

**RUSSELL 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

Scott Pierce, Superintendent  
Russell County Board of Education  
P.O. Box 440  
Jamestown, KY 42629

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Pierce:

This report contains the results of the performance audit of Russell 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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**RUSSELL 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 Russell County Board of Education's (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Russell County. An on-site review was conducted on April 18 through April 22, 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>
There were variances in seven (7) cost categories between the KAE-10 Expenditure Reports and the provider's Trial Balance. It is questionable whether the provider was in compliance with the approved budget limitations in these cost categories.	N/A
One (1) participant's file did not document their age.	N/A
Seventeen (17) participant files did not contain evidence of an initial formal assessment.	N/A
One (1) participant did not appear eligible per their initial assessment (score>11.9).	N/A

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Seven (7) participant files did not contain evidence that a goal was set, when applicable.	N/A
Nine (9) participant files did not contain evidence to support that goals were met.	N/A
Eleven (11) participant files did not agree with the electronic information reported to KYAE.	N/A
Seven (7) participant files did not contain documentation that their Official Practice Test scores averaged 450 prior to taking the GED.	N/A
Eight (8) participant files did not contain evidence of separation due to no contact for 90 consecutive days.	N/A
One (1) participant met the goal of employment but there was no evidence of follow-up correspondence.	N/A
Two (2) participant files did not contain documentation to support their involvement in Parent Time and Parent and Child Time activities or evidence of follow-up actions concerning their child's education.	N/A
Twenty-two (22) participants enrolled in Work-based Project Learning, Program Type 14, did not have evidence on file documenting an association with an employer or employment service.	N/A
Fifteen (15) participants enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.	N/A
The Program Director was not included in KYAE's electronic information system.	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 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 seven (7) variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. The overall effect was that the expenditures recorded in the provider's Trial Balance was \$2,534.59 more than the amount requested for reimbursement. The following table illustrates our findings in this area:

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<b>Basic Grant (Adult Education)</b>	<b>KAE-10 Expenditure Report 6/30/04</b>	<b>Provider's Trial Balance 6/30/04</b>	<b>Difference</b>
Administrative Personnel			
Other Administrative Costs			
Operating Costs			
Instructional Personnel	\$75,114.00	\$90,264.88	(\$15,150.88)
Other Instructional Costs	2,491.00	16,554.23	(14,063.23)
Equipment Costs			
Development Funds	13,999.00	13,999.00	0.00
Performance Reward	6,599.00	0.00	6,599.00
Sept. Conference Registration	240.00	1,659.48	(1,419.48)
Professional Development	1,500.00	0.00	1,500.00
<b>Family Literacy</b>			
Administrative Personnel			
Other Administrative Costs			
Operating Costs			
Instructional Personnel	17,607.00	0.00	17,607.00
Other Instructional Costs	2,393.00	0.00	2,393.00
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
<b>TOTAL</b>	\$119,943.00	\$122,477.59	(\$2,534.59)

**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.

**Provider Response**

This finding is the result of budget changes related to the Family Literacy program.

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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. Any achievement or completion of goals should be documented. Programs are to maintain assessment forms on file for three years.

The following exceptions were noted:

- One (1) participant's file did not document their age.
- Seventeen (17) participant files did not contain evidence of an initial formal assessment.
- One (1) participant did not appear eligible per their initial assessment (score>11.9).
- Seven (7) participant files did not contain evidence that a goal was set, when applicable.
- Nine (9) participant files did not contain evidence to support that goals were met.
- Eleven (11) participant files did not agree with the electronic information reported to KYAE.
- Seven (7) participant files did not contain documentation that their Official Practice Test scores averaged 450 prior to taking the GED.

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- Eight (8) participant files did not contain evidence of separation due to no contact for 90 consecutive days.
- One (1) participant met the goal of employment but there was no evidence of follow-up correspondence.
- Two (2) participant files did not contain documentation to support their involvement in Parent Time and Parent and Child Time activities or evidence of follow-up actions concerning their child's education.
- Twenty-two (22) participants enrolled in Work-based Project Learning, Program Type 14, did not have evidence on file documenting an association with an employer or employment service.
- Fifteen (15) participants enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.

**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 provider should ensure that this checklist contains the different requirements for the different program types. Any achievement of goals/objectives should be documented and 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**

This appears to be the most substantial finding and the one that will require the most attention to correct. We have added an additional staff instructor/director to replace a retiree. This change will result in a positive impact regarding our program performance and attainment of the goals we have set for the program. In order to approve the participant record keeping process a new enrollment form will be developed. The form will mirror the examples discussed in the Kentucky Adult Education Policy and Procedure Manual. In addition to this form, a copy of all documents and tests that each participant completes will be included in the data file for each participant. In order to secure that this finding is corrected, the Adult Education staff will perform monthly monitoring of program participant files. This monitoring will ensure that a variety of staff review each folder. I feel that with what our new staff has already completed and the addition of the above-mentioned items that the finding will be adequately corrected.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

All 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. We noted that the Program Director was not included in KYAE's electronic information system.

**Recommendations**

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

**Provider Response**

The Program Director is an in-kind offer from the Russell County Board of Education. Funding is provided locally for this position.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 15 expenditures, representing 30% 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 15 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**

Russell 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.



