

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:

Several financial audits have been completed or are currently in process since the last 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 financial audits and answer the Management Committee's questions.

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

Updates on financial audits since April 2013 are as follows:

State Audits:

FY2012 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 is completed and is posted to the website at www.auditor.ky.gov.

KDE has four findings as follows:

Finding #	Finding Summary	KDE Response	Financial Impact Y/N	Repeat Finding Y/N	KDE Office
12-KDE-78	Maintenance of Effort requirements were not met for the Special Education program (IDEA).	The U.S. Department of Education (USDOE) changed the method of calculation for Maintenance of Fiscal Support (MFS). This change expands the calculation to include all resources provided by the Commonwealth. This finding only considered KDE. When the entire Commonwealth is included as well as the criteria in 702 KAR 3:270, MFS is met. KDE will review and update its tracking procedures for all federal grants with match and maintenance of effort requirements. Additionally, KDE is working with other state agencies that may provide support to the students eligible under the provisions of IDEA. We are also in communication with USDOE regarding the necessity of a waiver or some other exception.	N	N	OAS
12-KDE-79	KDE did not comply with the Federal Transparency Act Reporting Requirements.	KDE, Division of Budgets and Financial Management (DBFM), is aware of the Federal Funding Accountability and Transparency Act (FFATA) reporting requirements. As clearly outlined in the finding, due to technical difficulty with the reporting FFATA reporting site, reports were not submitted within the required timeframe. On January 30, 2013, DBFM received the notice that technical difficulties with the FFATA reporting site had been resolved (e-mail attached). This is confirmation that timely submission was not possible. It would have been advantageous for a copy of the "screen shot" to have been kept for documentation. DBFM is working to submit reports for all grants. If technical difficulty arises in the future, the appropriate documentation will be kept to ensure an effort was made to submit the reports by the deadline.	N	N	OAS

12-KDE-80	KDE failed to enforce the Period of Availability requirements related to Title I, Part A, ARRA Funding.	KDE, Division of Budgets and Financial Management (DBFM), has appropriate measures in place to ensure districts adhere to the 15% carryover limitation for Title I, Part A. Approximately 60 days before the September 30 cutoff, the Division of Consolidated Plans and Audits (DCPA) notifies districts of the carryover requirement with information on the process to request a waiver. DBFM will increase the oversight of the monitoring of the Title I 15% carryover limitation. This will occur by having the Grants Staff responsible for tracking the 15% carryover provide a log to the Grants Management Branch Manager and the Program Branch Manager.	\$417,611 (Despite the problem with the timeframe, this amount was ultimately approved as being allowable by the USDOE).	Y	OAS
12-KDE-81	KDE reimbursed unallowed Twenty-First Century Community Learning Center Program expenditures due to a failure to implement internal controls to assure sufficient review and approval of cost reimbursement requests.	The review of the 21st Century Community Learning Centers (CCLC) payment request is a collaborative effort between the Division of Budgets and Financial Management (DBFM) and the Division of Learning Services (DLS) program staff. DBFM and DLS have appropriate measures in place to ensure 21st CCLC programs adhere to the Funding Matrix. However, the two divisions will become consistent in the manner in which they review the requests. Upon review of the “Likely Questioned Costs”, the expenditures were allowable expenditures; however, they were either approved conditionally based on the local project’s specific activity or miscoded. To rectify this matter, the 21st CCLC Funding Matrix is currently being updated to be consistent with the review process. If a report has an incorrect code, the local 21st CCLC project director and finance officer are notified of the error and asked to submit a revised report. Reimbursement is pending until the revised report is received.	N	N	OAS

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 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 in process and scheduled to be completed in late November.

FY12 A-133 School District Reviews

Desk reviews are designed to assist KDE in ensuring that audit reports of school districts and other entities meet applicable reporting standards and the Office of Management and Budget (OMB) Circular A-133 reporting requirement. The State Auditor's office reviewed the CPA audit reports for 186 school districts, other subrecipients and universities for fiscal year ending June 30, 2012. Based on the results of their review, they noted 75 reports that were categorized as "Acceptable" and had no deficiencies; 109 were "Acceptable with Deficiencies" and contained only minor deficiencies; two were "Technically Deficient"; and no reports were rated as "Unacceptable." The report is posted on the website at www.auditor.ky.gov.

FY13 Ed Jobs Monitoring

KDE contracted with the APA to conduct the Agreed Upon Procedures for the FY13 Education Jobs Funds for school districts. Communication is being sent to districts which were technically deficient and significantly non-compliant for them to submit corrective action plans.

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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