

## KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

**Topic:** Audit Update and Kentucky Board of Education and Commissioner of Education  
Expense Reports

**Date:** December 5, 2018

**Action Requested:** ☒ Review ☐ Action/Consent ☐ Action/Discussion

### SUMMARY OF ISSUE BEFORE THE BOARD:

To update 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

### BACKGROUND:

*Existing Policy:* KDE routinely has multiple audit processes 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 Kentucky Board of Education and the Commissioner's Office are reviewed semi-annually by the KBE. These reports are included in the board packets for review and discussion at the meeting.

*Summary:*

### **FY 2017 Statewide Single Audit of Kentucky (SSWAK) – Volume II**

This Volume reviews elements required under Office of Management and Budget (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. Fieldwork for Volume II is complete.

There were four findings for KDE:

- **KDE 2017-043** – Expenditures were transferred to a federal program subsequent to the end of the close of the grant.
- **KDE 2017-044** – Inaccurate calculation of the required state match of state level administrative expenditures for the Career and Technical Education federal grant.

- **KDE 2017-045** – The maintenance of effort calculation for the Career and Technical Education grant was not adequately documented.
- **KDE 2017-046** – The non-traditional earmarking requirement for the Career and Technical Education federal grant was not met.

### **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>2017</b>
SSWAK Vol. I	13	9	8	4	2	2	4	3	2
SSWAK Vol. II	1	0	4	4	3	0	0	0	4

### **FY 2018 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 Generally Accepted Government Auditing Standards (GAGAS), 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.

### **FY17 A-133 School District Reviews**

Desk reviews occur to assist KDE in ensuring that audit reports of school districts and other entities meet applicable reporting standards and Office of Management and Budget (OMB) Circular A-133 reporting requirement. The results from the review, Independent Accountant’s Report on Applying Agreed-Upon Procedures to the Kentucky Department of Education, “Uniform Guidance Desk Reviews for the Fiscal Year Ending June 30, 2017,” can be seen below. We are happy to report that the FY 2017 technically deficient reports decreased dramatically from the previous years, FY 2016 and FY 2015.

The Auditor of Public Accounts reviewed the audit reports for 173 school districts and 11 sub-recipients and universities.

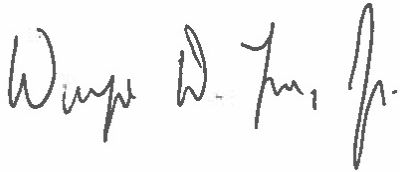
- 75 reports categorized as “Acceptable”, 105 “Acceptable with Deficiencies”, and four “Technically Deficient”. This consisted of 173 school districts, five non-profits, and six universities.
- The four districts who were classified as Technically Deficient, submitted their revised reports to the District Financial Management Branch in accordance with Kentucky Department of Education expectations.

- The increase in Technically Deficient Audits can be observed anytime a new Statement of Governmental Accounting Standards is put in place. In FY 2015, Governmental Accounting Standards Board Statement numbers 67 and 68 took effect, requiring auditors to measure and report pension liabilities for districts. During the audit report collection period, the District Financial Management Branch assists the districts and auditors to ensure that findings are not repeated, thus decreasing the chances of a repeated the Technically Deficient rating.

*Budget Impact:* No known impact exists.

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**Commissioner of Education**

<b>Category:</b> <input type="checkbox"/> District Innovation <input type="checkbox"/> Strengthening Educators <input type="checkbox"/> Family/Community Involvement <input type="checkbox"/> Student/Family Supports <input type="checkbox"/> Student Interventions <input type="checkbox"/> Coursework Completion <input checked="" type="checkbox"/> Accountability Reporting
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