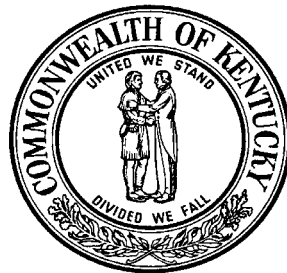


**WHITLEY COUNTY BOARD OF EDUCATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS  
FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period  
July 1, 2006 Through June 30, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

July 31, 2008

Sarah Hawker, Vice President  
Kentucky Adult Education  
Council on Postsecondary Education  
1024 Capital Center Drive, Suite 250  
Frankfort, KY 40601

Lonnie R. Anderson, Superintendent  
Whitley County Board of Education  
300 Main Street  
Williamsburg, KY 40769

Re: Adult Education Grants

Dear Ms. Hawker and Mr. Anderson:

This report contains the results of the performance audit of Whitley County Board of Education's administration of the adult education grants for the fiscal year (FY) ending June 30, 2007. 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.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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





## TABLE OF CONTENTS

	<b>PAGE</b>
EXECUTIVE SUMMARY .....	1
RESULTS AND RECOMMENDATIONS .....	2
FINANCIAL REPORTING AND COMPLIANCE .....	2
PARTICIPANT ELIGIBILITY AND RECORD KEEPING .....	4
PAYROLL AND STAFF REQUIREMENTS .....	6
PURCHASING/EXPENDITURE COMPLIANCE .....	7
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE .....	8
INTERNAL CONTROLS RELATING TO GRANT .....	8



**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Whitley County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Whitley County. The audit also included the Workplace Essential Skills (WES) Grant to provide employee training for Ayrshire Electronics. An on-site review was conducted May 1, 2008 through May 2, 2008, to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local provider's professional development activities comply with the FY 06-07 professional development policies and procedures manual.
- 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 Kentucky Adult Education Policy and Procedure Manual, 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:

<b>FINDINGS RELATED TO THE ADULT EDUCATION GRANT</b>	<b>Disallowed Costs</b>
There were variances in six cost categories between the KYAE-10 Expenditure Reports and the provider's financial records. Compliance with the approved budget limitations per cost category is difficult to determine.	N/A
Five participant files did not contain documentation to support the recorded attendance hours in AERIN.	N/A
One participant file did not contain evidence of separation due to no activity for 90 consecutive days.	N/A
An Individual Professional Development Plan (IPDP) was not on file for three applicable employees.	N/A
One employee file did not have documentation to support the required level of professional development training.	N/A
One invoice was not signed/approved by the program director.	N/A
<b>FINDINGS RELATED TO THE WES GRANT – Ayrshire Electronics</b>	
None	N/A

**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**RESULTS AND RECOMMENDATIONS**

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**FINANCIAL REPORTING AND COMPLIANCE**

**Scope and Methodology for the Adult Education Grant and the WES Grant**

The KYAE-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 KYAE-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 KYAE-10 Expenditure Reports.

**Findings Related to the Adult Education Grant**

There were six variances between the KYAE-10 Expenditure Reports and the provider's financial records. The overall effect was that the amount requested for reimbursement was \$3 more than the amount supported by the provider's financial records. A reconciliation was difficult because the cost categories on the KYAE-10 Expenditure Reports are not the same as the accounts within the local provider's financial management system (MUNIS). 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. The following table illustrates our findings in this area.

<b>Core Services/Family Literacy</b>	<b>KYAE-10 Expenditure Report 6/30/07</b>	<b>Provider's Financial Records 6/30/07</b>	<b>Difference</b>
Administrative Personnel	\$17,765	\$15,190	\$2,575
Other Administrative Costs	\$0	\$0	\$0
Operating Costs	\$10,259	\$10,641	(\$382)
Instructional Personnel	\$234,816	\$236,911	(\$2,095)
Other Instructional Costs	\$5,125	\$5,220	(\$95)
Equipment Costs	\$0	\$0	\$0
Professional Development	\$4,486	\$4,486	\$0
Incentives	\$10,942	\$10,942	\$0
Pilot Projects	\$0	\$0	\$0
Development Funds	\$11,238	\$11,238	\$0
<b>Corrections</b>			
Administrative Personnel	\$550	\$500	\$50
Other Administrative Costs	\$0	\$0	\$0
Operating Costs	\$0	\$0	\$0
Instructional Personnel	\$10,128	\$10,178	(\$50)
Other Instructional Costs	\$567	\$567	\$0
Equipment Costs	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$305,876</b>	<b>\$305,873</b>	<b>\$3</b>



**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**Recommendations**

We recommend that MUNIS accounts be established to agree with the KYAE-10 Expenditure Report categories to facilitate a reconciliation. At a minimum, the provider needs to establish a chart of accounts that can be used to reconcile the two reports. This chart of accounts should be used consistently during the grant period to prepare the KYAE-10 Expenditure Reports each month and at year-end. The chart of accounts should remain the same during the year to ensure that exceptions are not made to avoid the budget limits of a particular cost category. A listing of any expenditure recorded in one MUNIS account but split between two or more KYAE-10 categories should be maintained to explain variances.

**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.]**

The difference between the KYAE-10 and the trial balance for Administrative Personnel and Instructional Personnel is an offsetting situation. All fringe benefits (whether they are for administrative or instructional personnel) are charged to the same MUNIS codes. Our current MUNIS chart of accounts does not allow for a differentiation between administrative and instructional fringe benefits, therefore ALL fringe costs show up as instructional on the trial balance. In the future, we will add MUNIS accounts to facilitate reconciliation with the KYAE-10.

**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
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EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**PARTICIPANT ELIGIBILITY AND RECORD KEEPING**

**Scope and Methodology for the Adult Education Grant**

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 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, 2006 and June 30, 2007.

**Scope and Methodology for the WES Grant**

A total of four participants were selected randomly from the class roster for fiscal year 2007 and compared to the documentation maintained in the participant files. We examined the files for the following:

- Documentation to support the participant's attendance.
- Total number of hours compared to the proposed hours per the Scope of Work.
- Procedure in place to track training hours.

**Findings Related to the Adult Education Grant**

Providers are required to retain records to support participant data submitted electronically in AERIN. Five participant files did not contain documentation to support the recorded attendance hours in AERIN. The participants were enrolled in program types 01, 10, and 11, which are required to report attendance hours.

All participants should be separated from the program if there has not been activity in the adult education program for 90 consecutive days. One participant file did not contain evidence of separation due to no activity for 90 consecutive days.

**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**Recommendations**

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. Attendance hours should be accurately recorded in AERIN for all participants enrolled in program types 01, 07, 10, and 11. A standard separation form should be used to document the separation of participants that have not participated in the adult education program for 90 consecutive days. A local policy should also be established to separate participants who are not making progress as defined in the student education plan. Staff entering participant data should require documentation for any data entry performed on a participant and any file deficiencies should be reported to the Program Director.

**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.]**

The guidelines for maintaining student folders and required documentation will be reviewed with all instructors on an annual basis and an internal audit process will be initiated to ensure that these exceptions do not occur in the future.

**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology for the Adult Education Grant and the WES Grant**

A sample of 18 payroll disbursements was judgmentally selected for payroll testing. Personnel files were examined to verify that staff had received the required professional development training hours. Documentation of hours worked was 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 Related to the Adult Education Grant**

CPE and KYAE require that instructors, instructor's aides, and program directors complete an annual IPDP by October 1 of each year. An IPDP was not on file for three applicable employees.

CPE and KYAE require full-time instructors obtain eight hours of professional development training. One employee file did not have documentation to support the required level of professional development training.

**Recommendations**

To focus on planning for professional learning and growth, we recommend that an IPDP be completed and in "active" status in KYAE's professional development tracking system (PDtrack) by October 1 of the grant year. We also recommend that instructors receive at least the required hours of professional development training and that this information is documented in the employee's file.

**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.]**

It remains unclear why 3 employees did not have an IPDP on file for 06/07 and why one instructor did not complete the required professional development training. There has been a change in Program leadership since that time and all instructors employed for the 2007/08 school year have current PD plans and have completed the required professional development with documentation maintained in their personnel files.

**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

Expenditures were tested for authorization/approval, supporting documentation, proper recording, and that it was an actual expense during the grant period of July 1, 2006 and June 30, 2007. A sample of participants was selected from the detailed ledger for each of the grants as follows:

- For the Adult Education Grant, a sample of 8 expenditures, representing 28% of the grant purchases.
- For the WES Grant, a sample of 1 expenditure, representing 26% of the grant purchases.

**Findings Related to the Adult Education Grant**

CPE and KYAE require that source documentation support accounting records. One invoice was not signed/approved by the program director.

**Recommendations**

We recommend all purchases be signed by the program director to provide support of proper approval.

**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.]**

The expenditure with the missing signature is an oversight on the part of WCAE. The invoice was reviewed as evidenced by the stamp and date, but was inadvertently not signed. WCAE will implement one final review of all expenditures after they have been initially reviewed and signed for approval but before they are sent to finance, in order to ensure that this does not happen in the future.

**WHITLEY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

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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 6 expenditures, representing 21% of the total professional development expenditures, was selected judgmentally from the detailed general ledger. (This test was only applicable to the Adult Education Grant.)

**Findings**

No exceptions were noted.

**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

The Whitley 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.

