**Finance Newsletter July/August 2023**

**FY2024 Indirect Cost Rates**

The 2023-2024 indirect cost rates for school districts were approved at this month’s Kentucky Board of Education (KBE) meeting. All rates are posted at the bottom of the [Chart of Accounts-Indirect Cost Rates](https://lnks.gd/l/eyJhbGciOiJIUzI1NiJ9.eyJidWxsZXRpbl9saW5rX2lkIjoxMDgsInVyaSI6ImJwMjpjbGljayIsImJ1bGxldGluX2lkIjoiMjAyMTA3MDcuNDI5MDA5MDEiLCJ1cmwiOiJodHRwczovL2VkdWNhdGlvbi5reS5nb3YvZGlzdHJpY3RzL0ZpblJlcHQvUGFnZXMvRnVuZCUyMEJhbGFuY2VzLCUyMFJldmVudWVzJTIwYW5kJTIwRXhwZW5kaXR1cmVzLCUyMENoYXJ0JTIwb2YlMjBBY2NvdW50cywlMjBJbmRpcmVjdCUyMENvc3QlMjBSYXRlcyUyMGFuZCUyMEtleSUyMEZpbmFuY2lhbCUyMEluZGljYXRvcnMuYXNweCJ9.VyGuXtIm-J7etN27I6H04g3avSJgs512ZPGIsamQEIE/s/947322037/br/108965810552-l)  webpage on the Kentucky Department of Education's website.

[Indirect Costs 2023-2024](https://education.ky.gov/_layouts/download.aspx?SourceUrl=https://education.ky.gov/districts/FinRept/Documents/Indirect%20Costs%202023-2024%20ADA.xlsx)

If you have any questions, please feel free to reach out to [Krystal Smith](file:///C%3A/Users/jchism/AppData/Local/Temp/MicrosoftEdgeDownloads/35b16415-19f5-4cec-856c-e4432152f053/Krystal.Smith%40education.ky.gov) or Karen Conway.

**Procurement Statute Amendments**

In the most recent  legislative session, [HB 522](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapps.legislature.ky.gov%2Frecorddocuments%2Fbill%2F23RS%2Fhb522%2Fbill.pdf&data=05%7C01%7Cmarshall.smith%40education.ky.gov%7C4c392cde8e0147ecd42a08db5d115de7%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638206101401228102%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=zEyE670WKKbuCYlG47B8Ij9rbG76Q1hTfVcKuD3IlHM%3D&reserved=0) was passed.  This bill amends [KRS 45A.385](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapps.legislature.ky.gov%2Flaw%2Fstatutes%2Fstatute.aspx%3Fid%3D48788&data=05%7C01%7Cmarshall.smith%40education.ky.gov%7C4c392cde8e0147ecd42a08db5d115de7%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638206101401228102%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=cd8aAhRBsLiVRjDpLhr0bR%2FmkUUK6nmPukNDM8UdkrI%3D&reserved=0) (model procurement) and [KRS 424.260](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fapps.legislature.ky.gov%2Flaw%2Fstatutes%2Fstatute.aspx%3Fid%3D52934&data=05%7C01%7Cmarshall.smith%40education.ky.gov%7C4c392cde8e0147ecd42a08db5d115de7%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638206101401228102%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=T8PhskPvdNqAudR2dnl1RKu550RVXZLLnvCcvHs5JBw%3D&reserved=0) (bid law).  The amendments raise the previously existing $30,000 thresholds in these statutes to $40,000.  Please note these changes are **not in effect until June 29, 2023,** and work together with your legal counsel and management to incorporate these changes and update your policies and procedures accordingly.

**Superintendent’s Compensation Survey**

The window for the Superintendent’s Compensation Survey opens July 1, 2023, through August 31, 2023. If you have not submitted this information, KDE will not accept your PSD/CSD or salary table in September. All districts are required to submit this on an annual basis. Please reach out to Ann Culbertson at Ann.Culbertson@education.ky.gov or (502) 564-3846 ext. 4438 if you have any questions.

**Transportation Forms Due**

The following transportation forms are due by **July 30, 2023** and should be submitted to the Kentucky Department of Education (KDE) through [SEEK District Data Submission](https://opsupport.education.ky.gov/webforms/). Please refer to [Transportation SEEK Submission Forms](https://education.ky.gov/districts/SEEK/Pages/SEEK-Submittal.aspx) for helpful advice.

1. Certification of Transportation Mileage
2. Transportation Adjustment End of Year form
3. Vocational Transportation (VT-2 form)

Report problems accessing the web-based forms to your district technology staff to ensure permissions are set up correctly.

If you have any questions, please reach out to Ann Culbertson at (502) 564-3846 ext. 4438, or email Ann.Culbertson@education.ky.gov.

**FY 2023 Financial Audit Contract Information**

On June 15, 2023, the State Committee for School District Audits (SCSDA) approved the FY 2022-2023 audit contracts. If you would like a copy of your district’s signed contract, please contact a representative of the DFMB, and one will be made available to you.

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| **DUE DATE** | **RESPONSIBLE PARTY** | **REQUIRED INFORMATION** |
| July 25 | District | Unaudited Annual Financial Report (AFR) and Balance Sheet (electronic reports) to KDE |
| October 1  | Auditor | Audit Extension Request to KDE  |
| November 15 | Auditor | Audit Reports:* One signed paper copy to school district
* One electronic copy to KDE
* One electronic copy to Single Audit Clearinghouse
 |
| November 15 | District | Audited AFR and Balance Sheet, which includes the Statement of Certification verification section, (electronic reports through the SEEK program) to KDE. FY 2021-2022 Audit Findings and Management Letter Comments Spreadsheet, if applicable. |

For more information, please contact Kim Carter via email at [Kim Carter](file:///C%3A/Users/cbuell/AppData/Local/Microsoft/Windows/Temporary%20Internet%20Files/Content.Outlook/4R9UKDTJ/kimberly.carter%40education.ky.gov)
(502) 564-3846 x4440 or Kelli Young via email at Kelli Young (502) 564-3846 x4417.

**Documentation Required for Audit Costs Exceeding Estimates**

The audit contract and requirements for FY2022-2023, requires the submission of documentation to both the local board of education and SCSDA by the accountant (auditor) if the actual audit costs exceed the estimated cost, by the lesser of $1,000 or 10% as submitted on the *Audit Acceptance Statement.* As required, this written explanation must be submitted no later than the accountant’s invoice for payment and forwarded to KDE’s finance.reports@education.ky.gov mailbox.

### Statutory Authority of the State Committee for School District Audits and Meeting Dates

[KRS 156.265](https://lnks.gd/l/eyJhbGciOiJIUzI1NiJ9.eyJidWxsZXRpbl9saW5rX2lkIjoxMTEsInVyaSI6ImJwMjpjbGljayIsImJ1bGxldGluX2lkIjoiMjAyMTA3MDcuNDI5MDA5MDEiLCJ1cmwiOiJodHRwczovL2FwcHMubGVnaXNsYXR1cmUua3kuZ292L2xhdy9zdGF0dXRlcy9zdGF0dXRlLmFzcHg_aWQ9MzE1OSJ9.JKz2whbojwuQ1wyc96ch3PMZx3q0b0f7cHoQsEQOKpk/s/947322037/br/108965810552-l)  authorizes the State Committee for School District Audits (SCSDA) to conduct audits of the financial records of local boards of education.

The audits shall be performed by a certified public accountant (CPA), approved by the SCSDA, and conducted according to current auditing standards. Increases or decreases in the scope of the audit are addressed in the Supplemental Agreements section of the audit contract.

The SCSDA requires all local school boards to have an annual audit of the fiscal records and accounts under the board's control. The SCSDA shall notify the local board of education of approval or disapproval of the executed contract in accordance with the timeframe set forth in the “Annual Cycle for Local School District Audits.”

Please refer to the FY2023 Audit Contract located at [Audit Contract Information](https://lnks.gd/l/eyJhbGciOiJIUzI1NiJ9.eyJidWxsZXRpbl9saW5rX2lkIjoxMTIsInVyaSI6ImJwMjpjbGljayIsImJ1bGxldGluX2lkIjoiMjAyMTA3MDcuNDI5MDA5MDEiLCJ1cmwiOiJodHRwOi8vZWR1Y2F0aW9uLmt5Lmdvdi9kaXN0cmljdHMvRmluUmVwdC9QYWdlcy9EaXN0cmljdC1GaW5hbmNpYWwtQXVkaXQtQ29udHJhY3RzLmFzcHgifQ.jqu2uqtiouXLq6zvtpxOEblGFs7-a0Yja5_-MSaUPH8/s/947322037/br/108965810552-l) and the Kentucky Revised Statues and Kentucky Administrative Regulations referenced within the contract to learn more about the SCSDA’s authority and role.

The SCSDA’s fiscal year 2023-2024 meeting dates are:  September 14, 2023, October 19, 2023, March 14, 2024, March 21, 2024, and June 13, 2024, at 11:00 a.m. at the Auditor of Public Accounts (APA), located at 209 St. Clair Street, Frankfort, KY 40601.

For more information, contact Kim Carter at (502) 564-3846, ext. 4440, or email Kim Carter; Marshall Smith at (502) 564-3846, ext. 4463, or email Marshall Smith; Kelli Young at (502) 564-3846, ext. 4417, or email Kelli Young.

**Unaudited AFR and Balance Sheet Submission Changes for 2023**

The Unaudited AFR Submission Guide 2023 (Error/Note/Pending Guide) for 2023 updated on the web, has been posted to the following page:

[Enterprise ERP (MUNIS) Support and Guides - Kentucky Department of Education](https://education.ky.gov/districts/Pages/MUNIS-Guides.aspx?View=General%20Ledger%20Year%20End&Title=Table%20Viewer%20Webpart)

The guidance is the same as last year as we have not made any language changes but have made a change to the submission process for number 28 where we are checking the totals for the on-behalf technology payments to the districts due to an object code being added for GASB 96. Districts are welcome to continue reporting using the old method as described below and continue to use object 0533.

Revised Check for On Behalf Technology:

Some districts may choose to enter expenditures for software licenses ERP for Munis and McAfee for the new object code that was recently added for 0653 “Software Technology Related.”

The submission will look for function 2585 with object code 0533 on-line network with project 16MX, and function 2585 with object code 0653 with project 16MX. The two will be added together and compared to what has been reported as the total for technology related payments to the districts.

All notes for unaudited and the pending for the audited, will remain with the same wording as used in prior submissions.

Questions and concerns regarding the unaudited AFR or Audited AFR and balance sheet submission process, can be directed to: Ann Culbertson at (502) 564-3846, ext. 4438 or email Anne Culbertson; Karen Conway at (502) 564-3846, ext. 4435 or email Karen Conway.

**On-Behalf Payments**

The following is a snapshot of important information located on the Kentucky Department of Education (KDE) [On Behalf Payments](http://education.ky.gov/districts/FinRept/Pages/On-Behalf-Payments-Information.aspx) webpage:

* The ***On Behalf Payments Summary Report*** is provided as a courtesy to the districts. The report is a listing of the districts’ combined on-behalf payments paid by the Kentucky Department of Education (KDE), Teachers’ Retirement System (TRS), and School Facilities Construction Commission (SFCC). The report contains payroll related on-behalf payment totals for health benefits, federal reimbursement, TRS, technology, debt service, and Kentucky Inter-local School Transportation Association (KISTA). The report will be posted to the website by mid-July and will be updated as information becomes available.
* The ***On Behalf Payment Instructions*** provides directives for properly recording the payroll related health benefits, federal reimbursement, TRS, technology, debt service, and KISTA energy savings capital leases, on behalf payments in MUNIS.
* The **Health Benefits** **on Behalf Payments –** these totals are derived from the Health Benefits bill that is provided by the Kentucky Personnel Cabinet, Department of Employee Insurance. These totals are posted quarterly.
* The **Federal Reimbursement of Health Benefits** **on Behalf Payments** **–** these totals are derived from the NIC Payment Engine which is now a wholly owned subsidiary of Tyler Technologies. These totals are posted quarterly. **NOTE**: The 4th quarter totals will be posted by mid-July.
* The **Debt Service on Behalf Payments –** consists of the debt service payments paid by the SFCC. These totals are posted annually.
* The **KISTA Energy Savings Capital Leases on Behalf Payments** **–** consists of the KISTA energy savings capital leases payments paid SFCC. These totals are posted annually. **NOTE:** There are no payments to report.
* The **Teachers’ Retirement System on Behalf Payments** **–** these totals are derived from the "Schedule of Employer Allocations" in the "GASB 68 Auditor's Report as of June 30, 20\*\* (Schedule A)" and the "GASB 75 Auditor's Report as of June 30, 20\*\* (Appendix A)" as found on the [Teachers' Retirement System Kentucky](https://trs.ky.gov/administration/financial-reports-information/)website. **NOTE:** The Fiscal Year for these reports follow the Fiscal Year of the financial audits.
* The **Technology on Behalf Payments** **–** these totals are provided by Office of Knowledge, Information & Data Services (KIDS) that consists of the Kentucky Educational Network (KEN) Services, AT&T Firewall Services, MUNIS Financial Management and McAfee Virus Protection software and services payments paid KDE on behalf of local school districts. These payments are posted quarterly. **NOTE**: The 4th quarter totals are expected to be posted by mid-July.

Please forward questions about individual category on-behalf payment spreadsheets, to the contact for that category located on the On-Behalf Payments webpage.

Please forward questions regarding the On Behalf Payment webpage, to Gail Cox at (502) 564-3846, ext. 4462, or email Gail Cox.

**Criminal Indictment- Misuse of Public Monies**

The Arizona Auditor General, recently issued a report detailing an act of fraud at the Hyder Elementary School District. The report details how an “office specialist” at the school exploited a lack of segregation of duties to embezzle $7,417. The office specialist was responsible for school level checking accounts. The duties regarding these accounts included recording/making deposits, collecting supporting documentation for expenditures, preparing/signing checks and reconciling the account to school records. A business manager was supposed to review the reconciliations; however, did not do so. Additionally, there was a second authorized check signer, who failed reviewing supporting documentation when signing checks. Internal controls existed but failed. The report and actions of the office specialist, led to an indictment on six (6) felony counts related to theft, misuse of public monies, fraudulent schemes, and forgery. You can read more about this case on the [Arizona Auditor General’s](https://www.azauditor.gov/sites/default/files/23-401_Report.pdf) webpage.

The report lists nine (9) recommendations to consider in eliminating the lapse of internal controls. With districts having multiple schools, often with several bank accounts at each school, KDE felt this was a good reminder of the risks existing at each location. We encourage all districts to not only ensure the existence of appropriate controls but confirm they are enacted.

**Child Nutrition Staffing and Retention**

Hiring and retaining staff can be challenging especially in today’s job market. When hiring food service staff, districts are now competing with local fast-food businesses and retail stores and it’s important to think outside the box when creating a plan for hiring. Districts need to be creative and flexible so the positions available are appealing to those seeking employment. The Division of School and Community Nutrition (DSCN) has several resources available to use when contemplating hiring. Below are a few best practices:

* Salary information- the department provides guidance on classified and certified salary schedules. The [School District Personnel Information](https://education.ky.gov/districts/FinRept/Pages/School%20District%20Personnel%20Information.aspx)  page, is a great place to find information regarding salary schedules.
* Job classifications and descriptions- it is highly recommended a hierarchical staffing structure exists within the food service department. By creating a tiered staffing structure, new employees can be hired with minimal skills. As they learn and grow in knowledge and experience, opportunities for advancement will exist. For example, a new hire may begin their career as a cook 1, then promote to an assistant manager, then manager. This not only provides incentives for staff to learn, but also creates staffing sustainability and preserves program knowledge. The DSCN has several resources available at [SCN Professional Standards](https://education.ky.gov/federal/SCN/Pages/Professional-Standards-for-School-Nutrition-Programs.aspx) page, which provides guidance on job descriptions and classifications.
* Incentives- continuing education is required for food service staff per the National School Lunch Professional Standards regulations. Districts are encouraged to incentivize staff to further their own personal career development by providing additional funds (either through stipends or recognition of additional year(s) of work experience when determining salary) for completing programs such as the [School Nutrition Association’s Rank and Credentialing Program](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fschoolnutrition.org%2Fcareers-training%2Fcertificate-credentialing%2F&data=05%7C01%7Cjackie.chism%40education.ky.gov%7Cc4bcd8193c77407bc10508db7343c086%7C9360c11f90e64706ad0025fcdc9e2ed1%7C0%7C0%7C638230507065517327%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=PwN7MY2Q4%2B17tSF6aW0YWbvh4tsVgxsoRgKUlFUQDIU%3D&reserved=0) for food service professionals. By taking advantage of these incentives, not only can staff flourish in their work duties but also earn additional income.

For any further questions regarding hiring, please email Katie Embree with the Division of School and Community Nutrition.

### Finance Officer Spotlight

In 2008, Joseph Schmitt began working with the Paintsville Independent school district as their chief finance officer and district technology coordinator. He began his career in the educational field in 2000, when he became the network technician for the Johnson County school district between 2000 and 2004, and a teacher from 2004 to 2008.

Schmitt is a 1995 graduate of Paintsville High School and earned his bachelor’s degree in business administration from Morehead State University in 2000, and his MBA in 2004. In 2006, he completed the Master of Arts in Teaching (MAT) program at Morehead and in 2008, earned his Rank I in School Administration at Union College.