

## STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

### MINUTES OF THE June 11th, 2026, MEETING

#### **Members present:**

In Person: Auditor of Public Accounts Designee, Valerie Hamilton; Office of Education Accountability Designee, Marshall Smith; Office of the Attorney General Designee, Stacy Woodrum, Commissioner of Education Designee, Sabrina Smith

**Member not present:** Office of the Governor Designee, John Hicks

**Also in attendance:** APA Attendees: Olivia McKown, Jeremy Sylvester; Kentucky Department of Education Attendees: Jackie Chism, Bryan McHugh, Chris Monroe

#### **I. Call to Order:**

With a quorum present, Valerie Hamilton called the virtual meeting to order at 9:05 am. Valerie informed all present that this meeting is subject to the Kentucky Open Meetings Act. The meeting was made available to the public via a Media Advisory provided by Olivia McKown. It was also noted that all members of a public agency attending via video teleconference must remain on camera at all times. A roll call was performed.

#### **II. Approval of Minutes of the April 9<sup>th</sup>, 2026 Special-Called Meeting:**

Stacy Woodrum moved to approve the April 9<sup>th</sup>, 2026 special-called meeting minutes. Marshall Smith seconded this motion, and the Committee unanimously approved the motion.

#### **III. Old Business:**

Valerie Hamilton read the following statement regarding the committee's role in detecting financial risks in school districts and the challenges faced in improving oversight:

*"I wanted to say something about the discussions we had during our last meeting about SCSDA's role in trying to prevent financial issues that have arisen in some school districts like JCPS or FCPS, two districts where the APA is currently conducting a special examination. As you know, these issues were not caught through the normal annual audit process that private CPAs conduct. As you are also aware of, SCSDA relies on KDE to report the completion of all yearly audits conducted by private CPAs to the committee, and after getting more detailed financial reports, to let the committee know if there is a problem requiring our attention. SCSCA does not have the resources to individually check the work of all the CPAs conducting audits for Kentucky's 171 school districts. SCSDA's statute also allows the committee to conduct an audit of any school district should this committee become aware of a problem. However, that same statute says SCSDA must pay for ½ of the cost of this kind of audit, yet SCSDA does not currently have any appropriated funds or spending authority.*

*Knowing the challenges SCSDA faces in trying to detect financial problems in school districts, the APA tried to work with two legislators leading the charge on this issue during the last regular session and propose possible changes for improvement. One of the changes we suggested was for SCSDA to receive the same financial reporting that KDE receives so that the committee and the*

*APA could, at least in theory, detect potential financial problems in a district instead of essentially just checking to make sure an audit was completed, which has been the main function of this committee for a long time. In addition, the APA suggested that the General Assembly fund another division of the APA with a mission to focus solely on school district audits. So that everyone can see exactly what was proposed, I am going to submit the APA's memo outlining the issue and potential solutions that was sent to the members of the General Assembly leading the charge on this issue, along with the correspondence that transmitted that memo (see attached).*

*The General Assembly, however, chose another path in the budget bill, and directed the APA to conduct "random and targeted audits of school district finances to ensure compliance with Department of Education policies, procedures, and Kentucky Revised Statutes." This path has its challenges though because the APA was not given a general fund appropriation and instead must bill the school districts for the expense of these audits. Some school districts are already stretched thin financially and are already required to pay for annual audits the committee oversees. In addition, without a general fund appropriation, the APA cannot hire additional staff to get this initiative started. So, even though the APA will do its best to abide by this mandate, it likely will not have the capacity to audit a significant sample of Kentucky's 171 school districts.*

*I say all this to merely introduce a topic of discussion for next meeting. So, I ask you to be thinking about other ideas as to how this committee could better function on this issue until then. "*

Valerie Hamilton noted that she will email the materials that were distributed in person. Sabrina Smith brought up concerns about statutory attendance and representation. Members noted poor attendance from governor-appointed representatives over recent years. A proposal emerged to send the governor's office a letter requesting active, regular attendance or a replacement. This is seen as critical as the committee requires knowledgeable and present members. Valerie Hamilton said a letter would be drafted and circulated.

#### **IV. New Business:**

Marshall Smith and Jackie Chism went over updates to the FY 2026 Audit Consideration Report (see attached). Missing contracts for five districts were shared with a focus on Fayette, Fulton Independent, Jenkins, Southgate, and Williamsburg. These delays reflect ongoing challenges in securing audit services in a timely manner.

It was noted that costs are rising across most districts due to inflation and fee increases. Audit firms are charging more because of inflation and increased operational costs. Some firms increased fees by over 50% compared to last year, with three firms highlighted for large increases above 5%. Districts are actively seeking auditors with competitive pricing amidst these rising costs. Concerns about auditor rotation and the auditor pool shrinking to 24 firms statewide were discussed. Peer review status and auditor rotation practices were reviewed. All peer reviews except Alfred Nance have been received and approved; Alfred Nance's review is pending due to national committee processing delays.

Committee decided to exclude Fayette, Fulton Independent, Jenkins, and Williamsburg contracts from current approval due to pending RFP and decision processes. Southgate's contract was included as it is signed and expected imminently.

Two districts, Estill County and Jenkins Independent, have not submitted their FY25 audits on time. Auditor Allen & Associates provided conflicting status updates and has not responded to recent communications. Committee members expressed frustration over the lack of responsiveness

and delays. Committee members discussed imposing financial penalties due to audit delays, referencing a 2024 precedent. Members suggested drafting a penalty letter warning that further delays could jeopardize contract approvals. A motion was made by Sabrina Smith for the Chair to draft a letter to be discussed and approved for mailing at a later special meeting. Marshall Smith seconded the motion, and the committee unanimously approved.

**V. Miscellaneous:**

No miscellaneous items discussed.

**VI. Future Meeting Date:**

The next regularly scheduled SCSDA meeting will be held via TEAMS on **September 10, 2026**, at 9:00 AM.

Additional meeting dates for 2026 and 2027 were outlined:

October 8, 2026 @ 9:00am (Teams)

March 11, 2027 @ 9:00am (Teams)

March 18, 2027 @ 9:00am (Teams)

June 10, 2027 @ 9:00am (Teams)

It was mentioned that a special meeting will likely be called to approve outstanding contracts and to approve the draft penalty letter as referenced above. Public notice of any special-called meeting will be provided on the SCSDA webpage and through a media advisory once the date and time are confirmed.

**VII. Adjournment:**

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

**Full Video of the YouTube Livestream for June 11th, 2026:**

[State Committee for School District Audits](#)