

**HART 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, 2004 Through June 30, 2005**



**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 13, 2006

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

Ricky Line, Superintendent
Hart County Board of Education
511 West Union Street
Munfordville, KY 42765

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Line:

This report contains the results of the performance audit of Hart County Board of Education's administration of the Adult Education Grant for the fiscal year ending June 30, 2005. 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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**HART COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF ADULT
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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Hart County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Hart County. An on-site review was conducted on April 5, 2006 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 the local provider's 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
The amount requested for reimbursement was \$451 more than the expenditures recorded in the Provider's Trial Balance due to an encumbrance from fiscal year 2004.	\$451.00
An Individual Professional Development Plan (IPDP) was not completed by the Program Director.	N/A

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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 during the contract period. Accounting records should support the expenditures requested for reimbursement.

The amount requested for reimbursement was \$451 more than the expenditures recorded in the Provider's Trial Balance. This difference is due to an encumbrance carried over from fiscal year 2004. Therefore, \$451 should not have been reimbursed because it was not based on actual expenditures during the contract period.

Recommendations

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.

Per the contract, only reasonable, allowable, and actual expenses should be included in the Provider's request for reimbursement. The \$451 is considered disallowed and should be refunded unless a resolution with CPE and KYAE is reached.

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Provider Response – [This is the response provided by management 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 trial balance listed on the final Munis report and the final KYAE-10 expenditure report does not agree due to encumbrances carried over from the previous fiscal year. It is standard practice with most grants under the board to carry over any charges from one fiscal year to the next up until September 30 of the next fiscal year. The financial office carried over these amounts on the above KYAE grant codes as well. The Program Director will work more closely with the finance office to ensure that the KYAE are lined out at the end of the fiscal year instead of carrying over any encumbrances into the next fiscal year.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of thirty-eight (38) 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, 2004 and June 30, 2005.

Findings

No exceptions noted.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of eleven (11) 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 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 electronic staff listing per AERIN for fiscal year (FY) 2005.

Findings

CPE and KYAE require that program directors complete an Individual Professional Development Plan (IPDP) by September 15 of each year. An IPDP was not completed by the Program Director.

Recommendations

To encourage all adult educators to focus on planning for professional learning and growth, an IPDP should be completed by the Program Director as well as all instructors and instructor aides.

Provider Response – [This is the response provided by management 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 staff member in question was the Program Director, who chose to create an IPDP on the computer in the form of a spreadsheet and track PD training in this manner. The IPDP was not in the same form as the other staff members, whose plans were signed and approved by the Program Director. Evidence of the computer-generated spreadsheet was given to the auditors at the time of the audit will all documentation of PD hours for the fiscal year in the personnel file and on the spreadsheet. With the implementation of the new on-line PD Track system in FY 2005-2006, all staff employed in KYAE will use the same system eliminating the need for paper-pencil forms to be kept in the files.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of six (6) expenditures, representing 11% 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, 2004 and June 30, 2005.

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 five (5) expenditures, representing over 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

The Hart 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 noted.

