

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

**For The Period
July 1, 2004 Through June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

July 13, 2006

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 Perry County's Adult Education Grant for the fiscal year ending June 30, 2005. 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, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY.....	1
RESULTS AND RECOMMENDATIONS	2
FINANCIAL REPORTING AND COMPLIANCE	2
PARTICIPANT ELIGIBILITY AND RECORD KEEPING.....	3
PAYROLL AND STAFF REQUIREMENTS.....	5
PURCHASING/EXPENDITURE COMPLIANCE.....	7
PROFESSIONAL DEVELOPMENT REIMBURSEMENT COMPLIANCE	8
INTERNAL CONTROLS RELATING TO GRANT	9

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

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 Grant for Perry County. An on-site review was conducted April 18 through April 20, 2006, to address the following objectives:

- Reconcile student and faculty data electronically submitted to KYAE 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 the local provider's 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
Eight (8) participant files did not contain evidence of separation due to no contact for 90 consecutive days.	N/A
One (1) Family Literacy participant file did not contain documentation of Parent Time and Parent and Child Time activities.	N/A
One (1) full-time employee's file did not have documentation to support the required level of professional development training.	N/A
None of the staff tested had a completed IPDP on file.	N/A
One (1) employee's file did not contain adequate documentation of a bachelor's degree.	N/A

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

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.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

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, 2004 and June 30, 2005.

Findings

Proper file maintenance and accurate data entry are important to support and document the success of a provider in meeting eligibility requirements and goal achievement. 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:

- Eight (8) participant files did not contain evidence of separation due to no contact for 90 consecutive days.
- One (1) Family Literacy participant file did not contain documentation of Parent Time and Parent and Child Time activities.

Recommendations

We recommend the provider implement procedures to identify and update participants due to a lack of contact. We recommend that the provider ensure all participant files contain all of the necessary documentation to support compliance with program requirements.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

Provider Response – [This is the response provided by management when their views and planned corrective actions were requested. The Provider was given a reasonable amount of time to adequately respond to this request.]

Upon the recommendation, the Lead Instructor will develop and submit to the KVEC Adult Education Director, a plan for procedures to determine if and when a student has been separated from the program for 90 consecutive days. The Lead Instructor will also maintain an adequate contact list for each participant. At the request of KYAE, the Adult Education Director will provide the approved procedure ensuring compliance.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of fifteen payroll disbursements 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 electronic staff listing per AERIN for fiscal year (FY) 2005.

Findings

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

CPE and KYAE require that program directors and instructors complete an Individual Professional Development Plan (IPDP) by September 15 of each year. None of the staff tested had a completed IPDP on file.

CPE and KYAE require all instructors hired after July 1, 1998 to have a bachelor's degree. One (1) employee's file did not contain adequate documentation of a bachelor's degree.

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.

To encourage all adult educators to focus on planning for professional learning and growth, an IPDP should be completed by the Program Director as well as all instructors and instructor aides.

We recommend that employees' files contain the proper evidence to support compliance with KYAE's bachelor's degree requirement when applicable.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

Provider Response – [This is the response provided by management 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 Lead Instructor will review each employee's continuing education plans vs. documentation to meet those plans. The Lead Instructor will report to the KVEC Adult Education Director all findings. Currently, every employee is part of the KYAE PD Track system ensuring adequate professional development. The KVEC Adult Education Director will review all staff listings to determine whether employees listed as Instructors have a Bachelor's degree or were grandfathered into the system as an Instructor. In compliance, with KYAE, employees that do not meet these criteria shall be listed as an Instructor's Aide or Clerk depending on program responsibilities.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

PURCHASING/EXPENDITURE COMPLIANCE

Scope and Methodology

A sample of two (2) expenditures 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, 2004 and June 30, 2005.

Findings

No exceptions noted.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

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 four (4) expenditures, representing 20% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

No exceptions noted.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION
OF PERRY COUNTY'S ADULT EDUCATION GRANTS FROM THE COUNCIL
ON POSTSECONDARY EDUCATION AND KENTUCKY ADULT EDUCATION
AS OF JUNE 30, 2005**

INTERNAL CONTROLS RELATING TO GRANT

Scope and Methodology

The 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.