

Jefferson County Public Schools
Audit Risk Assessment Update
Executive Summary
ARMAC Meeting
December 5, 2018

During November 2018, James Tencza, Dean Dorton PLLC and Jodell Renn, Director of Internal Audit held meetings with the Superintendent, members of the Jefferson County Public School (JCPS) Board of Education (BOE), Chief of Staff, Cabinet Leaders and several other key personnel to discuss the audit risk assessment process and to solicit their input. Discussions were also held regarding the audit universe to ensure that it is complete. An audit universe is a listing of activities that are performed throughout the JCPS to help in the achievement of the organization's objectives. These activities are subject to an independent assessment and evaluation by internal audit. A listing of potential audit activities that can be provided by internal audit is included in Attachment A.

Ms Renn is in the process of summarizing the results from the interviews and performing the risk assessment of the activities included in the audit universe. See attachment B for rubric used as part of the quantitative portion of the assessment. The risk assessment will include both quantitative and qualitative evaluation techniques to help determine the audit activities to be included in the FY 2019 Audit Plan. The audit plan approved by the JCPS BOE in September was based on the assumption that the Director of Internal Audit would identify audit projects for the second half of the year. This analysis will assist Ms Renn in identifying the additional audit activities to include in the plan.

Action requested: *None, for information purposes only.*

Types of audit activities:

Operational - A review that documents the controls in place within a process that are designed to achieve the objective. Audit steps will be developed to test the controls and assess their effectiveness and efficiency.

Compliance - A review that assesses whether or not the various laws, regulations, contractual requirements and board policies have been implemented within a process to ensure compliance is achieved.

Financial - A review that focuses on the financial controls as they relate to reporting.

Information Systems - A review that is designed to focus on one or more of the following: security, availability, processing integrity, confidentiality and privacy.

Integrated - A review that is centered on a business cycle or a specific part of a cycle or process, and may include all or some combination of the elements included in operational, compliance, financial and/or information systems.

Consulting - A project where internal audit assists the process owner with analyzing and evaluating the effectiveness of a process.

Defined terms:

Effectiveness - The concept of determining whether the company's controls are operating as prescribed by the persons possessing the necessary authority and competence to perform the control effectively to ensure the achievement of the company's control objective and can effectively prevent or detect errors or fraud that could result in material misstatements.

Efficiency - The concept of performing a task with maximum outcome and minimal resources and takes into consideration the cost or waste of time, energy, financial means, etc.

Security - Information systems are protected against unauthorized access, unauthorized disclosure of information and damage to systems that could compromise the availability, integrity, confidentiality, and privacy of information or systems and affect the entity's ability to meet its objectives.

Availability - Information and systems are available for operations when needed..

Process integrity - System processing is complete, valid, accurate, timely and authorized to meet the entity's objectives.

Confidentiality - Information designated as confidential is protected.

Privacy - Personal information is collected, used, retained, disclosed and disposed of properly.

Attachment B

Financial Exposure	<p>H - >\$10,000,000</p> <p>M - Between 1,000,000 to 9,999,999</p> <p>L - < 1,000,000</p>
Compliance with Laws and Regulations Or Contracts	<p>H - Complex compliance issues with frequently changing regulations or significant changes in prior 12 months or large number of people involved in implementing the compliance activity</p> <p>M - Moderate compliance issues with manageable changes in regulations or moderate number of people implementing the compliance activity</p> <p>L - Infrequent changes in regulations or small number of people implementing the compliance activity</p>
Included on CAP	<p>Y = Included on CAP</p> <p>N = Not included on CAP</p>
Public Exposure	<p>H - Errors in process would have significant impact on reputation.</p> <p>M - Errors in process would have moderate impact on reputation</p> <p>L - Errors in process would have minimal impact on reputation</p>
Cabinet Leadership Changed	<p>H = CL less than 2 years experience</p> <p>M = CL member >2 - 4 years experience</p> <p>L = CL member > 5 years experience in position</p>
Key Personnel Experience	<p>H = Key employee less than 2 years experience in position</p> <p>M = Key employee >2 - 4 years experience in position</p> <p>L = Key employee > 5 years experience in position</p>
Complexity of Transactions	<p>H = Highly complex transactions, or significant manual input</p> <p>M = Complex transactions, moderate manual input</p> <p>L = Simple transactions, highly automated</p>
Time Expired Since Last Audit	<p>H = No audit in more than 5 years</p> <p>M = No audit between 3 - 4 years</p> <p>L = Audit performed in last 2 years</p> <p>Exceptions - If material findings were identified in an audit, then H would be automatic until re-performance indicated material findings were adequately addressed</p>

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