

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

Topic: Audit Update and Kentucky Board of Education and Commissioner of Education Expense Reports
Date: December 2020
Action Requested: Review Action/Consent Action/Discussion
Held In: Full Board Curriculum, Instruction and Assessment Operations

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 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 2019 Statewide Single Audit of Kentucky (SSWAK) – Volume I

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 OBM Circular A-133, and the schedule of findings and questioned costs. Volume II fieldwork is complete and one finding was published.

Finding 2019-010: The KDE overdrew Twenty-First Century Community Learning Centers federal grant funds. This finding relates to the timing of the draw-down of federal funds. Ultimately, all funds were reimbursed to districts appropriately. However, the Schedule of Expenditures of Federal Awards (SEFA) displayed a positive balance in the Twenty-First Century Community Learning Centers (CCLC) federal grant funds, indicating receipts were greater than expenditures. Corrective Action Plan Part 1 required the identification of any

potential refund to the U.S. Department of Education (USED); this action was completed on February 25, 2020. Additionally, a balance of \$22,906 resulted from a refund to a local education agency and was returned to the USED. Corrective Action Part 2 required the correction of the SEFA; Division of Budgets and Financial Management staff will work with the Office of the Controller to reconcile the CCLC program manually in eMARS. The anticipated completion date of this action is April 30, 2021.

Historical Summary of the Number of Annual Published SSWAK Findings

Audit Year	2012	2013	2014	2015	2016	2017	2018	2019
SSWAK Vol. I	4	2	2	4	3	2	1	0
SSWAK Vol. II	4	3	0	0	0	4	3	1

FY19 Uniform Guidance Desk Reviews

Desk reviews occur to assist the KDE in ensuring that audit reports of school districts and other entities meet applicable reporting standards and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* reporting requirements, as applicable. Under contract with the KDE, the APA reviewed the audit reports for technical compliance and adherence to reporting standards with the *Guide for Review of Financial Audit Engagements*, approved by the KDE. 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, 2019,” can be seen below.

- 40 reports categorized as “Acceptable”, 124 “Acceptable with Deficiencies” and 17 “Technically Deficient”. This review consisted of 173 school districts, four non-profits and four universities.
- As of November 1, 2020, 17 technically deficient audits were corrected and resubmitted to the District Financial Management Branch in accordance with KDE expectations.

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

Jason E. Stan

Commissioner of Education

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