

KENTUCKY DEPARTMENT OF EDUCATION STAFF NOTE

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

Date: June 2024

Action Requested: Review Action/Consent Action/Discussion

Held In: Full Board State Schools United We Learn

SUMMARY OF ISSUE BEFORE THE BOARD:

To review 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 Kentucky Board of Education.

APPLICABLE STATUTE OR REGULATION:

KRS 156.010

BACKGROUND:

Existing Policy:

The KDE performs routine audits over each fiscal year. Some 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 routinely reviewed by the KBE. The reports for the calendar year 2023 are included in the board packets for review and discussion at the meeting (see attachments).

Summary:

FY22 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 Auditor of Public Accounts (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, 2022," can be seen below.

- For our 171 school districts; 75 reports were categorized as "Acceptable", 57 were categorized as "Acceptable with Deficiencies" and 39 received a rating of "Technically Deficient".
- For our 15 sub-recipients; 8 were categorized as "Acceptable", 5 were categorized as "Acceptable with Deficiencies" and 2 were categorized as "Technically Deficient". Of the fifteen, 12 were non-profits, 1 was a community college and 2 were universities.

- As of August 29, 2023, all 41 Technically Deficient audits were corrected and resubmitted to the District Financial Management Branch in accordance with KDE expectations.

FY 2023 Statewide Single Audit of Kentucky (SSWAK) – Volume I

SSWAK - Volume I 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 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 171 school districts that allow for consistent reporting of school district financial information), Support Education Excellence in Kentucky (SEEK), a formula-driven education funding program and Nutrition and Health Services (NHS). The SSWAK-Volume I was released on March 14, 2024, and the Kentucky Department of Education had two audit findings.

FINDING 2023-012: Kentucky Department of Education's internal controls did not identify attendance data errors resulting in one school district receiving an overpayment of SEEK Funds.

Management's Response and Planned Corrective Action: The Kentucky Department of Education (KDE) agrees with the auditor's comments. Per Senate Bill 1, Extraordinary Session 2021, AADA data collection was halted, altering the steps to process SEEK funding. The change in process resulted in an error in the AADA used in the calculation causing a 1.74% error in the fiscal year 2022-2023 payment sent to the school district. The payments in the fiscal year 2023-24 are currently being adjusted to recoup the SEEK overpayment. Due to the small dollar amount, all funds will be recouped by the end of fiscal year 2024. The error noted by the auditor was a unique circumstance caused in response to the COVID-19 pandemic. AADA is normalized and pre-pandemic processes and procedures are currently in place. No further corrective actions are warranted.

FINDING 2023-013: The Kentucky Department of Education miscoded SEEK Funds in the state's accounting system.

Management's Response and Planned Corrective Action: Since this type of payment only occurs in June of each fiscal year, the Division of Budget and Financial Management staff, specifically in the Budget Branch and Accounting and Finance Branch, will review and work together to ensure the payment is made correctly.

SSWAK - Volume II presents elements required under the Office of Management and Budget (OMB) Uniform Guidance, 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. The SSWAK-Volume II was released on March 22, 2024, and the Kentucky Department of Education had no audit findings.

Audit Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SSWAK Vol I	2	2	4	3	2	1	0	1	0	0	2
SSWAK Vol II	3	0	0	0	4	3	1	1	1	0	0

Budget Impact:

There is no budgetary impact to the KDE.

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Commissioner of Education

Category: <input type="checkbox"/> Educator Workforce Diversity <input type="checkbox"/> Portrait of a Graduate Partnerships <input type="checkbox"/> Racial Equity Commitment <input type="checkbox"/> Student-Centered Accountability System <input type="checkbox"/> Early Childhood <input checked="" type="checkbox"/> District Support
