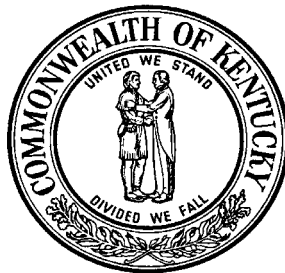


**HANCOCK COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period July 1, 2005
Through June 30, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

June 27, 2007

Sarah Hawker, Vice President
Kentucky Adult Education
Council on Postsecondary Education
1024 Capital Center Drive, Suite 250
Frankfort, KY 40601

Scott Lewis, Superintendent
Hancock County Board of Education
83 State Route 271 North
Hawesville, KY 42348

Re: Adult Education Grants

Dear Ms. Hawker and Mr. Lewis:

This report contains the results of the performance audit of Hancock County Board of Education's administration of its Adult Education Grants for the fiscal year ending June 30, 2006. 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



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY.....	1
RESULTS AND RECOMMENDATIONS	2
FINANCIAL REPORTING AND COMPLIANCE	2
PARTICIPANT ELIGIBILITY AND RECORD KEEPING.....	3
PAYROLL AND STAFF REQUIREMENTS.....	5
PURCHASING/EXPENDITURE COMPLIANCE.....	6
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	7
INTERNAL CONTROLS RELATING TO GRANT	8

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Hancock County Board of Education (local provider) for a limited scope performance audit of its administration of the Adult Education Grants for Hancock County. The audit included the Workplace Essential Skills (WES) Grants to provide training for employees of Alcoa Automotive, Aleris International, Hancock Fiscal Court and Board of Education, McElroy Metal Manufacturing, Southwire Company, and Weyerhaeuser. An on-site review was conducted on April 19, 2007 through April 20, 2007 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 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 FOR THE ADULT EDUCATION GRANTS	Disallowed Costs
One (1) new instructor did not receive the required orientation training.	N/A

FINDINGS RELATED TO THE WES GRANTS	Disallowed Costs
Forty-one (41) of the sampled participants did not receive the projected hours of training per the Scope of Work.	N/A

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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 total amount requested for reimbursement on the KAE-10 Expenditure Reports.

Findings

No exceptions were noted in this area for the Adult Education Grant or the Workplace Essential Skills Grant. The above tests were conducted for both grants.

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

For the Adult Education Grant, providers are required to submit participant data electronically using KYAE's management information system, AERIN. A total of 60 participants were selected randomly from AERIN. The electronic data was then 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.
- Evidence to support attendance.
- Proper separation from the program when applicable.
- Other requirements were tested based upon the applicable program requirements.

For the Workplace Essential Skills Grant, a total of 43 participants were randomly selected and compared to the documentation maintained in the participant files. We examined the files for the following:

- Documentation to support the participant's attendance.
- Total number of hours compared to the proposed hours per the Scope of Work.
- Procedure in place to track training hours.
- The participant was coded to Program 18 in the information reported to KYAE.

The participants tested received services during the period of July 1, 2005 and June 30, 2006.

Findings

For the multiple Workplace Essential Skills Grants, forty-one (41) of the sampled participants did not receive the projected hours of training per the Scope of Work.

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

Recommendations

For the Workplace Essential Skills Grant, we recommend the provider create a system to document each participant's attendance per class meeting to ensure that each participant receives the proposed number of total training hours. If needed, the number of training hours should be amended in the Scope of Work to accurately reflect the training provided. In addition, the registration form should indicate to which company the participant is connected. This documentation should be used to perform data entry of hours for each participant and ensure that all participants are reported to KYAE accurately.

Provider Response – [Management provided this response when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

Training was not completed on all WFA Grants due to client scheduling issues and changes in ownership of two of the major companies. Letters from these companies are in possession of auditors. However, two grants (Fiscal Court/BOE and Alcoa) exceeded their scopes of work. The WFA form has been changed as recommended.

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

For the Adult Education Grant, 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. 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.

For the Workplace Essential Skills Grant, a sample of 15 payroll disbursements for this project was judgmentally selected for payroll testing. Personnel files were examined to determine that timesheets existed to support payroll costs, timesheet approval, the instructor was paid according to the hourly rate proposed in the Scope of Work, there was no duplication of hours charged to Adult Education Grants, and that instructors had evidence of a Bachelor's Degree.

Findings

For the Adult Education Grant, CPE and KYAE require all new instructors to complete the Orientation to Adult Education training within 6 months. One (1) new instructor did not receive the required orientation training.

Recommendations

New instructors should comply with orientation training, as required by KYAE, and employee files should include the proper evidence to support such training.

Provider Response – [Management provided this response when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

Last year there was not sufficient funding for all of these trainings. This [employee] is a Family Literacy Instructor, so we sent her to that training. She will be completing the other trainings within the next Fiscal Year. She is also a certified teacher.

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

For the Adult Education Grant, a sample of 3 expenditures 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, 2005 and June 30, 2006.

For the Workplace Essential Skills Grant, a sample of 5 expenditures 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, 2005 and June 30, 2006.

Findings

No exceptions were noted in this area for the Adult Education Grant or the Workplace Essential Skills Grant.

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

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 2 expenditures, representing 40% of the total professional development expenditures, was selected judgmentally from the detailed general ledger. (This test was only applicable to the Adult Education Grant.)

Findings

No exceptions noted.

**HANCOCK COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2006**

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Hancock County Board of Education's fiscal administrator for the Adult Education Grants was given an Internal Control Questionnaire regarding the controls in place for cash disbursements, bank reconciliation's, 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.

