

Financial Statement Audit for June 30, 2020

Jim Tencza, CPA, CIA, CGMA
Director of Assurance Services

Simon Keemer, CPA, ACA, CGMA
Director of Assurance Services

DEANDORTON

Dean Dorton background

- Established in 1921
- One of the largest accounting firms in Kentucky
 - 260 employees
 - Offices in Louisville and Lexington, Kentucky as well as Raleigh, North Carolina
 - Member of RSM International Alliance

We are
effective
communicators

We are
maintain
exceptionally
high standards

We are
knowledgeable
and innovative

We are
one team

We manage
the firm as a
business

Dean Dorton services

- Assurance
 - Audits, reviews and compilations
 - IT audit
 - Internal audit and risk advisory services
 - Fraud and forensic accounting
 - Advisory and assistance with new accounting pronouncements
- Tax
 - Tax return preparation: individual, corporation, partnerships, estates, trusts, non-profits
 - Tax planning, consulting and minimization
 - State and local tax
 - IRS audit assistance

Dean Dorton services

- Consulting
 - Information technology: accounting software, cybersecurity, compliance, and managed IT services
 - Accounting and financial outsourcing
 - Business valuation
 - Litigation support
 - Risk management
 - Healthcare consulting: revenue cycle management, finance and operations, reimbursements, compliance, and various other services
- Wealth management
- Medical billing

Dean Dorton background

- Serves 10 primary industries, including governmental
 - Ex: KRS, KET, and Administrative Office of the Courts
- Serves various school districts, including Fayette County Public Schools
- Provided internal audit services for JCPS for past five years
- Extensive experience with educational institutions of various sizes and levels, including elementary schools, high schools, colleges, and universities

JCPS audit team



Jim Tencza, CPA, CIA, CGMA

Director of Assurance Services and Louisville Market Leader

Office 502.566.1071 • Cell 502.693.3170 • jtencza@deandorton.com

- Leads Dean Dorton's internal audit practice and is Louisville Market Leader
- Led internal audit services to JCPS for past 5 years
- Director in charge of School Activity Fund Audits
- Concurring Director for CAFR audit and Single Audit



Simon Keemer, CPA, ACA, CGMA

Director of Assurance Services

Office 502.566.1036 • Cell 502.435.0971 • skeemer@deandorton.com

- Leads Dean Dorton Governmental industry team
- Leads Dean Dorton Assurance Technical Group
- Director in charge of CAFR audit and Single Audit
- Concurring Director for School Activity Fund Audits

JCPS audit team



Megan Crane, CPA

Manager of Assurance Services

Office 859.425.7643 • Cell 502.693.7305 • mcrane@deandorton.com

- Leads Dean Dorton Higher Education industry team
- Extensive experience with single audits under the Uniform Grant Guidance
- Manager of the CAFR audit and the Single Audit



Philip Blakely, CPA, CIA

Manager of Assurance Services

Office 502.566.1065 • Cell 502.271.8502 • pblakely@deandorton.com

- Significant internal audit and governmental experience
- Provided internal audit services to JCPS for past 5 years
- Manager of the School Activity Fund audits

JCPS audit team



Tori Montgomery, CPA

Supervisor of Assurance Services

Office 502.566.1084 • Cell 270.234.3937 • tmontgomery@deandorton.com

- Member of Dean Dorton Governmental industry team
- Extensive experience with school districts including Fayette County, Bowling Green, Butler County, Logan County, and Muhlenberg County
- Supervisor for CAFR audit



Andrew Harris, CPA

Supervisor of Assurance Services

Office 502.566.1074 • Cell 502.991.1937 • aharris@deandorton.com

- Member of Dean Dorton Higher Education industry team
- Extensive experience with single audits under the Uniform Grant Guidance
- Supervisor for Single Audit

JCPS audit team



Kevin Cornwell, CPA, CISA, CITP

Associate Director of Technology Consulting

Office 502.566.1011 • Cell 502.338.7546 • kcornwell@ddaftech.com

- Manages and performs audits of IT internal controls in order to assess their strengths and weaknesses as well as compliance with regulatory requirements
- Provided IT-related internal audit services to JCPS for past 5 years
- Will perform or oversee all IT-related internal control testing for JCPS audits

Other resources available include:



Bill Kohm
*Director of
Assurance Services*



Elizabeth Woodward
*Director of Forensic Accounting
and Litigation Support*



Gui Cozzi
*Cybersecurity
Practice Leader*



Nick Lynch
*Associate Director of
Business Consulting*



Lance Mann
*Director of
Assurance Services*

Scope of audits for 2019-20

- Audit of CAFR
- Audit of the Elementary, Middle and High School Activity Funds – three separate audit reports
- Audit required under the Single Audit Act
- All conducted in accordance with Government Auditing Standards
- Data collection form submitted to federal clearinghouse website
- Schedule of findings submitted to KDE

Timing for 2019-20 audit work

- May (contract began May 1)
 - Planning
 - Finalize contract and obtain arrangement letter
 - Transition from prior auditors including review of prior year work papers
 - MUNIS training
- June and July
 - Review of all Board minutes
 - Risk assessments including determining grants/programs to test and schools to visit for Redbook testing
 - Interim testing including start walkthroughs of certain processes
 - EPES training

Timing for 2019-20 audit work

- August
 - August 2 audit must begin per KDE contract
 - August 24 all JCPS records are available for audit
 - Capital asset testing prior to August 24 but most all other year end testing starts after August 24
 - School activity fund audits start in August before school starts
- September
 - Complete all year end audit testing
 - As much done remotely as possible – remote access for MUNIS and EPES
 - Use of secure Dean Dorton portal for transmitting files and documents

Timing for 2019-20 audit work

- October through December
 - October 9: audit substantially complete
 - October 23: School activity fund audit reports completed
 - October 29: present draft to ARMAC
 - November 10: present CAFR to Board
 - November 13: CAFR due to KDE
 - December 10: Single Audit completed and data collection form submitted

Key audit areas and procedures

Area	Notes/risks	Testing approach
Cash	Always considered higher risk due risk of fraud	Confirm directly with banks and test bank reconciliations
Investment	Carried at fair value	Confirm directly with brokers/bank and test sample of fair value amounts
Capital assets	Represents half of total assets	Testing sample of additions, disposals, depreciation and useful lives
Pension and OPEB balances	Represents half of total liabilities	Verify certain amounts with the State and test information provided to State
Accruals	Significant judgement may be required	Testing of assumptions and details
Revenue bonds	For funding of building additions and renovations of schools	Confirm all new bonds and test changes in existing bonds
Grant revenue and AR	Risk of lost of money if not in compliance with grant requirements	Test sample of transactions and reporting for major programs and other programs
Revenues and AR	Significant amount of revenue from taxes and state resources	Confirm directly with providers
Payroll expenses	Largest expense of JCPS	Analytically test and testing of controls

Key audit areas and procedures

Area	Notes/risks	Testing approach
IT	Focus on those systems that have impact on financial statements and financial reporting	Testing of general controls
Legal matters	High level of judgment required as to amounts to accrue and/or disclose	Gain understanding of key matters and confirm directly with legal counsel
Subsequent events	Events subsequent to year end provide insights into various accounts at June 30 and may require disclosure	Review of Board minutes, inquiries of management, and review of financial information subsequent to yearend
School activity funds	Decentralized processes at schools are higher risk, as well as Redbook requirements for handling of funds from students	Confirm all cash, analytical procedures, detail testing of certain schools
New accounting pronouncements	Certain new accounting pronouncements may be adopted in the current year	Review of all new accounting standards and disclosures
Risk of fraud	Auditing standards require auditors to consider the risk of fraud when developing audit procedures	Main procedures relate to testing of manual journal entries, inquiries, and element of unpredictability

Items of note related to audit

- Dean Dorton uses two Directors for the audits: Director in charge of audit and Concurring Director
- Auditing to ensure financial statements are fairly presented, not necessarily testing controls or processes
- Input from ARMAC on areas of concern and risk of fraud

Items of note related to audit

- Impact of COVID19 considered in audit: financial impact, change in processes, new guidance on various auditing and accounting matters, and we are doing as much auditing remotely as possible
- School activity fund audit: not detail testing all schools but will test 30-40 schools based on risk assessment and analytical analysis
- Several new accounting pronouncements in the current and future years

Effective date of new accounting standards

- GASB No. 95 was recently issued and postpones the effective date for various new standards
- Originally effective for June 30, 2020 (extended by one year)
 - GASB 84 – Fiduciary Activities
 - GASB 90 – Majority Equity Interests
- Originally effective for June 30, 2021 (extended by one year)
 - GASB 87 – Leases
 - GASB 89 – Accounting for Interest Cost Incurred before the End of a Construction Period
- Originally effective for June 30, 2022 (extended by one year)
 - GASB 91 – Conduit Debt Obligations

