

**KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE**

<b>Topic:</b> Audit Update and Kentucky Board of Education and Commissioner of Education Expense Reports
<b>Date:</b> December 2021
<b>Action Requested:</b> <input checked="" type="checkbox"/> Review <input type="checkbox"/> Action/Consent <input type="checkbox"/> Action/Discussion
<b>Held In:</b> <input checked="" type="checkbox"/> Full Board <input type="checkbox"/> Curriculum, Instruction and Assessment <input type="checkbox"/> 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.

**COMMISSIONER’S RECOMMENDATION:**

**APPLICABLE STATUTE OR REGULATION:**

KRS 156.010

**BACKGROUND:**

*Existing Policy:*

The KDE performs routine audits over the course of each fiscal year. The Auditor of Public Accounts (APA) is contracted annually by KDE to perform desk reviews of annual financial audits of local boards of education, as well as KDE sub recipients, and universities. Other audits are conducted by the APA as part of their normal statutory functions. In addition to these, audits are routinely conducted by federal program auditors who are responsible for overseeing 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 of Issue:*

**FY 2020 Statewide Single Audit of Kentucky (SSWAK) – Volume II**

This volume presents 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 had one finding published.

Finding 2020-043: 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. Per

staffing limitations, KDE was not able to process all requests before the end of the closeout period. By completing a manual drawdown, rather than automatic drawdown, KDE was not in accordance with cash management requirements. Additionally, excess receipts were drawn down but not needed to reimburse allowable costs and were paid back to the federal government. Corrective Action Plan: The Accounting and Finance Branch and Federal Budget Branch initiated a weekly review of eMARS and drawdown system balances (January 2021). This reconciliation will ensure proper cash management of federal funds awarded to KDE. Also, KDE will request an earlier date (November 2021) in which districts/vendors/subrecipients to submit required invoices which will assist in providing enough time for both branches to process payments before the 90-day closing (December 2021). In addition, this earlier date will also minimize and/or eliminate the need for a manual draw during federal closeout

**Historical Summary of the Number of Annual Published SSWAK Findings**

<b>Audit Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
SSWAK Vol. I	4	2	2	4	3	2	1	0	1
SSWAK Vol. II	4	3	0	0	0	4	3	1	1

**FY20 Uniform Guidance Desk Reviews**

Desk reviews are designed 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, 2020,” can be seen below.

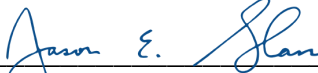
- For our 171 school districts; 36 reports were categorized as “Acceptable”, 107 were categorized as “Acceptable with Deficiencies” and 28 received a rating of “Technically Deficient”.
- For our 7 sub-recipients; 5 were categorized as “Acceptable”, and 2 were categorized as “Acceptable with Deficiencies”. Of the seven, 4 were non-profits, 1 was a community college and 2 were universities.
- As of October 12, 2021, all 28 “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.

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**Commissioner of Education**

Category:  Educator Workforce Diversity  Portrait of a Graduate Partnerships  Racial Equity Commitment  
 Student-Centered Accountability System  Early Childhood  District Support