

Audit and Risk Management Advisory Committee  
Jefferson County Public Schools  
February 10, 2021  
Video Teleconference  
Minutes

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

**Public Present:** None

**JCPS Staff Present:** Dr. Marty Pollio, Dr. Dena Dossett, Kevin Brown, Cordelia Hardin, Eddie Muns, Hannah Lehman, Jodell Renn, John LeMaster and Shari Mattingly

**Board Members Present:** none

Mr. James Rose called the meeting of the Audit and Risk Management Advisory Committee (ARMAC) to order at 2:00 pm.

The meeting was live streamed on YouTube ([02 10 2021 ARMAC Meeting recording](#)). A quorum was present.

#### **Introductory Comments**

Mr. Rose gave a brief overview of the meeting agenda. Ms. Jodell Renn, Director of Internal Audit, shared the following changes to the agenda, Amy Dennes, Chief of Staff would be unable to attend today's meeting due to inclement weather issues, therefore Dr. Dena Dossett, Chief of Accountability, Research and Systems Improvement, would lead the discussion regarding the Post KDE Review. Also, Mr. Eddie Muns, Executive Administrator Accounting Services, will lead the FY2020 Dean Dorton Management Letter discussion.

#### **Approval of Minutes**

Mr. Rose requested a motion to accept the minutes of the November 4, 2020 meeting, which was made by Pedro Bryant and seconded by Dr. Keith Davis. The minutes were approved by a unanimous voice vote.

#### **JCPS Future State Process – Dr. Marty Pollio, Superintendent**

Dr. Pollio reviewed the process performed to fully understand the needs of the District's 155 schools conducted over the past 20 months. Dr. Pollio came to JCPS in 1997 and even though he faced a learning curve as Superintendent, there are benefits to being a superintendent hired from within a district as large as JCPS. He realized that all the initiatives that had been undertaken previously had not moved the needle; the District was still basically in the same place it was when he came here, along with the outcomes. In order to improve the outcomes (i.e. 30 point increase in student achievement, cutting achievement gap in half by 2025), Dr. Pollio, the Cabinet and Assistant Superintendents met over several days. The plan that they created to truly improve student achievement became JCPS Future State.

Dr. Pollio presented a high-level overview of each of the seven future state components. The components include: extended student learning opportunities; student learning: continuous improvement; student assignment; facilities; resourcing high poverty schools; technology; workforce and leadership development. The expected cost of this plan is \$60M. A large portion of the cost will be allocated to facilities; there are 48 schools in the District that are at end of life. In May 2020, the District proposed a tax increase that was voted on by the Board. The Plan has received much support from the business community.

An internal work team has been assigned to each of the Plan's components. Every work team is led by a Chief and Racial Equity co-Chair, to ensure racial equity is imbedded in the work. The members of the work team include an Assistant Superintendent, three Principals, two Teachers and three subject matter experts. The project management process is made up of seven elements and include, identifying the problem, what research exists and what Districts are implementing solutions the best; what does the future state look like; what is the current state; what steps are needed; what are the risks that could impede success and what is the outcome expected. The goal is in five years to be the best in nation in these areas resulting in the best student outcomes. Dr. Pollio would like ARMAC to be a part of this process, and to play a support and accountability role to assist the District in accomplishing the goals of the Plan.

The Committee was very appreciative of all the work that has been done to create the Future State Plan and receptive to working with the teams and Dr. Pollio. Several questions were asked about the Plan, and about how ARMAC would be working with the teams, and the Board's involvement. Dr. Dossett provided an overview of the Three Pillars of the current strategic plan and explained how the Future State will be embedded within the new strategic plan.

#### **Post KDE Review – Next Steps Continuous Improvement – Dr. Dena Dossett, Chief, Accountability, Research & Systems Improvement**

Dr. Dossett gave a summary of the KDE three-week review conducted in the fall. Findings were that there was not a pattern of a significant lack of efficiency and effectiveness in the governance and administration of JCPS. They also found that neither state management nor state assistance is necessary, and consider the Settlement Agreement to be fulfilled. While they found significant improvement in the areas of Career and Technical Education, Finance and Professional Development Opportunities, they did find that the areas of Special Education and Safe Crisis Management merit continued monitoring, and made several recommendations for improvement. After reviewing the report, Cabinet identified 42 of the 276 improvement strategies from the CAP that were considered high risk/high impact that would continue to be reviewed quarterly or semiannually at the Cabinet level. In addition, there were 28 CAP items that have been embedded into the District Master Calendar routine to ensure monitoring systems continue, creating accountability and succession planning resource.

The Committee congratulated and acknowledged the District's efforts that led to the successful outcome and commended them on the work that is being put in place to keeping the momentum to drive continuous improvement into the future.

#### **FY2020 Dean Dorton Management Letter – Eddie Muns, Executive Administrator Accounting Services**

Mr. Muns shared that while this was the first year with Dean Dorton as the District's outside auditor, and conducted in the midst of a pandemic, it was overall a very good experience. He explained the differences between the Comprehensive Annual Financial Report (CAFR) and Popular Annual Financial Report (PAFR) that was made available to the committee in advance of this meeting. He presented results from the

FY2020 Management Comments Letter and shared JCPS' Management responses. He shared that there was one significant deficiency reported by Dean Dorton, involving two errors in the financial statements related to the incorrect implementation of Governmental Audit Standards. While the deficiency did merit the attention to those charged with governance, they are considered less severe than a material weakness. In addition, Dean Dorton shared four other internal control deficiencies. It should be noted, that typically the four other deficiencies would be shared with management only, however, in full transparency, JCPS requests that the external auditor include these in their report. They include IT risk assessment, IT continuity of operations and disaster recovery plan, development of IT policies, and School Activity Fund Audits (Redbook). The report includes District's response to each recommendation.

### **Results from FY2020 School Activity Fund Audits – Hannah Lehman, Supervisor, Accounting Services**

Ms. Lehman reviewed improvements in School Activity Fund results in last years' audit. Fifty percent of the schools audited saw improvement over the prior year. She described training resources and supports that have been made available to schools to help improve the school activity fund reporting process. Initiatives for continued reduction in findings were presented, which included No Bank Schools and the "MySchoolBucks" credit/debit card platform, along with the various training tools available on the Accounting Services website. Simplifying school responsibilities, whether it involves parent/student interactions, or the financial reporting and auditing protocols, is Accounting Services goal. Helping schools to focus more on students and the Future State, and spend less time on audits, and laws and finances is a priority.

Mr. Muns shared that Dean Dorton's approach to school finance reviews differed from prior auditor because it was built on a risk-based approach and they relied on multiple audit strategies that involved performing detailed testing at 34 schools, analytic procedures at remaining schools and third party confirmation for 100 percent of the schools. When comparing the results of the school-based reviews to the prior year, there was an 8 percent decrease in findings. Accounting Services wants to support the schools in ways to reduce exceptions by finding alternative processes to help the schools manage the school based financial transactions, such as implementing "MySchoolBucks" and offering ongoing training opportunities.

Mr. Rose mentioned that the management responses did not necessarily address recommendation and in some circumstances close out the comments. In preparation for the next audit, he suggested the JCPS be cognizant of how to minimize repeat findings by addressing all of the components in the auditor's recommendations. Mr. Muns shared his perspective that some findings will remain as a comment for many years, because it is impossible to ever fully implement, for example a disaster recovery plan. This is based on the cost to the District to implement. Mr. Rose countered that comment that from his perspective, identifying timelines to address the comment, even if the timelines extend beyond one year, at least provides the District with accountability and an opportunity to look at whether the timeline is adequate in relation to the risk identified. ARMAC encouraged management to make efforts to close repeat findings.

### **Internal Audit Update – Jodell Renn, Director, Internal Audit**

Ms. Renn provided a high-level update on the activities being performed by Internal Audit and how they have been able to successfully navigate working in the pandemic environment. The development of a SharePoint portal for schools to upload their monthly verification packets has been implemented. Monthly school activity fund monitoring has pivoted away from the traditional onsite reviews of 16 schools to virtual monitoring by selecting a sample (25 receipts, 25 disbursements) each month and requesting bookkeepers to provide copies of documentation. This has enabled Internal Audit to provide feedback to the school closer to the time the transaction occurred and work with Accounting Services on

topics for training bursts based on frequently found exceptions. These short trainings can be focused and since they are performed virtually, they are limited in time, recorded and posted online as a reference tool for the bookkeepers to access at a later time. Traditional audits are progressing slower due to the pandemic and challenges associated with setting up meetings and reviewing documentation etc.

Ms. Renn shared that she has been included in weekly Cabinet meetings and believes this will help her gain more insight in to how Internal Audit can support the District in achieving its objectives as well as elevates the role of Internal Audit within the District. Key audits currently underway are the contract administration review, geographical information systems review, and a vulnerability penetration testing plan with an outside consultant, Brown Smith Wallace. Also, a security audit of the Google platform, again in conjunction with the outside consulting firm, is currently in process. Brown Smith Wallace is also assisting with the creation of a dashboard for identifying certain expense trends in school spending that may be helpful to Accounting Services. Another notable project working with one of the audit consultants (Strothman & Company) that is supporting IT with its implementation of a standard information gathering tool to assist with software/IT vendor management and the associated risks.

### **New Business**

Ensuring that the Future State, along with student assignment, are areas that the Committee provides their insight and assistance. Ms. Renn shared that Dr. Pollio has also requested Internal Audit to help ensuring accountability with regards to the Future State, so any insight from the Committee about how to navigate this is welcomed.

### **Adjournment**

Lois Adams-Rodgers made a motion to adjourn the meeting; Vicki Phillips seconded the motion. The meeting adjourned at 3:59 pm.