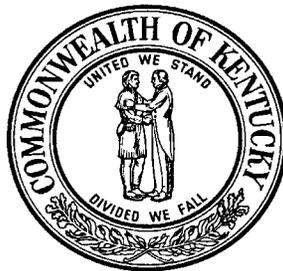


**LAUREL COUNTY LITERACY COUNCIL, INC.'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period July 1, 2005
Through June 30, 2006**



**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**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

June 27, 2007

Sarah Hawker, Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Kathryn Hardman, Executive Director
Laurel County Literacy Council, Inc.
90 Bennett Circle
London, KY 40741

Re: Adult Education Grants

Dear Ms. Hawker and Ms. Hardman:

This report contains the results of the performance audit of Laurel County Literacy Council, Inc.'s administration of its Adult Education Grants for the fiscal year ending June 30, 2006. The Council on Postsecondary Education and Kentucky Adult Education contracted with us to conduct performance audits of selected local adult education providers. This report represents our findings, recommendations, and the provider's responses.

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

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY.....	1
RESULTS AND RECOMMENDATIONS	2
FINANCIAL REPORTING AND COMPLIANCE	2
PARTICIPANT ELIGIBILITY AND RECORD KEEPING.....	3
PAYROLL AND STAFF REQUIREMENTS.....	5
PURCHASING/EXPENDITURE COMPLIANCE.....	6
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	7
INTERNAL CONTROLS RELATING TO GRANT	8

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Laurel County Literacy Council, Inc. (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Laurel County. An on-site review was conducted on April 18, 2007 through April 20, 2007, 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 local providers' expenditures and costs comply with the terms of their grant agreement and reconcile to invoices submitted.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

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

FINDINGS SUMMARY

FINDING	Disallowed Costs
One (1) participant's file did not contain evidence to support the achievement of goals as recorded in AERIN.	N/A
One (1) participant's attendance documentation did not support the recorded attendance hours in AERIN.	N/A
Four (4) participants enrolled in Workbased Skills, Program Type 9, did not have evidence on file documenting an association with an employer or employment service.	N/A

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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 total amount requested for reimbursement on the KAE-10 Expenditure Reports.

Findings

No exceptions noted.

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

Providers are required to submit participant data electronically using KYAE's management information system, AERIN. A total of 60 participants were selected randomly from AERIN. The electronic data was then 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.
- Evidence to support attendance.
- 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, 2005 and June 30, 2006.

Findings

Providers are required to retain records to support participant data submitted electronically, as dictated by the program type. Information entered into AERIN should be supported by evidence maintained in the participant's file. The following exceptions were noted:

- One (1) participant's file did not contain evidence to support the achievement of goals as recorded in AERIN.
- One (1) participant's attendance documentation did not support the recorded attendance hours in AERIN.
- Four (4) participants enrolled in Workbased Skills, Program Type 9, did not have evidence on file documenting an association with an employer or employment service.

Recommendations

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. Achievement of goals/objectives should be documented and maintained. Attendance hours should be accurately recorded in AERIN for all participants enrolled in program types 01, 07, 10, and 11. Staff entering participant data should require documentation for any data entry performed on a participant and any file deficiencies should be reported to the Program Director.

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

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

Laurel County Adult Education and Literacy concurs with the recommendations of the auditors. We have one person assigned to data entry which improves our quality of data entry. However, with more than 1,600 students to enroll mistakes are going to occur. We are putting additional review procedures in place to reduce errors by requiring instructors to review the rosters more frequently throughout the year and with more attention to detail.

The missing information for some Workplace referrals was the result of some staff members occasionally using an outdated form. Our revised form has the all the information required, but some staff members occasionally reverted to the old form. Every effort has been made to destroy any remaining outdated forms. Additionally, the audit report itself is a useful tool in making staff aware of the importance to these details.

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of fifteen (15) payroll disbursements was judgmentally selected for payroll testing. Personnel files were examined to verify that staff had received the required professional development training hours. 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

No exceptions noted.

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of fifteen (15) expenditures 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, 2005 and June 30, 2006.

Findings

No exceptions noted.

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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 three (3) expenditures, representing over 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions noted.

**LAUREL COUNTY LITERACY COUNCIL, INC.'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Laurel County Literacy Council, Inc.'s fiscal administrator for the Adult Education Grant was given an Internal Control Questionnaire regarding the controls in place for cash disbursements, bank reconciliation's, 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.

