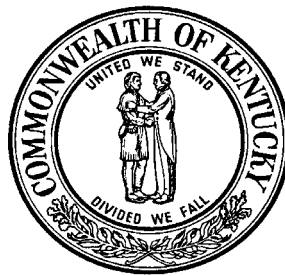


**BATH COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY EDUCATION
AND KENTUCKY ADULT EDUCATION**

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



**CRIT LUALLEN
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C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

July 8, 2005

Reecie Stagnolia, Associate Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Nancy Hutchinson, Superintendent
Bath County Board of Education
405 West Main ST
Owingsville, KY 40360

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Hutchinson:

This report contains the results of the performance audit of Bath 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 that reads "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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**BATH COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF ADULT
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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Bath County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Bath County. An on-site review was conducted on May 4 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
There were variances in eight (8) cost categories between the KAE-10 Expenditure Reports and the provider's Trial Balance. It is questionable whether the provider was in compliance with the approved budget limitations in these cost categories.	N/A
One (1) participant's file did not contain an applicable withdrawn statement.	N/A
One (1) participant did not appear eligible per their initial assessments (score>11.9).	N/A
Three (3) participant files did not contain evidence that a goal was set, when applicable.	N/A

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One (1) participant's file did not contain evidence to support that goals were met.	N/A
Five (5) participant files did not agree with the electronic information reported to KYAE.	N/A
Five (5) participant files did not contain evidence of separation due to no contact for 90 consecutive days.	N/A
Four (4) participant files did not contain evidence of follow-up actions concerning the participant's child's education.	N/A
One (1) participant had no documentation to support enrollment or eligibility.	N/A
Five (5) participants enrolled in Work-based Project Learning, Program Type 14, did not have evidence on file documenting an association with an employer or employment service.	N/A
Six (6) participants enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.	N/A
None of the timesheets supporting the eight (8) payroll disbursements provided a breakdown of time charged by grant.	N/A
In one instance, reimbursement for more than the acceptable per diem amount was requested, resulting in disallowed costs of \$2.79.	\$2.79

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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 cost categories on the KAE-10 Expenditure Reports do not match up with the categories maintained by the MUNIS report, making the reconciliation difficult. 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.

There were eight (8) variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. In total, the expenditures recorded in the provider's Trial Balance were \$129 more than the expenditures reported on the KAE-10 Expenditure Report. 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	\$7,536.00	\$0.00	\$7,536.00
Other Administrative Costs			
Operating Costs			
Instructional Personnel	42,924.82	50,461.53	(7,536.71)
Other Instructional Costs	108.00	262.00	(154.00)
Equipment Costs			
Development Funds	9,999.93	9,999.33	0.60
Performance Reward			
Sept. Conference Registration	80.00	197.95	(117.95)
Professional Development	810.81	692.86	117.95
Family Literacy			
Administrative Personnel	2,668.00	3,500.00	(832.00)
Other Administrative Costs			
Operating Costs			
Instructional Personnel	24,804.99	24,168.67	636.32
Other Instructional Costs	13,077.16	12,856.48	220.68
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development	485.07	485.07	0.00
TOTAL	\$102,494.78	\$102,623.89	(\$129.11)

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.

The provider should reconcile the KAE-10 Expenditure Report to the Trial Balance each month. This reconciliation should ensure that reimbursements 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).

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Provider Response

Our trial balance shows a greater balance than what was invoiced to KAE. The \$117.95 trial balance for conference registration is coded incorrectly and should be in Professional Development. This error was corrected when caught but it was not changed until after the June 30 trial balance and therefore is not reflected. Every effort is made to ensure that coding is correct and when it is not, we have the finance person correct the coding. Administrative personnel costs are not reflected in MUNIS as a separate code. The \$154 for other instructional costs was coded to a general fund account and should not have been reflected. This correction was done in July after the closing of June 30. Every effort will be made to have changes made prior to the June 30 deadline. Checks are in place to make sure that we do not over invoice or over spend in any category.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of sixty (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's file did not contain an applicable withdrawn statement.
- One (1) participant did not appear eligible per their initial assessments (score>11.9).
- Three (3) participant files did not contain evidence that a goal was set, when applicable.
- One (1) participant's file did not contain evidence to support that goals were met.
- Five (5) participant files did not agree with the electronic information reported to KYAE.
- Five (5) participant files did not contain evidence of separation due to no contact for 90 consecutive days.
- Four (4) participant files did not contain evidence of follow-up actions concerning the participant's child's education.

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- One (1) participant had no documentation to support enrollment or eligibility.
- Five (5) participants enrolled in Work-based Project Learning, Program Type 14, did not have evidence on file documenting an association with an employer or employment service.
- Six (6) participants enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.

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. The provider should ensure that this checklist contains the different requirements for the different program types. 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

Program policy will follow recordkeeping requirements set by state. New forms have been developed and will be revised as needed for student goals. These new forms will allow for better tracking of each goal set and reached. Goals will be realistic and are either long or short term. Short term realistic goals will be entered into AERINS and goals will be updated quarterly. A checklist will be made for each student folder to be sure all required documents are in folder.

For Program 11, a check sheet had been created to track monthly hours for pack activities, home visits, and reading logs. If applicable, STI records will be copied for child education progress. Goals will be written on standard form and updated on a regular basis.

For Program 14, we record workplace goals for Kentucky Employability Certificate, Kentucky Manufacturing Skills Standard, and Paraeducator. Goals other than these do not have to be recorded. We will create an enrollment form with goals that apply to this program code. Every effort will be made to go over the enrollment form and make sure the appropriate places are checked. We will be sure to have a referral appropriate for workplace.

For Program 25, we will be sure to have this on our enrollment form and learners will mark or write in appropriate referral to our program. In summary, we will correct our processes for eligibility and recordkeeping for all students in order to be in compliance with all requirements.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of eight (8) 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

When applicable, timesheets should indicate how many hours should be charged to each grant. None of the timesheets supporting the eight (8) payroll disbursements that we sampled provided such a breakdown by grant.

Recommendations

We recommend that timesheets note to which grant the time worked should be charged.

Provider Response

We will update our timesheets kept at the board office to reflect division of time charged to appropriate project. Therefore, personnel who are paid from more than one project will have time sheets for each project.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 4 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

No exceptions noted.

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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 23% 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 (\$20) for food expenditures, while the Commonwealth of Kentucky has set amounts per meal. In one instance, the requested reimbursement exceeded the acceptable per diem amount, resulting in disallowed costs of \$2.79.

Recommendations

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

Provider Response

Each staff person will stay within limits set by State for meals, and not go over the daily limit set by the local Board of Education, which is \$20 per day. All new staff will review the KAE guidelines to be sure and stay within the meal allowance.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Bath 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.