

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

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

Date: April 10, 2019

Action Requested: Review Action/Consent Action/Discussion

Assigned To: Full Board Curriculum, Instruction and Assessment
 Finance Operations Management

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 an opportunity to review expense reports for the Commissioner and the KBE.

APPLICABLE STATUTE OR REGULATION:

KRS 156.010

BACKGROUND:

Existing Policy: The KDE performs routine audits over the course of each fiscal 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 semi-annually by the KBE. These reports are included in the board packets for review and discussion at the April and October KBE meetings (see attachments).

Summary:

Fiscal Year 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 the KDE, this volume covers financial reporting and Information Technology (IT) security governing the controls of MUNIS ((a financial software package used by all 173 school districts that allows for consistent reporting of school district financial information), Support Education Excellence in Kentucky (SEEK is a formula driven education funding program) and Nutrition and Health Services (NHS). Volume I fieldwork is complete.

There was one finding for the KDE:

- The KDE did not properly segregate duties over the Child Nutrition Information and Payment System and the Enhanced Management Administrative and Reporting System.

FY18 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 and on internal control over compliance in accordance with OMB Circular A-133, and the schedule of findings and questioned costs. Volume II fieldwork is complete.

There were three findings for the KDE:

- During fiscal year 2018, the KDE charged \$110,538 in expenses to Special Education Cluster grant awards after the allowable period of performance.
- The KDE failed to comply with Federal Cash Management requirements over the 21st Century Federal Grant Program in order to minimize the time between the drawdown and subsequent disbursement of funds for Federal program purposes.
- The KDE failed to properly implement adequate internal controls in administering the 21st Century Federal Grant Program.

Historical Summary of the Number of Annual Published SSWAK Findings

Audit Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SSWAK Vol. I	13	9	8	4	2	2	4	3	2	1
SSWAK Vol. II	1	0	4	4	3	0	0	0	4	3

FY18 A-133 School District Reviews

Desk reviews occur to assist the KDE in ensuring that audit reports of school districts and other entities meet applicable reporting standards and the OMB Circular A-133 reporting requirement. All district audits are at APA for review at this time.

Budget Impact: No known impact exists.

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Commissioner of Education

Category: District Innovation Strengthening Educators Family/Community Involvement
 Student/Family Supports Student Interventions Coursework Completion Accountability Reporting