

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

**For The Period
July 1, 2003 Through June 30, 2004**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 8, 2005

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

Robert Smotherman, Superintendent
Bardstown Independent Board of Education
308 N. 5th Street
Bardstown, KY 40004

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Smotherman:

This report contains the results of the performance audit of Bardstown Independent Board of Education's administration of Nelson County's Adult Education Grant for the fiscal year ending June 30, 2004. 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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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Bardstown Independent Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Nelson County. An on-site review was conducted on May 4 through May 9, 2005 to address the following objectives:

- Reconcile student and faculty data electronically submitted to Adult Education 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 (8) variances between the final KAE-10 Expenditure Report and the provider's Trial Balance that are considered questioned costs. The overall difference of \$27 (transposition error in Development Funds) has been refunded to CPE.	N/A
Two (2) Family Literacy participant files did not contain documentation to support follow-up actions concerning their child's education.	N/A
Four (4) participant files contained information (goals) that did not agree with the electronic information reported to KYAE.	N/A

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One (1) employee did not have documentation to support the required level of professional development training.	N/A
Employees did not prepare or sign their own timesheets.	N/A
Two (2) instructors did not have evidence of a bachelor's degree on file.	N/A
Three (3) of the expenditures sampled were for meal reimbursements that lacked evidence of an overnight stay. This amounted to \$78.10 in questionable costs.	N/A
Four (4) of the expenditures sampled involved meals reimbursed at a rate above that established by CPE. This amounted to \$31.52 in disallowed costs.	\$31.52

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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.

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.

There were eight (8) significant variances between the final KAE-10 Expenditure Report and the provider's Trial Balance that are considered questioned costs. The overall difference of \$27 (transposition error in Development Funds) has been refunded to CPE. The differences associated with the professional development categories and Family Literacy have a net zero effect. The remaining variances are due to the fact that the Trial Balance lumps all personnel costs in one account and there was an entry to remove computer costs from the Adult Education program once it was realized that the budget would be exceeded.

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Basic Grant (Adult Education)	KAE-10 Expenditure Report 6/30/04	Provider's Trial Balance 6/30/04	Difference
Administrative Personnel	\$20,206.00	\$0.00	\$20,206.00
Other Administrative Costs			
Operating Costs	18,600.00	18,600.00	0.00
Instructional Personnel	100,656.00	126,736.65	(26,080.65)
Other Instructional Costs	0.00	(5,874.65)	5,874.65
Equipment Costs			
Development Funds	25,185.00	25,158.00	27.00
Performance Reward	14,823.00	14,823.00	0.00
Sept. Conference Registration	534.00	10.56	523.44
Professional Development	1,422.00	1,945.44	(523.44)
Corrections			
Administrative Personnel			
Other Administrative Costs			
Operating Costs			
Instructional Personnel	3,850.00	3,850.00	0.00
Other Instructional Costs			
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
Family Literacy			
Administrative Personnel	1,500.00	0.00	1,500.00
Other Administrative Costs			
Operating Costs			
Instructional Personnel	25,485.00	29,602.90	(4,117.90)
Other Instructional Costs	3,090.00	472.10	2,617.90
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
TOTAL	\$215,351.00	\$215,324.00	\$27.00

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Recommendations

We recommend that the provider's Trial Balance should be established using the same accounts/categories used in the expenditure reports or a written explanation/crosswalk should be created to allow a proper reconciliation of each expenditure category.

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).

Provider Response

Regarding the variances reported between the final KAE-10 Expenditure Report and the providers Trail Balance:

1. The difference of \$27 was a transposition error by KAE. This was reimbursed;
2. The administrative line item should have been proven by time sheets and monthly invoicing; and
3. In reference to the materials line item: The differences in MUNIS are not always the last four numbers. The examples are a code for personnel is 951-2028-0130-1875, but the code for materials maybe 951-2028-0610-1875, as you can see the third set of numbers tells what area or line item you are charging. The grid looks like the program did not follow the budget, which is not the case. I believe if this had been brought to my attention at the audit I could have explained it.

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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.
- 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, 2003 and June 30, 2004.

Findings

Goal-related information contained in four (4) participant files differed from the information included in AERIN for those same four participants.

Proper file maintenance and accurate data entry is 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. Programs are to maintain assessment forms on file for three years. The following exceptions were noted:

- Two (2) Family Literacy participant files did not contain documentation to support follow-up actions concerning their child's education.
- Four (4) participant files contained information (goals) that did not agree with the electronic information reported to KYAE.

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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. The person entering participant data should require documentation for any data entry performed on a participant and any deficiencies should be reported to the Program Director.

Provider Response

One of the participants is not a code 01 she is a code 10 (Corrections) and although the student listed 31 as a goal she only came out of her cell to sleep in the classroom. No effort was ever put forth. One participant participated in a code 18 program (Workplace) that enrolled her as a level 6, then she returned for a TABE assessment for post secondary education. The TABE indicated a level 4 in code 15 educational assessments. One participant's locator indicated level A for TABE and he requested to start OPT which is allowable. Goal 35 can not be shown as obtained using the practice test only. The problem with one participant was a keystroke error. This is a roll down menu so it is easy to slide up or down a level.

The two Family Literacy participants only completed 12 hours of Family Literacy time. Neither one were interested in continuing further in Family Literacy. Did not follow up on children because of the short time in program.

Many times when filling out the questionnaire a student checks that GED is their goal. Sometimes this is true but sometimes a student will test at a third or fourth grade level so this is not a true statement at that time. They must work on pre-GED materials to bring up their level to have a GED goal. Because this was marked on the questionnaire does not make it a true statement. We will not enter GED as a goal into the data system for that student. (They can write anything on a questionnaire.)

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of fifteen (15) 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 staff listing information reported to KYAE.

Findings

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

CPE and KYAE require that all KAE-funded employees maintain documentation of hours worked. However, none of the employees prepared or signed their own timesheets.

CPE and KYAE require that instructors hired after July, 1998 have a bachelor's degree. There were two (2) instructors that did not have evidence of bachelor's degrees on file.

Recommendations

We recommend that all part-time employees receive at least 6 hours of professional development training.

We recommend that all employees, even those working on salary, document their time worked that is attributable to this grant.

We recommend that employee files should contain the proper evidence to support compliance with KYAE's bachelor's degree requirement when applicable.

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Provider Response

The individual mentioned in the first finding is a part-time employee who only received 4 hours of Staff Dev.

The Director does not fill out a time sheet each month. This is a Bardstown City Schools policy. If this is a requirement this will be taken care of.

The two individuals noted as not having Bachelor degrees do have Bachelor degrees. As of May 05 the policy will be changed. Instructors will provide copies of their degrees.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of fifteen (15) expenditures, representing 39% 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, 2003 and June 30, 2004.

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 ten (10) expenditures, representing 66% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

CPE and KYAE require that all meal reimbursements be associated with work or training that require an overnight stay at a destination more than 40 miles from both work station and home during the authorized mealtimes. The following exceptions were noted:

- Three (3) of the expenditures sampled were for meal reimbursements that lacked evidence of an overnight stay. This amounted to \$78.10 in questionable costs.
- Four (4) of the expenditures sampled involved meals reimbursed at a rate above that established by CPE policy. This amounted to \$31.52 in disallowed costs.

Recommendations

We recommend the provider review and comply with the policies established by KYAE concerning meal reimbursements.

Provider Response

It is our Board policy to pay these cost. However I understand now that it is not the policy of Adult Education. This will no longer be paid with Adult Education funds.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Bardstown Independent 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.

