

KENTUCKY DEPARTMENT OF EDUCATION

STAFF NOTE

Review Item:

April 2017 Audit Update and Expense Reports for the Kentucky Board of Education and the Commissioner of Education

Rationale:

To brief the Kentucky Board of Education (KBE) on the status of the most recent audit activities in the Kentucky Department of Education (KDE) and local school districts and provide expense reports for the Commissioner and the KBE.

Applicable Statute or Regulation:

KRS 156.010

History/Background:

Existing Policy: KDE has many routine audit processes that are implemented throughout the year. Some of the audits are conducted by the Office of the Auditor of Public Accounts (APA) as part of their normal statutory functions. Other audits are conducted by federal program auditors reviewing federal grants.

The expense reports for the KBE and the Commissioner's Office are reviewed at the April and October meetings. The reports are included in the board's online materials.

Summary:

FY 2016 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 examines internal control over financial reporting, compliance and other matters based on a review of financial statements performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Specifically for KDE, this volume covers financial reporting and IT security governing the controls of Municipal Information System (MUNIS), Support Education Excellence in Kentucky (SEEK), and Nutrition and Health Services (NHS). Volume I fieldwork is complete with three findings.

Historical Summary of the Number of Annual Published SSWAK Findings

Audit Year	2009	2010	2011	2012	2013	2014	2015	2016
SSWAK Vol. I	13	9	8	4	2	2	4	3
SSWAK Vol. II	1	0	4	4	3	0	0	

FY 2016 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, internal control over compliance and the schedule of findings and questioned costs. Fieldwork for Volume II is complete and we are awaiting notification of any findings.

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FY15 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-133/2 CFR Part 200 reporting requirements. The APA reviewed the CPA audit reports for 173 school districts and 12 other subrecipients and universities for fiscal year ending June 30, 2015 (FY 15). The FY15 Desk Review results reflect an increase in the number of audit reports classified as Technically Deficient (from 12 to 70), largely due to the implementation of GASB Statement No. 68 regarding pension reporting by state and local governments. The APA's report was posted August 17, 2016, and can be viewed at: http://apps.auditor.ky.gov/Public/Audit_Reports/Archive/2015kde-a133deskreviewsaup.pdf.

Sixty-nine (69) Technically Deficient audits were corrected and submitted to KDE.

After conferring with the State Committee for School District Audits (SCSDA), seven (7) Technically Deficient audits (FY2015 A-133 desk reviews performed by Ross and Company)

were not required to be corrected. Ross and Company was acquired by RFH, PLLC, and could not issue revised audit reports for the deficient FY2015 audits.

One (1) Technically Deficient audit was later determined by the APA not to be Technically Deficient; therefore, a corrected audit was not required.

Budget Impact: No known impact exists.

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Commissioner of Education

Date:

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