

**EASTERN KENTUCKY UNIVERSITY'S ADMINISTRATION OF  
MADISON COUNTY'S ADULT EDUCATION GRANTS  
FROM THE COUNCIL ON POSTSECONDARY EDUCATION  
AND KENTUCKY ADULT EDUCATION**

**For The Period  
July 1, 2003 Through June 30, 2004**



**CRIT LUALLEN  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

July 8, 2005

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

Elizabeth R. Wachtel, Associate Vice President  
Eastern Kentucky University  
Coates CPO 20A  
521 Lancaster Avenue  
Richmond, KY 40475

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Wachtel:

This report contains the results of the performance audit of Eastern Kentucky University's administration of Madison County's Adult Education Grant for the fiscal year ending June 30, 2004. 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 that reads "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts





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EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

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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 Eastern Kentucky University (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Madison County. An on-site review was conducted on April 29 through April 30, 2005 to address the following objectives:

- Reconcile student and faculty data electronically submitted to Adult Education 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>
Eastern Kentucky University had a manual system for maintaining the Trail Balance and completing the KAE-10 Expenditure Reports. An electronic accounting system had not been implemented.	N/A
Formal timesheets are not maintained by employees to support the hours worked and reported to 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 amounts requested for reimbursement on the KAE-10 Expenditure Reports.

**Findings**

Eastern Kentucky University (EKU) had a manual system for maintaining the Trail Balance and completing the KAE-10 Expenditure Reports. An electronic accounting system had not been implemented. The Program Coordinator sends a fax to the EKU Accounting and Financial Services Office listing the monthly expenses per category so that an accountant can complete the KAE-10 Expenditure Reports. These monthly faxes were added to reach yearly totals that did agree with the final KAE-10 Expenditure Report.

**Recommendations**

We recommend that an on- site accounting system be implemented or that EKU develop an account system that will capture the detailed expenditures and report summary totals. The accounts established should be the same accounts/categories used in the KAE-10 Expenditure Reports. This will allow for a proper reconciliation of each expenditure category, which should be performed each month to ensure completeness and accuracy.

**Provider Response**

The Director of Adult Education will consult with KYAE/ CPE and will then collaborate with EKU Accounting And Finance Department to implement a system of reporting of monthly expenditures that will match with categories on the KYAE-10 Expenditure Reports and allow for reconciliation of each expenditure category.



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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.
- Agreed the establishment and achievement of goals/objectives to the information 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, 2003 and June 30, 2004.

**Findings**

No exceptions noted.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of 15 payroll disbursements, representing 9% 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 and had completed an Individual Professional Development Plan if applicable. 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 require that all KAE-funded employees maintain documentation of hours worked. During our testing, we noted that formal timesheets are not maintained by employees to support the hours worked and reported to KYAE.

**Recommendations**

We recommend that the provider create a formal timesheet so that employees can document their hours worked. The use of timesheets would establish accountability and support the hours reported to KYAE.

**Provider Response**

The Director of Adult Education will consult with KYAE/ CPE and will then collaborate with ECU Accounting and Finance Department to develop an internal system of time accountability that will coincide with KYAE-TS1 monthly reports. The new system will be implemented beginning with Fiscal Year 05-06.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 15 expenditures, representing 11% 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, 2003 and June 30, 2004.

**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 15 expenditures, representing 39% 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**

Eastern Kentucky University'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 noted.