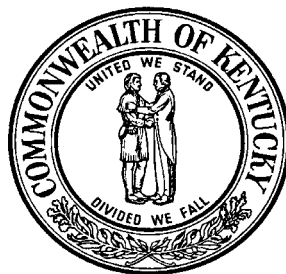


**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S  
ADMINISTRATION OF LESLIE COUNTY'S ADULT  
EDUCATION GRANTS FROM THE COUNCIL ON  
POSTSECONDARY EDUCATION AND KENTUCKY  
ADULT EDUCATION**

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



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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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 Leslie 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





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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, 2005**

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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 Grant for Leslie County. An on-site review was conducted on April 17, 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**

<b>FINDING</b>	<b>Disallowed Costs</b>
One (1) employee was not included on the electronic staff listing per AERIN for FY 2005.	N/A

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

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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  
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**PARTICIPANT ELIGIBILITY AND RECORD KEEPING**

**Scope and Methodology**

A total of sixty (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**

No exceptions noted.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION  
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**PAYROLL AND STAFF REQUIREMENTS**

**Scope and Methodology**

A sample of fifteen (15) 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 rely on each provider to update its electronic staff listing to ensure complete and accurate information. One (1) employee was not included on the electronic staff listing per AERIN for FY 2005.

**Recommendations**

We recommend that staff information be entered accurately and completely in KYAE's electronic information system (AERIN). The provider should ensure that the employee's status is listed as "active" in the information system. This should be done at the beginning of each year because during the close out period all staff are automatically coded as "inactive."

**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.]**

In compliance with the recommendation, KVEC Adult Education will verify that KYAE has proper staff listings. KVEC will make sure KYAE has received proper staff update forms within the recommended time frame. Check points will be established in order to periodically compare KVEC and KYAE staff listings.

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S ADMINISTRATION  
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**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

A sample of nine (9) 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  
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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 two (2) expenditures, representing over 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  
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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.