

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

Topic: Amendment to 702 KAR 3:130, Internal Accounting (Second Reading)

Date: June 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 take action on the proposed amendment to 702 KAR 3:130 in order to update procedures and include necessary revisions as identified by staff, district finance officers, and local district auditors.

COMMISSIONER'S RECOMMENDATION:

The Commissioner recommends the adoption of the amendments to 702 KAR 3:130 to update the *Accounting Procedures for Kentucky School Activity Funds* (aka "Redbook").

APPLICABLE STATUTE OR REGULATION:

KRS 156.070, KRS 156.160 and KRS 156.200

BACKGROUND:

Existing Policy: KRS 156.070(1) gives the Kentucky Board of Education (KBE) the management and control of the common schools. KRS 156.200 requires the KBE to regulate accounting procedures and reports of local school districts. 702 KAR 3:130 establishes and incorporates by reference the *Accounting Procedures for Kentucky School Activity Funds* commonly known as "Redbook".

Summary of Issue: The Redbook contains the uniform accounting procedures used by all 173 school districts for the reporting of the receipt and expenditure of school activity funds. "Activity funds" means all school funds derived from fundraising activities sponsored under the auspices of the school and does not include funds raised or received by organizations which do not come under the direct supervision of school authorities.

The current version of the Redbook was adopted in 2013. Over time, Kentucky Department of Education (KDE) staff, district finance officers, and local district auditors identified issues with the current edition. As a result, the KDE Office of Finance and Operations, Division of District Support Services, convened a working group of district finance officers representing differing sized districts, two auditors, an independent Redbook trainer, and KDE staff to review and revise the Redbook. This effort produced the document incorporated by reference into the proposed regulation amendment. The most noticeable Redbook changes are the incorporation of Frequently Asked Questions (FAQ) throughout the document and updates to the forms to better address district needs and provide improved internal controls. Amendments also include good

practices already implemented by some districts and other auditor recommended additional internal controls.

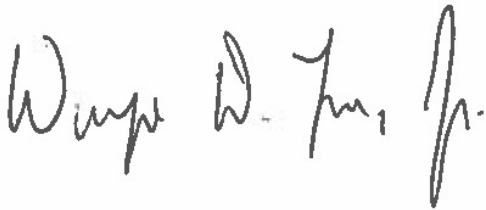
Budget Impact: Approval of the regulation amendment has no budget impact on state funds.

GROUPS CONSULTED AND BRIEF SUMMARY OF RESPONSES:

The Local Superintendents Advisory Council (LSAC) reviewed and approved the regulation at its March 28, 2019 meeting. Additionally, the LSAC will review this regulation at its May 28, 2019 meeting. Feedback will be received prior to the June board meeting.

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Commissioner of Education

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