

**PULASKI 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, 2003 Through June 30, 2004**



**CRIT LUALLEN  
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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

Tim Eaton, Superintendent  
Pulaski County Board of Education  
P.O. Box 1055  
Somerset, KY 42503

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Eaton:

This report contains the results of the performance audit of Pulaski County 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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**PULASKI COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2004**

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**EXECUTIVE SUMMARY**

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**PURPOSE AND SCOPE**

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Pulaski County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Pulaski County. An on-site review was conducted on April 27 through April 29, 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**

<b>FINDING</b>	<b>Disallowed Costs</b>
The monthly KAE-10 Expenditure Reports for Development Funds totaled \$51,498.03 but the final KAE-10 Expenditure Report only reported \$48,695 for the year-to-date expenditures. If the provider was reimbursed according to the monthly KAE-10 Expenditure Reports, \$2,803.03 in Development Funds should be disallowed due to the calculation error. This amount is questionable until KYAE determines the actual reimbursement amount paid to the provider for Development Funds.	N/A

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Two (2) participant files did not contain an applicable withdrawn statement.	N/A
One (1) participant's file contained information that did not agree with the electronic information reported to KYAE.	N/A
Four (4) participant files did not contain documentation that a Steck-Vaughn Official Practice Test was given or that the scores averaged 450 prior to the participant taking the GED.	N/A
Three (3) employees were not included in KYAE's electronic information system.	N/A
Six (6) of the 15 expenditures did not have evidence of prior approval.	N/A
Staff complied with the provider's meal reimbursement policy that allows a maximum \$34.50 daily rate for food expenditures, instead of individual meal rates established by the Commonwealth of Kentucky. There were eight (8) instances of individual meal reimbursements exceeding the per diem rates established by the Commonwealth. However, the documentation does not provide adequate information regarding the staff's travel times to determine the amount that should be disallowed.	N/A



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**RESULTS AND RECOMMENDATIONS**

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**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**

The amount reported on the final KAE-10 Expenditure Report as the year-to-date expenditures for Development Funds does not agree with the monthly KAE-10 Expenditure Report's total. The amounts requested in September and October were reported on a separate KAE-10 Expenditure Report. The monthly expenditures totaled \$51,498.03 but the final KAE-10 Expenditure Report only reported \$48,695 for the year-to-date expenditures.

The provider's Trial Balance supports the final KAE-10 Expenditure Report number of \$48,695 for Development Funds. However, if the provider was reimbursed according to the monthly KAE-10 Expenditure Reports for Development Funds, \$2,803.03 should be disallowed due to the calculation error.

**Recommendations**

We recommend that monthly KAE-10 Expenditure Reports be monitored to ensure they do not exceed actual and/or budgeted amounts. This review should verify that all information reported each month rolls up into the year-to-date amounts on the final KAE-10 Expenditure Report.

We also recommend that CPE and KYAE determine what amount was actually paid to the provider so that a determination can be reached as to whether the \$2,803.03 should be disallowed and refunded.

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**Provider Response**

We will comply with recommendation.

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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**

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) participant files did not contain an applicable withdrawn statement.
- One (1) participant's file contained information that did not agree with the electronic information reported to KYAE.
- Four (4) participant files did not contain documentation that a Steck-Vaughn Official Practice Test was given or that the scores averaged 450 prior to the participant taking the GED.

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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 for all participants. All assessments and any achievement of goals/objectives should be documented and maintained. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file. 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**

A response was not submitted for the report.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of 15 payroll disbursements, representing 11% 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 rely on each provider to update its electronic staff listing to ensure complete and accurate information. There were three (3) employees that were not included in KYAE's electronic information system..

**Recommendations**

We recommend that all staff information be entered accurately and completely in KYAE's electronic information system.

**Provider Response**

A response was not submitted for the report.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 15 expenditures, representing 18% 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**

CPE and KYAE reimburse providers for reasonable, allowable, and actual costs incurred as specified in the contract. Six (6) of the 15 expenditures did not have evidence of prior approval. Therefore, it is questionable whether these were allowable costs.

**Recommendations**

We recommend that the provider document approval for expenditures prior to payment.

**Provider Response**

Expenditures are approved by PO prior to receiving invoices.

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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 7 expenditures, representing 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

**Findings**

CPE and KYAE require that all meal reimbursements not exceed the per diem amounts established by the Commonwealth of Kentucky. Our testing revealed that staff was following the provider's meal reimbursement policy instead of the Commonwealth's policy. The provider's policy allows a maximum \$34.50 daily rate for food expenditures, instead of individual meal rates. There were eight (8) instances of individual meal reimbursements exceeding the per diem rates established by the Commonwealth. However, the documentation does not provide adequate information regarding the staff's travel times to determine the amount that should be disallowed.

**Recommendations**

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

**Provider Response**

Pulaski County Board policy states that an employee may be reimbursed up to \$34.50 per day if overnight stay is required. We do not specify amounts for specific meals or times.

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**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

Pulaski 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.



