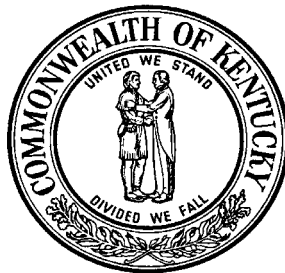


**KNOX COUNTY BOARD OF EDUCATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS  
FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period July 1, 2005  
Through June 30, 2006**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

June 27, 2007

Sarah Hawker, Vice President  
Kentucky Adult Education  
Council on Postsecondary Education  
1024 Capital Center Drive, Suite 250  
Frankfort, KY 40601

Walter T. Hulett, Superintendent  
Knox County Board of Education  
200 Daniel Boone DR  
Barbourville, KY 40906

Re: Adult Education Grants

Dear Ms. Hawker and Mr. Hulett:

This report contains the results of the performance audit of Knox County Board of Education's administration of its Adult Education Grants for the fiscal year ending June 30, 2006. 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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**KNOX COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF ADULT  
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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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 Knox County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Knox County. An on-site review was conducted on April 11, 2007 through April 13, 2007 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 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>
Ten (10) participants' attendance documentation did not support the recorded attendance hours in AERIN.	N/A
One (1) participant's file did not contain the proper withdrawal forms from their school before entering this program.	N/A
Three (3) participants did not appear eligible for Program Type 01 per their initial assessments (score>11.9).	N/A
One (1) employee was not included on the electronic staff listing per AERIN for FY 2006.	N/A

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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 total amount 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**

Providers are required to submit participant data electronically using KYAE's management information system, AERIN. A total of 60 participants were selected randomly from AERIN. The electronic data was then 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.
- Evidence to support attendance.
- 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, 2005 and June 30, 2006.

**Findings**

Providers are required to retain records to support participant data submitted electronically, as dictated by the program type. All participants should be separated from the program either at the end of the fiscal year or after 90 days of inactivity. Information entered into AERIN should be supported by evidence maintained in the participant's file. The following exceptions were noted:

- Ten (10) participants' attendance documentation did not support the recorded attendance hours in AERIN.
- One (1) participant's file did not contain the proper withdrawal forms from their school before entering this program.
- Three (3) participants did not appear eligible for Program Type 01 per their initial assessments (score>11.9).

**Recommendations**

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. Attendance hours should be accurately recorded in AERIN for all participants enrolled in program types 01, 07, 10, and 11 and supporting documentation should be maintained. Eligibility should be evaluated based upon the requirements of the applicable program. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file.

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

Regarding the attendance documentation, the files were reviewed and it was determined that the above files had data entry errors.

As for those not appearing eligible fore Program Type 01, these students should have been entered as a code 15 instead of a code 1. This was a data entry mistake.

Regarding the lack of a withdrawal form, this was an oversight made by the instructor who enrolled the student.

In order to prevent these errors from occurring again, I am planning an orientation for all instructors to review the KYAE policies and procedures. All instructors will be required to attend the orientation. Also, I will review enrolling students in the AERIN Reporting System with the instructors and the filing component of student files as well as develop a checklist for all instructors to use when enrolling a student.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of thirteen (13) payroll disbursements, representing over 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. 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 rely on each provider to update its electronic staff listing to ensure complete and accurate information. One (1) employee was not included on the electronic staff listing per AERIN for FY 2006.

**Recommendations**

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

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

There was extra money in instructional cost where the Family Literacy instructor was not fulfilling her hours. This [employee] was hired from Knox County's substitute teacher list to provide additional assistance with students.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of fifteen (15) expenditures 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, 2005 and June 30, 2006.

**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, representing 20% 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**

Knox County Board of Education's fiscal administrator of its Adult Education Grant was given an Internal Control Questionnaire regarding the controls in place for cash disbursements, bank reconciliation's, 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.

