

**MAGOFFIN 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**



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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

Donald F. Cecil, Superintendent
Magoffin County Board of Education
Box 109 Gardner Trail
Salyersville, KY 41465

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Cecil:

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

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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**MAGOFFIN COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
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EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Magoffin County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grant for Magoffin County. An on-site review was conducted on April 19-20, 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
A supervisor, as well as the employee, failed to sign off on six of the nine timesheets reviewed.	N/A
Disallowed travel/meal reimbursements (\$19 for the Family Literacy sub-grant and \$159 for the Adult Education sub-grant) related to a prior audit have not been refunded to CPE/KYAE.	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

No exceptions noted.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of forty-one (41) 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 nine (9) payroll disbursements, representing 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 all grant personnel to maintain supervisor-approved timesheets to support the hours charged for reimbursement. A supervisor, as well as the employee, failed to sign off on six of the nine timesheets reviewed.

Recommendations

All individuals being paid in part or whole by KYAE grant funds should have a timesheet or other form of documentation that includes the number of hours worked, the grant to which time was charged, and the signatures of both the employee and his/her supervisor. The use of timesheets would establish accountability and support the hours reported to KYAE.

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 Program Director has discussed with the Finance Officer the issue of the timesheets not being signed by the Superintendent. This matter has been immediately resolved with the secretary making sure that all employees initial beside their names and proper signatures are secured before sending the timesheets to the payroll clerk. The Program Director will also personally highlight the adult education personnel names and initial and/or sign, to verify for my records the accuracy of their time worked at the Learning Center.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of eight (8) expenditures, representing over 20% 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 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

Magoffin 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.

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MISCELLANEOUS FINDINGS

Findings

During the review of a prior audit (June 30, 2002) of the local provider's administration of adult education grants, the auditors determined that the local provider should refund KYAE for disallowed costs related to travel/meal reimbursements (\$19 for the Family Literacy sub-grant and \$159 for the Adult Education sub-grant). This refund has not been refunded to KYAE.

Recommendations

The local provider should communicate with CPE/KYAE to determine if repayments in the amounts of \$19 and \$159 need to be made. If it is determined that repayment is necessary, then a total of \$178 should be refunded.

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 district did not receive a written copy of the '02 adult education audit and therefore did not reimburse KYAE the disallowed travel cost. The person conducting the audit mentioned the disallowed travel cost but we never received any written confirmation from KYAE and/or the firm conducting the audit. Those disallowed costs resulted from paying the Learning Center staff travel cost based on the local Board of Education policy regarding out-of-state travel cost rather than the KYAE allowable cost. A Senior Associate with CPE/KYAE was contacted and informed us by e-mail that a repayment of \$159 should be made. We are now awaiting the proper documentation (statement and/or invoice) to present to the finance officer in order for the district to repay the said amount.

