

# STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

## MINUTES OF THE June 13, 2024 MEETING

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

**Members not present:** Office of the Attorney General Designee, Stacy Woodrum; Office of the Governor Designee, John Hicks

**Also in attendance:** APA Attendees: Joy Markland, Alex Evans, Jennifer Salsman, Audra Hall and 3 APA Interns; Kentucky Department of Education Attendees: Kim Carter

### I. Call to Order:

A quorum not being present, Shawna Crouse called the in-person meeting to order at 11:00 am. All applicable KRS Statues were read aloud, and a roll call was performed.

### II. Minutes of the March 21, 2024 Meeting:

Those present reviewed the March 21, 2024 meeting minutes. Approval will be voted at the next special session that has yet to be determined but hoped to be before the close of June.

### III. Old Business

Nothing to report.

### IV. New Business

With no quorum, Shawna Crouse proposed a special meeting be organized before the close of June to formally vote on everything discussed. All agreed before setting forth. Shawna then brought to order the first item of business to discuss, the “Fulton County’s FY23 Audit Report late submission by ATA CPAs and Advisors PLLC”. With the audit reports late submission, Marshall Smith proposed the enforcement of Section VIII, which detailed a 10% penalty. The Committee reviewed various emails between Fulton County, ATA CPA, and KDE where they had trouble with the CPA meeting the established audit deadline.

Amidst the meeting, the Zoom virtual meeting was hijacked and bombarded with inappropriate videos. The meeting resumed after proper precautions were taken to prevent any hackers from getting into the virtual meeting.

Marshall Smith remarked the finalized audit report was delivered to KDE from ATA CPA in May, but due to the late submission Fulton County does not feel they should pay in full. At the time of the meeting, no payment has been made. Marshall brought to the Committee that they should enforce the 10% penalty. Sabrina liked the idea but recommended a letter be drafted from the Committee to ATA CPA their official stance on the matter. Shawna inquired the historical precedence of an audit being so late. None had been experienced by any member present. All present determined this be added to the special meeting items to vote on.

Marshall moved to the second item of business to discuss, the “FY 2024 Audit Consideration Report Dated June 2024 Update”. Each tab was discussed as followed:

- Summary Tab: statistical highlights for all relevant audit information

- Marshall highlighted the desk reviews would be done between APA & KDE on Monday and that they would be ready for the special meeting.
- The 5 contracts noted to be outstanding in the excel file is now 2 per Marshall
- FY24 Peer Reviews
  - 1 new CPA (BHM CPA Group, Inc) for Magoffin County. Marshall noted they met all applicatory requirements to perform this audit.
  - FY 2024 Auditors' Peer Review Expired (Not Yet Approved by Peer Review Alliance)
    - Marshall noted Shad J. Allen, CPA, PLLC currently holds 18 contracts and the following comment:
      - “Mr. Allen stated the peer has completed the review, but he would not be able to share until it is accepted by the Peer Review Alliance.”
  - FY 2024 Auditors' New Peer Reviews (Corrective Actions Due To Peer Review Alliance)Sorted by District
    - Marshall noted Drane & Company, PLLC, CPAs passed but with deficiencies and with the following comment:
      - “The Peer Review Alliance is requesting an outside party perform a post-issuance review of the working papers for the next single audit. This is due by September 30, 2024. Firm responded they have not yet completed the corrective actions.”
  - FY 2024 Auditors' Existing Peer Reviews
    - Marshall noted those listed were all CPA Firms with existing peer reviews and who will not do audits in FY24
  - FY24 Auditors
    - Marshall noted these are all auditors for FY24 and that the number of Firms overall are decreasing so those remaining are picking up the load
  - FY24 submitted after May 31
    - Marshall noted the only outstanding contracts are Boone and Hancock Counties. They are both late because each county had a lot of trouble finding an audit firm.
  - FY24 Cost Per AADA
    - The Committee discussed the outliers noting that small districts’ AADA averaged \$50 and large districts’ AADA \$3.
  - FY24 5%
    - Marshall highlighted Hardin County as the largest increase at 145.45%. Their reasoning was that Dean Dorton offered the best value.
    - Many counties experienced percentage increases due to the shortening of audit firms willing and the demand of all school districts remaining the same
    - Shawwna inquired why counties were experiencing increase in costs. Sabrina indicated the less trainings from KDE for new auditors.

Marshall answered CPA firms are facing competent auditor staff issues and the pressure of deadlines and uniformity of school districts does help (ex. Chart of Accounts)

- Committee discussed the systemic issue of costs vs regionally focused costs. Additional remarks were made that audit firm's timelines shouldn't be an issue since governmental audits should be done before tax season. Committee feels the breakdown may be more a time management issue with the firm since there are few requests for extensions
- FY24 Same Auditor Last 5 Years
  - 71 districts utilize 22 of same auditors. KDE recommends some form of rotation due to historical risk, but the striction of supply and demand is recognized. Perry County was highlighted for using the same firm for 30 years.
  - Committee discussed the need for a letter to be drafted to notify county boards of the risk

No new business was further discussed.

#### **V. Miscellaneous**

Shawwna opened the floor for moving the Committee time from 11am. Sabrina and Marshall indicated being open. Future exploration will be discussed during the special meeting for either earlier in the morning or later into the afternoon.

#### **VI. Decision Points for the Next Meeting**

1. Approval of the March 21<sup>st</sup> Meeting Minutes
2. In-Person meeting 1/year
3. To or not to enforce the 10% penalty and draft letter to ATA CPA
4. Drafting a letter for county boards to understand the risk of repeat auditors
5. Approval of audit contracts
6. Any additional topics to arise needing approval

#### **VI. Future Meeting Date**

The next SCSDA meeting will be a special meeting determined via email.

#### **VII. Adjournment**

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