

**KENTUCKY EDUCATIONAL DEVELOPMENT
CORPORATION'S ADMINISTRATION OF CARTER
COUNTY'S ADULT EDUCATION GRANTS FROM THE
COUNCIL ON POSTSECONDARY EDUCATION AND
KENTUCKY ADULT EDUCATION**

**For The Period
July 1, 2007 Through June 30, 2008**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 30, 2009

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

Stanley H. Riggs, Executive Director
Kentucky Educational Development Corporation
904 Rose Road
Ashland, KY 41102

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Riggs:

This report contains the results of the performance audit of Kentucky Educational Development Corporation's administration of the Carter County adult education grant for the fiscal year (FY) ending June 30, 2008. The Council on Postsecondary Education and Kentucky Adult Education contracted with us to conduct performance audits of selected local adult education programs. This report represents our findings, recommendations, and the program'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 black ink, 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.....	5
INTERNAL CONTROLS RELATING TO GRANT	6

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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Carter County adult education program for a limited scope performance audit of its adult education grant. The Kentucky Educational Development Corporation is responsible for the administration of this grant. An on-site review was conducted April 27, 2009 through April 28, 2009, to address the following objectives:

- Determine whether local programs' expenditures and costs comply with the terms of their grant agreement and reconcile to invoices submitted.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local program's professional development activities comply with the FY 2007-2008 professional development policies and procedures manual.
- 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 program's grant proposal and final agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements.

Below is the summary of findings:

FINDINGS SUMMARY

FINDING	Disallowed Costs
One applicable participant file did not contain a Post-Assessment Exception Form.	N/A
One employee was not included on the electronic staff listing per AERIN for FY 2008.	N/A

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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 program's reimbursements complied with the approved budget.

The KYAE-10 Expenditure Reports were then compared to the program's internally generated financial records. This comparison was used to determine whether the program'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.
- Other requirements were tested based upon the applicable program requirements.

The participants tested received services during the period of July 1, 2007 and June 30, 2008.

Findings

One applicable participant file did not contain a Post-Assessment Exception Form.

Recommendations

We recommend that the program ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. If a post-test has been administered, but the recommended instructional hours had not been met, the basis for the exception should be documented on a Post-Assessment Exception Form and filed in the participants folder.

Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related to the finding. Program management was given a reasonable amount of time to adequately respond to this request.]

A written response has not been provided.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of payroll disbursements was judgmentally selected for 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 submitted to KYAE through AERIN.

Findings

CPE and KYAE rely on each program to update its electronic staff listing to ensure complete and accurate information. One employee was not included on the electronic staff listing per AERIN for FY 2008.

Recommendations

We recommend that staff information be entered accurately and completely in AERIN. The program 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."

Program Response – [A draft report was provided to program management to request their comments and any planned corrective actions related to the finding. Program management was given a reasonable amount of time to adequately respond to this request.]

All staff, except for this employee, were active in Aerin during the 07-08 fiscal year.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 15 expenditures, representing at least 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, 2007 and June 30, 2008.

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 at least 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions were noted.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Kentucky Educational Development Corporation's fiscal administrator was given an Internal Control Questionnaire regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The questionnaire was completed by the fiscal administrator and reviewed for any significant control deficiencies.

Findings

No significant control deficiencies were noted.