

**SOMERSET COMMUNITY COLLEGE'S  
ADMINISTRATION OF MCCREARY 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  
AUDITOR OF PUBLIC ACCOUNTS

July 31, 2008

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

Dr. Jo Marshall, President and CEO  
Somerset Community College  
808 Monticello Street  
Somerset, KY 42501

Re: Adult Education Grants

Dear Ms. Hawker and Dr. Marshall:

This report contains the results of the performance audit of Somerset Community College's administration of McCreary 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, appearing to read "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts





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**SOMERSET COMMUNITY COLLEGE’S ADMINISTRATION OF ADULT  
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Somerset Community College (local provider) for a limited scope performance audit of its administration of the adult education grant for McCreary County. An on-site review was conducted on April 29, 2008 through April 30, 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:

<b>FINDING</b>	<b>Disallowed Costs</b>
Three participant files did not support the attendance hours recorded in AERIN.	N/A
Two participant files did not contain evidence of the initial formal assessment.	N/A
One participant file did not contain an applicable withdrawal statement.	N/A
Two Family Literacy participant files did not contain documentation showing the child’s education progress.	N/A
One participant file did not contain evidence to support that goals were met as reported in AERIN.	N/A
Two employees were not included on the electronic staff listing per AERIN for FY 2007.	N/A

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**RESULTS AND RECOMMENDATIONS**

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**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 56 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**

Providers are required to retain records to support participant data submitted electronically, as dictated by the program type. Information entered into AERIN should be supported by evidence maintained in the participant's file. The following exceptions were noted:

- Three participant files did not support the attendance hours recorded in AERIN. The participants were enrolled in program type 01 and 10, which are required to report attendance hours.
- Two participant files did not contain evidence of the initial formal assessment.
- One participant file did not contain evidence to support that goals were met as reported in AERIN.

Participants aged 16 to 18 years must provide official documentation of withdrawal from school in order to be eligible. One participant file did not contain an applicable withdrawal statement.

KYAE requires that Family Literacy services contain a child education component and the provider should document the child's education progress on a form that is signed by parent/guardian, teacher, medical or social work professional and maintain this form in the participant's file. Two Family Literacy participant files did not contain documentation showing the child's education progress.

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**Recommendations**

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. Attendance hours recorded in AERIN should be documented and maintained for all participants enrolled in program types 01, 07, 10, and 11. Formal assessments should be documented and maintained in the participant's file. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file. For Family Literacy participants, the children's educational progress should be documented to facilitate developmentally appropriate educational activities. 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.]**

Personnel changes have been made to correct the issue of missing or incorrect data. 100% audit of all student records and AERIN data are being completed for the 2007-2008 fiscal year to ensure all data are correct and in student files. Additional training has been completed with current staff regarding student files and AERIN data entry.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of 11 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. 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**

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. Two employees were not included on the electronic staff listing per AERIN for FY 2007.

**Recommendations**

We recommend that staff information be entered accurately and completely in 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 – [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.]**

Due to the inability to retrieve some data from AERIN, we now run reports from AERIN when new staff are entered into the AERIN system or when a change occurs with our current staff. A copy of the AERIN screen is now kept in the staff personnel folders to verify the entry in AERIN.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 6 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, 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 3 expenditures, representing 21% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

**Findings**

No exceptions were noted.

**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

Somerset Community 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.

