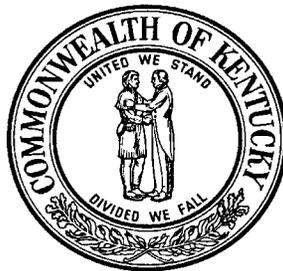


**KENTUCKY EDUCATIONAL DEVELOPMENT  
CORPORATION'S ADMINISTRATION OF CARTER  
COUNTY'S ADULT EDUCATION GRANTS FROM THE  
COUNCIL ON POSTSECONDARY EDUCATION AND  
KENTUCKY ADULT EDUCATION**

**For The Period July 1, 2005  
Through June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**





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 Carter County

Dear Ms. Hawker and Mr. Riggs:

This report contains the results of the performance audit of Kentucky Educational Development Corporation's administration of Carter 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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**KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION'S  
ADMINISTRATION OF CARTER COUNTY'S ADULT EDUCATION GRANTS  
FROM THE COUNCIL ON POSTSECONDARY EDUCATION AND  
KENTUCKY ADULT EDUCATION FOR CARTER COUNTY AS OF  
JUNE 30, 2006**

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**EXECUTIVE SUMMARY**

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**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 Carter County's Adult Education Grant. An on-site review was conducted on April 23, 2007 through April 24, 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**

<b>FINDING</b>	<b>Disallowed Costs</b>
One (1) employee was not included on the electronic staff listing provided by KYAE.	N/A

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**RESULTS AND RECOMMENDATIONS**

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**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 60 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**

No exceptions noted.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of thirteen (13) payroll disbursements, representing 7.3% 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. 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**

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. One (1) employee was not included on the electronic staff listing provided by KYAE.

**Recommendations**

We recommend that staff information be entered accurately and completely in KYAE's electronic information system (AERIN).

**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.]**

This [employee] worked as a volunteer most of the year. She was hired at the end of the year as a teacher's assistant. She worked only a few short weeks in the summer and it was an oversight not to have added her into the system.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of twelve (12) 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 two (2) 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 Carter 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.