

**MOREHEAD STATE UNIVERSITY'S ADMINISTRATION  
OF MORGAN 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

Wayne D. Andrews, President  
Morehead State University  
201 Howell-McDowell Administration Building  
Morehead, KY 40351

Re: Adult Education Grants

Dear Mr. Stagnolia and Dr. Andrews:

This report contains the results of the performance audit of Morehead State University's administration of Morgan 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,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts





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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 Morehead State University (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Morgan County. An on-site review was conducted April 3, 2005 through April 5, 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) participant enrolled in Program Type 15 had an inappropriate goal.	N/A
Two (2) participant files did not contain evidence of an approved formal assessment.	N/A
Four (4) employees were not included on the electronic staff listing per AERIN for FY 2005.	N/A

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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.

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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. 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 enrolled in Program Type 15 had an inappropriate goal.
- Two (2) participant files did not contain evidence of an approved formal assessment.

**Recommendations**

We recommend the provider create a checklist that contains the different requirements for the different program types. The goals for individuals in Program Type 15 should be either 01, earn a GED, and/or 04, enter postsecondary education. All assessments and any achievement of goals/objectives should be documented and maintained.

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**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.]**

For the Program Type 15 participant, she couldn't have Goal 01 because she had earned a GED in a previous year. She did not desire a Goal of 04 (post secondary). Her goal was to gain employment (06). We enrolled her with that goal and her ABE test score was High-Intermediate 33 on the assessment. We had to put 33 as a goal because that was where she tested. She did gain employment and that was written in her folder.

Concerning the participants without a formal assessment, they were enrolled in Program Type 27 and our staff understood Computer Literacy to be non high school/GED students, requesting Computer Skills only. No need for assessment for that time or year.

We have implemented better record keeping practices for AERIN.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of 15 payroll disbursements, representing 19% 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. Four (4) employees that 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.]**

Our staff was not aware of this, we will initiate AERIN enrollment for staff earlier than in the past.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 15 expenditures, representing over 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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**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 17% 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**

Morehead State University'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.

