

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

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

Date: December 2019

Action Requested: Review Action/Consent Action/Discussion

Held In: 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 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 meeting (see attachments).

Summary:

FY 2018 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:

Finding 2018-036: The KDE charged expenditures to the special education cluster federal program outside the grant's period of performance. KDE staff worked with the US Department of Education Audit Team to resolve this finding. We received resolution to this finding through a final program determination letter in August 2019.

Finding 2018-037: The KDE failed to ensure payments to sub-recipients of the 21st Century Community Learning Centers federal grant were reviewed and made timely. KDE staff continues to work with United States Department of Education staff to reach final resolution to this finding. We expect final resolution to this finding in the near future.

Finding 2018-038: The KDE did not properly segregate duties over the Child Nutrition Information and Payment System and the Enhanced Management Administrative and Reporting System. This finding was resolved with the hiring of additional staff in the Division of School and Community Nutrition.

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

Fiscal Year (FY) 2019 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 172 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 in process.

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. The APA, under contract with KDE, reviewed the audit reports for technical compliance and adherence to reporting standards and contract requirements. The results from the review, Independent Accountant’s Report on Applying Agreed-Upon Procedures to the KDE, “Uniform Guidance Desk Reviews for the Fiscal Year Ending June 30, 2018,” can be seen below.

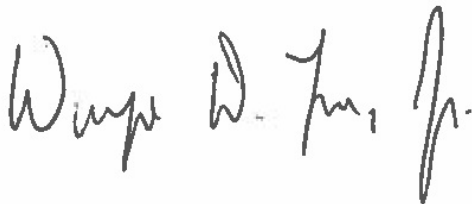
- 91 reports categorized as “Acceptable”, 58 “Acceptable with Deficiencies” and 35 “Technically Deficient”. This consisted of 173 school districts, five non-profits and six universities.
- As of November 1, 2019, all 35 technically deficient audits have been corrected and resubmitted to the District Financial Management Branch in accordance with the KDE expectations.
- The increase in Technically Deficient Audits can be observed anytime a new Statement of Governmental Accounting Standards is implemented. Governmental Accounting Standards Board Statement number 75 became effective for fiscal years beginning after June 15, 2017; therefore, most of the technically deficient matters in FY18 can be attributed to the new standard.

Budget Impact:

There is no budgetary impact to the KDE.

CONTACT PERSON(S):

Robin Fields Kinney, Associate Commissioner
Office of Finance and Operations
Robin.Kinney@education.ky.gov
(502) 564-1976



Commissioner of Education

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