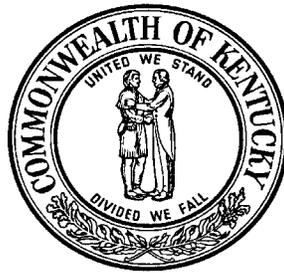


**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S  
ADMINISTRATION OF LESLIE COUNTY'S ADULT EDUCATION  
GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period  
July 1, 2003 Through June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

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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 Leslie 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**

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**EXECUTIVE SUMMARY**

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**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 Leslie County. An on-site review was conducted on April 27 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 a summary of findings.

**FINDINGS SUMMARY**

<b>FINDING</b>	<b>Disallowed Costs</b>
One (1) participant did not appear eligible per their initial assessments (score>11.9).	N/A
There were three (3) employee files that did not have documentation to support the required level of professional development training.	N/A
There was one (1) instructor that did not have evidence of a bachelor's degree on file.	
There were two (2) employees that were not included in KYAE's electronic information system.	N/A
There were two (2) invoices not signed/approved by the program director.	N/A
Two (2) sites were closed during the fiscal year and KYAE was not informed of the closures in writing.	N/A

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION  
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**RESULTS AND RECOMMENDATIONS**

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**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.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION  
OF ADULT EDUCATION GRANTS FROM THE COUNCIL ON  
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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 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. One (1) participant did not appear eligible per their initial assessments (score>11.9).

**Recommendations**

We recommend that the provider ensure all participants are eligible and that their initial assessments should be on file to support the participants' eligibility.

**Provider Response**

Recommendation accepted. It's the understanding of KVEC that this participant was coded incorrectly in the reporting system. Currently, we are in compliance with eligibility requirements.

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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of 15 payroll disbursements, representing 14% 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 were three (3) employee files that did not have documentation to support the required level of professional development training.

CPE and KYAE require that instructors hired after July, 1998 have a bachelor's degree. There was one (1) instructor that did not have evidence of a bachelor's degree on file.

CPE and KYAE rely on each provider to update its electronic staff listing to ensure complete and accurate information. There were two (2) employees that were not included in KYAE's electronic information system..

**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.

We also recommend that staff information be entered accurately and completely in KYAE's electronic information system.

**Provider Response**

Recommendation accepted. Professional development portfolios are currently checked to ensure each employee has the required amount per fiscal year. Updated staff listings shall be submitted to KYAE in a timely manner. Employees hired after 1998 may only be considered instructor's aides and shall be listed so on the KYAE contracts.

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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of 7 expenditures, representing 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, 2003 and June 30, 2004.

**Findings**

CPE and KYAE require that source documentation support accounting records. There were two (2) invoices not signed/approved by the program director.

**Recommendations**

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

**Provider Response**

Recommendation accepted. The current process for ABE purchases made at KVEC requires a submitted request signed by the program director and executive director.

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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 10 expenditures representing 20% of the total professional development expenditures were 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.

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**MISCELLANEOUS FINDINGS**

**Findings**

The provider did not update the number of sites that were operational throughout the year. The provider's grant proposal included four sites in operation; however, only two sites were operated during FY 2004. This information was not reported to KYAE within the required ten (10) days.

**Recommendations**

We recommend that any site openings and/or closings are reported to KYAE in writing within ten (10) days of the event to ensure that KYAE is aware of the provider's operation sites.

**Provider Response**

Updated provider site information will be submitted to KYAE prior to the start of a grant continuation year. Site closure during current year will be reported to KYAE.

