

## MONTHLY STATUS UPDATE IN RESPONSE TO APA RECOMMENDATIONS

FINDINGS	RECOMMENDATIONS	FCPS RESPONSE (ABBREVIATED)	TIMELINE	STATUS
<b>FINDING 1: Weaknesses in Budget and Financial Management Processes Led to Significant Errors in the District's Working Budgets</b>	<i>A. Extensively evaluate the budget process from a personnel, structural, policy and procedural perspective in order to develop a process more conducive to strategically managing district resources in an effective and efficient manner. This should include ensuring all directors receive information necessary for the successful completion of their job functions and are responsible for providing information pertinent to the functions of other departments.</i>	MUNIS assessment to be completed. The district will have been presented recommendations for training, improvements in work flow and implementation of additional MUNIS modules. A plan will be developed to move forward and provide additional recommendations on the budget process as well as develop a timeline for implementation.	<b>January 15, 2015</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. See attached.
	<i>B. Develop controls to ensure all parties with decision making authority for the district, including the Superintendent, Board and Kentucky Department of Education, are presented complete and accurate information in order to make informed decisions about the most effective and efficient use of funds.</i>	MUNIS assessment to be completed. The district will have been presented recommendations for training, improvements in work flow and implementation of additional MUNIS modules. A plan will be developed to move forward and provide additional recommendations on the budget process as well as develop a timeline for implementation.	<b>January 15, 2015</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. See attached.
	<i>C. All releases from escrow, and consequential de-commitment of funds, should be authorized by the Board in accordance with GASB Statement 54.</i>	Both commitment and de-commitment of funds will be approved by Board action.	This item was complete prior to submission of response to APA.	<b>COMPLETE</b>

<b>FINDING 2: The FCPS Working Environment is not Conducive to Efficient and Effective Operations.</b>	<i>A. The Superintendent and COO take steps to attain a healthy working relationship between the budget and finance functions, which includes the implementation of sound policies and procedures that dictate proper accountability, transparency and accuracy for both budget and finance functions. To meet these objectives, FCPS management should consider the need to restructure the organization in a manner that mitigates or eliminates the inherent risks associated with the current climate.</i>	<p>Mike Thompson Management Company has been contracted to work with staff with the goal of developing a healthy working relationship.</p> <p>We concur restructuring is needed. It is expected the MUNIS assessment will lead to recommendations for the development of sound policies and procedures and restructuring. Organizational changes will be deferred until we have more information.</p>	<b>July 1, 2015</b>	<p>Mr. Thompson's work has been completed. Some modest restructuring has taken place as approved by the board at the January Board meeting. Additional restructuring may be forthcoming as we have more information about work flow and personnel.</p>
	<i>B. District leadership stress the significant role of the 'tone at the top' in maintaining a positive work and control environment within the Department of Financial Services and Department of Budget and Staffing Services.</i>	<p>Mike Thompson Management Company has been contracted to work with staff of both departments on issues related to culture and conflict resolution. District leadership will implement a training plan for top leadership to develop conflict resolution skills across the organization.</p>	<b>July 1, 2015</b>	<p>Mr. Thompson's work has been completed. A training plan for conflict resolution skills has not been developed.</p>
	<i>C. Human Resources should review recent hires in the Financial Services Department to ensure all relevant laws and policies are being adhered to throughout the hiring process.</i>	<p>The Human Resources Department has worked with the Financial Services Department to review current hiring procedures and recommend best practices to ensure transparency in selecting candidates.</p>	<p>This item was complete prior to submission of FCPS response to APA.</p>	<p><b>COMPLETE</b></p>

	<i>D. Procedures should be implemented for the approval of all out-of-state training, ensuring that only relevant employees attend.</i>	FCPS Travel and Professional Development guidelines will be reviewed to determine if there are ways to more clearly define relevant employees and when substitutes are appropriate.	<b>January 1, 2015</b>	Estimated expenses along with funding sources began appearing on the Board agenda in December 2014. A more extensive review of the entire Professional Leave and Travel Handbook will conclude by <b>July 1, 2015</b> . No action has been taken on the review of the Handbook.
<b>FINDING 3: Administrative and Management Salary Increases Outpace Other District Employees, Some without Appropriate Transparency</b>	<i>A. FCPS management directs its consultant to finalize the salary and classification report, currently in draft form. The final report should be provided to the Board for consideration during its salary approval process and for determining possible reforms to the salary schedule and the district's compensation methodology.</i>	The report will be presented to the Board for review and consideration. Since the State has mandated a 2% salary increase for all employees for FY 2015-16, it might be difficult to immediately incorporate the findings of the report. A strategy will be developed after review, along with timelines for implementation.	<b>July 1, 2015</b>	The report was presented to the Board at the November 2014 Board meeting. An implementation plan is due by July 1, 2015, but a decision is needed as to whether or not to expand the review to certified employees.
	<i>B. All salary schedule adjustments, including Hay and supplemental increases, should be properly communicated to the Board for approval. The Board must have accurate information upon which to base its decisions.</i>	A detailed analysis of salaries for fiscal years 2009-10 to 2014-14 has been prepared to provide an explanation. We will continue to highlight all changes to the salary schedule.	This item was complete prior to submission of FCPS response to APA.	<b>COMPLETE</b>
	<i>C. A consistent methodology for determining which employees receive a Hay Grade Additive, and to what level they are entitled, should be established through creation of a formal policy. The</i>	A matrix has been developed to assist in determining the appropriate Hay Grade for positions. However, we recognize the current structure is not transparent and needs to be	<b>July 1, 2016</b>	The cost of a salary study is not budgeted for FY 2014-15 but is included in the notes for consideration in the Draft Budget for 2015-16. A decision is pending.

	<i>District should consider not only the credentials held by individuals when applying Hay Grade Additives, but also the duties the employee performs for the district in relation to those credentials. The justification for all salary adjustments should be documented in the employee's personnel file.</i>	simplified for clarity and consistency. It is recommended the Board engage an external personnel management firm to conduct an evaluation of the certified teacher base salary schedule and supplements, including the administrative Hay additive.		
<b>FINDING 4: FCPS Circumvented District Controls and Did Not Follow Procurement Guidelines</b>	A.FCPS reinstate a budget transfer policy with an appropriate threshold to ensure any revisions to the annually adopted budget are appropriately reviewed and approved by the Board	We will defer action on this recommendation until after the MUNIS assessment. With the assessment may come some changes in budget policies and procedures that will assist in determining appropriate thresholds (for changes in the budget).	<b>July 1, 2015</b>	Changes in the way budget transfers are being handled are being piloted. When the changes are fully implemented, a recommendation about appropriate thresholds for changes in the budget will be brought to the Board.
	B.FCPS follow proper procurement guidelines for the solicitation of all services performed for FCPS	Training will be provided for all budget managers to ensure a clear understanding of proper procurement guidelines. Purchasing and accounts payable staff will continue to monitor for compliance and bring variances to the attention of management.	<b>July 2015</b>	Training will be provided to all budget managers, including principals. A training date will be established for June 2015. Monitoring for compliance continues.
	C. FCPS assess the benefit of continued vendor services and whether duplicate work is already being performed.	In addition to providing the rationale for bid extension recommendations in the background memo that goes to the Board prior to meetings,	This item was complete prior to submission	<b>COMPLETE</b>

		these details will be included as part of the agenda item.	of response to APA.	
<b>FINDING 5: The Mary K. Stoner Fund is Not Being Used in Accordance with Its Charter Recommendations</b>	A. The implementation of policies and procedures to ensure that disbursements from the Stoner Trust Fund are for the “enhancement and enrichment of the educational program” of the district as established in the fund’s charter. This should include policies that impact employees district-wide, and does not limit usage to only one group of employees. This fund appears to provide a great mechanism for incentivizing employees, but proper criteria must be established and evaluated	It is recommended that administration of this and other trust funds transition to Blue Grass Community Foundation. The agreement for administration will assure that trust charter provisions are fulfilled.	Plans for this transition are underway. Anticipated completion by January 31, 2015.	The Blue Grass Community Foundation agreement was approved by the Board at the December 15, 2014 meeting, and funds have been transferred. This item is complete.
	B. At least one Board member joins the Trust Fund Committee so that those charged with governance are aware of trust fund activity and involved in the oversight of the funds.			Many of the members have been identified. This item is on the February Board Agenda for approval.
	C. Policies and procedures reflecting the charters of other various trust funds be put in place to avoid noncompliance with trust fund requirements.			
	D. Loan repayments should be made by receiving funds directly from loan recipient and not through a methodology of withholding per diems. Not only			

	should this make the loan activity easier to track, but the process will be more transparent and less risky. A timeframe should be established for the repayment of loans, such as within a certain number of days			
<b>FINDING 6: Travel and Professional Development in the Department of Financial Services is Excessive and Often Unnecessary</b>	A. All personnel should submit the Request for Professional Leave Form to the appropriate management and to the Board for approval to ensure compliance with FCPS Policy.	Staff has been advised that for reimbursements to be processed, the approved Request for Professional Leave and Sub Request Form must be attached and requires supervisor approval.	This item was complete prior to submission of FCPS response to APA.	<b>COMPLETE</b>
	B. All trip requests should be appropriately approved by the Board prior to the dates of travel to ensure compliance with FCPS policy. This includes that the approval for all anticipated attendees for a trip should be requested at the same time to ensure transparency and to avoid excessive and unnecessary travel. If the list of attendees needs to be adjusted after the Board's initial approval, the Board should be provided with an amended list of attendees that identifies previously approved attendees, as well as the new attendees.	Every effort will be made for all trip requests to be approved by the Board prior to travel and to request approval for all anticipated attendees for a trip at the same time. Amended lists of attendees will also be provided to the Board.	This item was complete prior to submission of FCPS response to APA	<b>COMPLETE</b>
	C. In addition to relaying anticipated attendees per conference, the Board should also be made aware of the anticipated cost of the travel as part of the	Estimated costs will be provided for any meetings and travel as part of the recommendation for Board approval.	This item was complete prior to submission	<b>COMPLETE</b>

	approval process. Funds are encumbered months in advance related to travel so this information is readily available.		of FCPS response to APA	
	D. All official district business trips should be approved by the appropriate management and contain support detailing how the trip benefits the district to ensure compliance with FCPS policy.	Documentation of business trips will include a description of benefits to the district and will be approved by appropriate management.	This item was complete prior to submission of FCPS response to APA	<b>COMPLETE</b>
	E. All personnel should submit the appropriate supporting documentation when requesting travel reimbursements to ensure compliance with FCPS policy.	Note the previous response that a copy of the Request for Professional Leave be submitted with the request for reimbursement.	This item was complete prior to submission of response to APA	<b>COMPLETE</b>
	F. All personnel should be informed of any updates to the FCPS Professional Leave and Travel Policy.	The FCPS Professional Leave and Travel Policy will be easily accessible online. Annual online training updates will require acknowledgement of such.	<b>July 1, 2015</b>	Currently under review. Revisions will be forthcoming.
	G. All travel costs incurred beyond the duration of the conference or training should only be allowable under extraordinary circumstances, such as the inability to find return flights on certain dates	The FCPS Professional Leave and Travel Policy will be revised to make it absolutely clear that travel costs shall not be incurred beyond the duration of the conference or training. Budget managers will be trained.	<b>July 1, 2015</b>	Will be addressed in the FCPS Professional Leave and Travel Policy revisions.
	H. The District should only pay for professional certifications for employees when the certification is necessary and reasonable for their position. Furthermore, the	We concur there should be an agreement that an employee should remain in the employment of FCPS after attaining a district-funded	<b>July 1, 2015</b>	We are committed to providing appropriate professional development for our employees. We agree that we should designate which certifications are relevant for specific positions. We will develop an agreement for employees

	district should not pay for certifications unless an agreement is in place to contractually, under penalty of repayment, retain the employee for a reasonable period after attaining the certification	certification. A policy will be developed to address which certifications are eligible for district funding and requirements associated with such certifications.		to sign regarding expected continuation of service.
	I. The Department of Financial Services staff, whenever possible, should achieve continuing professional education through cost effective means. When out-of-state travel is necessary, procedures should be implemented to limit the total number of people attending to those employees directly impacted by the training. Information gathered during training can be shared with remaining staff at a later date.	We concur that ALL staff should achieve continuing professional education through cost effective means and will be more diligent in the review and approval of said travel.	This item was complete prior to submission of FCPS response to APA	<b>COMPLETE</b>
<b>FINDING 7: Conflicts of Interest</b>	A. District should thoroughly review its business practices, vendor relationships, ethics policies and procurement activity for possible conflicts of interest. This review should result in changes to relevant district-wide policies and procedures.	Current policies and procedures will be reviewed and more stringent guidelines will be implemented for possible conflicts of interest. Should the review reveal issues, changes will be made to district-wide policies and procedures and mandatory training.	<b>July 1, 2015</b>	Policies and procedures are currently under review. Recommendations will be forthcoming.
	B. Educate all employees not only on the conflict of interest policies and regulations, but also on their role as stewards of taxpayer dollars and the importance of	These issues will be included in mandatory annual training.	<b>July 1, 2015</b>	Training is planned for June 2015.



	maintaining the integrity of the procurement process.			
	C. All business dealings should be conducted at an arm's length, with even the appearance of conflicts of interest avoided.	We agree and will ensure that this is explicitly covered in training for budget managers.	<b>July 1, 2015</b>	This will be included in the planned training. We have are reviewing documents from other organizations which we will use as a basis for development of a conflict of interest policy.
<b>FINDING 8: Monthly Financial Reports to the Board Lack Significant Information</b>	A. The monthly reporting process, including the structure of the Monthly Financial Report, be reevaluated. The goal of this evaluation should be to provide the Board with the relevant information it needs utilizing complete, accurate reports that have been properly reconciled to the financial records. Reconciling differences should be identified and explained. Expertise of both the Department of Financial Services and the Department of Budget and Staffing Services should be utilized in this process. By bringing those who supply, compile and use the information together, the monthly reporting process will be improved.	It is anticipated the MUNIS assessment will provide recommendations around improved reporting which we intend to implement with a goal toward complete transparency. Prior to receiving the recommendations we have: a) Updated the report to meet KDE's new guidelines related to House Bill 154; b) Continued to ask the Superintendent and the Board for guidance on the format of the Monthly Financial Report; c) Continued to post the monthly financial report as part of the board agenda on the district's website; d) Begun sending copies of all Financial Reports for all fund to the Board in advance of Board meetings; and, e) Begun utilizing MUNIS generated reports for the Monthly Financial Report and Monthly Balance Sheet Report.	<b>Complete until additional reporting recommendations are received as a part of the MUNIS assessment.</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. See attached. However, much work must be done before changes in reporting can occur.
	B. Monthly reporting to the Superintendent and Board include an analysis of the current financial position as well as year-end projections.	Monthly variance reports will be provided to the Superintendent and Board based on actual and trend data.	<b>After MUNIS assessment but no later than July 1,</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. See attached. However, much work must be done before changes in reporting can occur.

			<b>2015</b>	
	C. A detailed budget review, including budget-to-actual reports, be prepared to provide the Superintendent, Board, and relevant personnel with sufficient information for decision making and for identifying corrective action as needed.	Monthly variance reports will be provided to the Superintendent and Board based on actual and trend data.	<b>After MUNIS assessment but no later than July 1, 2015</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. See attached. However, much work must be done before changes in reporting can occur.
	D. Board members should ensure appropriate processes are in place to provide proper oversight of budget and finance matters. Whereas having a positive relationship with the district's Superintendent is important for a well-functioning district, that relationship should not keep Board members from performing their fiduciary responsibility to the district. Improved oversight will empower the Board by providing solid information for decision making and evaluation purposes.	Financial reporting has been greatly improved upon the recommendation of the APA. After MUNIS upgrades have been accomplished, our reporting capabilities will improve even more. We will strive to be completely transparent in all financial matters, providing sufficient information to fully understand and actively participate in the oversight of budget and finance matters.	<b>Improved reporting complete.</b>	Additional information to be available July 1, 2015.
<b>FINDING 9: Accounting Weaknesses within the Department of Financial Services</b>	A. The establishment of a nepotism policy for FCPS to mitigate the inherent risks of fraud or abuse, favoritism, and other personnel issues. Although	A nepotism policy will be developed and presented to the Board.	<b>July, 2015 along with other policy updates.</b>	Policies and procedures are currently under review. Recommended revisions will be forthcoming.

	family relationships may not be easily avoided, procedures should be implemented to avoid spouses having the ability to supervise or direct the work of each other, at a minimum.			
	B. Funds should only be encumbered when the anticipated expense is quantifiable and reasonably expected to be incurred. Funds should to be encumbered in order to circumvent the budget process.	We agree that it is important for expenses to be attributed to the year for which the expense is attributable. Through the MUNIS assessment, we will investigate a process for cancelling any purchase orders that are not related to work in progress.	<b>Post MUNIS assessment but no later than July 1, 2015.</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. See attached.
	C. The Department of Financial Services should not have authority to create vendors in order to maintain a proper segregation of duties and reduce the risk of fraud.	The responsibility of backup for vendor establishment has been reassigned to another department.	This item was complete prior to submission of FCPS response to APA	<b>COMPLETE</b>
	D. The Board should establish a policy regarding what professional and/or civic memberships, if any, can be paid with district funds.	A Board policy will be established regarding memberships in professional and/or civic organizations.	<b>July, 2015 along with other policy updates.</b>	A review of expenditures for professional and/or civic memberships as well as charitable contributions is under review. A recommendation will be made to the Board.
	E. The Department of Financial Services should identify more cost effective strategies for achieving the district's goals of increasing the percentage of minority and	Responsibility for increasing the percentage of minority and women owned vendors lies with the Office of Economic Development, with the	This item was complete prior to submission	<b>COMPLETE</b>

	women owned vendors doing business with the district.	Department of Financial Services supporting this effort. This group will continue to work to support the goals and objectives of the Board and the recommendations of the Equity Council as cost effectively as possible.	of FCPS response to APA	
	F. The district should reassess the relevance and coverage level of the current insurance policy for student athletes. The district may want to enlist the assistance of state agencies to determine the impact on ACA and other programs for providing appropriate insurance coverage for student athletes.	We will contact the appropriate state agencies, KHSAA and other organizations to ensure that we present a recommendation to the Board that serves the best interest of student athletes and the District.	<b>June, 2015</b>	Risk Management is currently re-evaluating this issue and will be prepared to make a recommendation prior to approval of the Tentative Budget.
<b>FINDING 10: The Current FCPS Internal Audit Structure Needs Improvement</b>	A. The Board should establish a formal Audit Committee consisting of at least the Superintendent and representatives of the Board. The Internal Auditors should report to this committee, and the committee should determine the scope of the internal audit procedures based on external audit findings, hotline submissions, high risk areas, and any other relevant findings.	The Superintendent will recommend to the Board an Audit Committee be established, consisting of at least the Superintendent and representatives of the Board. We concur with the scope of the committee as described.	<b>January 1, 2015</b>	Many of the members have been identified. This item is on the February Board Agenda.
	B. The discussions of the Audit Committee should focus on audit related matters exclusively rather than other financial matters.	We concur with the recommendation and will make it part of the scope of the Audit Committee.	<b>January 1, 2015</b>	An initial meeting will be scheduled once appointments are approved.
	C. The district should establish a	Options for a "hotline" are being	<b>July 1, 2015</b>	Options have been reviewed and a proposal

	system through which concerns of waste, fraud, and abuse can be anonymously reported. The established Audit Committee should be responsible for reviewing, discussing and addressing anonymous concerns submitted by employees.	reviewed. Upon selection of an appropriate option, the Audit Committee will be responsible for reviewing, discussing and addressing anonymous concerns submitted by employees.		will be shared with the audit committee at their first meeting.
	D. The Audit Committee should report all internal audit conclusions, finding and engagement results to the full Board.	The full Board will receive the report of any internal audit conclusions, findings and engagement results.	<b>January 1, 2015</b>	Recent reports will be submitted to the audit committee at its first meeting.