



**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

August 6, 2009

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

Dear Mr. Stagnolia:

We have completed our performance audits of the local adult education providers for the selected 28 counties. These counties were comprised of 29 providers because Johnson County had two providers. Our audit scope included the providers' basic adult education grants, English Literacy/Civics (EL/Civics) grants, and Workforce Alliance (WAG) grants. The audit reports have been sent to the Council on Postsecondary Education (CPE) and to the local providers.

The total dollar amount of the grants in our audit scope was \$5,712,441 and the number of participants was 6,880. Eight providers in Bourbon, Carlisle, Crittenden, Greenup, Hickman, Johnson (Carl D. Perkins Vocational Training Center), Livingston, and Martin counties did not have any reportable exceptions. Of the 29 providers audited, none of the providers' audits resulted in disallowed costs.

To determine the significance and frequency of the findings, a summary of exceptions was compiled and enclosed with this letter. This summary documents the frequency of each exception and the number of providers with that exception. Based on this summary, the following is a brief synopsis of the exceptions within each report category.

**Financial Reporting and Compliance**

There were two providers with findings in this category. One provider's (Allen) reconciliation was difficult because the cost categories on the KYAE-10 Expenditure Reports were not the same as the accounts within the local provider's financial management system (MUNIS). One county's (Rockcastle) financial records supported expenditures in excess of the total amount reported on the KYAE-10 Expenditure Reports, but the financial records were not organized to correspond with KYAE-10 expenditure categories.



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## **Participant Eligibility and Record Keeping**

Our auditors reviewed files for 1,052 participants and noted 48 findings for 16 of the 29 providers. (Note: Auditors found multiple exceptions in some participant files.) The highest number of findings in this category (20) resulted from the lack of documentation to support the hours in the Adult Education Reporting Information Network (AERIN) and evidence of hours in the participant's file did not fully support the hours recorded in AERIN. The next highest number of findings (7) resulted from a lack of evidence of a Post Assessment Exception Form.

## **Payroll and Staff Requirements**

The auditors assessed 9 providers with 14 findings in this category. Four providers were unable to provide support that five staff members obtained the required level of professional development for their position. Also, four providers did not include five staff members in the AERIN staff listing. There were two instances with one provider where staff did not have an Individual Professional Development Plan included in their personnel file.

## **Purchasing/Expenditure Compliance**

Only two providers had findings in this category. One provider (Menifee) had an inventory item at a closed location and it was not in working condition. Another provider (Warren) purchased items during the fiscal year audited with useful lives greater than one year that were not included on the final KYAE inventory record.

## **Professional Development Reimbursement Compliance**

This was not a significant area for findings this year, as no exceptions were noted.

## **Internal Controls Relating to Grant**

This was not a significant area for findings this year, as no exceptions were noted.

## **Miscellaneous**

This was not a significant area for findings this year, as no exceptions were noted.

## **English Literacy/Civics Grants**

This was our third time to audit the English Literacy/Civics (EL/Civics) Grants. Of the two providers reviewed (Boone and Warren), this was not a significant area for findings this year, as no exceptions were noted.

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## Workforce Alliance Grants

This was our fourth time to audit the Workforce Alliance (WAG) Grants and only one provider (Lincoln) executed this grant. This was not a significant area for findings this year, as no exceptions were noted.

## Observations/Recommendations

While conducting this work, the auditors made several observations that CPE should consider addressing to provide consistent administrative support to local providers.

- Additional information should be included in the KYAE Policy and Procedure Manual to provide guidance to the local providers. While guidance may be provided through other sources, this manual should be the sole location for financial and program requirements. Examples of areas that would benefit from additional guidance include the following areas:
  - Eligibility/assessment and documentation requirements for each program type. Program requirements are not located in the manual but in a separate checklist.
  - Standard documentation method for supporting the attendance hours recorded in AERIN. The manual should contain specific requirements as to how student attendance should be documented by providers.
  - Clarification concerning the professional development requirements of all staff, including in-kind staff.
  - Additional guidance as to maintaining and completing the inventory listing. This guidance should contain what information is to be scheduled on the list, i.e. serial numbers, detailed description of items. Examples of items that should be included or excluded would also be helpful.
- CPE should request that all adult education providers submit a final report from their accounting system to show support of their final KYAE-10 Expenditure Reports. This report should be reconciled to the final expenditure reports and reviewed for encumbered expenditures, accounting errors, etc. This review could also be used as a basis for choosing specific programs that may require further investigation.

We will be happy to discuss this audit or the services offered by our office at any time. If you or your staff has any questions, please contact Brian Lykins, Executive Director of the Office of Technology and Special Audits, or myself.

Sincerely,



Crit Luallen  
Auditor of Public Accounts

Enclosure