Assurance • Tax • Advisory

Fayette County Public Schools

Audit of Budget Processes and Expenditures

Board Meeting – August 2026

Introduction and Summary of Results

Project Leadership

Brandon Tanous, CIA, CFE, CGAP, CRMA | Partner, Governance, Risk and Compliance

- Brandon has over 19 years of internal audit and advisory and leads the GRC Public Sector Practice. His experience includes extensive work for large and diverse school districts such as Dallas ISD, Tomball ISD and Conroe ISD
- He leads teams in providing services that help clients improve their organizational and compliance objectives and reduce risks

Holly Hart, CPA, CIA | Director, Governance, Risk and Compliance

- Holly has over 16 years of experience conducting objective and effective performance audit and internal audit services within federal, state and local governments
- She focuses on driving process improvement efforts to enhance operational procedures, optimize value to stakeholders and develop training opportunities that strengthen skills and impact

Engagement Scope and Objectives

Fayette County Public Schools – Audit of Budget Processes and Expenditures

Engagement Scope and Objectives
Fayette County Public Schools (FCPS) engaged Weaver to perform an independent internal audit of the District's budget processes and travel and event expenditures. The engagement spanned **two core** workstreams. For the **budget process** workstream, Weaver evaluated the District's end-to-end budget process across all phases, including the Draft, Tentative, and Working Budget stages, as well as post-adoption budget monitoring activities. Our review also included the policies, procedures, and processes supporting budget development and management, including budget preparation, forecasting, monitoring and variance analysis, roles and responsibilities, oversight practices, and communication and transparency. On the **travel and event expense** workstream, Weaver reviewed the governance structure, policy and regulatory compliance, and supporting documentation over travel and event expenditures. Across both areas, Weaver benchmarked practices against industry standards and applied knowledge gained from stakeholder interviews, process mapping, documentation review, and data-driven variance analysis to establish a clear view of current performance and inform actionable recommendations. **In-Scope Process Areas:** • **Budget Process Review –** forecasting and documentation, monitoring and variance analysis, governance, oversight and compliance, roles and responsibilities, and communication and transparency • **Travel and Event Expense Review –** governance structure, policy and regulatory compliance, supporting documentation, and data analytics over travel and event expenditures • **Data-Driven Variance Analysis –** Variance analysis across major budget categories (i.e, the General Fund) using data analytics centered on pinpointing root causes and anomaly detection to identify and investigate budget to actual variances, and refer to forensic audit if needed

Engagement Procedures

Fayette County Public Schools – Audit of Budget Processes and Expenditures

Engagement Procedures

Procedures Performed:

- **Reviewed and analyzed policies, procedures, practices, source data, and internal controls** across budget and expenditure functions, benchmarking them against industry best practices and identifying root cause relationships.
- **Conducted interviews with multiple stakeholders (including Board members)** across the Budget, Enterprise Resource Planning (ERP), Finance, and related departments to gather perspectives and validate processes.
- **Reviewed extensive evidence and documentation** across budget processes to both validate and understand the current state of the budget cycle and ensure a robust analysis.
- **Mapped the District's end-to-end budget process** to evaluate stakeholder roles and responsibilities, communication channels, budget modeling and projection processes, and budget monitoring procedures to validate processes and identify opportunities for improvement
- **Conducted a Budget Waterfall Analysis to identify the root causes** of the ending (unaudited) General Fund balance, breaking down the contributary attributes of variances across revenues and expenses.
- **Performed data analytics and transaction sample testing over travel expenses** to evaluate compliance with District policies, adequacy of supporting documentation, and adherence to approval and reimbursement requirements.
- **Performed data analytics and transaction sample testing over P-Card expenses** to assess compliance with purchasing card policies, validity and business purpose of charges, and the effectiveness of related monitoring and approval controls.

Project Timeline of Phases and Tasks Performed:

Oct–Nov 2025	Dec–Jan 2026	Feb 2026	Mar–May 2026	Jun 2026	Jul 2026
Project RFP & Award	Project Planning	Initial Interviews	Document Gathering, Analysis, and Testing	Begin Preliminary Result Drafts	Final Report & Recommendations

Executive Summary

~1%
FY2025 ending General Fund reserve — below the 2% state and 6% District minimums

6
Core themes, with majority of findings rated High risk

70+
Recommended actions to strengthen budgeting and spending controls

10
Top priority actions set on a phased 18-month roadmap

Overall conclusion

This independent audit examined how Fayette County Public Schools governs and develops its budget, monitors spending across the District, and controls travel and purchasing-card expenses. It identified significant control weaknesses that reduce the accuracy, accountability, and transparency of the District's finances. The FY2025 General Fund reserve ended at roughly 1% of spending, below the 2% required by Kentucky law and the 6% set by District procedures. The full report provides more than 70 recommendations, distilled into 10 priority actions and a phased roadmap, to move the District toward a more reliable and transparent budget and expenditure function.

The findings consolidate into six core themes

1. Documentation & audit trail
2. Policies & internal controls
3. Roles & management review
4. Reconciliation & monitoring
5. Coding & classification accuracy
6. Governance, oversight & transparency

Summary of Results – Core Themes

Fayette County Public Schools – Audit of Budget Processes and Expenditures

Results
The internal audit of FCPS budget processes and expenditures identified significant control weaknesses across the current-state environment, the majority rated high risk. The findings consolidate into **six core themes** that, once remediated, will establish a more accurate, accountable, and transparent budget and expenditure function.

1. **Supporting Documentation and Audit Trail:** Key budget, expenditure, and grant transactions occur without complete documentation or a verifiable audit trail. Budget amendments often lacked documented justification, grant spending plans were not evidenced, and travel pre-approvals frequently lacked support. Consistent retention of receipts, approvals, and business purpose is essential to establish a reliable record.

2. **Policies, Procedures, and Internal Controls:** Key written policies are either outdated, incomplete, or absent, leaving rules and thresholds to individual judgment. Travel policies, for example, have not been updated in over a decade, and no uniform finance and accounting handbook exists to guide consistent practice. Formalizing and periodically reviewing procedures will reduce compliance risk and support consistency of control activities.

3. **Roles, Responsibilities, and Management Review:** Transactions often lack evidence of independent review, approval, and segregation of duties, with access and functions concentrated in a few roles. System permissions can allow one user to create, approve, and post budget entries, and a single senior role oversees accounting, budgeting, grants, and reporting. Documented sign-off and role separation will strengthen accountability.

4. **Reconciliation and Monitoring:** Budget performance and purchase activity lack routine reconciliation, variance thresholds, and monitoring, producing a reactive process. There is limited evidence of a formal budget monitoring framework or defined variance thresholds, and purchase card charges are not consistently reconciled or matched to statements. Routine reconciliation, defined thresholds, and documented review will help surface issues proactively.

5. **Coding and Classification Accuracy and Reliability:** Both budgeted and actual revenues and expenditures contained errors and unsubstantiated entries, and expenditures are not consistently recorded to the correct object code. When entries are incorrect and spending is posted to the wrong object code, actual results no longer align with their budgeted line items, and budget-to-actual comparisons by category become unreliable for reporting and planning.

6. **Governance, Board Oversight, and Transparency:** The Board and public receive incomplete or inaccurate information, weakening oversight and decision-making. Significant budget amendments and inter-fund transfers reach the Board for information only, not formal approval. Clear, accurate reporting and Board-approved amendment policies with defined approval criteria will strengthen the Board's role, transparency, and trust.

Priority Actions and Roadmap

Priority Actions

Fayette County Public Schools – Audit of Budget Processes and Expenditures

Priority Actions

The full report provides both summarized and detailed conditions of the current state observations. A total of over **70 recommended actions*** provide a recommended **roadmap** to move FCPS on the path forward to a more effective and robust future state at both the department level and overall governance of FCPS. The following are the **top 10 priority actions** from the recommendations provided in the full report.

1. **Restore and enforce a controlled budget amendment workflow.** The configured Munis approval workflow was not enforced from October 2023 through August 2025, allowing budget users to self-post amendments without documented justification or current-spending analysis, and District policy does not require independent review or approval of amendments regardless of amount. Management should ensure removal of Munis approval bypasses and require documented justification and independent review before budget entries, amendments, or transfers are posted.

2. **Enforce segregation of duties across financial system access.** Entry, posting, reconciliation, and oversight are concentrated in a few roles, with several Munis users holding broad access and budget staff both initiating and posting amendments through the workflow bypass. Management should redesign Munis roles so no individual can initiate, approve, and post the same transaction, and recertify user access on a regular cycle.

3. **Establish standardized accounting procedures and enforce close reconciliations.** Erroneous and unsupported entries in budgeted and actual revenues and expenditures distorted budget-to-actual reporting and drove the adjusted General Fund contingency to roughly 1%, below the 2% statutory and 6% administrative procedure minimums. Management should adopt a uniform accounting handbook defining entry and coding standards and require routine subledger to GL, revenue, and payable and receivable reconciliations so recorded balances are accurate and reliable and the contingency can be properly measured against the statutory and procedural minimums.

4. **Deliver complete and accurate reporting to the Board and public.** Board and public reporting was sometimes incomplete or inaccurate, and reserves, transfers, and significant budget changes were not consistently or transparently disclosed, limiting effective oversight. Management should reconcile Board-facing summaries to the underlying budget and transparently disclose reserves, transfers, and significant budget changes.

5. **Establish a formal budget monitoring framework.** No formal budget-monitoring framework, documented monitoring roles, or variance thresholds currently exist, and budget changes are identified reactively rather than proactively. Management should assign monitoring roles to personnel with sufficient knowledge, skills, and abilities and set variance thresholds and escalation triggers so issues surface proactively rather than reactively.

*Full details of findings and recommendations provided in final report to the District.

Priority Actions (cont.)

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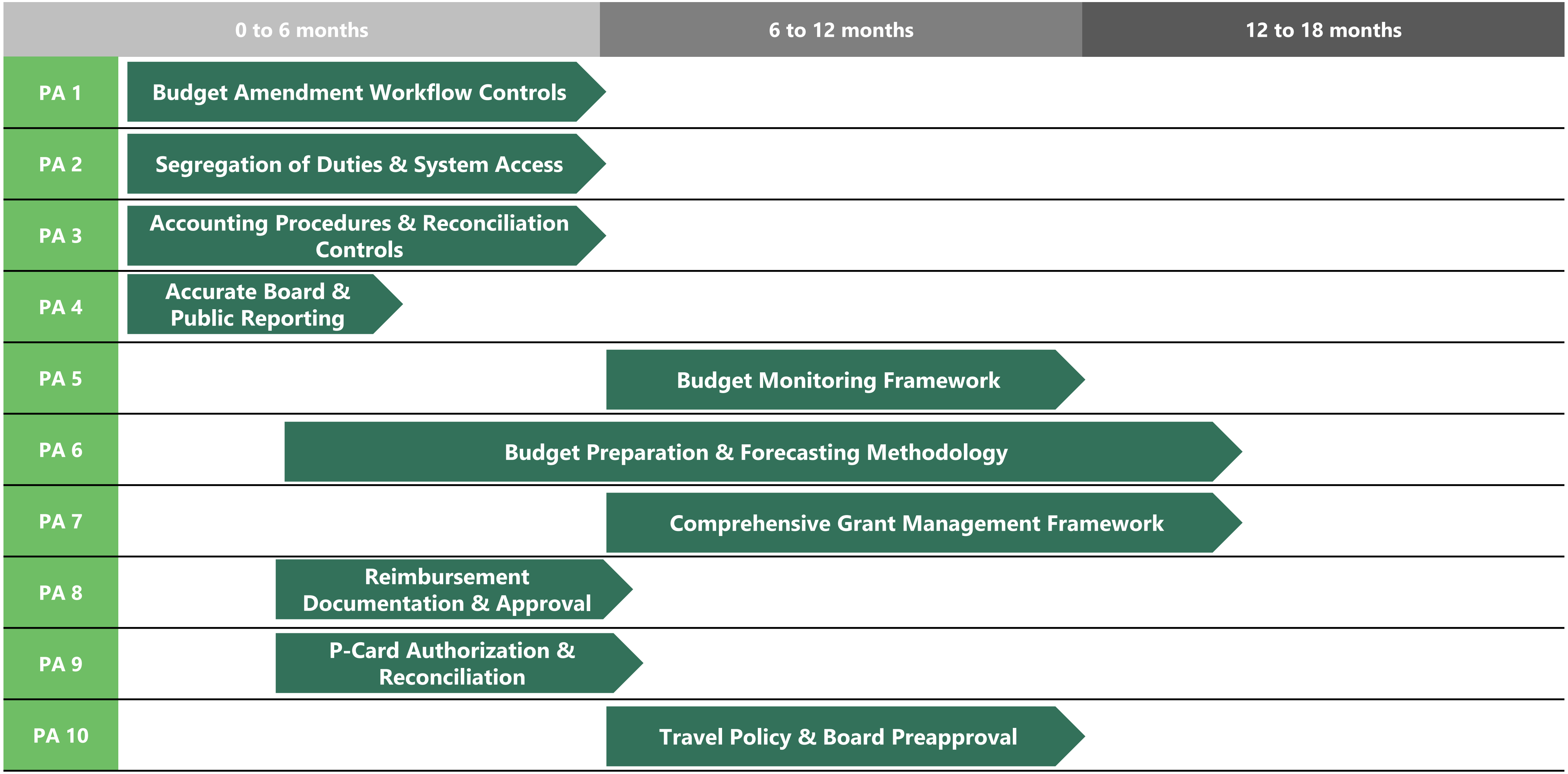
Priority Actions
6. **Adopt a documented budget preparation and forecasting methodology.** The district does not have documented forecasting policies, methods, or assumptions, and there is limited evidence of substantive management review or challenge of the projections. Management should formalize required forecasting methods and assumptions and evidence management review and challenge of the budget.
7. **Implement a comprehensive grant management framework.** The District could not evidence grant spending plans or a formal grant monitoring framework with defined oversight roles to ensure compliance with federal and state requirements. Management should require documented grant spending plans, monitoring procedures, and defined roles to personnel with sufficient knowledge, skills, and abilities to ensure compliance with federal and state requirements.
8. **Require complete, pre-approved, and reviewed reimbursement documentation.** Reimbursement files did not consistently support the business purpose, approval, or amount paid, with pre-approval frequently missing and supporting documentation often not reconciling to the expense. Management should mandate a standardized, signed documentation package evidencing pre-approval and independent review with complete support before any reimbursement is paid.
9. **Strengthen P-Card authorization, coding, and reconciliation controls.** P-Card support was not uploaded timely with PCR-1 forms incomplete or missing, monthly statement reviews were late or unsigned, and a more accurate object code was proposed for 24% of P-Card samples. Management should verify approved credit limits, enforce timely and signed monthly reconciliations, and confirm object-code accuracy on every transaction.
10. **Refresh travel policies and enforce Board pre-approval verification.** Core travel policies were last revised in 2010 to 2013 with no evidence of periodic review, and Board pre-approval for travel was not consistently evidenced before purchase cards were used. Management should update the travel handbook and purchase card procedures on a defined cadence and establish a written process to confirm and verify Board pre-approval before travel purchases are incurred using purchase cards.

Recommended Roadmap

Priority Actions (PA) – Recommended Roadmap



Priority Actions Roadmap Rationale

PRIORITY ACTIONS (PA): PRIORITIZATION RATIONALE				
Priority Action	**Impact Severity**	**Implementation Effort**	**Recommended Timing**	**Sequencing Rationale**
PA 1 Budget Amendment Workflow Controls	High	Low	**0 to 6 months**	Addresses a critical governance gap in budget entries and can be implemented promptly through policy and workflow controls.
PA 2 Segregation of Duties & System Access	High	Low to Medium	**0 to 6 months**	A foundational control that mitigates the risk of fraud and error by preventing any single user from overriding key financial processes.
PA 3 Accounting Procedures & Reconciliation Controls	High	Medium	**0 to 6 months**	Inaccurate entries and absent reconciliations were among the factors contributing to the reserve shortfall. Standardized accounting procedures and reconciliation controls support these underlying weaknesses.
PA 4 Accurate Board & Public Reporting	High	Low	**0 to 3 months**	Restores complete and accurate Board and public reporting with limited effort and high governance visibility.
PA 5 Budget Monitoring Framework	Medium to High	Medium	**6 to 12 months**	Layers ongoing monitoring on top of the foundational amendment, access, and reconciliation controls (PA 1–3), requires sufficient expertise.
PA 6 Budget Preparation & Forecasting Methodology	Medium to High	High	**3 to 12 months**	Requires methodology, systems, and training, warranting a longer implementation horizon.
PA 7 Comprehensive Grant Management Framework	Medium to High	High	**6 to 12 months**	A framework spanning multiple functions that requires expertise and time to design, implement, and sustain.
PA 8 Reimbursement Documentation & Approval	Medium to High	Low	**3 to 6 months**	Targets expenditures with elevated fraud risk through readily implemented policy and approval controls, supporting near term action.
PA 9 P-Card Authorization & Reconciliation	Medium to High	Low	**3 to 6 months**	Mitigates elevated risk of misuse through readily implemented authorization controls, supporting near term action.
PA 10 Travel Policy & Board Preapproval	Medium	Low	**6 to 12 months**	Lower materiality with a straightforward policy update, appropriately sequenced after higher risk items.

Questions

Appendix A: Summary of Findings and Recommendations

Budget Processes - Summary of Findings and Recommendations

Findings Summary

A.1 Budget Entries & Workflows HIGH

- The Munis budget amendment/transfer workflow went unenforced from Oct 9, 2023, to Aug 21, 2025, allowing budget users to circumvent controls and self-post amendments and initial budget entries without required approvals.
- District policies do not require independent review or approval of amendments or transfers of any amount; transfers over $100K between functions or any inter-fund transfer go to the Board for information only, with no formal approval.
- Approximately 94% of FY2025 budget entries (17,761 of 18,712) used the same user ID to both enter and post, and secondary approval is not evidenced on the ERP Journal Entry Inquiry screen.
- Two FY2026 amendments ($75K Special Education, $365K Transportation) lacked documentation justifying need or evidence that current spend and available budget were reviewed before approval.
- Approval workflows were applied inconsistently — the larger $365K amendment had one approval level while the smaller $75K had two, and requesting roles differed (Executive Director vs. AP Clerk).
- Both amendments credited the 0120 Certified Substitute salary code with no documented justification for reducing a salary expenditure to fund the requests.

A.2 Budget Monitoring & Oversight HIGH

- No formal budget monitoring and oversight framework exists; monitoring is primarily reactive and unsupported by documented roles, responsibilities, or accountability.
- No defined variance thresholds, escalation protocols, or designated personnel to be notified when budget deviations require action.
- Monthly, quarterly, and biannual reports were prepared, but there is limited evidence they were thoroughly reviewed by management or required corrective action.

Findings Summary (continued)

A.3 Budget Preparation Framework HIGH

- The District lacks a comprehensive, documented budget-preparation framework defining forecasting methodologies, management oversight, or use of historical financial data.
- Policies do not require robust historical trend or cost-driver analysis, documented assumptions, or revenue forecasting tied to tax base, SEEK funding, or enrollment.
- Documentation for "predictive analytics" consisted primarily of historical budget-to-actual comparison; no statistical, analytical, or advanced forecasting was evidenced.
- Limited evidence of management review, challenge, or approval of projections. For example, FY2025 salaries were projected at ~$548.2M vs. a combined salary/benefit budget of ~$414M.
- Draft, tentative, and working budgets showed no documented leadership markups, questions, or substantive review before Board submission (e.g., the workers' comp accrual rate was approved without evidence of independently verified calculations).
- Historical actuals were not consistently used. FY2025 electricity was budgeted at $5M despite ~$10.4M spent in FY2024 (actual reached ~$10.6M), and salaries were under-budgeted despite prior-year overages.

A.4 Accuracy & Reliability of Balances HIGH

- FY2025 ending General Fund balance was ~$6.9M (approx. 1% of $690.5M expenditures), below the 2% statutory minimum and the District's 6% procedural threshold.
- Revenue errors: an unsupported $3.5M Occupational License Tax receivable (written off January 2026) and ~$8M in interdistrict receivables (FY2019–FY2024) miscoded as revenue, largely driving negative Miscellaneous and Bus Rental revenue.
- On-Behalf payments were budgeted and recorded with revenues not equal to expenditures, overstating the balance by $487,334.57 (they should net to zero).
- Expenditure errors: an unexplained ~$20.4M salary overage, a ~$617K workers' comp over-accrual miscredited to Miscellaneous expenditures, and supplies over budget by ~$6.1M (largely electricity).
- No uniform Finance/Accounting handbook was identified to guide consistent entry, coding, and reporting practices.
- The year-end close checklist omits key reconciliations (receivables/payables, subledger-to-GL, and revenue), which may have allowed errors such as double-counted revenue to go undetected.

Findings Summary (continued)

A.5 Transparency to the Board & Public HIGH

- Budget information to the Board and public may not always be complete or fully explained (e.g., FY2026 variance information was to be presented only in summary form).
- A Board Monthly Checkpoint reported salaries at 85% of the General Fund budget versus ~61% for salaries and benefits after adjustments.
- Board requests for detailed budget-reduction data could not be verified as fulfilled by District leadership.
- Public documents conflict with practice. On-Behalf payments were stated as “not budgeted” though they are, and “predictive analytics” claims could not be verified.
- Reserve transparency is limited — three contingency balances beyond the $43.6M main reserve are labeled “Other Uses of Funds” or omitted, and major changes and Capital Funds Request transfers (e.g., $9.9M) go unexplained.

A.6 Segregation of Duties & Concentration of Authority HIGH

- Multiple Munis roles combine incompatible rights — amendment creation, approval, posting, override/bypass, and projection modification or deletion.
- One position (Executive Director of Financial Accounting, Budget, and Benefits) has oversight of accounting, budgeting, grants, reporting, interfund transfers, and benefits while also initiating, approving, and posting budget transactions.
- Role combinations (e.g., FUNC_BUD_DEPT_APPVER plus finance/tax data roles) could let a single user initiate, approve, post, and review budget transactions in their own area.
- The EthicsPoint hotline routes financial and budget concerns to the same executive position overseeing those functions, limiting reporting independence.

Findings Summary (continued)

A.7 Grant Management Framework HIGH

- No comprehensive grant management framework governs budgeting, monitoring, and accounting for federal, state, and local grants.
- Grant spending plans could not be evidenced to guide expenditures against grant requirements, budgets, or timeframes — inconsistent with the District's stated process.
- The District did not demonstrate formal grant monitoring. Recommended weekly year-to-date reports are not required, and monitoring communications appeared ad hoc.
- Grant setup and fund coding lack documented criteria; personnel had to request guidance on Fund 2 (Special Revenue) classification.
- "Grant cleanup" journal entries used the General Fund Miscellaneous Expenditure account (0899) as an offset to balance the Special Revenue Fund, reducing the reliability of grant budget-to-actual reporting.

Recommendations Summary

A.1 Budget Entries & Workflows

- Establish and enforce a controlled, workflow-driven approval process for all budget entries so no user can both initiate and post without independent review.
- Restrict the “bypass workflow” permission to a tightly governed administrative function subject to periodic access review.
- Adopt formal, Board-approved amendment and transfer policies with defined dollar thresholds, documentation standards, and a clear approval hierarchy.
- Communicate the policy to all budget users so practice and policy match.
- Institute at least annual review and recertification of Munis budget roles and permissions, focused on override/bypass and incompatible create-approve-post combinations.
- Require written justification and evidence of independent review for every budget-change request, regardless of size.

A.2 Budget Monitoring & Oversight

- Adopt a formal, documented budget monitoring framework assigning clear roles, responsibilities, and accountability at the fund, department, and school levels.
- Define the frequency and cadence of formal management reviews, each producing a documented review of budget-to-actual performance rather than report preparation alone.
- Set quantitative and percentage variance thresholds with a defined escalation path (management → superintendent → Board).

Recommendations Summary (continued)

A.3 Budget Preparation Framework

- Adopt a written budget-preparation and forecasting framework defining methodologies, roles, review steps, and documentation standards.
- Require specific, repeatable forecasting techniques (trend and cost-driver analysis) and documented assumptions for each major revenue and expenditure category.
- Require documented management review, challenge, and approval of projections, including independent verification of technical estimates.
- Document evidence of thorough review of draft, tentative, and working budgets before Board submission.
- Use actuals and significant historical variances to refine future budgets, with a documented root-cause review feeding the next cycle.
- Advance from descriptive analysis to genuine predictive forecasting using statistical and analytical methods, and feed results into a rolling multi-year (5+ year) long-term financial plan reviewed annually.

A.4 Accuracy & Reliability of Balances

- Restore the General Fund contingency to at least the 2% statutory minimum and rebuild toward the 6% district procedure via a Board-approved replenishment plan with a timeline and funding mechanism.
- Continue remediating unsupported and misclassified revenue entries, prioritizing material errors that affect reported balances.
- Develop a comprehensive Finance and Accounting Handbook aligned to state and federal requirements, accounting standards, and KDE guidance.
- Expand the year-end close checklist to require all key reconciliations (receivables/payables, subledger-to-GL, and revenue) with documented independent review.

Recommendations Summary (continued)

A.5 Transparency to the Board & Public

- Adopt a policy requiring all Board budget materials to be complete, factually accurate, and accompanied by sufficient explanation.
- Provide meaningful, specific explanations for significant budget changes and variances in public documents.
- Disclose all contingency and reserve balances transparently.
- Disclose and explain Capital Funds Request transfers and other major reallocations (e.g., the $9.9M FY2025 fund transfer).
- Reconcile Board-facing summaries to the underlying budget using consistent definitions.

A.6 Segregation of Duties & Concentration of Authority

- Redesign Munis roles to enforce segregation of duties and eliminate incompatible permission combinations.
- Establish ongoing access governance — least-privilege provisioning, at least annual recertification with director sign-off, and monthly monitoring of high-risk permissions and SoD conflicts.
- Route EthicsPoint financial and budget concerns to an independent recipient rather than the official overseeing those functions.
- Strengthen the hotline’s independence, anti-retaliation protections, and formal investigation and Board-reporting procedures.

Recommendations Summary (continued)

A.7 Grant Management Framework

- Establish and implement a comprehensive grant management framework governing planning, monitoring, accounting, and reporting.
- Require documented grant spending plans for all local, state, and federal grants aligned to budgets, allowable costs, objectives, and timelines.
- Institute formal grant monitoring — required budget-to-actual reviews, documented frequencies, variance analysis, and defined oversight.
- Adopt written accounting and coding policies for grant fund classification consistent with KDE and governmental accounting standards.
- Perform periodic reviews of grant accounting with properly supported journal entries, and define roles, responsibilities, and training.

Expenditure Processes - Summary of Findings and Recommendations

Findings Summary

B.1 Reimbursements — Documentation & Audit Trail HIGH

- Reimbursement documentation does not consistently support the business purpose, approval, or amount paid across the full documentation trail.
- Pre-approval (Professional Leave/Substitute Request Form) was missing in 32 of 34 travel samples (94%, $50,404).
- Support did not reconcile to the expense for 28 of 50 samples ($46,677); documentation was incomplete for 7 of 50 ($10,151).
- The Employee Reimbursement Checklist was missing or unsigned in 26 of 29 samples (90%, $30,919); root cause is no enforced pre-approval workflow or mandated checklist.

B.2 Reimbursements — Approval & Review HIGH

- Approval and review controls do not consistently confirm authorization or resolve variances.
- Board-approved limits were not evidenced or were exceeded in 8 of 50 (16%, $30,165).
- Approvals are not documented on the Request for Reimbursement form, and adjustments are made without a revised form or purchase order.
- Payment review was undocumented in 1 of 50 samples; variances were unexplained in 10 of 50 ($5,112).

C.1 Purchase Cards — Documentation & Audit Trail HIGH

- P-Card files do not provide a complete audit trail from request to statement review to supporting documentation.
- Evidence of the required MUNIS documentation uploaded by the 10th of the month was not identified within the support for the 25 samples selected (100%, $443,192).
- Support could not be verified to the expense for 9 of 25 ($198,406); the Procurement Card Requisition Form (PCR-1) was incomplete or missing for 6 of 25 ($77,143).
- No enforced upload deadline exists and PCR-1 details are not verified for accuracy before approval.

Findings Summary (continued)

C.2 P-Cards — Coding & Reconciliation HIGH

- Recorded expenses are not consistently reconciled or correctly coded to the KDE Chart of Accounts.
- The object code did not agree to the statement for 18 of 25 (68%, $302,847), and was sometimes changed without documentation.
- A variance vs. the PCR-1 (limit, support, or statement) was found in 9 of 25 ($124,825).
- Cardholder Purchase Card Statement review occurred beyond the 10-day expectation for 11 of 25 ($186,208), considered a violation per the Distrcit's procurement card procedures.

C.3 P-Cards — Authorization & Review HIGH

- Controls do not consistently evidence Board/committee approval, credit-limit authority, or timely monthly review.
- Board/committee approval was not evidenced for 14 of 25 (56%, $269,116).
- The expense was not verified within the card limit for 11 of 25 ($207,217); the agreement did not evidence the limit for 12 of 25 ($216,365).
- Additional exceptions covered change-request dating, missing review signatures, and one charge exceeding the documented limit ($52,673).

D.1 Vendor Allowability Verification MEDIUM

- Vendor allowability is not consistently verified before a P-Card purchase.
- 4 of 25 sampled transactions used vendors not on the District's approved listing in MUNIS (16%, $54,568).
- No enforced confirmation of approved-vendor status at the point of purchase or during monthly reconciliation.

Findings Summary (continued)

E.1 Travel Policy & Board Approval Governance HIGH

- Travel governance is inconsistent across policy maintenance, approval documentation, and expenditure authorization.
- Travel policies were last revised between 2010 and 2013 with no documented evidence of the required annual review.
- Per-trip Board pre-approval was not consistently evidenced, and no written process verifies Board approval before P-Card use.
- These gaps are an upstream cause of the Board-approval exceptions surfaced in B.2 and C.3.

F.1 Reimbursement & P-Card Control Design MEDIUM

- Controls are well designed but operate as three separate systems with no cross-reconciliation, so duplicate or noncompliant payments can go undetected.
- For two samples, although a supervisor signed the Request for Reimbursement Form, the name in the requestor field also appeared in the grant manager field, meaning the employee effectively approved their own reimbursement in the grant manager role.
- Changes to the procedure handbooks are made without formal version control.

Recommendations Summary

B.1 Reimbursements — Documentation & Audit Trail

- Enforce completion and approval of the Professional Leave/Substitute Request Form before travel, with a detailed justification.
- Mandate a standardized, signed Employee Reimbursement Checklist in the handbook; return or deny incomplete or unsigned submissions.
- Reconcile supporting documentation to each expense before payment and compare against Board-approved budgets.
- Assign ownership for verifying and retaining the signed package, and update the Mileage Allowance Voucher to require justifications.

B.2 Reimbursements — Approval & Review

- Document supervisory approval on each Request for Reimbursement form.
- Require written justification and a revised PO for any variance.
- Retain and reconcile Board-approval evidence to approved limits with all supporting documentation.
- Hold or deny payment where approval, justification, or Board-approval evidence is missing, with periodic exception monitoring.

C.1 P-Cards — Documentation & Audit Trail

- Require dated cardholder sign-off by the 10th of the month for monthly reconciliation and approval.
- Require detailed invoices and receipts that substantiate every charge.
- Confirm a complete, accurate PCR-1 with a clear business purpose that agrees to the support before approval.
- Treat late or incomplete files as policy violations and assign ownership with periodic monitoring.

Recommendations Summary (continued)

C.2 P-Cards — Coding & Reconciliation

- Add a reconciliation step confirming the object code agrees to the P-Card statement and the KDE Chart of Accounts.
- Document and approve any object-code changes.
- Develop a checklist to ensure documentation requirements are complete and accurate.
- Reinforce that required monthly reviews are completed by the 10th, evidenced by dated sign-off.

C.3 P-Cards — Authorization & Review

- Establish a written Board/committee approval-verification process before travel or software/subscription purchases.
- Document dollar thresholds for credit-limit levels and perform a documented annual cardholder limit review.
- Retain approved credit-limit and change-request documentation in each cardholder file.
- Split the change-request form into distinct approval and denied sections and require a dated signature evidencing monthly review.

D.1 Vendor Allowability Verification

- Cardholders should verify allowable-vendor status before each purchase and again during the monthly review.
- The P-Card Administrator’s reconciliation should confirm vendors are approved and listed in MUNIS.

Recommendations Summary

E.1 Travel Policy & Board Approval Governance

- Refresh travel policies on the required annual cadence with documented review (version, changes, date, preparer, Board re-approval).
- Retain per-trip Board pre-approval evidence with the support (Extended Field Trip Request Form).
- Establish a written process to verify Board-approved travel before the P-Card is used.

F.1 Reimbursement & P-Card Control Design

- Establish coordinated, program-wide detective monitoring. Cross-match P-Card charges against reimbursement claims to catch duplicate payments, monitor procurement thresholds and credit limits, and report exceptions with a clear escalation and resolution.
- Maintain a formal policy alignment crosswalk between the Travel Handbook and P-Card guidance by expense type.
- Formalize procedure change control with version numbers, effective dates, amendment logs, and approval criteria.
- Consider requiring a secondary sign-off for grant managers requesting their own reimbursement.

Prior Internal Audit Findings

As part of our current procedures, we evaluated the corrective action for the remaining four internal audit findings identified in the 2023 Procurement Card audit report. Through our review of documentation and testing we determined that one finding has been fully remediated, two findings remain partially remediated, and one finding remains open. We performed data analytics of the entire transaction population and sampled 25 P-card expenses from FY24 and FY25 for testing. A summary of our results is provided in the table below:

Remediation Status:
Open: The finding has not been remediated; corrective action is still required.
Partially Remediated: Some corrective action has been taken, but the finding is not yet fully resolved.
Fully Remediated: Corrective action has been completed and the finding is resolved.

Overall Status: 1 Fully Remediated, 2 Partially Remediated, 1 Open

Prior Internal Audit Findings (2023 Purchase Card Internal Audit)

#	Status	Finding	Results
1	Partially Remediated	P-Card agreements do not document the allowable usage/credit limit for the card holder, and there is no formal documented process for setting P-Card limits (a single limit is excessive). Limits are set at assignment and changed only on a position or circumstance change, or a temporary increase.	Card holder agreements were on file for all 25 samples, but established credit limits and subsequent changes were not evidenced in supporting documentation. For 12 of 25 samples the agreement did not include an established credit limit, and the P-Card guide did not specify limits by role. New credit limits were established for cardholders in 2026. **Recommendation:** Review credit limits at least annually and upon any change in position or circumstance to confirm they are accurately maintained and monitored.
2	Fully Remediated	P-Card agreements were missing and not available.	Reviewed all 25 P-Card samples and verified that a signed card holder agreement was on file for each cardholder.
3	Open	PCR forms had incomplete names and signatures, and names that did not match; new staff requested a review of compliance.	Unable to verify that all PCR forms were complete and accurate due to missing forms and inconsistent information that prevented full verification of related expenses. For the PCR forms available, identified two employees across 3 of 25 samples whose first name on the submitted PCR-1 form differed from the name on their signed card holder agreement. **Recommendation:** Review PCR-1 Forms submitted to ensure accuracy of names and signatures and that the form is completed and accurate for all required fields.
4	Partially Remediated	Purchases were made using P-Cards instead of purchase orders (POs).	Confirmed the P-Card process guide was updated to reflect the new Amazon exception and to address emergency purchases outside the PO cut-off date, with supporting documentation retained in Google Drive for audit purposes. Through testing, we identified 6 of 25 samples in which P-Card purchases were made with vendors not on the approved vendor listing within MUNIS and a justification and/or approval for the use of the vendor, evidenced by an Adobe Sign document with rationale was not identified. This finding is considered partially remediated. **Recommendation:** Documentation is retained with the employee's detailed explanation for the use of the P-card with a vendor that accepts a PO with evidence of appropriate approvals.

Appendices B - K: Additional Analysis

APPENDIX B: General Fund Budget to Actual Variances for FY2025

General Fund Significant Budget Variances Identified

Revenue Variances

Object Code	Category	Budget	Actual	Dollar Variance	% Variance
5210	Fund Transfer	$7,578,505.82	$17,465,030.15	$9,886,524.33	**130.0%**
3900	Revenue For/On Behalf Payments	$152,000,000.00	$170,796,084.02	$18,796,084.02	**12.0%**
1990	Misc. Revenue	$3,908,886.80	$(2,680,284.50)	$(6,589,171.00)	**-169.0%**
1912	Bus Rental	$1,000,000.00	$(2,984,949.95)	$(3,984,950.00)	**-398.0%**
1920	Contributions/Donations	$5,000.00	$(2,688.00)	$(7,688.00)	**-154.0%**
1115	Delinquent Property Tax	$700,000.00	$1,817,118.80	$1,117,119.00	**160.0%**
1191	Omitted Property Tax	$1,400,000.00	$652,266.82	$(747,733.00)	**-53.0%**
4810	Medicaid Reimbursement	$1,200,000.00	$2,561,549.96	$1,361,550.00	**113.0%**
1131	Occupational License Tax	$54,000,000	$51,299,513.43	$(2,700,486.57)	**-5.0%**

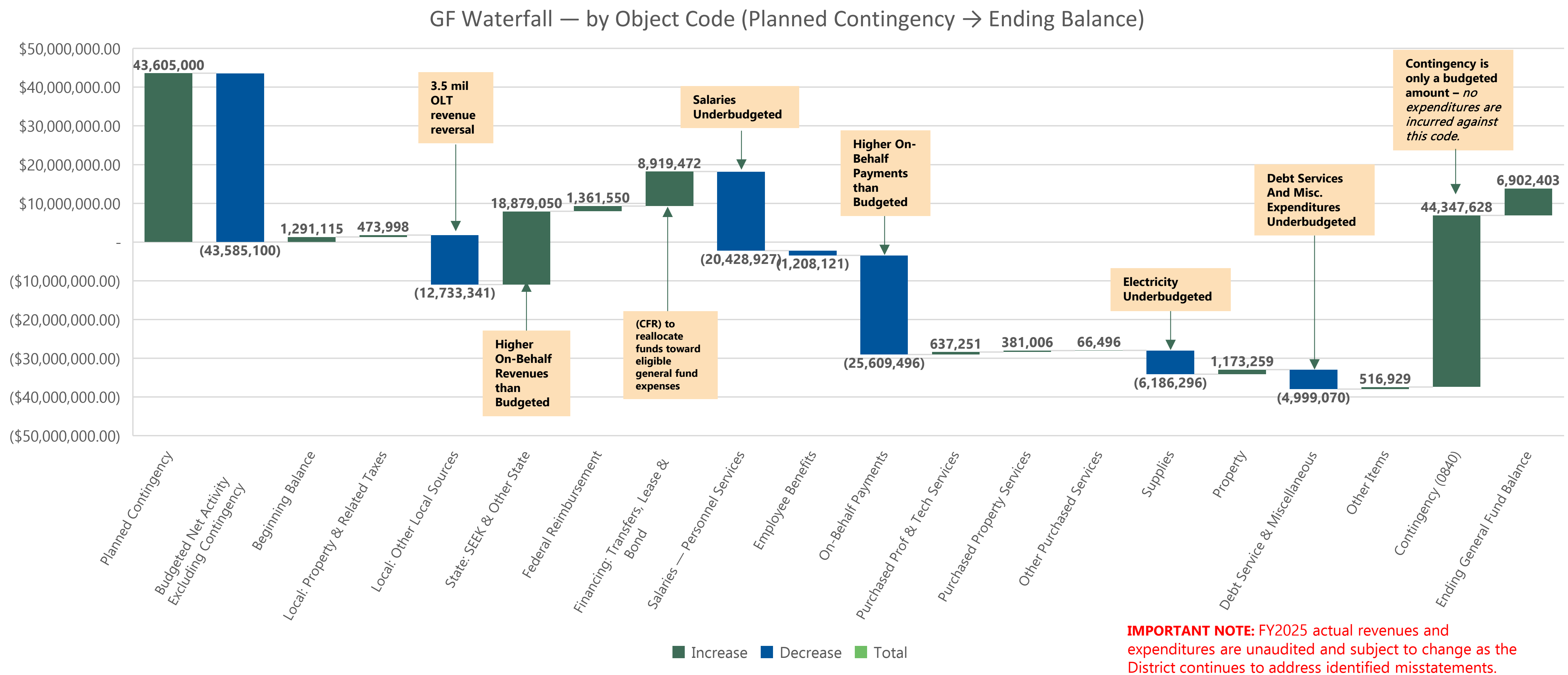
Expenditure Variances

Object Code	Category	Budget	Actual	Dollar Variance	% Variance
0280	On Behalf	$144,929,514.00	$170,458,813.97	$(25,529,299.97)	**-17.6%**
0600	Supplies	$31,390,835.97	$37,475,448.48	$(6,084,612.51)	**-19.4%**
0800	Debt Service and Misc.	$2,857,503.52	$7,856,573.05	$(4,999,069.53)	**-174.9%**
0100	Salaries Personnel Services	$375,407,955.28	$395,836,882.47	$(20,428,927.19)	**-5.4%**

IMPORTANT NOTE: FY2025 actual revenues and expenditures are unaudited and subject to change as the District continues to address identified misstatements.

APPENDIX C: Waterfall Analysis Chart – Object Code

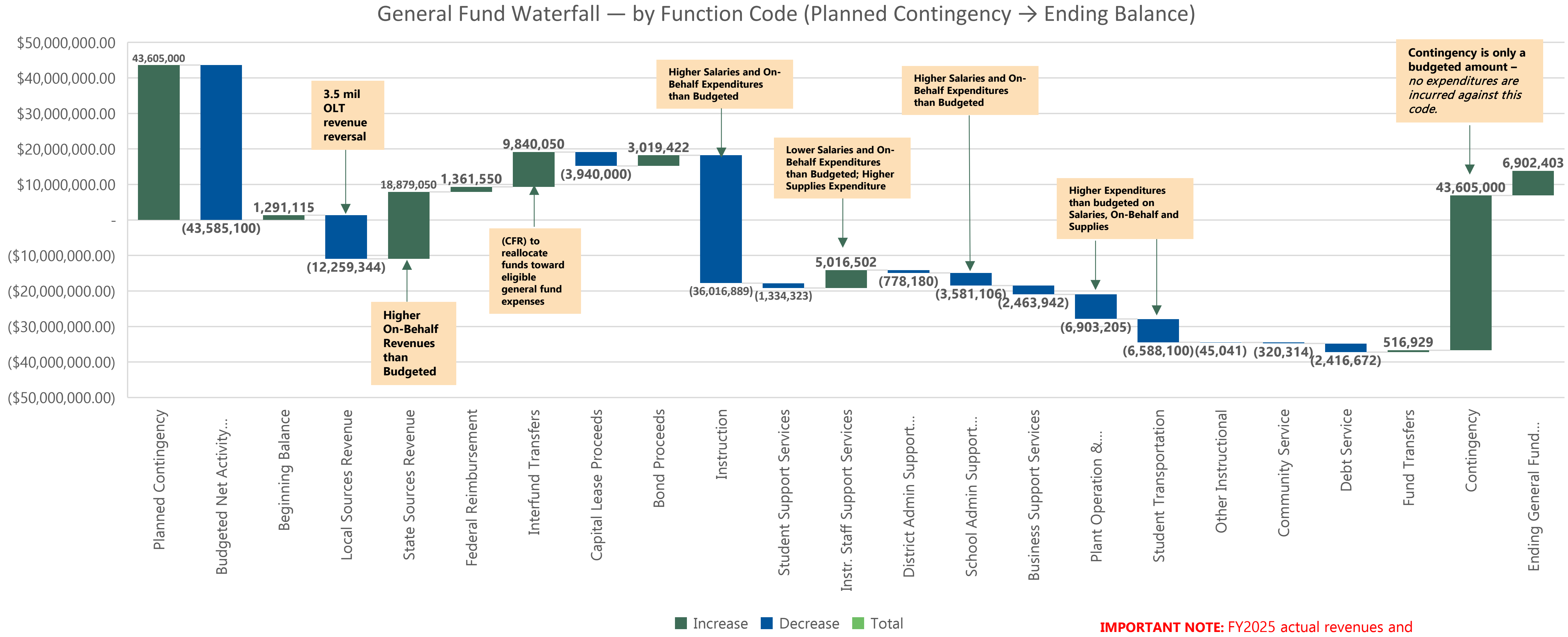
This waterfall chart displays General Fund budget-to-actual variances by **object** code, which shows **what funds** are received and spent. **Starting from Planned Contingency**, each bar represents the variance (Actual − Budget) for that category. Positive bars (increases) indicate favorable variances—revenues exceeding budget or expenditures coming in under budget. Negative bars (decreases) indicate unfavorable variances—revenues below budget or expenditure overruns. The chart traces how these variances accumulate to arrive at the **Ending General Fund Balance.**



IMPORTANT NOTE: FY2025 actual revenues and expenditures are unaudited and subject to change as the District continues to address identified misstatements.

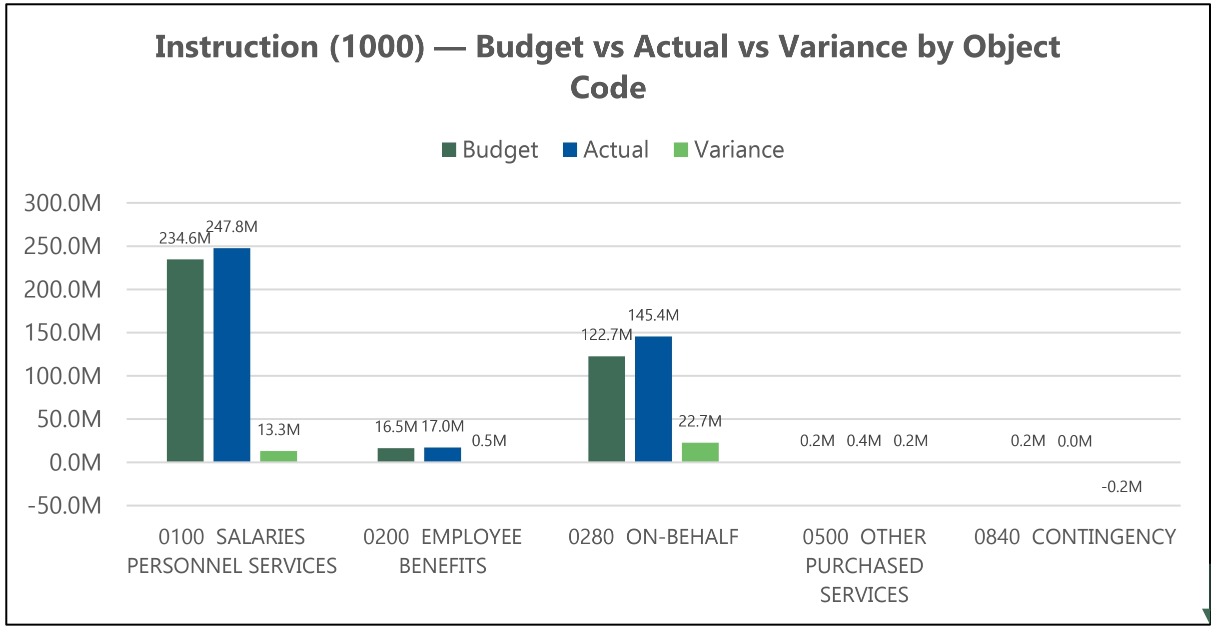
APPENDIX D: Waterfall Analysis Chart – Function Code

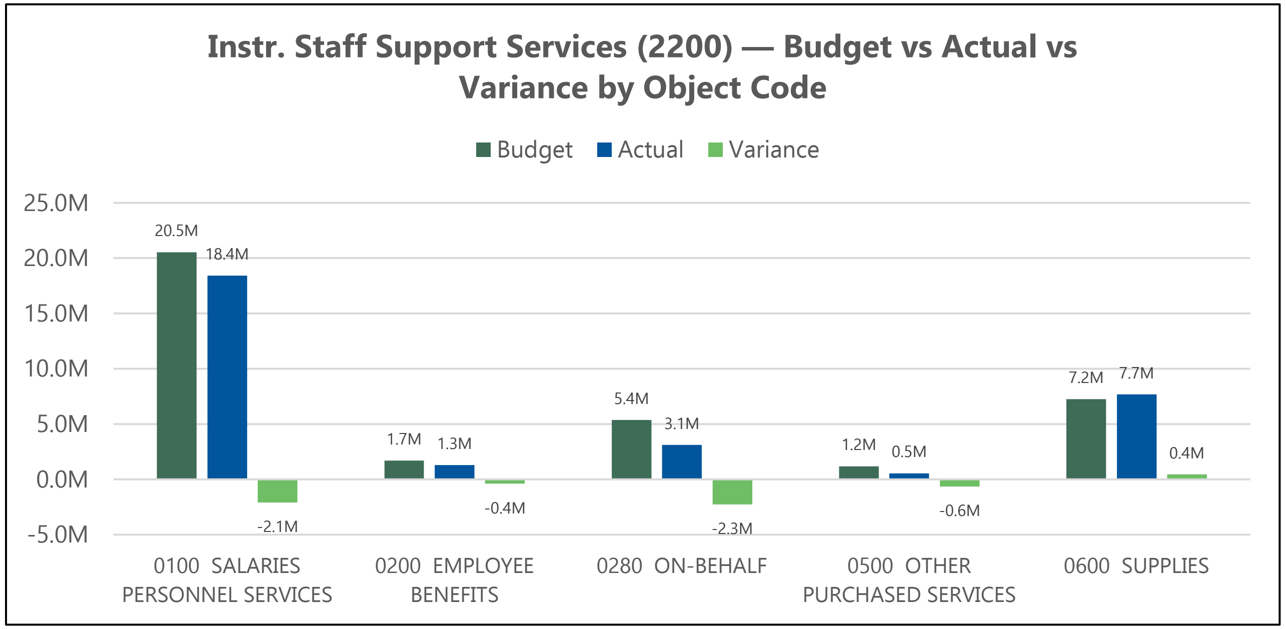
This waterfall chart displays General Fund budget-to-actual variances by **function** code, which shows **why or for what purpose funds** are received or spent. **Starting from Planned Contingency,** each bar represents the variance (Actual − Budget) for that category. Positive bars (increases) indicate favorable variances—revenues exceeding budget or expenditures coming in under budget. Negative bars (decreases) indicate unfavorable variances—revenues below budget or expenditure overruns. The chart traces how these variances accumulate to arrive at the **Ending General Fund Balance.** *See Appendix E for select function code breakdowns by significant object code variance.*

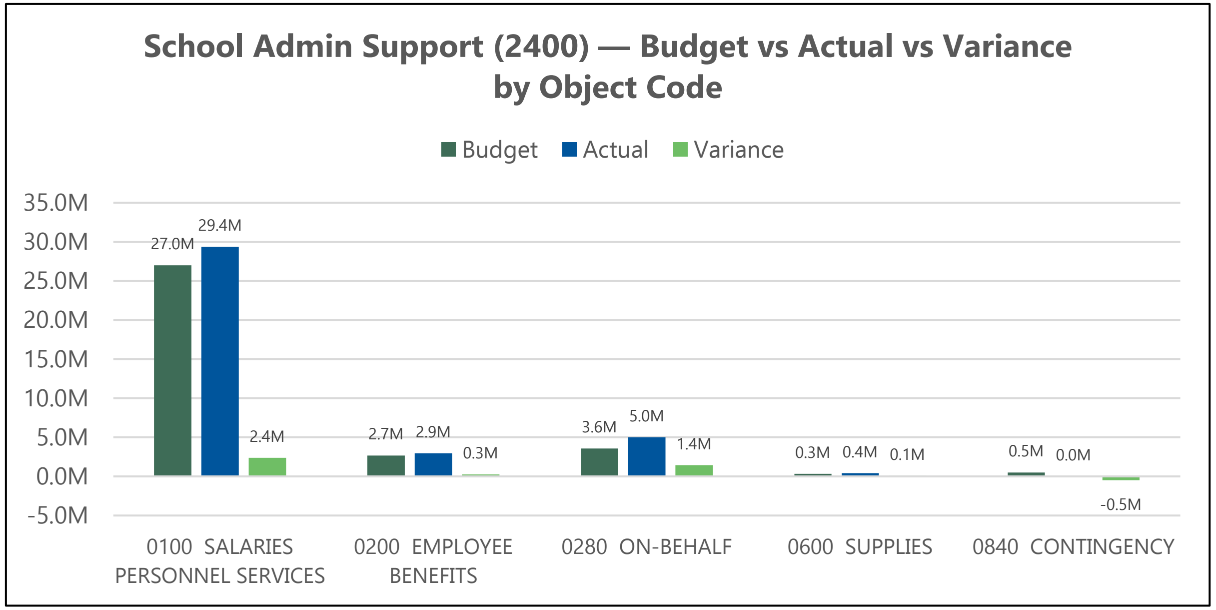


IMPORTANT NOTE: FY2025 actual revenues and expenditures are unaudited and subject to change as the District continues to address identified misstatements.

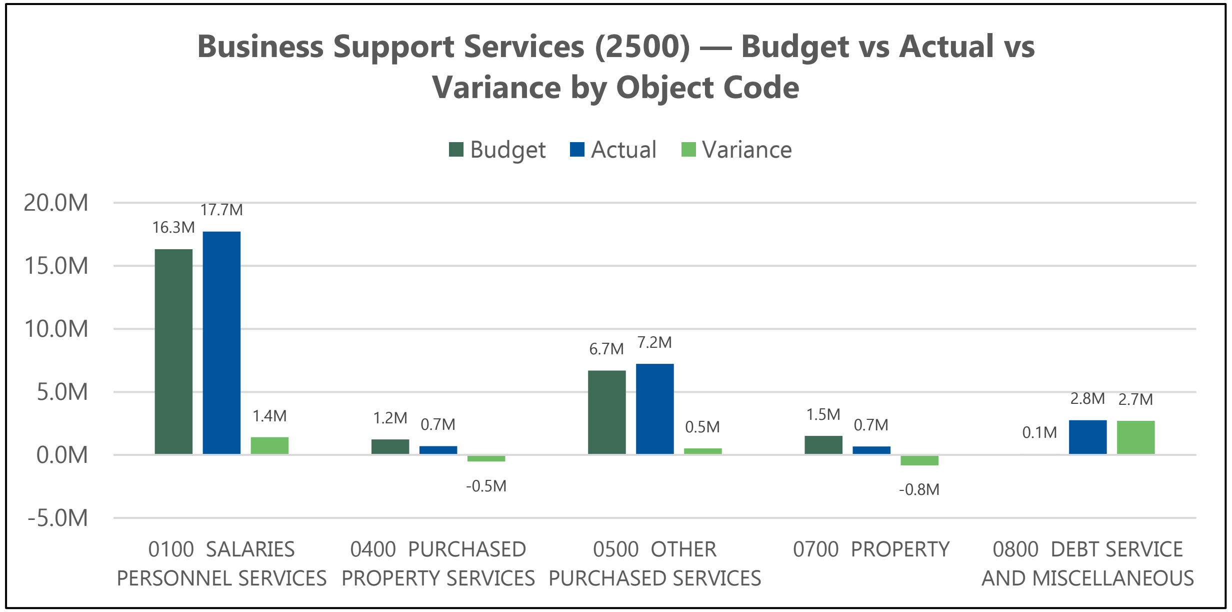
APPENDIX E: Waterfall Analysis Chart – Object Code Breakdown by Function Code

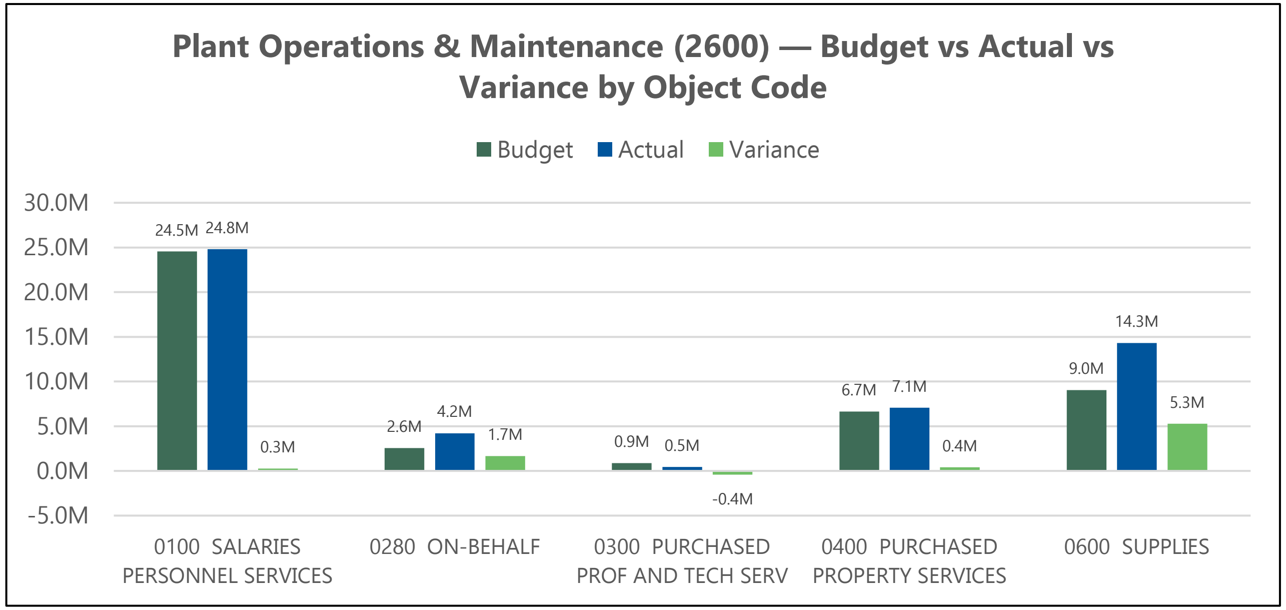


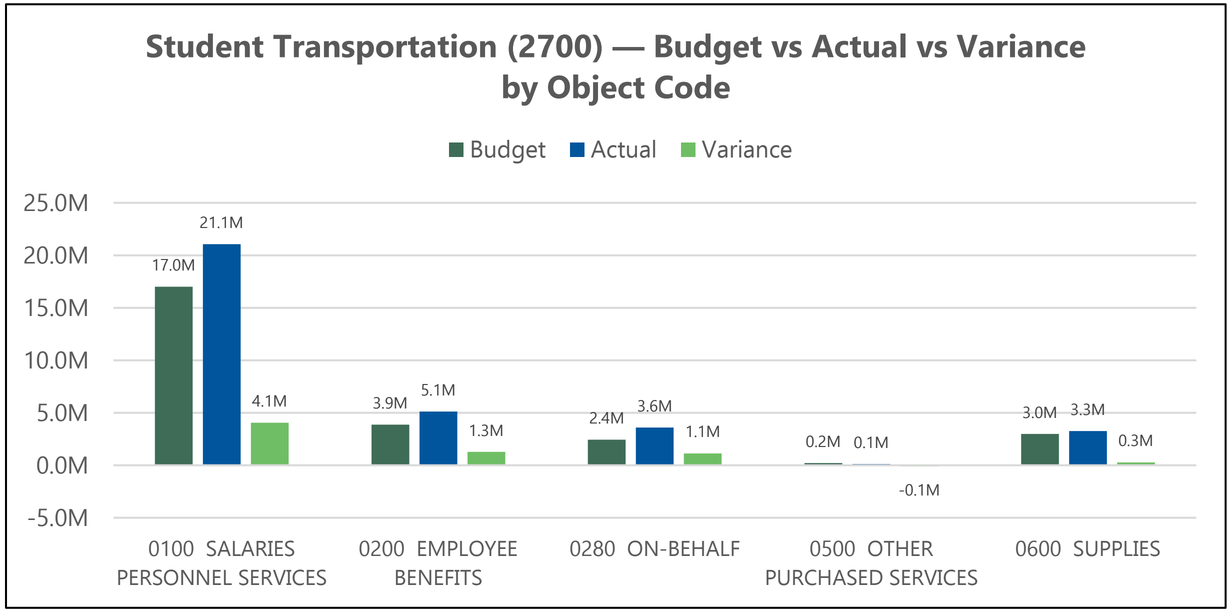




APPENDIX F: Waterfall Analysis Chart – Object Code Breakdown by Function Code Continued







APPENDIX G: FCPS Roles with Concentrated Budget Capabilities as of February 2026

MUNIS ERP Role	Approve	Create	Post	Bypass	Rollup	Projection	View Others	Assigned users
FUNC_BUDGETDEPT	**Yes**	**Yes**	**Yes**	**Always**	**Yes**	**Create/modify/delete**	**Yes**	Budget Analyst III; Staffing & Budget Specialists (4)
FUNC_BUD_DEPT_APPVER	**Yes**	**Yes**	**Yes**	**Override warning**	No	**Create/modify/delete**	**Yes**	Exec Dir Fin Acct & Benefits; Staffing & Budget Specialist
FUNC_BUDGET_ENTRY	No	**Yes**	**Yes**	**Always**	No	View only	**Yes**	Budget Analyst III
FUNC_FIN_SVS_REP	**Yes**	No	**Yes**	Never	No	View only	**Yes**	Exec Dir Fin Acct & Benefits; Tax Collection Assoc Dir; Finance Assoc Dir
FUNC_GEN_ADMN_DIR	**Yes**	No	No	Never	No	**Create/modify**	**Yes**	Deputy Superintendent
FUNC_IAKSS_MANAGER	**Yes**	**Yes**	**Yes**	Never	No	**Create/modify**	No	Broad enabled population
FUNC_MAIN_BOOKKEEPER	No	**Yes**	**Yes**	Never	No	**Create/modify**	No	School main bookkeeper population
FUNC_BOOK_BUD_TRANF / FUNC_BOOK_ONLY	No	**Yes**	**Yes**	Never	No	**Create/modify**	No	Bookkeeper transfer / backup bookkeeper populations

Legend: Red text indicates a higher-risk capability within the role.

APPENDIX H: Users with Broad Budget Authority or Notable Role Combinations as of February 2026

Title	Key roles / access	Role and Access Concern	Risk Level	Munis ERP Budget Permissions Source
Exec Dir Fin Acct & Benefits	**FUNC_BUD_DEPT_APPVER; FUNC_FIN_SVS_REP; FUNC_IAKSS_MANAGER; DATA_FIN_SERV_080; DATA_TAX_074**	Final approver, approval, creation, posting, projection modification/deletion, view-others-amendments, and Financial Services/Tax data access.	High	pp.35,145,257,269,278
Staffing And Budget Specialist	**FUNC_BUD_DEPT_APPVER; FUNC_BUDGETDEPT**	Final approver plus broad Budget Department permissions including approval, creation, posting, bypass, rollup maintenance, and projection modification/deletion.	High	pp.257,267
Budget Analyst III	**FUNC_BUDGETDEPT; FUNC_BUDGET_ENTRY**	Budget Department role plus Budget/GL entry with bypass, creation, approval, posting, and view-others-amendments.	High	pp.261,267
Deputy Superintendent	**FUNC_IAKSS_MANAGER; FUNC_GEN_ADMN_DIR; FUNC_BUD_APPV_GEN_AD; multiple DATA roles**	Broad cross-departmental data footprint combined with functional approval/posting/projection access.	High	pp.5,23,24,35,40,42-47,56-63,138,140,143,145-147,209,270,279
Assoc Dir - Tax Collection	**FUNC_IAKSS_MANAGER; FUNC_FIN_SVS_REP; DATA_TAX_074**	Tax data access combined with approval/posting roles.	High	pp.145,269,278
Associate Director - Finance	**FUNC_FIN_SVS_REP; DATA_FIN_SERV_080**	Financial Services data access combined with Financial Officer Representative approval/posting access.	Moderate	pp.35,269
Dir Of Grant Programming	**FUNC_IAKSS_MANAGER; FUNC_BOOK_BUD_TRANF; grant/title-related roles and DATA roles**	IAKSS Manager authority plus bookkeeper transfer and grant/title-related budget access.	High	pp.5,31,41,48,147,157,211,256,279

APPENDIX I : Object Code Reclassification — Reclassification Detail (Purchase Cards)

Upon review of the KDE Uniform Chart of Accounts, we identified codes in which the current coding presented may be incorrect and additional accuracy checks of the coding for the type of expense incurred should be considered for future applications. Example: Object code 0610 for general supplies was used for hotels booked for travel on a purchase card instead of object code 0586.

Reclassification Detail — Purchase Cards

Object Code	Object Description	Proposed Object Code	Proposed Description	Amount	Consideration
0349	Other Professional Services	**0441 or 0586**	Land or Building Rental / Travel - Hotels	$39,220.00	Accuracy Check
0899	Other Miscellaneous Expenditures	**0616**	Food – Non-Instructional	$32,000.00	Accuracy Check
0441	Land or Building Rental	**0441 or 0586**	Land or Building Rental / Travel - Hotels	$20,362.42	Accuracy Check
0899	Other Miscellaneous Expenditures	**0650**	Supplies – Technology Related	$18,750.00	Accuracy Check
0580	Travel - General	**0895**	Other Student Travel	$17,594.54	Accuracy Check
0899	Other Miscellaneous Expenditures	**0734**	Technology Related Hardware	$16,624.00	Accuracy Check
0338	Registration Fees	**0650 or 0533**	Supplies – Technology Related / On-Line Network Services	$15,000.00	Accuracy Check
0610	General Supplies	**0586**	Travel - Hotels	$12,514.00	Accuracy Check
0610	General Supplies	**0586**	Travel - Hotels	$11,671.92	Accuracy Check
0610	General Supplies	**0586**	Travel - Hotels	$11,120.00	Accuracy Check
0610	General Supplies	**0586**	Travel - Hotels	$10,465.80	Accuracy Check
0610	General Supplies	**0586**	Travel - Hotels	$10,465.80	Accuracy Check
			Total Sampled P-Card Object-Code Exposure	**$215,788.48**	

APPENDIX J: RISK RATINGS

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The area under audit has been assessed from a residual risk level utilizing the following risk management classification system.

High	High risk findings have qualitative factors that include, but are not limited to: • Events that threaten FCPS's achievement of strategic objectives or continued existence • Impact of the finding could be felt outside of FCPS or beyond a single function or department • Potential material impact to operations or FCPS's finances • Remediation requires significant involvement from senior FCPS management
Moderate	Moderate risk findings have qualitative factors that include, but are not limited to: • Events that could threaten financial or operational objectives of FCPS • Impact could be felt outside of FCPS or across more than one function of FCPS • Noticeable and possibly material impact to the operations or finances of FCPS • Remediation efforts that will require the direct involvement of functional leader(s) • May require senior FCPS management to be updated
Low	Low risk findings have qualitative factors that include, but are not limited to: • Events that do not directly threaten FCPS's strategic priorities • Impact is limited to a single function within FCPS • Minimal financial or operational impact to the organization • Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk

Appendix K: Plain-Language Glossary

Everyday definitions for terms used throughout this report.

Term	Plain-language meaning	Term	Plain-language meaning
General Fund	The District's main operating account for day-to-day costs such as salaries, utilities, and supplies.	**Internal controls**	The checks, rules, and activities that keep financial records accurate, complete, and guard against error or misuse.
Contingency / reserve	Money set aside as a cushion for shortfalls or emergencies; state law requires at least 2% and the District targets 6%.	**Segregation of duties**	Splitting tasks so no single person can start, approve, and record the same transaction alone.
Budget amendment	An official change to the approved budget that moves or adds money after it was adopted.	**Reconciliation**	Comparing two sets of records to confirm they match, and resolving any differences.
Inter-fund transfer	Moving money from one District fund into another.	**Audit trail**	The documentation showing who did what, when, and why for a transaction.
Variance (budget-to-actual)	The difference between what was budgeted and what was actually collected or spent.	**P-Card (purchase card)**	A District credit card staff use to buy approved goods and services.
Object code	WHAT the money is spent on — the item or service purchased, such as salaries, benefits, supplies, or travel.	**On-Behalf payments**	State-paid benefits (such as certain retirement costs) recorded in the District's books; they should net to zero.
Function code	WHY the money is spent — the school activity it supports, such as classroom instruction or student transportation.	**Grant spending plan**	A written plan for how grant money will be used within its rules and timeframe.
Chart of Accounts (KDE)	The standard list of codes Kentucky requires districts to use so spending is recorded consistently.	**Forecasting**	Estimating future revenues and costs to build a realistic budget.
Munis (ERP system)	The District's financial software used to enter, approve, and record budget and spending transactions.	**Residual risk**	The risk that remains after existing controls are taken into account.

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Summary of Preliminary Results

Weaver's assessment of Fayette County Public Schools' budget and travel and expense testing identified **six** common themes representing current challenges and opportunities for improvement. These themes reflect the drivers of process gaps, documentation practices, and policy limitations, and provide the basis for a roadmap to strengthen the effectiveness, efficiency, and value of the District's financial operations.

The Core Themes and Corresponding Observations:

DRAFT – FOR DISCUSSION ONLY

1. Supporting Documentation and Audit Trail	*Budget Processes*	*Expenditure Testing*
Key transactions occur **without complete documentation or a verifiable audit trail**. Consistent retention of receipts, approvals, and business purpose is essential.	Budget amendments ($75K–$365K) were not supported by supporting justification or review of current spending prior to approval (A.1); grant spending plans were not provided (A.7).	Reimbursement and P-Card files did not consistently support the business purpose, approval, or amount paid — travel requests lacked evidence of pre-approval, supporting documentation did not reconcile to the expense, and P-Card support was not uploaded timely, with PCR-1 forms incomplete or missing (B.1, C.1).
2. Policies, Procedures, and Internal Controls		
Written policies are frequently **outdated, incomplete, or absent**, leaving rules and thresholds to individual judgment. Formalizing procedures will reduce compliance risk	No controlled process governs budget-entry approval; the Munis workflow was overridden Oct 2023–Aug 2025, (A.1), with no documented forecasting policies or procedures (A.3).	Core travel policies were last revised in 2010–2013 with no evidence of documented periodic review, enforcement relies on permissive "may be denied" language, and key steps are not codified — the P-Card upload deadline, requirement of pre-approval prior to use, and an approved-vendor verification are not required or enforced (C.1, D.1, E.1).
3. Roles, Responsibilities, and Management Review		
Transactions often lack evidence of **independent review, approval, and segregation of duties**. Documented sign-off and role separation will strengthen accountability.	Entry, posting, reconciliation, and oversight are concentrated in a few roles; several MUNIS users hold broad access (A.6) and budget staff both initiated and posted amendments due to ERP workflow bypass (A.1).	Travel reimbursements and P-Card transactions often lacked evidence of independent review and approval — pre-approval was not enforced, payment approval was not documented, monthly statement reviews were late or unsigned, and requestor and budget approver roles overlapped (B.2, C.3).

Summary of Preliminary Results

Core Themes (cont.)

DRAFT – FOR DISCUSSION ONLY

4. Reconciliation and Monitoring	*Budget Processes*	*Expenditure Testing*
Budget performance and card activity lack **routine reconciliation, variance thresholds, and monitoring**, producing a reactive process. Defined monitoring will surface issues proactively.	No formal budget-monitoring framework, documented roles, or variance thresholds exist; changes are identified reactively (A.2)	Variances were not consistently explained or approved, PCR-1 variances went unreconciled, and no reconciliation evidenced cross-matches P-Card charges to reimbursement claims or provides trend monitoring (B.2, C.2, F.1).
5. Coding and Classification Accuracy and Reliability		
Both budgeted and actual revenues and expenditures **contained errors and unsubstantiated entries**, distorting budget-to-actual reporting and effective budget planning. Expenditures are not consistently recorded to the **correct object code**, and coding is not reviewed at approval.	Erroneous and unsupported entries in budgeted and actual revenues and expenditures drove the adjusted 1% General Fund contingency and impaired variance identification and planning (A.4).	A more accurate object code was proposed for 58% of reimbursement samples and 24% of P-card samples, and an accuracy check for the P-Card object codes recorded was proposed for 60% of the samples, which included occurrences in which the object code was changed but undocumented or the support did not agree to the coding recorded (B.2, C.2).
6. Governance, Board Oversight, and Transparency		
The Board and public receive **incomplete, inaccurate, or limited information**, impacting effective oversight and informed decision-making capabilities. Board pre-approval, escalation criteria, and reporting are **inconsistently evidenced**, and high-value items remain uncapped. Delivering **clear, timely, accurate information** will restore transparency and trust.	Budget amendments are not subject to required independent management or Board approval (A.1), the reserve fell below the 2% statutory and 6% policy minimums (A.4), and Board and public reporting was inaccurate—salaries shown at 85% vs. ~61% actual (A.5).	Board pre-approval for travel was not consistently evidenced, no written process verifies Board-approved travel before a P-Card is used, airfare expenses over Board approved estimates are excluded from 10% variance for reimbursements, and current amendment procedures do not follow a formal governance process (E.1, F.1).

Finding A.1: Budget Entries and Workflows — HIGH

Current State

The District does not currently have a consistent or clearly defined process for the review and approval of budget entries, including both initial budget entries and amendments. Specifically, the configured Munis Enterprise Resource Planning (ERP) system workflow for budget amendments and transfers was not enforced from October 9, 2023, through August 21, 2025, which allowed budget department users to route around the configured workflow and self-post budget amendment transactions, including initial budget entries. As a result, the system did not enforce the required approvals for budget amendments during this period.

Additionally, District policies provided do not require amendments or transfers of any amount to be independently reviewed or approved by FCPS management or the Board. Currently, the Budget Planning and Adoption Policy requires transfers within the General Fund in excess of $100,000 between function codes and any budgetary transfers between funds, regardless of dollar amount, to be provided to the Board for informational purposes only. We reviewed the Budget Transfer Reports for November 2025 and February 2026 and verified that the Board was informed of budget transfers as described above, but Board members were not prompted to provide a formal approval.

We reviewed the population of budget entries over FY2025, containing both amendments and initial budget entries, and noted that 94% (17,761 out of 18,712) of budget entries and amendments had the same user ID to both enter and post the entry to Munis. Upon further document review and inquiry from the District, we confirmed that Munis permits the same user to enter and post a budget entry, provided that a separate approver reviews and approves the transaction before it is posted by the original preparer. However, evidence of secondary approval is not evidenced on the ERP Journal Entry Inquiry screen and necessitates additional search efforts into the Munis workflow details, limiting management's ability to effectively and efficiently monitor budget changes (both initial budget entries and amendments) for secondary, independent review and approval.

Budget Amendment – Detailed Review after Bypass Period:

Additionally, as part of our evaluation of the District's end-to-end budget process, we reviewed two FY2026 departmental budget amendments processed after the budget bypass period: one for $75,000 and one for $365,000. The $75,000 amendment was requested by the Special Education Department to increase funding in the M121 budget for contracted services supporting students with disabilities. The $365,000 amendment was requested by the Transportation Department to cover additional diesel fuel costs for the remaining two months of the school year. We noted that neither request included supporting documentation demonstrating the need for the additional funding or evidence that the District evaluated the requesting department's current expenditures and available budget before approving, posting, and notifying the department that the additional funds were available. Further, we also noted that different roles submitted requests for additional budget, where an Executive Director requested additional fund for the Special Education Department, while an Accounts Payable Clerk requested additional funds on behalf of the Transportation Department, indicating inconsistent expectations of the positions authorized to request additional available funds.

Upon our review of the workflow documentation for these two budget amendments (75K and 365K), we noted that the approval workflows were applied inconsistently. Specifically, the workflow for the $365,000 budget amendment included a single level of approval: the amendment was initiated by a Budget Specialist, routed by an ERP Technical Engineer to the CFO, approved by the CFO, and posted by the Budget Specialist. In contrast, the workflow for the $75,000 budget amendment included two levels of approval: the amendment was initiated by a Budget Specialist, approved by a Budget Analyst 3, routed by the Budget Specialist to the CFO, approved by the CFO, and then posted by the Budget Specialist. These differences indicate that workflow routing and approval responsibilities were not applied consistently across budget amendments. Notably, the higher-dollar amendment ($365,000) received fewer levels of review than the lower-dollar amendment ($75,000), suggesting that approval requirements were not commensurate with the materiality of the transaction, reducing consistency and reliability of the budget amendment approval process.

Further, we noted per the workflow documentation that the entries to amend the budgets for the $75,000 and $365,000 additional fund requests both included a credit to the 0120 Certified Substitute expenditure object code for the General Fund, which is an account that is intended to represent amounts paid for compensation paid to a certified personnel who are working as substitutes in in the place of regular District employees. However, we could not obtain documented justification supporting the reasoning behind why a General Fund salary expenditure was decreased (a credit decreases an expenditure) to process budget amendments for additional budget to fund the Special Education and Transportation department.

Impact

When MUNIS workflow is bypassed and policy thresholds do not require or document independent approval, budget amendments can be initiated and posted without a second review. This increases the likelihood that unsupported, erroneous, or unauthorized budget entries—including initial budgets and transfers—will change approved spending authority without timely detection, Board awareness, or a reliable audit trail.

Core Themes Supporting Documentation and Audit Trail | Policies, Procedures, and Internal Controls | Roles, Responsibilities, & Management Review

Budget Processes

Finding A.1: Budget Entries and Workflows — HIGH

Criteria

- COSO Principles 10–12 require control activities, technology controls, and policies/procedures that separate incompatible duties and require approval over system-posted transactions.

Recommended Action Points

1. The District should establish and enforce a consistently controlled, workflow-driven process over the review and approval of all budget entries, including initial budgets, amendments, and transfers, so that no single user can both initiate and post a budget entry without independent review.

2. FCPS should restrict the removal of the "bypass workflow for budget amendment/transfers" permission to a tightly governed administrative function subject to periodic access review.

3. The District should adopt formal, Board-approved budget-amendment and transfer policies that require independent management review and approval of amendments and transfers, with defined dollar thresholds and documentation standards. GFOA's Adopting Financial Policies best practice supports formally adopted, consistently applied policies as the mechanism to institutionalize sound financial management and informed governance; the policy should define who initiates, who independently approves, the supporting documentation required, and the approval hierarchy by dollar threshold. The District should also communicate the policy to all budget users, ensuring practice and policy match.

4. FCPS should institute a periodic (at least annual) review and recertification of Munis budget roles and permissions, with particular attention to override/bypass authority and any user holding incompatible create-approve-post combinations. Periodic access reviews ensure that workflow controls are not re-disabled, that dormant or overly broad roles are removed, and that segregation-of-duties conflicts are identified and remediated on an ongoing basis.

5. The District should require documented justification and evidence of independent review for every departmental budget change request. The District should adopt a standard that no budget change request, regardless of size, is approved without (1) written justification supporting the need for the additional funds and (2) documented evidence that the approver reviewed the requesting department's current expenditures against its available budget to verify that the increase is warranted.

Core Themes Supporting Documentation and Audit Trail | Policies, Procedures, and Internal Controls | Roles, Responsibilities, & Management Review

Finding A.2: Budget Monitoring and Oversight — HIGH

Current State

The District has not established a formal budget monitoring and oversight framework to proactively identify, evaluate, and address budget variances or changes in departmental and school spending. The District's process for monitoring the budget and departmental and school expenditures is primarily reactive and is not supported by documented roles and responsibilities, defined variance thresholds, or evidence of formal management review of budget-to-actual performance.

Specifically, the District has not documented management's responsibilities for budget monitoring, including the frequency of reviews, required procedures, accountability for monitoring budget performance, or criteria for variance escalation protocols, including defining specified personnel to be notified. In addition, the District has not established variance thresholds or other parameters to identify when budget deviations require investigation or corrective action.

Although monthly, quarterly, and biannual budget reports were prepared, the documentation provided did not clearly demonstrate how these reports were used to support internal management decision-making or whether any budget variances were identified, investigated, and resolved. Documentation provided indicates that budget changes are often identified and addressed after departments request additional funding or in response to external concerns. For example, documentation related to a district-wide change in travel spending practices indicated that the initiative was prompted by "community feedback," rather than through a routine budget monitoring process.

Impact

Without assigned monitoring responsibilities, variance thresholds, escalation triggers, or documented review of budget-to-actual reports, overspending and material budget deviations may not be investigated until funding is requested or external concerns arise. This weakens accountability for spending, limits timely corrective action, and reduces the reliability of the budget as a management and oversight tool.

Criteria

- GFOA Budget Monitoring calls for a formal process to compare budget to actual, evaluate trends/service impacts, assign accountability, and share results.
- COSO Principles 16–17 require ongoing evaluations and timely deficiency communication

Recommendation Action Points

1. The District should establish a formal, documented budget monitoring and oversight framework. Adopt a written policy that defines how and when budget-to-actual performance will be reviewed, and assign clear roles, responsibilities, and accountability for monitoring, including who is responsible for preparing, reviewing, and acting on budget reports at the fund, department, and school level.
2. FCPS should define the frequency and cadence of formal management reviews. Specify required review intervals (e.g., monthly, quarterly, biannual) and ensure each cycle results in a documented management review of budget-to-actual performance rather than report preparation alone.
3. FCPS should set variance thresholds and escalation triggers. Establish quantitative and/or percentage variance parameters that define when a budget deviation requires investigation, explanation, and corrective action, and specify the escalation path (management → superintendent → Board) for significant variances.

Core Themes Reconciliation and Monitoring | Policies, Procedures, and Internal Controls | Roles, Responsibilities, & Management Review

Finding A.3: Budget Preparation Framework — HIGH

Current State

The District has not established a comprehensive, documented budgeting preparation framework that defines forecasting methodologies, management oversight, and the use of historical financial information to support the development and review of the annual budget.

The District has limited documented policies, methodologies, and management review governing how budgeted revenues and expenditures are forecasted, projected, and ultimately determined. Specifically, the District's budget policies and procedures do not establish defined methodologies for developing revenue and expenditure projections. For example, policies and procedures provided do not require the use of historical trend analysis, cost-driver analysis, documentation of key assumptions, or revenue forecasting based on local tax-base trends, SEEK funding assumptions, or enrollment projections. The policies also do not provide guidance for addressing uncertainties, such as the timing of tax rate finalization. In addition, there was limited documented evidence demonstrating management review, challenge, or approval of budgeted revenue and expenditure projections during the budget development process.

When documentation supporting the District's use of "predictive analytics" was requested, the information provided consisted primarily of historical budget-to-actual comparisons, which are more consistent with descriptive analytics than predictive forecasting. No evidence was identified of analytical forecasting models, statistical forecasting techniques, or artificial intelligence-based methods used to project future revenues or expenditures. Similarly, budget modeling workbooks contained multiple tabs of historical budget-versus-actual data; however, it was not evident how this information was analyzed or incorporated into future budget projections. For example, the FY26-30 Salary Projection workbook indicated that total salaries for FY2025 were projected at approximately $548,245,557, which is significantly higher than the budgeted Salaries Personnel Services and Employee Benefits budgets combined at $413,955,185 (See Appendix A). Further, projection documentation did not include evidence of who prepared the projection or documented management review, input, or approval of the budget modeling process.

We also could not verify that draft, tentative, or working budget versions were thoroughly reviewed by District management prior to submission to the Board. For example, documentation provided included correspondence between District personnel indicating their approval but did not contain evidence of management comments, markups, questions, or other indications of a thorough review process before Board consideration. While the documentation demonstrated that budgeting questions and status updates were communicated during periodic working sessions between budget specialists and District leadership as budget versions progressed, these communications primarily reflected budget specialists escalating draft budgets and specific budgeting issues, with limited documentation evidencing substantive leadership review or feedback.

For example, during the expenditure estimation process, budget specialists requested management input regarding adjustments to the workers' compensation accrual rate, including questions about the prior methodology and requests to validate estimated calculations. Management's response indicated approval; however, we could not evidence that management independently verified the accuracy of the proposed calculations, reviewed supporting documentation, or confirmed compliance with applicable tax rate requirements, regulations, or relevant best practices.

Further, we could not verify that historical revenue and expenditure actuals were consistently incorporated into subsequent budget development. Our analysis of FY2025 identified several significant variances between budgeted and actual revenues and expenditures (see Appendix A for the variances reviewed). However, we noted that prior-year budgeted amounts were further understated in subsequent budget years despite the existence of significant historical variances, indicating that actual financial results were not consistently factored in to refine future budget estimates. Examples include:

- Actual electricity expenditures for FY2024 were $10.4 million against an authorized budget of $8.5 million. In FY2025, the budget was set at $5 million *(3.5 million lower budget than FY2024),* but actual expenditures climbed to $10.6 million, exceeding the budgeted amount by $5.6 million (see A.4).
- Actual salary and personnel expenditures were approximately $389 million for FY24 against a budget of approximately $377 million. In FY2025, budgeted salaries and personnel expenditures were approximately $375 million *($2 million lower budget than FY2024 budget),* but actual salary and personnel expenditures for FY2025 rose to $395 million, exceeding budget by $20 million (see A.4).

Impact

Absent documented forecasting methods, assumptions, and evidence of management challenge, the District may adopt budgets based on unsupported or inconsistent projections. Material salaries, utilities, revenue, and contingency amounts can be over- or under-budgeted, causing recurring variances and limiting the Board's ability to determine whether the budget is realistic and sustainable.

Core Themes Policies, Procedures, and Internal Controls | Roles, Responsibilities, & Management Review | Governance, Board Oversight, and Transparency

Finding A.3: Budget Preparation Framework

HIGH

Criteria

- GFOA Financial Forecasting recommends forecasting major revenues and expenditures using past, current, and projected conditions over multiple years.
- COSO Principle 13 requires relevant, quality information to support internal control.

Recommendation Action Points

1. The District should adopt a comprehensive, written budget preparation and forecasting framework, establishing formal policies and procedures that define the methodologies used to develop, project, and finalize budgeted revenues and expenditures, along with the roles, review steps, and documentation standards for the annual budget process.
2. FCPS should define required forecasting methodologies and document key assumptions, requiring the use of specific, repeatable techniques, historical trend analysis, cost-driver analysis, and documentation of key assumptions, for each major revenue and expenditure category, along with treatment for uncertainties, such as finalization of the tax rate, tentative vs. final SEEK calculations, and enrollment volatility.
3. FCPS should require documented management review, challenge, and approval of projections by instituting a structured review process in which management independently reviews, questions, and formally approves budgeted revenue and expenditure projections, capturing comments, markups, and validation of key estimates. For technical estimates such as the workers' compensation accrual rate, require evidence that management independently verified the calculations, reviewed supporting documentation, and confirmed compliance with applicable requirements.
4. The District should document evidence of thorough review of draft, tentative, and working budgets before Board submission. Require that each budget version submitted for Board consideration be accompanied by evidence of thorough leadership review, review notes, questions raised and resolved, and formal approval, so the review process is demonstrable and reliable.
5. When using historical actuals to inform future budgets, FCPS should enforce actuals and significant historical variances be analyzed and factored into subsequent budget estimates, rather than carrying prior budgeted amounts forward unchanged or understated in relation to actuals, along with requiring a documented variance root-cause review that feeds the next budget cycle, directly addressing recurring gaps or providing thorough, evidence-based explanations for deviating from actuals.
6. FCPS should consider advancing from historical, descriptive analysis to forward-looking predictive forecasting, adopting genuine predictive forecasting techniques that project what is likely to happen, applying statistical and analytical forecasting methods that translate historical data into forward projections, incorporating trend analysis, economic indicators, and demographic/enrollment shifts.
7. FCPS should consider inputting predictive results into a multi-year long-term financial plan, using the forecasting output as the foundation of a rolling long-term financial plan projecting revenues, expenditures, and external factors at least five years forward, reviewed annually and updated as major assumptions change, giving the Board a proactive, forward-looking basis for evaluating whether the budget is realistic and sustainable.

Core Themes Policies, Procedures, and Internal Controls | Roles, Responsibilities, & Management Review | Governance, Board Oversight, and Transparency

Finding A.4: Accuracy and Reliability of Budgeted and Actual Balances

HIGH

Current State

The District's FY2025 General Fund contingency fell below both the state statutory 2% minimum reserve and the District's 6% contingency minimum threshold established by Administrative Procedure 04.31 AP.21, Specifically, after (unaudited) adjustments were made by the District in June of 2026, the FY2025 ending General Fund balance was approximately $6,902,403, approximately 1% of total General Fund expenditures of $690,460,223. This is below the 2% minimum reserve that Kentucky school districts are legally required to budget, and also below the District's own General Fund Budget Reserves (Contingency) policy, which requires formal Board authorization before the contingency falls below a 6% minimum threshold of total General Fund expenditures.

Multiple erroneous and unsupported entries identified in both budgeted and actual revenues and expenditures contributed to the adjusted 1% contingency amount, indicating that previous budget and actual amounts reported by FCPS had limited accuracy and reliability and impacted the District's ability to meaningfully identify variances and plan for future budgeted amounts. Specifically, we performed a Budget Waterfall Analysis over the General Fund (see Appendix B) and selected several variances that materially contributed (both qualitatively and quantitively) to the ending 1% General Fund balance for additional inquiry and document review procedures with the District. Variances were either selected based on dollar value (3 mil under or over budget), percent variance (50% under or over budget), unusual discrepancies (such as negative revenue), or variances that potentially represented budget and actual entry concerns raised by either District personnel or the public. We identified the root cause for a sample of significant budget to actual variances for FY2025 to be attributable to the following errors and unsupported entries (see Appendix A):

Revenues:

- **Occupational License Tax Actual Variance / Misc. Revenue Budgeted Variance:** We noted that $3.5 million was originally budgeted in Miscellaneous Revenue per the publicly available Working Budget (prior to adjustments made by the District). Additionally, we also noted a single $3.5 million entry recorded as Occupational License Tax revenue and a receivable in the District's financial records. We requested documentation to evidence the existence of this entry given the identical amount; however, no documentation existed to support the recorded amount, nor did any OLT payment received in FY2025 represent $3.5 million. Per discussion with FCPS management, the $3.5 million was an overstated receivable and did not have any supporting documentation to evidence existence and was written off in July 2026. Thus, the OLT actual revenue was overstated in FY2025, as was the Miscellaneous Revenue Budget.
- **Miscellaneous Revenue Variances:** We noted that Miscellaneous Revenue's final budgeted amount after adjustments was $3,908,886, respectively. However, actual amounts for Miscellaneous Revenue were negative at $(2,680,284.50) due to recent restatements made by the District to reverse erroneously recorded additional revenue. Specifically, documentation provided indicated that payments received from schools for interdistrict services provided (receivables) were recorded as additional revenue instead of correctly reversing the receivable. Per discussion with FCPS management, $8 million in interdistrict school receivables spanning FY2019 through FY2024 were written off in July 2026, largely coded to Miscellaneous Revenue or Bus Rental Revenue – *see below*, to correct the error.
- **Bus Rental Revenue Variances:** We also noted that Bus Rental Revenue was budgeted at $1,000,000, respectively. However, actual amounts for Bus Rental Revenue were also negative at $(2,984,949.95) due to the same recent restatements made by the District to reverse erroneously recorded additional revenue. Similar to Miscellaneous Revenue, documentation provided indicated that payments received from schools for interdistrict services provided (receivables) were recorded as additional revenue instead of correctly reversing the receivable. Per discussion with FCPS management, the $8 million in interdistrict school receivables written off spanning FY2019 through FY2024 included erroneous entries to Bus Rental Revenue to correct the error.
- **On-Behalf Payment Variance:** On-Behalf payments (state-paid life insurance, health insurance, Teachers' Retirement System (TRS) matching, and administrative fees) were erroneously budgeted with revenues not equal to expenditures, and actual On-Behalf revenues exceeded actual On-Behalf expenditures by $487,334.57. Because On-Behalf payments should net to zero and not affect the General Fund balance, this discrepancy inaccurately increases the General Fund balance for FY2025.
- **Contributions/Donations Revenue Variance:** We noted that Contributions/Donations revenue was budgeted at $5,000 while the actual amount received was $(2,688). A $2,688 accounts receivable entry from FY2023 was written off as uncollectible in June 2025 after no proof of payment was found. However, due to past practices where various revenues were simply grouped into Miscellaneous Revenue instead of tracking actual donation revenue amounts, FY2025 budgeted revenue stood at zero. Processing the write-off against a zero balance created a negative revenue figure.

Expenditures:

- **Salaries and Personnel Services Variance:** The District was unable to provide an explanation for the Salary and Personnel Services variance exceeding budget by $20,428,927.19.
- **Debt Service and Miscellaneous Expenditure Variance:** Although actual expenditures exceeded budgeted expenditures by approximately $4,999,069, we noted that residual Workers' Compensation accrual entries totaling approximately $617k, which exceeded the amount paid to the state, were erroneously credited to Miscellaneous General Fund expenditures (i.e., decreasing expenditures) instead of being credited back to the original accounts that initially incurred the expense. As a result, General Fund expenditures were understated by the over accrual of Workers' Compensation expenses. Per discussion with FCPS management, the definitive cause of the understatement of budgeted expenditures in relation to actual expenses could not be determined.
- **Supplies Expenditure Variance:** We noted that supplies expenditures exceeded budgeted amount by $6,084,612.51 primarily as a result of electricity expenditures exceeding budgeted in FY 2025, as the budget was set at $5 million, but actual expenditures were $10.6 million. Actual electricity expenditures for FY2024 were approximately $10.4 million, indicating that the electricity expenditure was underbudgeted despite incurring similar actual expenditures over two fiscal years.

IMPORTANT NOTE: FY2025 actual revenues and expenditures are unaudited and subject to change as the District continues to address identified misstatements.

Finding A.4: Accuracy and Reliability of Budgeted and Actual Balances — HIGH

Current State Continued

Further, we could not identify a uniform FCPS Finance or Accounting handbook to guide District staff and board members on how to manage, record, and report the district's financial activities in compliance with state laws, federal requirements, and generally accepted accounting principles (GAAP). Although the District provided several memos to evidence various accounting processes, we could not identify any defined guidance to inform FCPS accounting or budget staff on expected entry and coding practices to ensure transactions are recorded consistently, accurately, and in accordance with applicable financial reporting requirements.

During our review for actual expenditures, we also noted that several expected reconciliations were not listed as a defined activity per the year-end close checklist provided, indicating potential gaps in processes to ensure recorded balances are accurate and complete. Specifically, we noted checklist items that require a "a review of all outstanding current-year invoices for AP and AR; and any unposted budget amendments" but did not indicate a reconciliations for receivables and payables, subledger-to-GL (AP, AR, payroll, fixed assets subledgers agreeing to the GL control accounts), or revenue reconciliations, which may have identified erroneously entered actual entries (such as the double-counting of revenue) or the On-Behalf actual revenues erroneously exceeding expenditures for FY2025.

Impact

Falling below the statutory reserve exposes the District to noncompliance and leaves limited capacity to absorb revenue shortfalls, emergency costs, or timing delays. Unsupported receivables, duplicate or misclassified revenue, and miscoded accruals can overstate or understate the General Fund balance and distort budget-to-actual trends, causing management, the Board, and the public to rely on inaccurate financial information when setting budgets and reserves.

Criteria

- KRS 160.470(6)(a) requires each district board to adopt a tentative working budget that includes a minimum reserve/contingency of 2% of the total budget.
- 702 KAR 3:120 §1 requires KDE's uniform KETS/MUNIS chart of accounts; revenues, receivables, expenditures, and fund balance must be coded consistently and supported.
- GAAP modified-accrual criteria require governmental fund revenues to be recognized only when measurable and available; GFOA Financial Forecasting expects actual results and trends to refine future estimates.

Recommendation Action Points

1. FCPS should restore the General Fund contingency to at least the statutory 2% minimum and pursue the District's own 6% Administrative Procedure 04.31 AP.21 threshold. Specifically, FCPS should develop and adopt a Board-approved reserve replenishment plan that brings the contingency back above the 2% minimum reserve that Kentucky school districts are legally required to budget and then rebuild toward the District's own 6% General Fund Budget Reserves Administrative Procedure 04.31 AP.21 threshold.
2. The District should consider defining a timeline and funding mechanism to replenish reserves once available fund balance falls below the 6% internal minimum in the General Fund Budget Reserves (Contingency) Administrative Procedure 04.31 AP.21, ensuring sufficient reserves are restored to support future financial stability and emergency needs.
3. The District should correct and properly account for On-Behalf payments so they net to zero. The District should ensure On-Behalf payments (state-paid life insurance, health insurance, TRS matching, and administrative fees) are budgeted and recorded with revenues equal to expenditures, eliminating the $487,334.57 discrepancy that is overstating the FY2025 General Fund balance.
4. FCPS should continue to remediate unsupported and misclassified revenue entries and investigate and correct errors as they arise, prioritizing material errors that directly impact the accuracy and reliability of financial reports.
5. FCPS should correct the Workers' Compensation over-accrual and require accruals to be credited back to originating accounts. The residual Workers' Compensation accrual of approximately $617K—credited to Miscellaneous General Fund expenditures rather than the accounts that originally incurred the expense—should be reclassified to the correct accounts so expenditures are not understated, and the District should independently verify accrual calculations against amounts actually paid to the state each year.
6. We recommend the District develop and implement a comprehensive Finance and Accounting Handbook that establishes standardized policies and procedures for financial management, accounting, budgeting, transaction coding, and financial reporting. The handbook should align with applicable state and federal requirements, GAAP, and Kentucky Department of Education guidance, clearly define roles and responsibilities, and be communicated to and periodically updated for all applicable personnel to promote consistent and accurate financial practices.
7. FCPS should expand the year-end close checklist to require all key reconciliations with documented independent review. Beyond reviewing outstanding current-year AP/AR invoices and unposted budget amendments, the checklist should mandate receivables/payables reconciliations, subledger-to-GL reconciliations (AP, AR, payroll, and fixed asset subledgers agreeing to their GL control accounts), and revenue reconciliations to source documentation—each with an assigned preparer, an independent reviewer sign-off, and retained evidence. Revenue reconciliations should specifically confirm On-Behalf payments net to zero (revenues equal expenditures) and that interdistrict/miscellaneous revenue is recorded against the correct receivable rather than double-counted.

Core Themes Coding and Classification Accuracy | Governance, Board Oversight, and Transparency

Finding A.5: Transparency to the Board and Public — HIGH

Current State

Budget information provided to the Board and the public may not always be complete or accompanied by sufficient explanation, which can limit transparency and informed oversight. For example, internal correspondence indicated that variance information for the FY2026 Tentative Budget was to be presented to the Board in **only summary form.** In addition, a Monthly Checkpoint Summary provided to the Board indicated that salaries comprise 85% of the District's General Fund budget, whereas budgeted salaries and benefits after adjustments represented only approximately 61% of the District's budgeted General Fund expenditures.

We requested documentation evidencing **Board communications, such as inquiries to District leadership**, and noted evidence that the Board had previously requested detailed data to understand budget reductions and corresponding amounts; however, we could not verify that the information was provided. Specifically, we noted that budget personnel provided documentation to District Executive leadership and sought further direction on how to fulfill the request, but we could not verify that District leadership responded to either the budget personnel or the Board.

Errors in budget and actual entries (as described in Result A.4) also reduce transparency to the Board and the public because both budgeted and actual financial information provided in monthly Board materials are unreliable. For example, approximately $8 million in inter-district services receivable remained in the District's financial records despite being inaccurate. Specifically, receivables dating back to 2019 were either incorrectly recorded as additional revenue rather than as reversals of the receivable or continued to be reported as receivables in the General Fund even though they no longer met the 60-day availability requirement for recognizing revenue to finance current expenditures. These receivables, along with the related duplicate revenue, were not reportedly written off per FCPS management until July 2026. As a result, the District's financial reports presented to the Board and to the public contained overstated revenue and accounts receivable balances from 2019 through 2026.

Transparency to the public is likewise limited, with **discrepancies between the budget documentation available publicly and the documentation provided by FCPS**. Note K – On-Behalf Payments in the FY25 Annual Audited Financial Report states that On-Behalf Payments are not currently budgeted; however, the District does budget for On-Behalf Payments. Similarly, the Explanation of Significant Budget Variances states that the District implemented new processes and improved use of predictive analytics for future budgeting, yet the use of predictive analytics could not be verified.

Limited transparency was also noted in the reporting of contingency (internal reserve) balances. In addition to the main contingency balance of $43,605,000, **three additional contingency balances were budgeted into Instruction, District Administration Support Services, and School Administration Support Services** for FY2025. The Working Budget available publicly online, however, contains only the main contingency balance of $43,605,000. The three additional contingency balances are either labeled as "Other Uses of Funds" or excluded from the Working Budget altogether, limiting the public's awareness that these funds are also intended to serve as reserves. Each of these three areas — Instruction, District Administration Support Services, and School Administration Support Services — incurred expenditures that exceeded its budgeted amount, indicating that these reserves were fully expended.

Further, significant budget changes between budget versions (draft, tentative, and working) **receive limited or no explanation in public documents** such as the published Tentative and Working Budget Comments available on the District website, making them difficult to interpret. For example, several budgeted expenditure change explanations attributed both increases and decreases to "Department Operating," which is vague, while multiple revenue variances — such as a Miscellaneous Revenue budget decrease of $2,860,981 and an Interest Income budget decrease of $2,800,000 — were provided without any explanation.

Specifically, we noted a significant budget variance for FY2025 for Fund Transfer revenue (See Appendix A), where the actual amount exceeded the final budget by $9,886,524.33. Per discussion with District management, the FCPS Board of Education approved a Capital Funds Request (CFR) under KRS 162.060 and HB 678 to reallocate uncommitted restricted funds toward eligible general fund expenses; however, this **specific CFR was omitted from the initial budget.** We could not locate explanatory information in public budget documentation intended to explain budget changes related to this reallocation.

Core Themes Governance, Board Oversight, and Transparency — Coding and Classification Accuracy

Budget Processes

Finding A.5: Transparency to the Board and Public | **HIGH**

Impact

When budget changes, reserves, CFR-related transfers, and significant variances are presented with vague or inconsistent explanations, the Board cannot readily understand what changed, why it changed, or whether reported information is reliable. This impairs governance over tax, reserve, and spending decisions; limits public accountability for use of funds; and can erode stakeholder trust in the District's financial stewardship.

Criteria

- GFOA budget presentation best practice treats the budget as a policy document, financial plan, operations guide, and communications device
- COSO Principles 14–15 require internal and external communication of quality information.

Recommended Action Points

1. FCPS should establish a standard for complete, accurate, and clearly explained budget information to the Board, adopting a formal policy requiring that all budget materials presented to the Board, variance summaries, checkpoint reports, and tentative/working budget packages, be complete, factually accurate, and accompanied by sufficient explanation to support informed oversight.

2. The District should provide meaningful, specific explanations for significant budget changes and variances in public documents. The published Tentative and Working Budget Comments should explain material changes between budget versions in specific terms rather than vague labels such as "Department Operating," and should ensure significant items are explained *(i.e., such as the $2,860,981 Miscellaneous Revenue decrease and the $2,800,000 Interest Income decrease).*

3. FCPS should disclose all contingency/reserve balances transparently in public budget documents. The District should present the full reserve picture publicly—including the three additional contingency balances budgeted into Instruction, District Administration Support Services, and School Administration Support Services—rather than showing only the main $43,605,000 balance and labeling the others as "Other Uses of Funds" or excluding them. The public should be able to identify all funds intended to serve as reserves.

4. Disclose and explain CFR-related transfers and other major reallocations. The District should ensure significant transfers—such as the FY2025 Fund Transfer revenue that exceeded the final budget by $9,886,524.33 resulting from the Board-approved Capital Funds Request under KRS 162.060 and HB 678—are reflected in the budget and explained in public budget documentation, rather than omitted from the initial budget with no explanatory information.

5. Reconcile Board-facing summaries to the underlying budget. The District should ensure that figures presented to the Board—such as the share of the budget attributed to salaries and benefits—reconcile to the budgeted expenditures they describe and use consistent definitions, so that summary reporting is accurate and can be relied upon.

Core Themes Governance and Transparency Coding and Classification Accuracy

Finding A.6: Segregation of Duties and Concentration of Authority — HIGH

Current State

Multiple key budget and financial users and roles contain permissions that concentrate incompatible activities, including budget amendment creation, approval, posting, override/bypass authority, projection modification/deletion, reducing segregation of duties and independent oversight. Additionally, a single position identified — the Executive Director of Financial Accounting, Budget, and Benefits — oversees financial accounting, budgeting, grants, financial reporting, interfund transfers, and employee benefits, and is responsible for reviewing and reporting budget-to-actual results and variances to the Board while also initiating budget amendments, transfers, or system overrides.

Currently, FCPS uses role-based access to restrict access to authorized users based on their job function. Our review of the MUNIS ERP budget roles and permissions identified multiple users can approve budgets, create and post budget entries, override or bypass workflow controls, modify or delete projections, and view others' amendments as their assigned role allows (see Appendices E and F). These permissions are assigned across positions in finance, budget, tax collection, grant programming, and senior leadership titles. These observations reflect conditions in place at the time of our review, prior to the appointment of new management tasked with strengthening the District's budgetary processes.

For instance, "FUNC_BUDGET_MANAGER" role allowed the Executive Director of Budget and Financial Planning to approve, post, override, and view others' budget amendment activity between 8/29/2023 – 11/13/2025. Additionally, the "FUNC_BUD_DEPT_APPVER" role identified allowed two different users to approve, post, override, and view others' budget amendment activity. Specifically, the Executive Director of Financial Accounting, Budget, and Benefits was assigned this role, along with having "FUNC_FIN_SVS_REP", "FUNC_IAKSS_MANAGER," "DATA_FIN_SERV_080," and "DATA_TAX_074" roles, which culminated in a role and access combination in Munis permitting final budget amendment approver access, budget approval, amendment creation, amendment posting, view of others' amendments, and Financial Services/Tax data access, creating the potential for one individual to initiate, approve, post, and review budget-related transactions within areas under their authority, thereby reducing segregation of duties and increasing the risk that errors, inappropriate transactions, or unauthorized budget modifications may not be prevented or detected in a timely manner.

In addition, the EthicsPoint hotline, intended for anonymous reporting of financial and budget concerns, routes reports directly to the same executive role that oversees these budget and financial functions. Because that role also carries a concentration of incompatible budget and financial responsibilities, directing complaints to it limits the independence of the reporting channel, since concerns may relate to the functions the role oversees.

Impact

When MUNIS roles allow a user or position to create, approve, post, bypass workflow, and then review budget activity, the same authority can both execute and validate transactions. This creates heightened risk of management override, unauthorized amendments, or errors not being detected. Routing EthicsPoint reports to the official overseeing the relevant functions further weakens independence and may discourage employees from reporting budget or financial concerns.

Criteria

- COSO Principles 10–12 require control activities, technology controls, and policies/procedures that separate incompatible duties or establish compensating controls when segregation is not practical.
- COSO Principles 2, 14, and 17 require independent oversight, effective communication channels, and timely communication of control deficiencies; reporting channels should not route concerns solely to an official with authority over the area reported.

Core Themes Roles, Responsibilities, and Management Review | Policies, Procedures, and Internal Controls

Finding A.6: Segregation of Duties and Concentration of Authority | **HIGH**

Recommended Action Points

1. The District should redesign Munis roles to enforce segregation of duties and eliminate incompatible permission combinations and should restructure budget and financial roles so that no single role or user can create, approve, post, bypass workflow, and review the same budget transaction.

2. FCPS should establish ongoing access governance with periodic recertification and monitoring. The District should institute least-privilege provisioning, and at least annual recertification of budget/financial roles—with department director sign-off and monthly monitoring of high-risk permissions and SoD conflicts. Continuous ERP monitoring, automated reconciliations, and regular internal-control review are recommended to keep roles aligned with job functions and prevent controls from silently degrading over time.

3. The District should route EthicsPoint reports to an independent recipient rather than the official overseeing the affected functions. The District should reconfigure the EthicsPoint hotline so that financial, accounting, internal-control, and budget-related concerns are escalated directly to an independent party.

4. FCPS should strengthen the hotline program's independence, anti-retaliation protections, and trust. Beyond re-routing, the District should formalize procedures for the receipt, retention, and impartial investigation of financial concerns, train supervisors to recognize and prevent retaliation, and periodically report complaint themes to the Board or its committee.

Core Themes Roles, Responsibilities, and Management Review | Policies, Procedures, and Internal Controls

Finding A.7: Grant Management Framework — HIGH

Current State

The District has not established or implemented a comprehensive grant management framework to support consistent grant budgeting, monitoring, and accounting for federal, state, and local grants. Specifically, we could not obtain evidence that the District developed grant spending plans for its federal, state, or local grants to guide expenditures in accordance with grant requirements, approved budgets, or applicable spending timeframes. This was inconsistent with the District's documented budget planning process, which publicly indicates that grant spending plans are created and reviewed with grant program managers as part of the annual budget development process.

The District also did not demonstrate a formal grant monitoring framework. Although the District Grant Accounting Handbook recommends that a year-to-date budget report be generated weekly, this activity is not required, and management could not provide evidence that it was performed consistently. We observed email communications between grant and budget personnel discussing the status of grant expenditures; however, these communications appeared to be ad hoc and did not evidence a standardized process for monitoring grant spending across all federal, state, and local grants.

In addition, documentation provided by the District indicated uncertainty regarding grant setup and fund coding within the Munis ERP system. Specifically, personnel responsible for establishing grants requested guidance from District leadership regarding the appropriate accounting treatment. Leadership responded that grants with financial or programmatic reporting requirements should be recorded in Fund 2 (Special Revenue Fund), while grants without such reporting requirements should be recorded elsewhere. However, management did not provide documented accounting criteria or decision-making guidance identifying the appropriate fund classifications or coding requirements. As a result, personnel lacked sufficient guidance to consistently establish and code grants in accordance with applicable governmental accounting and grant management practices. For example, the Kentucky Department of Education defines Special Revenue Funds as funds used to account for specific revenue sources that are legally restricted or committed by external parties, legislation, or board action for specified purposes other than debt service or capital projects. Grants should be accounted for within the Special Revenue Fund only when they meet these criteria.

Additionally, during our review of journal entries supporting the General Fund Waterfall Analysis, we identified multiple journal entries during FY2025 described as "grant cleanup" entries. These entries used the General Fund Miscellaneous Expenditure account (0899) as the offset to adjust balances within the Special Revenue Fund. District management stated that the purpose of these entries was to balance revenues and expenditures within the Special Revenue Fund. Because these entries were recorded to achieve balanced fund activity rather than to reflect the underlying economic transactions, the resulting budget-to-actual information for the Special Revenue Fund may not accurately represent grant activity. Consequently, the reliability of financial information used to monitor grant expenditures to total available budgets is limited.

Impact

Without a comprehensive grant management framework, the District has limited assurance that grant funds are planned, monitored, accounted for, and reported in accordance with applicable grant requirements and governmental accounting standards. The absence of documented spending plans and standardized monitoring processes increases the risk that grant expenditures are not aligned with approved budgets, grant objectives, or spending deadlines, which could result in unspent funds, questioned costs, noncompliance with grant requirements, or the loss of future funding opportunities. In addition, inconsistent accounting practices and unsupported journal entries reduce the reliability of budget-to-actual reporting and management's ability to make informed decisions.

Core Themes Reconciliation and Monitoring | Coding and Classification Accuracy | Policies, Procedures, and Internal Controls

Finding A.7: Grant Management Framework	HIGH

Criteria

- 702 KAR 3:130 (Internal accounting / "Redbook") and 702 KAR 3:120 (Uniform school financial accounting system) — require established internal controls and a uniform, controlled accounting environment for the recording of financial transactions.
- 2 CFR 200.303 (Internal controls over federal awards) — requires effective internal control over federal grant funds, including controls over budget entries affecting grant accounts.
- Best practice (GFOA / COSO): segregation of duties and independent review/approval of journal and budget entries, with system workflows that prevent a single user from both initiating and posting a transaction.

Recommended Action Points

We recommend the District establish and implement a comprehensive grant management framework governing the planning, monitoring, accounting, and reporting of all federal, state, and local grants. The framework should include:

- Required development of documented grant spending plans for all local, state, and federal grants that align to grant budgets, allowable costs, program objectives, and expenditure timelines.
- Formal grant monitoring procedures, including required budget-to-actual reviews, documented review frequencies, variance analysis, and defined management oversight responsibilities.
- Written accounting policies and procedures for grant fund classification, project coding, and account structure that are consistent with Kentucky Department of Education guidance and applicable governmental accounting standards.
- Periodic reviews of grant accounting activity to verify the accuracy of grant expenditures and fund balances and to ensure journal entries are appropriately supported, documented, and recorded based on the underlying transaction rather than for balancing purposes.
- Clearly defined roles, responsibilities, and training for personnel involved in grant administration, budgeting, and accounting to promote consistent application of grant management requirements across the District.

Core Themes Governance and Transparency | Coding and Classification Accuracy | Policies, Procedures, and Internal Controls

Finding B.1 - Reimbursements, Documentation and Audit Trail

HIGH

Finding

Reimbursement documentation does not consistently support the business purpose, approval, or amount paid, with inconsistencies spanning the full documentation trail — prior approval, supporting evidence, and completeness review. A completed Professional Leave/Substitute Request Form evidencing pre-approval and an explanation/justification for travel was not identified in 32 of 34 travel-related samples, and supporting documentation did not reconcile to the expense for 28 of 50 travel and mileage samples. For seven of 50 samples the reimbursement documentation was incomplete. Although not currently stated as a submission requirement, the Employee Reimbursement Checklist (FY24 and forward) was missing or unsigned in 26 of 29 (90%) samples. Without consistently implemented controls, the District cannot demonstrate that a reimbursement was authorized in advance, supported by evidence that reconciles to the amount paid, and reviewed for completeness before payment.

Evidence	Result
Travel request not approved before travel	**32 of 34 (94%), $50,404**
Support could not be reconciled	**28 of 50 (56%), $46,677**
Reimbursement documentation incomplete	**7 of 50 (14%), $10,151**
Checklist missing or unsigned	**26 of 29 (90%), $30,919**

Why it Matters

Undocumented, unapproved travel exposes the District to unallowable, unbudgeted, and inaccurately recorded spending.

Impact

Without a required, signed documentation package, FCPS cannot consistently verify that travel was approved, allowable, properly supported, and paid for the correct amount.

Root Cause

No enforced pre-approval workflow and no required, standardized documentation checklist — an Employee Reimbursement Checklist exists but is not mandated in the handbook, so forms and support are not consistently completed, signed, or retained.

Recommendation

- Document, retain, and enforce completion and approval of the Professional Leave/Substitute Request Form before travel, including a detailed explanation/justification for the travel;
- mandate a standardized, signed Employee Reimbursement Checklist (including Field Trips) in the handbook and return or deny reimbursements submitted incomplete or unsigned;
- reconcile supporting documentation to each expense before payment and compare with board-approved budgets for accuracy;
- and assign ownership for verifying and retaining the signed documentation package, with periodic monitoring for exceptions.
- Additionally, we recommend that the Mileage Allowance Voucher form is updated to include justifications and explanations for the mileage claimed, such as whether non-FCPS locations or FCPS locations.

Criteria

- Travel Handbook, Sec. II (FY23 p.4–5): professional leave requires prior Board approval and a completed Request Form before travel; NOTE 3: unauthorized expenses may be denied and held personally liable.
- Sec. III (FY23 p.7, p.9): original receipts required (except meals); the reimbursement form must be complete or the reimbursement is denied.
- Mileage requires a MapQuest printout and Mileage Allowance Form; field trips require the listed supporting documentation (Sec. V).
- Employee Reimbursement Checklist (added FY24 p.17 / FY25 p.18): incomplete documentation is returned unpaid; not required or signed in FY23.

Core Themes Supporting Documentation and Audit Trail | Roles, Responsibilities, and Management Review | Policies, Procedures, and Internal Controls

Finding B.2 - Reimbursements, Approval, and Review

HIGH

Finding

Reimbursement approval and review controls do not consistently confirm authorization or resolve variances. Weaknesses run across the back-end review chain — supervisory approval, variance justification, and Board-approval evidence. Across a sample of 50 files: payment review was undocumented in 1 file (2%), variances were unexplained in 10 files (20%), and Board-approved limits were not evidenced or were exceeded in 8 files (16%, $30,165). As a result, the District cannot consistently show that reimbursements were reviewed and authorized and that variances were justified against approved limits.

Evidence	Result
Payment review/approval not documented	**1 of 50 (2%), $2.76**
Variances not explained or documented	**10 of 50 (20%), $5,112**
Board approval not evidenced or exceeded	**8 of 50 (16%), $30,165**
More appropriate object code proposed	**29 of 50 (58%), $28,445**

Why it Matters

Without enforced approval and variance controls, the District can pay unauthorized or excess amounts and misreport expenditures.

Impact

Weak approval and variance controls allow payments without documented review and amounts that exceed or diverge from Board-approved limits which may reduce budget-to-actual reporting accuracy.

Root Cause

Approvals and variance resolution are not verified at a defined control point consistently: reimbursement approval is not documented on the form, adjustments are made without a revised form or PO, and Board-approval evidence is not retained or reconciled.

Recommendation

- All payments for reimbursement should be reviewed and approved, with the approval(s) documented on the Request for Reimbursement form.
- Before reimbursement, document supervisory approval on each reimbursement form, require written justification and a revised PO for any variance, and retain and reconcile Board-approval evidence to approved limits along with all supporting expense documentation for the approved travel (including P-cards support).
- Hold or deny payment where required approval, justification, or Board-approval evidence is missing, and assign ownership for these checks with periodic monitoring of exceptions.

Criteria

- Travel Handbook, Sec. II (FY23 p.6, p.10): the traveler's supervisor must approve each reimbursement; administrators may not approve their own, and approval must be documented on the Request for Reimbursement Form before disbursement.
- Sec. III (FY23 p.7): reimbursement is allowed only for board-approved leave and must not exceed 10% of the estimated amount (flights excepted); Financial Accounting may require written justification for variances.
- Sec. II NOTE 1 (FY23 p.4): overnight professional leave requires prior Board approval, with all anticipated expenses listed on the Request Form; field trips must be board-approved (Sec. V).

Core Themes Roles, Responsibilities, and Management Review | Supporting Documentation and Audit Trail | Coding and Classification Accuracy and Reliability

Purchase Cards (P-Cards)

Finding C.1 - Purchase Cards, Documentation and Audit Trail — HIGH

Finding

Purchase Card (P-Card) transaction files do not consistently provide a complete audit trail from request to Purchase Statement Review to supporting documentation. P-Card testing shows the supporting documentation is not consistently completed. Based on the documentation reviewed, for nine of 25 samples, we were unable to verify that the documentation supported the expense and for all 25 samples we were unable to verify that the required documentation for expenses was uploaded to MUNIS by the 10th of the month. Additionally, the PCR-1 form was incomplete or missing for six of 25 samples. PCR-1 description fields did not consistently and clearly indicate the business purpose of the expense.

Evidence	Result
MUNIS documentation not uploaded by the 10th	**25 of 25 (100%), $443,192**
Could not verify documentation supported expense	**9 of 25 (36%), $198,406**
PCR-1 form incomplete or not identified	**6 of 25 (24%), $77,143**

Why it Matters

Without supporting expense documentation submitted timely and incomplete expense information, P-Card spending cannot be traced, reconciled, or substantiated, exposing the District to unsupported or unallowable charges.

Impact

Incomplete, untraceable expenses impair timely review and reconciliation, weaken the audit trail, and increase the risk of unsupported or misstated P-Card charges.

Root Cause

No enforced upload-deadline, monthly reconciliation and uploads are not completed timely, and PCR-1 details are not verified for accuracy before approval.

Recommendation

- Clearly notate the required elements for monthly reconciliation and approval by P-card holders – including dated sign-off by the 10th of the month,
- require detailed invoices and receipts that substantiate every charge, and
- confirm a complete and accurate PCR-1 is included with an accurate business purpose and that other form details are recorded that agree to the supporting documentation prior to the cardholder's approval.
- Treat late or incomplete files as policy violations, and assign ownership for verifying each file with periodic monitoring of exceptions.

Criteria

- Procurement Card Procedures Guide (Procedure 1.0), 1.0.6: attach supporting documentation, sign the statement of account, and remit to the P-Card Administrator by the established deadline (p.8); 1.0.7: late remittance is a violation.
- Key Points item 17.d sets the by-the-10th-of-the-month cutoff; the Procedures Guide should be updated to codify this timeframe.
- Documentation uploaded must support the expense (invoices, receipts, order/registration forms, affidavits, agendas), with reconciliation confirming support agrees to the recorded charge.
- A complete PCR-1 Form, including a clear business purpose and order totals, is required for each transaction so amounts, returns, and refunds reconcile.

Core Themes Supporting Documentation and Audit Trail | Policies, Procedures, and Internal Controls | Reconciliation and Monitoring

Purchase Cards (P-Cards)

Finding C.2 - P-Cards, Coding and Reconciliation — HIGH

Finding
P-Card coding and reconciliation controls do not consistently verify that recorded expenses agree to support and are classified accurately according to KDE Chart of Accounts. P-Card testing shows recorded expenses are not consistently reconciled or correctly coded. The object code did not agree to, or could not be verified against, the expense in 18 of 25 samples. Object codes listed on the MUNIS Purchase Card Statements (part of the P-card holder's review) did not agree to the object code associated with the sample from the system, and in some cases the code was changed from the Purchase Statement object code to another on the MUNIS expenses without documentation. Additionally, a variance between the credit limit, support, or purchase card statement and the PCR-1 was identified in nine of 25 samples. Lastly, Purchase Card Statement reviews took place beyond the established 10-day expectation for 11 of 25 samples.

Evidence	Result
Object code did not agree to the statement	**18 of 25 (68%), $302,847**
Variance vs. PCR-1 (limit, support, statement)	**9 of 25 (36%), $124,825**
Late P-Card statement review	**11 of 25 (44%), $186,208**

Why it Matters
When object codes and reconciliations are not verified and/or performed untimely, recorded P-Card expenses can be misclassified, unsupported, or untimely, distorting budget-to-actual reporting.

Impact
Misstated coding, untimely, and unreconciled variances distort budget-to-actual reporting and reduce confidence that recorded amounts and classifications are accurate.

Root Cause
Reconciliation does not confirm the recorded object code agrees to the P-Card statement and the KDE Chart of Accounts, variances are not identified and resolved between supporting documents, and required Purchase Card Statement review timing requirements are not consistently performed.

Recommendation
- Add a reconciliation step that confirms the object code agrees to the purchase card statement and the KDE Chart of Accounts based on the type of expense,
- document and approve any code changes, and
- consider the development of a checklist to help ensure that documentation requirements are complete and accurate.
- Cardholder expectations should be reinforced to ensure that required monthly reviews are completed by the 10th of each month as evidenced by dated sign-off.

Criteria
- KDE Uniform Chart of Accounts governs correct, verifiable object-code classification

Core Themes Supporting Documentation and Audit Trail | Coding and Classification Accuracy and Reliability | Reconciliation and Monitoring

Finding C.3 - P-Cards, Authorization and Review

HIGH

Finding

P-Card authorization controls do not consistently evidence Board/committee approval, approved credit limit authority and/or changes, or timely monthly Cardholder statement of account review. For 14 of 25 samples, evidence of the Board or committee's approval was not evidenced prior to travel or software/subscription purchases. For 12 of 25 samples, the Cardholder Agreement did not include the requested credit limit established. Additionally, for 11 of 25 samples the expense could not be verified to be within the cardholder's credit limit. Lastly, we also identified two exceptions related to change-request accuracy, two exceptions related to statement-review signatures evidence, and one exception in which the expense charge exceeded the documented limit.

Evidence	Result
Board/committee approval not evidenced	**14 of 25 (56%), $269,116**
Expense not verified within card limit	**11 of 25 (44%), $207,217**
Request agreement did not evidence limit	**12 of 25 (48%), $216,365**
Change request approved with wrong-year date	**2 of 25 (8%), $26,793**
Statement review signature not evidenced	**2 of 25 (8%), $25,495**
Charges exceeded the credit limit	**1 of 25 (4%), $52,673**

Why it Matters

Without evidenced approval, verifiable limits, and evidence of cardholders' signed monthly reviews, P-Card spending can occur outside authorized authority and go undetected.

Impact

Purchases may occur without required approval or above authorized limits, and monthly cardholder reviews may go unevidenced, weakening credit-limit and approval controls.

Root Cause

Currently, there is no written Board/committee approval-verification step performed to verify that required approvals are obtained, an annual cardholder limit review is not documented, established credit limit documentation and change requests/approvals are not consistently retained in cardholder files, and monthly cardholder statement reviews are not consistently signed and dated.

Recommendation

- Establish a written Board/committee approval-verification process to verify that required approvals are obtained prior to travel or software/subscription purchases,
- clearly document dollar thresholds for approved credit limit levels,
- perform and document an annual cardholder limit review with applicable change requests and approvals to verify accurate limits are maintained,
- retain approved credit limits documentation and change requests/approvals in each cardholder file,
- the change request form's single "reason request denied" section should be split into distinct approval and denied sections to clearly indicate notes and instructions based on the decision,
- provide instructions to the cardholder requestor on which credit level and how much credit to request (or require additional support for the final limit established), since holders complete the form on their own,
- include the current credit limit along with the remaining credit and the requested increase to verify the increase is reasonable, and
- require a dated signature evidencing monthly cardholder statement review performance.

Criteria

- Board-approved travel is required to use the P-Card, but no written verification process confirms Board approval; a verification step should be codified in the Procedures Guide.
- P-Card Administrator statement (06/23/2026) sets card-level limits (Level 1 $10K, Level 2 $15K, Level 3 $60K); limits and change approvals should be retained on the signed request agreement and reviewed annually.
- Statement of Account must be signed (1.0.6); a dated signature evidencing monthly review should be required, and change requests must be completed, approved, and signed with accurate dates.
- Expenses must be within the cardholder's limit and authority; any limit increase must be documented and approved before charges are incurred.

Core Themes

Roles, Responsibilities, and Management Review

Policies, Procedures, and Internal Controls

Governance, Board Oversight, and Transparency

Finding D.1 - Vendor Allowability Verification

MEDIUM

Finding

Vendor allowability is not consistently verified before P-Card purchase. According to the Procurement Procedures Guide only vendors approved by the Executive Director of Financial Accounting & Benefit Services will be paid via P-Card. In four of 25 sampled transactions (16%, $54,568.30), vendors were not identified on the District's approved vendor listing in MUNIS. Procedures confirming approved-vendor status does not appear to be a requirement and is not an enforced step at either the point of purchase or during the cardholder's monthly reconciliation.

Evidence	Result
Vendor not on the allowable vendor listing	**4 of 25 (16%), $54,568**

Why it Matters

Buying from unapproved vendors exposes the District to unallowable or non-compliant spending that bypasses procurement controls.

Impact

Purchases from unapproved vendors increase the risk of unallowable or non-compliant spending and reduces control over which vendors the District transacts with.

Root Cause

Allowable-vendor status is not verified during the purchase and cardholder reconciliation process, and no enforced check confirms a vendor is approved before the P-Card transaction occurs.

Recommendation

- Cardholders should verify allowable-vendor status before each purchase and again during the monthly cardholder review.
- Additionally, the Procurement Card Administrator reconciliation should include a review of the allowable-vendor status and confirm vendors are approved by the Executive Director of Financial Accounting and Benefit Services, as evidenced in the vendor listing in MUNIS.

Criteria

- Procurement Card Procedures Guide (1.0.0 - Purpose): only vendors approved by the Executive Director of Financial Accounting and Benefit Services will be paid via P-Card
- Procurement Card Procedures Guide (1.0.3 - Purchase Restrictions): bid-vendor restrictions also apply, for example the District beverage contract.

Core Themes Policies, Procedures, and Internal Controls | Roles, Responsibilities, and Management Review

Finding E.1 - Travel Policy and Board Approval Governance

HIGH

Finding

Travel governance controls are not operating consistently across policy maintenance, approval documentation, and expenditure authorization. Travel policies were last revised between 2010 and 2013 with no documented evidence of the required periodic review. Additionally, Board pre-approval for travel was not consistently evidenced in supporting documentation, and the District has not established a written process to verify Board-approved travel before a P-Card is used according to management. As a result, the District cannot consistently demonstrate that travel policies are current or that required travel approvals are appropriately documented and verified prior to expenditure.

Evidence	Result
Travel policies last revised 2010-2013	**No on-cadence review**
Per-trip Board pre-approval	**Not consistently evidenced**
P-Card Board-approval verification	**No written process**
Board-approval exceptions in testing	**Reimbursements: 8 of 50, $30,165** **P-Cards: 14 of 25, $269,116**

Why it Matters

Outdated policies and unverified Board approval indicate travel controls may not reflect current requirements or demonstrate required authorization.

Impact

The District cannot demonstrate that travel policies are current or that required Board approval occurred, undermining mandated governance controls.

Root Cause

Policies are not maintained on the required annual-amendment cadence, Board pre-approval evidence is not consistently retained with the support, and no written step links a travel P-Card charge to the Board approval record. These governance gaps are an upstream cause of the Board-approval exceptions surfaced in reimbursement and P-Card testing (B.2 and C.3).

Recommendation

- Review and refresh travel policies on the required annual cadence with evidence of review documented including details such as version number, changes made, date and name of preparer, and final Board approval/re-approval date,
- retain per-trip Board pre-approval evidence with the support for field trips (Extended Field Trip Request Form), and
- establish a written process to verify evidence of Board-approved travel before the P-Card is used.

Criteria

- Policy 01.5 (Updating): policies are kept current through annual amendments filed by August 15, establishing the review-cadence baseline.
- Policy 09.36 and Form 09.36 AP.21 - Field Trips: prior Board approval is required for overnight, out-of-state or international, and common-carrier trips, evidenced by a per-trip request placed on the Board agenda.
- Policy 04.3111: travel reimbursement request forms and prior Board approval required as supporting documentation for payment.

Core Themes

Policies, Procedures, and Internal Controls

Governance, Board Oversight, and Transparency

Control Design

Finding F.1 - Reimbursement & P-Card Control Design

MEDIUM

Finding

The controls that prevent improper travel, reimbursement, and P-Card spending are well designed, but they operate as three separate systems rather than one connected process. Current practices do not appear to reconcile the areas against each other in which duplicate or noncompliant payments can go undetected, problems are caught only one transaction at a time, and procedures are updated separately without a shared record or formal sign-off. During testing we also identified two samples in which the Requestor signed off as the Grant Manager on their Request For Professional Leave Reimbursement form, however, a supervisor's signature was evidenced. Lastly, the Professional Leave & Travel Procedure Handbook excludes airfare from the established 10% variance threshold for reimbursement.

Control Area	Design Rating
Authorization & documentation	**Strong**
Segregation of duties; limits	**Adequate**
Monitoring & policy governance	**Needs enhancement**

Why it Matters

Without integrated detective monitoring, established segregation of duties and variance thresholds, duplicate reimbursements, unsupported or noncompliant expenses, and amendments/changes can go undetected after preventive approvals occur.

Impact

Increased risk for duplicate reimbursements, inconsistent enforcement, unsupported or noncompliant expenditures, limited visibility into recurring exceptions, self-approved budget verification, undetected airfare variances, and undocumented amendments.

Root Cause

Procedures appear to be transaction focused for employee use rather than an integrated control framework spanning travel, reimbursements, and P-Cards, and no single owner is assigned for cross-document reconciliation and program-level monitoring. Additionally, procedures do not follow a formal governance structure for amendment, airfares do not have variance thresholds established, and requestors can sign off as the grant manager for reimbursement requests.

Recommendation

- Establish coordinated, program-wide detective monitoring — periodic P-Card-to-reimbursement reconciliation plus program-level exception reporting with an assigned owner and defined escalation thresholds;
- maintain a formal policy-alignment crosswalk between the Travel Handbook and P-Card guidance by expense type;
- formalize procedure change-control with version numbers, effective dates, amendment logs, and Board re-ratification criteria for material changes;
- consider the requirement of a secondary sign-off for grant managers who are requesting their own reimbursement;
- implement a variance threshold for airfare and/or a required approval with explanation for changes that occur.

Criteria

- NOTE 3 and FY23 Step 6 (FY24; FY25): unauthorized expenses 'may be' denied and the budget manager may also be the principal/director, creating discretionary, after-the-fact enforcement.
- FY23 p.7 and P-Card Guide 1.0.1/1.0.6: a traveler is ineligible if the P-Card was charged for the same expense, but no cross-matching reconciliation or program-level monitoring is described.
- FY23 p.7 and p.3 (FY24; FY25): the 10% variance ceiling excludes airfare, and amendments are permitted with no version control, amendment log, or Board re-approval.

Core Themes

Policies, Procedures, and Internal Controls

Reconciliation and Monitoring

Roles, Responsibilities, and Management Review