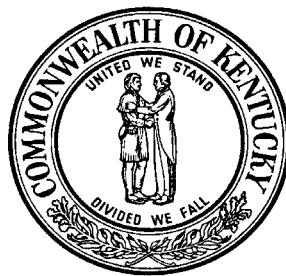


**KENTUCKY EDUCATIONAL DEVELOPMENT  
CORPORATION'S ADMINISTRATION OF GREENUP  
COUNTY'S ADULT EDUCATION GRANTS FROM THE  
COUNCIL ON POSTSECONDARY EDUCATION AND  
KENTUCKY ADULT EDUCATION**

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



**CRIT LUALLEN  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

July 7, 2006

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

Stanley H. Riggs, Executive Director  
Kentucky Educational Development Corporation  
904 Rose Road  
Ashland, KY 41102-7104

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Riggs:

This report contains the results of the performance audit of the Kentucky Educational Development Corporation's administration of Greenup County's 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**

	<b>PAGE</b>
<b>EXECUTIVE SUMMARY.....</b>	<b>1</b>
<b>RESULTS AND RECOMMENDATIONS .....</b>	<b>2</b>
<b>FINANCIAL REPORTING AND COMPLIANCE .....</b>	<b>2</b>
<b>PARTICIPANT ELIGIBILITY AND RECORD KEEPING.....</b>	<b>3</b>
<b>PAYROLL AND STAFF REQUIREMENTS.....</b>	<b>4</b>
<b>PURCHASING/EXPENDITURE COMPLIANCE.....</b>	<b>6</b>
<b>PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE .....</b>	<b>7</b>
<b>INTERNAL CONTROLS RELATING TO GRANT .....</b>	<b>8</b>



**KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL  
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION  
AS OF JUNE 30, 2005**

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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Kentucky Educational Development Corporation (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Greenup County. An on-site review was conducted April 27 through April 28, 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**

<b>FINDING</b>	<b>Disallowed Costs</b>
One (1) employee's file did not contain documentation of a bachelor's degree.	N/A
One (1) employee was not included on the electronic staff listing per AERIN for FY 2005.	N/A

**KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL  
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION  
AS OF JUNE 30, 2005**

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**RESULTS AND RECOMMENDATIONS**

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**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.



**KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL  
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION  
AS OF JUNE 30, 2005**

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**PARTICIPANT ELIGIBILITY AND RECORD KEEPING**

**Scope and Methodology**

A total of sixty (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**

No exceptions noted.

**KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL  
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION  
AS OF JUNE 30, 2005**

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of eleven (11) payroll disbursements 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 all instructors hired after July 1, 1998 to have a bachelor's degree. One (1) employee's file did not contain documentation of a bachelor's degree even though the instructor's date of hire was listed as October 1998.

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. One (1) employee was not included on the electronic staff listing per AERIN for FY 2005.

**Recommendations**

We recommend that employees' files contain the proper evidence to support compliance with KYAE's bachelor's degree requirement when applicable.

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**

The AE instructor in question was an instructor before the bachelor's degree rule came into effect and was grandfathered in by KYAE at this time. It was our understanding at that time that this allowed her to be an instructor without having a bachelor's degree. We have been unable to find documentation from KYAE on this.

**[LOCAL PROVIDER'S] ADMINISTRATION OF ADULT EDUCATION  
GRANTS FROM THE COUNCIL ON POSTSECONDARY EDUCATION AND  
KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

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All admin staff are now listed in the Aerin system. The admin asst had not been trained in Aerin and was not aware that administrative employees had to be enrolled.

**KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL  
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION  
AS OF JUNE 30, 2005**

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**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, 2004 and June 30, 2005.

**Findings**

No exceptions noted.

**KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL  
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AS OF JUNE 30, 2005**

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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 seven (7) expenditures, representing over 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

**Findings**

No exceptions noted.

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ADMINISTRATION OF ADULT EDUCATION GRANTS FROM THE COUNCIL  
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AS OF JUNE 30, 2005**

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**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

Kentucky Educational Development Corporation'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.

