Audit and Risk Management Advisory Committee
Jefferson County Public Schools
VanHoose Education Center
January 16, 2019 Minutes

ARMAC Members Present: Chairperson James Rose, Pedro Bryant, Dr. Lois Adams-Rodgers, Dr. Sarah Moyer, Dr. Keith Davis and Dr. Vicki Phillips (via teleconference)

Public Present: None

JCPS Staff Present: Dr. Marty Pollio, Jodell Renn, Amy Dennes, Greg Crump, Eddie Muns, Hannah Lehman, Shari Mattingly (note taker) and Jim Tencza of Dean Dorton

Board Members Present: James Craig

Mr. Rose called the meeting of the Audit and Risk Management Advisory Committee (ARMAC) to order at 2:00 pm. A quorum was present.

Approval of Minutes

Dr. Davis made a motion to accept the minutes of the December 5, 2018 meeting. The motion was seconded by Dr. Moyer. The minutes were approved by a unanimous voice vote.

Introductory Comments

Mr. Rose reviewed the agenda for the meeting. He also detailed a discussion with the Vice Chair of the Foundation about the repeat audit finding detailing that the Foundation has not provided their audited financial statements to JCPS in a timely manner. The Foundation Vice-Chair, hoped that the issue would be addressed. James reached out to CFO Cordelia Hardin to request some information requested by the Vice Chair of the Foundation and he will follow up with Cordelia for specifics.

Discussion on the Audit Universe

Ms. Jodell Renn, Director of Internal Audit, presented a PowerPoint describing the Audit Universe and detailing the approach by JCPS Internal Audit and the benefits to the organization by using this process. Mr. Rose explained that this will allow Internal Audit to gain a clear understanding of who is ultimately responsible for a process, especially when a process crosses organizational boundaries. Ms. Renn will be working with the Cabinet to obtain further assistance in identifying process owners.

Update on the Audit Risk Assessment Process

Ms. Renn presented Internal Audit's proposed work plan for January – October 2019. Board Member Craig inquired as to who the audit reports go to, once it's completed. Mr. Tencza explained that reports typically go to the department head with a high-level summary being provided to the Board a couple of times per year. Ms. Renn explained that she is still working on the best way to communicate results to the Board and doesn't want to overburden them with reports where no critical observations were identified.

Ms. Renn walked the Committee through all of the documents included in the package. She spoke to the way processes were identified, how they were categorized and eventually risk ranked to determine which audits would advance to the work plan. She also explained how the listing of schools were identified that would be reviewed in the spring. Ms. Renn further explained that there will be changes to the process listings and categorization as new information is learned and validations performed by the Cabinet Leaders.

Ms. Renn went on to discuss the risk framework, compliance framework, critical information technology (IT) listing, and metrics waterfall. These were all supplemental information provided to help the committee get some perspective on the various components that must be understood to fully appreciate JCPS's complexity. The plan is to eventually connect each process with the related risks, relevant compliance requirements, IT systems and relevant metrics. Mr. Rose noted that while preliminary process owners have been identified we are still working to sort out each true process owner.

While discussing the top 16 schools listed for review, Mr. Bryant remarked that looking at schools based on the tenure of the Principal and Bookkeeper is good, however you don't want to forget that there could still be issues at schools with tenured staff. A discussion was held about what is the purpose of the school activity funds. Mr. Muns explained that the funds are raised for student field trips, etc. and that the size of the school and the number of students has an impact on the amount that runs through the accounts. It was also clarified that the booster/fundraising accounts are not included in the school activity funds. Dr. Moyer noted that the school activity funds should be looked at in light of the equity policy to determine if there is a correlation.

Board Member Craig remarked that while looking at areas included in the corrective action plan is good, he asked if we are thinking of what the next area of concern might be. Dr. Pollio explained that JCPS is focused on doing the right things and that we are always monitoring these. He gave an example of Exception Childhood Education as an area where there is a lot of focus and improvement is still needed. Ms. Renn stated that Internal Audit is here to help with that process and wants to get in front of future issues but is also wanting to help provide some level of assurance on the areas that KDE will be reviewing when they return in 2020. Ms. Rodgers-Adams stated that she appreciates the independence of Internal Audit and the work that was presented.

Revised Internal Audit Plan

An evaluation of Internal Audit staff available time for January – October 2019 was provided by Ms. Renn. She explained that the additional Internal Audit staff member to be hired by March 1st will be taking on some of the projects listed. Mr. Rose explained that the Internal Audit department is not over staffed currently, and a process for how to move some accounting functions currently handled within Internal Audit to Accounting Services should be considered. The revised audit plan was discussed and highlighted three projects encompassing four processes from the audit risk assessment exercise that are included. There are 16 schools rated high risk included in the work plan for the Redbook reviews and two consulting projects have also been identified.

ARMAC Focus Areas Discussion

Mr. Rose presented the ARMAC Prioritization Survey results to the Committee. All agreed to the top six focus areas. All agreed on the importance of KDE and CAP areas. Dr. Moyer stressed that we need to

address the brand perception of JCPS; how to get the message out since the public perception can impact the general public's view regarding taxes, etc. Mr. Bryant expressed his personal experience having lived across the country and the different school districts that his children attended, that JCPS in his opinion should be ranked as one of the best districts.

Mr. Rose stated the Committee will conduct a deep dive and overview of the focus areas. Mr. Bryant believes that since the Board is an elected body, the Committee should get direction from the Board and the Superintendent, and that ARMAC should be a strong audit committee both internally and externally. Mr. Rose will be presenting to the Board in February and would like to get insight from them on how they could use the Committee's expertise. He would like the ARMAC to look at the top six focus areas and in subsequent meetings have them touch on other areas. Mr. Rose and Ms. Dennes will be meeting to brainstorm the survey results.

Mr. Craig asked if it would be helpful to have the Board take the survey, and that he would be interested in their responses.

Update of Corrective Action Plan

Ms. Amy Dennes presented an update of the JCPS Corrective Action Plan (CAP) that was agreed to in October of 2020 by the district and the Kentucky Department of Education (KDE). The Status Update Chart is updated each time JCPS presents to the Kentucky Board of Education to show the district's progress. Several items have been completed, the majority are in process and a few are still in the beginning stages. She described new tools and additional staff that Assistant Superintendents now have. Ms. Dennes highlighted a few notable statistics: suspensions are down by 19%; referrals are down by 4%; 90,000 students now have artifacts in their backpacks. A question was asked as to why they think suspensions are down and Ms. Dennes referred to the development of toolkits that have been provided to teachers to give strategies and training, enabling them to handle complex situations in the classroom. Ms. Dennes went on to discuss the district's framework for addressing the multiple pathways provided to students as a part of Career and Technical Education, which begins with the Freshman Academy where students have opportunities to help them decide what pathway is best for the student. Each Academy of Louisville high school now has an Academy Coach, and JCPS currently is working to incorporate core academics with all CTE pathways and is looking to expand the Academies of Louisville model to more high schools. The progress towards addressing all of the CAP has made a good start but there is still work to be done.

New Business

Mr. Rose would encourage Board Members attend an ARMAC meeting and appreciated Mr. Craig's attendance at this meeting. Mr. Tencza would like to report to ARMAC the results from the IT Risk Assessment in February, but wants to ensure that the Board is not surprised if the results are widely circulated before the Board see them. Internal audit plans to present the results to the Board in March. Ms. Dennes will set-up time with Board Chair Diane Porter to discuss meeting with ARMAC and the protocol. Mr. Rose invited ARMAC members to attend the February 12 board meeting.

Adjournment

Mr. Rose made a motion to adjourn the meeting. The meeting adjourned at 4:10 pm.

ACTION ITEMS AND FUTURE MEETING TOPICS

Date.Item	Topic Category	Ask	Accountability	Action Item	Meeting Topic	ARMAC Target for Review
8.18-1	Compliance	Return with thoughts on comprehensive compliance tracking for efficiency and effectiveness. Do we have process and systems so that compliance is embedded in processes?	Amy Dennes	X	X	10.18
8.18-2	Communication	Discuss overall internal and external communications processes. Focus on internal communications with JCPS staff, culture building objectives.	TBD		X	TBD
8.18-3	Graduation Requirements	Discuss more in-depth definitions for college or career readiness, certificate programs, and measure/metrics of success.	TBD		X	TBD
9.18-2	Readiness Data Measures	Discuss in-depth the data used to track career and college readiness. (MAP…)	Dr. Dossett		X	12.18
9.18-3	Community Partnerships	Discuss the extent of community partnership to drive career and college readiness (Louisville Promise, pre-K programs, Academies…)	Amy Dennes		X	12.18
10.18-1	State Audit Recommendations	Provide ARMAC with copies of monthly updates on status to KDE.	Dr. Dossett	X		Monthly Reading
12.18-1	Equity Policy / Teacher Development	Discuss success factors of teachers demonstrating excellence in schools with higher achievement gaps – "seasoned" teachers. How to support and develop.	TBD		X	TBD
12.18-2	JCPS Foundation Alignment	Discuss with JCPS their strategy and future financial reporting timeliness. (Update 1.19 – James and VC of Foundation discussed foundation reporting, concurred will be timely in 2019 eliminating CAFR significant deficiency; need to follow up in 2nd Q regarding future strategy)	ARMAC Chair	X		4.19
1.19-1	Board Interaction	Determine process for ongoing interaction and dialogue with Board	ARMAC Chair	X		2.19
1.19-2	Internal Audit	Provide update on Internal Audit Plan for second half of 2019	Jodell Renn	X	X	5.19

PRIOR MEETING TOPICS / COMPLETED ACTION ITEM DISPOSITION

Date.Item	Topic Category	Ask	Accountability	Action Item	Meeting Topic	ARMAC Target for Review
8.18-7	Discuss Vision 2020 Action Items	Discuss actions items and Vision 2020 strategy to include metrics and measures of success, cause and effect to overall career and college readiness goals. UPDATE: 9.18 discussed Vision 2020 in Action will prioritize areas for focused review over the course of the next few meetings.	Dena Dossett		X	9.18
8.18-6	Review updated State Audit Recommendations	Discuss and assess management's plans to address issues, underlying root cause of issues, and sustainability of actions. UPDATE: 10.18 discussed the audit areas and agreed to identify 2-3 areas for deep dive as well as monitor monthly updates to KDE.	Amy Dennes	X	X	10.18
8.18-8	Equity Policy	Discuss equity policy implementation plans, how plans and measures of success will be identified and tracked. UPDATE: 12.18 discussed the policy and training, ARMAC to continue review of implementation in 2019.	Dr. Marshall		X	11.18
8.18-4	Internal Audit Risk Assessment	Discuss with new CAE the risk assessment process. Discuss overall ERM process for JCPS. (Update 9.18 Discussed planning for risk assessment – Jodi to return in two months with initial risk assessment. Update 12.18 process continuing final assessment in January. Update 1.19 Finalized first assessment.)	Jodell Renn, Amy Dennes	X	X	1.19
8.18-5	Internal Audit Updated Plan	Review updated Internal Audit plan, CAE's ongoing monitoring and engagement with Cabinet, overall IA function staffing. (Update 12.18 process continuing final assessment in January. Update 1.19 Finalized first half of 2019 audit plan.)	Jodell Renn	X	X	1.19
9.18-1	ARMAC Focus Areas	Committee members to determine areas for ongoing focused review. (Update 12.18 – initial conversations using new appendix to minutes – need to refine focus at January meeting and present to Board in February. Update 1.19 Committee reviewed and concurred on prioritized items.)	TBD	X	X	1.19

ARMAC Planning Calendar by Quarter

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

#	Monitoring / Advisory Goals	4th 2018	1st 2019	2nd 2019	3rd 2019	4th 2019	1st 2020	2nd 2020	3rd 2020
27	• Facilities Planning		Planned						
	ARMAC Other Areas for Consideration as Time Allows								
	Identify Constraints to Being Seen in top 10 of Large Urban School Districts (74 Districts in CGCS) / National Benchmarking								
	Identify Constraints to setting goal for positive aided / unaided Brand Perception in Jefferson County								
	Social Determinants of Educational Achievement								
	Board Member Roles / Best Practices								
	Early Childhood Education								
	Financial Cost Accounting								
	School Services Optimization (Centralized vs School Based)								
	School Funds Management								
	Health and Pension Costs								

Calendar of Meetings

ARMAC Tentative Schedule				Board and Cabinet Meeting Coordination							
Current ARMAC Meeting Date	Member Conflicts	Tentative Topics	IA/EA Deliverables	Board Business Meeting Date	Board Work Sessions	Board Retreat	Public Forum	Board Finance Advisory Committee*	Board Policy Committee	Board Facilities Committee**	Cabinet Meeting Dates
12/5/2018		Equity Policy		12/11/2018	12/11/2018			12/13/2018	12/6/2018		Monday Mornings at 8:00 am
1/16/2019		Risk Assessment, Audit Plan	Audit Plan Review; Board Presentation	1/8/2019		1/22/2019		1/10/2019	1/14/2019		
2/20/2019		IT Governance		2/12/2019	2/26/2019			2/14/2019	2/19/2019		
3/20/2019		Facilities Plan / External Audit Plan	External Audit Plan Review	3/12/2019			3/26/2019	3/14/2019	3/18/2019		
4/17/2019	Keith	Principal Development		4/16/2019	4/23/2019			4/11/2019	4/22/2019		
5/15/2019		Investigations / Suspensions	IA - QAIP Review	5/14/2019	5/28/2019			5/9/2019	5/20/2019		
6/19/2019		Charter Review / ECE IDP		6/11/2019	6/25/2019			6/13/2019	6/17/2019		
7/17/2019				7/16/2019		7/30/2019		7/11/2019	7/22/2019		
				8/6/2019							
8/21/2019			IA - Audit Plan 9/19-8/20	8/27/2019				8/15/2019	8/19/2019		
9/18/2019				9/24/2019	9/10/2019			9/12/2019	9/16/2019		
10/16/2019			Review Charter	10/15/2019			10/1/2019	10/10/2019	10/21/2019		
11/20/2019			Financials due to KDE by 11/15	11/12/2019	11/26/2019			11/15/2019	11/18/2019		
TBD				12/10/2019					None		

* Standing meeting second Thursday of each month

** No set date, met 5/9/2018 last year