

Internal Audit
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TO: JEFFERSON COUNTY BOARD OF EDUCATION
FROM: JODELL RENN, CPA, CIA, CFE, DIRECTOR OF INTERNAL AUDIT
SUBJECT: INTERNAL AUDIT REPORT – STATUS UPDATE
DATE: JULY 24, 2020

Jodell Renn

The attached report provides the status of the 2019-2020 work plan as of June 30, 2020. The period included in the plan covers the November 1, 2019 – October 31, 2020 timeframe. In response to the COVID pandemic, internal audit staff have been working from home since mid-March. Overall, we have been able to remain productive. Projects in the plan that may not be completed will roll over to next year's audit plan. Flexibility is considered when building a work plan to allow for changes in the organization's environment.

School reviews were postponed given that we were unable to enter the school buildings and many bookkeepers did not have access to all of their documentation. In light of this barrier, we did pivot and decided to work with the financial institutions and obtain confirmation of the authorized signatures to ensure that they were current. We also performed interviews with the bookkeepers to assess their knowledge of the requirements and gain an understanding of their practices. In addition, we were able to continue performing the monthly monitoring as part of the KDE corrective action plan.

Investigation requests decreased during the pandemic, however, we were able to complete requests through use of video conferencing. Our approach with the investigation process is to not only assess whether the claims are substantiated, where 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.

The internal audit standards requires that a quality improvement assessment program be established to provide ongoing evaluation of the internal audit processes. 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.

Please let me know if you have any questions.

Attachments

*2019 – 2020 Audit Work Plan
Status as of June 30, 2020*

<i>Audit Activities Type</i>	<i>Objective/Status</i>	<i>Status</i>
<i>School Activity Fund – Fiscal Year 2019 End Closing Consulting</i>	Performed counts at each facility noting only one exception. Procedures for inventory are functioning as designed.	Complete
<i>School Attendance Audits – 2019-20</i> <ul style="list-style-type: none"> • Barret Middle • Carrithers Middle • Conway Middle • Farnsley Middle • Jefferson County Traditional Middle • Ballard High • Brown High • Doss High • Fairdale High • Fern Creek High <i>Compliance</i>	<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"> • Missing attendance in some classes – 5 schools • Suspension letters not including all required components – 5 schools • Non-instructional announcements during instructional minutes – 4 schools • Transportation code errors for students with IEPs – 4 schools 	Complete
<i>Follow-up School Reviews</i> <ul style="list-style-type: none"> • Noe Middle • Ballard High • Central High • Carrithers Middle • Fairdale High • Liberty High <i>Compliance</i>	<p>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:</p> <ul style="list-style-type: none"> • Cash receipts - Significant/Some Improvement – 5 schools • Cash disbursements - Significant/Some Improvement – 6 schools • Credit card administration – Significant/Some improvement – 4 schools (2 schools don’t use credit cards) • Account transfers – Significant/Some improvement – 6 schools 	Complete

*2019 – 2020 Audit Work Plan
Status as of June 30, 2020*

<i>Audit Activities Type</i>	<i>Objective/Status</i>	<i>Status</i>
<i>Seclusion and Restraints Process/Behavior Support Activities and Monitoring Audit Assurance</i>	Based on the results of this review, Internal Audit has assigned an overall rating of Sufficient which indicates that adequate controls are in place for all reviewed processes and generally working as designed to properly address relevant risks. In addition, opportunities to strengthen the internal control structure and improve operating efficiencies were identified. The following is a summary of the key observations and opportunities noted in the review. More detail of each item is included in the report along with responses composed by Management to address the recommendations.	Complete
<i>Family Resource Youth Services Centers (FRYSC)</i> <i>Crums Lane ES; Frayser ES; Frost ES; Goldsmith ES; Moore MS/HS; Rutherford ES; Shawnee HS</i> <i>Consulting</i>	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.	Complete
<i>Early Childhood Practices – Process Improvement Audit Assurance</i>	The regulatory requirements that drive the processes are numerous and the consequences to the families are minimal. For example, students will not be excluded from participation in the program for failure to provide the required information. However, Early Childhood staff are required to perform ongoing follow up throughout the student’s involvement in the program. Based on the activities performed as part of the project, Internal Audit identified some opportunities that, if implemented, would strengthen the internal control structure, improve operating efficiencies, and validate the completeness and accuracy of the health information available.	Complete
<i>School Activity Fund – Combining Budget Monitoring</i>	Facilitated and collected the combining budgets for the school activity funds and prepared JCPS Board of Education report for their review and approval.	Complete
<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, principals and when necessary, assistant superintendents. Consult with Accounting Services trainer to incorporate common findings in training sessions.	Ongoing

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Audit Activities Type	Objective/Status	Status
Investigation projects/Special Reviews Investigation	Investigation requests are referred to Internal Audit via the Compliance Hotline; Executive Management requests; Board Member requests; Anonymous direct contacts. Internal Audit has performed 25 investigations/inquiries (12 substantiated and 13 unsubstantiated) and currently have 1 open project. One investigation revealed probable embezzlement (~40K) by a former bookkeeper and has been forwarded to Security and Investigations for potential prosecution. No other 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
Compliance Hotline Administration Investigation	Provided oversight to reports made through the hotline (7/1/2019 – 5/31/2020) to ensure timely resolution: Total Reports Received 455 Substantiated 82 Unsubstantiated 352 Other 20 In Process 1 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), Data Governance and Investigations working group.	Ongoing
Human Resources Audit Assurance – Follow up	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.	Finalizing
Electronic Travel & Expense Reporting Consulting	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

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<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>IT Information Security Program Consulting – Outsourced</i>	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
<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.	In process
<i>Registration Fees Analysis Consulting</i>	Compiled registration fees data and performed an analysis at the request of the Superintendent.	In process
<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.	In process

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School Reviews 2019-2020 Assurance Kennedy Montessori Male Norton Commons Rangeland Sanders Valley	<p>Review school activity fund administration for 6 schools identified through a risk assessment. Meeting with Principals and Bookkeepers for a planning meeting to discuss processes.</p> <p>Due to the impact of COVID19, these reviews will be postponed until Fall. The external auditors selected 6 of the schools included in our initial listing for review, and as a result they will be excluded from our Fall review.</p> <p>Internal Audit did confirm authorized signatures with institutions and identified schools where the listing required updating to remove former employees as well as identified booster/PTA organizations that were under the JCPS employee identification number (EIN) and needed to be removed and filed under the organizations EIN.</p>	Postponed until Fall 2020
Contract Administration Processes Consulting	Document current process and evaluate gaps and opportunities for improvement to ensure roles and responsibilities are properly aligned.	Summer/Fall 2020
Exceptional Child Education (ECE) Assessment Oversight Consulting	Review the exceptional child education established practices and policies and procedures to assess the level of compliance with the regulatory requirements.	TBD
Bus Routes Determination Consulting	Document current process and evaluate gaps and opportunities for improvement to ensure roles and responsibilities are properly aligned.	TBD
Inventory recounts Monitoring	External Auditors have determined that they will perform recounts of Nutritional Services inventory and therefore, Internal Audit recounts will not be necessary.	Cancelled

Anonymous Hotline Reports	Other*		Substantiated		Unsubstantiated		Total	
Reports Received FY 2020	Count	Ave Days to Close	Count	Ave Days to Close	Count	Ave Days to Close	Count	Ave Days to Close
Administrative	3	5	1	11	3	13	7	9
Bullying or Harassment	1	1					1	1
Discrimination	1	4					1	4
Violation of Policy	1	10	1	11	3	13	5	12
Bus Compound	0	0	5	7	9	9	14	8
Bullying or Harassment			2	8	6	6	8	7
Crimes and Threats			1	2			1	2
Discrimination			1	7			1	7
Sexual Harassment			1	11			1	11
Violation of Policy					3	14	3	14
Elementary	10	5	24	8	123	8	157	8
ADA Accommodations					1	26	1	26
Bullying or Harassment	7	4	19	7	109	8	135	8
Crimes and Threats	1	0	1	2	1	9	3	4
Discrimination	2	8			2	10	4	9
Falsification of Records			1	40	1	9	2	25
Sexual Harassment			1	4	3	1	4	2
Theft of Cash, Goods, or Services					1	6	1	6
Violation of Policy			2	8	5	6	7	6
High	5	11	17	11	93	13	115	12
Bullying or Harassment	3	6	11	11	69	12	83	12
Crimes and Threats			5	11	3	10	8	11
Discrimination					2	13	2	13
Falsification of Records					2	6	2	6
Sexual Harassment	1	12	1	9	7	11	9	11
Theft of Cash, Goods, or Services					1	24	1	24
Vandalism					1	13	1	13
Violation of Policy	1	25			8	22	9	22
Middle	2	3	34	6	125	8	161	8
Bullying or Harassment			31	6	105	9	136	8
Conflicts of Interest	1	5			1	1	2	3
Crimes and Threats	1	1	1	20	9	9	11	9
Discrimination					6	4	6	4
Sexual Harassment			2	3	2	6	4	4
Violation of Policy					2	6	2	6
State Agency	0	0	1	4			1	4
Bullying or Harassment	0	0	1	4			1	4
Grand Total	20	6	82	8	353	9	**455	9

*No Investigation required/not under purview

**excludes reports in process