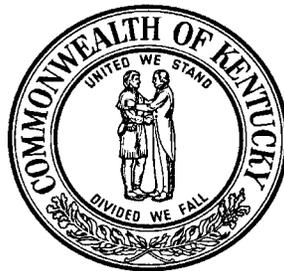


**GRAYSON COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period July 1, 2005
Through June 30, 2006**



**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

June 27, 2007

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

Barry Anderson
Grayson County Board of Education
909 Brandenburg Road
Leitchfield, KY 42755

Re: Adult Education Grant for Grayson County

Dear Ms. Hawker and Mr. Anderson:

This report contains the results of the performance audit of Grayson County Board of Education's administration of its Adult Education Grants for the fiscal year ending June 30, 2006. 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



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	1
RESULTS AND RECOMMENDATIONS	2
FINANCIAL REPORTING AND COMPLIANCE	2
PARTICIPANT ELIGIBILITY AND RECORD KEEPING	3
PAYROLL AND STAFF REQUIREMENTS	5
PURCHASING/EXPENDITURE COMPLIANCE	6
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	7
INTERNAL CONTROLS RELATING TO GRANT	8

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Grayson County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Grayson County. An on-site review was conducted March 26, 2007 through March 27, 2007 to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE 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
Five (5) participants had zero (0) hours of attendance recorded in AERIN. These were participants within program types required to report attendance hours.	N/A
Three (3) participants' attendance documentation did not support the recorded attendance hours in AERIN.	N/A
One (1) participant's file did not contain evidence of an approved formal assessment.	N/A
Two (2) participant files did not contain an applicable withdrawn statement.	N/A
A Xerox copier was purchased for \$1,300 on August 31, 2005 but was not recorded as inventory.	N/A

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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 total amounts requested for reimbursement on the KAE-10 Expenditure Reports.

Findings

No exceptions noted.

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

Providers are required to submit participant data electronically using KYAE's management information system, AERIN. A total of 60 participants were selected randomly from AERIN. The electronic data was then 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.
- Evidence to support attendance.
- 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, 2005 and June 30, 2006.

Findings

Proper file maintenance and accurate data entry is important to support and document the success of a provider in meeting eligibility requirements. Providers are required to retain records to support participant data submitted electronically, as dictated by the program type. Information entered into AERIN should be supported by evidence maintained in the participant's file. The following exceptions were noted:

- Five (5) participants had zero (0) hours of attendance recorded in AERIN. These were participants within program types required to report attendance hours.
- Three (3) participants' attendance documentation did not support the recorded attendance hours in AERIN. Two of these participants had no attendance documentation on file.
- One (1) participant's file did not contain evidence of an approved formal assessment.
- Two (2) participant files did not contain an applicable withdrawn statement.

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. All assessments should be documented and maintained. If the participant is between 16 and 18 years of age, official documentation

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

of their withdrawal from school should be included in their file. 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.]

Incorrect hours reported in AERIN:

Last year the hours of attendance were put into AERIN when we separated the students. In some cases there were no hours listed on the separation form by the submitting instructor and in other cases, the form contained attendance hours but was overlooked/misread when the separation was done in AERIN. This should be corrected this year because we are recording daily attendance in the AERIN system and not taking the attendance hours from the separation forms.

In the case of the students with no attendance hours in AERIN, our clerk thinks that it may have been possible that she was placing the attendance hours on the test reporting screen in AERIN rather than on the withdraw screen. We have no way of checking since we do not have access to last year's data. Being a first year clerk she remembers discovering that each screen have a section to input attendance hours. Even so, attendance is inputted differently this year so we should no longer have that problem.

Withdrawal documentation not on file:

These two individuals were employed by a company that we did a workshop for the company's staff and the enrollment forms were filled out the day of the training by the individuals. Since these were program 09 participants the instructor was not aware that they may need withdrawal letters from their high school due to their age. If these withdrawal letters are needed then she will need to start securing this documentation to place in the students' folders before holding the training.

No assessment on file:

This individual was in the corrections program and had been transferred from the county's main facility to the annex facility, which is served by 2 different instructors in 2 separate locations. During the transfer the individual's folder containing the assessment documentation was misplaced. The only correction for this type of incident is instructors will need to be more careful with the record keeping.

Hard copy of attendance not in file:

These two participants folders belonged to individuals that were in an ESL program in the corrections program. The program does utilize sign in sheets and logs attendance in a excel file but no documentation was placed in the participants folders. This plans to be corrected by having individual attendance sheets placed in the participants folders. Participants folders will be reviewed periodically by the administrator for individual attendance forms.

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements was judgmentally selected for payroll testing. Personnel files were examined to verify that staff had received the required professional development training hours. Timesheets were examined for existence and approval. Personnel files were examined to verify evidence of the instructor's bachelor's degree. A determination as to whether the employee was included in the staff listing information reported to KYAE.

Findings

No exceptions noted.

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 6 expenditures, representing over 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, 2005 and June 30, 2006.

Findings

CPE and KYAE require that an annual Inventory Report listing non-consumable items with a useful life greater than one year. A Xerox copier was purchased for \$1,300 on August 31, 2005 but was not recorded as inventory.

Recommendations

We recommend that an accurate listing of inventory be maintained and submitted to KYAE. The local provider should review inventory records periodically to verify agreement with the inventory reported to KYAE.

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.]

A copier was left off the inventory list provided to the auditors by CPE:

This copier was purchased at the beginning of the 2005-06 year and the inventory list was filled out at the end of year so the copier was inadvertently omitted. The program plans to review the inventory list monthly to prevent this occurrence.

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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 5 expenditures, representing over 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions noted.

**GRAYSON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Grayson County Board of Education's fiscal administrator of its Adult Education Grant was given an Internal Control Questionnaire regarding the controls in place for cash disbursements, bank reconciliation's, 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.

