

Audit and Risk Management Advisory Committee
Jefferson County Public Schools
November 4, 2020
Zoom Teleconference
Minutes

ARMAC Members Present: Chairperson James Rose, Vice-Chairperson Rhonda Mitchell, Dr. Sarah Moyer, Pedro Bryant, Dr. Keith Davis, Vicki Phillips, and Dr. Lois Adams-Rodgers

Public Present: None

JCPS Staff Present: Dr. Pollio, Amy Dennes, Kevin Brown, Cordelia Hardin, Eddie Muns, Jodell Renn, and Shari Mattingly

Board Members Present: none

Public Present: Jim Tencza, Simon Keemer, and Megan Crane

Dr. Keith Davis called the meeting of the Audit and Risk Management Advisory Committee (ARMAC) to order at 2:00 pm. Today's meeting was being live-streamed on YouTube (<https://www.youtube.com/watch?v=lpptLLWdmG8>). A quorum was present.

Approval of Minutes

Dr. Davis requested a motion to accept the minutes of the October 7, 2020 meeting, which was made by Mr. Bryant, and seconded by Ms. Mitchell. The minutes were approved by a unanimous voice vote.

Introductory Comments

Ms. Renn noted that the Dean Dorton PowerPoint presentation provided with today's meeting materials has been updated. The updated PowerPoint will be added to the meeting materials on the website after the meeting's conclusion.

Mr. Rose gave his apologies that he will be unable to participate in the entire meeting due to a calendar conflict. He and Ms. Mitchell met with Dean Dorton prior to this meeting regarding their approach, process and results of the audit. Mr. Rose made himself available to Board members who may have questions regarding the draft reports. No major concerns arose during those conversations. The ARMAC committee should ask any questions regarding Dean Dorton's approach and fully understand the audit findings in anticipation of approval at next week's Board meeting.

Comprehensive Annual Financial Report presentation – Cordelia Hardin, Chief Financial Officer, Eddie Muns, Executive Administrator Accounting Services, James Tencza and Simon Keemer, Dean Dorton

James Tencza, Director with Dean Dorton, commended management's cooperation upon the substantial completion of the first year in the role as external auditor. He noted that even with the changes in approach due to the pandemic, everyone was responsive and helpful, including Ms. Hardin, Mr. Muns, the Accounting staff and Internal Audit staff. Dean Dorton is substantially

complete with the audits; however, some changes are expected as they complete their review of the draft financial statements and management letter.

Mr. Keemer provided an overview of audit engagements (Comprehensive Annual Financial Report, and the Single Audit), along with Auditor Communications, specifically qualitative aspects of accounting practices. He discussed the impact of two significant deficiencies that were found resulting from the implementation of Governmental Audit Standards (GASB) 65 and 75 that resulted in a net adjustment to the beginning fund balance of ~ \$700,000. They noted the error resulted from an incorrect interpretation of the standards which JCPS had received advice from the prior external auditors, but after researching peers, it was determined that the adjustment was valid and JCPS Management agreed with the recommendation and performed the calculations and made the appropriate adjustments.

Mr. Tencza provided a summary of the results from the school activity audits and explained that Dean Dorton's approach was different from prior years. While all schools were subject to some audit procedures, using a risk assessment, thirty-four schools were selected for detailed testing. Due to the pandemic, the reviews were performed virtually with the bookkeepers uploading requested documentation to a secure portal. Observations were significantly less than in previous years and no major findings were identified. Two areas that they recommend the District implement additional monitoring are in the oversight activities of the booster programs and controls for inventory maintained at schools.

Mr. Keemer shared that while the procedures performed as part of the Single Audit have been completed, they are still awaiting issuance of the final compliance supplement, which has not been issued by the Federal government due to the pandemic. Frankfort has granted extensions until December 15, 2020. Based on reviews of the draft compliance supplement, they do not anticipate being required to perform additional audit procedures.

The Committee did not have any questions for Dean Dorton.

Mr. Muns reviewed the highlights of the financial results. Losses in the general fund were primarily due to expenses incurred resulting from the pandemic response. JCPS has submitted grant applications that they hope will assist in recovering some of the losses.

Dr. Davis asked if the CARES Act will provide any retroactive relief to the general fund. Mr. Muns explained that over \$12M has been requested to refund a portion of expenses, some prior to July 1 and some after that date. FEMA will help cover some of that with CARES Act covering about a third.

Dr. Davis asked if we are balanced for FY2021, with the way the budget was generated. Ms. Hardin explained JCPS is projecting use of the fund balance for 2021. Part of that is because there are initiatives to improve achievement gaps as well as programs required for NTI, but the CARES funding should help offset some of the budgeted expenditures. In addition, JCPS is seeing improvement in the local economic picture that impacts the occupational tax projects, along with impact of the JCBOE approval of a 4 percent property tax increase, which will go into effect with this year's property tax bills.

The committee acknowledged receipt of the report.

Internal Audit Update – Jodell Renn, Director of Internal Audit

Ms. Renn acknowledged the skills her team brings to the department. She presented a high-level

summary of the plan that ended October 31, 2020. The plan was impacted by turnover within the IA Department, the need to adapt to working remotely, and some additional assignments that came in. Two completed projects were highlighted. One a process improvement project with Early Childhood, and the other in conjunction with Dean Dorton, assisting IT in building an information security program. Ms. Renn explained that four projects will be rolled into the current year's calendar but expects everything to be completed. Any significant changes will be brought to ARMAC at a future meeting.

Dr. Davis asked if the project to make it easier for bookkeepers to report their monthly financial reports was completed, and if internal audit involvement in reporting this information is beneficial to the District. Ms. Renn shared that a system for bookkeepers to upload monthly reports to a portal has been created. Ms. Renn believes that monthly monitoring by Internal Audit does have an impact, since it occurs closer to when transactions are being performed, the notification of errors are more timely, which should allow for changes in behavior and practices if needed. Also, the work that Mr. Muns group has done to support schools, along with the training conducted by Ms. Lori Dench, has contributed to increased compliance.

The committee acknowledged their appreciation of all work conducted by Dean Dorton and the Internal Audit and Finance teams.

New Business

Ms. Renn will be establishing a calendar for next year's ARMAC committee meetings and will be sharing with the committee. The next meeting will probably be held in January, and meetings are planned to be scheduled every other month.

Adjournment

Ms. Adams-Rodgers made a motion to adjourn the meeting and Ms. Phillips seconded the motion. The meeting adjourned at 3:05 pm.