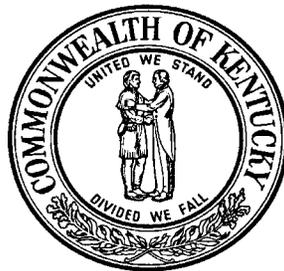


**HENDERSON COMMUNITY COLLEGE'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**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

Patrick R. Lake, President
Henderson Community College
2660 S. Green ST
Henderson, KY 42420

Re: Adult Education Grants for Henderson County

Dear Ms. Hawker and Dr. Lake:

This report contains the results of the performance audit of Henderson Community College's administration of Henderson County's 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.....	4
PURCHASING/EXPENDITURE COMPLIANCE.....	5
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	6
INTERNAL CONTROLS RELATING TO GRANT	7

**HENDERSON COMMUNITY COLLEGE'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 Henderson Community College (local provider) for a limited scope performance audit of its administration of Henderson County's Adult Education Grants. The audit scope included the provider's English Literacy/Civics (EL/Civics) Grant and the Workplace Essential Skills (WES) Grant to provide training for Audubon Metals Incorporated. An on-site review was conducted April 23, 2007 through April 24, 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:

ADULT EDUCATION GRANT	Disallowed Costs
One (1) new instructor did not receive the required orientation training.	N/A
An expenditure of \$174 for supplies was miscoded as Professional Development.	N/A
ENGLISH LITERACY/ GRANT	
No exceptions.	N/A
WORKPLACE ESSENTIAL SKILLS GRANT	
The five (5) sampled participants did not receive the projected hours of training per the Scope of Work.	N/A

**HENDERSON COMMUNITY COLLEGE'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 were noted in this area for any of the Adult Education Grants.

**HENDERSON COMMUNITY COLLEGE'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 seventy-four (74) participants were selected randomly from AERIN. The electronic data was then compared to the documentation maintained in the participant files. This included participants from all Adult Education Grants. 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

For the Workplace Essential Skills Grant, the five (5) sampled participants did not receive the projected hours of training per the Scope of Work.

Recommendations

For the Workplace Essential Skills Grant, we recommend the provider create a system to document each participant's attendance per class meeting to ensure that each participant receives the proposed number of total training hours. If needed, the number of training hours should be amended in the Scope of Work to accurately reflect the training provided.

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.]

The participants in this program were illegal aliens working through a temp service. Several companies in the area had been investigated by INS so the temp service moved the workers to another location. Because of this, we have encouraged the company to send ESL workers to the Adult Learning Center for instruction.

**HENDERSON COMMUNITY COLLEGE'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 fourteen (14) payroll disbursements, representing 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. 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

For the Adult Education Grant, CPE and KYAE require all new instructors to complete the Orientation to Adult Education training within 6 months. One (1) new instructor did not receive the required orientation training.

Recommendations

New instructors should comply with orientation training, as required by KYAE, and employee files should include the proper evidence to support such training.

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.]

This was an oversight on the part of the Director. The employee has begun taking the Orientation to Adult Education via the Internet. The employee in question has completed Orientation to Adult Education.

**HENDERSON COMMUNITY COLLEGE'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

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. A sample of participant was selected from the detailed ledger for each of the Adult Education Grants as follows:

- For the Adult Education Grant, a sample of ten (10) expenditures, representing 20% of the total purchases.
- For the Workplace Essential Skills Grant, a sample of 1 expenditure, representing 100% of the total purchases.
- For the English Literacy/Civics Grant, a sample of three (3) expenditures, representing 46% of the total purchases.

Findings

No exceptions were noted in this area for any of the Adult Education Grants.

**HENDERSON COMMUNITY COLLEGE'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 five (5) expenditures, representing over 21% of the total professional development expenditures, was selected judgmentally from the detailed general ledger. (This test was only applicable to the Adult Education Grant.)

Findings

An expenditure of \$174 for supplies was miscoded as Professional Development.

Recommendations

We recommend that expenditures for supplies be coded to the appropriate budget category.

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.]

This expense was coded correctly when it left the Program Director's office; however, a portion of the purchase was placed on the staff development account by the business office. The Program Director checks the report each month ensure charges are placed on the correct grant. The Program Director will be more diligent in the future.

**HENDERSON COMMUNITY COLLEGE'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

Henderson Community College's fiscal administrator for Henderson County's Adult Education Grants 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.