

Audit Contract

The State Committee for School District Audits will be reviewing the fiscal year 2016-2017 audit contract during their next scheduled meeting on March 16. The audit contract will be available on the Kentucky Department of Education's website located at <http://education.ky.gov/districts/FinRept/Pages/District-Financial-Audit-Contracts.aspx> after it is approved by the committee around April 1. Please remember the contract is valid for only one year for the audit of the 2016-2017 fiscal year.

Please forward any audit contract questions to Kim Carter at kimberly.carter@education.ky.gov or (502) 564-3846, extension 4440 or Nicole Vanover at misty.vanover@education.ky.gov or (502) 564-3846, extension 4443.

Fidelity (Performance) Bonds

The Fidelity (Performance) Bonds information for Fiscal Year 2016-2017 are due to the Kentucky Department of Education (KDE) by **July 1**, through the SEEK Application "Fidelity Bond" web form and are required to be approved by the Commissioner of Education. The Exposure Calculation Report for FY 2016-2017 will be posted to the website in **March 2017**.

Please refer to the "Bonds" webpage under the "Fidelity (Performance) Bond" section for all forms, instructions and reports:

<http://education.ky.gov/districts/FinRept/Pages/Bonds.aspx>

If, during the fiscal year, the district needs to make changes to the Fidelity Bond information that has already been approved by KDE or if you have any questions, please contact Jackie Chism at 502-564-3846, extension # 4445 or at Jackie.Chism@education.ky.gov or Gail Cox at 502-564-3846, extension # 4462 or at Gail.Cox@education.ky.gov.

Bond of Depository

The "Bond of Depository" information for Fiscal Year 2016-2017 are due to the Kentucky Department of Education (KDE) by **July 1**, through the SEEK Application "Depository Bond" web form **every** fiscal year and is required to be approved by the Commissioner of Education. The Division of District Support has provided a worksheet on the bonds website for the districts to use to help them to calculate their Penal Sum. Districts will need to make any adjustments to their "Bond of Depository" Penal Sum and Collateral Market Value by **July 1**. Even if nothing changed the district will need to update the beginning and ending dates and SUBMIT the bond

information to KDE through the SEEK Application web form. The districts are to maintain all official hardcopy documentation at the local board of education.

Please refer to the “Bonds” webpage “Bond of Depository” section for all forms, instructions and reports:

<http://education.ky.gov/districts/FinRept/Pages/Bonds.aspx>

If, during the fiscal year, the district needs to make changes to the Bond of Depository information that has already been approved by KDE or if you have any questions, please contact Jackie Chism at 502-564-3846, extension # 4445 or at Jackie.Chism@education.ky.gov or Gail Cox at 502-564-3846, extension # 4462 or at Gail.Cox@education.ky.gov.

Contracts with Health Departments, Hospitals or Physician’s Offices

Please note that local boards of education are responsible for compliance with all state and federal laws applicable to school health services. As laws tend to change over time, local school districts are cautioned to check for any updates or changes to state and federal laws. This guidance may be used as a review tool to ensure that the basics in law and regulation are covered by any contract with health providers or health departments who contract with school boards for student health services.

702 KAR 1:160, the School Health Services regulation, requires:

1. Preventive medical examinations for students;
2. Student vision examinations;
3. Student dental screenings or examinations;
4. Current Immunization certificate compliant with 902 KAR 2:060;
5. Continuous health supervision of all enrolled students;
6. Emergency care procedures;
7. First aid facilities compliant with 702 KAR 4:170;
8. Personnel trained in First aid and CPR;
9. Creation and maintenance of a cumulative health record for each student;
10. Reporting of all required student health data;
11. Designation of an appropriate school health coordinator for the district; and
12. Appropriate training for all unlicensed school personnel that have accepted delegation to perform medication administration in school.

For effective continuous health supervision, it is necessary to include the following in Infinite Campus: (1) all health data required to be reported; (2) student health conditions; (3) student medications; (4) health room visits showing the student went back to class, home with a parent or called 911; and (5) utilize appropriate ICD 10 codes to track student health conditions and the location of the student.

Please also be aware school districts are responsible for compliance with the requirements of the federal *Family Education Rights and Privacy Act (FERPA)* and the *Health Insurance Portability and Accountability Act of 1996 (HIPAA)*. In November 2008, the U.S. Department of Health and Human Services and the U.S. Department of Education published *Joint Guidance on the Application of the Family Educational Rights and Privacy Act (FERPA) and the Health Insurance Portability and Accountability (HIPAA) to Student Health Records*. That document may be found here: <http://www2.ed.gov/policy/gen/guid/fpco/doc/ferpa-hipaa-guidance.pdf>

School Health Services Contracts

The delivery of school health services is one of the requirements in KRS 156.502. Local boards of education are responsible for the compliance of all state and federal laws applicable to school health services. In order to provide the necessary school health services, some school districts **are** electing to contract with outside health providers for school nursing services, such as a local medical clinic, hospital or local health department.

While it is not necessary to the school district and the contracting agency to seek approval from KDE, there are some important elements that are necessary to be included when developing the contracts. The attached guidance document is recommended to be used as a review tool to ensure that the contracts for school health services in the upcoming 2017-18 school year address the basics in law and regulation for the delivery of school health services. Any district considering entering into a contract should have the contract reviewed by their local board attorney.

 [Guidance Regarding Health Services Contracts](#)

Please feel free to contact Karen Erwin if you have any questions.

Indirect Costs and the School Nutrition Program

Although indirect costs may represent a small percentage of total expenditures in some districts, the category should be analyzed separately because of the possible impact on the school nutrition program. School nutrition directors need to know exactly how paying indirect costs will affect the bottom line of their program. This helps the school nutrition director when discussing financial management decisions with the business manager and other school officials.

The school district has the discretion to charge or not charge indirect costs to the school nutrition program. However, if it charges the program indirect costs, there is specific guidance to follow.

Indirect costs are the school nutrition program's share of the general school district costs that are incurred for common or joint purposes and cannot be readily identified as a direct cost. Such costs benefit all activities of the school district, and the portion that benefits any specific activity, such as foodservice, is generally determined through a mathematical allocation process.

Examples of expenditures that could be classified as costs incurred for joint purposes:

- Human Resources
- Payroll
- Worker's Compensation
- Superintendent's Office
- Procurement
- Utilities (light, heat, etc.)
- Accounting
- Budgeting
- Purchasing
- Building Maintenance
- Auditing

Direct costs can be specifically identified to the benefiting program with a particular cost objective, such as

- Program activities (e.g. program food, benefits, food service salaries, supplies)
- Grants (e.g. Farm to School), or
- Contracts (e.g. providing meals to a private school).

When does the Division of School and Community Nutrition monitor Indirect Costs?

A. Application

During the annual SN Program Application Renewal process each year, the SFA must submit via CNIPS an Indirect Costs Addendum for the program. This checklist document communicates to SCN which of the following is applicable for the district:

1. Will collect indirect costs from food service at the non-restricted rate approved by KDE.
2. Will collect indirect costs at a rate less than the non-restricted rate approved by KDE.
3. Will not collect indirect costs from food service.

The non-restricted rate issued by the KY Department of Education for the district will be used to calculate the indirect cost. The SFA should also understand that the indirect cost shall be transferred **monthly** and **cannot exceed the allowable amount**.

B. Review

During an Administrative Review of the Child Nutrition Program, KDE/SCN must ensure that School Food Authorities follow fair and consistent methodologies to identify and allocate allowable indirect costs to school food service accounts. (2 CFR 225)

C. Financial Reporting

During annual financial reporting, indirect costs are reported in CNIPS.

SNP Financial Report Screenshot

Indirect Cost	
10. Salaries:	452,316.54
11. Employee Benefits:	122,305.28
12. Indirect Cost Rate:	13.32 %
13. Indirect Cost for Program:	76,539.63
14. Indirect Cost Expenses for Prior Year:	76,539.63

Key Points to Remember

1. Costs that are charged to the school nutrition program as indirect costs cannot also be charged as direct costs.
2. The district may or may not charge the school nutrition program indirect costs. The district also has the option of charging only a portion of the indirect costs generated by the program.

3. The school nutrition director should work with the district finance officer to obtain information on which indirect costs are collected from the program each year and how the costs are calculated.

For further assistance or questions, please contact the Division of School and Community Nutrition or the Division of District Support.

References:

Richardson, Pat, Project Coordinator. "Financial Management: A Course for School Nutrition Directors", 2nd Edition, 2015. *Institute of Child Nutrition Website*, The University of Mississippi, <http://www.theicn.org/ResourceOverview.aspx?ID=63>.

Richardson, Pat, Project Coordinator. "ICN Financial Management Information System", 2nd Edition, 2015. *Institute of Child Nutrition Website*, the University of Mississippi. <http://www.theicn.org/ResourceOverview.aspx?ID=63>.

SNP Financial Report Screenshot created by Valerie Crouch. *Child Nutrition Information and Payment System (CNIPS) Website*, Division of School and Community Nutrition, Kentucky Department of Education, SY 2016-2017, <https://cnips.education.ky.gov/CNIPS/Splash.aspx>.

U.S. Department of Agriculture, Food and Nutrition Service (2016), National School Lunch Program Regulations, SP60-2016, Memorandum, "Indirect Costs: Guidance for State Agencies and School Food Authorities." *USDA Website*, <https://www.fns.usda.gov/indirect-cost-guidance>.

U.S. Department of Agriculture, Food and Nutrition Service (2016), National School Lunch Program Regulations, SP60-2016, Guidance, "Indirect Costs: Guidance for State Agencies and School Food Authorities." *USDA Website*, <https://www.fns.usda.gov/indirect-cost-guidance>.

KDE Website: [Indirect Cost Guidelines](#)