

**OHIO VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF GALLATIN COUNTY'S ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY EDUCATION
AND KENTUCKY ADULT EDUCATION**

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



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 8, 2005

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

Leon Mooneyhan, CEO
Ohio Valley Educational Cooperative
P.O. Box 1249
Shelbyville, KY 40066

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Mooneyhan:

This report contains the results of the performance audit of Ohio Valley Educational Cooperative's administration of Gallatin County's Adult Education Grant for the fiscal year ending June 30, 2004. The Council on Postsecondary Education and Kentucky Adult Education contracted with us to conduct performance audits of selected local adult education providers. This report represents our findings, recommendations, and the provider's responses.

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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**OHIO VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Ohio Valley Educational Cooperative (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Gallatin County. An on-site review was conducted on May 3 through May 5, 2005 to address the following objectives:

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

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

Below is the summary of findings:

FINDINGS SUMMARY

FINDING	Disallowed Costs
There were nine (9) variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. In total, the expenditures recorded in the provider's Trial Balance were \$3,499 less than the expenditures requested for reimbursement on the KAE-10 Expenditure Report.	\$3,499
One (1) participant's file did not contain evidence of an initial formal (TABE) assessment.	N/A
Eight (8) participant files did not contain evidence that a goal was set, when applicable.	N/A

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Two (2) participant files did not agree with the electronic information reported to KYAE (specifically goal information).	N/A
Twenty-two (22) participants enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.	N/A
Three (3) employee files did not have documentation to support the required level of professional development training.	N/A
Two (2) employee files did not contain adequate documentation of a bachelor's degree.	N/A
KAE-10 Expenditure Reports are not reviewed for accuracy by an individual other than the preparer. This control deficiency could cause errors in the amounts requested for reimbursement.	N/A

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

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

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

Findings

CPE and KYAE reimburse providers for reasonable, allowable, and actual costs incurred if costs are specified in the contract. Expenditures for providers shall not exceed the cost category limitations or total as specified in the contract. Written department approval must be obtained before a provider may reallocate funds among the line items.

There were nine (9) variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. In total, the expenditures recorded in the provider's Trial Balance were \$3,499 less than the expenditures requested for reimbursement on the KAE-10 Expenditure Report. This means that the provider's financial information does not support the amounts requested for reimbursement. The following table illustrates our findings in this area.

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Basic Grant (Adult Education)	KAE-10 Expenditure Report 6/30/04	Provider's Trial Balance 6/30/04	Difference
Administrative Personnel	\$1,712.00	\$1,779.53	(\$67.53)
Other Administrative Costs	1,500.00	1,537.00	(37.00)
Operating Costs	500.00	500.00	0.00
Instructional Personnel	24,394.00	23,524.67	869.33
Other Instructional Costs	1,894.00	2,768.15	(874.15)
Equipment Costs			
Development Funds	8,703.88	6,133.13	2,570.75
Performance Reward			
Sept. Conference Registration	240.00	0.00	240.00
Professional Development	1,200.00	100.00	1,100.00
Family Literacy			
Administrative Personnel	1,069.00	971.20	97.80
Other Administrative Costs	509.00	509.00	0.00
Operating Costs	300.00	300.00	0.00
Instructional Personnel	16,822.00	16,203.66	618.34
Other Instructional Costs	1,300.00	2,318.19	(1,018.19)
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
TOTAL	\$60,143.88	\$56,644.53	\$3,499.35

Recommendations

The provider should reconcile the KAE-10 Expenditure Report to the Trial Balance each month. This reconciliation should ensure that reimbursements requests have been expensed and recorded on the Trial Balance. This reconciliation should be conducted within each of the line item categories as well as in aggregate. To change a line item budget, providers should submit a Budget Amendment Request form to KYAE for approval (per the Policy and Procedure Manual for Kentucky Adult Education).

In addition, the \$3,499 is considered disallowed and should be refunded unless a resolution with CPE and KYAE is reached.

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Provider Response

Effective July 1, 2004, the Ohio Valley Educational Cooperative terminated its contract with KYAE. Program recommendation(s) will be reviewed by KCTCS, the current grant administrator. After further review by the agency it was determined that as a result of correcting various coding and allocation errors the KAE 10 would indicate no over reporting of expenses.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

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

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

The participants tested received services during the period of July 1, 2003 and June 30, 2004.

Findings

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

The following exceptions were noted:

- One (1) participant's file did not contain evidence of an initial formal (TABE) assessment.
- Eight (8) participant files did not contain evidence that a goal was set, when applicable.
- Two (2) participant files did not agree with the electronic information reported to KYAE (specifically goal information).
- Twenty-two (22) participants enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.

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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. The provider should ensure that this checklist contains the different requirements for the different program types. 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.

Provider Response

Effective July 1, 2004, the Ohio Valley Educational Cooperative terminated its contract with KYAE. Program recommendation(s) will be reviewed by the KCTCS, the current grant administrator.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing 55% of the total payroll expenditures, was judgmentally selected for payroll testing. Personnel files were examined to verify that staff had received the required professional development training hours and had completed an Individual Professional Development Plan if applicable. Timesheets were examined for existence and approval. Personnel files were examined to verify evidence of the instructor's bachelor's degree. A determination was made as to whether the employee was included in the staff listing information reported to KYAE.

Findings

CPE and KYAE require full-time instructors to obtain eighteen hours of professional development training. There were two (2) employee files that did not have documentation to support the required level of professional development training.

CPE and KYAE require all part-time instructors to obtain six hours of professional development training. There was one (1) employee file that did not have documentation to support the required level of professional development training.

CPE and KYAE require all instructors hired after July 1, 1998 to have a bachelor's degree. We noted two (2) employee files did not contain adequate documentation of a bachelor's degree.

Recommendations

We recommend the provider create a checklist of items required for inclusion in each employee file to facilitate a periodic review of the contents to ensure that the required documentation is being maintained.

Provider Response

While OVEC did not utilize the IPDP to document staff training, each staff person did have an individual professional development plan that was noted on his or her annual evaluation. In terms of evidence of degree and staff changes, KCTCS will review program recommendations and make any necessary adjustments.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 15 expenditures, representing 10% of the total purchases, was selected judgmentally from the detailed general ledger. These expenditures were tested for authorization/approval, supporting documentation, proper recording, and that it was an actual expense during the grant period of July 1, 2003 and June 30, 2004.

Findings

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 5 expenditures, representing 58% 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

Ohio Valley 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

According to the responses provided to the Internal Control Questionnaire and our audit findings, the KAE-10 Expenditure Reports are not reviewed for accuracy by an individual other than the preparer. This control deficiency could cause errors in the amounts requested for reimbursement.

Recommendations

We recommend the KAE-10 Expenditure Reports be reviewed for accuracy/reconciled by someone other than the preparer.

Provider Response

Effective July 1, 2004, the Ohio Valley Educational Cooperative terminated its contract with KYAE. Program recommendation(s) will be reviewed by the KCTCS, the current grant administrator.