TO: Board of Education

CC: Dr. Donna Hargens, Superintendent
           Tom Hudson, Chief Business Officer
           Cordelia Hardin, Chief Financial Officer/Treasurer

FROM: Jim Tencza, Dean Dorton Allen Ford – Internal Audit

SUBJECT: Status of Internal Audit Plan for Year Ending June 30, 2017 – Executive Summary

DATE: January 26, 2017

This report summarizes the Internal Audit activities from July 1, 2016 through December 31, 2016.

- There have not been any significant changes in the Internal Audit Plan
- Through December 31 we are substantially "on target" with the Internal Audit Plan and we anticipate completing all scheduled audits in accordance with the plan
- See attached spreadsheet for a summary of the status of the internal audits
- Summary of Hotline Reports through December 31:
  - 81 reports received (56 of which were bullying cases)
  - 25 non-bullying reports related to:
    - 9 possible thefts or frauds
    - 8 possible employee misconducts
    - 5 possible violation of JCPS policies
    - 3 possible payroll-related matter
  - All reports have been closed except for 5
- See attached spreadsheet for a summary of our follow up on significant findings from the prior year

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Status of Internal Audit Plan for 2016-17 (January 12, 2017)

Area	Audit Procedures	Timing	Status
Travel & Other Business Expenses	Test sample of travel or business expenses for Superintendent, Directors, Assistant Superintendents, and/or Principals to ensure they comply with policies and procedures.	August	Completed. No significant findings.
Schools	Attendance audits for all high priority schools and those to be reviewed by KDE - 10 hours per school for 70 schools.	Sept-Dec	Completed for all schools to be reviewed by KDE. 3 attendance audits were deemed unacceptable and were followed up on in January prior to KDE audit. Remaining schools to be completed by 2/15/17.
	Lunchroom audit for all high priority schools - approximately 3 hours per school for 20 schools.	Nov-Dec	Completed. No significant findings.
	Testing of certain cash receipts, expenditures and bookkeeper procedures for all schools in which we are performing attendance and/or lunchroom audits - approximately 6 hours per school for 80 schools.	Sept-Dec	Completed for all schools to be reviewed by KDE. Several schools had numerous findings. Remaining schools to be completed by 2/15/17.
Procurement	Test sample of new vendors for proper procedures and approvals.	July	Completed. No significant findings.
Accounts Payable	Test sample of expenditures to ensure they comply with policies and procedures.	July	Completed. No significant findings.

Area	Audit Procedures	Timing	Status
Financial Reporting	Perform walkthrough of month-end financial close process and identify potential weaknesses or inefficiencies.	July	Audit has been moved to March which is a more efficient time.
Payroll	Test sample of extended days used by Principals to ensure they comply with policies and procedures	December	Audit is substantially complete and report is expected to be issued by 2/15/17.
	Test certain controls and/or processes related to payroll.	December	Audit is substantially complete and report is expected to be issued by 2/15/17.
Student Behavior Support System	Test restraints and seclusions reported to KDE for the 2015-16 school.	July	Completed. No significant findings.
	Verify management responses related to reporting of restraints and seclusions have been properly implemented.	August	Completed. Summary provided.
	Test process of addressing, documenting and reporting bullying matters.	October	Audit is substantially complete and report is expected to be issued by 2/15/17.
	Test process of documenting and reporting suspensions.	January	Audit is in progress.
	Test process of addressing, documenting and reporting bus referrals.	March	Scheduled for March.

Area	Audit Procedures	Timing	Status
Information Technology	Test various general IT controls and application controls.	Jan-Feb	Data security testing is completed and report has been issued. EPES system testing is completed and report has been issued. IT risk assessment is scheduled for Spring 2017.
Cash Receipts	Perform a walkthrough of the cash receipt procedures for one cash receipt point and test key controls, documentation and	May	Scheduled for May.
Grants and Grant Management	Test sample of costs for various grants.	Jan-May	Scheduled for Spring 2017.
Fundraising and Boosters	Test a sample of schools to determine if all student activity fundraisers and Booster fundraisers, budgets and financial reporting have been properly documented and approved by the Principal. Also, select a sample of fundraisers at each selected school to determine if all reporting and cash collection procedures have been properly followed.	Feb-Mar	Scheduled for Spring 2017.
Warehousing	Observe inventory count and validate count procedures.	May	Scheduled for May.
Budgeting	Perform a walkthrough of the budget process to gain a better understanding of the process and identify potential improvements.	April	Scheduled for April.
Special Investigations and Consultations	Investigate hotline reports and special requests. Estimate 30 special investigations for the year - 30 hours per investigation.	Various	Various audits and consultations have been completed. No matters considered necessary for Board discussion.

Status of Significant Findings from 2015-16 Audits - January 26, 2017

Area	Report Date	Summary of Findings	Status/Notes
Information Technology	5/2/2016	We identified several serious EPES security control deficiencies that need to be addressed.	Substantial improvements, including separate administrator log-ins for each user and refined user permissions and restrictions, have been made; however, further control improvements are still needed. See attached for more information. Additionally, management is in the process of adding a new position that will include managing the EPES system (see "School Bookkeepers" below).
Meyzeek Middle School Cash Receipts	1/8/2016	Found discrepancies in the supporting documentation related to cash receipts, which led to disciplinary action for the Bookkeeper.	Bookkeeper has been replaced. Internal audit is scheduling a follow up audit for the Spring of 2017.
Eastern High School Band	3/1/2016	The booster club was collecting "required" fees from band participants to distribute for band expenses. We recommended special communication to all students and parents regarding fees. We recommended changes in policies and packet information going forward. We also recommended that JCPS review best practices of its peer group to determine if policies should be changed regarding booster organizations.	Internal audit has included the audit of various fundraisers and booster organization reporting in the Internal Audit Plan. These audits will be conducted in Spring 2017. Internal Audit will review Eastern HS Band matters at that time to make sure they properly addressed all matters. When these audits are completed then JCPS will review the results and determine the next course of action.
JCPS Vehicle Usage	3/9/2016	Multiple violations of JCPS Policies and IRS regulations due to usage of District vehicles.	Payroll has reported and collected the amounts due for the past two years from the drivers who took the vehicles home and did not report. This corrected the IRS regulation violation. On November 29th the vehicle usage agreement form was submitted to the Board for approval, waiving the 20 cent per mile commute but keeping the $3.00 charge, in compliance with IRS regulations, for every day driven home during the inclement weather season. By 2/15/17, Internal Audit will review/test the vehicle usage through December 31, 2016.
Student Behavior Support System Audit	5/2/2016 and 6/14/2016	Reports with numerous findings and recommendation were provided to and discussed with the Board.	Substantial improvements have been made; however, management must continue to provide guidance, training and strong communications. See attached for more information.
School Bookkeepers	n/a	We recommend that management consider centralizing the bookkeeping department. The centralized bookkeeper department would be overseen by the Accounting Department and/or could be outsourced or co-sourced with a third party. Centralizing this function could reduce payroll costs and would significantly reduce the cots of recruiting, hiring, supporting and training bookkeepers.	Management has approved a new position to consolidate bookkeeper support in the Accounting department. This position will include assistance with hiring, training, and supporting the bookkeepers. Management is submitting the job description and new organizational chart to the Board for approval. Once this is in place, management will be better able to assess other program requirements and centralization opportunities.

Area	Report Date	Summary of Findings	Status/Notes
Boosters Organizations and Student Activities	n/a	We have noted several violations by booster organizations and/or various student activities (i.e., sports teams, cheerleaders, and band) of JCPS policies related to fundraisers, fees and other matters. We recommend that JCPS review best practices of its peer group to determine if policies should be changed regarding booster organizations and monitoring of student activities.	Eddie Muns is calling various peer districts to see how they are managing activity funds and booster clubs. Internal audit has included the audit of various fundraisers and booster organization reporting in the Internal Audit Plan. These audits will be conducted in Spring 2017. When these audits are completed then JCPS will review the results and determine the next course of action.
Risk Management Committee	n/a	We recommend the formation of a Risk Management Committee to review and assess various risks of the District.	Management has been researching Risk Management Committee examples through other school districts and other organizations, including obtaining input from their insurance companies. After additional review they will be determining what level of engagement is appropriate or needed for JCPS.
Ethics Training	n/a	We recommend that management consider implementing a mandatory ethics training for all JCPS employees. We have provided Tom Hudson with various options on training programs.	Management has reviewed some options and received some price quotes, which seemed out of reach at this time. Currently, all staff receive ethics training when hired. Management is currently reviewing more cost effective options, such as the model used by Compliance & Investigations for their annual Harassment & Discrimination course and quiz. In addition management has discussed with their insurance representatives possible software programs and webinars they have available that could be used and adjusted to meet our specific needs.

TO: Cordelia Hardin, Chief Financial Officer/Treasurer

FROM: Kevin Cornwell, - Internal Audit, Dean Dorton Allen Ford

SUBJECT: EPES – Follow-up on previous internal audit findings and recommendations

DATE: January 12, 2017

Finding 1: The administrator login is shared amongst three users in Internal Audit. There is an internal auditor account for accessing EPES, although it is not currently being used. Internal Audit should not have the ability to modify user access.

Recommendation: We recommend the administration functions for configuring and granting access within EPES be performed by MIS. We also recommend creating unique, identifiable accounts for the Internal Auditor users and assigning them the internal audit access role.

Status: EPES administration functions are still being performed by Internal Audit. However, MIS now has district level access so they can fix password problems. Although, they are not setting up users. There are plans to create a position to train bookkeepers, but no timeline has been established. The Internal Auditor users do not have unique, identifiable accounts.

Open Item(s): We recommend the administration functions for configuring and granting access within EPES be performed by MIS. We also recommend creating unique, identifiable accounts for the Internal Auditor users and assigning them the internal audit access role.

Finding 2: Every school has the following pre-existing accounts in EPES.

- Bookkeeper (BK)
- Office Aide (AIDE)
- Principal Account (PRIN)

These are generic accounts and do not provide accountability for who has logged in and modified transactions. JCPS worked with EPES to develop a report showing user login activity and their activity. This report can be used to verify what account was used and what activities were performed by the account. However, since the user IDs are not unique the report cannot be used to hold individuals accountable.

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Recommendation: We recommend unique accounts be created for all users accessing EPES. When there is turnover the applicable accounts should be disabled or deleted. In addition, user access reviews should be performed to verify access is still appropriate. The frequency of the user access reviews depends on the process used to identify position changes for bookkeepers, aides, and principals. If no process exists the review should be performed monthly. If an adequate process is in place, the review could be performed quarterly or semi-annually.

Status: All bookkeepers have their own unique logins and no BK accounts are in use. New bookkeepers do not get a bookkeeper login until they have completed EPES training.

The AIDE accounts are still being used for the following purposes.

- Backup to the bookkeeper
- Schools that do not have a bookkeeper but do have someone performing limited bookkeeping functions
- New bookkeepers before they have completed EPES training

The AIDE accounts have less access than the bookkeeper accounts. Because of how the AIDE accounts are used, the passwords should be changed after an AIDE account has been shared with someone who will not be using it permanently.

The PRIN accounts are still active, although very few principals use EPES.

No user access reviews are being performed, although Finance has developed a report of all Bookkeepers in MUNIS that could be used for a user access review.

Open Item(s): We recommend unique accounts be created for all Office Aides and Principals. When there is turnover the Office Aid and Principal accounts should be disabled or deleted. In addition, user access reviews should be performed, including Office Aides and Principals, to verify access is still appropriate. Additionally, the passwords should be changed after an Office Aid account has been shared with someone who will not be using it permanently.

Finding 3: Bookkeepers have enough access to change the preferences within their own school's EPES system. Options within the preferences include setting the default maximum check amount and allowing transfers to leave a negative balance.

Recommendation: We recommend removing bookkeeper access to EPES preferences.

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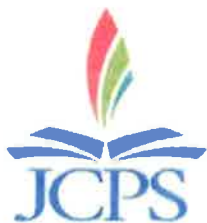
<u>Status</u>: This is still an open issue. Moving lines for check and receipt printing requires access to preferences, which bookkeepers occasionally need to do. One option is to require this type of change to be made by MIS or have EPES allow this functionality without having access to other preference areas.

<u>Open Item(s)</u>: We recommend removing bookkeeper access to preferences. This would require MIS to move lines for check and receipt printing or have EPES allow this functionality to bookkeepers without having access to other preference areas.

<u>Finding 4</u>: JCPS is not always notified when there is turnover in bookkeeper, office aide, and principal positions. Because of this passwords are passed on to the new person in the position. Since EPES is a web-based hosted system, the prior person still has access to the system. The current process is to rely on the schools to notify Internal Audit if there are personnel changes. This process is unreliable and Internal Audit should not be responsible for making user access changes.

<u>Recommendation</u>: We recommend developing a report in MUNIS that triggers an alert to a department other than Internal Audit whenever there is a change in the status of a bookkeeper, aide, or principal position. This department would determine what change is necessary and open a request with MIS to make the appropriate change.

<u>Status</u>: Finance is running a weekly report of changes (hires, terminations, and transfers) in bookkeepers and sends an email to Internal Audit and MIS of these changes. For bookkeeper terminations and transfers the password is changed and the account is deleted after the new bookkeeper is hired. Accounts for new bookkeepers are not created until the bookkeeper has completed EPES training.

The weekly report does not include office aide or principal changes. The office aide function does not correlate to an actual title, although the principal title does.

Recently, there was an example of a user going through EPES training and claiming to be a bookkeeper, although this was not the case. During her training she was given access as a bookkeeper. This occurred as a result of there not being a process in place for HR or a manager to communicate access approval to Internal Audit. The unauthorized access was later identified and removed.

<u>Open Item(s)</u>: We recommend developing a report in MUNIS that triggers an alert to a department other than Internal Audit whenever there is a change in the status of the principal position. Something similar should be done for Office Aid, however this function is not tied to title and presents a greater challenge to isolate. We also recommend implementing a process where EPES access is approved by HR or a manager and EPES access be granted based on the approval.

Rec #	Recommendation/Action	Progress Notes
1	For reporting restraints and seclusions in Infinite Campus for the 2015-16 school year Management should ensure the completeness and accuracy of such information by establishing and following a process similar to what they used for remediating the 2013-14 and 2014-15 school years.	Completed and tested by Dean Dorton.
2	To ensure the accuracy and completeness of reporting restraints and seclusions in Infinite Campus for the 2015-16 school year, the following processes/controls should be implemented:	
	a. All Early Childhood Schools should properly report restraints and seclusions in Infinite Campus for the 2015-16 school year.	Completed and tested by Dean Dorton.
	b. In addition to searching the "consequence" field, Management should also search the "behavior" field for all BILs reports for all schools for the 2015-16 school year to determine if there are any additional incidents that might be a restraint or seclusion to be reported in Infinite Campus.	Completed and tested by Dean Dorton.
	c. Management should thoroughly review and analyze all the restraint and seclusion data for all schools. This analysis should include, at a minimum, a comparison of the number of incidents by school in 2015-16 to prior years, a comparison of the number incidents between schools of the same type, a comparison of the trend at JCPS compared to other schools, and identifying schools with zero or very few incidents. All unusual variances should be discussed with the Principal and should be properly explained.	Completed and tested by Dean Dorton.
	d. Before finalizing the 2015-16 information for inclusion in the State Report Card all Principals should thoroughly review their school's information and verify the accuracy and completeness of the restraint and seclusion information. In addition, all Assistant Superintendents should thoroughly review their schools' information and verify the accuracy and completeness of the restraint and seclusion information. Lastly, the Superintendent should review all information prior to the release of the State Report Cards. All reviews should be documented with a positive statement regarding the review of information and a manual signature.	Completed and tested by Dean Dorton.

Rec #	Recommendation/Action	Progress Notes
3	Prior to July 31, 2016, Management should make a final decision regarding the computer system used by all schools to document restraint and seclusion information. There should be only one data entry point and the information must be in the proper format with enough detail so that Principals and other school officials can properly address and improve student behaviors and responses to those behaviors. The computer system can be Infinite Campus or SBRT. If Infinite Campus is utilized, then there may need to be modifications made to Infinite Campus so that it provides Principals with the appropriate information. If SBRT is utilized, then changes to SBRT will need to be made so that the information can automatically interface with Infinite Campus. JCPS should include all key parties in making this decision including, Principals, Assistant Superintendent, Superintendent, Chief of Data Management, Information Technology Department, student behavioral specialists, KDE, etc.	Infinite Campus is the single system used to record and report all of the behavior data throughout the district. Principals were properly notified of this. The SBRT system has been decommissioned and BILS is not available for use in 2016-17. JCPS Data Management, JCPS IT, and a special school met in April to explore the options to facilitate more data analysis so that schools can properly address and improve student behaviors and responses to those behaviors, as recorded in Infinite Campus. In response to this need, the JCPS IT department is exploring the feasibility of creating additional reports and graphs using the behavior data resident in Infinite Campus. Computer Education staff will help with creating ad-hoc reporting to help school data needs. Data Management provides weekly report on Binet and Waller seclusions and restraint incidents to the ECE department. The JCPS Behavior Manual includes instructions for printing a student level summary report on behavior (page 21). The next step is to construct a tab in IC for recording certain behaviors and to test it.
4	Management should review the JCPS Organizational Chart and determine if changes need to be made related to overseeing the documentation, reporting, monitoring and training for student behavior incidents. There should be a clear understanding of who is responsible for such matters. Principals, Assistant Principals and teachers should clearly understand who they should contact with questions and concerns – and there needs to be clear and consistent responses to any such	Changes were made, training was provided and various matters were properly communicated. However, management needs to continue to emphasis who is to be contacted for various matters and must continue to provide additional examples.
5	For the upcoming school year there needs to be clear, consistent and strong messaging from top level management and Assistant Superintendents regarding the importance of properly documenting and reporting all seclusion and restraint incidents and other safe school reporting information. It should be clear that this is a top priority and that Management will not tolerate under-reporting any such information.	Dr. Zeitz provided training to administrators from all schools on the new Student Support and Behavior Intervention Handbook. Area Asst. Sups provided beginning of year training that addressed data reporting (including on E2 form) to all principals. Principals reviewed behavior data reporting expectations and signed a letter of commitment to follow procedures. Dean Dorton reviewed the materials and verified Principals signing of letter.

Rec #	Recommendation/Action	Progress Notes
6	The Safe Crisis Management (SCM) curriculum taught by JCPS appears to be excellent. The training provides a comprehensive continuum of prevention, de-escalation, intervention and post intervention strategies. This training results in SCM certifications and is provided to all members of the schools' SCM Team. We recommend the following changes to the training program:	
	a. The training program should include training on proper documentation – what needs to be reported, what information should be included in the documentation, what boxes should be checked, common errors in documentation, etc.	Completed and tested by Dean Dorton.
	b. Management should encourage members of the SCM teams to be the ones to actually document the incident; however, it may not be practical for all schools. For employees who are inputting the information into Infinite Campus or SBRT but are not certified in SCM, they should receive some level of training on SCM strategies. These employees need to have a basic understanding of the various strategies and techniques so that they can properly document the incident.	KDE Guidance document includes examples and situations. This document has been shared with principals and will be provided as a resource with the Behavior Manual (as it is updated).
	c. The SCM Training Team should have access to Infinite Campus or SBRT information and review all incidents reported on a regular basis to ensure that various student behavior incidents are being handled in an appropriate manner. The SCM Training Team should modify the training program throughout the year to address common errors. The SCM Training Team should also determine if certain individuals or schools need additional training based on their review of the incidents reported.	Ad-hoc reports were created and data reviews are ongoing. Data Management staff works regularly with Dr. Zeitz's team to identify data errors for seclusion and restraints. Data Management division has created 2 ad-hoc reports for the behavior team to use to identify errors (i.e. events with behavior response but no restraint resolution). Queries have been run on narratives to identify possible incidents that were not entered as restraints or seclusions. New macros were developed to help Dr. Zeitz's team find 4 common errors in IC. Dr. Zeitz's team is emailing schools every other week to ensure more accurate data.
7	Management should provide written guidelines and requirements regarding documenting and reporting seclusion and restraint incidents. These written materials should be sent to all Principals and Assistant Principals and should also be maintained on the website. The written materials should include examples and various situations that are commonly seen at schools. This will allow schools to refer to the examples if needed and will help in reporting the information in a consistent and appropriate manner. The written materials should be specific regarding certain groups of students including early childhood and special needs students.	KDE Guidance document includes examples and situations. This document has been shared with principals and will be provided as a resource with the Behavior Manual (as it is updated).

Rec #	Recommendation/Action	Progress Notes
8	JCPS should revise its policies regarding SCM teams. Currently, the policy is for each school to have at least 5 people on their SCM team. JCPS should mandate larger SCM teams for schools with a larger student population or for schools with special needs students. Additionally, JCPS should require all Principals and Assistant Principals to be members of the SCM team because Principals and Assistant Principals are normally involved in all serious student behavior incidents (if certain Principals or Assistant Principals are not certified in SCM, then they should receive some level of training on SCM strategies and techniques).	SCM procedures were revised and placed on website with associated board policy. Management should continue to evaluate the make-up of each school's team and provide guidance on best practices.
9	Assistant Principals should meet periodically (i.e., twice a year) to discuss student behavior matters. These meetings can include additional instructions or training on student behavior matters.	Assistant Principals currently meet in role groups twice a year. Dr. Zeitz will ensure that the agendas of these meetings include training on student behavior matters. Additional professional development on fostering a positive school culture and climate and providing Tier I supports will be required for Assistant Principals during the 2016-17 school year.
10	Management should monitor the seclusion and restraint information on at least a monthly basis. Additionally, management should monitor various other student behavior information on a monthly basis – such as suspensions, bullying, harassment, interventions, bus referrals, etc. Any unusual variances should be followed up on immediately. Management should be reviewing the information to ensure it is being documented and reported properly, as well as making sure various student incidents are being handled appropriately and in accordance with JCPS policies and guidelines. This monthly review should also include an analysis of trends by school, race, type of incident, etc. This trend analysis should be used to address any significant matters in a timely manner. Management should also provide a summary report to the Board on a periodic basis throughout the year (i.e., quarterly).	Monthly reports have been developed and are being reviewed to ensure timely and appropriate reporting is occurring, Monthly reports are also emailed to schools and Assistant Sups. Behavior data is presented to Board at each Board meeting during Superintendent's report.
11	Internal Audit should develop a plan and perform audits throughout the upcoming school year on the reporting of various student behavior incidents.	Included in Board approved Internal Audit Plan and are ongoing.