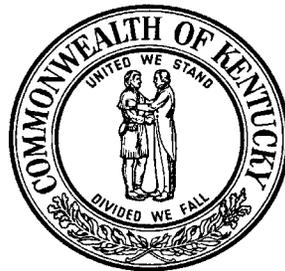


**ADAIR COUNTY BOARD OF EDUCATION'S
ADMINISTRATION OF ADULT EDUCATION GRANTS
FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period
July 1, 2006 Through June 30, 2007**



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July 31, 2008

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

Darrell Treece, Superintendent
Adair County Board of Education
403 Indian Drive
Columbia, KY 42728

Re: Adult Education Grants

Dear Ms. Hawker and Mr. Treece:

This report contains the results of the performance audit of Adair County Board of Education's administration of the adult education grant for the fiscal year (FY) ending June 30, 2007. 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.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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**ADAIR COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF ADULT
EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2007**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Adair County Board of Education (local provider) for a limited scope performance audit of its administration of the adult education grant for Adair County. An on-site review was conducted April 30, 2008 through May 2, 2008, to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN).
- Determine whether the local provider's professional development activities comply with the FY 06-07 professional development policies and procedures manual.
- 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 Kentucky Adult Education Policy and Procedure Manual, 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 seven cost categories between the KYAE-10 Expenditure Reports and the provider's financial records. This situation makes it difficult to determine compliance with the approved budget limitations in these cost categories.	N/A

**ADAIR COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF ADULT
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RESULTS AND RECOMMENDATIONS

FINANCIAL REPORTING AND COMPLIANCE

Scope and Methodology

The KYAE-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 KYAE-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 KYAE-10 Expenditure Reports.

Findings

While the provider's financial records agreed in total with the KYAE-10 Expenditure Reports, there were seven variances between the cost categories on the KYAE-10 Expenditure Reports and the provider's financial records. A reconciliation was difficult because the cost categories on the KYAE-10 Expenditure Reports are not the same as the accounts within the local provider's financial management system (MUNIS). The following table illustrates our findings in this area.

Core Services/Family Literacy	KYAE-10 Expenditure Report 6/30/07	Provider's Financial Records 6/30/07	Difference
Administrative Personnel	\$2,353	\$0	\$2,353
Other Administrative Costs	\$0	\$0	\$0
Operating Costs	\$1,200	\$1,352	(\$152)
Instructional Personnel	\$111,016	\$115,501	(\$4,485)
Other Instructional Costs	\$3,050	\$5,566	(\$2,516)
Equipment Costs	\$0	\$0	\$0
Professional Development	\$2,080	\$2,080	\$0
Incentives	\$0	\$0	\$0
Pilot Projects	\$0	\$0	\$0
Development Funds	\$4,800	\$0	\$4,800
Corrections			
Administrative Personnel	\$0	\$0	\$0
Other Administrative Costs	\$0	\$0	\$0
Operating Costs	\$0	\$0	\$0
Instructional Personnel	\$4,851	\$4,863	(\$12)
Other Instructional Costs	\$149	\$137	\$12
Equipment Costs	\$0	\$0	\$0
TOTAL	\$129,499	\$129,499	(\$0)

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An explanation was provided as to how the MUNIS amounts are transferred into the KYAE-10 Expenditure Report categories and how certain expenditures within a MUNIS account were split between two or more KYAE-10 Expenditure Report categories. However, 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.

Recommendations

We recommend that MUNIS accounts be established to agree with the KYAE-10 Expenditure Report categories to facilitate a reconciliation. At a minimum, the provider needs to establish a chart of accounts that can be used to reconcile the two reports. This chart of accounts should be used consistently during the grant period to prepare the KYAE-10 Expenditure Reports each month and at year-end. The chart of accounts should remain the same during the year to ensure that exceptions are not made to avoid the budget limits of a particular cost category. A listing of any expenditure recorded in one MUNIS account but split between two or more KYAE-10 categories should be maintained to explain variances.

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.]

The Adair County Board of Education uses the state MUNIS accounting system. The MUNIS system and the KYAE-10 have different coding procedures. The preparer of the KYAE-10 will maintain a spreadsheet that shows the invoice and payroll codes in MUNIS and the corresponding KYAE-10 expenditure line item.

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PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of 51 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 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, 2006 and June 30, 2007.

Findings

No exceptions were noted.

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 14 payroll disbursements, representing 22% 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. Documentation of hours worked was 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

No exceptions were noted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 9 expenditures, representing 27% 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, 2006 and June 30, 2007.

Findings

No exceptions were noted.

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 21% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions were noted.

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Adair 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 were noted.