

Audit and Risk Management Advisory Committee  
Jefferson County Public Schools  
VanHoose Education Center  
February 20, 2019 Minutes

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

**Public Present:** Bill Carroll, Strothman and Company, Meaghan Reynolds Strothman and Company, James Tencza, Dean Dorton

**JCPS Staff Present:** Dr. Marty Pollio, Amy Dennes, Cordelia Hardin, Dr. Mike Raisor, Dr. John Marshall, Kevin Brown, Jodell Renn, Greg Crump, Sonya Miller, Eddie Muns, Hannah Lehman, Susan Porter, and, Shari Mattingly

**Board Members Present:** None

Mr. Rose called the meeting of the Audit and Risk Management Advisory Committee (ARMAC) to order at 2:12 pm. A quorum was present.

**Approval of Minutes**

Mr. Rose made a motion to accept the minutes of the January 16, 2019 meeting. The motion was seconded by Rhonda Mitchell. The minutes were approved by a unanimous voice vote.

**Report on ARMACs Report to the JCBOE – James Rose**

Mr. Rose stated that the presentation to the Jefferson County Board of Education on February 12, 2019 went well and there were several questions. Chairperson Diane Porter plans to meet with Mr. Rose to outline how ARMAC can work closer with the Board. Another report will be provided in six months.

**Audit Planning – Strothman and Company; Cordelia Hardin, CFO**

Mr. William Carroll introduced the committee to the Strothman personnel assigned to the audit engagement along with a description of their roles. Mr. Carroll described the scope of Strothman's audit plan for the District, which will begin with preliminary work in May; School Activity Funds audit typically begin in July, 2019. The external audit is completed in October with the submission of the audit report to the Jefferson County Board of Education at the November 12, 2019 board meeting, and are due to the state on November 15, 2019. All School Activity Fund findings are required to be reported to Kentucky Department of Education (KDE). The Uniform Guidance report, which is performed for Federal grants received by the District, is uploaded to the Federal Clearinghouse as required.

Mr. Carroll explained that KDE regulations require that every school activity fund account be audited in accordance with the Redbook requirements. Redbook is the name of publication that defines the accounting procedures prescribed by KDE and apply to all School Activity Funds. Strothman employs a

risk assessment process to determine the amount of audit work to be performed based on changes in the bookkeeper, the severity of findings in prior reviews, etc. Mr. Rose inquired if there is any overlap with what Internal Audit monitors, and if so, recommended that the work by Internal Audit be streamlined to minimize duplication.

A discussion on the differences between school activity funds and booster club funds was held. It was noted that booster clubs are not subject to a school activity fund audit since they are independent 501 c3 entities. Mr. Rose asked why school activity funds are core to Strothman's auditing and Mr. Carroll explained that funds raised by students but managed by schools do not belong to JCPS and are fiduciary. Strothman has had conversations with KDE regarding whether these accounts really are fiduciaries which could have implications on the financial statements in the future based on changes proposed by the Governmental Accounting Standards Board.

When asked what are the most material estimates included in the financial statements, Mr. Carroll explained that, besides the pension liability, which is provided to the District by the Kentucky Retirement Systems, the largest estimates are related to workers compensation, accrued vacation and absences.

A discussion was held on the length of time Strothman has performed the audit engagement. Mr. Carroll indicated that they have performed it for over 16 years. Specifically, Mr. Carroll has been the Partner on the engagement for 23 years and Mr. Bill Meyer has been the Concurring Partner for 19 years. Further discussion was held about the fact that JCPS puts the audit out for bid every 6 years and Strothman is eligible to respond to the request for proposal (RFP). Ms. Hardin explained that a RFP is awarded for a term of one year with up to five renewals. While JCPS does issue a RFP every six years, it is not required under the Model Procurement because they are licensed professionals and the State is involved in the approval the renewal every year.

#### **Facility Planning – Dr. Michael Raisor, COO; Amy Dennes, Chief of Staff**

A summary of proposals for changes/updates to several JCPS facilities was presented. Many factors contribute to the recommended proposals including current funding model, condition of the facilities, student population and projected demographic changes. Each of the proposed schools has its own set of concerns that will impact the decision to proceed with the recommendations. A summary of the proposal includes three newly constructed elementary schools; one newly constructed middle school; massive renovation of a high school; relocating four schools including changes to the alternative schools based on recommendations from the alternative school task force. Mr. Rose asked why demographic changes are impacting middle as opposed to elementary schools. Dr. Raisor explained that JCPS currently has more elementary "seats" available to students but this is not the case with middle schools. Demographics recommend that a new middle school be located in the eastern part of the district, outside the Gene Snyder Freeway. Mr. Rose asked what the thinking is in regards to what is best for the district. From a risk standpoint, how does JCPS seek a balance between building a few modern facilities with all the attributes necessary for a great school versus taking what funds are available and doing the best we can? Ms. Dennes explained the fiscal responsibility of combining two elementary schools. Savings are found by having one principal, one library, etc. However, two of the alternative high schools would be combined but operate independently of one another in the same facility. Ms. Mitchell asked why this is recommended. Ms. Dennes explained the schools are designed differently due to differences between their student populations. The proposal also includes adding college and career technical education to alternative high schools as JCPS currently has no students in those schools meeting the

benchmark.

There are currently 35 end of life buildings within the district, however this designation can refer to the components within the building and not the building itself. Dr. Pollio described the current district facility status as a “very sick patient.” The district would have to implement the current proposal nine times more to get to 35 new buildings and the biggest hurdle is money, and community concerns. There is no concern with a new school, but combining schools can upset a community. Also, the KDE has parameters in place by statute that could derail the proposed plans. Another consideration is the central office locations of VanHoose and LAM. These are also end of life buildings and could become unusable at any time. A decision on them must be made within the next two years, and this will be an additional cost on top of the 35 schools that are needed. It was recommended that a master plan be developed and shared with the community. Dr. Pollio would like a roadmap developed to prevent schools being built where they aren’t needed. Mr. Rose expressed an opinion that branding and a roadmap would help get public support.

Dr. Moyer inquired about pre K centers and the national trend towards them; she asked if JCPS will be looking at this. JCPS has looked at this and best practice seems to be a separate center, not a location within a school. Mr. Rose asked how we know what best practices are in regards to what a school should look like. Dr. Raisor meets annually with his contemporaries and architects; JCPS has two architects on staff. Dr. Pollio used Farmer Elementary as an example of what a school building should be. Even though the school is 12 years old it still feels new and modern. He believes all students should have access to a school like Farmer.

**Compliance Program – Jonathan Lowe, Director of Strategy; Amy Dennes;**

**Policy and Standards Consistency, including Racial Equity Analysis Protocol – Jonathan Lowe; Amy Dennes; Dr. John Marshall, Chief Equity Officer**

JCPS has a broad compliance program, including both standards and policies, and plans to automate the program. The policy development process is managed by the Office of the Chief of Staff, with the Director of Strategy taking the lead. Policies are continually updated to match policies with current procedures and reflect changes to statutes. With the implementation of the Racial Equity Policy, a Racial Equity Analysis Protocol (REAP) was developed to help the District ensure that policies don’t have negative impact on implementing racial equity. Dr. Marshall believes that by filtering through the REAP process, JCPS will see improvement. Mr. Lowe discussed a policy development process, still in draft form, but being used as new policies are reviewed and presented to the Jefferson County Board of Education.

The Board Policy Committee meets monthly for review and revision of policies, which are either initiated by a Kentucky School Board Association Update, regulatory changes or by the District. Jonathan Lowe has direct communication with District Chiefs who are responsible for implementation. He wants to include a “person responsible” while constructing this new policy development process.

Schools are required to address racial inequities in the school policies; this will be accomplished with resources from Central Office being deployed when necessary, using the REAP, the racial equity monitoring tool, following up with resource teachers, and having Internal Audit involvement when appropriate. Dr. Marshall would like JCPS to prepare action plans surrounding racial equity, because just reporting out is not enough to ensure accountability and implementation. Having a defined policy

development process will also help minimize the effects of employee turnover. Turnover can be a problem since when someone leaves, the knowledge they have goes with them. Having mature policies and procedures will help mitigate the negative impact. Mr. Rose discussed the benefits of a robust governance, risk management and compliance structure and the idea of having a system in place that can automate the process to ensure that items are properly prioritized and reviewed annually.

### **Adjournment**

Mr. Rose made a motion to adjourn the meeting. The meeting adjourned at 4:08 pm.

### **Action Items/Follow-up**

1. Board Chairperson Porter and Mr. Rose to discuss ARMAD and Board of Education interaction;
2. ARMAC to discuss further need for facility plan beyond four year KDE requirements;
3. ARMAC to lend advice regarding policy framework design and automated governance risk and compliance tools.