

# STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

## MINUTES OF THE March 14, 2024 MEETING

**Members present:** Auditor of Public Accounts Designee, Shawna Crouse; Office of Education Accountability Designee, Sabrina Cummins; Commissioner of Education Designee, Marshall Smith; Office of the Attorney General Designee, Stacy Woodrum

**Also in attendance:** APA Attendees: Daniel McQuerry, Brittany Warford, Alex Evans, Jennifer Salsman; Kentucky Department of Education Attendees: Kim Carter, Kelli Young, Gail Cox, and Jackie Chism

### I. Call to Order:

A quorum being present, Shawna Crouse called the meeting to order at 11:00 am. All applicable KRS Statutes were read aloud, and a roll call was performed, noting the absence of the Office of the Governor Designee, John Hicks.

### II. Approval of Minutes of the October 19, 2023 Meeting:

Marshall Smith made a motion to approve the October 19, 2023 meeting minutes. Shawna Crouse seconded this motion, and it was unanimously approved by the Committee.

### III. Old Business

Nothing to report.

### IV. New Business

KDE, Marshall Smith, brought to order the first two items of business to discuss, the “FY 23 Audit Consideration Report March 14” and “Audit Extension Requests and Audit Fee Justifications”. For context, KDE explained the consideration report as an ongoing report that is updated throughout the fiscal year and incorporates all field work, decision points, and items for discussion. The color scheme for each tab is as follows: Yellow = tabs to be discussed, Blue = no new information, and No Color = items discussed in prior meetings.

- KDE advised the first tab “Summary” outlines the recent updates for FY22 and FY23 audits. KDE stated that there are 27 districts that requested and were approved for extensions on the deadline, including those approved at the October 19<sup>th</sup>, 2023 meeting and that KDE provisionally approved as delegated by the Committee previously. KDE has received all 171 District’s AFR-BS (Balance Sheet) files, 170 of 171 Audit Reports (Fulton County’s is still outstanding from their due date of 2/15/24, but KDE has been advised the report is coming soon) and reviewed 169 of the 171 total Audit Reports.
- KDE continued to the second tab “FY23 Submitted After Nov 15”, which outlines the FY22 Audit Reports submitted after November 15, 2023. Estill County’s school district is listed outstanding due to a technical issue with their AFR-BS electronic submission, which delayed them by one week.
- KDE continued to the third tab “FY23 Audit Extension Requests”, which shows every district that got an extension whether they were approved by the Committee previously or through provisional authority as delegated by the Committee. Each are noted in Column J. KDE highlighted background knowledge of the process of the extensions. All extensions were provided from KDE to the Committee from Marshall Smith to Alex Evans. KDE assured the Committee that all extension requests met KDE’s standards and were approved. The Committee did not discuss any immediate issues.

- KDE continued to the fourth tab “FY23 Actual vs Estimated Justification”, which reflects all of the audits that exceeded \$1,000 or 10% of the estimated cost requiring each district to provide justification. This clause can be found in the FY2023 Audit Contract on pg. 32 under section IV of the Independent Auditor’s Contract. Special attention was directed to Gallatin County, which was not seen on the excel spreadsheet. The actual cost of the audit was not submitted until after this report was given to the Committee for review. The cost of the Gallatin County audit was \$33,000, which was \$3,000 above estimated. The excess cost was due to numerous new staff in their district. Overall, KDE saw no reason to object to all audits that exceeded their estimations. The Committee stood in agreement with KDE’s assessment.

The Committee determined the discussion of the report, audit extension requests and audit fee justifications to be sufficient.

Marshall Smith made a motion for the approval of the FY 2023 Audit Consideration Report. Shawna Crouse seconded this motion, and it was unanimously approved by the Committee.

Moving to the final item of New Business, Shawna Course asked Marshall Smith if the “Audit Contract and Requirements for FY 2024 DRAFT” had any new wording or grammatical issues that needed to be brought to the Committee’s attention.

Marshall proceeded as follows:

- Pg. 2 Auditor Alert Section
  - o The following was added: “Auditors are encouraged to review the district’s Indirect Costs Plan (ICP). A district should not directly charge audit costs to a particular grant or fund if said audit costs are included in the ICP.”
    - Reason: Growing concern Districts are double dipping. Districts may be directly charging audit cost when its also included in the indirect cost. KDE brought up to the Auditor’s attention.
- Pg. 3 Auditor Alert Section
  - o Deleting the section on Desk Reviews
    - Reason: It is a routine process which all firms should be aware of. The Auditor Alert section is desired to be only for new items of concern.
- Pg. 3 “Auditors should be aware of the availability...”
  - o KDE took out the writing on the CARES Act. School Districts should not be utilizing these funds in 2024. Audit guidance was also taken out because this is assumed to be static at this time.
- Pg. 4 – AICPA
  - o Deleting No. 142 and No. No. 148 that were new from last year but leaving No. 143 to No. 148.
- Pg. 4 – Annual Cycle for Local School District Audits
  - o Several corrections were made but special attention was drawn to November 15<sup>th</sup> Due Date section. The subtraction of the third bullet is due to a duplication, which can be found on Pg. 5 under March 31<sup>st</sup>, 2025.
- Pg. 32 – Independent Auditor’s Contracts Section
  - o Section IV Compensation, Section C
    - Highlighted in Red is \$10,000. This is a change from \$1,000 from the FY 2023 contract.
      - Reason: The increase is due to larger districts being constricted by the \$1,000 threshold.

All changes were discussed in an introductory format and will be reviewed for approval/denial at the March 21<sup>st</sup>, 2024 meeting.

**V. Miscellaneous**

Shawna Crouse proposed SCSDA Meetings transition from Virtual to In-Person and that the Committee properly vote on this matter during the March 21<sup>st</sup>, 2024 meeting.

**VI. Future Meeting Date**

The next SCSDA meeting is scheduled for March 21<sup>st</sup>, 2024 at 11:00 am via Zoom.

**VII. Adjournment**

Marshall Smith made a motion for adjournment. Shawna Crouse seconded the motion. Without objection, the meeting was adjourned.

Respectfully submitted,

Michael Evans