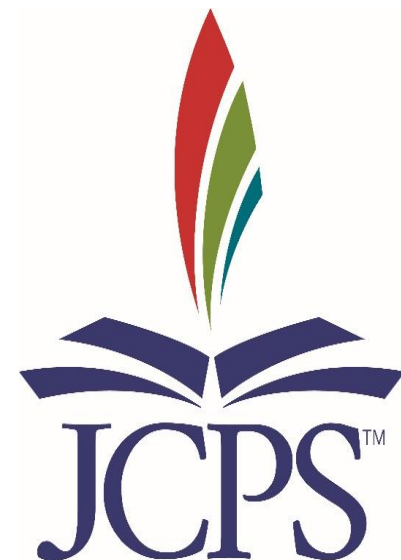


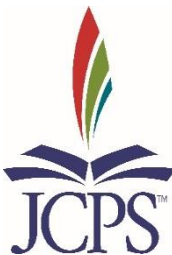
Audit and Risk Management
Advisory Committee (ARMAC)
Mid-Year Update



*Jefferson County Board of Education Meeting
February, 2019*

Objectives for Today

- Overview of ARMAC Purpose / Responsibility for New Board Members
- Work To Date
- Planning Calendar for 2019
- Board Request / Board Support Discussion

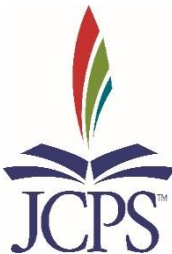


ARMAC Purpose

The Board has established the Audit Committee to serve in an expert advisory capacity to assist the Board in the oversight of risks impacting the financial and strategic objectives of JCPS. The role of the Audit Committee shall be advisory in nature and any recommendations it provides to the Board shall be subject to review and approval by the Board.

The Audit Committee shall assist the Board in fulfilling the Board's financial and risk management oversight responsibilities by advising the Board on:

- The integrity and presentation of financial statements and operational reporting;
- The qualifications, independence, and performance of the independent external auditors and the JCPS internal audit function;
- The system of internal controls including procedures for detecting fraud, waste, and abuse;
- Adequacy of the JCPS strategic and operational risk management processes;
- JCPS compliance with laws and regulations;
- Adequacy of JCPS investigations processes;
- JCPS ethics, values and culture; and
- Other matters as directed by the Board.



ARMAC Members

	James Rose Chair Term Expires 2021	Governance, Risk, and Compliance Expert – CPA
	Rhonda Mitchell Vice-Chair Term Expires 2021	Internal Audit and Compliance Expert – Certified Fraud Examiner
	Dr. Keith Davis Term Expires 2021	Former Superintendent, Clinical Professor UofL
	Dr. Sarah Moyer Term Expires 2020	Physician, Director of Public Health and Wellness

	Dr. Vicki Phillips Term Expires 2020	Chief Education Officer, National Geographic Society, Former Superintendent
	Dr. Lois Adams- Rodgers Term Expires 2019	Former Superintendent, Former Deputy Commissioner KDE
	Pedro Bryant Term Expires 2019	CEO Metro Bank, MBA

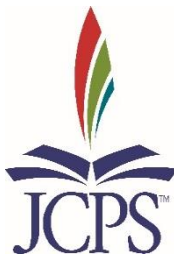
ARMAC Areas of Responsibility

The Audit Committee's primary areas of responsibility include, but are not limited to, advising the Board on:

- The integrity and presentation of financial statements and operational reporting.
 - Review and provide advice on the Consolidated Annual Financial Report as well as other key financial and operational reports.
 - Review and provide advice on the basis of accounting and significant accounting policies.
 - Meet privately with the Chief Financial Officer and Legal Counsel to discuss any matters that –when permitted by the Kentucky Open Meetings Law – may be afforded private consultation.
- The qualifications, independence, and performance of the independent external auditors.
 - Advise on the reports of the independent external auditors.
 - Advise on the procurement process and selection of the independent external auditors.
 - Evaluate the efforts of the independent external auditor, including the auditor's actual independence and professional qualifications.
 - Advise on the appropriateness of the independent external auditor's engagement plan.
 - Meet privately with the independent external auditor to discuss any matters that –when permitted by the Kentucky Open Meetings Law – may be afforded private consultation.

ARMAC met with the External Auditor, Reviewed CAFR, Noted No Concerns.

2019 will afford more time to meet with External Auditor to review audit plan and approach.



ARMAC Areas of Responsibility (Continued)

The Audit Committee's primary areas of responsibility include, but are not limited to, advising the Board on:

- The qualifications, independence, and performance of the JCPs internal audit function.
 - Advise on the processes for procurement, recruiting, selection, and performance review of the head of internal audit.
 - Be informed promptly of any actions taken by the JCPs superintendent regarding the hiring, termination, or modification of the terms of reference or compensation of the head of internal audit.
 - Review and provide advice on the adequacy of resources afforded the internal audit function and the adequacy of the internal audit work plan.
 - Review and advise on the reporting from the internal audit function.
 - Meet privately with the head of internal audit to discuss any matters that –when permitted by the Kentucky Open Meetings Law – may be afforded private consultation.
- The system of internal controls including procedures for detecting fraud, waste, and abuse.
 - Review comments and evaluations from management, auditors, and external regulators and consultants on the system of internal controls.
 - Review and advise on the adequacy of management follow-up on deficiencies in internal controls.
 - Review and advise on the cost/benefit of proposed recommendations and the adequacy of the root cause analysis leading to those recommendations.

ARMAC member assisted in selection panel for the Director of Internal Audit.

ARMAC members reviewed the first risk assessment, process universe developed by Internal Audit.

ARMAC advises that the BOE accept the Internal Audit plan and Budgeted FTE as currently provided by the Director of Internal Audit.

ARMAC has reviewed the State Audit CAP status, External Auditor CAFR findings. ARMAC advises that management actions all appear appropriate to addressing the matters noted.

ARMAC will continue with deeper discussions of outstanding issues.



ARMAC Areas of Responsibility (Continued)

The Audit Committee's primary areas of responsibility include, but are not limited to, advising the Board on:

- Adequacy of the JCPS strategic and operational risk management processes.
 - The Audit Committee shall serve as the Board's primary expert advisor on determining whether enterprise risks are identified and tracked by management.
 - Meet individually with the JCPS Superintendent, his/her Cabinet members, or other members of management as necessary to discuss key risks, risk appetite setting, and risk mitigation strategies.
 - Review and advise on the adequacy of risk oversight and mitigation that aligns to the Board's level of risk appetite.
- JCPS compliance with laws and regulations.
 - Review comments and evaluations from management, auditors, external regulators and consultants, and Legal Counsel on matters regarding compliance with laws and regulations.
- Adequacy of JCPS investigations processes.
 - Review comments and evaluations from management, auditors, and external regulators and consultants on the processes for managing investigations.
 - Meet with Internal Audit, Compliance and Investigations, and Security and Investigations as necessary to understand their processes.
 - Assess the adequacy of capturing and triaging hotline complaints.
- JCPS ethics, values and culture.
 - Review comments and evaluations from management, auditors, and external regulators and consultants on JCPS ethics, values and culture to the extent they impact the overall level of enterprise risk and system of internal controls.
- Other matters as directed by the Board.
 - Maintain ongoing line of communication with the Chairperson of the Board.

Primary focus of ARMAC efforts. Meetings to date focused on understanding JCPS strategies, goals, and risks. See prioritized focus areas list.

ARMAC reviewed universe compiled by Internal Audit as well as related State Audit CAPS. Will continued focused review in 2019.

Areas on the calendar for 2019 discussion and review.

Now that we are underway, looking to increase Board support as desired.

ARMAC Planning Calendar

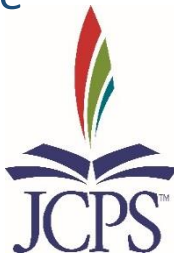
The next two slides provide an overview of our planning calendar. We welcome the Board's input into our work plan.

Planning Calendar – Page 9

- The top section of the planning calendar addresses every core area within the Audit and Risk Management Advisory Committee Charter.
- The bottom section notes the areas of focused discussions ARMAC prioritized.
- Approximately 55% of our time is scheduled on core areas with the remainder on the higher risk focus areas.

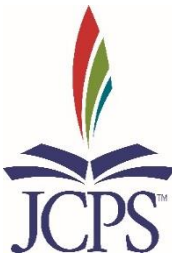
ARMAC Focus Discussion – Page 10

- The members, in conjunction with the Superintendent, identified areas of potential focus during the course of the first four meetings during which the Committee discussed JCPS Vision, State Audit findings, Equity plan and the process universe.
- The members prioritized the identified areas as noted.



ARMAC Planning Calendar

Monitoring / Advisory Goals	4 th 2018	1 st 2019	2 nd 2019	3 rd 2019	4 th 2019	1 st 2020	2 nd 2020	3 rd 2020
AUDIT CHARTER CORE								
ARMAC Charter Review			Planned				Planned	
External Auditor Oversight	11.18	Planned				Planned		
Internal Audit Function Oversight / Charter Review	10.18	1.19	Planned					
CAFR Review / Interim Financials	11.18			Planned				Planned
Compliance Program Effectiveness		Planned						
Enterprise Risk Management / Risk Register / Risk Appetite Alignment			Planned					
Audit Issues Follow-up / Fraud, Waste, Abuse Controls / Root Cause		Planned		Planned		Planned		Planned
Investigations Process Effectiveness			Planned		Planned		Planned	
Policy/Standard/Procedure/Process Management		1.19						
Overall Ethics / Values / Culture			Planned			Planned		
Private Session: GC			Planned		Planned		Planned	
Private Session: External Auditor		Planned				Planned		
Private Session: CFO				Planned				Planned
Private Session: CAE		Planned		Planned		Planned		Planned
Board Report (Annual Required, Semi-Annual Preferred)		Planned		Planned		Planned		Planned
ARMAC Deeper Dive Focus Areas								
Vision 2020 Action Plan	9.18							
• Educator On-Boarding			Planned					
• Principal Development		Planned						
State Audit Recommendations	10.18							
• ECE IDP			Planned					
• Instructional Management			Planned					
• Policy Consistency		Planned		Planned				
Equity Policy	12.18							
• Suspensions & Discipline			Planned					
• College & Career Metrics		Planned						
• Facilities Planning		Planned						



List of Higher Risk
Areas for Focused
Discussion
Developed by
ARMAC Members

Ranked by ARMAC
Members

Used to Develop
Our Planning
Calendar

Star Areas -★ -
Highest Priority

	ARMAC FOCUS DISCUSSION	Avg ARMAC
★	Teacher / Education Onboarding and Initial Coaching (Effectiveness of Recruiting to Onboarding to Feedback Through year 4; Support for Teachers at Priority Schools, Rotational Programs, Teacher Health and Wellness and Engagement)	4.9
★	Principal Development (Support, Supervision, On-Boarding, Leadership Skills - Modeling of Vision, Cohesion, Equity, Data Driven, Professional Learning Communities, Assignment to Priority Schools)	5.1
★	Instructional Management (Issues Driving State Audit CAP, 3 Pillars Strategy Alignment)	6.0
★	College and Career Readiness Metrics (Key metrics and drivers of College and Career Readiness)	6.6
★	Facilities Planning (Facility Adequacy, Funding Analysis, Energy Efficiency, Impact on Student Assignment)	6.9
★	Effectiveness of Policy, Standard, Procedure Consistency Across Schools (How Are Expectations Communicated, How Can Compliance Complexity be Reduced, How Can Academic Focus Be Maintained and Optimized)	7.1
	Social Determinants of Educational Achievement (Screening, Resources, Community Engagement, Family Support)	8.0
	Board Member Roles (Best Practices for Board of Education Members, Ky School Board Association Guidance, Board Protocols)	8.6
★	ECE IDP (Exceptional Child Education Individual Development Plan Fidelity and Execution)	8.9
	Early Childhood Education (Pre-K education, Impact on Kindergarten Readiness, Community and Family Support and Guidance)	9.0
★	Suspensions and Discipline (Benchmarking, Root Cause Analysis, Alternative Approaches, Student Recovery)	9.1
	Brand Perception (Brand Awareness, Aided / Unaided Awareness of JCPS Accomplishments, JCPS Stakeholder Perspectives, Non-JCPS Stakeholder Community Perspectives)	9.9
	Financial Cost Accounting (What is True Cost of Special Programs, What is True Cost of Different Student Cohorts, How Does Cost Analysis Impact Equity and Charter Programs (if pursued))	11.6
	National Benchmarking of JCPS (Perspectives of JCPS in Relation to Other Large Urban Districts, Metrics Tracking, Learning from Others)	11.9
	School Services Optimization (Centralization of Services Oversight vs School Based Oversight, Service Level Agreements between Central Office and Schools, Streamlining Non-Academic Tasks in Schools)	12.4
	School Funds Management (Credit Cards, Cash, School Funds Efficiency and Accounting)	13.1
	Health and Pension Costs (Levers Available to JCPS, Optimization of Employee Health and Wellness, Appropriate Benefits Obtainment, Financial Risk Impact and Planning)	14.0



Board Request / Board Support Discussion

- How can we further support your role as Board of Education members?
- What ongoing dialogue would be helpful – formal / informal?
- In what areas can we assist by providing greater awareness, assurance, or advice on critical matters before the district?
- Any other questions regarding our work and the Committee?

