

**JEFFERSON COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF 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
AUDITOR OF PUBLIC ACCOUNTS
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

July 8, 2005

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

Stephen W. Daeschner, Superintendent
Jefferson County Board of Education
3670 Wheeler Avenue
Louisville, KY 40215

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Daeschner:

This report contains the results of the performance audit of Jefferson County Board of Education's administration of the 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,

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 Jefferson County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Jefferson County. An on-site review was conducted on March 28-31, 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

FINDING	Disallowed Costs
There were variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. The overall effect was that the amount requested for reimbursement was \$5,428.34 more than the expenditures recorded in the provider's Trial Balance.	\$5,428.34
One (1) participant's file did not contain evidence of an initial formal assessment.	N/A
Four (4) participant files did not contain evidence that a goal was set, when applicable.	N/A

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Twelve (12) participant files did not contain evidence to support that goals were met.	N/A
Thirty-Four (34) participant files did not agree with the electronic information reported to KYAE.	N/A
Six (6) employees were not included in KYAE's electronic information system.	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 amounts requested for reimbursement on the KAE-10 Expenditure Reports.

Findings

CPE and KYAE reimburse providers for reasonable, allowable, and actual costs incurred if costs are specified in the contract. Expenditures for providers shall not exceed the cost category limitations or total as specified in the contract. Written department approval must be obtained before a provider may reallocate funds among the line items.

The cost categories on the KAE-10 Expenditure Reports do not match up with the categories maintained by the MUNIS report, making the reconciliation difficult. This situation allows a program to circumvent the approved budget's cost category limitations because the expenditure reports are not based on their actual accounting system. Reimbursement could be requested within a cost category that is unrelated to the actual expenditure.

There were variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. The overall effect was that the amount requested for reimbursement was \$5,428.34 more than the expenditures recorded in the provider's Trial Balance. This means that the provider's financial information does not support the amounts requested for reimbursement. The provider indicated that this amount represented encumbrances - items ordered and received, but for which a bill had not yet been received from the vendors. The following table illustrates our findings in this area.

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Basic Grant (Adult Education)	KAE-10 Expenditure Report 6/30/04	Provider's Trial Balance 6/30/04	Difference
Administrative Personnel	\$298,163.00	\$298,163.00	\$0.00
Other Administrative Costs	1,109.00	1,109.00	0.00
Operating Costs			
Instructional Personnel	1,686,858.00	1,686,858.00	0.00
Other Instructional Costs	9,014.00	9,014.00	0.00
Equipment Costs			
Development Funds	359,905.00	356,578.51	3,326.49
Performance Reward	169,648.00	167,546.15	2,101.85
Sept. Conference Registration	7,557.70	7,557.70	0.00
Professional Development	43,000.00	43,000.00	0.00
Corrections			
Administrative Personnel	3,245.00	0.00	3,245.00
Other Administrative Costs	107.00	106.88	0.12
Operating Costs			
Instructional Personnel	61,664.00	64,978.24	(3,314.24)
Other Instructional Costs	2,021.00	1,951.88	69.12
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
Family Literacy			
Administrative Personnel	44,334.00	69,046.80	(24,712.80)
Other Administrative Costs	666.00	5,955.76	(5,289.76)
Operating Costs			
Instructional Personnel	221,721.00	198,593.52	23,127.48
Other Instructional Costs	33,279.00	26,403.92	6,875.08
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
TOTAL	\$2,942,291.70	\$2,936,863.36	\$5,428.34

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Recommendations

We recommend that the provider's Trial Balance should be established using the same accounts/categories used in the expenditure reports or a written explanation/crosswalk should be created to allow a proper reconciliation of each expenditure category.

The provider should reconcile the KAE-10 Expenditure Report to the Trial Balance each month. This reconciliation should ensure that reimbursements requests have been expensed and recorded on the Trial Balance. This reconciliation should be conducted within each of the line item categories as well as in aggregate. To change a line item budget, providers should submit a Budget Amendment Request form to KYAE for approval (per the Policy and Procedure Manual for Kentucky Adult Education).

Provider Response

The District's Office of Grants and Awards already reconciles the KAE-10 Expenditure Report to the Trial Balance each month has recommended. The \$5,428.34 difference in the amount requested for reimbursement and the expenditures recorded in the Trial Balance for the audit period 2003-2004 was the result of a difference of \$3,326.49 in Developmental Funding and a difference of \$2,101.85 in Rewards Funding. Both differences were the result of outstanding invoices. Vendors are requested to ship end-of-the-year orders as quickly as possible so that merchandise can be received before the June 30th cut-off date. This often results in merchandise being delivered before the vendor has issued an invoice. The \$5,428.34 difference was due to several invoices for FY 2004 merchandise, which were not actually paid until after June 30, 2004.

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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

Proper file maintenance and accurate data entry is important to support and document the success of a provider in meeting eligibility requirements and goal achievement. CPE and KYAE require that providers administer the initial assessment at orientation, or within a short period thereafter, and shall use the lowest test score in a subject area to determine a learner's entry level and eligibility. Any achievement or completion of goals should be documented. Programs are to maintain assessment forms on file for three years.

The following exceptions were noted:

- One (1) participant's file did not contain evidence of an initial formal assessment.
- Four (4) participant files did not contain evidence that a goal was set, when applicable.
- Twelve (12) participant files did not contain evidence to support that goals were met.
- Thirty-Four (34) participant files did not agree with the electronic information reported to KYAE.

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Recommendations

We recommend the provider create a checklist for participant files to facilitate a periodic review of the contents to ensure that the required documentation is being maintained for all participants. All initial assessments and any achievement of goals/objectives should be documented and maintained. The person entering participant data should require documentation for any data entry performed on a participant and any deficiencies should be reported to the Program Director.

Provider Response

- One (1) participant's file did not contain evidence of an initial formal assessment.

The enrollment form for the one student indicated was subsequently found in a folder mixed in with several examples of student's work from several years. A copy of the assessment form was included in our initial response to the auditors' report.

- Four (4) participant files did not contain evidence that a goal was set, when applicable.

At the time of enrollment the four students in question were assumed to have the goal of completing their initial enrollment level. Because this is prescribed by KYAE, some teachers were not having students mark this goal on their enrollment form. To address this, JCPS consolidated the data entry in one location for FY 2005 and provided 3 hours of training on records maintenance at the beginning of FY 2005.

- Twelve (12) participant files did not contain evidence to support that goals were met.

During this program year, no goals were set for assessment only students. There is now a separate code in the system to address this. We have also provided further training to ensure that all information is correctly documented.

- Thirty-Four (34) participant files did not agree with the electronic information reported to KYAE.

KYAE policy as verified by Terry Tackett, KYAE, is that the KYAE prescribed goal for students is to complete the functioning level in which they were enrolled. Many students often indicate long-range goals that are not realistic at the time of enrollment. These unrealistic goals are entered as they become appropriate. We also are providing on-going training and support for our teachers so that students are encouraged to set realistic goals. Data collection has been centralized, full-time staff has been assigned to monitor the process, and training is on-going.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing 1% 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 rely on each provider to update its electronic staff listing to ensure complete and accurate information. There were six (6) employees that were not included in KYAE's electronic information system.

Recommendations

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

Provider Response

We are concerned that there is an error in the AERIN system. This was not included in the original exit interview. We have no way to verify 03/04 information at this time. Close out procedures with KYAE at the end of 03/04 indicated that only one person was not in the system. That was corrected immediately. Currently, a staff listing is maintained and updated monthly listing all personnel. Systems are in place to ensure that all personnel are entered into AERIN in a timely manner.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 15 expenditures, representing 4% 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 5% 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

Jefferson County Board of Education'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 were noted.