

**SOUTHEAST COMMUNITY AND TECHNICAL
COLLEGE'S ADMINISTRATION OF HARLAN COUNTY'S
ADULT EDUCATION GRANTS FROM THE COUNCIL ON
POSTSECONDARY EDUCATION AND KENTUCKY
ADULT EDUCATION**

**For The Period
July 1, 2006 Through June 30, 2007**



**CRIT LUALLEN
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CRIT LUALLEN
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July 31, 2008

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

Dr. Bruce Ayers, President and CEO
Southeast Community and Technical College
700 College Road
Cumberland, KY 40823

Re: Adult Education Grants

Dear Ms. Hawker and Dr. Ayers:

This report contains the results of the performance audit of Southeast Community and Technical College's administration of Harlan County's adult education grant for the fiscal year (FY) ending June 30, 2007. 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.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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AS OF JUNE 30, 2007**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Southeast Community and Technical College (local provider) for a limited scope performance audit of its administration of the adult education grant for Harlan County. An on-site review was conducted on May 8, 2008 through May 9, 2008, to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local provider's professional development activities comply with the FY 06-07 professional development policies and procedures manual.
- 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 Kentucky Adult Education Policy and Procedure Manual, 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
Eleven participants scored 12.9+ on their initial assessments and do not appear eligible for the adult education program.	N/A
Twenty-three participant files did not contain evidence of separation due to no activity for 90 consecutive days.	N/A
One participant's file did not contain evidence to support that goals were met as reported in AERIN.	N/A
Three expenditures, totaling \$837, for supplies and operating costs were miscoded to the Professional Development category. These expenditures are considered disallowed costs.	\$837

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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

The KYAE-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 KYAE-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 KYAE-10 Expenditure Reports.

Findings

No exceptions were 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 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, 2006 and June 30, 2007.

Findings

To be eligible for adult education services, the participant must score 11.9 or below on their initial assessment. Eleven participants scored 12.9+ on their initial assessments and do not appear eligible for the adult education program.

All participants should be separated from the program if there has not been activity in the adult education program for 90 consecutive days. Twenty-three participant files did not contain evidence of separation due to no activity for 90 consecutive days.

Providers are required to retain records to support participant data entered into AERIN. One participant's file did not contain evidence to support that goals were met as reported in AERIN.

Recommendations

We recommend the provider ensure that participant files contain all of the necessary documentation to support compliance with applicable policies and procedures. Initial assessments should support the participants' eligibility, which is 11.9 or less for the Tests of Adult Basic Education (TABE) assessments. A standard separation form should be used to document the separation of participants that have not participated in the adult education program for 90 consecutive days. A local policy should also be established to separate participants who are not making progress as defined in the student education plan. Any achievement of goals/objectives should be documented and maintained in the

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participant's file. Staff entering participant data should require documentation for any data entry performed on a participant and any file deficiencies should be reported to the Program Director.

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.]

Students enrolled as 12.9+ included students that were enrolled in nursing and other allied health programs, as well as college algebra and English Classes. The instructors required students to complete 20 hours of PLATO in weak academic areas as class requirements. (many had important "weak" areas such as fractions, decimals, and reading comprehension strategies). In order to complete PLATO, they had to be enrolled in Aerin. This will not happen in the future. Only students scoring 11.9 or below on TABE will be enrolled in Aerin. Students not separated were our "revolving door" students...miss two-three months and return. Many were court ordered, broke parole, and then returned. In the future, all students not in attendance after 90 days will be separated.

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 13 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. Documentation of hours worked was 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 were noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 11 expenditures, representing 26% 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, 2006 and June 30, 2007.

Findings

No exceptions were noted.

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 4 expenditures, representing 28% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

KYAE provides financial support to the provider for required staff training costs in the category of Professional Development. Three expenditures, totaling \$837, for supplies and operating costs were miscoded to the Professional Development category. These expenditures are considered disallowed costs.

Recommendations

We recommend the provider comply with the policies established by KYAE and ensure that expenditures are coded to the appropriate budget category.

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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.]

The end of the year projections were mis-projected and money was overspent. The business office tried to assist by distributing the money across the various accounts with balances remaining; not realizing this was not permitted for PD funds. Due to miscommunication on the part of ABE, the business office was not aware of state requirements set on various funding. The monitoring of the accounts and funds will be more closely followed in the future.

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Southeast Community and Technical College'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 were noted.

