

STATE COMMITTEE FOR SCHOOL DISTRICT AUDITS

MINUTES OF THE March 19th, 2026, MEETING

Members present: Auditor of Public Accounts Designee, Valerie Hamilton, Office of Education Accountability Designee, Sabrina Smith, and Commissioner of Education Designee, Marshall Smith

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

Also in attendance: APA Attendees: Ella Morton, Alex Evans, and Savannah Baker; Kentucky Department of Education Attendees: Jackie Chism and Kelli Young.

I. Call to Order:

With a quorum present, Valerie Hamilton called the virtual meeting to order at 9:00 am. Valerie informed all present that this meeting is subject to the Kentucky Open Meetings Act. The agenda and meeting were made available to the public on March 18th via a Media Advisory provided by Ella Morton. 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 December 3, 2025 Meeting:

Marshall Smith made a motion to approve the December 3, 2025 meeting minutes. Sabrina Smith seconded this motion, and the Committee unanimously approved the motion.

III. Old Business:

Nothing to report.

IV. New Business:

Valerie opened the topic of new business and then turned it over to Marshall. He directed everyone's attention to the FY 2025 Audit Consideration Report dated March 2026. Jackie Chism highlighted the Summary Tab. FY2024 Audit Report Desk Reviews have 23 technically deficient audit reports, with all audit firms having sent KDE revised audit reports. For the FY25 Audit Reports, KDE conditionally approved 20 extensions for 20 districts past the January 31, 2026 initial extended deadline.

Marshall then moved to the FY25 Audit Extension Requests. Twenty districts received extensions. KDE conditionally approved the extensions for Adair County, Berea Independent, Boone County, Boyd County, Boyle County, Carlisle County, Carter County, Edmonson County, Estill County, Fulton County, Fulton Independent, Jenkins Independent, Marshall County, Mayfield Independent, Morgan County, Nicholas County, Owsley County, Pineville Independent, Williamsburg Independent, and Wolfe County. As of today, six are still outstanding, which are underlined above. Jackie Chism noted that Fulton County and Pineville Independent arrived late yesterday, March 18, 2026. The remaining districts are being closely monitored by KDE.

Sabrina Smith inquired further about Boyd County. Marshall Smith responded that several items remain incomplete, including reconciling the books, which is delaying the audit firm, Kelley

Galloway Smith Goolsby. Sabrina expressed concerns about Boyd County, noting that the district has not reconciled its bank cash since 2025, leaving their financial status unclear. She emphasized the urgency, stating that without accurate financial data, the district cannot develop its budget. Sabrina suggested the Committee draft a letter to Boyd County, highlighting accountability and accuracy, and requesting an explanation for the delay, to be sent to the Superintendent, with the potential of hiring an outside CPA. All members agreed. Marshall mentioned Boyd's recent extension requests and ongoing issues, emphasizing that basic reconciliation is essential and that all figures provided to the Board are suspect. He also suggested that Boyd's staff reductions might be a contributing factor. Valerie and Sabrina discussed additional concerns. Jackie noted she spoke with an auditor at Kelley Galloway Smith Goolsby, who reported that the firm is struggling to obtain necessary information at this point. The auditor wishes to avoid disclaiming their audit if possible.

Sabrina expressed concern over other audits conducted by Allen and Associates and called for more restrictive language in the Audit Contract, such as: If an audit firm foresees issues that could prevent meeting deadlines, KDE/Board must be notified. Action should be taken, including hiring a new auditor if needed. Sabrina proposed a letter to Allen and Associates holding them accountable and possibly reducing their audit fees charged to the district. Marshall added that next year's contract will be scrutinized more thoroughly.

After further discussion, Sabrina made a motion that two letters, one to Boyd County School District and one to Allen and Associates, be drafted to have each entity formally address present issues and have them submit a timeline for completion of their present audits. Marshall seconded. The Board unanimously approved.

Marshall Smith made a motion to approve the 20 extensions conditionally approved by KDE. Sarbina Smith seconded. The Board unanimously approved.

Marshall then moved to the Final Draft Audit Contract Requirements for FY2025-2026. Dates were updated. The Appendices were expanded to three: Appendix I – Audit Acceptance Disclosure, Appendix II - Audit Extension Request, Appendix III - Submission Instructions. The reasoning is to centralize information in the contract rather than break it out. Moving to the Auditor Alert section, Marshall remarked that many districts have been spending outside of their board-approved budgets. Audit firms, when testing expenditures, must ensure they are acceptable under the School District's budget. Sabrina recommended adding the policy and procedures, and a reference to the statute stating that the district cannot spend above its budget. She asked if overspending is to be determined as a finding? Valerie agreed that expenditures exceeding the budget could be included in the Management letter if less serious, or in the Audit Report if more serious. On page four, The Audit Findings and Management Letter Comments Spreadsheet is a centralization of all findings for each audit, regardless of the Management Letter or Audit Report. Sabrina recommended a language update and the Committee have a special meeting in the future due to all the conversation had so far in the meeting.

On page 8 under Auditor Responsibilities, Sabrina cited the following passage for KDE to strengthen the language in light of the present extension landscape: "If any difficulties are encountered while performing the audits that do not pertain to requesting an audit extension, the auditor should inform KDE of the issues as soon as possible." On page 13 under District Responsibilities, Sabrina conveyed further discussion and potential language change needs to be added to hold districts to be ready and accountable for their responsibility to the CPA. Marshall assured the Committee that changes would be submitted at the next meeting.

Sabrina made a motion for the SCSDA Committee to convene for a special meeting via Microsoft Teams on April 9th at 9am. Marshall seconded. The Board unanimously approved.

The approval of the contract will be moved to the special meeting. All Board members agreed.

Jackie Chism conveyed a follow-up question on the Federal Compliance section on page 27, citing the threshold expansion of \$750,000 to \$1,000,000. Sabrina deferred to KDE on whether the section is needed overall, moved to the Audit Alert section, or should be included in both places, since these are already federal requirements. No consensus was reached, but the value in keeping these requirements in the audit contract was conveyed since it would highlight the need for awareness.

Marshall moved next to the DRAFT SCSDA FY2026 Independent Auditor Contract. He remarked that only dates were updated. The approval of the contract will be moved to the special meeting. All Board members agreed.

Valerie presented the future meeting dates and locations for SCSDA's 2026-2027 after the final June 11th, 2026 meeting. They are September 10th, 2026, October 8th, 2026, March 11th, 2027, March 18th, 2027 and June 10th, 2027. Sabrina made a motion to approve the above dates. Marshall seconded. The Board unanimously approved.

V. Miscellaneous:

Valerie transitioned to the Miscellaneous Section to discuss the General Assembly and SCSDA. The General Assembly has asked for feedback on the idea of expanding the services that SCSDA can provide school districts, including expanded training opportunities for school districts, school district financial reviews, and other services, and what it would take to make that happen, such as needed resources, people, or other needs. Marshall commented that the low-hanging fruit is training utilizing the diversity of the Committee. An example he put forth is the Auditor of Public Accounts taking Internal Controls, GASB, etc. Overall, it would generate heightened awareness of requirements, resource sharing, fiduciary responsibilities, and other shared knowledge. KDE can enhance reporting to the Committee, including historical analysis, to provide stronger indicators for current audits. He would further add that KDE is considering a financial stress indicator, modeled after those used in other states, for non-public-facing purposes. The only caveat is that it would be a manual process.

Sabrina recommended the allocation of funds to SCSDA so that mandated audits by the Committee can be conducted in accordance with statute. She added that this conversation needs to be had with the legislative assembly or seek a change to the statute for who has financial responsibility for paying for audits mandated by the Committee. SCSDA's proposed expanded role may not be done during the 2026 session, but in future legislative sessions. It was also noted there is an ongoing auditor shortage. Marshall pitched to Valerie about training/mentorship of financial officers at the county level be done by APA staff. Sabrina cited KRS 160.431 (later found under <https://www.education.ky.gov/districts/FinRept/Pages/Finance-Officer-Certification.aspx>) for the requirements of finance officers. She added that KDE promised to mentor these officers. She feels KDE needs to review this regulation. If it is not working, an adjustment or further discussion is needed because KDE is responsible for oversight of all districts. An example she put forth is KDE assigning someone to the district.

As a separate note, Sabrina made it known the ongoing missing attendance of other Committee Members. How are they to be held accountable for their successive absences? Nothing in the statute

elaborates the process. Valerie and Marshall agreed that this matter, SCSDA's future role, and KDE's plan of action with finance officers will be tabled for future meetings.

VI. Future Meeting Date:

The next SCSDA meeting will be a Special Meeting via Teams on April 9, 2026 at 9a.m.

VII. Adjournment:

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

Respectfully submitted,

Michael Evans

Full Video of the YouTube Livestream for March 19th, 2026:

- [March 19, 2026 - State Committee for School District Audits Meeting - YouTube](#)

Discussion Points for Future Meetings

- Drafted letters to Boyd County and Allen and Associates
- Edits discussed for Final Draft Audit Contract Requirements for FY2025-2026
- Edits discussed for Draft FY2026 Independent Auditor Contract
- SCSDA's future role in the eyes of the General Assembly
- Committee Member Attendance