

Administrative Offices

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June 24, 2014

Honorable Adam Edelen
Auditor of Public Accounts
209 St. Clair Street
Frankfort, KY 40601-1817

Re: JCPS Update on Implementation of the State Auditor's Recommendations

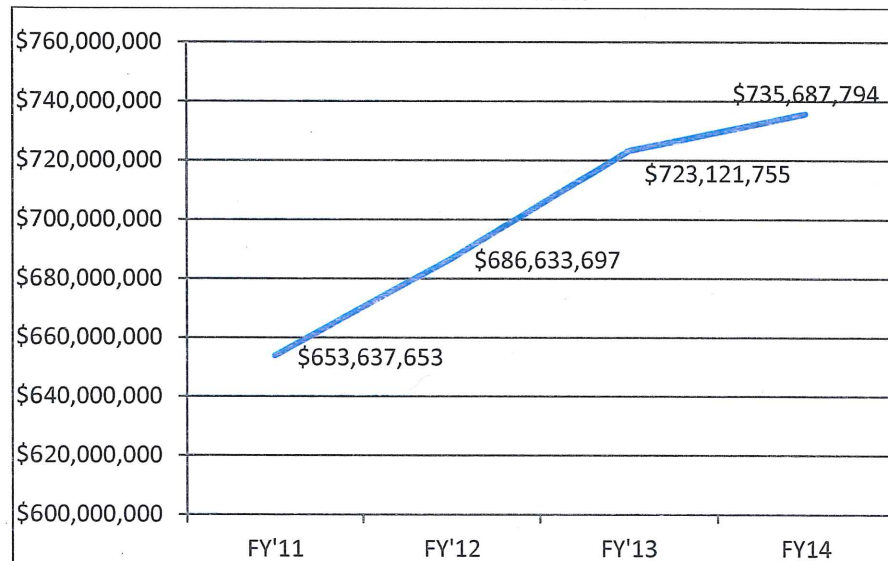
Dear Mr. Edelen:

The Jefferson County Board of Education (JCBE) is submitting this correspondence to provide an update on our progress and a response to the recommendations provided in the Management Performance Review of Certain Policies, Procedures, Controls, and Financial Activity of the Jefferson County Public School (JCPS) District.

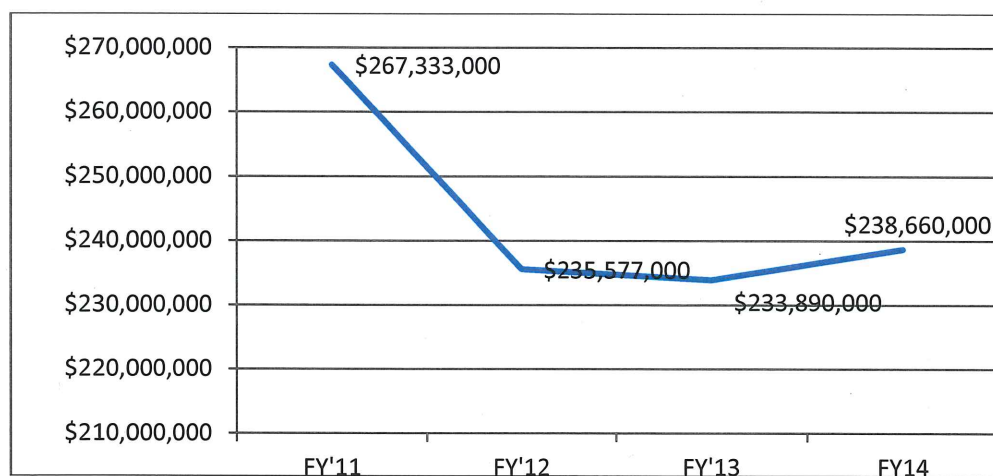
From your statements, it is clear that you share the Board's belief that our classrooms must be the center of our universe. It is this principle—which is the foundation for our *Strategic Plan: Vision 2015*—that has driven substantive change in our district and will continue to do so moving forward.

Concerning JCPS' spending on instructional vs. administrative activity, we are pleased to note the substantial change that has occurred since the final year for which benchmarking data was available to you. As illustrated below, over this three-year period, spending in schools has moved from 72.6 percent to 75.5 percent of General Fund, and on central office costs from 27.4 percent to 24.5 percent. This shift represents an additional investment of \$82 million in school-based activity over this period.

School Allocation Costs



Central Office Costs



The Board requested this review to obtain your insight on possible recommendations that will provide for improvement of our governance, district management, and the daily operational processes within JCPS. I am pleased, though not surprised, this review found no evidence of fraud, unethical behavior, or corruption. Nor were we surprised that your work identified questions and potential opportunities for additional efficiencies to add to our work over the last few years.

It has been approximately 30 days since the state audit document was received. During that time, we have already implemented some recommendations and are currently analyzing others. The attached spreadsheet will provide the status of our actions—whether complete or in progress. The following summarizes our initial actions.

Benchmarking and Comparative Analysis

We agree it is necessary to have a consistent and concise set of benchmark districts. JCPS benchmarking should be accomplished by using a small peer group that is used consistently and based on the outcomes that JCPS is aspiring to achieve. We feel that it is critical to go deeper and to link any benchmarking to demographics and student achievement. This deeper benchmarking will then inform JCPS's strategy-setting process.

Governance

We acknowledge the finding that the Board needs clearer, more transparent financial information, and have taken the following steps.

To support this effort, staff has been working with a community advisory group to help the budget and the budget process become more understandable.

The Board has previously discussed the use of committees to facilitate our work. In fact, the previous Board finance committee was discontinued and the current process put in place as a result of that discussion. Nonetheless, we agree that the full Board should revisit the use of committees in the context of maximizing our depth of knowledge of district operations. During the Board's annual planning session this year, the Board plans to discuss organizational issues, including committee structure. Given the context of the work being done by JCPS staff and our goal of clarity, transparency, and understanding, the Board will reconsider its committee structure as a possible next step for improvement.

Contracting

We are implementing a centralized database of all contracts as called for in the review.

Operations, Policies, and Procedures

JCPS has nearly completed a full review of School Board policies—currently 93 percent complete. Centralizing these policies and related procedures for easy access is the next step in our improvement plan.

Internal Audit

We are reviewing the scope and nature of our internal audit function, which will definitively be based on a risk-based work plan. The Board will have more formal oversight in this area while adhering to legal restrictions regarding supervision of personnel other than the Superintendent. We also plan to consolidate hotline and complaints tracking as recommended in the audit.

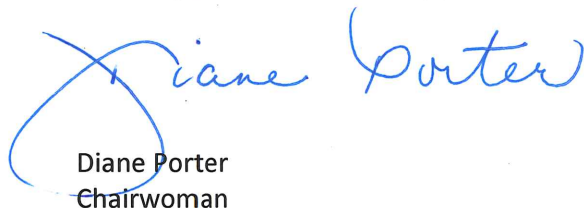
Information Technology

We appreciate the recommendations regarding information governance and security and have completed several actions to address questions posed by the report. We will continue to work through those recommendations, including several involving needed documentation of procedures. We will also work collaboratively with the Kentucky Department of Education on this effort.

Through the leadership of the Board, Superintendent, and Cabinet, we have made critical improvements to our operations. We have seen improvements in student achievement as well. While we are proud of our accomplishments, your findings echo our sentiments that there is still much to do as we strive to become the best urban school district in the country.

We will continue to update you on our progress and again thank you and your staff for your guidance and professionalism while working with our staff.

Sincerely on behalf of the JCBE,



Diane Porter
Chairwoman

c Board Members
Donna Hargens, Superintendent
Superintendent's Cabinet