

Introduction

The Kentucky Department of Education (KDE) is sending the enclosed audit contract and supporting documents to school districts on behalf of the State Committee for School District Audits (SCSDA). The purpose of the supporting documents is to provide information and tools to the local school districts and the independent auditors to assist in the completion of the fiscal year 2015 audits.

The following changes in auditing standards will impact the 2015 school district audits:

- GASB 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27
- GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68

Auditor Alert

This section includes, but is not limited to the following high risk areas that auditors should consider when conducting a school district's annual financial audit.

- Auditors are strongly encouraged to review the Auditor of Public Accounts' webpage located at <http://auditor.ky.gov/Pages/default.aspx> to determine if any reports have been issued for a school district and to identify potential high risk areas that may need to be examined during any school district audit.
- Auditors should review credit card payments to ensure that sufficient documentation is provided for charges. All charges should include a purchase order, itemized receipts or invoices, and a shipping receipt if applicable. If the credit card was used to purchase hotel rooms and/or meals for more than one employee, the purchase order should include proper documentation on the related business function and employee names in attendance of the benefit.
- Auditors should review payroll records to ensure that the salary or compensation increase of not less than one percent for fiscal year 2014-2015 was provided to all certified and classified staff as designated in HB 235 of the 2014 Regular Session. The salary increase for certified staff shall be in addition to the normal rank and step increase attained by certified personnel employed by local school districts. Classified staff employed by a local board of education that work less than full-time shall receive a pro rata share of the salary increase based on terms of their employment.
- Auditors should refer to the new requirement from the Federal Audit Clearinghouse: fiscal year 2014-2015 audits (and later) and Form SF-SAC must include a standard audit finding reference number format (2015-001 through 2015-999).

Independent Auditor's Contract

To provide for a school district audit in compliance with KRS 156.255, 156.265, 156.275, 156.285, 156.295, and 156.480, this agreement entered into for audit period ending June 30, 2015, between the Henderson County Board of Education ("BOARD"), and Myriad CPA Group, ("ACCOUNTANT"), who is a Certified Public Accountant or a Public Accountant registered with the **Kentucky** State Board of Accountancy.

I. DUTIES OF ACCOUNTANT

- A. ACCOUNTANT shall render an opinion on the financial statements of BOARD for fiscal year 2014-2015. The scope and nature of the audit shall be in accordance with the Auditor Responsibilities and State Compliance Requirements. These requirements are incorporated as a part of this agreement.
- B. ACCOUNTANT shall address the audit report and written comments to BOARD and to the State Committee for School District Audits (COMMITTEE).
- C. ACCOUNTANT shall deliver the audit report in accordance with Section VII.A. DELIVERY OF AUDIT REPORT. If the audit report cannot be timely submitted, the ACCOUNTANT shall submit an Audit Extension Request in accordance with Section VI.A. AUDIT EXTENSION REQUEST.

II. DUTIES OF BOARD

- A. BOARD shall make available to ACCOUNTANT no later than August 2, 2015 all books, accounts, reports, vouchers, correspondence files, records, money, and property under its control which may be requested by ACCOUNTANT in the course of performance of the audit.

III. AUTHORITY OF COMMITTEE

- A. COMMITTEE and the Kentucky Department of Education (KDE) may examine work papers of ACCOUNTANT and may perform quality control reviews of the audit procedures utilized during the course of the audit;
- B. COMMITTEE and BOARD may prohibit the use of any subcontractor by ACCOUNTANT. During the term of the contract, no subcontractor shall be used without the prior written approval of COMMITTEE and BOARD; and
- C. COMMITTEE will consider Audit Extension Requests submitted by ACCOUNTANT prior to October 1, 2015. Provided the COMMITTEE determines the delay is unavoidable, and due to factors beyond the ACCOUNTANT'S control, the COMMITTEE may allow for the audit to be submitted without penalty to KDE after November 15, 2015.

IV. COMPENSATION

- A. ACCOUNTANT shall be paid an amount agreed upon between the ACCOUNTANT and BOARD which is incorporated herein for the successful completion of the work defined by this agreement.
- B. Final payment is predicated upon completion of the work as described in Section I. DUTIES OF ACCOUNTANT and delivery of documentation as described in Section VII. DELIVERY OF AUDIT REPORT.
- C. Compensation to ACCOUNTANT in excess of the amount stated on the AUDIT ACCEPTANCE STATEMENT **must be approved by COMMITTEE if said increase exceeds \$1,000 or 10% of the audit fee, whichever is less. ACCOUNTANT must submit a written explanation to COMMITTEE for the requested increase in compensation before COMMITTEE will consider any increase.**
- D. ACCOUNTANT shall submit to BOARD an invoice for payment which shall be signed by ACCOUNTANT and contain adequate supporting documentation such as: **detail of hours worked by**

each auditor classification (e.g., partner, manager, supervisor, senior, staff, etc.) in major audit areas or supervisory/administrative functions.

V. SUPPLEMENTAL AGREEMENTS

- A. The scope of the audit may be increased or decreased by written supplemental agreement of BOARD and ACCOUNTANT if the reasons for the increase or decrease have first been reported in writing by ACCOUNTANT to COMMITTEE. The audit fee may be adjusted for the increase or decrease in the scope of the audit in accordance with Section IV.C. COMPENSATION.

VI. AUDIT EXTENSION REQUEST

- A. If the audit cannot be completed on or before November 15, 2015, due to factors beyond the control of ACCOUNTANT, ACCOUNTANT shall electronically submit an Audit Extension Request form, fully completed by both ACCOUNTANT and the district, to KDE on or before October 1, 2015. The form is provided in **Appendix I** - Audit Extension Request.

VII. DELIVERY OF AUDIT REPORT

- A. ACCOUNTANT agrees to begin the audit of accounts of BOARD on or about August 2, 2015 or 15 days from execution date of this contract, whichever is later, and further agrees to complete and deliver a signed paper copy of the audit report to BOARD, two signed paper copies to COMMITTEE in care of KDE, and an electronic copy to KDE in accordance with **Appendix II** - Instructions for Submission of the Audit Report on or before November 15, 2015, or at a later date approved by the COMMITTEE. All electronic and paper copies of the audit report must be at KDE on or before November 15, 2015 for it to be considered filed timely. If the audit report has not been received by KDE on or before November 15, 2015 or by the later date approved by the COMMITTEE, the audit will be considered late and penalties as outlined in Section VIII. PENALTIES shall be imposed at the discretion of COMMITTEE.

VIII. PENALTIES

- A. There shall be a 10% reduction of the audit fee if one or more of the following occur: (1) the audit report is not submitted in accordance with VII.A. DELIVERY OF AUDIT REPORT; or (2) the audit report does not contain the information shown under Audit Report Requirements.
- B. ACCOUNTANT may be ineligible to conduct a school district audit for the upcoming fiscal year if one or more of the stipulations in section A occur.
- C. COMMITTEE may waive penalties for delays caused by circumstances beyond the control of ACCOUNTANT.

IX. EFFECTIVE DATE

- A. This agreement, between the ACCOUNTANT and the BOARD, shall not become effective until the contract has been approved by the COMMITTEE and signed by the COMMITTEE Chair. This agreement is effective for the 2014-2015 fiscal year.

X. TERMINATION

- A. The BOARD shall have the right to terminate and cancel this contract at any time without cause upon 30 days written notice served on the ACCOUNTANT by registered or certified mail. The BOARD shall have the right to terminate and cancel this contract for cause upon 5 days written notice served on the ACCOUNTANT by registered or certified mail.

- B. If cause exists to terminate and the BOARD does not terminate, the COMMITTEE may terminate and cancel this contract for cause upon 5 days written notice served on the ACCOUNTANT by registered or certified mail.
- C. "Cause" includes, but is not limited to:
1. Failure to commence work within 15 days of execution of the contract or August 2, 2015, whichever is later;
 2. Previous history of extension requests by the same ACCOUNTANT for the same district;
 3. Failure to submit the audit on or before November 15, 2015;
 4. Failure to communicate to KDE in a timely manner problems encountered in conducting the audit.

Cause shall not include any factor wholly the fault of the BOARD.

XI. CONFLICTS OF INTEREST

- A. ACCOUNTANT represents and warrants that (a) ACCOUNTANT is legally able to enter into contracts with BOARD, (b) the performance of this agreement would not violate any conflict of interest statutes, and (c) that ACCOUNTANT has no personal interest in the financial affairs of BOARD or any of its officers or employees.

THIS AGREEMENT ENTERED INTO AS DATED BELOW:

AGREED TO BY:

<u>BOARD OF EDUCATION</u>		<u>ACCOUNTANT/FIRM</u>	
BY: <u>SCHOOL BOARD CHAIR</u>	<u>DATE</u>	BY: <u>PARTNER</u>	<u>DATE</u>
<u>SECRETARY</u>	<u>DATE</u>		

ACCEPTED BY:

STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

BY: STATE COMMITTEE CHAIR DATE

One (1) original audit contract signed in blue ink is due to KDE by close of business on May 28, 2015. Please send to:

**Division of District Support
Kentucky Department of Education
500 Mero Street, CPT 15th Floor
Frankfort, KY 40601**