**Finance Newsletter November/December 2024**

**Managing Costs in the School Nutrition Program**

The USDA provided several rounds of additional funds as well as periods of increased reimbursement during Covid to mitigate the financial impacts of the pandemic. Because of this, program sponsors saw increases in the fund balance of the nonprofit food service accounts. Now that the pandemic has ended, the USDA stated that additional funds would not be as readily available as they once had been. It is very important to manage costs to ensure a healthy fund balance. Below are a few tips to help manage costs in the school nutrition program.

1.Entrée items or “center plate” – Ensure higher priced entrée items correlate to increased participation. If a higher priced item is not a student’s favorite, consider replacing it with an item that is lower priced or one that does help boost participation numbers.

2.Cycle Menus – Utilizing a cycle menu allows for forecasting and planning of meals. Cycle menus can help save staff time, ensure the appropriate amount of inventory is ordered, and reduce waste.

3.Staff Training – It pays to invest in staff training. Certifying that staff know how to prepare items correctly, helps ensure that students are receiving high quality meals. It also reduces errors, which in turn reduces waste. A well-made meal not only reduces waste and costs but drives revenue.

Managing costs is a critical step to ensuring the nonprofit school food service account is healthy and can sustain providing a high-quality program for your students. For any questions regarding the school meal programs, please contact Katie Embree.

**New Edit Check in Chart of Accounts AFR Data for FYE 2025**

The Kentucky Department of Education (KDE) is responsible for reporting financial data to various entities, including the federal School Level Financial Survey (SLFS), which supports research and development efforts. It is essential to report as much data as possible at the school level rather than district-wide or at the central office.

During a recent training session on data collection, it was emphasized that Function 24XX (School Administrative Support Services), which includes the Office of Principal, School-Based Decision Making, and Other School Administrative Support Services—should be reported exclusively at the school location. This makes sense because these functions are inherently school based.

A recent review found that approximately 50 districts each year over the past three years have reported Function 24XX at the district-wide or central office level to KDE.

To address this issue, KDE recommends making the necessary adjustments now to ensure proper reporting for the 2025 fiscal year. Upon submission of your Unaudited and Audited Annual Financial Report (AFR) for the fiscal year ending in 2025, ensure that all expenditures in Function 24XX are reported at the school location. KDE will include a reminder note in the FY25 unaudited AFR and flag any errors in the FY25 audited AFR submissions.

All ORGs for Function 24XX should use specific location codes. Verify that your district is not using 000 (district-wide) or 001 (central office) for Function 24XX. If these codes are found, change them to a school location. This adjustment will improve the accuracy of your school-level reporting for this function.

For any questions regarding Function 24XX, please contact karen.conway@education.ky.gov.

**What is a Clean Audit?**

Each district’s annual financial audit is due to be completed and submitted soon. Often, when problems resulting from a lapse in their internal controls surface, management will say “… but we received a clean audit”. It is important for districts to understand why an annual financial audit is performed, what purpose it serves, and what purpose it doesn’t serve.

Kentucky Revised Statute (KRS) 156.265, established the State Committee for School District Audits (SCSDA) and asserts the SCSDA “shall have the accounts of each board audited not less than once every fiscal year.” This is accomplished through the *Financial Audit Contract*. The overarching purpose of this annual financial audit is to express an opinion that the financial statements of the school district are presented fairly, in **material** respects. An unmodified, or often referred to as a “clean” audit opinion, solely provides reasonable **assurance** the financial statements are free from material misstatement.

The annual financial statement audit is important to provide third parties’ confidence. The financial statements provide a complete and accurate depiction of the financial activity and financial position of the district. Third parties include the community, bond rating agencies, KDE, and federal agencies.

If a district has expenditures of federal funds more than $750,000 (and most do) then a federal compliance audit, or single audit, is required to be performed. The purpose of a single audit is also to provide reasonable assurance that federal grant dollars have been spent in material compliance with applicable rules and regulations.

It is a common misconception that a “clean” audit means there are no deficiencies with a district’s internal controls. The term “clean” usually corresponds to an unqualified or unmodified opinion.  However, even if a district receives a “clean” audit opinion, serious deficiencies with internal controls could have been discovered.  Management and the local board of education should review and determine if the auditor’s procedures discovered any deficiencies that should be corrected.

Regardless of the results of an audit, it is the sole responsibility of each district’s management to create, implement, and periodically assess its internal control structure and is key to the risk management framework.

Please forward any questions to the District Financial Management Branch at Finance.Reports@education.ky.gov.

**Audit finds Savoy Medical staff wired more than $225,000 to scammer**

The Louisiana Legislative Auditor released an audit which found that a scammer hacked the email of one of Savoy Medical Management’s vendors and altered the payment instructions in the monthly bills, resulting in $226,330 wired to the scammer posing as a vendor.

## The issue was reported to the bank, local law enforcement, State Police, the FBI, the DA and the Legislative Auditor. See more details of the case at [Audit finds Savoy Medical staff wired more than $225,000 to scammer (katc.com)](https://www.katc.com/evangeline-parish/audit-finds-savoy-medical-staff-wired-more-than-225-000-to-scammer#:~:text=An%20audit%20found%20that%20staff%20at%20Savoy%20Medical,the%20email%20of%20one%20of%20the%20group%27s%20vendors.).

**Planning for Replacement Parts, Repair and Maintenance**

All school districts in Kentucky face the daily challenge of maintaining and repairing critical equipment, to meet the needs of the district and its students. This article will briefly discuss why preparing and planning for such needs ahead of time is optimal for all.

Under the Kentucky Model Procurement Code, competition is strongly preferred. KRS 45A.380 discusses the limited exceptions under which a local public agency (such as a school district) can bypass a competitive procurement and engage in noncompetitive negotiation. KRS 45A.380(5) specifically notes that competition is not required when “the contract is for replacement parts where the need cannot be reasonably anticipated, and stockpiling is not feasible.” The applicability of this exception is designed to be limited and would only apply to unexpected circumstances during a school year, which could not have been reasonably anticipated.

Therefore, school districts are strongly encouraged to plan and prepare for any procurements which are predictable during a school year. For example, in the world of school transportation, this could include the purchase of commonly used bus replacement parts and routine bus repair, and maintenance conducted by any outside entities. A school district should use competitive procurement (a sealed bid or a request for proposals process) to establish contract(s) with multi-year renewals, so that it does not have to worry about getting timely access to the products and services needed to maintain good operations. Cooperative purchasing, which is essentially the use of competitively bid contracts already established by another public entity, is also an option for consideration.

Competitive procurement results in a win-win situation for all involved because it encourages healthy competition with high transparency among all suppliers, leading to lower pricing and better-quality products and services. Competition also minimizes the risk of overpaying for such items. This (lack of best value) is much more likely to occur during a noncompetitive negotiation, when a public agency must make time-sensitive and limited choices under stressful circumstances (which could have been avoided) to address a now-immediate concern.

**For further discussion on this topic** and any other procurement subject matter, KDE is now offering procurement training conducted by Hiren Desai with Blue Blood Consulting. Training is free of charge with the availability of earning finance officer hours, and open to any district employee.

If interested, please reach out to Jackie Chism at (502) 564-3846, ext. 4445, or email [Jackie Chism](Jackie.chism%40education.ky.gov.)

## Finance Officer Spotlight

Jaimie Wisdom proudly began her third year as the director of finance at Adair County schools in July 2024. In her role, she oversees key areas such as payroll, accounts payable, grants management, and budget preparation and review. Her priorities center on fostering transparent financial accounting and reporting, while also providing collaborative support to the district’s educators and students. The work of the department is instrumental in ensuring the schools can invest in students, who remain the top priority. Additionally, Wisdom serves as the district contact for the Family Resource Centers.

Before becoming the finance director, Wisdom spent nine years as the administrative assistant to the director of pupil personnel. She was born and raised in Columbia, KY, and graduated from Adair County High School in 1996 before earning a bachelor’s degree in business management from Lindsey Wilson College in 2001. She furthered her education by completing the School Financial Management Institute (SFMI) in August 2023 through the University of Kentucky’s Center for Next Generation Leadership.

Wisdom has been happily married to her husband, Kenny, for nearly 25 years, and are proud parents to two wonderful children, Chandler (wife, Savy), and Preston. In June, they were thrilled to welcome their first grandchild, Cash Thomas, who quickly became the center of joy in the Wisdom family.