

**CLAY 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**



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July 8, 2005

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

Douglas Adams, Superintendent
Clay County Board of Education
128 Richmond Road
Manchester, KY 40962

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Adams:

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

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.....	4
PURCHASING/EXPENDITURE COMPLIANCE.....	5
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	6
INTERNAL CONTROLS RELATING TO GRANT	7

**CLAY COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF ADULT
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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 Clay County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Clay County. An on-site review was conducted on May 2 through May 5, 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's file information (specifically goal information) did not agree with the electronic information reported to KYAE.	N/A
Two (2) employees were not included in KYAE's electronic information system.	N/A
Three questionable expenditures totaling \$284.94 were not supported by detailed receipts. One expenditure of \$148 was not supported by an actual receipt and two additional expenditures (one to Dollar Mania for \$100.00 and the other to Save-a-Lot for \$36.94) had receipts but these did not provide a detailed listing of the goods purchased.	N/A
One meal reimbursement (\$16.05) was for actual meal cost rather than the per diem amount of \$15; resulting in a disallowed cost of \$1.05.	\$1.05

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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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EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

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. However, we were informed that all participant files burned except for the Correction program files. A replacement sample of 54 was selected, which was 100% of the Correction participants. After arrival, we were informed that only 31 of the 54 could be located due to the fact that the other 23 had separated from the program and their files were burned as well.

For the 31 participant files remaining, 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. One participant's file information (specifically goal information) did not agree with the electronic information reported to KYAE.

Recommendations

We recommend that appropriate goals should be established, documented, and accurately reported to KYAE.

Provider Response

Participant files will be reviewed by two staff to verify that current goals have been entered into AERIN.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing approximately 20% of the total payroll expenditures, was judgmentally selected for payroll testing. 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.

Note: Compliance with professional development training requirements could not be assessed due to a fire that destroyed all of the provider's professional development files.

Findings

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. We noted two (2) employees that were not included in KYAE's electronic information system.

Recommendations

We recommend that staff information be entered accurately and completely in KYAE's electronic information system.

Provider Response

Both employees were listed on Adult Ed. Staff Listing when hired and were listed again on Staff Qualification Sheet when grant was written each year. We will review this each year.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 15 expenditures, representing 23% 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 all expenditures of the program be traceable to supporting documentation. Of the fifteen items tested, one item for \$148 was not supported by an actual receipt. There were two additional items (one to Dollar Mania for \$100.00 and the other to Save-a-Lot for \$75.00) that had receipts but these did not provide a detailed listing of the goods purchased. A detailed receipt from Save-a-Lot of \$38.06 was located so the remaining questionable items total \$284.94 (\$148+\$100+\$36.94).

Recommendations

We recommend that detailed receipts for expenditures be obtained and retained prior to making payment. Detailed receipts will document whether the expenditure was made for program purposes and ensure that items are not paid for twice.

Provider Response

Regarding Post Office receipts---Request for stamps will be by the roll and a Purchase Order will be prepared. Stamps will be purchased after the Board meets (once per month) and the Finance Officer will go to the Post Office and pick up the stamps and the receipt. Procedural change was made at Principal Meeting on Thursday May 5, 2005.

Regarding detailed receipts---Auditor's recommendation accepted.

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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 5 expenditures, representing 30% 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. Effective 3/22/04, the travel policy changed and stated that 1) receipts are required for meals and 2) reimbursement is for the amount of the receipt, not to exceed the established per diem amounts. One meal reimbursement (\$16.05) was requested for actual meal cost rather than the per diem amount of \$15; resulting in a disallowed cost of \$1.05.

Recommendations

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

Provider Response

Auditor's recommendation accepted. County reimbursement policy will be reviewed.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Clay 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.