



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

June 26, 2013

Metcalfe County Board of Education
109 Sartin Drive
Edmonton, Kentucky 42129

Members of the Board of Education:

The Auditor of Public Accounts (APA) has completed an examination of the Metcalfe County Board of Education (MCBOE). Our office received concerns related to specific activities and transactions that could indicate possible mismanagement leading to noncompliance with Board policy or state law. This letter summarizes the procedures performed and communicates the results of those procedures.

The APA reviewed certain activities for the period July 1, 2012 through April 30, 2013. The procedures performed include reviewing expenditure transactions, grant agreements, and general policies and procedures of the MCBOE. In addition, our review consisted of interviews with various staff and management at the MCBOE and within the school district.

The purpose of this review was not to provide an opinion on financial statements or activities, but to ensure appropriate processes are in place to provide strong oversight of financial activity and to review the specific issues brought to our attention.

Detailed findings and recommendation are attached to this letter to assist all parties involved in improving procedures and internal controls. Overall, these findings indicate the MCBOE did not provide adequate oversight and control over the expenditure of federal grant funds. In addition to the findings, the MCBOE's management response to the findings is included.

If you have any questions, contact me or Libby Carlin, Assistant Auditor of Public Accounts.

Sincerely,

Adam H. Edelen
Auditor of Public Accounts

c: Byron D. Jeffries, Interim Superintendent of Metcalfe County Schools
Dr. Benny Lile, Superintendent



FINDINGS AND RECOMMENDATIONS

**METCALFE COUNTY BOARD OF EDUCATION
FINDINGS AND RECOMMENDATIONS**

Finding 2013-01: The Metcalfe County Board Of Education Did Not Provide Adequate Oversight And Control Over The Expenditure Of Federal Grant Funds

We have completed an examination of certain financial transactions of the Metcalfe County Board of Education (MCBOE). Our procedures consisted of interviewing staff, reviewing contracts, grant agreements and related expenditure transactions of the 21st Century Community Learning Center program, and evaluating the District's purchasing policies and procedures. The 21st Century Community Learning Center program provides supplemental after school funding for eligible districts and benefits middle school kids. Funds are allocated to the Kentucky Department of Education (KDE) through formula grants that are based on their share of Title I - Part A funds. Funds are then awarded to the school districts through a competitive process.

The purpose of the 21st Century Community Learning Center program is to establish and expand community learning centers that provide academic enrichment opportunities that will complement student development. The program also supports the creation of community learning centers that provide academic enrichment opportunities during non-school hours. Based on the results of our review, we identified areas where improved oversight and control is needed:

- The District paid \$93,184.84 for 53 computers using 21st Century grant funds without the prior authorization and approval of the Metcalfe County Board of Education. Six purchase orders were issued with dates ranging from 9/11/2012 through 10/11/2012 to purchase 30 computers for the Metcalfe County College and Career Center and 23 for the middle school. (The computers were allocated to each location according to inventory records.) The District's policy at the time of the purchase was if the expenditures were included in the approved budget then authorization and approval from the Board wasn't necessary.
- The MCBOE's Finance Procedures Manual is not clear. The MCBOE's Finance Procedures Manual says the Model Procurement Code is followed for bids, as it says any items over \$20,000 must be bid. The manual says Activity Fund checks exceeding \$1,500 should be approved by the superintendent, but it goes on to say that *all purchases* require prior the approval of the Superintendent. The manual says that purchase orders for fixed assets shall not exceed \$3,000 per unit price without prior board approval. The manual also says the role of the MCBOE is to "approve *all warrants* prior to release" and does not specify a dollar threshold.
- There were six (6) purchase orders issued and five (5) were for amounts under the small purchase threshold of \$20,000, as set forth in the Model Procurement Code. These transactions have the appearance of a split purchase, based on the number of purchase orders issued and the dates. Under the Model Procurement Code, procurement requirements should not be split, divided, or scheduled over a period of time in order to constitute a small purchase.

**METCALFE COUNTY BOARD OF EDUCATION
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Finding 2013-01: The Metcalfe County Board Of Education Did Not Provide Adequate Oversight And Control Over The Expenditure Of Federal Grant Funds (Continued)

The table below summarizes the purchase orders that were issued to purchase the computers:

Purchase Order Date	Item Description	Amount
8/29/2012	Computer Monitor	\$ 278.60
8/31/2012	30 - Dell Latitude E6530 Laptops & 30-Unit Storage Cart	50,367.89
8/31/2012	Secure Stack C5 POE Switch & HiPath 3610 access points	5,241.75
9/13/2012	10 - Dell Latitude E6530 Laptops & Laptop Storage Cart	17,671.29
9/13/2012	OptiPlex 790 Desktop Computer with monitor	1,339.11
9/27/2012	12 – Dell Latitude E6530 Laptop Computers	18,286.20
Total		\$ 93,184.84

There are 365 kids at the Metcalfe County Middle School; however, based on the documentation provided, only a few kids were able to use the computers over a 6-month period – refer to the chart below. The students who participate must be bused over to the College and Career Center to use the computers, thus access to the computers is limited and transportation must be provided by the district. The Center is not open on weekends and visits must be scheduled. By locating the computers at an offsite facility, they are not as accessible as if they were located onsite at the school. Transportation for this purpose also creates an additional financial burden for the district.

Metcalfe County College & Career Readiness Center Sign-In Log		
Date	Number of Hours	Number of Kids
November 2012	8	8
December 2012	9	9
January 2013	7	7
February 2013	5	5
March 2013	13	13
April 2013	6	6
Totals	48	48

There was no documentation available to support the formal written approval from KDE to use 21st Century grant funds. While computers are an allowable cost for the 21st Century Community Learning Center program, MCBOE did not provide documentation to support KDE's prior approval.

The MCBOE's policy did not prohibit the purchase of the computers as long as the expenditures were included in the District's approved budget. The policies and procedures for purchases are unclear.

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Finding 2013-01: The Metcalfe County Board Of Education Did Not Provide Adequate Oversight And Control Over The Expenditure Of Federal Grant Funds (Continued)

As part of its monitoring and oversight responsibilities, the MCBOE should be involved in the procurement process. The MCBOE's policy allows for purchases that are included in the school district's approved budget to be approved by the superintendent without prior approval of the Board. However, according to the Kentucky Revised Statutes at KRS 160.290 - General Powers and Duties of Board, the Board's duties and responsibilities are clearly stated:

- (1) Each board shall have control and management of all school funds and all public school property of its district and may use its funds and property to promote public education.

MCBOE's Finance Procedures Manual, states:

Purchase orders for fixed assets follow the same procedure as all other purchases regarding coding and approval. Purchase orders for fixed assets shall not exceed \$3,000 per unit price without prior board approval.

Finally, the Elementary and Secondary Education Act (ESEA) - Title IV, Part B - 21st Century Community Learning Centers SEC. 4204 - Local Competitive Grant Program, states:

- (c) The State educational agency may approve an application under this part for a program to be located in a facility other than an elementary school or secondary school only if the program will be at least as available and accessible to the students to be served as if the program were located in an elementary school or secondary school.

A purchase of this type and dollar amount using Federal grant funds should have been submitted to the KDE 21st Century program director for prior approval. A request for purchase should have been submitted to KDE and included the number of computers purchased, the cost, and justification for the purchase. Also, a reasonable and sufficient justification should have been provided for an offsite facility that relates to the 21st CCLC program objectives. Further, a purchase of this nature should have been discussed with the Board and prior approval sought by the Board for the purchase of the computers as well as the location.

Recommendation

We recommend the MCBOE:

- Strengthen controls over the expenditure process and develop policies that govern purchases with federal grant funds and ensure that purchasing policies are followed by staff. The policies should clearly define what expenditures need further authorization and approval of the Board.

**METCALFE COUNTY BOARD OF EDUCATION
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(Continued)**

Finding 2013-01: The Metcalfe County Board Of Education Did Not Provide Adequate Oversight And Control Over The Expenditure Of Federal Grant Funds (Continued)

Recommendation (Continued)

- Implement a policy that clearly defines the types of expenditures that should be presented to the board for preapproval and those expenditures that may be authorized and approved by the Superintendent without board approval. The MCBOE's policies and procedures should clearly delineate the lines of responsibility for authorization and approval of expenditures, as well as the dollar thresholds for small purchases.
- Include provisions prohibiting split purchases in its policies and procedures and ensure future purchases adhere to the requirements of the Model Procurement Code.

While the purchase of the computers was an allowable cost for the program, we recommend that any future purchases using Federal grant funds be transparent and used for the benefit of the kids who were the intended recipients. The computers should be placed at a location where they are easily accessible to the children who participate in the program.

Management's Response and Corrective Action Plan

It has been determined that appropriate policy is in place. The following procedures will be implemented to ensure all staff members adhere to said policies. 1) Monthly financial reports to the board will specifically delineate federal grant program expenditures 2) Grant program coordinators will report to the superintendent, at least on a quarterly basis, the status, progress, and financial standing of said program 3) The district financial officer will be responsible to report to the superintendent any and all expenditure request that appear out of the norm.

The MCBOE has been informed of the inconsistencies in policy and the financial handbook. The July board meeting will hear a first reading of policy that coordinates all dollar amounts of approval and reaffirms the model procurement code.

Computers that were placed at the offsite facility have already been relocated to the 21st CCLC site.