

**GARRARD 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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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

Raymond Woolsey, Superintendent  
Garrard County Board of Education  
322 West Maple Avenue  
Lancaster, KY 40444

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Woolsey:

This report contains the results of the performance audit of Garrard 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





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**GARRARD COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Garrard County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Garrard County. An on-site review was conducted on April 26 through April 28, 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**

<b>FINDING</b>	<b>Disallowed Costs</b>
There were six (6) 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 \$294 more than the expenditures recorded in the provider's Trial Balance.	\$294

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**RESULTS AND RECOMMENDATIONS**

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**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.

**Finding**

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 six (6) 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 \$294 more than the expenditures recorded in the provider's Trial Balance. This means that the provider's financial information does not support the amounts requested for reimbursement. The following table illustrates our findings in this area.

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<b>Basic Grant (Adult Education)</b>	<b>KAE-10 Expenditure Report 6/30/04</b>	<b>Provider's Trial Balance 6/30/04</b>	<b>Difference</b>
Administrative Personnel	\$4,722.00	\$4,838.59	(\$116.59)
Other Administrative Costs	139.20	216.32	(77.12)
Operating Costs	8,253.55	8,014.82	238.73
Instructional Personnel	46,487.34	46,576.16	(88.82)
Other Instructional Costs	1,956.00	1,910.20	45.80
Equipment Costs			
Development Funds	11,142.00	11,142.00	0.00
Performance Reward			
Sept. Conference Registration			
Professional Development	521.56	229.85	291.71
<b>Family Literacy</b>			
Administrative Personnel			
Other Administrative Costs			
Operating Costs			
Instructional Personnel	19,435.00	19,435.00	0.00
Other Instructional Costs	565.00	565.00	0.00
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
<b>TOTAL</b>	<b>\$93,221.65</b>	<b>\$92,927.94</b>	<b>\$293.71</b>

**Recommendation**

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**

It is extremely difficult to manage separate accounts under munis and the KYAE-10 Expenditure Report. It has gotten easier with family literacy and basic being combined. We are able to move up to 10% of any budgeted amount (other than professional development funds) to other areas of the budget. One thing that happens is that during the year we have unexpected charges such as; higher than expected or budgeted for, phone bills, shipping on returned purchases and re-stocking fees, increases in copier maintenance agreements, late fees on bills, etc. We try to charge those under Operational as much as possible. Also, at times, catalog prices vary and we don't know that until the amount is encumbered. Once we receive the invoice, it is adjusted, which can attribute to small increases in one or more areas, on the munis and expenditure reports.

The \$293.71 charge was paid through other adult education funds that are not KYAE funds and come from the programs other sources, as they were not charged on the adult education expenditure report.

We can't change the munis report, however, to simplify record keeping with the budgets, we did make changes after fiscal year 03-04, including making notes on munis and the expenditure reports. Expenditure reports are submitted to KYAE by the 10<sup>th</sup> of each month, for the prior month.

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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**

No exceptions noted.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of 15 payroll disbursements, representing 20% 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.

**Finding**

No exceptions noted.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 9 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 5 expenditures, representing 33% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

**Findings**

No exceptions noted.

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**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

Garrard 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.