

Highlights of Auditor of Public Accounts Recommendations for Kentucky School Districts

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http://apps.auditor.ky.gov/Public/Audit_Reports/Archive/2015SchoolDistrictRecommendations.pdf

Section 1: Recommendations to Board to Provide Oversight

#1: Recommend the board establish a finance/budget or audit committee to strengthen its oversight in these areas.

#18: The full Board, Board Chair, or a designated Board committee should review the Superintendent's credit card purchases to ensure the transactions are reasonable in amount, necessary, and properly supported by receipts or other appropriate documentation. Due to credit card transactions not being readily transparent, it is imperative the Board review these transactions to be aware of all expenses related to the Superintendent. This will strengthen internal controls and mitigate the risk of retaliation if a subordinate employee is responsible for reviewing and potentially questioning the activity of the Superintendent.

#21: We recommend the Board adopt the Kentucky Model Procurement Code and follow KRS 45A.385 for small purchases. This policy should require procurements in excess of \$20,000 to be competitively bid or otherwise competitively procured to ensure the best and most economical selection is made. The policy should not allow split or divided purchases and projects to circumvent the bidding requirements for procurements in excess of \$20,000.

#26: If credit cards are used by the district, we recommend the Board establish a specific credit card policy requiring, at a minimum:

- card user agreements to be read and signed before the employee is permitted to use a credit card;**
- use of the card only for business related purposes;**
- internal controls to limit access to unauthorized users;**
- supporting documentation for all credit card expenditures, which should include a detailed invoice or other appropriate documentation, a business purpose, and name of the individuals involved in the purchase; and**
- a statement that credit card purchases not supported by detailed, itemized receipts or other appropriate documentation must be repaid by the employee within a reasonable period.**

#30: We recommend the Board adopt the Kentucky State Government per diem reimbursement rates and travel regulations, as specified by 200 KAR 2:006. This provides continuity among school districts for travel expenses and prevents excessive or unnecessary spending for food-related purchases by paying the specified per diem meal rate based on the actual travel time and eliminates the need to review receipts for food.

<http://lrc.ky.gov/kar/200/002/006.htm>

#34: The district Superintendent should develop, in conjunction with other district management, specific procedures to ensure expenses are appropriate, reasonable, and necessary for the district's operation. Any policy or procedure revisions should be made in writing, dated, and distributed to the appropriate personnel prior to it going into effect. We recommend district procedures contain the following elements:

- consider the necessity and reasonableness of each purchase, including the potential for the purchase to be personal, excessive, or unnecessary.**
- require complete supporting documentation prior to the approval of any payment;**
- prohibit district funds from being used for personal gifts to district employees;**

- **prohibit the payment of any vendor invoice that appears to be altered until an original is provided;**
- **require specific monitoring controls over the expenditure process related to federal grant funds to ensure compliance with grant requirements and prevent the use of grant funds for unauthorized or inappropriate expenses;**
- **determine the types of expenditures that should be presented to the Board for preapproval and the types that may be authorized and approved by the Superintendent without Board approval;**
- **delineate the lines of responsibility for the authorization and approval of expenditures throughout the district, as well as the dollar thresholds for small purchases versus purchases that require a competitive procurement process; and,**
- **prohibit purchases with vendors that create a conflict of interest with district staff or Board members.**

#35: The district Superintendent should develop, in conjunction with other district management, specific procedures to ensure that travel and other reimbursable expenses that are incurred support the district's operations and objectives. Unnecessary expenses incurred based on personal preference should be considered a personal expense of the individual and not an expense of the district. To ensure that expenses are appropriate, reasonable, and necessary, we recommend that district policies and procedures contain the following elements related to travel expenses and reimbursement requests:

- Provide definitions and examples of allowable and unallowable expense reimbursements.**
- List the required documentation needed to receive travel expense reimbursements and other reimbursements. This requirement should include a statement in the policy that expenses not having detailed, itemized receipts will not be paid by the district.**

- **Specify a time period in which travel and other reimbursement requests must be submitted for review and approval. This requirement should be supported by a statement in the policy that reimbursement requests made after this period will not be paid by the district. District reimbursements should be paid timely so that the district's financial statements will represent the actual expenditures for that fiscal year.**
- **Prohibit advance payments for travel to employees, as interpreted in OAG 80-395 related to KRS 160.410.**
- **Specify when prior approval for travel is required and what information must be submitted to request approval.**
- **Identify the position(s) of those responsible for reviewing the travel vouchers and reimbursement requests, such as the principal, finance officer, or another management designee. When applicable, this review should include a comparison of the actual costs incurred by district staff to pre-approved costs. The Superintendent should ensure the position(s) is given the authority to appropriately question or deny reimbursement requests if they do not comply with established district policy.**

#74: We recommend district management review the applicable record retention schedules established by the Kentucky Department of Libraries and Archives. District management should ensure that all aspects of the applicable record retention schedules are addressed in the overarching policies of the district. Of specific note, districts should ensure policies address the retention requirements for all types of official or business communication and other records. District management should ensure that users are aware of their responsibility to comply with this district policy.

<http://kdla.ky.gov/records/retentionschedules/Documents/Local%20Records%20Schedules/PublicSchoolDistrictRecordsRetentionSchedule.pdf>

The document was last updated March 10, 2016.