

Overview of Kentucky Department of Education (KDE)/Kentucky Board of Education (KBE)  
Management Audit and Improvement Process  
(KRS 158.780, KRS 158.785 and 703 KAR 3:205)

1. **Initial District Data Review**

KDE is required to collect data from school districts pursuant to KRS 158.735(2).

2. **On-Site Review**

An on-site review is triggered when KDE's review of district data indicates significant deficiencies.

The on-site review must include the examination of local school records and interviews with school district officials, staff, and community leaders.

The on-site review may also include an examination of school district operations in:

- Governance policy and procedures;
- Instructional programming and organization;
- Fiscal management and accountability procedures;
- The maintenance and condition of the physical plant;
- Facility construction;
- Student transportation; and
- Community perception and support.

If the on-site review reveals significant deficiencies, the Commissioner must determine whether the significant deficiencies indicate the presence of critically ineffective or inefficient management. If so, the Commissioner shall order a management audit.

3. **Management Audit**

The management audit as conducted by KDE staff must include an investigation of the district's compliance with state and federal statutes, administrative regulations and local board policies.

The management audit must also include an on-site review, investigation, and analysis of the governance and administration of the school district to determine if a significant lack of a pattern of efficiency and effectiveness exists in the following areas:

- Planning
- Operational support
- Fiscal management
- Personnel administration
- Instructional management

Following the management audit, department staff shall prepare a report.

4. **Commissioner's Review of Findings and Recommendation to KBE**

Upon receipt of the management audit, the Commissioner has the authority to a) take no action; b) recommend state assistance; or c) recommend state management.

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State assistance or state management is appropriate if there is a pattern of a significant lack of efficiency and effectiveness in the governance or administration of the school district; that the pattern continues to exist; and state assistance or state management is necessary to correct the inefficiencies and ineffectiveness.

- **NO ACTION**

If the Commissioner decides that no action is required, the Commissioner shall direct KDE to deliver the management audit and its findings to the school district for its information and use.

- **STATE-ASSISTANCE OR STATE MANAGEMENT**

If the Commissioner decides that action is required, he/she shall place a recommendation of "state-assistance" or "state-management" before the KBE.

If the local district agrees with the Commissioner's recommendation, the local district can waive the right to participate in the hearing before the KBE, and the KBE can act on the recommendation without a hearing.

If the local district disagrees with the Commissioner's recommendation, the Commissioner shall file with the KBE his written recommendation along with supporting information and shall arrange the scheduling of a hearing on the matter before the KBE.

5. **Duties and Responsibilities of Commissioner, the KBE, and the District**

**IF STATE ASSISTED:**

- KDE shall provide management assistance to the district to develop and implement a plan to correct deficiencies found in the management audit.
- KDE shall monitor the development and implementation of the corrective plan to improve the governance or administration of the school district.
- If the Commissioner determines that the plan is being inadequately developed or implemented, he/she shall make a recommendation to the KBE to declare the district a "state managed district".

**IF STATE MANAGED:**

- A district, when designated a "state managed district", shall develop and implement an improvement plan approved by the KBE identifying deficiencies and corrective actions necessary to improve school district governance and administration.

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- The district's improvement plan shall include: (a) specific objectives and strategies to correct deficiencies in defined timeframes; and (b) the identification of local board and individual administrative staff responsibilities and activities.
- The district shall provide to the Commissioner monthly reports indicating the status of improvement activities in the district.
- The KBE shall assume supervision of the district to ensure that appropriate corrective action occurs.
- The KBE may delegate to the Commissioner the authority it deems necessary to carry out KRS 158.785.
- The Commissioner (or his designee) shall exercise all administrative, operational, financial, personnel, and instructional aspects of the management of the school district formerly exercised by the local school board and the superintendent.
- The Commissioner shall retain clear supervisory and monitoring powers over the operation and management of the district.
- The KBE may remove any local school board member or the local superintendent may be removed from office pursuant to KRS 156.132.
- The Commissioner may revoke any appointment to an administrative position after thirty (30) days following when a district becomes a "state managed district" and reassign that employee to any duty for which that person is qualified.
- The Commissioner shall make the administrative appointments as necessary to exercise full and complete control of all aspects of the management of the district.
- The Commissioner, through the appointments, may make any and all decisions previously made by the local school board and the local superintendent.

6. **Duration of State Management**

A school district shall be designated as a "state managed district" until the KBE determines that specific deficiencies determined by the management audit have been corrected, but no school district shall remain in the status longer than three (3) consecutive school years unless extended by the KBE after a complete review of a new management audit.

Each year following the school year in which the designation of a "state managed district" was made, the Commissioner shall report the status of the corrective action to KBE.