

**FRANKLIN 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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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

Monte Chance, Superintendent
Franklin County Board of Education
916 E. Main Street
Frankfort, KY 40601

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Chance:

This report contains the results of the performance audit of Franklin 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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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Franklin County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Franklin County. An on-site review was conducted on March 17 through March 18, 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 twelve variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. The overall effect was that the amount requested for reimbursement was \$2,549 more than the expenditures recorded in the provider's Trial Balance.	\$2,549
Three (3) participant files did not contain evidence of an initial formal assessment.	N/A
One (1) participant's file did not contain evidence to support that goal(s) were met.	N/A

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Two (2) participant files did not agree with the electronic information reported to KYAE (specifically goal information).	N/A
One (1) participant's file did not contain evidence of separation due to no contact for 90 consecutive days.	N/A
There were four (4) full-time employee files that did not have documentation to support the required level of professional development training.	N/A
The provider's policy enforced a maximum daily rate (\$30) for food expenditures, while the Commonwealth of Kentucky has established per diem rates per meal.	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

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 twelve variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. The overall effect was that the amount requested for reimbursement was \$2,549 more than the expenditures recorded in the provider's Trial Balance. This difference is due to encumbrances recorded in the categories of Development Funds and Professional (staff) Development for FY 2004. Therefore, \$2,549 should not have been reimbursed because it was not based on actual expenditures. 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	\$26,740.00	\$0.00	\$26,740.00
Other Administrative Costs	400.00	400.00	0.00
Operating Costs	6,225.00	6,217.58	7.42
Instructional Personnel	138,752.00	165,816.78	(27,064.78)
Other Instructional Costs	500.00	182.64	317.36
Equipment Costs	9,000.00	9,000.00	0.00
Development Funds	31,713.00	29,809.67	1,903.33
Performance Reward			
Sept. Conference Registration	640.00	0.00	640.00
Professional Development	3,100.00	3,094.83	5.17
Corrections			
Administrative Personnel	873.00	0.00	873.00
Other Administrative Costs			
Operating Costs			
Instructional Personnel	16,678.00	17,551.00	(873.00)
Other Instructional Costs			
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
Family Literacy			
Administrative Personnel	5,535.00	0.00	5,535.00
Other Administrative Costs	150.00	150.00	0.00
Operating Costs	3,250.00	3,250.00	0.00
Instructional Personnel	28,072.00	33,519.83	(5,447.83)
Other Instructional Costs	904.00	990.49	(86.49)
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
TOTAL	\$272,532.00	\$269,982.82	\$2,549.18

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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 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).

As stated by the contract, only reasonable, allowable, and actual expenses should be included in the provider's request for reimbursement. The \$2,549 is considered disallowed and should be refunded unless a resolution with CPE and KYAE is reached.

Provider Response

The provider must operate within the MUNIS accounting system. All employees of Franklin County Community Education are considered to be classified employees and their personnel costs are charged to the Classified Employee account. The MUNIS system does not provide a separate category for Administrative and Instructional Classified personnel. The categories are adjusted manually and expenditures are reconciled on a monthly basis. Provider will furnish a written explanation of the procedure for separating Instructional and Administrative Salary expenses from the Classified Employees MUNIS category.

The \$640.00 for the September Conference Registration was considered a part of the Professional Development category and included in the \$3,094.83 spent for PD. In the future, a separate account can be established for Conference Registration.

As to the difference in expenditures: the auditor's trial balances do not take into account outstanding expenditures in the amount of \$2,129.20 charged to development funds and \$800.00 expenditure to the National Center for Family Literacy for Professional Development that represent the costs of services and good received before June 30, 2004.

The \$800.00 for the National Center for Family Literacy had not been paid at the end of the year due to problems in obtaining a proper invoice. It has since been paid. The services were provided before June 30, 2004, within the 2003-04 grant period, and are a legitimate grant expense. With the addition of this expense, the cost of services provided under the Professional Development category exceeds the grant award.

The auditor's schedule also does not take into account three outstanding Purchase Orders charged to Development Funds:

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- #95500176 to Cardinal Office Supply for \$1,409.88
- A Payable to Franklin Co. Schools Food Service 197.25
- #95505169 to Office Depot in the amount of 451.07

We have indicated that these expenses were encumbered. I think we should have been stressing that they are actually accounts payable. They represent the costs of goods received and services provided before the end of the 2003-04 contract period - June 30, 2004 - and are allowable grant expenses.

Considering these expenditures, the total cost of services provided pursuant to the KYAE grant for 2003-04 were actually more than the total grant award and required the use of local funds.

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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:

- Three (3) participant files did not contain evidence of an initial formal assessment.
- One (1) participant's file did not contain evidence to support that goal(s) were met.
- Two (2) participant files did not agree with the electronic information reported to KYAE (specifically goal information).
- One (1) participant's file did not contain evidence of separation due to no contact for 90 consecutive days.

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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. 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

The provider will review its procedures for requiring documentation before entering data. A periodic review of files will be conducted to ensure proper documentation is being maintained.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll expenditures, representing 9% 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 full-time instructors to obtain eighteen hours of professional development training. There were four (4) employee files that did not have documentation to support the required level of professional development training.

Recommendations

We recommend the provider maintain records of all professional development training attended, especially certificates describing the training and number of hours earned.

Provider Response

One of the four did have a certificate for the TESOL conference that did not list hours, only the dates of March 31-April 1, 2004. There were ½ day sessions on the first & last days for at least 3 hours each of those days and full days on April 1 & 2 for 6 hours each day for a total of 18 hours just for that conference. This conference is on the approved list for KYAE. She also had 10 other Professional Development hours documented.

Additional documentation was provided showing that training requirements were met for all staff. A review of procedures for maintenance of Professional Development required documentation revealed deficiencies. The process has been adjusted to track the number of hours of PD for each employee to ensure compliance with KYAE regulations.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 14 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 4 expenditures, representing 27% 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 (\$30) for food expenditures, while the Commonwealth of Kentucky has set amounts per meal. For one employee, this resulted in three (3) instances where reimbursement was more than the acceptable per diem amount and four (4) instances where reimbursement was less. These instances occurred prior to 3/22/04 when the policy was changed to require receipts. In total, reimbursement did not exceed the allowable amount.

Recommendations

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

Provider Response

The provider will comply with the policies established by KYAE, as well as the Franklin County Public Schools, concerning meal reimbursements.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Franklin 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.

