

**OWEN 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**



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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

Mark Cleveland, Superintendent
Owen County Board of Education
1600 Hwy 22 East
Owenton, KY 40359

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Cleveland:

This report contains the results of the performance audit of Owen 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 Owen County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Owen County. An on-site review was conducted on March 15 through March 16, 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 ten (10) 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 \$625 more than the expenditures recorded in the provider's Trial Balance.	\$625
One (1) participant's file did not contain an applicable withdrawn statement.	N/A
Seven (7) participant files did not document their age and we were unable to determine if a withdrawn statement was required.	N/A

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Twenty-seven (27) participant files did not contain evidence of separation due to no contact for 90 consecutive days.	N/A
Seven (7) participant files did not contain evidence of an initial formal assessment.	N/A
Fourteen (14) participant files did not contain evidence to support that goals were met.	N/A
Twelve (12) participant files did not agree with the electronic information reported to KYAE.	N/A
Two (2) participant files did not contain documentation that a Steck-Vaughn Official Practice Test was given or that the scores averaged 450 prior to the participant taking the GED.	N/A
Two (2) employees did not have documentation to support the required level of professional development training.	N/A
None of the timesheets supporting the nine (9) payroll disbursements provided a breakdown by grant, however; only 1 employee was assigned to multiple grants.	N/A
A \$1,175 purchase of kerosene fuel for heating purposes was not identified in the grant proposal. This amount is considered questionable.	N/A
A reimbursement of \$15.43 was made for two people's breakfast meals when the total reimbursed should have been only \$14, resulting in disallowed costs of \$1.43.	\$1.43
KYAE was not informed in writing of a site closing.	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 provider's accounting records were not delineated in the same categories as the KAE-10 Expenditure Report. 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 category that is unrelated to the actual expenditure.

There were ten (10) 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 \$625 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 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	\$7,998.00	\$833.39	\$7,164.61
Other Administrative Costs	869.00	801.38	67.62
Operating Costs	188.00	98.49	89.51
Instructional Personnel	51,442.00	58,525.26	(7,083.26)
Other Instructional Costs	4,461.00	4,314.81	146.19
Equipment Costs			
Development Funds	10,000.00	10,000.00	0.00
Performance Reward			
Sept. Conference Registration	240.00	240.00	0.00
Professional Development	982.01	742.01	240.00
Family Literacy			
Administrative Personnel			
Other Administrative Costs	300.00	0.00	300.00
Operating Costs	150.00	0.00	150.00
Instructional Personnel	17,654.00	18,315.00	(661.00)
Other Instructional Costs	1,896.00	1,685.00	211.00
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
TOTAL	\$96,180.01	\$95,555.34	\$624.67

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.

A reconciliation should be performed each month to ensure that reimbursement 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 current financial officer was not employed during this period and could not comment on the cause of this discrepancy.

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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. Programs are to maintain assessment forms on file for three years. The following exceptions were noted during testing:

- One (1) participant's file did not contain an applicable withdrawn statement.
- Seven (7) participant's file did not document their age and we were unable to determine if a withdrawn statement was required.
- Twenty-seven (27) participant files did not contain evidence of separation due to no contact for 90 consecutive days.
- Seven (7) participant files did not contain evidence of an initial formal assessment.
- Fourteen (14) participant files did not contain evidence to support that goals were met.
- Twelve (12) participant files did not agree with the electronic information reported to KYAE.
- Two (2) participant files did not contain documentation that a Steck-Vaughn Official Practice Test was given or that the scores averaged 450 prior to the participant taking the GED.

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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. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file. 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

A response that addressed these issues was not submitted for the report.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 9 payroll disbursements, representing 21% 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 full-time instructors to obtain eighteen hours of professional development training. There was one (1) employee file that only supported 12 hours of professional development training.

CPE and KYAE require all part-time instructors to obtain six hours of professional development training. There was one (1) employee that did not have documentation to support the required level of professional development training.

When applicable, timesheets should indicate how many hours should be charged to each grant. None of the timesheets supporting the nine (9) payroll disbursements provided a breakdown by grant, however, only 1 employee was assigned to multiple grants.

Recommendations

We recommend that all full-time employees receive at least 18 hours of professional development training and that this information is documented in the employee's file.

We recommend that all part-time employees receive at least 6 hours of professional development training.

We recommend that timesheets note how many hours were worked for each grant.

Provider Response

The full-time employee is no longer with this provider, but should be able to submit proof of her additional six hours of professional development. The part-time employee failed to give us documentation of her professional development.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 7 expenditures, representing 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, 2003 and June 30, 2004.

Findings

CPE and KYAE require that the types of reimbursed expenditures be identified in the original or amended contract proposal. We noted a \$1,175 purchase of kerosene fuel for heating purposes that was not identified in the grant proposal.

Recommendations

We recommend that budget amendments be submitted and approved by KYAE prior to spending grant money on items not previously identified and/or approved by KYAE.

Provider Response

This was understood to be a supply.

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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 2 expenditures, representing 30% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

CPE and KYAE require that all meal reimbursements not exceed the per diem amounts established by the Commonwealth of Kentucky. The provider's policy enforced a maximum daily rate (\$30) for food expenditures, while the Commonwealth of Kentucky has set per diem rates per meal. We noted that reimbursement of \$15.43 was made for two people's breakfast meals when the total reimbursed should have been only \$14, resulting in disallowed costs of \$1.43.

Recommendations

We recommend the provider review and comply with the policies established by KYAE concerning meal reimbursements.

Provider Response

Our financial agent was not aware of KYAE policy and used the guidelines of the Board of Education. Board's policy stipulates that no more than \$30 be spent in a day for food. This expenditures falls into their guidelines and the full amount was paid.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Owen 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 noted.

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MISCELLANEOUS FINDINGS

Findings

The provider did not update the number of sites that were operational throughout the year. The provider's grant proposal included three sites in operation; however, by the end of the year only two sites were active. This information was not reported to KYAE within the required ten (10) days.

Recommendations

We recommend that any site openings and/or closings are reported to KYAE in writing within ten (10) days of the event to ensure that KYAE is aware of the provider's operation sites.

Provider Response

Since this was an in-kind from the site and no funds were used, the director made the decision to discontinue the class when no one attended the classes. The director felt it was unfair to the church to heat the building and no one attended.