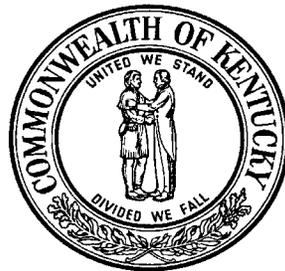


**LAWRENCE COUNTY BOARD OF EDUCATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS  
FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION**

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



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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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

Jeff May, Superintendent  
Lawrence County Board of Education  
50 Bulldog Lane  
Louisa, KY 41230

Re: Adult Education Grants

Dear Ms. Hawker and Mr. May:

This report contains the results of the performance audit of Lawrence 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 that reads "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts





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**LAWRENCE 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**

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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Lawrence County Board of Education (local provider) for a limited scope performance audit of its administration of the adult education grant for Lawrence County. An on-site review was conducted May 13, 2008 through May 14, 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:

<b>FINDING</b>	<b>Disallowed Costs</b>
There were six variances between the KYAE-10 Expenditure Reports and the provider's financial records. The KYAE-10 Expenditure Reports also contained an encumbered expenditure for a copier that was not received or paid for during the grant period. The overall effect was that the amount requested for reimbursement was \$9,689 more than the amount supported by the provider's financial records.	\$9,689
Two applicable participant files did not contain a Post-Assessment Exception Form.	N/A
One participant file did not support the attendance hours recorded in AERIN.	N/A
Two participant files did not contain an applicable withdrawal statement.	N/A
One instructor did not have evidence of a bachelor's degree on file.	N/A

**LAWRENCE 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**

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**RESULTS AND RECOMMENDATIONS**

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**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**

There were six variances between the KYAE-10 Expenditure Reports and the provider's financial records. The overall effect was that the amount requested for reimbursement was \$9,689 more than the amount supported by the provider's financial records. The KYAE-10 Expenditure Reports contained an encumbered expenditure for a copier that was not received or paid for during the grant period. Encumbered but unexpended funds are not eligible for reimbursement unless the goods were received prior to July 1, 2007. The copier was not received until August 3, 2007. Therefore, \$9,689 should not have been reimbursed because it was not based on actual expenditures.

In addition, 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). 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. The following table illustrates our findings in this area.

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<b>Core Services/Family Literacy</b>	<b>KYAE-10 Expenditure Report 6/30/07</b>	<b>Provider's Financial Records 6/30/07</b>	<b>Difference</b>
Administrative Personnel	\$18,552	\$101,660	(\$83,108)
Other Administrative Costs	\$0	\$0	\$0
Operating Costs	\$2,000	\$1,951	\$49
Instructional Personnel	\$106,027	\$21,593	\$84,434
Other Instructional Costs	\$1,706	\$1,706	\$0
Equipment Costs	\$0	\$0	\$0
Professional Development	\$2,152	\$1,053	\$1,099
Incentives	\$10,368	\$5,902	\$4,466
Pilot Projects	\$0	\$0	\$0
Development Funds	\$5,324	\$2,576	\$2,748
<b>TOTAL</b>	<b>\$146,129</b>	<b>\$136,440</b>	<b>\$9,689</b>

**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.

As stated by the contract, only reasonable, allowable, and actual expenses should be included in the Provider's request for reimbursement. The \$9,689 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.]**

The Lawrence County District is aware and has agreed to reimburse CPE for the copier in the amount of \$9,688.58. The Superintendent signed a purchase order on 5/13/08 for this amount and a copy was provided to the auditor. The P.O. will be processed at the June 16 Board meeting for payment.

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**PARTICIPANT ELIGIBILITY AND RECORD KEEPING**

**Scope and Methodology**

A total of 60 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**

Effective October 1, 2006, exceptions to the recommended timeframes for pre- and post-testing must be documented with a Post-Assessment Exception Form that should be filed in the participant's folder. Two applicable participant files did not contain a Post-Assessment Exception Form.

Providers are required to retain records to support participant data submitted electronically in AERIN. One participant file did not support the attendance hours recorded in AERIN. The participant was enrolled in program type 01, which is required to report attendance hours.

Participants aged 16 to 18 years must provide official documentation of withdrawal from school in order to be eligible. Two participant files did not contain an applicable withdrawal statement.

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**Recommendations**

We recommend that the provider ensure all participant files contain the necessary documentation to support compliance with applicable policies and procedures. If a post-test has been administered, but the recommended instructional hours had not been met, the basis for the exception should be documented on a Post-Assessment Exception Form and filed in the participants folder. Attendance hours should be accurately recorded in AERIN for all participants enrolled in program types 01, 07, 10, and 11. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file. If an official withdrawal statement cannot be obtained for a valid reason, the participant's file should document the request and the reason it could not be obtained. 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.

**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.]**

The Director has followed up with staff in an effort to address each of these exceptions. We have had difficulty meeting the requirements for each student for the following reasons: One participant was home schooled and school counselors had no verification on enrollment or withdrawal, the other participant was an out of state student from West Virginia. Documentation of requests for information from appropriate entities has been filed in permanent student records. One participant completed his GED prior to a post-test and was carried over from the previous year. The participant with attendance issues has been contacted with regard to the discrepancy in hours between sign-in sheets and AERIN to determine why there is a variance in hours recorded.

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**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 all instructors hired after July 1998 to have a bachelor's degree. One instructor did not have evidence of a bachelor's degree on file.

**Recommendations**

We recommend that the provider ensure that all instructors have the required credentials prior to hiring and that this information is obtained and maintained 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.]**

The Director checked references and copies of degrees are required by the Board of Education prior to the start date for all new employees. These documents are kept in Personnel by the Lawrence County Board of Education. A new Personnel Director was hired and has been in the office less than six months and could not find the copy in the file.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 5 expenditures, representing 24% 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 2 expenditures, representing 27% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

**Findings**

No exceptions were noted.

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**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

Lawrence 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.

