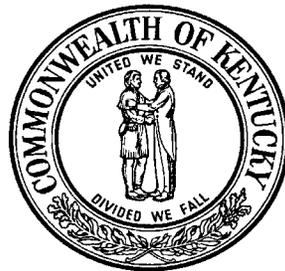


**GARRARD COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period
July 1, 2006 Through June 30, 2007**



**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 31, 2008

Sarah Hawker, 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 Ms. Hawker 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 (FY) ending June 30, 2007. 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.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

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, 2007**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education (CPE) 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 grant for Garrard County. An on-site review was conducted May 15, 2008 through May 19, 2008, to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local provider's professional development activities comply with the FY 06-07 professional development policies and procedures manual.
- 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 Kentucky Adult Education Policy and Procedure Manual, 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
There were variances in five cost categories between the KYAE-10 Expenditure Reports and the Provider's Financial Records. This situation makes it difficult to determine compliance with the approved budget limitations in these cost categories.	N/A
One participant's file did not contain evidence of separation due to no activity for 90 consecutive days.	N/A
Four Family Literacy participant files did not contain documentation showing the child's education progress.	N/A
Three employee files 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 KYAE-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 KYAE-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 KYAE-10 Expenditure Reports.

Findings

While the provider's financial records more than support the KYAE-10 Expenditure Reports (financial records are \$261 more than amount requested), there were five variances between the cost categories on the KYAE-10 Expenditure Reports and the provider's financial records. A reconciliation was difficult because the cost categories on the KYAE-10 Expenditure Reports are not the same as the accounts within the local provider's financial management system (MUNIS). The following table illustrates our findings in this area.

Core Services/Family Literacy	KYAE-10 Expenditure Report 6/30/07	Provider's Financial Records 6/30/07	Difference
Administrative Personnel	\$5,483	\$6,025	(\$542)
Other Administrative Costs	\$2,110	\$6,747	(\$4,637)
Operating Costs	\$7,356	\$6,781	\$575
Instructional Personnel	\$72,505	\$72,766	(\$261)
Other Instructional Costs	\$5,048	\$444	\$4,604
Equipment Costs	\$1,268	\$1,268	\$0
Professional Development	\$823	\$823	\$0
Incentives	\$0	\$0	\$0
Pilot Projects	\$0	\$0	\$0
Development Funds	\$3,799	\$3,799	\$0
TOTAL	\$98,392	\$98,653	(\$261)

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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.

Recommendations

We recommend that MUNIS accounts be established to agree with the KYAE-10 Expenditure Report categories to facilitate a reconciliation. At a minimum, the provider needs to establish a chart of accounts that can be used to reconcile the two reports. This chart of accounts should be used consistently during the grant period to prepare the KYAE-10 Expenditure Reports each month and at year-end. The chart of accounts should remain the same during the year to ensure that exceptions are not made to avoid the budget limits of a particular cost category. A listing of any expenditure recorded in one MUNIS account but split between two or more KYAE-10 categories should be maintained to explain variances.

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.]

Variances of Financial Findings were the result of actual expenditures listed to different categories on the MUNIS Report. Because of the MUNIS Report accounts, the auditor could not determine how the actual expenditures related to the KAYE-10 categories.

For the new fiscal year, the MUNIS budget accounts will be established and expenditures will be posted accordingly to sufficiently reflect expenses in categories claimed on the KAYE-10 Expenditure Report.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of 27 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 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, 2006 and June 30, 2007.

Findings

All participants should be separated from the program if there has not been activity in the adult education program for 90 consecutive days. One participant's file did not contain evidence of separation due to no activity for 90 consecutive days.

KYAE requires that Family Literacy services contain a child education component and the provider should document the child's education progress on a form that is signed by parent/guardian, teacher, medical or social work professional and maintain this form in the participant's file. Four Family Literacy participant files did not contain documentation showing the child's education progress.

Recommendations

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. A standard separation form should be used to document the separation of participants that have not participated in the adult education program for 90 consecutive days. A local policy should also be established to separate participants who are not making progress as defined in the student education plan. For Family Literacy participants, the children's educational progress should be documented to facilitate developmentally appropriate educational activities. 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.

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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.]

Child's progress was measured through staff observations, conversations with parent, pictures during family time, child appropriate activities including art projects. Managed enrollment and classes have helped to ensure all forms are in folders.

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements was judgmentally selected for payroll testing. Personnel files were examined to verify that staff had received the required professional development training hours. Documentation of hours worked was 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 full-time instructors obtain eight hours of professional development training. Three employee files did not have documentation to support the required level of professional development training.

Recommendations

We recommend that instructors receive at least the required 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.]

One staff left September 06 and therefore did not complete a PD Plan. Another staff was hired October 06, but is no longer with the program due to failure to comply with program policy. All staff have been working closely with Tonie Quire to ensure understanding of PD Track. All staff have completed PD Plans and required PDU's for FY 07/08. PD is now built around the program structure and class design. Documentation of 07/08 PD is on file at the local level as well.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 5 expenditures, representing 25% 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, 2006 and June 30, 2007.

Findings

No exceptions were noted.

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 1 expenditure, representing 29% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions were noted.

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 were noted.

