



Jefferson County Public Schools District

Internal Audit Status Report

November 30, 2015



Summary

- Status covers first 5 months of the fiscal year – July 1 through November 30, 2015
- We are behind schedule but have plans to get caught up
- Summary of significant matters impacting internal audit plan are included in this report
- No findings are considered significant deficiencies or material weaknesses or require Board discussion
- Key observations are included in this report

Status of Internal Audit Plan

Area	Audit Procedures	Timing	Status	Notes
Accounts Payable	Test sample of expenditures to ensure they comply with policies and procedures.	July	Completed	Recommendations provided. No material weaknesses noted.
Procurement	Test sample of new vendors for proper procedures and approvals.	July	Completed	Recommendations provided. No material weaknesses noted.
Financial Reporting	Perform walkthrough of yearend financial close process and identify potential weaknesses or inefficiencies.	July	Not performed	To be performed in the spring if time allows.
Travel & Other Business Expenses	Test sample of expenses for Superintendent, sample of direct reports and sample of Principals.	Aug	Completed	Recommendations provided. No material weaknesses noted.
Human Resources	Test sample of new hires to ensure proper input of payrate, certificates and other information. Ensure policies followed regarding background checks, interviews, etc.	Aug	In process	Moved audit to December and is being performed in conjunction with payroll audits.
Payroll	Test sample of extended days used by Principals to ensure they comply with policies and procedures.	Dec	In process	
	Perform data analytics to identify significant overtime, higher payroll amount and other exceptions and ensure all amounts are proper.	Dec	In process	
	Test payroll for bus depot workers.	Dec	In process	

Status of Internal Audit Plan

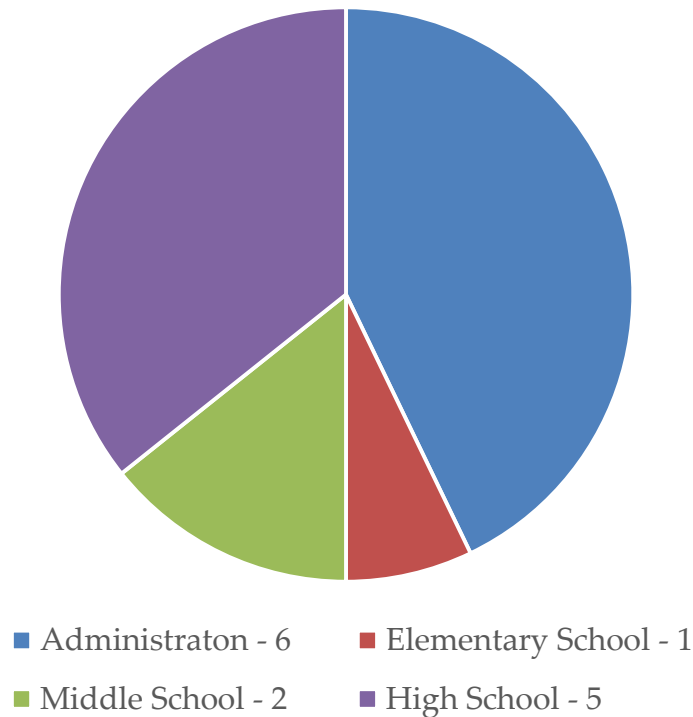
Area	Audit Procedures	Timing	Status	Notes
Schools	Attendance audits for all high priority schools and those to be reviewed by KDE - 10 hours per school for 68 schools.	Sept - Dec	In process	27 of 68 schools completed. 8 more to be completed by winter break (all KDE reviewed schools). Remainder to be completed in Jan/Feb.
	Testing of certain bookkeeper procedures in conjunction with attendance audits - approximately 3 hours per school for 68 schools.	Sept - Dec	In process	27 of 68 schools completed. 8 more to be completed by winter break (all KDE reviewed schools). Remainder to be completed in Jan/Feb.
	Lunchroom audit for all high priority schools - approximately 3 hours per school for 33 schools.	Sept/Oct	In process	2 of 33 completed. Audits to be completed week of Dec 14 and Jan - March.
	Testing of certain cash receipts and expenditures related to the lunchroom for all high priority schools - approximately 3 hours per school for 33 schools.	Sept/Oct	In process	2 of 33 completed. Audits to be completed week of Dec 14 and Jan - March.
Special Investigations	Investigate hotline reports and special requests. Estimate 30 special investigations for the year - 30 hours per investigation.	Various	In process	See following page for summary of special investigations.

Summary of Hotline Reports

- From July 1, 2015 through November 30, 2015 there were 14 reports received through the hotline – 2.8 per month
- Internal audit plan assumed an average of 2 reports per month
- 13 of the 14 reports have been resolved and closed
- Took average of 21 days to close the reports. Goal is to close each report within 30 days, however, some took longer due to principal or bookkeeper being on summer vacations.
- None of the reports are of such magnitude that they require discussion with the Board

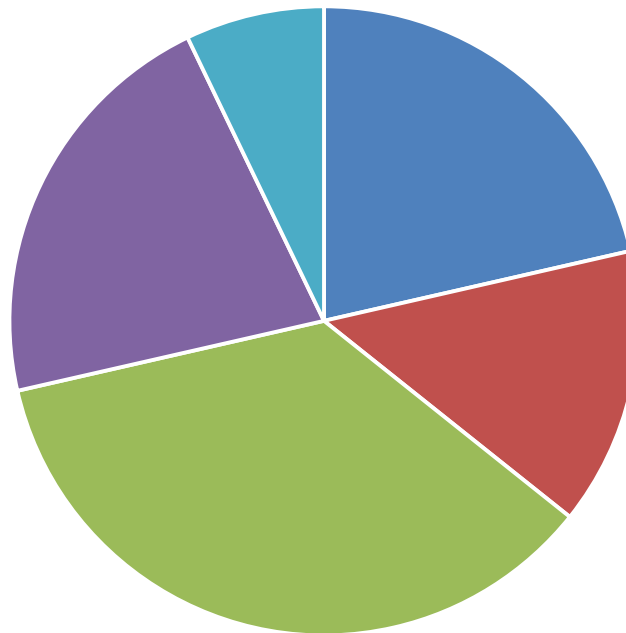
Summary of Hotline Reports

Reports Received



Summary of Hotline Reports

Reports Received



■ Theft - 3 ■ Fraud - 2 ■ Employee work - 5 ■ Inappropriate behavior - 3 ■ Testing - 1



Summary of Requests and Special Investigations

- Requests are received from Principals, Superintendent or other levels of management
- Some requests have resulted in what we call special investigations and reports – 4 such reports have been completed or will be completed soon
- Some requests which are not deemed serious or time sensitive have resulted in expanded procedures being performed during scheduled audits
- Internal audit also has reviewed various information at the request of management such as cybersecurity insurance



Change in Accounting Software for Bookkeepers

- Old software costs were expected to increase greatly
- Internal audit investigated various options and determined a switch to a new software (EPES) was best solution
- New system implemented effective July 1, 2015
- Internal audit was responsible for implementation plan including training and assisting bookkeepers
- Training and assistance took several months and we continue to assist with various month-end closing and reconciling matters



Changes in Internal Audit Team

- Pam Wheatley retired unexpectedly effective October 1, 2015
- Two new internal auditors hired effective November 1, 2015 (one to replace Pam and one additional position approved by Board that was moved up from Jan. 1 to Nov. 1)
 - Sonya Miller – formerly in Financial Planning and Management at JCPS and bookkeeper at Wilkerson Elementary for 10 years before that
 - Greg Crump – formerly internal auditor for City of Covington and City of Louisville before that

Observations and Key Points

- Internal Audit Reports – report format and process has been improved. Responses to all reports have been received within the required 30 days.
- Fraud Hotline – improvements in responding to reports have been made including changes to team and more timely responses. Additional recommendations to be provided by Internal Audit after further experience is gained.
- Ethics, Fraud and Code of Conduct Training for Employees – we have recommended that regular training be provided for all employees related to hotline, ethics, departments to contact and key policies. Management is evaluating.

Observations and Key Points

- Bookkeeper Assistance – we have recommended that bookkeeper assistance be provided by Accounting Department instead of Internal Audit. Management agrees and is in the process of implementing.
- Risk Management Committee – we have recommended the formation of Risk Management Committee to review and assess various risks of the District. CBO to determine committee members and timing of meetings.
- Supply Services Warehouses – progress is being made to address State Auditor findings/comments (see following page)



Supply Services Warehouses

- State Auditor provided numerous recommendations that are very difficult to implement, would cause significant disruption to the District and may not be the best solution.
- Internal Audit has reviewed operations and has recommendations, including:
 - Reduce inventory levels and move to schools directly ordering certain products – primarily custodial items
 - Reorganize, clean up and improve flow of inventory items – this includes removing obsolete inventory that is not needed
 - Consider implementing inventory management system including barcoding of all inventory and supplies
 - Cost/benefit analysis of individual areas needed



Supply Services Warehouses

- Numerous changes have been made:
 - Dr. Raisor as the Chief Operations Officer became responsible for supply services starting this summer
 - Summer intern from Yale was brought in and he provided findings and recommendations
 - A detailed action plan is being developed
 - Actions for improving efficiency, moving custodial items to “just-in-time” ordering by schools, and removing obsolete inventory from warehouses are in process
- Cost/benefit analysis and studies are scheduled to occur