

**NEWPORT INDEPENDENT BOARD OF EDUCATION'S
ADMINISTRATION OF CAMPBELL 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

Mr. Dan L. Sullivan, Superintendent
Newport Independent Board of Education
301 E 8th ST
Newport, KY 41071

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Sullivan:

This report contains the results of the performance audit of Newport Independent Board of Education's administration of the 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 Newport Independent Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Campbell County. An on-site review was conducted on May 2 through May 4, 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 variances between the KAE-10 Expenditure Reports and the local provider's Trial Balance for several expenditure categories.	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 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.

There were variances between the KAE-10 Expenditure Reports and the local provider's Trial Balance. This means that the provider's financial information does not support the amounts requested for reimbursement within the categories specified on the KAE-10 Expenditure Reports. The following table illustrates our findings in this area.

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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	\$5,385.60	\$228,810.02	(\$223,424.42)
Other Administrative Costs	2,797.75	1,459.80	1,337.95
Operating Costs	7,897.77	6,600.00	1,297.77
Instructional Personnel	331,920.92	155,387.46	176,533.46
Other Instructional Costs	3,271.76	10,619.73	(7,347.97)
Equipment Costs			
Development Funds	50,033.65	0.00	50,033.65
Performance Reward			
Sept. Conference Registration	1,120.00	1,120.00	0.00
Professional Development	2,253.52	683.96	1,569.56
Family Literacy			
Administrative Personnel	2,797.99	11,288.25	(8,490.26)
Other Administrative Costs	1,796.91	2,621.47	(824.56)
Operating Costs	6,779.30	7,049.25	(269.95)
Instructional Personnel	50,162.57	40,601.81	9,560.76
Other Instructional Costs	9,036.81	9,012.80	24.01
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
TOTAL	\$475,254.55	\$475,254.55	\$0.00

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).

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Provider Response

Provider accepts recommendation. The Assistant Superintendent, Program Director, and School Treasurer plan to design a KAE-10 work sheet (for our own use) with another column added for the Munis codes. Hopefully this sheet will give us the crosswalk to support the breakdown of accounts issue that is causing us trouble.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of sixty (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

No exceptions noted.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of fifteen (15) payroll disbursements, representing 5% 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

No exceptions noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of fifteen (15) expenditures, representing 22% 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 five (5) expenditures, representing 4% 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

Newport 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.