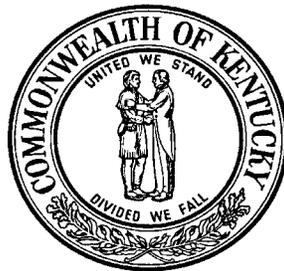


**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S
ADMINISTRATION OF WOLFE COUNTY'S ADULT EDUCATION
GRANTS FROM THE COUNCIL ON POSTSECONDARY
EDUCATION AND KENTUCKY ADULT EDUCATION**

**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 Wolfe 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



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY.....	1
RESULTS AND RECOMMENDATIONS	3
FINANCIAL REPORTING AND COMPLIANCE	3
PARTICIPANT ELIGIBILITY AND RECORD KEEPING.....	5
PAYROLL AND STAFF REQUIREMENTS.....	6
PURCHASING/EXPENDITURE COMPLIANCE.....	8
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	9
INTERNAL CONTROLS RELATING TO GRANT	10
MISCELLANEOUS FINDINGS	11

**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 Wolfe County. An on-site review was conducted between April 25 and 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 local 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 three categories between the KAE-10 Expenditure Reports and the provider's Trial Balance.	N/A
One (1) participant enrolled in Workplace Essential Skills, Program Type 09, did not have evidence on file documenting an association with an employer or employment service.	N/A
One (1) employee did not have documentation to support the required amount of professional development training.	N/A
One (1) employee hired during the year audited did not have documentation on file to support completion of the required orientation curriculum training.	N/A

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OF ADULT EDUCATION GRANTS FROM THE COUNCIL ON
POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION AS
OF JUNE 30, 2004**

One (1) KAE-funded employee did not maintain documentation of hours worked.	N/A
Two (2) staff members were not included in KYAE's electronic information system.	N/A
The Kentucky Valley Education Cooperative purchased a \$600 Wal-Mart gift card for Wolfe County Family Literacy Program to purchase supplies. The use of a gift card to purchase supplies circumvents the control that the director and executive director should approve all purchases.	N/A
No documentation was available to determine if a closed site had been reported to KYAE	N/A

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
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OF JUNE 30, 2004**

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 local 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

CPE and KYAE reimburse providers for reasonable, allowable, and actual costs incurred if costs are specified in the contract. Expenditures for providers shall not exceed the cost category limitations or total as specified in the contract. Written department approval must be obtained before a provider may reallocate funds among the line items.

There were three (3) variances between the KAE-10 Expenditure Reports and the provider's Trial Balance. In total, the expenditures recorded in the provider's Trial Balance were \$310.34 greater than the expenditures reported on the KAE-10 Expenditure Report. The following table illustrates our findings in this area.

**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**

Basic Grant (Adult Education)	KAE-10 Expenditure Report 6/30/04	Provider's Trial Balance 6/30/04	Difference
Administrative Personnel	\$7,568.00	\$7,568.00	\$0.00
Other Administrative Costs	551.14	550.26	0.88
Operating Costs	9,352.71	9,352.71	0.00
Instructional Personnel	35,364.99	35,366.31	(1.32)
Other Instructional Costs	16,164.27	16,164.70	(0.43)
Equipment Costs	2,000.00	2,000.00	0.00
Development Funds	9,659.92	9,970.36	(310.44)
Performance Reward	3,019.01	3,019.01	0.00
Sept. Conference Registration	160.00	164.14	(4.14)
Professional Development	978.61	974.03	4.58
Family Literacy			
Administrative Personnel			
Other Administrative Costs			
Operating Costs			
Instructional Personnel	15,782.59	16,344.91	(562.32)
Other Instructional Costs	3,635.00	3,072.15	562.85
Equipment Costs			
Development Funds			
Performance Reward			
Sept. Conference Registration			
Professional Development			
TOTAL	\$104,236.24	\$104,546.58	(\$310.34)

Recommendations

The provider should reconcile the KAE-10 Expenditure Report to the Trial Balance each month. This reconciliation should ensure that reimbursements requests have been expensed and recorded on the Trial Balance. This reconciliation should be conducted within each of the line item categories as well as in aggregate. To change a line item budget, providers should submit a Budget Amendment Request form to KYAE for approval (per the Policy and Procedure Manual for Kentucky Adult Education).

Provider Response

Recommendation accepted. Any budget line item changed will be per approval of KYAE.

**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**

PARTICIPANT ELIGIBILITY AND RECORD KEEPING

Scope and Methodology

A total of fifty (50) 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 exception was noted:

- One (1) participant enrolled in Workplace Essential Skills, Program Type 09, did not have evidence on file documenting an association with an employer or employment service.

Recommendations

We recommend that the provider ensure all participant files contain all of the necessary documentation to support compliance with applicable policies and procedures.

Provider Response

Recommendation accepted. All current and future student files will be reviewed in order to meet KYAE requirements.

**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**

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of ten (10) payroll disbursements, representing 21% 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. There was one (1) employee that did not have documentation to support the required level of professional development training.

CPE and KYAE require all new instructors to complete required orientation training within 6 months (instructors, including Orientation to Adult Education; Orientation to Instruction and Curriculum; and/or Family Literacy Foundation Training) of employment. One (1) employee hired during the year audited did not have documentation on file to support completion of the required orientation curriculum.

CPE and KYAE require that all KAE-funded employees maintain documentation of hours worked. One employee was completing timesheets and inputting hours worked per day; however, on October 1, 2003, she started using a "W" for day worked instead of indicating the number of hours worked each day.

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

Recommendations

We recommend that instructors receive at least the required number of hours of professional development training and that this information is documented in the employee's file. In addition, the provider should require a formal timesheet for all employees to support the hours reported for reimbursement to KYAE. We also recommend that all staff information be entered accurately and completely in KYAE's electronic information system.

**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**

Provider Response

Recommendation accepted. Updated staff listing shall be submitted to KYAE during the current year. PD portfolios are checked to ensure documentation of required hours are on file for each employee.

**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**

PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of nine (9) expenditures, representing 22% 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 \$600 Wal-Mart gift card for Wolfe County Family Literacy Program to purchase supplies. Auditor observed receipts totaling \$609.96 related to this card; however, 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 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 prior to purchase and receipts placed on file at main office in addition to the county office.

**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**

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

Findings

No exceptions noted.

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POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION AS
OF JUNE 30, 2004**

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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POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION AS
OF JUNE 30, 2004**

MISCELLANEOUS FINDINGS

Findings

The site of Celestica Manufacturing was closed; however, no documentation was available to determine it was reported to KYAE.

Recommendations

We recommend that all 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

Recommendation accepted. 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.