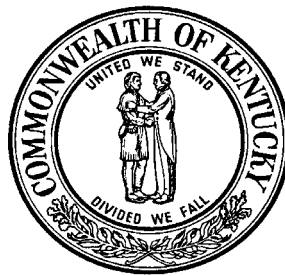


**BUTLER COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY EDUCATION
AND KENTUCKY ADULT EDUCATION**

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



**CRIT LUALLEN
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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

Larry Woods, Superintendent
Butler County Board of Education
P.O. Box 339
Morgantown, KY 42261

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Woods:

This report contains the results of the performance audit of Butler 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,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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**BUTLER COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Butler County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Butler County. An on-site review was conducted on May 2 through May 6, 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
One (1) participant file did not contain an applicable withdrawn statement.	N/A
Two (2) participants did not appear eligible per their initial assessment (score>11.9). The participant would be eligible if they had not obtained a high school diploma or GED.	N/A
Two (2) participant files did not contain evidence that a goal was set, when applicable.	N/A
Two (2) participant files did not contain evidence to support that goals were met.	N/A

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Seven (7) participant files did not agree with the electronic information reported to KYAE.	N/A
Three (3) participant files did not contain evidence of separation due to no contact for 90 consecutive days.	N/A
Three (3) participants met the goals of employment and/or post-secondary education/training but there was no evidence of follow-up correspondence.	N/A
One (1) instructor did not have a timesheet for the pay period ended 05/30/04.	N/A
Two (2) employees did not have documentation to support the required level of professional development training.	N/A
The actual cost of one item was not recorded properly on the inventory list. The actual cost per invoice was \$2,153, but \$1,400 was recorded.	N/A
Staff was following the provider's meal reimbursement policy instead of the Commonwealth's policy. The provider's policy allows a maximum \$35 daily rate for food expenditures, instead of individual meal rates. However, this did not result in any disallowed costs.	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

No exceptions noted.

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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 file did not contain an applicable withdrawn statement.
- Two (2) participants did not appear eligible per their initial assessment (score>11.9). The participant would be eligible if they had not obtained a high school diploma or GED.
- Two (2) participant files did not contain evidence that a goal was set, when applicable.
- Two (2) participant files did not contain evidence to support that goals were met.
- Seven (7) participant files did not agree with the electronic information reported to KYAE.
- Three (3) participant files did not contain evidence of separation due to no contact for 90 consecutive days.
- Three (3) participants met the goals of employment and/or post-secondary education/training but there was no evidence of follow-up correspondence.

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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. Eligibility should be evaluated based upon the requirements of the applicable program. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file. 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

Overall, agree with findings.

Corrective Action Plan: Participant TABE scores will not exceed 11.9 for applicable programs. Also, information reported to KYAE will agree with file information. A checklist will be created for each folder to ensure that appropriate information is on file.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing 32% 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 all part-time instructors to obtain six hours of professional development training. There were two (2) employees that did not have documentation to support the required level of professional development training.

CPE and KYAE require that all KAE-funded employees maintain documentation of hours worked. One instructor did not have a timesheet for the pay period ended 05/30/04.

Recommendations

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

We recommend that all employees, even those working on salary, document time worked that is attributable to this grant.

Provider Response

Overall, agree with findings.

Corrective Action Plan: Each employee will have a timesheet for each pay period.

Though the staff has and will continue to receive the proper amount of professional development, that information was not filed in the personnel files. Also, proof of degree, individual professional development plans, and record with documentation of training will be filed in the appropriate personnel file.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 13 expenditures, representing 27% 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 an annual Inventory Report listing non-consumable items with a useful life greater than one year. The actual cost of one item was not recorded properly on the inventory list. The actual cost per invoice was \$2,153, but was recorded as \$1,400.

Recommendations

We recommend that an accurate listing of inventory should be maintained and submitted to KYAE.

Provider Response

Agree with findings.

Corrective Action Plan: On the inventory list, the price of items will be recorded based on the purchase receipt or the packing list at the time of purchase.

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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 3 expenditures, representing 73% 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. Our testing revealed that staff was following the provider's meal reimbursement policy instead of the Commonwealth's policy. The provider's policy allows a maximum \$35 daily rate for food expenditures, instead of individual meal rates. There were two (2) instances that breakfast was reimbursed at \$13.11, which exceeded the \$7 per diem breakfast rate established by the Commonwealth of Kentucky. However, the total meal costs for these two days did not exceed the amounts allowable per the Commonwealth's policy because the \$35 limit was not reached.

Recommendations

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

Provider Response

Agree with findings.

Corrective Action Plan: Program Director, program employees, and school district bookkeeper will review and follow the KYAE Policies and Procedures Manual regarding meal reimbursement.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Butler 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.