconsistent and subjective because the costs could only be obtained through surveys of the local districts and schools. Survey results from the 2005 report illustrated that accounting for funds by districts and schools was subjective and varied widely resulting in questionable accuracy.

Ideally, Kentucky should know exactly what it costs to implement a statewide assessment of public school students including the cost of tests, portfolios, scoring, and administration. However, KDE considers the work performed by staff to facilitate assessments in offices other than OAA as part of their normal job duties and no attempt is made to track assessment costs in other offices.

District level costs cannot be accurately determined due to the lack of a consistent process to track assessment expenditures. Unless a uniform and enforced process is established to track assessment related expenditures at the local district, this will not change.

Recommendations KDE should begin tracking all state level assessment related costs, even those outside of OAA.

KDE should consider developing a uniform process to track local district assessment costs.

Finding 7: Third grade norm-referenced tests are not currently used in accountability scores.

The scores from third grade norm-referenced tests, as of the 2006-2007 school year, are no longer used as part of a school's accountability score. Prior to the 2006-2007 school year, norm-referenced tests were provided by a vendor through a central contract with KDE. This contract was not renewed, and instead, KDE provided limited funding to assist the local school districts with the cost of a norm-referenced test of their choice. KDE determined at that time that the results of these various district chosen tests would not be a part of the scores.

Districts supplement the cost of third grade norm-referenced test

KDE reversed its decision to distribute to the local district the responsibility to choose a third grade norm-referenced test vendor and posted an RFP in the spring of 2008. The intent of the agency was to once again create a central level contract for these tests and then to include the test scores with the school accountability scores. However, the RFP responses to provide this test exceeded the funds KDE currently had available. KDE stated it previously had sufficient funds for a centralized third grade norm-referenced test; however, for the last two years districts supplemented the cost of this test. District funds are not available to KDE and an increase in state funds for this purpose would be required.

Findings and Recommendations

Many of the primary assessment tools, such as student portfolios, the KCCT, and the ACT, are used to create an accountability score for each of the state's schools. Currently, the only norm-referenced test given at the elementary school level is the one chosen by the districts and it is not included in school accountability scores. Without a consistent and centralized test, accountability scores for elementary schools are based primarily on the KCCT and student portfolios. This differs from middle schools and high schools, where norm-referenced testing is integrated into other assessment tools to create accountability scores.

KDE distributed over \$316,000 to local districts for testing

At the state level, KDE distributed over \$316,000 to the local districts in FY 2008 to assist with the cost of the third grade norm-referenced tests. This amount does not include the district funding nor the time spent by the districts in providing such a test. These district expenses are not known.

Norm-referenced testing is required by KRS 158.6453 (2)(a), demonstrating that such testing has been deemed an important part of assessment in Kentucky. While it is not a statutory requirement that norm-referenced testing be included in a schools accountability scores, it seems appropriate that any student assessment should be included in a school's scoring. However, this can only be accomplished by using the same test for all schools to ensure standard applicability.

Recommendation

Under the current funding structure, KDE should consider requiring districts to use the same third grade norm-referenced test to allow for the scores to be measured equally and used in the accountability scores of schools.

**Finding 8:
NTAPAA last met in
2007 and is not
currently funded.**

Pursuant to KRS 158.6454, LRC is to appoint a panel known as NTAPAA. This panel is to include no fewer than three professionals with a variety of experience in education, testing, and measurement. Despite the statutory requirement, KDE stated that the last recorded meeting for NTAPAA was in 2007 and that the panel is not currently funded.

According to KRS 158.6454, the primary purpose of NTAPAA is to advise LRC on Kentucky's assessment and accountability program. In addition, NTAPAA is referenced in two other statutes: KRS 158.6453 and KRS 158.6455. These statutes require KBE to seek the advice of NTAPAA members in developing administrative regulations for the statewide assessment and accountability program. This allows both LRC and KBE to benefit from a broad spectrum of educational knowledge from a variety of national sources, depending on the members chosen to be a part of the panel.

KDE officials stated that the review and advice of NTAPAA members has improved Kentucky's assessment program. Previous panel members included university professors with experience and expertise from other states who provided valuable insight into the assessment development process.

Findings and Recommendations

Other states are using the services of a Technical Advisory Council similar to Kentucky's NTAPAA to assist in studying issues of assessment and testing in the school systems. The US Department of Education peer review teams look for materials reviewed and approved by the states' Technical Advisory Councils. While NCLB does not require states to have Technical Advisory Councils, the lack of a similar group may negatively impact the state's next peer review. Additionally, as recently as October 2008, the US Department of Education emphasized the importance of Technical Advisory Councils at the state level by suggesting the US Department of Education create a similar group.

Recommendation

To comply with KRS 158.6454, NTAPAA should be implemented to review Kentucky's assessment and accountability program and advise LRC, KBE, and KDE.

Finding 9: KDE would benefit from hiring a fulltime psychometrician rather than contracting by the hour.

KDE would receive a greater return on state expenditures by hiring a fulltime psychometrician. KDE is currently contracting for psychometric services with William Auty. Services are paid at the rate of \$150 per hour, along with any costs incurred by William Auty when he travels from his Oregon based office. Because services are charged by the hour, KDE must be conscious of the requests made to William Auty to ensure the contracted amount is not exceeded. This limits the amount of important psychometric services that can be applied to Kentucky's assessment program. According to KDE, William Auty has provided Kentucky with quality services as a very experienced and respected psychometrician.

Psychometrician provides KDE with consultation and oversight for assessment process

KDE requires the services of an experienced psychometrician to provide consultation and oversight in all aspects of assessment design, development, and delivery. This includes ensuring that the state develops a fair, effective, and legally defensible assessment system by working with KDE officials, testing vendors, and the U.S. Department of Education. Working with testing vendors alone can entail several hours per week in conference calls. Due to the important role that a psychometrician plays in assessment programs, KDE should consider, as budget constraints allow, retaining a fulltime staff member with those skills.

The high cost of retaining a psychometrician may require a new contract, designed with the intent that the contractor would work exclusively for Kentucky on a fulltime basis. With the limited number of people qualified to meet the standards required to oversee a state assessment program, KDE would have to offer a competitive employment package. Likely sources for such individuals would be universities or other state school boards and education departments.

KDE formally employed a fulltime staff member that provided psychometric services and other duties. According to KDE officials, the cost to the state for this staff was considered very low for the services being provided. This staff person eventually left for a position at a private firm. Recognizing that it would require additional funds to hire a new psychometrician, KDE has been contracting for these services for the last two and a half years.

Findings and Recommendations

Based on a simple cost-to-benefit analysis, it can be determined that KDE would receive a greater return on the funds expended by hiring a full-time psychometrician. Using the potential employment amount of \$150,000, the hourly rate of \$76.92 is lower than the \$150 per hour paid to William Auty. In addition, a full-time psychometrician would provide a 289 percent increase in the number of hours available to KDE. Increasing the overall cost of this service would certainly be difficult given current financial constraints; however, the state’s assessment program would benefit from this additional service.

The following table compares the FY 2008 costs and hours of the William Auty contract to a potential full-time psychometrician at a cost of \$150,000 per year.

Table 12: Potential Efficiencies of Fulltime Psychometrician – Assuming Total Yearly Cost of \$150,000 for 37.5 Hours per Week

	William Auty Contract	Fulltime Psychometrician	Net Effect
Total Cost	\$80,225	\$150,000	87% Increase
Total Work Hours	501.2	1950	289% Increase
Hourly Pay Rate	\$150/hour*	\$76.92/hour	49% Decrease

Source: APA using KDE data

* Does not include the cost of travel. Using all FY 2008 expenditures, the average hourly rate paid to William Auty equals \$160 per hour.

Recommendation As budget constraints allow, KDE should consider retaining a full-time psychometrician.

Assessment and School Accountability August 2008 Update by the Prichard Committee for Academic Excellence

The Prichard Committee for Academic Excellence is an independent, non-profit, citizens' advocacy organization. Their report provided a current and simplified look at Kentucky's assessment and accountability programs and the requirements of NCLB, as well as how NCLB requirements have been incorporated into Kentucky's assessment and accountability programs.

The Prichard Committee update can be accessed electronically via their website at http://www.prichardcommittee.org/Portals/1059/Publications/updates_assessment.pdf.

An Analysis of the Commonwealth Accountability Testing System (July 2005) by the Commonwealth of Kentucky Legislative Research Commission and the Office of Education Accountability

In 2004, the General Assembly adopted Senate Joint Resolution 156 directing the OEA to review CATS. The resulting report provided a concise overview of CATS, discussed the alignment of CATS with the requirements of NCLB, and the summarized stakeholders' opinions of CATS.

The report included an assessment of the reliability and validity of educational assessment systems, such as CATS. OEA contracted with AEL, a nonprofit educational research and development firm based in West Virginia, to provide this analysis. The report also attempted to determine the total cost (state and local) of CATS for FY 2004.

The study's major conclusions included:

- KDE has modified CATS to comply with the requirements of NCLB and that the state accountability plan has been approved by the United States Department of Education.
- The research on education assessments did not provide a clear indication of what level of reliability and validity must be achieved on an assessment, but rather that the level of reliability and validity varies depending on how the scores will be used.
- While a considerable amount of variation in the types and amounts of costs reported at the local level was observed, OEA estimated that the total cost of CATS for FY2004 was \$37.2 million (\$20.8 million at state-level and \$16.4 million at the local-level).

This remaining conclusions and the recommendations that resulted from this review can be accessed electronically via LRC's website at <http://www.lrc.ky.gov/lrcpubs/RR328.pdf>.

The Commonwealth Accountability Testing System (August 2003) by the Commonwealth of Kentucky Legislative Research Commission's Program Review and Investigations Committee

In July 2002, the Program Review and Investigations Committee authorized its staff to review aspects of CATS, including writing portfolios. In conducting the study, the staff analyzed data and documentation KDE used to measure educational progress under CATS. Interviews were conducted with staff of the department, the Kentucky Education Professional Standards Board, OEA, and the Interim Joint Committee on Education.

Staff attended a regional training session for scorers of writing portfolios and meetings of NTAPAA. Staff surveyed teachers, principals, and superintendents on issues related to CATS assessment and accountability.

The major conclusions and the seven recommendations that resulted from this review can be accessed electronically via LRC's website at <http://www.lrc.ky.gov/lrcpubs/RR312.pdf>.

Kentucky Instructional Results Information System: A Technical Review (January 1998) by James S. Catterall & Associates

This report was produced under a subcontract between the authors and Coopers & Lybrand (C&L), pursuant to a contract between C&L and LRC to audit the contracts and contractual relationship between KDE and Advanced Systems for Measurement and Evaluation (now known as Measured Progress). The authors were engaged to provide a technical review of the “validity, reliability, and appropriateness of specific KIRIS components and practices as measures of student achievement and performance, as well as measures of school success in producing student achievement and performance.” The authors opined that the KIRIS cognitive assessments were marginally adequate for reporting back to schools, but some aspects of KIRIS, such as the writing portfolios, were somewhat suspect with respect to psychometric characteristics. The report also commented on the recommendations put forward by an expert review panel commissioned in 1994 by OEA.

December 1997 report issued by Coopers and Lybrand, LLP

In 1997, LRC contracted with C&L to audit the contracts and contractual relationship between KDE and Advanced Systems for Measurement and Evaluation. Advanced Systems held the primary assessment contract between 1991 and 1997. In December 1997, C&L issued a report containing the results from their limited financial and managerial review of KDE and Advanced Systems. The review resulted in a variety of observations.



EDUCATION CABINET DEPARTMENT OF EDUCATION

Steven L. Beshear
Governor

Capital Plaza Tower
500 Mero Street
Frankfort, Kentucky 40601
Phone (502) 564-4770
www.education.ky.gov

Jon E. Draud, Ed.D.
Commissioner of Education

January 6, 2009

Mr. Bryan Lykins, Executive Director
Office of Technology and Special Audits
Auditor of Public Accounts
105 Sea Hero Road, Suite 2
Frankfort KY 40601-5404

RE: Examination of Draft Audit Report

Dear Mr. Lykins,

Thank you for the opportunity to review and comment on the performance audit just completed by your office on the state assessment contracts. Staff has completed the review of the draft audit and our responses to your findings follow.

1. **KDE paid HumRRO \$58,400 for services not provided due to an inadequate review of invoices.**

KDE agrees with the finding and has already implemented policies and procedures to ensure the appropriate review and authorization for payment of vendor invoices. We will continue to review this process and will implement improvements as necessary. We have received a \$30,000 credit from HumRRO and applied the \$28,400 to a verified invoice, thus correcting the \$58,400 error from a previous invoice and payment.

2. **An administrative error necessitated a \$3.5 million increase to the Measured Progress contract.**

KDE agrees with this finding. Since the vendor communicated the incorrect EFT account number, we have advised staff to obtain written verification of vendor account numbers. In the future, a thorough explanation will be provided to the committee for any contract modification to

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help explain the rationale for the modification. As stated in the explanation of the finding in the audit report, "In the end, KDE never paid an additional \$3,483,816 towards the contract."

- 3. A significant number of payments to Measured Progress and HumRRO were made from accounts not in the contract documentation.**

Due to timing issues related to federal funds, it may not be possible to identify specific federal sources by award and award year at the time of contract initiation. KDE will include all identified sources of funding in the contract information provided to LRC. At the time of renewal for the CATS contracts, KDE will include the funding sources in the extended description of the contract for clarification.

- 4. Invoices for assessment contracts reviewed provided insufficient detail to allow a thorough review process to occur prior to payment.**

KDE is in agreement. Based upon informal feedback from the state auditors this fall, the Office of Assessment and Accountability (OAA) changed the invoice requirements for its assessment vendors. Those changes were implemented in November 2008. The new method brought the invoice procedures in alignment with the auditor's recommendation. Specifically, the invoices contain written references to both the vendor's Project Calendar, which shows specific line items of work, and to the assessment contract. OAA now requires the vendors to link their Project Calendar tasks to a reference on a contract. By listing both the vendors' Project Calendars and Contract References, the invoices now contain detailed information concerning the work accomplished and the contract details. This method will assist OAA in verifying a detailed description of invoiced work.

- 5. KDE monitors Measured Progress contract deliverables through frequent communication, but is not documented in sufficient detail to ensure proper monitoring of the contractor's performance.**

KDE agrees. As mentioned in the KDE Response to Recommendation 4, the invoice system for vendors underwent a change in November 2008. The vendors updated their Project Calendars to include references to the specific areas of the contract. This change allows a cross-reference of the Project Calendar tasks, the contract and the invoice. In addition, the vendor will create timely, quarterly, face-to-face meeting minutes, and OAA will review those minutes as soon as they arrive.

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6. Not all of Kentucky's assessment related expenditures are tracked.

KDE's accounting structure is based on how funds are appropriated and allotted to the department. This does allow KDE to track specifically identified assessment costs. Tracking more indirect costs related to assessment, such as occasional work on assessment issues by staff in other areas of the department, will be reviewed to determine if the cost of such a tracking effort is beneficial. It is likely that the cost of work performed by staff in other areas may be offset by the occasional work performed by assessment staff on non-assessment issues in support of other KDE divisions.

KDE continues to work to improve the reporting of financial information at the local district level and agrees that more accurate information regarding local assessment costs is important.

7. Third grade norm-referenced tests are not currently used in accountability scores.

KDE agrees. KDE has completed the regulatory work to require a norm-referenced test to be administered at the end of primary (Grade 3) level. The requirement will be implemented upon receipt of appropriate funding.

8. NTAPAA last met in 2007 and is not currently funded.

KDE agrees. KDE is not responsible for the implementation, scheduling or funding of NTAPAA. NTAPAA exists under the auspices of LRC. KDE does agree that the funding and implementation of NTAPAA should occur as soon as possible. NTAPAA provides advice about numerous assessment issues in Kentucky. This group of experts provides OAA with guidance for the state assessment program.

9. KDE would benefit from hiring a full-time psychometrician rather than contracting by the hour.

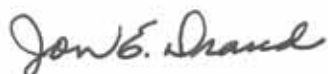
KDE agrees with the need for ongoing assessment support from a psychometrician. This person provides in-depth guidance on the development of assessments and ensures the validity and reliability of the state assessment program. If funding were available, the first choice of KDE would be to hire a full-time psychometrician. Under the current funding limitations, KDE will analyze the hours of work needed for this position. Typically, psychometric services are heaviest in the beginning of an assessment contract or when significant changes occur in the requirements of the assessment program. Currently, OAA has been regularly assigning work to Bill Auty, but the amount of time needed has been limited this fall. For instance, even though the contract calls for a maximum of \$150,000 for FY 09, only \$26,186 has been paid for the first half of the year. The \$150,000 is a cap on the contract - not a required amount to be paid. By analyzing the need

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for Bill Auty's services over the next few months, OAA will be able to determine whether a full-time position or a part-time position is more advantageous for both budgetary and work task purposes.

This concludes our responses to the draft audit document. Please contact me if clarification is needed for any statements KDE has submitted in this response.

Sincerely,



Jon E. Draud

Contributors To This Report

Crit Luallen, Auditor of Public Accounts

Brian Lykins, Executive Director, Office of Technology & Special Audits
Jettie Sparks, CPA, Performance Audit Manager
Jim Bondurant, Performance Auditor
Byron Costner, Performance Auditor
Brooke Sinclair, Performance Auditor
Julie Skeeters, Performance Auditor

Obtaining Audit Reports

Copies of this report or other previously issued reports can be obtained for a nominal fee by faxing the APA office at 502-564-0067. Alternatively, you may order by mail:

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Auditor of Public Accounts
105 Sea Hero Rd. Ste. 2
Frankfort, Kentucky 40601

visit : 8 AM to 5:00 PM weekdays

email: crit.luallen@auditor.ky.gov

browse our web site: <http://www.auditor.ky.gov>

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General Questions

General questions should be directed to Terry Sebastian, Director of Communication, at (502) 573-0050 or the address above.