

**KENTUCKY EDUCATIONAL DEVELOPMENT
CORPORATION'S ADMINISTRATION OF MERCER
COUNTY'S 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
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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

Stanley H. Riggs, Executive Director
Kentucky Educational Development Corporation
904 Rose Road
Ashland, KY 41102-7104

Re: Adult Education Grants for Mercer County

Dear Ms. Hawker and Mr. Riggs:

This report contains the results of the performance audit of Kentucky Educational Development Corporation's administration of Mercer 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



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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Kentucky Educational Development Corporation (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Mercer County. An on-site review was conducted on April 5, 2007 and April 20, 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:

FINDINGS SUMMARY

FINDING	Disallowed Costs
Five (5) participants had zero (0) hours of attendance recorded in AERIN. These were participants within program types required to report attendance hours.	N/A
One (1) participant's file did not contain evidence of an approved formal assessment.	N/A

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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 noted.

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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 33 participants were selected randomly from AERIN. The electronic data was then 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.
- 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

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:

- Five (5) participants had zero (0) hours of attendance recorded in AERIN. These were participants within program types required to report attendance hours.
- One (1) participant's file did not contain evidence of an approved formal assessment.

Recommendations

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. All assessments and any achievement of goals/objectives should be documented and maintained. Attendance hours should be accurately recorded in AERIN for all participants enrolled in program types 01, 07, 10, and 11.

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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.]

Related to the zero hours, these participants only had an assessment so no hours were listed for attendance - test time now noted in file. Related to the assessment, this participant was enrolled under Computer Literacy Skills. Student does not have GED or diploma, enrolled through Head Start Program.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of fifteen (15) payroll disbursements 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

No exceptions noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of eleven (11) expenditures, representing over 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, 2005 and June 30, 2006.

Findings

No exceptions noted.

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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 three (3) expenditures, representing over 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions noted.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Kentucky Educational Development Corporation's fiscal administrator of Mercer County's Adult Education Grant 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.

