

**SPENCER 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
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



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

Larry Holt, Superintendent
Spencer County Board of Education
207 W. Main St.
Taylorsville, KY 40071

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Holt:

This report contains the results of the performance audit of Spencer 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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**SPENCER COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
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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 Spencer County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Spencer County. An on-site review was conducted on [fieldwork dates] 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
Twenty-eight (28) participant files did not contain evidence of an initial formal assessment.	N/A
Seventeen (17) participant files did not contain evidence to support that goals were met.	N/A
Thirteen (13) participant files (specifically goals) did not agree with the electronic information reported to KYAE.	N/A
One (1) participant met the goal of post-secondary education/training but there was no evidence of follow-up correspondence.	N/A
One (1) participant file did not contain an applicable withdrawn statement.	N/A

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The Program Director did not document the hours worked related to this grant.	N/A
The same staff person prepares the deposits and performs the bank reconciliations.	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

No exceptions noted.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of fifty-two (52) 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:

- Twenty-eight (28) participant files did not contain evidence of an initial formal assessment.
- Seventeen (17) participant files did not contain evidence to support that goals were met.
- Thirteen (13) participant files (specifically goals) did not agree with the electronic information reported to KYAE.
- One (1) participant met the goal of post-secondary education/training but there was no evidence of follow-up correspondence.
- One (1) participant file did not contain an applicable withdrawn statement.

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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. 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

We agree that the program was not in total compliance with the TABE testing requirement,

- Some clients were unwilling to complete a pre-TABE and a post-TABE test. They had strong opinions about what they needed or did not need and, for the most part, we respected those opinions.
- The program manager was not always available to enforce the TABE requirements and the assistant was not always assertive with the clients.

Compliance with the TABE testing requirement is no longer an issue,

- The instructional assistant who worked with the clients last year is no longer employed in Spencer County.
- The new program manager is working exclusively with Adult Education and Family Literacy and spends more time overseeing the programs.
- The new program manager and her staff are administering a pre-TABE and post-TABE.

Goal Setting/AERIN,

- A goal sheet/student contract was discussed and completed with most students who attended our center. The goal sheet was included in the student folder. The goal was not assigned a number as goals are assigned in AERIN.
- Some of our data may have been inaccurately entered into AERIN. This problem was part human error and part software inadequacy. Sometimes when we entered data, the system didn't save it. Many times we were timed out while trying to enter data.
- The new program manager is in compliance with goal-setting and recording goals in student folders.

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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.

Findings

CPE and KYAE require that all KAE-funded employees maintain documentation of hours worked. During our testing, we noted that the Program Director did not document the hours worked related to this grant.

Recommendations

We recommend that all employees, even those working on salary, document time worked that is attributable to this grant.

Provider Response

Timesheets will be and are currently being submitted by all Adult Education personnel, including certified staff. The program director's timesheet is reviewed and approved by the Director of Curriculum.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of fifteen (15) expenditures, representing 17% 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 two (2) expenditures representing 47% 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

Spencer 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

According to the responses provided to the Internal Control Questionnaire, the same staff person prepares the deposits and performs the bank reconciliations. This control deficiency could lead to poor cash control, undetected bank discrepancies, and/or fraud.

Recommendations

We recommend a segregation of duties to ensure that independent bank reconciliations are performed or that bank reconciliations are reviewed for accuracy.

Provider Response

To avoid persons preparing checks also making the deposits, the individual preparing the bank reconciliation prepares the deposits. The deposit is taken to the bank by another individual however. It should be noted that very little cash is received, less than \$50 a month normally. However, we accept your recommendation – the superintendent or his designee will review the monthly bank reconciliation as an additional control to the cash receipts process.