

**KENTUCKY VALLEY EDUCATION COOPERATIVE'S
ADMINISTRATION OF KNOTT COUNTY'S 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
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

Jeff Hawkins, Executive Director
Kentucky Valley Educational Cooperative
325 Broadway
Hazard, KY 41701

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Hawkins:

This report contains the results of the performance audit of Kentucky Valley Educational Cooperative's administration of Knott County's 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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**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF ADULT EDUCATION GRANTS FROM THE COUNCIL ON
POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION AS
OF JUNE 30, 2004**

EXECUTIVE SUMMARY

PURPOSE AND SCOPE

The Council on Postsecondary Education and Kentucky Adult Education (KYAE) selected the Kentucky Valley Educational Cooperative (local provider) for a limited scope performance audit of its administration of the Adult Education and Family Literacy Grant for Knott County. An on-site review was conducted on May 9 through May 12, 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

FINDING	Disallowed Costs
Two (2) participant files did not contain evidence of establishing a goal.	N/A
Two (2) participant's file information (goals) did not agree with the electronic information reported to KYAE.	N/A
One (1) participant's file did not contain an applicable withdrawn statement.	N/A
One (1) employee file did not have documentation to support the required level of professional development training.	N/A
Five (5) invoices were not signed/approved by the Program Director.	N/A
A computer server (\$500) and a laminator (\$500) were purchased but not recorded as inventory.	N/A

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One employee was reimbursed for actual meal costs. Breakfast was reimbursed below the allowed per diem and lunch was higher. In total, reimbursement did not exceed the allowable amount. These instances were prior to the 03/22/04 policy change requiring receipts.	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 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:

- Two (2) participant files did not contain evidence of establishing a goal.
- Two (2) participant's file information (goals) did not agree with the electronic information reported to KYAE.
- One (1) participant's file did not contain an applicable withdrawn statement.

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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. All initial assessments and any achievement of goals/objectives should be documented and maintained. If the participant is between 16 and 18 years of age, official documentation of their withdrawal from school should be included in their file. 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

Recommendation accepted.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing 93% 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 staff listing information reported to KYAE.

Findings

CPE and KYAE require full-time instructors to obtain eighteen hours of professional development training. There was one (1) employee file that did not have documentation to support the required level of professional development training.

Recommendations

We recommend that all employees receive at least the required number hours of professional development training and that this information is documented in the employee's file.

Provider Response

Recommendation accepted.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 15 expenditures, representing 6% 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

CPE and KYAE require that source documentation support accounting records. There were five (5) invoices not signed/approved by the program director.

CPE and KYAE require that an annual Inventory Report listing non-consumable items with a useful life greater than one year. A computer server (\$500) and a laminator (\$500) were purchased but not recorded as inventory.

Recommendations

We recommend all purchases be signed by the program director and executive director to provide support of their approval.

We recommend that an accurate listing of inventory should be maintained and submitted to KYAE.

Provider Response

Recommendation accepted.

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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 5 expenditures, representing 47% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

CPE and KYAE require that all meal reimbursements not exceed the per diem amounts established by the Commonwealth of Kentucky. One employee appeared to have stayed two nights on overnight status, but only received reimbursement for one breakfast and one lunch at actual costs. The breakfast reimbursement was below the allowed per diem and the lunch was more than the per diem cost. In total, reimbursement did not exceed the allowable amount. These instances occurred prior to 3/22/04 when the Commonwealth's policy was changed to require receipts.

Recommendations

We recommend the provider review and comply with the policies established by KYAE concerning proper meal reimbursements.

Provider Response

Recommendation noted. Compliance with regulation set by KYAE and KVEC will be observed.

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INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

Kentucky Valley Educational Cooperative'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.