

**KENTUCKY VALLEY EDUCATIONAL COOPERATIVE'S
ADMINISTRATION OF LETCHER 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 7, 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 Letcher 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 black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



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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 Letcher County. An on-site review was conducted on April 17, 2006 to 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
Two (2) employee files did not have documentation to support the required level of professional development training.	N/A
One (1) instructor did not have evidence of bachelor's degree on file.	N/A
An expenditure of \$1,850 was coded as professional development, but the supporting documentation showed it to be a transfer of administrative cost.	N/A

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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 40 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.

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PAYROLL AND STAFF REQUIREMENTS

Scope and Methodology

A sample of 15 payroll disbursements, representing over 20% 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 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. There were two (2) 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 bachelor's degree on file.

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.

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

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.]

Currently, PD Track is used to track all adult education instructors. Each instructor has a professional development plan that is submitted for approval online. Supervisors can check employee PD records during the fiscal year to ensure requirements are being met. New instructors have a pre-determined track for the first two years of employment developed by KYAE. KYAE, KVEC, supervisors, and employees have up to date records of professional development throughout the year.

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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.

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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 2 expenditures, representing 97% of the total professional development expenditures, was selected judgmentally from the detailed general ledger.

Findings

CPE and KYAE require that the accounting records agree with supporting documentation. An expenditure of \$1,850 was coded as professional development, but the supporting documentation showed it to be a transfer of administrative cost to each of the eight county programs operated by Kentucky Valley Educational Cooperative.

Recommendations

We recommend that the provider ensure that expenditures are coded to the appropriate account based on the expenditure type.

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.]

\$1,850 was payment for “Technology in the Classroom” provided by Tim Couch. This was not coded as travel expense. Unfortunately, at that time, the KVEC office coding system did not fit the needs of the ABE program. A typical code would be 020-6-5900-100. The first set of numbers (020) codes where the money comes from (state, federal, rewards, development, Pd). The next number (6) is the fiscal year. The next set of numbers (5900) determines whether it is travel, supply, operations, admin. The last three numbers (100) determines which county it is coded to (100-800). The confusion in this case is that PD (first 3 numbers are 027) did not have an existing third set of numbers for KVEC coding. It was not needed for KYAE purposes and did not exist in the KVEC system. So, any 027 (PD) used 5900 for the third set of numbers. Currently, a “blanket” 6000 code has been added to the KVEC system so that there will not be confusion when records are being reviewed.

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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.