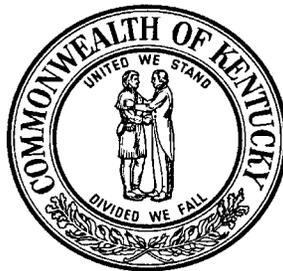


**ESTILL COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

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



**CRIT LUALLEN
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June 27, 2007

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

Bert Hensley, Superintendent
Estill County Board of Education
253 Main Street
Irvine, KY 40336

Re: Adult Education Grants

Dear Ms. Hawker and Mr. Hensley:

This report contains the results of the performance audit of Estill County Board of Education'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



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**ESTILL COUNTY BOARD OF EDUCATION'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 Estill County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Estill County. An on-site review was conducted on May 1, 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 file did not support all of the recorded hours.	N/A
One (1) participant enrolled as a carryover from the previous fiscal year did not have a goal established in AERIN and there was no documentation in the participant's file that a goal was met.	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 total amount 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

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. One (1) participant file did not support all of the recorded hours.

Participants re-enrolled as a Program Type 13 should reach achievements in the first quarter of the fiscal year. One (1) participant enrolled as a carryover from the previous fiscal year did not have a goal established in AERIN and there was no documentation in the participant's file that a goal was met.

Recommendations

Ensure that all participants sign in on every visit and verify this information when recording the participants' hours electronically in AERIN.

Participants should only be re-enrolled as a Program Type 13 after they have reached the specified achievements within the first quarter of the fiscal year. The achieved goals should be recorded correctly in AERIN.

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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.]

Program Director's Response:

1. Participant's documentation omitted 3 hours out of a total of 33 hours of participation. He simply did not sign in one day. This issue was discussed with the entire staff and the importance of this procedure was reiterated. Plan of Action: The instructor will match the sign in sheet with the time documented in the folder. If our data clerk receives an improperly documented folder she will return it to the instructor for correction.
2. Participant's documentation did include written evidence that a goal of entering postsecondary had been met. But, the goal was not set in AERIN. Our data clerk will speak with the appropriate personnel at KY Adult Education in Frankfort for proper procedure.

Superintendent Response:

I have reviewed the audit for the Estill County Adult Education Center. I feel that the corrective action plan provide by the director, Mary Skipper, was appropriate. I will monitor the program to ensure that the all parts of the action plan are met during the next fiscal year.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of eight payroll disbursements, representing 21% 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. 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.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of ten expenditures, representing 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, 2005 and June 30, 2006.

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 three expenditures, representing 21% 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

Estill County Board of Education's fiscal administrator of its 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

