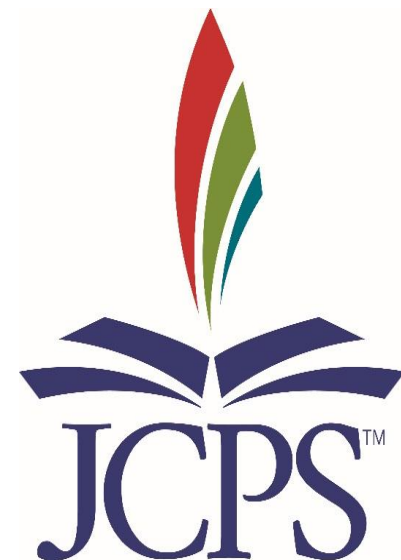


Audit and Risk Management Advisory Committee (ARMAC) Annual Update



*Jefferson County Board of Education Meeting
October 15, 2019*

Objectives

- Purpose, Duties and Responsibilities: Audit and Risk Management Advisory Committee (ARMAC)
- 2018-2019 ARMAC Activities
- 2019-2020 ARMAC Plan
- 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 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
- Other matters as directed by the Board



ARMAC Members

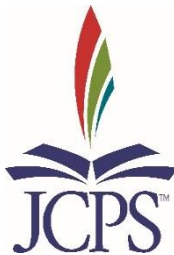
	James Rose Chair Term Expires 2021	Governance, Risk, and Compliance Expert – CPA
	Rhonda Mitchell Vice-Chair Term Expires 2021	Internal Audit and Compliance Expert – Certified Fraud Examiner
	Dr. Keith Davis Term Expires 2021	Former Superintendent, Clinical Professor UofL
	Dr. Sarah Moyer Term Expires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

2018-2019 ARMAC Activities

First Year Efforts:

- On-boarded Committee members
- Prioritized for review, areas of higher risk to the JCPS strategy
- Held monthly discussions with Cabinet members to discuss and probe the adequacy of risk management activities. Those discussions included:
 - KDE Correction Action Plan Review
 - Vision 2020 in Action
 - Internal Audit Plan and Reports
 - External Auditor CAFR Review / CAFR Review with CFO
 - Racial Equity
 - Facility Planning
 - Compliance Program and Policy Management
 - IT Risk Assessment and IT Governance
 - Behavior and Suspensions
 - Principal Development
 - Exceptional Child Education
 - Teacher Development
- Met with and supported the Internal Audit Director throughout the year
- Reviewed the Consolidated Annual Financial Report and discussed the same with external auditors and Chief Financial Officer



ARMAC's Approach to the Advisory Role

Stakeholders:

- JCPS Board of Education (and therefore the public they represent – taxpayers, students, teachers, parents)
- Cabinet members

Our Role:

- Call out the elephant in the room, as needed
- Ensure different viewpoints and perspectives are raised
- Create healthy tension

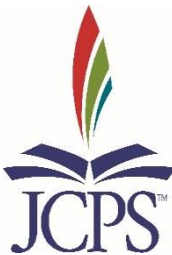
Proactive Focus		Passive Review	
Stay ahead of the current status quo pushing for the next level of achievement.	Vs	Validate what is reported as in place.	
Challenge the risk appetite.		Confirm the level of oversight and control in place.	
Focus on overall risks to the strategy.		Confirm just compliance controls.	
Expect greater depth of data reporting and review.		Rely on process and initiative update overviews.	



ARMAC Observations

Overall Perspective on JCPS:

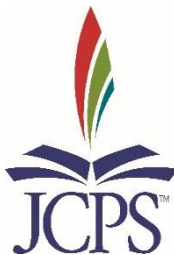
- An incredible year of progress in JCPS
- A long journey remains for JCPS to be considered the top urban school district
- The journey will only get harder toward the top as more has to go right, consistently, with great fidelity
- JCPS must continue to maintain focus on equity and diversity while refining the district's resource prioritization, articulate the gaps in resources, and the outcomes expected from any increasing resources received



ARMAC Observations

Specific Observations:

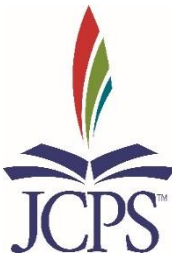
- The Cabinet continues to address risks to the strategy with diligence
- JCPS should consider a more formal enterprise risk management approach at some point in the future
- Regarding the external financial statement auditor, to the extent procurement rules allow, strongly consider rotation of the external audit firm. In the private large company sector, partners and concurring partners must be rotated off the engagement every five years.
- Internal Audit has advanced beyond its former financial compliance role but has further to go to provide a balanced review of financial, operational and compliance risks. Staffing constraints and investigative workload may need to be resolved in the future.
- No significant control deficiencies or non-compliance matters – outside of those already being addressed for KDE – came to our attention
- JCPS should continue to invest in its IT governance and cybersecurity infrastructure
- The members of the Committee – through our meetings and discussions with Cabinet members, the external auditor, and internal auditor – were able to address the ARMAC Charter requirements and are confident that the Charter remains relevant to its intended purpose



2019-2020 ARMAC Plan

Second year planned efforts:

- Hold meetings every other month, allowing for deeper pre-planning and data review prior to discussions
- Continue to focus on the higher risk areas noted previously and in the appendix to this presentation
- Increase data driven discussion on the drivers of JCPS strategy
- Deeper dive into KDE corrective action plan as 2nd year progresses
- Deeper discussion of overall investigations processes and policy compliance
- Observation and support of the external auditor selection process
- Continued advice and support to the Internal Audit Director, IT Director, Cabinet members on various governance and risk management questions



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?

