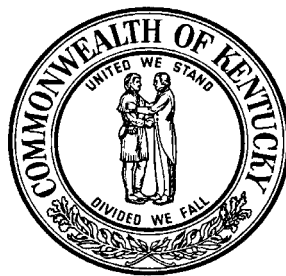


**PENDLETON COUNTY SCHOOLS' ADMINISTRATION
OF ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY
ADULT EDUCATION**

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



**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

July 13, 2006

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

J. Robert Yost, Superintendent
Pendleton County Schools
2525 Hwy 27 North
Falmouth, KY 41040

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Yost:

This report contains the results of the performance audit of Pendleton County Schools' administration of the Adult Education Grant 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



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.....	4
PURCHASING/EXPENDITURE COMPLIANCE.....	5
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	6
INTERNAL CONTROLS RELATING TO GRANT	7

**PENDLETON COUNTY SCHOOLS' ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Pendleton County Schools (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Pendleton County. An on-site review was conducted on April 17, 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

FINDING	Disallowed Costs
Three (3) employees were not included on the electronic staff listing per AERIN for FY 2005.	N/A

**PENDLETON COUNTY SCHOOLS' ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

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.

**PENDLETON COUNTY SCHOOLS' ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of 33 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

No exceptions noted.

**PENDLETON COUNTY SCHOOLS' ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 14 payroll disbursements, representing over 20% 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 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

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.]

We provided KYAE an accurate list of personnel by utilizing the Personnel Worksheet as required. We are unable to determine if those same staff members were listed in Aerin during the FY 04-05, which is the list used by the auditors. One of the staff members listed on the Personnel Worksheet was listed as a Substitute teacher. Aerin does not reflect this selection. During the FY 04-05 the Data person was new and still in training, we will be sure in the future that when the new year begins we will make sure all staff is currently coded in Aerin as active or inactive.

**PENDLETON COUNTY SCHOOLS' ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 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, 2004 and June 30, 2005.

Findings

No exceptions noted.

**PENDLETON COUNTY SCHOOLS' ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

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.

**PENDLETON COUNTY SCHOOLS' ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

The Pendleton County Schools' 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.