

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

**For The Period
July 1, 2004 Through June 30, 2005**



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CRIT LUALLEN
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July 7, 2006

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

Lana Fryman, Superintendent
Bourbon County Board of Education
3343 Lexington Road
Paris, KY 40361

Re: Adult Education Grants

Dear Mr. Stagnolia and Ms. Fryman:

This report contains the results of the performance audit of Bourbon County Board of Education's administration of the Nicholas County Adult Education Grant for the fiscal year ending June 30, 2005. 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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**BOURBON COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2005**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Bourbon County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Nicholas County. An on-site review was conducted April 17 through April 20, 2006, to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE 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 the local provider's 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:

| FINDING | Disallowed Costs |
|--|-------------------------|
| The provider's Trial Balance agrees in total with the amounts requested for reimbursement on the KAE-10 Expenditure Reports, but there were variances in four (4) cost categories. | N/A |
| One (1) participant file did not contain evidence of separation due to no contact for 90 consecutive days. | N/A |
| One (1) participant file did not contain an applicable withdrawn statement. | N/A |
| Timesheets did not document which grant/program should be charged and the time charged was not broken down by purposes of the grant, i.e. Core Services or Family Literacy. | N/A |
| Two (2) employees were not included on the electronic staff listing per AERIN for FY 2005. | N/A |
| One (1) employee file did not have documentation to support the required level of professional development training. | 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

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.

There were four variances between the cost categories on the KAE-10 Expenditure Reports and the Provider's Trial Balance. In addition, 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.

Overall, the provider's Trial Balance agrees with the amounts requested for reimbursement on the KAE-10 Expenditure Reports.

Recommendations

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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We recommend the provider establish a Trial Balance using the same accounts/categories used in the expenditure reports. This Trial Balance should allow a proper reconciliation of each expenditure category to the KAE-10 Expenditure Reports each month to ensure that amounts requested are supported by the provider's accounting records.

Provider Response – [This is the response provided by management when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

The program coordinator will work closer with the finance officer to label the line items on the KYAE-10 with the district's Munis report. This is a difficult task due to the accounting systems being two different systems, but the program coordinator and finance officer will work together to have our system (Munis) match up with the KYAE-10 report.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of twenty-five (25) 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, 2004 and June 30, 2005.

Findings

Proper file maintenance and accurate data entry are 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 file did not contain evidence of separation due to no contact for 90 consecutive days.
- One (1) participant file did not contain an applicable withdrawn statement.

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 for all participants. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file. Any

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participant that has not participated in the program for 90 consecutive days should be separated.

Provider Response – [This is the response provided by management when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

Concerning the first exception, the participant was enrolled in the Family Literacy program and that program lasted longer than 90 days, so she could not be separated until after the program ended. The coordinator will make sure that updates are put in more often on families enrolled in the Family Literacy program as to not show inactivity.

Concerning the second exception, the participant should have had this document in his file, but did not. This was the first year that Bourbon was overseeing the Nicholas County program, too, so there were several new staff and that was overlooked by mistake. Staff will be retrained in monitoring of all forms that are needed to be in the student's folder.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of eleven (11) 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 electronic staff listing per AERIN for fiscal year (FY) 2005.

Findings

CPE and KYAE require that all KYAE-funded employees maintain documentation of hours worked. During our testing, we noted that timesheets did not document which grant/program should be charged and the time charged was not broken down by purposes of the grant (Core Services or Family Literacy).

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. Two (2) employees were not included on the electronic staff listing per AERIN for FY 2005.

CPE and KYAE require all part-time instructors to obtain six hours of professional development training. One (1) employee file did not have documentation to support the required level of professional development training.

Recommendations

All individuals being paid in part or whole by KYAE grant funds should have a timesheet or other form of documentation that includes the number of hours worked, the grant to which time was charged, and the signatures of both the employee and his/her supervisor. This documentation should support the hours reported to KYAE.

We recommend that staff information be entered accurately and completely in KYAE's electronic information system (AERIN). The provider should ensure that the employee's status is listed as "active" in the information system. This should be done at the beginning of each year because during the close out period all staff are automatically coded as "inactive."

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We recommend that instructors receive at least the required number hours of professional development training and that this information is documented in the employee's file.

Provider Response – [This is the response provided by management when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

The Coordinator worked with the Finance Officer this past year to set up a system that allows for monthly documentation from Central Office that shows the grant that the salary was taken out of for each employee. This recommendation was implemented for the 2005-2006 school year. The Coordinator had entered the two staff members into AERIN for the Bourbon County program and thought that would cover them for both programs, but later found out that they had to be entered into both counties even though one grantee is overseeing both programs.

The part-time staff member is a Principal and has required leadership hours as a school administrator, so she was not aware that she had to attend 6 hours of approved KYAE professional development, since her primary responsibility in this program is that of administration. She is now aware of this requirement and will attend 6 hours of KYAE professional development during the program year.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of eleven (11) expenditures, representing over 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, 2004 and June 30, 2005.

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 three (3) 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

Bourbon 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.

