

## **KENTUCKY DEPARTMENT OF EDUCATION**

### **STAFF NOTE**

#### **Review Item:**

Audit Update and Review of the Commissioner's and Board's Expenses

#### **Applicable Statute(s) or Regulation(s):**

KRS 45.149

#### **History/Background:**

*Existing Policy.* Several audits have been completed or are currently in process since the last Kentucky Board of Education's Management Committee meeting. Some of the audits were conducted by the Office of the Auditor of Public Accounts ("APA") as part of their normal statutory functions and others were conducted by federal auditors reviewing certain federal programs. Kentucky Department of Education (KDE) staff will discuss the audits and answer the Management Committee's questions.

Additionally, updated information on the commissioner's expenses and board's expenses is attached and will be discussed.

*Updates on audits since October 2013 are as follows:*

#### **STATE AUDITS:**

##### **FY2013 Statewide Single Audit of Kentucky (SSWAK) – Volume I**

This volume contains financial reporting information based on the audit of the Consolidated Annual Financial Report (CAFR). It includes the APA's opinion on the Schedule of Expenditures of Federal Awards (SEFA) in relation to the financial statements. The Audit reviews internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards and financial statement findings related to internal control and compliance. Specifically for KDE, this volume covers financial reporting and IT security governing the controls of MUNIS, SEEK and Nutrition and Health Services. Volume I is complete and can be viewed at [www.auditor.ky.gov](http://www.auditor.ky.gov). KDE has two findings as follows:

<b>Finding #</b>	<b>Finding Summary</b>	<b>KDE Response</b>	<b>Financial Impact Y/N</b>	<b>Repeat Finding Y/N</b>
<b>13-KDE-21</b>	KDE did not follow the policy currently in place with regard to the review and approval process for school district SEEK payments.	Several payment documents were not properly initialed in the process. The Division of District Support has made changes in the payment procedures which require the Division Director or designee to initial the payment documents prior to processing. These changes were made in November 2012 and are still in place today. The documents referenced by the APA findings occurred prior to the change and this process has since been corrected. Additionally, there are built-in safeguards within eMARS that reject any payment for insufficient funds and prevent significant errors.	N	Y
<b>13-KDE-22</b>	KDE was not compliant with KRS 157.410 in the calculation of first quarter fiscal year 2013 school district SEEK payments.	The SEEK forecast calculation has historically been used to determine the payment amounts for the first three months of a fiscal year as opposed to exactly equal payments throughout the entire year as required by statute. Under either method, each district receives the total exact amount of SEEK funding by the end of the year; the KDE process just aligns better with the district budgeting process in the spring. KDE has requested a legislative fix to this in the current session.	N	Y

### **FY2013 Statewide Single Audit of Kentucky (SSWAK) – Volume II**

This volume reviews elements required under OMB Circular A-133, including the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133, and the schedule of findings and questioned costs. Volume II fieldwork is complete. The SSWAK report is expected to be posted to the Web in late March 2014 but is not available at the time this staff note was prepared.

### **Historical Summary of the Number of Annual Published SSWAK Findings**

<b>Audit Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
SSWAK Vol. I	13	9	8	4	2
SSWAK Vol. II	1	0	4	4	TBD

## **FY 2014 Statewide Single Audit of Kentucky (SSWAK) – Volume I**

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### **FY13 A-133 School District Reviews**

Desk reviews are to assist KDE in ensuring that audit reports of school districts and other entities meet applicable reporting standards and Office of Management and Budget (OMB) Circular A-133 reporting requirement. The State Auditor's Office staff is currently conducting the desk reviews and plans are to have the reviews completed around the first week of June 2014.

### **Impact on Getting to Proficiency:**

Efficient and effective financial controls within the Kentucky Department of Education are essential to ensure that monies are used appropriately by KDE and by districts for the purpose of supporting schools and districts in reaching proficiency.

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**Commissioner of Education**

### **Date:**

April 2014