

Steven L. Beshear
Governor



Terry Holliday, Ph.D.
Commissioner of Education

**EDUCATION AND WORKFORCE DEVELOPMENT CABINET
DEPARTMENT OF EDUCATION**

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November 12, 2013

Dear Local School District Auditor:

As you are aware, significant revisions were recently made to Kentucky Board of Education administrative regulation, 702 KAR 3:130 Internal Accounting, which incorporates changes to the *Accounting Procedures for School Activity Funds*, more commonly referred to as "Redbook." The Redbook outlines the requirements for the receipt, expenditure, and reporting of funds in the public schools of the Commonwealth. The revision process spanned two years of coordination and communication with local district finance officers, auditors and other interested parties, including several opportunities for public input and comment. The Redbook received final approval in April of 2013, going into effect on July 1, 2013.

However, despite such communication efforts, it still appears that it is taking a significant amount of time for the actual requirements to be absorbed and implemented correctly throughout each school district at all levels. The Kentucky Department of Education (KDE) continues to address Redbook questions daily and some questions relate to challenging and unique circumstances, which are not specifically addressed in the Redbook. Accordingly, KDE is providing updated guidance on these items, as needed, through our "Frequently Asked Questions" document and other resources located on the KDE website at: <http://education.ky.gov/districts/FinRept/Pages/Accounting-Procedures-for-School-Activity-Funds.aspx>. This also means that it is likely that, as the current fiscal year progresses and revised guidance is provided, several of our school districts may inadvertently complete transactions without having all the necessary information needed for complete (100%) compliance.

Therefore, it is KDE's desire and intention to use the current fiscal year (FY 14) as a transitional learning period for implementation of Redbook, with this period being geared towards identifying unique issues, revising guidance, and developing strategies, which allow our school districts to fully comply with Redbook in FY 15. *With this in mind, KDE requests that, as independent audits are conducted for the current fiscal year, local school districts auditors utilize this opportunity to assist our school districts with the learning process and identifying how to improve practices in order to fully comply in the future. This may mean that some instances of non-compliance with Redbook during this transitional period may simply need to be brought to a school district's attention with practical suggestions for moving forward in a manner consistent with Redbook, as opposed to automatically being converted into punitive findings. KDE supports and encourages this type of nurturing process for FY 14 audits.*

I appreciate your attention to and assistance with this matter. Please feel free to contact Assistant Director Susan Barkley and her team in the Division of District Support, if you have any additional questions or concerns, while conducting your audit examinations. The KDE team may be reached at 502-564-3930.

Sincerely,

A handwritten signature in blue ink, appearing to read "Hiren Desai".

Hiren Desai
Associate Commissioner
Office of Administration and Support