

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 Management Committee meeting. Some of the audits are conducted by the Office of the Auditor of Public Accounts ("APA") as part of their normal statutory functions and others are conducted by federal auditors reviewing certain federal programs. 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 provided as an attachment and will be discussed at the meeting.

Updates on audits since October 2012 are as follows:

State Audits:

FY2012 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 (NHS). Volume I is completed and is posted to the website at www.auditor.ky.gov.

KDE had four findings as follows:

Finding #	Finding Summary	KDE Response	Financial Impact Y/N	Repeat Finding Y/N	KDE Office
12-KDE-25	KDE did not follow the policy currently in place with regard to the review and approval process for school district SEEK payments.	Written procedures have been updated to correct this.	N	N	OAS
12-KDE-26	KDE was not compliant with KRS 157.410 in the calculation of first quarter fiscal year 2012 school district SEEK payments.	KDE uses a SEEK forecast to provide an estimate to districts in March in order to make hiring decisions in a timely manner (as opposed to a literal monthly payment of prior year SEEK for the first quarter). Even though KDE uses a forecast method for the first quarter, the APA acknowledged that school districts receive the correct total SEEK funds by the end of the fiscal year. Accordingly, KDE disagrees that any correction to the current methodology is practical and required.	N	N	OAS
12-KDE-27	The Kentucky Department of Education's Office of Knowledge, Information and Data Services did not consistently apply logical security policies for the KETS Network and MUNIS.	KDE agrees with the findings in part and disagrees in part. As stated in prior audits, it is not cost effective to implement several of these recommendations.	N	Y	KIDS
12-KDE-28	Kentucky Department of Education's Office of Knowledge, Information and Data Services did not consistently apply program modification procedures.	With the completion of the MUNIS migration to the cloud, these issues should be moot in the future.	N	Y	KIDS

FY2012 Statewide Single Audit of Kentucky (SSWAK) – Volume II

This volume reviews elements required under the Office of Management and Budget (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. The federal compliance segment, Volume II, is in process and scheduled to be completed later this spring.

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

We are in the beginning stages of the 2013 audit; preliminary questions and answers as well as initial system testing are in process.

FY12 A-133 School District Reviews

Desk reviews are conducted 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. Reviews are in process.

FY12 Ed Jobs Monitoring

KDE contracted with the APA to conduct Agreed Upon Procedures for the FY12 Education Jobs Funds for school districts. Communication was sent to districts that were technically deficient and significantly non-compliant with instructions to submit corrective action plans. The Auditor of Public Accounts will follow-up on corrective action plans during the FY13 Education Jobs Fund Audit.

FY13 Ed Jobs Monitoring

As of the time of the preparation of this note, KDE is in the process of starting the FY13 review.

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.

Contact Person:

Hiren Desai, Associate Commissioner
Office of Administration and Support
(502) 564-1976
hiren.desai@education.ky.gov

Charles Harman, Director
Division of Budget & Financial Management
(502) 564-2351
charles.harman@education.ky.gov



Commissioner of Education

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