

**WHITLEY 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**



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CRIT LUALLEN
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July 8, 2005

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

Lonnie R. Anderson, Superintendent
Whitley County Board of Education
116 N. Fourth St.
Williamsburg, KY 40769

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Anderson:

This report contains the results of the performance audit of the Whitley 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,

A handwritten signature in cursive script that reads "Crit Luallen".

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 Whitley County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Whitley 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 to determine compliance with adult education policies and procedures effective July 1, 2003.
- 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 in nine categories between the KAE-10 Expenditure Reports and the provider's Trial Balance. The overall effect was that the amount requested for reimbursement was \$29 more than the expenditures recorded in the Provider's Trial Balance.	\$29
Six (6) participant files did not contain evidence of an initial assessment test.	N/A
One (1) participant's initial TABE test was not scored by the instructor.	N/A
One (1) participant's file documentation (functional level) did not agree with the information reported electronically to KYAE.	N/A

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One (1) participant enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.	N/A
Three (3) employees did not have documentation to support the required level of professional development training.	N/A
Two (2) employees were not included in KYAE's electronic information system.	N/A
There were five (5) instances of meal reimbursements not in compliance with the policies established by KYAE.	\$20.67
KYAE was not informed in writing of site openings and/or closings.	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 Trial Balance 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 nine variances between the KAE-10 Expenditure Reports and the provider's Trial Balance that are considered questioned costs. The overall effect was that the amount requested for reimbursement was \$29 more than the expenditures recorded in the provider's Trial Balance. 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	\$16,969.53	\$16,889.41	\$80.12
Other Administrative Costs	0.00	0.00	0.00
Operating Costs	9,000.00	8,483.18	516.82
Instructional Personnel	144,365.41	143,941.68	423.73
Other Instructional Costs	3,851.00	4,845.88	(994.88)
Equipment Costs	0.00	0.00	0.00
Development Funds	32,956.00	32,956.00	0.00
Performance Reward	0.00	0.00	0.00
Sept. Conference Registration	880.00	0.00	880.00
Professional Development	4,000.00	4,877.00	(877.00)
Family Literacy			
Administrative Personnel	5,130.00	2,171.65	2,958.35
Other Administrative Costs	0.00	0.00	0.00
Operating Costs	0.00	0.00	0.00
Instructional Personnel	51,306.00	54,065.99	(2,759.99)
Other Instructional Costs	13,564.00	13,762.36	(198.36)
Equipment Costs	0.00	0.00	0.00
Development Funds	0.00	0.00	0.00
Performance Reward	0.00	0.00	0.00
Sept. Conference Registration	0.00	0.00	0.00
Professional Development	0.00	0.00	0.00
TOTAL	\$282,021.94	\$281,993.15	\$28.79

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

On August 10, 2004, we returned \$8,509.06 to KYAE from our basic grant. Our family literacy grant was overspent in every category. Because our finance system requires that all programs are closed with a balance of \$0, our Finance Officer transferred \$2,328.35 to a separate account so that the family literacy budget would not have a negative balance. This transfer was done with one entry, and this accounts for the discrepancies in the individual categories.

To avoid year-end discrepancies, we will speak with our Finance Officer to ensure that year-end adjustments are made to individual categories rather than with one adjustment entry.

Because we are operated by a school system, our program uses the MUNIS system of accounting. Administrative personnel and instructional personnel fringe benefits are coded to the same 0200 codes. Therefore, the auditor was unable to determine appropriate personnel costs by viewing our trial balance. To complete the KAE-10 Expenditure Reports, we use actual check history reports that include both salary and fringe benefits for each employee, both administrative and instructional, and reflect the costs as appropriate depending on the type of employee.

While the MUNIS cost categories are not identical to those used by KYAE, individual expenditures can be tracked to the appropriate cost categories and are reported on the KAE-10 Expenditure Reports according to the categories as defined by KYAE. A crosswalk does exist between the KYAE categories and our MUNIS accounting, but it requires an examination of individual expenditures, both invoices and payroll reports, in order to accurately compare. To complete KAE-10 Expenditure Reports, we use detailed check history reports generated each month for each employee and record the exact salary and fringe paid for each employee on the Timesheet Summary. We report individual invoices in the appropriate KYAE cost category as well. After explaining to the auditor how to compare our MUNIS reports to the KYAE cost categories, she informed us that KYAE had instructed her not to go through individual payroll records to record costs reflected in the trial balance. Without examining individual check history reports, it is impossible to determine the amount of salary and fringe coded to the administrative and instructional personnel categories.

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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:

- Six (6) participant files did not contain evidence of an initial assessment test.
- One (1) participant's initial TABE test was not scored by the instructor.
- One (1) participant's file documentation (functional level) did not agree with the information reported electronically to KYAE.

To be eligible for Workbased Projects, an individual's employer shall enter an agreement with the provider for instruction on basic literacy skills. One participant enrolled in Workplace Assessment, Program Type 25, did not have evidence on file documenting an association with an employer or employment service.

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Recommendations

We recommend that all original formal and TABE assessments be filed in the participants' files. These assessments should be scored for proper eligibility determination. Data entry of assessment information should be monitored to ensure accuracy.

We also recommend that files for participants in Workbased Projects should maintain evidence of the individual's association with an employer or employment service.

Provider Response

The exception on one participant's file indicates that the information in the file does not agree with the information submitted to KYAE. On the original participant enrollment form, the instructor marked Level 5 as the entry level, and the entry level was inputted in AERIN as Level 5. However, the instructor realized she made a mistake and corrected the entry level to Level 4; she submitted a copy of the revised enrollment along with her separation form. In the rush to get all participants separated by June 30th, the corrected entry level was overlooked and was not inputted in the AERIN system. For the current fiscal year, our enrollment and separation information is included on the same form, and this will help to eliminate year-end errors such as this. We will devote additional time to ensuring that information is reported to KYAE exactly as it appears on forms submitted by instructors.

An exception was noted for a participant because her TABE assessment did not appear to be scored. After questioning the instructor, she explained that this TABE assessment was among the first few she administered, and she did not fully understand how to use the SCOREZE answer sheets. She tore off the back part of the SCOREZE and hand scored the assessment. The TABE score reported on the enrollment form (8.0) is an accurate score of the assessment. Therefore, the participant is eligible for participation in our program according to KYAE's guidelines.

An exception was noted for a participant enrolled in program 25 because her file did not contain evidence of an association with an employment agency or company. This participant's enrollment form says, "DES" as the site location, which is the Department for Employment Services and "WP Testing" in the comments section, which is Williamsburg Plastics. This participant was administered a pre-hire assessment (Workplace TABE) and was referred by Williamsburg Plastics for testing.

The exceptions noted on the remainder of the student files are the result of missing master files on the students. These files belong to participants of instructors who are no longer employed in our program and could not be located at the center where participants received services. Our policy is that participants' files remain at the centers where participants receive services, but some instructors failed to properly file their participants' files when

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their employment with our program ceased. For this reason, we have been unable to locate the students' master files and were only able to produce the forms submitted for entry into the AERIN system. In the future, we will devote additional time to ensuring that participant files are filed appropriately when instructors exit our program. We will revise our staff handbook to include detailed instructions for records retention. We also have plans to develop a participant file checklist to be placed in the front of each participant's folders.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements 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 were three (3) employees that did not have documentation to support the required level of professional development training.

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. We noted two (2) employees that were not included in KYAE's electronic information system.

Recommendations

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

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

Provider Response

One of the employees who did not complete professional development requirements is a full-time teacher in our school district who offers GED classes in her classroom two hours per week after school. She has a teaching certificate and participated in 24 hours of professional development at the local level in various areas including literacy and math instruction. Because of the distance and time of KYAE professional development sessions, she would have had to lose a day of pay at her teaching job in order to attend training for a program in which she works only two hours. At the time, the only credit-bearing professional development course offered online was Orientation to Adult Education, and she had already taken this course.

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Another employee who did not complete professional development requirements has a doctorate in education and works a full-time job in the field of education. He teaches a two-hour GED class one evening per week at a school in our district. Because of the distance and time of KYAE professional development sessions, he would have had to lose a day of pay at his full-time job to attend KYAE training. At the time, the only credit-bearing professional development course offered online was Orientation to Adult Education, and he had already taken this course.

The other employee was employed for only a portion of the year. During this time, she worked in our adult education program and also in another program funded through Workforce Alliance funds. The KYAE training that was offered during the months she was employed was at times that conflicted with the schedule she had already committed to with the Workforce Alliance employer. To eliminate this problem, our current Workforce Alliance instructor's time is devoted equally to adult education and Workforce Alliance programs to ensure that she has time to participate in the required number of professional development hours.

It would be helpful to our program staff and others if locally-provided professional development could be used to meet the professional development requirements of KYAE. It would also be helpful if a variety of online professional development sessions could be offered on a continuous basis.

We are assuming the "staff listing" in question was generated through the AERIN system. One of the employees was only employed two weeks during the fiscal year, and his information was mistakenly not entered into the system before he left our program. The other employee is an administrative employee. At the time, we were unaware that administrators needed to be entered into AERIN since they did not have participants enrolled under them. However, this issue was corrected at the beginning of the current fiscal year, and all staff members are now in the AERIN system.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 14 expenditures, representing 35% 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 8 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 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:

- One (1) employee was reimbursed for 2 lunches without an overnight stay; resulting in disallowed costs of \$12.54.
- Three (3) employees were reimbursed for lunch in excess of the \$8 in-state allowance; resulting in disallowed costs of \$6.18.
- One (1) employee was reimbursed for dinner in excess of the \$15 in-state allowance; resulting in disallowed costs of \$1.95.

Recommendations

The auditor recommends that the County adhere to the professional development requirements for reimbursements on lodging and meal reimbursements.

Provider Response

The KYAE Policy and Procedure Manual states, "To be eligible for reimbursement for meal expenses, a claimant's authorized work or training must require an overnight stay at a destination more than 40 miles from both work station and home during mealtime."

The policy states that employees are entitled to meal reimbursement if their travel requires an overnight stay; it does not specify that the employee must actually stay overnight. After discussing this issue with the auditor, we now understand that KYAE's policy means that if instructors choose to drive back and forth rather than stay overnight, they forfeit their right to be reimbursed for their meals.

Our board of education's policy is that meal reimbursement is not to exceed \$30 per day (\$7 for breakfast, \$8 for lunch, and \$15 for dinner). During trips for which employees are

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eligible for three daily meal reimbursements, they are reimbursed for meals exceeding the limits established for individual meals as long as the daily total does not exceed the \$30 limit. After discussing this issue with the auditor, we now understand that KYAE's policy applies strictly to individual meals rather than daily limits.

Our program spent \$377.93 on KYAE professional development in addition to our professional development allocation. Therefore, our board has spent money on professional development that far exceeds the amount that would have been disallowed by KYAE.

Since KYAE's policy differs from our board's policy, we will revise our staff handbook to provide additional clarification on this issue for adult education staff. We will also speak with our finance office to ensure that adult education travel forms are not "corrected" in accordance with our board's policy. We will devote additional time to ensuring that adult education employees are not reimbursed for meal expenses that exceed individual meal limits established by KYAE and that no employee is reimbursed for meal expenses without a hotel receipt documenting an overnight stay.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Whitley County Adult 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.

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MISCELLANEOUS FINDINGS

Findings:

The provider did not update the number of sites that were operational throughout the year. The provider's grant proposal included seven sites in operation; however, an additional site was opened during the fiscal year. This information was not reported to KYAE within the required ten (10) days.

Recommendations

We recommend that any site openings and/or closings are reported to KYAE in writing within ten (10) days of the event to ensure that KYAE is aware of the provider's operation sites.

Provider Response

The reporting of the eighth side was inadvertently overlooked. However, the site was reported to KYAE through the AERIN system. The site that was not reported was opened when an instructor at one of our centers took a teaching position at an elementary school in the district and began offering GED classes after school in her classroom for two hours per week. This site had been a site in our program the previous year, but was not reported on our sites form at the beginning of the 2003-2004 year.

We understand the importance of communicating with KYAE on site changes. The grant renewal forms for 2004-2005 and the grant renewal forms for 2005-2006 do not appear to include a site form, and we would like clarification on the process for reporting sites to KYAE for the current and upcoming program year.