



**Internal Audit**

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To: Audit Risk Management Advisory Committee  
From: Jodell Renn, CPA, CIA, CFE, Director of Internal Audit  
Subject: Internal Audit Report – Status Update  
Date: December 20, 2019

The recently approved internal audit work plan covers the period October 1, 2019 – September 30, 2020. The attached report provides the status of the work plan as of December 20, 2019. An internal audit vacancy at the end of September has slowed the progress of the non-routine and consulting activities. We are happy to have added John LeMaster to our team in late October. John continues to become orientated to JCPS, however, he has a strong background in internal audit and is moving forward on a project. I will monitor the schedule closely and should it appear that we will be unable to complete all of the proposed activities we will request that the work plan be revised.

School reviews are on track to be completed as planned and monthly monitoring has been completed and reported on as part of the KDE corrective action plan. Investigation requests have increased with the addition of Chalynn Comage, Risk Investigator. Our approach with the investigation process is to not only assess whether the claims are substantiated, when appropriate, we spend time evaluating the system/process looking for the root cause and offer recommendations that may mitigate any identified breakdowns in the future. This approach, we believe, adds value to the process.

Working with staff in the information technology department, a findings database has been created to track all findings by cost center and will allow for more effective monitoring of the corrective action plans. We are still working on implementing the database and how best to follow up on the status of implementation by cost center. We are excited about this tool.

The internal audit standards requires that a quality improvement assessment program be established to provide ongoing evaluation of the internal audit process. We are working on implementing a survey at the end of a review to gather feedback on our process and the perceptions of the audit client with regard to the value of the audit activities performed. It is recommended that the internal audit charter be reviewed annually to determine whether any changes are required. Based on my review of the document I believe that no changes are required at this time. I have attached a copy of the charter approved last year for your review and consideration.

Please let me know if you have any questions.

Attachments

*Audit Work Plan  
Status as of December 20, 2019*

<i><b>Audit Activities Type</b></i>	<i><b>Objective</b></i>	<i><b>Status</b></i>
<i><b>School Activity Fund – Fiscal Year 2019 End Closing Consulting</b></i>	Assist Accounting Services by coordinating the fiscal year end close of the school activity accounts in the software system.	Complete
<i><b>School Attendance Audits – 2019-20</b></i> <ul style="list-style-type: none"> <li>• Barret Middle</li> <li>• Carrithers Middle</li> <li>• Conway Middle</li> <li>• Farnsley Middle</li> <li>• Jefferson County Traditional Middle</li> <li>• Ballard High</li> <li>• Brown High</li> <li>• Doss High</li> <li>• Fairdale High</li> <li>• Fern Creek High</li> </ul>	<p>Overall, we found general compliance with KDE requirements, although some exceptions were identified. Nine of the 10 schools received a Green rating indicating that controls are in place. We did note that several schools experienced the same observations and appear to be systematic across the District. We have summarized the top 4 observations, in the chart below, based upon the number of schools experiencing the observation:</p> <ul style="list-style-type: none"> <li>• Teachers not taking attendance in every period – 5 schools</li> <li>• Suspension letters not included all required language – 5 schools</li> <li>• Non-instructional announcements during instructional minutes – 4 schools</li> <li>• Transportation code errors for students with IEPs – 4 schools</li> </ul>	Complete
<i><b>Compliance</b></i>  <i><b>Follow-up School Reviews</b></i> <ul style="list-style-type: none"> <li>• Noe Middle</li> <li>• Ballard High</li> <li>• Central High</li> <li>• Carrithers Middle</li> <li>• Fairdale High</li> <li>• Liberty High</li> </ul>	Reviewed school activity fund administration for 6 schools that received a “Red” rating in the prior review. Overall, improvement was noted based on the results of the follow-up. However, continued improvements are needed to ensure compliance with Redbook.	Complete
<i><b>Compliance</b></i>		

*Audit Work Plan*  
*Status as of December 20, 2019*

<i><b>Audit Activities Type</b></i>	<i><b>Objective</b></i>	<i><b>Status</b></i>
<i>Seclusion and Restraints Process/Behavior Support Activities and Monitoring Audit Assurance</i>	Review Safe Crisis Management (SCM) and behavior support activities policies and procedures, training materials and documentation of communication provided to schools for completeness and compliance. Test the adequacy of the number of staff trained in SCM and behavior support activities at each location. Test the completeness and integrity of the seclusion and restraint information reported in Infinite Campus. Review the practices implemented for positive behavioral interventions and supports.	Finalizing
<i>Electronic Travel &amp; Expense Reporting Consulting</i>	Consult with Accounting Services on a way to implement an electronic solution for travel and expense reporting. A small group of employees have been identified to work on a pilot project utilizing a module in MUNIS that will allow for electronic submission of expense reports and an electronic tool to capture and report business mileage.	Pilot Program in process
<i>School Monthly Financial Reports Compliance</i>	Monitoring was performed for selected financial transactions for every school. The objective is to identify specific transactions noted in the KDE corrective action plan as needing improvement. Exceptions identified were communicated with bookkeepers. Consult with Accounting Services trainer to incorporate common findings in training sessions.	Ongoing
<i>Investigation projects/Special Reviews Investigation</i>	Investigation requests are referred to Internal Audit via the Compliance Hotline; Executive Management requests; Board Member requests; Anonymous direct contacts. Internal Audit has performed 23 investigations (10 substantiated and 13 unsubstantiated) and currently have 5 open investigations. No significant/material issues were identified and corrective action has been implemented where applicable. In some cases, opportunities were identified and shared with the appropriate staff member for consideration.	Ongoing

*Audit Work Plan  
Status as of December 20, 2019*

Audit Activities Type	Objective	Status
Compliance Hotline Administration Investigation	Provided oversight to reports made through the hotline (7/1/2019 – 12/18/2019) to ensure timely resolution: Total Reports Received 248 Substantiated 49 Unsubstantiated 178 Other 8 In Process 13 See breakdown of report types, average days to close on page 6	Ongoing
Committee Participation Consulting	Internal Audit participates on the following committees in an advisory/consulting capacity: Racial Equity Analysis Protocol; IT Risk Management committees (working group and Executive) and Data Governance.	Ongoing
Family Resource Youth Services Centers (FRYSC) <ul style="list-style-type: none"><li>Crums Lane Elementary</li><li>Frayser Elementary</li><li>Frost Elementary</li><li>Goldsmith Elementary</li><li>Moore Middle/High</li><li>Rutherford Elementary</li><li>Shawnee High</li></ul>	Perform a review of seven FRYSC programs following the KDE monitoring tool and assist central office personnel in the development of a self-assessment protocol to be used in the ongoing monitoring of the FRYSC sites.	In process
Consulting	Utilizing IT experts from Dean Dorton as part of the outsourced internal audit contract to assist IT develop the information security program that identifies the optimal risk framework; drafts information security policies, standards and procedures; assist in formalizing an information security governance program; drafts a charter for each information security committee; assist in formalizing a vendor risk management process; assist in the development of a business continuity roadmap and security incident response preparedness program.	In process
IT Information Security Program Consulting – Outsourced		

*Audit Work Plan*  
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<i>Audit Activities Type</i>	<i>Objective</i>	<i>Status</i>
<i>Early Childhood Practices Audit Assurance</i>	Review early childhood policies and procedures, training materials and documentation of communication provided to schools for completeness and compliance. Review the quarterly compliance checks for completeness and steps taken to follow up on observations made during the monitoring. Review the activities regarding the implementation of the early childhood systems blueprint.	In Process
<i>Risk Maturity Model Development – Backpack of Success Consulting</i>	Develop a risk maturity criteria to allow for thoughtful assessment and benchmarking the effectiveness of the Backpack of Success Skills initiative overall and at the school level. The purpose is to help drive continuous improvement.	In Process
<i>Exceptional Child Education (ECE) Assessment Oversight Consulting</i>	Review the exceptional child education established practices and policies and procedures to assess the level of compliance with the regulatory requirements.	Winter/Spring
<i>Human Resources Audit Assurance – Follow up</i>	Follow up from FY 2018 HR audit. Review various changes in HR policies and procedures including interview process. Test a sample of new hires to determine if they have been set up properly in the system and if proper hiring policies have been followed including background checks and verification of certifications.	Winter/Spring
<i>School Reviews 2019-2020 Assurance</i>	Review school activity fund administration for 12 schools identified through a risk assessment.	Winter/Spring
<i>Travel and other Business Expenses Audit Assurance</i>	Perform a review of travel and other business expenses incurred to ensure that travel guidelines are properly implemented and that appropriate controls are in place to detect, prevent and correct noncompliant activities identified.	Spring 2020

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<i>Audit Activities Type</i>	<i>Objective</i>	<i>Status</i>
<i>Inventory recounts (Warehousing) Monitoring</i>	Perform recounts of inventory performed at warehouses and nutritional services.	Spring 2020
<i>School Activity Fund – Combining Budget Monitoring</i>	Facilitate the collecting of combining budgets for the school activity funds and prepare JCPS Board of Education report for their review and approval.	Spring 2020
<i>School Activity Fund – Fiscal Year End Closing Consulting</i>	Assist Accounting Services by coordinating the fiscal year end close of the school activity accounts in the software system.	Summer 2020
<i>Contract Administration Processes Consulting</i>	Document current process and evaluate gaps and opportunities for improvement to ensure roles and responsibilities are properly aligned.	Summer/Fall 2020

Reports received		Other*		Substantiated		Unsubstantiated		Total	
July 1 – December 18, 2019	Count	Ave. Days to Close	Count	Ave. Days to Close	Count	Ave. Days to Close	Count	Ave. Days to Close	
Administration	1	10.00	1	10.00	1	16.00	3	12.33	
Violation of Policy	1	10.00	1	11.00	1	16.00	3	12.33	
Elementary	3	5.00	13	9.00	60	7.43	76	7.61	
ADA Accommodations					1	26.00	1	26.00	
Bullying or Harassment	2	4.50	10	7.00	51	7.46	63	7.27	
Crimes and Threats			1	2.00			1	2.00	
Discrimination	1	6.00			1	11.11	2	8.50	
Falsification of Records			1	40.00	1	9.00	2	24.50	
Sexual Harassment					2	0.50	2	0.50	
Violation of Policy			1	5.00	4	5.00	5	5.00	
High	4	11.25	10	8.70	51	11.75	65	11.25	
Bullying or Harassment	2	4.00	6	9.33	39	12.33	47	11.60	
Crimes and Threats			3	7.33.	3	10.00	6	8.67	
Sexual Harassment	1	12.00	1	9.00	3	6.67	5	8.20	
Theft of Cash, Goods, or Services					1	24.00	1	24.00	
Vandalism					1	13.00	1	13.00	
Violation of Policy	1	25.00			4	7.75	5	11.20	
Middle			22	5.50	59	8.07	81	7.37	
Bullying or Harassment			20	5.75	48	8.52	68	7.71	
Conflicts of Interest					1	1.00	1	1.00	
Crimes and Threats					6	7.83	6	7.83	
Discrimination					2	3.50	2	3.50	
Sexual Harassment			2	3.00			2	3.00	
Violation of Policy					2	6.00	2	6.00	
Other			3	12.33	7	5.57	10	7.60	
Bullying or Harassment			1	12.00	6	6.17	7	7.00	
Crimes and Threats			1	14.00			1	14.00	
Sexual Harassment			1	11.00			1	11.00	
Violation of Policy					1	2.00	1	2.00	
Grand Total	8	8.75	49	7.61	178	8.85	**235	8.59	

\*No Investigation required/not under purview

\*\*excludes reports in process

# Jefferson County Public Schools

## Internal Audit Charter

### INTRODUCTION

Jefferson County Public School District's (the District) internal audit activity is an independent, objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the District. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity assists the District in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and internal control.

### ROLE

The internal audit activity is established by the District's Board of Education (the Board). The internal audit activity's responsibility are defined by the Board as part of their oversight role. The Board has designated the Audit and Risk Management Advisory Committee (Audit Committee) to advise the Board on qualifications, independence, and performance of the internal audit activity.

### STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Codes of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. This mandatory guidance constitutes principles for the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the District's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

### AUTHORITY

The Internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, fee, and unrestricted access to any and all of the District's records, physical properties, and personnel pertinent to carrying out any engagement. All employees requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board and Audit Committee.



## **ORGANIZATION**

The internal audit activity, led by a director (referred to herein as the chief audit executive), will report functionally to the District's Board of Education (the Board) and administratively (i.e., day-to-day operations) to the Superintendent. To establish, maintain, and assure that the District's internal audit activity has sufficient authority to fulfill its duties, the Board will:

- Approve the internal audit's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit activity's budget and resource plan.
- Receive communications from the chief audit executive on the internal audit's performance relative to its plan and other matters.
- Review decisions regarding the appointment and removal of the chief audit executive.
- Review the remuneration of the chief audit executive.
- Make appropriate inquiries of management and the chief audit executive to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Executive will communicate and interact directly with the Board and Audit Committee, including executive sessions and between Board meetings as appropriate.

## **INDEPENDENCE AND OBJECTIVITY**

The internal audit activity will remain free from interference by any element in the organizations, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Board or Audit Committee, at least annually, the organizational independence of the internal audit activity.

## **RESPONSIBILITIES**

The scope of internal audit activities encompasses, but is not limited to, objective examinations and evaluation of the adequacy and effectiveness of the District's governance, risk management, and internal control as well as the quality of performance in carrying out assigned responsibilities to achieve the District's state goals and objectives. This includes:

- Evaluating risk exposure relating to the achievement of the District's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.
- Evaluating specific operations at the request of the Board or management, as appropriate.
- Administers the anonymous hotline for staff and citizen complaints.

## **INTERNAL AUDIT PLAN**

At least annually, the Chief Audit Executive will submit to senior management and the Board the internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Chief Audit Executive will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The Chief Audit Executive will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Board through periodic activity reports.

## **REPORTING AND MONITORING**

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should

include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared by resolution of the issue or acceptance of the risk by the appropriate level of management – a cabinet member, the Superintendent, or the Board based on the significance of the issue.

The chief audit executive will report periodically to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

#### **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the *Standards* and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the District.

#### **Internal Audit Activity Charter**

Approved this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

\_\_\_\_\_  
Chief Audit Executive

\_\_\_\_\_  
Chairman of the Board

\_\_\_\_\_  
Superintendent