

**WEST KENTUCKY EDUCATIONAL COOPERATIVE'S
ADMINISTRATION OF BALLARD COUNTY'S
ADULT EDUCATION GRANTS FROM
THE COUNCIL ON POSTSECONDARY EDUCATION AND
KENTUCKY ADULT EDUCATION**

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



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 6, 2006

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

Jayne Crisp, Executive Director
West Kentucky Educational Cooperative
420 Wells Hall
Murray, KY 42071

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Crisp:

This report contains the results of the performance audit of West Kentucky Educational Cooperative's administration of Ballard County's Adult Education Grants for the fiscal year ending June 30, 2005. The Council on Postsecondary Education and Kentucky Adult Education contracted with us to conduct performance audits of selected local adult education providers. This report represents our findings, recommendations, and the provider's responses.

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

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

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts



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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the West Kentucky Educational Cooperative (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Ballard County. The audit also included the Workplace Essential Skills (WES) Grant to provide training for Mead WestVaco employees. An on-site review was conducted on April 17, 2006 to April 21, 2006, to address the following objectives:

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

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

FINDINGS SUMMARY

FINDINGS FOR THE ADULT EDUCATION GRANTS	Disallowed Costs
Fifteen (15) participant files did not contain evidence to support that goals were met as reported to KYAE.	N/A
The goals-related information in one (1) participant's file was not reported accurately to KYAE.	N/A
Two (2) participant files did not contain evidence of separation due to no contact for 90 consecutive days.	N/A
There appears to be a significant duplication of participants enrolled in Program Type 09 and Program Type 18.	
Formal timesheets are not maintained by employees to support the hours worked and reported to KYAE.	N/A

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Three (3) employees were not included on the electronic staff listing per AERIN for FY 2005.	N/A
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FINDINGS RELATED TO THE WES GRANT – Mead WestVaco	Disallowed Costs
Ten (10) participants did not have documentation on file to support their attendance at the training classes and their hours were not being tracked.	N/A
Four (4) participants whose attendance was documented received substantially fewer hours of training than specified in the Scope of Work.	N/A
Timesheets were not used to document/support payroll expenditures.	N/A
Lack of documentation to determine whether the training schedule proposed in the Scope of Work was actually implemented.	N/A

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ADULT EDUCATION RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

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

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

Findings

No exceptions noted.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of 60 participants were selected randomly from the electronic student data sent from KYAE and compared to the documentation maintained in the participant files. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives.
- Agreed the establishment and achievement of goals/objectives to the information reported to KYAE.
- Proper separation from the program when applicable.
- Other requirements were tested based upon the applicable program requirements.

The participants tested received services during the period of July 1, 2004 and June 30, 2005.

Findings

Proper file maintenance and accurate data entry are important to support and document the success of a provider in meeting eligibility requirements and goal achievement. Any achievement or completion of goals should be documented. Programs are to maintain assessment forms on file for three years. The following exceptions were noted:

- Fifteen (15) participant files did not contain evidence to support that goals were met as reported to KYAE.
- The goals-related information in one (1) participant's file was not reported accurately to KYAE.
- Two (2) participant files did not contain evidence of separation due to no contact for 90 consecutive days.

In addition, there appears to be a significant duplication of participants enrolled in Program Type 09 and Program Type 18. Program Type 09 participants relate to the basic Adult Education Grant, while Program Type 18 participants' training is funded through the Workplace Essential Skills Grant. Enrolling the participants in both programs may artificially increase the Provider's enrollment numbers tracked in the Adult Education Grant, even though the Provider is receiving funding to train these participants through another contract.

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Recommendations

We recommend the provider create a checklist for participant files to facilitate a periodic review of the contents to ensure that the required documentation is being maintained for all participants. All initial assessments and any achievement of goals/objectives should be documented and maintained. The person entering participant data should require documentation for any data entry performed on a participant and any deficiencies should be reported to the Program Director.

We also recommend a review of enrollment procedures to ensure that duplicates between Program Type 18 and the other programs are justified.

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

- Many of the (15) participant files that were missing evidence are due to the fact that AERIN automatically records the information. We rely on AERIN to contain the information and did not want to waste paper by printing forms to place in a student's folder.
- The (2) participant folders missing evidence of separation was true, but we did fax copies of the documentation to the auditor a few days after the audit. Once we received the documents from the school district we faxed it to the auditor.
- We are considering a checklist.
- Yes, there should be a significant number of duplicate participants in both Program Type 09 and Program Type 18. The reason is because we provide workplace training to companies utilizing funds from both grants (Core Services and WES). We work with several companies within the county and they are eligible to receive a specific number of trainings per year. If the company requests additional training, then we write a WES grant for that company. If we receive a WES grant then we will provide training to that company using both Core Funding and WES Funding. The participants are the same because the company is the same. To make sure the trainings are kept separate we utilize a different enrollment form for the trainings provided with the Core grant and the trainings provided with the WES grant. The forms are color coded to ensure they do not get mixed together. There are even times when the instructor is different.
- The numbers associated with the Core grant and WES grant are kept separate and are not "artificially" increasing our enrollment numbers. We have worked very hard to develop the system to make sure the numbers are kept separate. And, the system was developed with strong guidance from the staff at Kentucky Adult Education (Robert Curry was the staff person that suggested to us the color-coded system and stressed making sure enrollments were kept separate.) Had this finding been addressed during

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our close-out meeting with the auditor we would have been able to show the color-coded system we use and the amount of documentation that we have developed to verify how we keep the enrollments separate. The system we use has been in place for about 4 years.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing 6% of the total payroll expenditures, was judgmentally selected for payroll testing. Personnel files were examined to verify that staff had received the required professional development training hours and had completed an Individual Professional Development Plan if applicable. Timesheets were examined for existence and approval. Personnel files were examined to verify evidence of the instructor's bachelor's degree. A determination was made as to whether the employee was included in the electronic staff listing per AERIN for fiscal year (FY) 2005.

Findings

CPE and KYAE require that all KYAE-funded employees maintain documentation of hours worked. During our testing, we noted that formal timesheets are not maintained by employees to support the hours worked and reported to KYAE.

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. Three (3) employees were not included on the electronic staff listing per AERIN for FY 2005.

Recommendations

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

We recommend that staff information be entered accurately and completely in KYAE's electronic information system (AERIN). The provider should ensure that the employee's status is listed as "active" in the information system. This should be done at the beginning of each year because during the close out period all staff are automatically coded as "inactive."

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

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We are not aware of the "KYAE Electronic Information System" and we informed the auditor about this on several occasions. We were told we would get clarification as to what this refers to and we still have not received any clarification. We stated this during the final review meeting as well.

We do not plan on using timesheets, but are instituting an electronic "sign-in" process for our staff. When staff arrive at work they will be required to log-in on a computer. When they leave they will be required to log-out. The computer program will generate a print out of the hours each employee works.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 15 expenditures, representing 21% of the total purchases, was selected judgmentally from the detailed general ledger. These expenditures were tested for authorization/approval, supporting documentation, proper recording, and that it was an actual expense during the grant period of July 1, 2004 and June 30, 2005.

Findings

No exceptions noted.

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PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE

Scope and Methodology

Professional Development expenditures were tested for proper authorization, supporting documentation, and adherence to approved rates and reimbursement policies. A sample of four (4) expenditures, representing 23% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions noted.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

West Kentucky Educational Cooperative's fiscal administrator was given an Internal Control Questionnaire regarding the controls in place for cash disbursements, bank reconciliations, revenue, expenditures, and payroll. The questionnaire was completed by the fiscal administrator and reviewed for any significant control deficiencies.

Findings

No significant control deficiencies noted.

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WES RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE - WES

Scope and Methodology

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

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

Findings

No exceptions noted.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING - WES

Scope and Methodology

A total of 15 participants were selected randomly from the Student Enrollment Roster for fiscal year 2005 and compared to the documentation maintained in the participant files. We examined the files for the following:

- Documentation to support the participant's attendance.
- Total number of hours compared to the proposed hours per the Scope of Work.
- Procedure in place to track training hours.
- The participant was coded to Program 18 in the information reported to KYAE.

Findings

Proper file maintenance and accurate data entry is important to maintain records that are sufficient to identify the results of the service provided to each individual and for use in evaluating the effectiveness of the total program. The Scope of Work stated that 16 hours of total training would be provided to each trainee.

The following exceptions were noted:

- Ten (10) participants did not have documentation on file to support their attendance at the training classes and their hours were not being tracked.
- Four (4) participants whose attendance was documented received substantially fewer hours of training than specified in the Scope of Work.

Recommendations

We recommend the provider create a system to document each participant's attendance per class meeting to ensure that each participant receives the proposed number of total training hours. This documentation should be used to perform data entry of hours for each participant and ensure that all participants are reported to KYAE accurately.

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

We have already developed, and implemented, a new system to document participant attendance. The documentation includes a class roster, date of workshop, topic of

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workshop, length of workshop, and instructor of workshop. This information is being kept electronically and will be updated after each workshop is completed.

In addition, I would like to add that everything we had done up to this point was done on our own. We had no guidance from Kentucky Adult Education in regards to the WES grants. In fact, Kentucky Adult Education staff members requested our staff to present proper documentation for the WES grants to Region 1 and 2 adult educators.

Yes, we realize we need to improve our documentation process as a result of the audit, but I want to make sure it is understood that there was no guidance/process/structure that was required to follow.

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PAYROLL AND STAFF REQUIREMENTS - WES

Scope and Methodology

A sample of 10 payroll disbursements, representing 20% of the total payroll expenditures for this project was judgmentally selected for payroll testing. Personnel files were examined to determine that timesheets existed to support payroll costs, timesheet approval, the instructor was paid according to the hourly rate proposed in the Scope of Work, there was no duplication of hours charged to Adult Education Grants, and that instructors had evidence of a Bachelor's Degree.

Findings

Timesheets were not used to document/support payroll expenditures. Program charges for instructors and administrative personnel are made according to the terms of their contract.

Recommendations

All individuals charging time to this project should have a timesheet or other form of documentation that includes the number of hours worked, the grant to which time was charged, and the signatures of both the employee and his/her supervisor.

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

We do not plan on using timesheets, but are instituting an electronic "sign-in" process for our staff. When staff arrive at work they will be required to log-in on a computer. When they leave they will be required to log-out. The computer program will generate a print out of the hours each employee works.

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PURCHASING/EXPENDITURE COMPLIANCE - WES

Scope and Methodology

A sample of seven (7) expenditures, representing 20% of the total purchases, was selected judgmentally from the detailed general ledger. These expenditures were tested for authorization/approval, supporting documentation, proper recording, and that it was an actual expense during the grant period of July 1, 2004 and June 30, 2005.

Findings

No exceptions noted.

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MISCELLANEOUS FINDINGS – WES

There was insufficient documentation related to the training classes and trainee attendance for the Workplace Essential Skills grant for Mead WestVaco employees. Due to this lack of documentation, we were unable to determine whether the training schedule proposed in the Scope of Work was actually implemented.

Recommendations

We recommend the provider create a system to document the time and date for each training class, who attended, and the instructor. This documentation should be used to determine the effectiveness of the program and identify the results of the service provided to each individual.

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

We have already developed, and implemented, a new system to document participant attendance. The documentation includes a class roster, date of workshop, topic of workshop, length of workshop, and instructor of workshop. This information is being kept electronically and will be updated after each workshop is completed.

In addition, I would like to add that everything we had done up to this point was done on our own. We had no guidance from Kentucky Adult Education in regards to the WES grants. In fact, Kentucky Adult Education staff members requested our staff to present proper documentation for the WES grants to Region 1 and 2 adult educators.

Yes, we realize we need to improve our documentation process as a result of the audit, but I want to make sure it is understood that there was no guidance/process/structure that was required to follow.