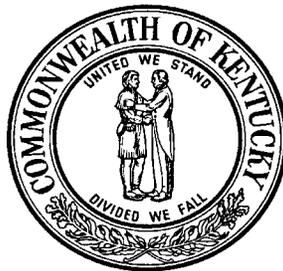


**MARION COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

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



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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

Roger Marcum, Superintendent
Marion County Board of Education
755 East Main Street
Lebanon, KY 40033

Re: Adult Education Grants

Dear Ms. Hawker and Mr. Marcum:

This report contains the results of the performance audit of Marion 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



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY.....	1
RESULTS AND RECOMMENDATIONS	2
FINANCIAL REPORTING AND COMPLIANCE	2
PARTICIPANT ELIGIBILITY AND RECORD KEEPING.....	4
PAYROLL AND STAFF REQUIREMENTS.....	6
PURCHASING/EXPENDITURE COMPLIANCE.....	7
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	8
INTERNAL CONTROLS RELATING TO GRANT	9

**MARION 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**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Marion County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Marion County. An on-site review was conducted on April 25, 2007 through April 27, 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

FINDING	Disallowed Costs
There were eight variances between the KAE-10 Expenditure Reports and the provider's Trial Balance. The overall effect was that the amount requested for reimbursement was \$9,758 more than the expenditures recorded in the provider's Trial Balance.	\$9,758
One (1) participant's file did not contain evidence to support the achievement of goals as recorded in AERIN.	N/A
Seven (7) participant files did not contain evidence of an approved formal assessment. Four (4) of these participants were enrolled in Program Type 26.	N/A
One (1) employee, the program director, was not included on the electronic staff listing per AERIN for FY 2006.	N/A
Four (4) full-time employees did not have documentation to support the required level of professional development training.	N/A

**MARION 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**

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 total amount requested for reimbursement on the KAE-10 Expenditure Reports.

Findings

There were eight (8) variances between the KAE-10 Expenditure Reports and the Provider's Trial Balance. In total, the expenditures recorded in the Provider's Trial Balance were less than (\$9,758.07) the expenditures requested for reimbursement on the KAE-10 Expenditure Report, which means that the provider's financial information does not support the amounts requested for reimbursement. The following table illustrates our findings in this area.

*Core Services	KAE-10 Expenditure Report - 6/30/06	Provider's Trial Balance - 6/30/06	Difference
<i>Administrative Personnel</i>	\$11,747.00	\$10,000.06	\$1,746.94
<i>Other Administrative Costs</i>			
<i>Operating Costs</i>			
<i>Instructional Personnel</i>	80,748.00	70,257.29	10,490.71
<i>Other Instructional Costs</i>	7,249.00	9,824.64	(2,575.64)
<i>Equipment Costs</i>	1,893.00	1,611.49	281.51
*Corrections			
<i>Administrative Personnel</i>	730.00	730.00	0.00
<i>Other Administrative Costs</i>			
<i>Operating Costs</i>			
<i>Instructional Personnel</i>	12,217.00	12,537.56	(320.56)
<i>Other Instructional Costs</i>	2,047.00	1,726.44	320.56
<i>Equipment Costs</i>			
*Professional Development	460.00	639.00	(179.00)
*Incentives (Rwds)	6,216.00	6,216.00	0.00
*Development Funds	8,395.00	8,401.45	(6.45)
Totals	\$131,702.00	\$121,943.93	\$9,758.07

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ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

Recommendations

We recommend that reconciliation should be performed each month to ensure that reimbursement 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).

As stated by the contract, only reasonable, allowable, and **actual** expenses should be included in the provider's request for reimbursement. The \$9,758 is considered disallowed and should be refunded unless a resolution with CPE and KYAE is reached.

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.]

A new method of figuring out salaries and benefits for this program was started for 2006-07. Reconciliation with MUNIS has been done monthly and reimbursement filed accordingly.

Some retirement and insurance benefits were not taken out of the 2005-06 grant and that made a difference in the final figures. Last year, the program director even asked for funds to be moved to cover additional cost needs for personnel, not realizing that the money for personnel was not needed. According to the calculations of the personnel director, the entire amount was needed to cover insurance and other increases for 2005-06. The entire amount of the grant was never requested and this error was accidental. A check in the amount requested will be mailed to the Kentucky State Treasurer next month.

**MARION 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**

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. Information entered into AERIN should be supported by evidence maintained in the participant's file. The following exceptions were noted:

- One (1) participant's file did not contain evidence to support the achievement of goals as recorded in AERIN.
- Seven (7) participant files did not contain evidence of an approved formal assessment. Four (4) of these participants were enrolled in Program Type 26.

Recommendations

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. All assessments and any achievement of goals/objectives should be documented and maintained. Staff entering participant data should require documentation for any data entry performed on a participant and any file deficiencies should be reported to the Program Director.

**MARION 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**

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.]

All students will have goal sheets in their folders and they will be checked for completion and accuracy, and also listed in AERIN.

Regarding the lack of assessment documentation, on one participant we could not find his TABE test. Two others had taken an official practice test in previous years and did not need the TABE test. The other 4 mentioned in the review were enrolled in Code 26, which is a Life Skills class at the Marion County Detention Center and no assessment is necessary.

**MARION 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**

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of fourteen (14) payroll disbursements, representing 21% 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, the program director, was not included on the electronic staff listing per AERIN for FY 2006.

Four (4) full-time employees did not have documentation to support the required level of professional development training.

Recommendations

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

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

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.]

Concerning the full-time employees PD, all instructors had sessions cancelled last year that they wanted to take. Each one also had problems with critically ill family members and had to miss some the sessions they planned to attend. This year they have fulfilled the PDU requirements and this will not happen again.

The program director will be listed in AERIN for 2006-07. We were not aware that this was needed but now that we know it will not happen again. The program director was listed on all forms for the grant that were entered for funding.

**MARION 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**

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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ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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 22% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions noted.

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EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Marion 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.