

Internal Audit Summary

Annual Engagement Follow-up Report

Submitted by:

John LeMaster, Internal Auditor
May R. Porter, Director of Internal Audit
Report Issue Date: September 17, 2025

Table of Contents

Scope and Purpose	2
Methodology	2
Report Format	3
Conclusion	3
Section I: Issues Reviewed at Fiscal-year End 2025 (By Engagement)	4
Section II: Summary of Active Issues	17
Appendix A: High Risk Issues Outstanding Over Three Years	18

Scope and Purpose

This report details the status of corrective actions related to engagements previously performed by the Jefferson County Public School (JCPS) Internal Audit department. As of the 2025 Fiscal Year's end, there were 41 outstanding issues, and 33 corrective actions associated with previous engagements. Some issues were counted more than once if there were two or more associated actions. Internal Audit followed up on each of the actions with the respective JCPS area(s).

The purpose of performing engagement follow-up is to determine the status of corrective actions. Not only is this an effective governance and risk management practice, but it is also required in Internal Audit's Board-approved Charter and the Institute of Internal Auditors (IIA) Global Internal Audit Standards.

IIA Standard 15.2 Confirming the Implementation of Recommendations or Action Plans
Internal Auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes:

- *Inquiring about progress on the implementation.*
- *Performing follow-up assessments using a risk-based approach.*
- *Updating the status of management's actions in a tracking system.*

The extent of these procedures must consider the significance of the finding. If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the issue with the chief audit executive. The chief audit executive is responsible for determining whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance.

Methodology






Internal Audit notified applicable division chiefs, executive administrators, and staff regarding the initiation of the 2025 Annual Engagement Follow-up process. We collaborated with the process owners identified by the chiefs and / or administrators as being responsible for implementation of the corrective actions to determine the status, including, but not limited to, implementation and effectiveness. Some key points to consider are as follows:

- For many of the JCPS areas, we provide advice and guidance as actions are implemented. The issuance of a report is not the end of our relationship with the divisions and departments.
- Many of the issues are not easily correctible and / or necessarily controlled by the departments. Therefore, some actions may take longer to implement.
- In some cases, departments will assume the risk of doing nothing rather than trying to mitigate it. This may be a sound approach, especially if the benefits of the actions do not outweigh the costs.
- In some cases, the action may not have fully addressed the risk(s) associated with the issue. This requires future re-evaluation(s) of the action with the department to determine what steps can be taken to address the risk(s) identified.

- Issues identified in Information Technology engagements are not included in this report due to the security sensitivity of the information. Arrangements to review the status of actions related to these issues can be made by contacting JCPS Internal Audit.

Report Format

The report contains two sections. In the first section, issues reviewed by Internal Audit at the end of the 2025 Fiscal Year are reported. Issues reviewed are categorized by the status of the related corrective actions as follows:

 Complete	The issue has been remediated. The implemented action plan has been reviewed and approved for closure.
 Complete Pending Review	The district area has fully implemented the action plan. Internal Audit has not verified the plan's implementation and / or effectiveness.
 In-Process	Management has determined the action plan, and the district area is working to address the issue.
 Open	Implementation of action plan has not been started.
 Closed	The district area has evaluated the recommended action plan, and no further action is intended. The area assumes the risk(s) associated with the issue.

This section is sorted by division, and then alphabetically by the engagement. For conciseness, only the original issues are noted, details of the current actions are not. This information may be provided upon request.

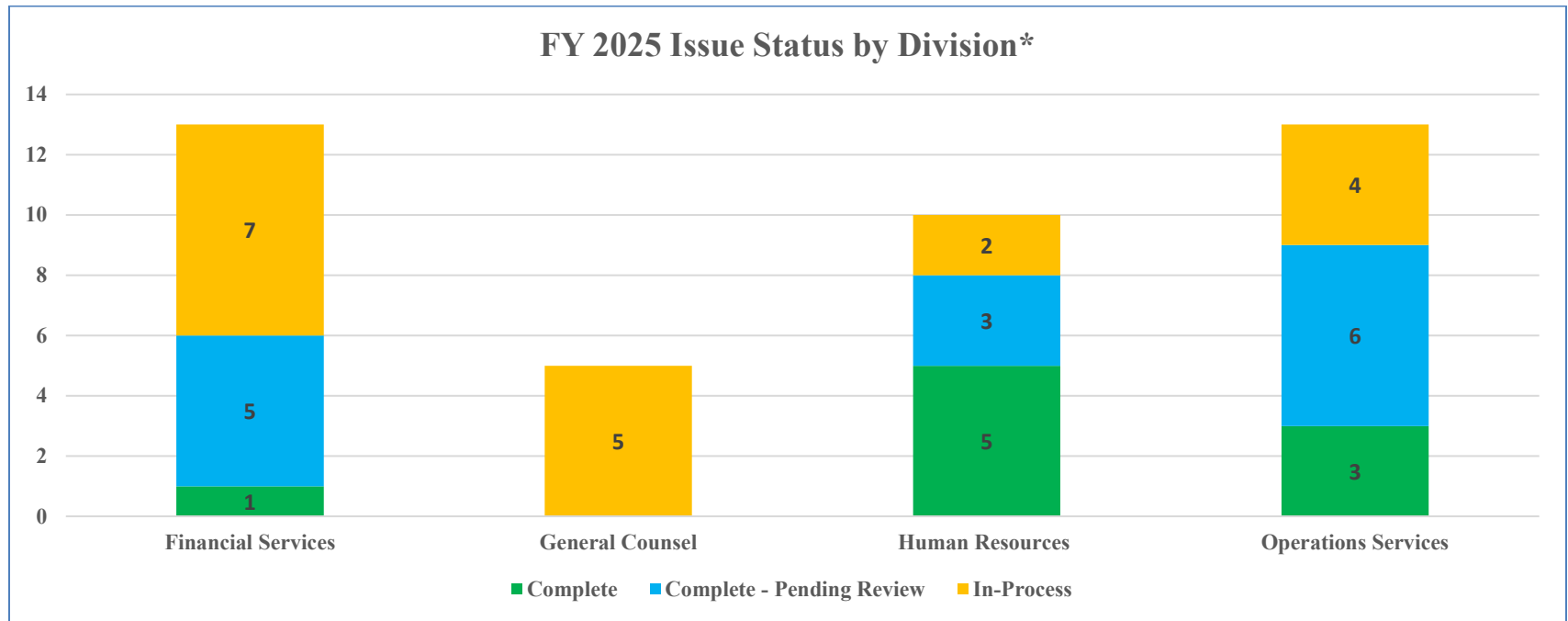
In the second section, a summary of all active issues per division is presented. These issues will be reviewed during the next follow-up review.

Conclusion

There has been progress in addressing issues through the implementation of corrective actions. Applicable division chiefs, executive administrators, and staff continue to work hard to implement corrective actions for remaining outstanding issues. We commend these teams for their efforts.

Annual Engagement Follow-up Report
Section I: Issues Reviewed at Fiscal-year End 2025 (By Engagement)

The chart below shows the status of issues reviewed at Fiscal-year End 2025 during the engagement follow-up process. A description of each issue status follows: **Complete** – The implemented action plan(s) has been reviewed and approved for closure; **Complete – Pending Review** – The district area has fully implemented the action plan(s); Internal Audit has not verified the plan’s implementation and / or effectiveness; **In-Process** – Management has determined the action plan(s), and the district area is working to address the issue; **Open** – Implementation of the action plan has not been started; **Closed** – The district area has evaluated the recommended action plan(s), and no further action is intended; the area assumes the risk(s) associated with the issue. Issues with a status of “Complete – Pending Review”, “In-Process”, or “Open” will be revisited during a future engagement follow-up.



*Issues may be counted more than once if there are two or more associated corrective actions.

Details of Section I of the Engagement Follow-up Report begin on the following page. The results are presented alphabetically by Division. Each issue may be associated with more than one corrective action.

Project	Page Number
Financial Services – Grants Management Internal Audit	6
Financial Services – Purchasing Process Administration Review	7
Financial Services – Travel & Expense Review	8
General Counsel – Contract Administration Process Improvement Project	9
Human Resources – Board Policy 05.10 Contractor Background Check Process Audit	10
Human Resources – Substitute Usage Process Improvement Review	12
Operations Services – Board Policy 05.10 Contractor Background Check Process Audit	13
Operations Services – Building Modification Process Improvement Review	14
Operations Services – Electrical License Usage Audit	15
Operations Services – Inventory Process Review	16

Financial Services Division – Grants Management Internal Audit Report Date: September 28, 2023*				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
An unallowable expense per the Kentucky Department of Education's (KDE) funding matrix was added to MUNIS for a KDE grant. There was no documentation available to note KDE's approval of the code or a corresponding update to the funding matrix. A formal process does not exist to document those instances where KDE has approved codes that are not listed on the original funding matrix.	1	Grants & Awards	Complete (1)	N/A
Reviews / approvals for several key tasks / reports are not formally documented, dated, and retained in many cases. A formal process is not in place requiring documentation of reviews of key reports with approval signoff and date retained.	1	Grants & Awards	Complete – Pending Review (1)	N/A
The Grants Department does not use grant status reports or online data from grantors (funding agencies) to perform a reconciliation of amounts noted in MUNIS for all grants. A formal reconciliation process for all grants has not been created / documented and adapted into official policies and procedures.	1	Grants & Awards	Complete – Pending Review (1)	N/A
The roles, responsibilities, and key activities / tasks have not been formally documented and adapted into formal policies and procedures.	1	Grants & Awards	In-Process (1)	5/31/2026

*The issues were originally identified during the 2023 engagement. Because a significant amount of time has passed since that review, the exact circumstances or risk level may have changed. However, the related corrective actions remain outstanding, so the original issues are presented here to maintain continuity and ensure completion is tracked.

Financial Services Division – Purchasing Process Administration Review Report Date: October 31, 2021*				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
School bookkeepers and other similar personnel can generally enter and submit requisitions without the necessary supervisor's approval documented. A formal requirement to document evidence of the cost-center head's review and approval does not exist.	1	Purchasing	In-Process (1)	10/30/2025
The Purchasing Department's reviews are not documented on a consistent basis. A formal requirement to include evidence of substantiation for each request in the System of Record does not exist.	1	Purchasing	In-Process (1)	10/15/2025
Required vendor documentation used to substantiate purchasing requests is not readily available or is unavailable and often manually stored in locations across the district. A central repository that stores all supporting documentation does not exist.	1	Purchasing	Complete – Pending Review (1)	N/A
Undesignated / unauthorized approvers were found to have executed unique agreements on behalf of the Board of Education. Some service agreements, documented on non-standard contracts, were not reviewed by the General Counsel's Office and Superintendent / Board, and were not prepared and reviewed by the appropriate parties. A formal policy and procedure containing a listing of authorized approvers for required vendor documentation does not exist.	1	Purchasing	In-Process (1)	10/15/2025
Required model procurement documentation for validation of purchases is not centralized and consistently available. A formal requirement to include cost center support in substantiation of each request at the time of requisition issuance does not exist.	1	Purchasing	Complete – Pending Review (1)	N/A
Requisitions are not formally monitored and tracked up to completion by the Purchasing Department. A formal tracking requirement is not in place to ensure the completeness and timeliness of requisitions entered in MUNIS.	1	Purchasing	Complete – Pending Review (1)	N/A

* The issues were originally identified during the 2021 engagement. Because a significant amount of time has passed since that review, the exact circumstances or risk level may have changed. However, the related corrective actions remain outstanding, so the original issues are presented here to maintain continuity and ensure completion is tracked.

Financial Services Division – Travel & Expense Review Report Date: November 3, 2023*				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
Ineffective / inefficient Finance review processes allow required authorizations to be inconsistently documented. Formal guidelines need to be revised to provide greater clarity for requestors; further automation leads to better consistency and accuracy and reduces the burden on Finance.	1	Accounting Services / Grants & Awards	In-Process (1)	7/1/2025
Reimbursement requests are not prepared and submitted by requestors and approvers in a consistent manner. Formal district guidelines need to be revised to provide greater clarity for requestors; further automation leads to better consistency and accuracy and reduces the burden on Finance.	1	Accounting Services / Grants & Awards	In-Process (1)	7/1/2025
Required supporting information / documentation for reimbursement requests is not consistently maintained in the System of Record by Finance. Formal departmental procedures do not exist; further automation can better inform travelers of what required and reduces the burden on Finance.	1	Accounting Services / Grants & Awards	In-Process (1)	7/1/2025

* The issues were originally identified during the 2023 engagement. Because a significant amount of time has passed since that review, the exact circumstances or risk level may have changed. However, the related corrective actions remain outstanding, so the original issues are presented here to maintain continuity and ensure completion is tracked.

General Counsel's Office – Contract Administration Process Improvement Project Report Date: January 28, 2022*				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
Uncertainty exists throughout the district as to when a contract is required. The current, informal practice is based on dollar thresholds and not the provision of professional services. Formal procedural guidance and district training for the process are not available.	1	General Counsel	In-Process (1)	9/15/2025
The contract administration process does not align with the best practices. The burden for ensuring a contract is complete and accurate resides in the General Counsel's Office and Information Technology areas, which creates delays as they are not the subject matter experts for the service being purchased. Purchasing's noninvolvement at process inception causes inefficiencies. A formal evaluation and alignment of roles in the process was not performed.	1	General Counsel	In-Process (1)	9/15/2025
Contracts must go through a series of reviews and revisions that require input from multiple parties across the district. These processes are manual and require substantial two-way communication between the General Counsel's Office and divisions, departments, and schools rendering the overall process inefficient.	1	General Counsel	In-Process (1)	9/15/2025
Software approvals require a great deal of coordination and information from the vendor to determine what information will be collected and ensure all PPI is properly protected. The current process involves decentralized outreach, manual handoffs, and numerous follow-ups. A workflow that centralizes and automates the requests, reviews, and follow-ups throughout the software approval process lifecycle is not in place.	1	General Counsel	In-Process (1)	9/15/2025
Current contract templates are insufficiently designed to capture all necessary information. An electronic form that gathers specific information about the service to be provided does not exist, and a unique contract template for software vendors does not exist.	1	General Counsel	In-Process (1)	9/15/2025

* The issues were originally identified during the 2022 engagement. Because a significant amount of time has passed since that review, the exact circumstances or risk level may have changed. However, the related corrective actions remain outstanding, so the original issues are presented here to maintain continuity and ensure completion is tracked.

Human Resources Division – Board Policy 05.10 Contractor Background Check Process Audit				
Report Date: November 25, 2024				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
In accordance with Board Policy 5.1, the district performs background checks for the employees of contractor(s) and subcontractor(s) who work on a District construction site instead of either requiring the vendor / contractor to perform background checks or outsourcing to a third-party service provider. The policy does not specifically state that the district is responsible for performing the background checks. This lack of clarity leaves the district vulnerable to incurring unnecessary costs and risks that could potentially be mitigated by transferring the responsibility to contractors or using a third-party service provider.	1	Human Resources Division	Complete (1)	N/A
Out of thirty-seven contractor employees selected for testing, documentation for thirty-four (92%) could not be located. This documentation should include a completed application, photo ID, criminal background check, and drug screen results. During the transfer of responsibility for background checks to Human Resources, some physical documents were relocated. It is unclear whether all relevant documents were successfully transferred. Additionally, documents still retained by the previous process owner are disorganized, which complicates efforts to retrieve the necessary paperwork.	1	Human Resources Division	Complete (1)	N/A
Contractor employees that work on a district construction site but have not had a background check may not be detected. Human Resources does not receive information about employees that have worked on a construction site after the initial background checks have been completed. There is not an explicit requirement for contractors to inform the district of the employees that have worked on a construction site. Additionally, there is not a defined process to ensure that all applicable contractor employees that work on a construction site have had a background check.	1	Human Resources Division	Complete (1)	N/A
Contractor employees' criminal backgrounds may change during a construction contract without the district being notified. Although the executed contracts include a clause requiring background checks, they do not specifically require contractors to attest that they have continuously	1	Human Resources Division	Complete (1)	N/A

monitored employees' criminal statuses. Furthermore, the District's current practice is to re-screen after a break in service (e.g., upon completion of a contract before starting a new one), which increases the likelihood of inconsistent and potentially prolonged periods between background checks.				
Eight out of twenty-eight (29%) contractors did not have an E-Verify Memorandum of Understanding (MOU) on file, as required per the Contractor Background Check Procedure. Appropriate identification and follow-up procedures for outstanding E-Verify MOUs were not in place.	1	Human Resources Division	Complete (1)	N/A

Human Resources Division – Substitute Usage Process Improvement Review Report Date: April 22, 2024				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
There is a lack of administrator awareness and understanding regarding the process for assigning substitute teachers. There is not a defined and documented formal communication and training process for the requirement that substitute teachers be assigned in Absence Management.	1	Substitute Center	In-Process (1)	8/1/2025
There were instances of noncompliance with the district's required process for temporarily assigning duties related to certified teaching absences and vacancies. There is not a defined and documented formal review process for identifying and addressing instances of noncompliance.	1	Substitute Center	In-Process (1)	TBD*
Schools do not consistently collect the Absence Management job confirmation number from substitutes when the substitutes report to work. There is no defined and documented method for enforcing the requirement that substitutes have their Absence Management confirmation numbers when reporting to their assignments.	1	Substitute Center	Complete – Pending Review (1)	N/A
Schools do not consistently use the Absence Management Substitute Sign-In Report. There is no requirement to use the Substitute Sign-In Report.	1	Substitute Center	Complete – Pending Review (1)	N/A
Schools do not consistently provide a payroll receipt with the Absence Management job confirmation number to substitutes at the end of the workday or work period. There is no defined and documented method for enforcing the requirement that payroll receipts are obtained when the assignments are complete.	1	Substitute Center	Complete – Pending Review (1)	N/A

*Human Resources could not estimate an implementation date; the implementation date is to be determined (TBD). Human Resources is currently working with Information Technology to test and formulate a review process. Internal Audit will perform follow-up this fiscal year.

Operations Services Division – Board Policy 05.10 Contractor Background Check Process Audit Report Date: November 25, 2024				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
Out of thirty-seven contractor employees selected for testing, documentation for thirty-four (92%) could not be located. This documentation should include a completed application, photo ID, criminal background check, and drug screen results. During the transfer of responsibility for background checks to Human Resources, some physical documents were relocated. It is unclear whether all relevant documents were successfully transferred. Additionally, documents still retained by the previous process owner are disorganized, which complicates efforts to retrieve the necessary paperwork.	1	Facility Planning	Complete (1)	N/A
Contractor employees that work on a district construction site but have not had a background check may not be detected. Human Resources does not receive information about employees that have worked on a construction site after the initial background checks have been completed. There is not an explicit requirement for contractors to inform the district of the employees that have worked on a construction site. Additionally, there is not a defined process to ensure that all applicable contractor employees that work on a construction site have had a background check.	1	Facility Planning	Complete (1)	N/A
Eight out of twenty-eight (29%) contractors did not have an E-Verify Memorandum of Understanding (MOU) on file, as required per the Contractor Background Check Procedure. Appropriate identification and follow-up procedures for outstanding E-Verify MOUs were not in place.	1	Facility Planning	Complete (1)	N/A

Operations Services Division – Building Modification Process Improvement Review Report Date: November 30, 2022*				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
Modification requests must go through a series of manual processes for reviews for validity, feasibility, cost, and conformance with safety and regulatory requirements. The processes are siloed, inefficient, and cross-communication does not always occur timely and / or effectively. A formal, automated process has not been established.	1	Operations Services Division	In-Process (1)	10/1/2025
Most district personnel are not familiar with the modification process, its requirements, the typical duration and potential cost of common requests, and various responsibilities. There are no established criteria that differentiate a modification from a repair. Formal guidelines for the modification process are not available.	1	Operations Services Division	In-Process (1)	10/1/2025
Each request lacks an initial scope increasing the risk the project will become highly inefficient and / or untenable after extended periods of time. Divisional and district-wide personnel roles in the process have not been evaluated and are not clearly defined, including for a qualified individual to evaluate the scope of certain projects prior to initiation.	1	Operations Services Division	In-Process (1)	10/1/2025

* The issues were originally identified during the 2022 engagement. Because a significant amount of time has passed since that review, the exact circumstances or risk level may have changed. However, the related corrective actions remain outstanding, so the original issues are presented here to maintain continuity and ensure completion is tracked.

Operations Services Division – Electrical License Usage Audit Report Date: December 20, 2024				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In-Process or Open</i>
Electrical projects initiated outside of the IIQ system are more likely to have incomplete or missing documentation. There is a lack of awareness of the requirement to use IIQ to request, both routine and emergency, electrical maintenance service. Additionally, there is a lack of formal procedures to provide guidance on how to make a request.	3	Renovations	Complete – Pending Review (3)	N/A
Out of fifteen electrical projects selected for testing, four appeared to be noncompliant with staffing and supervising regulations. Documented guidelines and procedures for consistently documenting all labor, hours, and project details completely and accurately do not exist.	1	Renovations	Complete – Pending Review (1)	N/A
The Electrical Maintenance area has historically relied on the institutional knowledge of its employees. Management has proactively established processes for increased effectiveness and consistency. However, the processes and practices have not been formally documented and adapted into official policies and procedures.	1	Renovations	Complete – Pending Review (1)	N/A
Technicians may inadvertently perform work that is prohibited by state and local regulations. Technicians are assigned tasks based on their perceived level of expertise by licensed electricians. Documented formal guidance, including but not limited to a listing of prohibited solo tasks, does not exist.	1	Renovations	Complete – Pending Review (1)	N/A
Lock-out / tag-out safety training is not mandatory for electrical employees. Additionally, guidelines for the timing of initial training and frequency of periodic refresher courses have not been developed. There is no coordination to ensure relevant personnel have mandatory periodic training for safety and compliance with applicable standards.	1	Renovations	Complete – Pending Review (1)	N/A
Progression of electrical technicians from one level to the next is automatic and based solely on the number of years employed instead of demonstrated expertise. There is a lack of collaboration between Renovations and HR. HR does not consult Renovations to assess a technician's expertise prior to advancement.	1	Renovations	In-Process (1)	7/1/2025

Operations Services Division – Inventory Process Review Report Date: August 31, 2022*				
Issue	Number of Corrective Actions	Department	Status	Revised Implementation Date <i>*If status is In- Process or Open</i>
Inventories in the Edison and Munis systems are not continuously reconciled and updated, increasing the risk of inaccurate / incomplete records for financial reporting. A formal, documented process requiring regular and frequent reconciliations and updates between the systems has not been established.	1	Nutrition Services	Complete – Pending Review (1)	N/A

* The issues were originally identified during the 2022 engagement. Because a significant amount of time has passed since that review, the exact circumstances or risk level may have changed. However, the related corrective actions remain outstanding, so the original issues are presented here to maintain continuity and ensure completion is tracked.

Engagement Follow-up Report
Section II: Summary of Active Issues

The chart below displays the count of active issues per division and engagement area / process. Active issues consist of all issues, including those reviewed at 2025 Fiscal Year-end, that have not reached a “Completed” or “Closed” status per assessment by Internal Audit. Active issues will be reviewed during future engagement follow-up.

Division & Related Area / Process	Complete – Pending Review	In-Process
Financial Services – 12 Issues with 10 Corrective Actions		
Employee Travel Expenditures		3
Grants Management	2	1
District Purchasing	3	3
General Counsel – 5 Issues with 1 Corrective Action		
Contract Administration		5
Human Resources – 5 Issues with 3 Corrective Actions		
Substitute Center	3	2
Operations Services – 10 Issues with 14 Corrective Actions		
Building Modifications		3
Electrical Renovations / Repairs	5	1
Nutrition Services	1	
Total Active Issues – 32 Issues with 28 Corrective Actions	14	18

Appendix A: High Risk Issues Outstanding Over Three Years

The issues listed in Appendix A were originally identified during engagements completed more than three years ago and remain open as of the end of FY 2025. Because of the amount of time since those engagements, the exact circumstances or risk levels may have changed; however, corrective actions are still in progress, and Internal Audit continues to monitor them. These items are highlighted here for awareness because they are rated as higher risk and have been outstanding for an extended period. Responsible leaders have committed to corrective action, and no additional escalation or board intervention is requested at this time. Internal Audit will continue to follow up until closure and report progress in future follow-up cycles.

High Risk Issues Outstanding Over Three Years				
Issue	Department	Status	Original Report Date	Revised Implementation Date
School bookkeepers and other similar personnel can generally enter and submit requisitions without the necessary supervisor's approval documented. A formal requirement to document evidence of the cost-center head's review and approval does not exist.	Purchasing	In-Process	10/31/2021	10/30/2025
The Purchasing Department's reviews are not documented on a consistent basis. A formal requirement to include evidence of substantiation for each request in the System of Record does not exist.	Purchasing	In-Process	10/31/2021	10/15/2025
Undesignated / unauthorized approvers were found to have executed unique agreements on behalf of the Board of Education. Some service agreements, documented on non-standard contracts, were not reviewed by the General Counsel's Office and Superintendent / Board, and were not prepared and reviewed by the appropriate parties. A formal policy and procedure containing a listing of authorized approvers for required vendor documentation does not exist.	Purchasing	In-Process	10/31/2021	10/15/2025
Uncertainty exists throughout the district as to when a contract is required. The current, informal practice is based on dollar thresholds and not the provision of professional services. Formal procedural guidance and district training for the process are not available.	General Counsel	In-Process	1/28/2022	9/15/2025
The contract administration process does not align with the best practices in other organizations. The burden for ensuring a contract is complete and accurate resides in the General Counsel's Office and Information Technology areas, which creates delays as they are not the subject matter experts for the service being purchased. Purchasing's noninvolvement at process inception causes inefficiencies. A formal evaluation and alignment of roles in the process was not performed.	General Counsel	In-Process	1/28/2022	9/15/2025

Contracts must go through a series of reviews and revisions that require input from multiple parties across the district. These processes are manual and require substantial two-way communication between the General Counsel's Office and divisions, departments, and schools rendering the overall process inefficient.	General Counsel	In-Process	1/28/2022	9/15/2025
--	-----------------	------------	-----------	-----------