

# **KENTUCKY DEPARTMENT OF EDUCATION**

## **STAFF NOTE**

### **Review Item:**

October 2017 Audit Update and Expense Reports for the Kentucky Board of Education (KBE) and the Commissioner of Education

### **Rationale:**

To brief the 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. These reports are included in the board meeting materials and will be reviewed at the meeting.

### **Summary:**

### **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 there were no findings.

### **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>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>SSWAK Vol. I</b>	13	9	8	4	2	2	4	3
<b>SSWAK Vol. II</b>	1	0	4	4	3	0	0	0

## **FY 2017 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 in process.

### **FY16 A-133 School District Reviews**

#### **FY 2016 Uniform Guidance School District Desk Reviews**

Desk reviews are designed to assist KDE in ensuring that audit reports of school districts and other entities meet applicable reporting standards and OMB Circular A-133, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards reporting requirements. The APA reviewed the CPA audit reports for 173 school districts and 7 other sub-recipients and universities for fiscal year ending June 30, 2016. The FY 2016 Desk Review results reflect a decrease in the number of audit reports classified as Technically Deficient (from 70 to 30). The Technically Deficient audit reports were mainly due to the implementation of investment note disclosures required by GASB 72 Fair Value Measurement and Application. The State Auditor's report was posted mid-July 2017, and can be viewed at [http://apps.auditor.ky.gov/Public/Audit\\_Reports/Archive/2016kdedeskreviewsaup.pdf](http://apps.auditor.ky.gov/Public/Audit_Reports/Archive/2016kdedeskreviewsaup.pdf).

**17** – Technically Deficient audit reports have been corrected and resubmitted to KDE.

**13** – Reports initially determined to be Technically Deficient were later deemed acceptable after consultation with the APA. KDE obtained clarification from the APA relating to the districts' types of investments, and as a result, determined the Technically Deficient findings were invalid because the districts' investments did not require disclosure under the Government Accounting Standards Board Statement No. 72 (GASB 72) Fair Value Measurement and Application. Therefore, revised audit reports were not required.

***Budget Impact:*** No known impact exists.

**Contact Person:**

Robin Kinney, Associate Commissioner  
Office of Finance and Operations  
(502) 564-1976  
[robin.kinney@education.ky.gov](mailto:robin.kinney@education.ky.gov)

A handwritten signature in blue ink that reads "Stephen L. Pruitt". The signature is written in a cursive style with a large, stylized "P".

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**Commissioner of Education**

**Date:**

October 2017

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