

Audit and Risk Management Advisory Committee  
Jefferson County Public Schools  
October 29, 2024  
Stewart Auditorium

**ARMAC Members Present:** Chair James Rose, Co-Chair Rhonda Mitchell, Jenna Cowley and Dr. Eric Russ, Wilbert Whitfield

**JCPS Staff Present:** Dr. Marty Pollio, Dr. Katy DeFerrari, Eddie Muns, Cynthia Grohmann, Mark Hebert, Carolyn Callahan, Eric Satterly, May Porter, John LeMaster, Chalynn Comage, and Sonya Miller, Jon Sewsankar, Shani Hillard, Cecil Comstock

**Board Members Present:** None

**Public Present:** WDRB, Jim Tenzca, Simon Keemer, Dean Dorton

Chair Rose called the meeting of the Audit and Risk Management Advisory Committee (ARMAC) to order at 2:05 p.m.

### **Approval of Minutes**

A motion to accept the minutes of the August 19, 2024 meeting was made by Dr. Russ and seconded by Ms. Cowley. The minutes were approved by a unanimous voice vote, followed by introductions.

### **ARMAC Transportation Issue Root Cause Report Follow-up – James Rose, ARMAC Chair**

The meeting focused on reviewing and discussing the management comments in the transportation report, aiming to establish a consistent approach across divisions. Committee members acknowledged the importance of setting uniform standards and periodically validating processes to enhance coherence and minimize risks. They also discussed developing a technology strategy and enhancing competency development, noting challenges in role rotations and succession planning due to collective bargaining agreements and licensure requirements. HR initiatives included exploring opportunities for cross-training within departments and examining structural improvements for increased collaboration.

The conversation turned to employee engagement, with the suggestion of implementing surveys focused on Central Office experiences, supplementing the existing Comprehensive School Survey. Efforts to improve project management and risk assessment were highlighted, with an emphasis on professional learning to unify the cabinet's understanding of risk management. It was noted that audit resources are being reassessed, including hiring an additional auditor and redistributing the workload related to the district's tip line.

The meeting included a discussion on developing or adopting a guardrail related to risk management. Members agreed that building a collective understanding of risk management across the cabinet would be beneficial, noting that many leaders had limited formal training in this area. They suggested implementing professional learning sessions on risk management principles to establish a standard baseline of knowledge.

Audit's role in supporting risk management was emphasized, with the expectation that Internal Audit could help reinforce risk awareness and processes. This includes ensuring that those responsible for high-risk areas fully understand risk-related processes. Additionally, audit resources are being increased with the addition of a new auditor and efforts to streamline the hotline responsibilities, which will free up more capacity for

proactive risk management support.

Overall, the committee was aligned on the value of a cohesive, well-informed approach to risk, supported by consistent training and resources, to serve as an effective guardrail for identifying and mitigating risks across the organization.

Finally, discussions covered strategies to enhance board engagement, especially with incoming board members, and potential reconfigurations of oversight structures to ensure alignment with the district's strategic goals. The importance of clear communication and streamlined processes to support effective board interaction was emphasized.

The meeting identified several action items, areas of agreement, and minimal disagreement as follows:

### **Action Items**

1. **Process Consistency:** Committee members agreed to investigate existing practices across divisions, explore best practices, and work toward a uniform process to enhance consistency across the organization.
2. **Technology Strategy:** Management will continue developing a technology strategy to integrate systems more effectively and reduce reliance on paper-based processes.
3. **HR and Competency Development:**
  - Explore cross-training within departments to improve role coverage and ensure continuity.
  - Review collective bargaining agreements and licensure requirements to identify feasible options for role rotation and succession planning.
  - Examine structural improvements, especially in departments like IT, to address cross-functional dependencies and alignment.
4. **Employee Engagement Survey:** Consider implementing engagement surveys tailored for Central Office employees, focusing on areas such as communication, alignment, and job satisfaction.
5. **Risk Management and Audit Resources:**
  - Conduct professional learning on risk management to build a collective understanding within the cabinet.
  - Reassess audit resources by hiring an additional auditor and relieving the current auditor from hotline responsibilities. Continue with streamlined process for investigation and triage to ensure that responsibilities are appropriately distributed.
6. **Board Engagement:** Develop a strategy for increasing board engagement and facilitating more informed discussions with incoming board members.

### **Areas of Agreement**

- **Uniform Processes:** Members generally agreed that establishing consistent processes across divisions was essential for coherence and reducing risks. They supported a phased approach, starting with an analysis of current practices and gradually implementing uniform standards.
- **Technology and Structural Improvements:** There was consensus on the need for better technology integration and structural improvements, especially regarding communication and data-sharing between departments.
- **HR and Workforce Development:** The group agreed on the benefits of cross-training and workforce development as retention and engagement strategies. Members also supported enhancing leadership pipelines for both Central Office and school-based administrators.

- **Audit Resources and Risk Management:** Members concurred that expanding audit resources and enhancing risk management capabilities were critical. There was also alignment on the need for professional development around risk management across the cabinet.
- **Board and Stakeholder Engagement:** Members agreed on the importance of a strategic approach to board engagement, especially with the new members, to foster a better understanding of board oversight and encourage productive involvement.

### Areas of Disagreement

- **Feasibility of Role Rotation:** Some participants expressed concerns about the practical challenges of role rotation due to licensing requirements, collective bargaining constraints, and the specialized nature of certain roles, especially within HR and Central Office. Although the concept was generally supported, members were divided on its feasibility and the degree to which it could be implemented across departments.

The meeting concluded with a shared commitment to the outlined actions, with the understanding that some areas, like role rotation, may require further exploration and incremental implementation.

### Annual Comprehensive Financial Report Presentation – Eddie Muns Chief Financial Officer, Cecil Comstock, Executive Administrator, Accounting Services, James Tencza, Simon Keemer, Dean Dorton

Eddie Muns presented a draft of the Annual Comprehensive Financial Report for the year ended June 30, 2024. Chair Rose asked about the net position at end of year, what the major drivers were. This is explained as inflated revenue in the prior two years consisting of pandemic grants, along with negated property and other taxes. Regarding the pie chart, Chair Rose inquired about school-based support - if school staff is included. It is, and consists of principals, counselors, coaches, instruction assistants, office staff. Chair Rose also inquired about the pension liabilities. Mr. Muns explained that pensions are divided into two types. Teachers and certified staff are covered by KTRS, and classified staff which are covered by CERS. Co-chair Mitchell asked when the ESSR grants would expire. Mr. Muns stated the date is September 2025, however most of ESSR has already been spent.

Mr. Tencza began the Dean Dorton portion of the presentation by expressing his gratitude to the JCPS financial team. Their cooperation and assistance in providing all requested documentation was greatly appreciated. He then presented an overview of audit engagements. Chair Rose asked about concurring partners, which Mr. Tencza explained consists of himself, Ms. Crane and Mr. Keemer. He also explained that the audit is 90% complete and will be presented to the Board at the next meeting on November 12th. Should anything come up between now and then, Dean Dorton will let JCPS know. ARMAC and Dean Dorton are invited to attend the upcoming board meeting, however it is not required. Mr. Tencza did state that either he or Mr. Keemer will be attending. Once Board approval is received, Dean Dorton will release the final audit with all audit findings submitted to KDE immediately.

Mr. Keemer presented the Auditor Communications. Chair Rose asked what their questions would be, if asked to look at internal controls. They would look at what financial controls are being looked at by the Executive Administrator and this would be at a much more detailed level (on the same scale as the financial statement). Typically, it is at a high level, with no opinion given.

Chair Rose asked what the District's position will look like next year; in five years. Also, are there non-gap overviews. Policies and Practices has significant disclosures affecting the financial statements. Pensions and benefits were also discussed. CERS and KTRS boards do not create their own assumptions. These are set by actuaries, and each has their own separate team of auditors. Kentucky has for a number of years failed to charge the required retirement percentage, but the District has always paid what the state required. This has

led to underfunding of the system.

Mr. Keemer reviewed the summary of the single audit, with Mr. Keemer reviewing the upcoming GASB standards. Mr. Tencza concluded by thanking the Financial Services team and stated that there are no concerns with the District's levels of control.

Highlights include:

**Program Updates:** A new branding initiative called "Journey to Success" was discussed, evolving from the "Backpacker Success Skills" program.

**Board Letter and Financial Reporting:** An annual letter from the board chair and Dr. Polio's retirement announcement were considered for inclusion. The district received a Certificate of Achievement for its financial statements, awarded yearly since 2007.

**Financial Statements:** The audit covers two financial reporting perspectives — district-wide accrual-based and fund-specific accounting, with emphasis on the general fund, special revenue, and construction fund. The district's net position was approximately \$48 million, with notable liabilities tied to pension and post-employment benefits. The general fund balance declined to \$374 million as part of a planned reduction following COVID-19 grant adjustments.

**Instruction and Funding:** Instruction represents nearly \$2 billion in expenses, dominated by property and occupational tax revenues. Spending on ESSER grants, post-pandemic recovery, and initiatives like standardized curriculum were key cost factors.

**Compliance with Redbook:** The audit included a compliance review of school activity funds with "Redbook" standards. About 20-30% of school bookkeepers turnover annually, leading to minor compliance findings, though no major issues were noted.

**Audit Findings and Independence:** Auditors reported no material weaknesses, uncorrected misstatements, or significant disagreements with management. Internal controls, pensions, and OPEB (Other Post-Employment Benefits) were reviewed with no major findings.

**Single Audit:** Federal programs were audited per Uniform Guidance standards, with four major programs selected for testing based on size and risk. Expected outcomes include clean, unmodified opinions across all reports.

**Future Standards and Audit Rotation:** Upcoming GASB standards and a mandatory five-year audit rotation were discussed. The audit firm, Dean Dorton, noted team rotation strategies if reappointed.

**Audit Committee Role:** The district's Audit and Risk Management Advisory Committee (ARMAC) was consulted to provide feedback to the board.

## **Adjournment**

Chair Rose made a motion to adjourn the meeting; Co-Chair Mitchell seconded the motion. The meeting adjourned at 3:45 p.m.