

## **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 audits have been completed or are currently in process. 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 questions at the October meeting.

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

*Updates on audits since April 2014 are as follows:*

#### **State Audits:**

#### **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 is complete and can be viewed at [www.auditor.ky.gov](http://www.auditor.ky.gov).

KDE has three 2013 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>KDE Office</b>
13-KDE-71	KDE failed to obtain the required federal cash request statement of assurances from some school districts.	In the last year, KDE has made improvements to the federal cash process including stricter controls and checkpoints to ensure that districts are not paid without proper authorization. New staff has been involved in developing the additional control procedures with management and understand the importance of having the statement of assurance on file to prevent this occurrence beyond FY13.	N	N	OAS
13-KDE-72	KDE failed to correct a federal cash drawdown error.	KDE has the necessary controls in place to prevent this error in the future. This error was corrected in December 2013 before the close of the program in federal fiscal year 2012. The circumstances surrounding this issue were discussed with the APA who responded that they feel confident KDE's internal controls over cash management were effective through the remainder of FY13.	\$6,777	N	OAS
13-KDE-73	KDE failed to verify the reporting of expenditures on a Federal Cash Request Form by one school district or obtain proper justification prior to KDE's reimbursement to the district.	Division of Budget and Financial Management staff review MUNIS quarterly reports to ensure the budgeted amount is correct and funds are spent in allowable codes. The federal cash process was amended in spring 2012 to request a justification for excess cash on hand and was in effect during fiscal year 2013. Management has implemented the necessary tools and guidelines to prevent similar issues in the future.	N	N	OAS

## **FY 2014 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 NHS. Volume I fieldwork is in process and scheduled to be complete in December.

### **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	3

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

Desk reviews 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 FY13 Desk Review results reflected an increase in the number of audit reports classified as Technically Deficient (from 2 to 29) and Unacceptable (from 0 to 6) due to technical changes in auditing standards. The report was posted August 11, 2014, and can be viewed at [www.auditor.ky.gov](http://www.auditor.ky.gov).

### **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:**

October 2014