

## MONTHLY STATUS UPDATE IN RESPONSE TO APA RECOMMENDATIONS

FINDINGS	RECOMMENDATIONS	FCPS RESPONSE (ABBREVIATED)	EXPECTED TIME OF COMPLETION	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>Ongoing</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. As a result of the assessments, steps are being taken to provide additional training to the budget staff and budget managers. Also, the board will be asked this month to make the position of Administrative Services, Senior Director, a permanent position to oversee the Departments of Budget and Staffing, Financial Services and Human Resources.
	<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>Ongoing</b>	The MUNIS Work Group has developed plans utilizing an internal assessment as well as the contracted MUNIS assessment. As a result of the assessments, steps are being taken to provide additional training to the budget staff and budget managers. Also, there are more people involved in the budget process to ensure what is presented to the board is complete and accurate, including the Superintendent, Administrative Services Senior Director, Chief Operating Officer and School Directors.
	<i>C. All releases from escrow, and consequential de-commitment of</i>	Both commitment and de-commitment of funds will be	<b>COMPLETE</b>	This item was complete prior to submission of the response to the APA.

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	<i>funds, should be authorized by the Board in accordance with GASB Statement 54.</i>	approved by Board action.		
<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>	Mike Thompson Management Company has been contracted to work with staff with the goal of developing a healthy working relationship. 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.	<b>July 1, 2015</b>	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.
	<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>	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	<b>July 1, 2015</b>	Mr. Thompson's work has been completed. Training for conflict resolution skills will be conducted in June.

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		skills across the organization.		
	<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>	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.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.
	<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>June 1, 2015</b>	Estimated expenses along with funding sources began appearing on the Board agenda in December 2014. A work group has completed an extensive review of FCPS Travel and Professional Development guidelines. Changes will be shared with principals at the District Leadership Meeting in June; then communicated to staff.
<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. A contract for expansion of the project to include administrative salary schedules will be presented to the board at the April 27, 2015 meeting. A plan for implementation of the recommendations for all the schedules will be developed by July 1, 2015.

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	<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.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.
	<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 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>	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 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>July 1, 2016</b>	A contract for evaluation of administrative salaries will be considered by the board at the April 27, 2015 meeting. A plan for implementation of the recommendations for all the schedules will be developed by July 1, 2015
<b>FINDING 4: FCPS Circumvented District Controls and Did Not Follow Procurement Guidelines</b>	<i>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</i>	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	<b>July 1, 2015</b>	Changes in the way budget transfers are being handled are being piloted. Regardless of the outcome of that pilot, the Superintendent will recommend to the board at the May 2015 meeting, the reinstatement of the \$50,000 threshold policy.

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		thresholds (for changes in the budget).		
	<i>B. FCPS follow proper procurement guidelines for the solicitation of all services performed for FCPS</i>	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.
	<i>C. FCPS assess the benefit of continued vendor services and whether duplicate work is already being performed.</i>	In addition to providing the rationale for bid extension recommendations in the background memo that goes to the Board prior to meetings, these details will be included as part of the agenda item.	<b>COMPLETE</b>	This item was complete prior to submission of response to APA.
<b>FINDING 5: The Mary K. Stoner Fund is Not Being Used in Accordance with Its Charter Recommendations</b>	<i>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</i>	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.	<b>January 1, 2016</b>	Funds for the trust funds have been transferred to Blue Grass Community Foundation. However, due to some legal requirements, funds will not be available for disbursement until January 1, 2016.

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	<i>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</i>			
	<i>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.</i>		<b>COMPLETE</b>	Members of the Committee were approved by the Board at the February 23, 2015 meeting.
	<i>C. Policies and procedures reflecting the charters of other various trust funds be put in place to avoid noncompliance with trust fund requirements.</i>		<b>January 1, 2016</b>	Policies and procedures are being developed by Blue Grass Community Trust and will be considered by the Trust Fund Committee. However, due to the fact that funds cannot be distributed before January 1, 2016, the committee will not be convened until this fall.
	<i>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</i>		<b>January 1, 2016</b>	Policies and procedures are being developed by Blue Grass Community Trust and will be considered by the Trust Fund Committee. However, due to the fact that funds cannot be distributed before January 1, 2016, the committee will not be convened until this fall.

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<b>FINDING 6: Travel and Professional Development in the Department of Financial Services is Excessive and Often Unnecessary</b>	<i>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.</i>	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.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.
	<i>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.</i>	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.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.
	<i>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 approval process. Funds are encumbered months in advance related to travel so this</i>	Estimated costs will be provided for any meetings and travel as part of the recommendation for Board approval.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.



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	<i>information is readily available.</i>			
	<i>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.</i>	Documentation of business trips will include a description of benefits to the district and will be approved by appropriate management.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.
	<i>E. All personnel should submit the appropriate supporting documentation when requesting travel reimbursements to ensure compliance with FCPS policy.</i>	Note the previous response that a copy of the Request for Professional Leave be submitted with the request for reimbursement.	<b>COMPLETE</b>	This item was complete prior to submission of response to APA
	<i>F. All personnel should be informed of any updates to the FCPS Professional Leave and Travel Policy.</i>	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>	The guidelines have had extensive review and will be presented to Principals at the District Leadership meeting <b>in June</b> ; then communicated to staff.
	<i>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</i>	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>	This is addressed in the FCPS Professional Leave and Travel Policy revisions.
	<i>H. The District should only pay for professional certifications for employees when the certification is necessary and reasonable for their position. Furthermore, the district should not pay for certifications unless an agreement</i>	We concur there should be an agreement that an employee should remain in the employment of FCPS after attaining a district-funded certification. A policy will be developed to address which	<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 to sign regarding expected continuation of service.



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	<i>is in place to contractually, under penalty of repayment, retain the employee for a reasonable period after attaining the certification</i>	certifications are eligible for district funding and requirements associated with such certifications.		
	<i>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.</i>	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.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.
<b>FINDING 7: Conflicts of Interest</b>	<i>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.</i>	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.
	<i>B. Educate all employees not only on the conflict of interest policies and regulations, but also on their</i>	These issues will be included in mandatory annual training.	<b>July 1, 2015</b>	Training is planned for June 2015.

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	<i>role as stewards of taxpayer dollars and the importance of maintaining the integrity of the procurement process.</i>			
	<i>C. All business dealings should be conducted at an arm's length, with even the appearance of conflicts of interest avoided.</i>	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>	<i>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.</i>	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	<b>COMPLETE</b>	<b>A new monthly report was presented to the Board and accepted at the March 23, 2015 meeting.</b>

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		Report and Monthly Balance Sheet Report.		
	<i>B. Monthly reporting to the Superintendent and Board include an analysis of the current financial position as well as year-end projections.</i>	Monthly variance reports will be provided to the Superintendent and Board based on actual and trend data.	<b>COMPLETE</b>	A new monthly report including the current financial position as well as year-end projections was presented to the Board and accepted at the March 23, 2015 meeting.
	<i>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.</i>	Monthly variance reports will be provided to the Superintendent and Board based on actual and trend data.	<b>COMPLETE</b>	A new monthly report was presented to the Board and accepted at the March 23, 2015 meeting.
	<i>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</i>	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	<b>July 1, 2016</b>	Improved financial reporting is complete. To address the issue of board oversight and understanding, a series of budget work sessions has begun and will continue through adoption of the Tentative Working Budget and perhaps beyond. These work sessions will become a permanent part of the budget preparation process. Finally, FCPS fully intends to implement the Munis Community Transparency module for FY 2016-17. Efforts are already underway in anticipation of the implementation.

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	<i>empower the Board by providing solid information for decision making and evaluation purposes.</i>	budget and finance matters.		
<b>FINDING 9: Accounting Weaknesses within the Department of Financial Services</b>	<i>A. The establishment of a nepotism policy for FCPS to mitigate the inherent risks of fraud or abuse, favoritism, and other personnel issues. Although 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.</i>	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.
	<i>B. Funds should only be encumbered when the anticipated expense is quantifiable and reasonably expected to be incurred. Funds should not be encumbered in order to circumvent the budget process.</i>	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>July 1, 2015</b>	A safeguard will be implemented with the Purchase Order cut-off on April 30, 2015. A report will be sent to the schools with a list of open purchase orders. If keeping the purchase order open cannot be justified, it will be closed. This should eliminate unnecessary encumbrances.
	<i>C. The Department of Financial Services should not have authority</i>	The responsibility of backup for vendor establishment has been	<b>COMPLETE</b>	This item was complete prior to submission of the FCPS response to the APA.

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	<i>to create vendors in order to maintain a proper segregation of duties and reduce the risk of fraud.</i>	reassigned to another department.		
	<i>D. The Board should establish a policy regarding what professional and/or civic memberships, if any, can be paid with district funds.</i>	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.
	<i>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 women owned vendors doing business with the district.</i>	Responsibility for increasing the percentage of minority and women owned vendors lies with the Office of Economic Development, with the 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.	<b>COMPLETE</b>	This item was complete prior to submission of FCPS response to APA.
	<i>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.</i>	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>COMPLETE</b>	FCPS reached out to the Dept. of Insurance and KYNECT, the health insurance marketplace exchange that offers coverage to those not covered by an employer. We were not able to gather information from either but Gallup reported that the number of uninsured dropped from 20.4% in 2013 to 9.8% in 2014. While the ACA has reduced the number of uninsured in the state, the benefits paid from student accident insurance on behalf of FCPS student athletes

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				has remained consistent. The blanket athletic insurance policy assures the District is compliant with KHSAA requirements for student athletes and not only fills gaps for uninsured but for those who are underinsured, have high deductibles or incur other out of pocket expenses. The school district will continue utilizing this risk management technique to protect students and minimize liability and will consistently evaluate the program for improvement.
<b>FINDING 10: The Current FCPS Internal Audit Structure Needs Improvement</b>	<i>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.</i>	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>COMPLETE</b>	Members of the Committee were approved by the Board at the February 23, 2015 meeting.
	<i>B. The discussions of the Audit Committee should focus on audit related matters exclusively rather than other financial matters.</i>	We concur with the recommendation and will make it part of the scope of the Audit Committee.	<b>July 1, 2015</b>	An initial meeting of the audit committee has been scheduled for April 22, 2015.
	<i>C. The district should establish a system through which concerns of waste, fraud, and abuse can be anonymously reported. The</i>	Options for a "hotline" are being reviewed. Upon selection of an appropriate option, the Audit Committee will be responsible	<b>July 1, 2015</b>	A Purchase Order has been executed for the purchase of a hotline to be implemented no later than July 1, 2015. Concerns received through the hotline will be addressed by the

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	<i>established Audit Committee should be responsible for reviewing, discussing and addressing anonymous concerns submitted by employees.</i>	for reviewing, discussing and addressing anonymous concerns submitted by employees.		Audit Committee.
	<i>D. The Audit Committee should report all internal audit conclusions, finding and engagement results to the full Board.</i>	The full Board will receive the report of any internal audit conclusions, findings and engagement results.	May 1, 2015	Recent reports will be submitted to the audit committee at its first meeting.