

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S
ADMINISTRATION OF LEE 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 Lee 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,

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 Lee County. An on-site review was conducted on April 25 through April 29, 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
Twelve (12) participant files contained no evidence of establishing a goal to measure their progress.	N/A
One (1) employee's file did not contain any documentation to support compliance with the professional development and bachelor's degree requirement.	N/A
The Kentucky Valley Education Cooperative purchased a \$1,600 Wal-Mart gift card for Lee County Adult Learning Center to purchase supplies. Auditor observed receipts totaling \$1,103.89, but these purchases were made on July 7, 2004. Therefore, the \$1,600 is a disallowed cost.	\$1,600

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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

CPE and KYAE require that providers measure the success of Kentucky's adult education and literacy program. However, there were twelve (12) participant files that contained no evidence of establishing a goal to measure their progress.

Recommendations

We recommend that goals should be established for participants within the applicable program types in order to track the program's effectiveness.

Provider Response

Recommendation accepted. Currently, KVEC adult education programs are in compliance with the KYAE reporting system. 12 participants in Lee county had been coded incorrectly for a basic computer class. KVEC ABE now ensures basic computer class students are coded correctly in the reporting system.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing 16% 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 all part-time instructors to obtain six hours of professional development training and all instructors hired after July 1, 1998 to have a bachelor's degree. One employee's file did not contain any documentation to support compliance with these two (2) requirements.

Recommendations

We recommend that instructors receive at least the required number hours of professional development training and that this information is documented in the employee's file. Employee files should also contain the proper evidence to support compliance with KYAE's bachelor's degree requirement when applicable.

Provider Response

Recommendation accepted. Professional development portfolios are currently checked to ensure each employee has the required amount per fiscal year. Employee files shall be updated to include documentation of a bachelor's degree for instructors hired after 1998.

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PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of 10 expenditures, representing 25% 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 expenditures be for goods and services received during the contract period (July 1, 2003 through June 30, 2004) and be traceable to supporting documentation. The Kentucky Valley Education Cooperative purchased a \$1,600 Wal-Mart gift card for Lee County Adult Learning Center to purchase supplies. Auditor observed receipts totaling \$1,103.89, but these purchases were made on July 7, 2004. Therefore, the \$1,600 is a disallowed cost.

In addition, the purchases documented in the receipt appear excessive for this program. The use of a gift card to purchase supplies circumvents the control that the director and executive director should approve all purchases.

Recommendations

We recommend that the provider ensure that expenditures are incurred during the contract period and are supported by source documentation. We further recommend that gift card purchases be discontinued unless more stringent controls are put in place to ensure the proper approval of expenditures and require complete supporting documentation.

Provider Response

Recommendation accepted. Currently, an improved procedure has been implemented requiring purchase order request be approved and receipts placed on file at the main office in addition to county office. Given that the current process is not acceptable, gift card purchases will no longer be allowed.

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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 4 expenditures, representing 39% 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

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.