



Jefferson County Public Schools Internal Audit Department Audit Plan

Assurance * **Independence** * **Objectivity**
2025–26

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Introduction

The Fiscal Year (FY) 2026 Audit Plan for the Internal Audit Department outlines the activities where internal audit resources will be dedicated. Professional standards, as well as the Internal Audit Charter, require the preparation of an audit plan. In accordance with protocol, this plan requires approval from the Jefferson County Board of Education (JCBE) and the Audit and Risk Management Advisory Committee Meeting (ARMAC).

Methodology

The framework for the methodology, and the process for developing the audit plan, are explained below.

Framework

This plan was developed using a risk-based methodology. The methodology incorporates elements of the Committee of Sponsoring Organizations' (COSO) Enterprise Risk Management Framework, which is a risk model commonly used in the internal audit profession. This approach allows for the evaluation of Jefferson County Public Schools' (JCPS) Divisions and major district processes and functions in a systematic, consistent framework. By using this approach, the Internal Audit Department is better able to dedicate resources that help ensure JCPS (the District) achieves its objectives.

Risk Assessment and Audit Planning Process

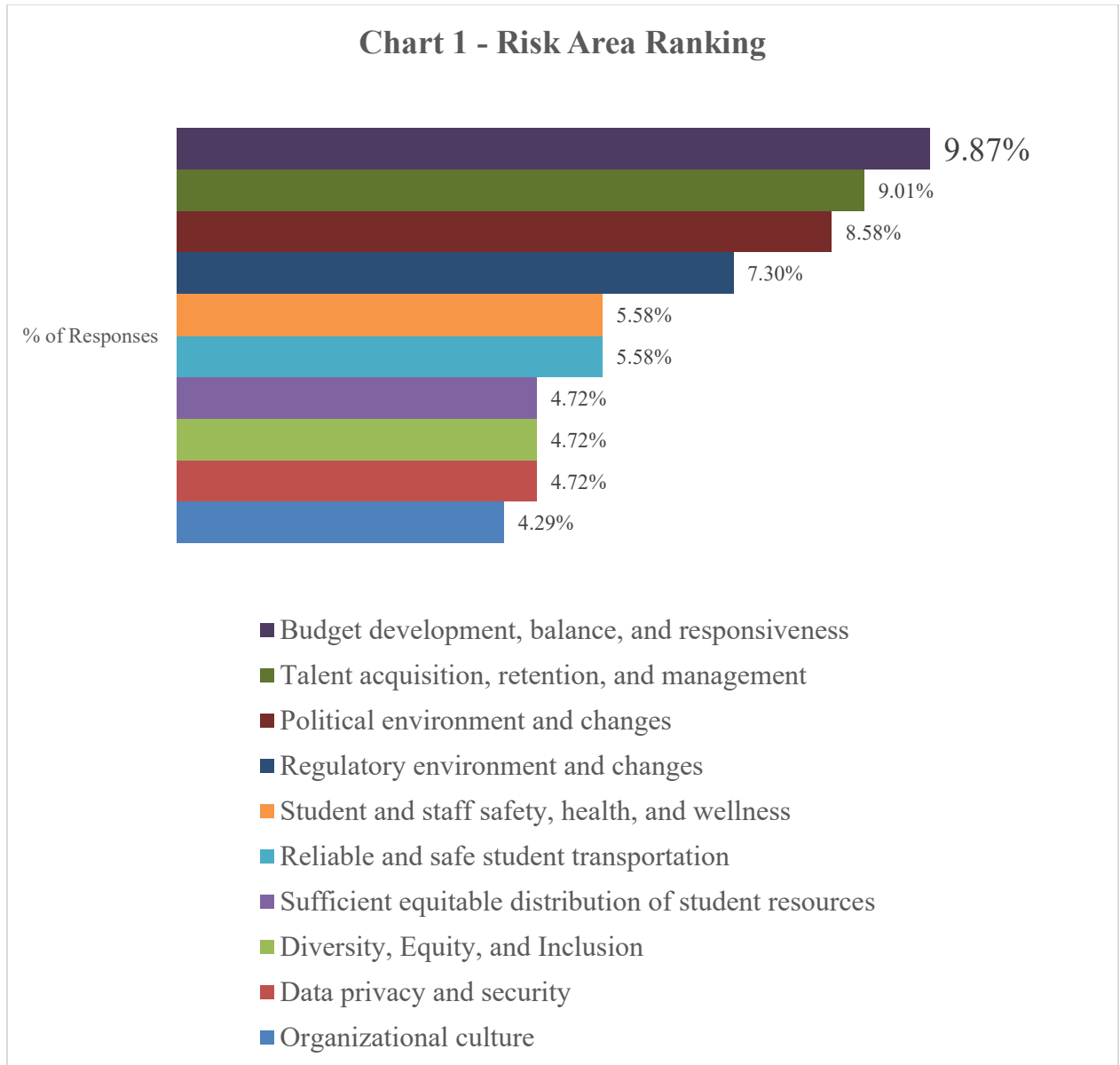
The Internal Audit Department performs an annual risk assessment to inform the audit plan. As described in the steps below, the risk assessment includes a risk questionnaire and an inquiry regarding the top objectives and related risks for each division. Approximately 93 percent of the Superintendent's Leadership Team (Chiefs and other direct reports of the Superintendent) completed a risk questionnaire and provided information regarding their respective division's objectives and risks. All of the District's Executive Administrators, Executive Directors, and Assistant Superintendents completed a risk questionnaire and provided information regarding their respective division's objectives and risks. This rate of response is exemplary, and the Superintendent and Chief of Staff should be commended for encouraging leadership to participate in the Risk Assessment.

- 1. Obtain input from the JCBE, the Superintendent's Office, and respective Leadership Teams.** Risk questionnaires were distributed to members of the JCBE, Superintendent's Office, and Leadership Team to identify the top risk areas and potential audits / engagements for inclusion in the plan.
- 2. Risk Areas**—The risk areas listed below were included in the risk questionnaire. Respondents were asked to identify the top risk areas for their respective division. A

“top” risk area is an area with a relatively higher potential for a risk event to occur and have a large impact on the division’s ability to achieve its objectives. The risk areas that have been identified are not necessarily representative of the current environment within the District. The identification and awareness of these potential risk areas reflect the initial steps taken to promote a strong internal control environment. The **top ten risk areas** are described below. The remaining risk areas are ranked and described at **Exhibit D**.

- **Budget Development, Balance, and Responsiveness**—District’s capabilities to develop a balanced budget, align expenditures with available resources, and respond effectively to changes in funding levels. This includes risks related to recurring shortfalls, ineffective budget monitoring, misaligned spending priorities, and a lack of fiscal responsiveness or accountability.
 - **Talent Acquisition, Retention, and Management**—District’s capabilities to anticipate need, identify trends, acquire, reskill/upskill, retain, and manage talent sufficient to meet the organizations’ objectives.
 - **Political Environment and Changes**—District’s capabilities to anticipate, identify, and effectively react to challenges and uncertainties caused by the political environment and political changes such as election results
 - **Regulatory Environment and Changes**—District’s capabilities to anticipate, identify, and effectively react to challenges and uncertainties caused by regulatory changes impacting its service delivery.
 - **Student and Staff Safety, Health, and Wellness**—District’s capabilities to anticipate, identify, and effectively react to challenges and uncertainties related to student and staff safety and physical / mental health well-being matters.
 - **Reliable and Safe Student Transportation**—District’s capabilities to provide safe and reliable transportation to all eligible students.
 - **Sufficient Equitable Distribution of Student Resources**—District’s capabilities to identify disparities and effectively respond to reduce or eliminate disparities in the distribution of resources, equipment, supplies, and / or technology.
 - **Diversity, Equity, and Inclusion**—District’s capabilities to design, implement, maintain, and monitor DEI strategies and practices across the district.
 - **Data Privacy and Security**—District’s capabilities to protect sensitive data in its care and ensure compliance with all applicable data privacy and security laws and regulations
 - **Organizational Culture**—District’s capabilities to understand, monitor, and manage the overall tone, incentives, and actions that drive desired behavior. Observable patterns of behavior within the organization, including, but not limited to, the communication style (e.g., siloed, collaborative) and management style (e.g., authoritarian, democratic).
3. **Top Three Risk Areas**—To prioritize the risk areas, the top three risk areas were identified by the JCBE, the Superintendent’s Office, and divisional leadership (i.e., Executive Administrators, Assistant Superintendents, or other designees) and their respective Chiefs. The top three risk areas identified are as follows: **Budget Development, Balance, and Responsiveness; Talent Acquisition, Retention, and Management; and Political Environment and Changes.**

A total of 67 members of the JCBE, the Superintendent's Office, and divisional leadership and their respective Chiefs completed the questionnaire and identified the top risk areas. The ranking of the various risk areas is displayed in **Chart 1** below. Approximately 10 percent of the participants identified budget development, balance, and responsiveness as a top risk; approximately 9 percent of participants identified talent acquisition, retention, and management as a top risk; and approximately 9 percent of the participants identified the political environment and changes as a top risk.



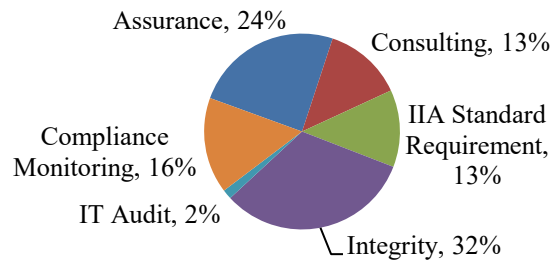
4. Consideration of Top Risks / Risk Responsibility—The top risk areas identified were reviewed by the Internal Audit Department and considered during the development of the current and long-term audit plan. The identification of the top risk areas is also beneficial for each division to ensure there is proper risk mitigation plans in place. The management of risks is the responsibility of the District’s Administration. The JCBE and Administration are responsible for organizational oversight. District management is responsible for ensuring organizational objectives are achieved and risks are properly managed. The Internal Audit Department is responsible for providing independent assurance on all matters related to the achievement of strategic and operational objectives. A visual representation of the Institute of Internal Auditor’s Three Lines of Defense Model is depicted at **Appendix A**.

5. Identification and Communication of Significant Risk- In accordance with the Institute of Internal Auditors’ Standards, Internal Audit is required to communicate

significant risks, those that could materially impair the District’s ability to achieve its objectives. The District’s ongoing financial crisis qualifies as such a risk, given the gap between revenues and expenses and the potential impact on operations, statutory compliance, and stakeholder confidence. Additional details, including roles, responsibilities, and current status, are provided in **Appendix E: Communication of Significant Risk – District Financial Crisis**.

6. **Internal Audit Department Resources**—Available resources (i.e., staff hours) were determined to identify the capacity of the Internal Audit Department. Available project hours were calculated after adjusting for each staff member’s paid leave time, required training, and administrative tasks. The target utilization rate for audit staff is approximately 75 percent due to the need to dedicate resources to administrative tasks. The available resources were allocated by core services and tasks required by the IIA Standards, as illustrated in **Chart 2**. Team Members are listed below.

Chart 2—Available Audit Resources (by Core Service)



It should be noted that Information Technology (IT) audits require the assistance of external consultants. The allocation represents Internal Audit Department staff hours only, not the financial resources for the IT audit consultants.

Team Members:

May Porter, CIA, CFE—Director of Internal Audit
Chalynn Comage, CFE—Risk Investigator
John LeMaster, CPA—Internal Auditor
Sonya Miller—Internal Auditor
Gina Thompson—Internal Auditor
Sam Zaritsky—Internal Audit Clerk

- 7. Allocation of Internal Audit Department Resources**—The Internal Audit Department’s available resources were allocated to the ongoing engagements from the prior year, the required recurring engagements, and the engagements identified during the risk assessment process.
- 8. Audit Plan Completion**—The final plan was developed by assigning the auditable units based on the impact to a significant risk area. Auditable units may include departments, programs, functions, or processes. The capacity and knowledge base of the Internal Audit Department was evaluated to ensure the projects can be performed based on the resources and professional competencies within the department. In some cases, such as IT services, external consultants are required. In developing the final plan, the following factors were considered:
- Current organizational environment (district / political changes)
 - Enterprise-wide processes and tasks
 - Mitigation of the District’s top risks
 - Units covered by other auditors (e.g., external, state, federal)

Audit Plan

The FY 2026 audit plan is presented in the following section of this document. It is important to note that the audit plan is a flexible document that is intended to allow for changes as circumstances warrant. While the Internal Audit Department strives to follow the plan, unforeseen circumstances may require the ability to act quickly and reallocate resources appropriately.

- A summary of resource allocation by JCPS Division is in **Chart 3** in **Appendix B**.

Conclusion

The audit plan demonstrates the Internal Audit Department’s commitment to its mission of providing value-added services and to the continuous improvement of its services. These services ultimately help JCPS achieve its core strategic objectives. To leverage resources and provide quality professional services, we have limited the scope of work to what we can realistically accomplish with the staff resources available.

If you have any questions or wish to discuss any of these matters in further detail, please contact me.



May R. Porter, CIA, CFE
Chief Audit Executive

FY 2026 Audit Plan

The audit plan is in order by the Internal Audit Department's core services. Under each type of service, the project(s) is listed. The order of presentation within each core service does not represent prioritization; it is only done for ease of use. Additionally, projects from prior years that are yet to be completed are noted since resources will be dedicated to these projects in FY 2026.

The detailed audit plan, which begins on the following page, covers the following core services.

- I. Assurance Services**—Objective examinations of evidence for the purpose of providing independent assessments on governance, risk management, and control processes for the District. Examples include financial, compliance, operational, and information technology audits. Typically, longer in duration (i.e., 400–600 hours).
- II. Consulting Services**—Advisory and related client-service activities, the nature and scope of which are agreed to with the client, are intended to add value and improve the District's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, and process improvement. Timing depends on the defined scope.
- III. Information Technology Audit Services**—Objective examinations and evaluations of the District's information technology infrastructure, applications, data use and management, policies, procedures, and operational processes against recognized standards or established policies. Audits evaluate if the controls to protect information technology assets ensure integrity and are aligned with organizational goals and objectives.
- IV. Compliance/Monitoring**—A continuous process (typically monthly) to ensure that specific regulatory activities are occurring as required. Its purpose is to identify compliance risk issues in a timely manner.
- V. Integrity / Investigation Services**—Potentially fraudulent activities or special assignments that originate from reports through the anonymous hotline, Superintendent, Cabinet members and/or JCBE members. The length of each investigation is based on the facts and circumstances of each case.

I. Assurance Services

FY 2026 Audit Plan

The following audits are proposed for the FY 2026 audit plan:

Area/ Department	Project Name	Preliminary Objective	Related Risk Area
Enterprise	Annual FY 2026 Audit Follow-up	Assess the implementation and effectiveness of corrective actions from previous audit findings.	IIA Standard Requirement; Operational Performance
Financial Services—Accounting	Vendor Performance	Assess oversight of vendor performance for professional service contracts. Oversight includes but is not limited to verification of supporting documentation before payment; confirmation that services align with scope/deliverables. The audit would also include a review of a judgmental sample of high-dollar vendors.	Fiscal Administration; Third Party Relationship Management
Financial Services—Budget	Post-Approval Budget Change Process	Assess the end-to-end process for initiating, vetting, authorizing, and communicating modifications to the working budget, both additions and reductions.	Organizational Governance and Structure; Budget Development, Balance, and Responsiveness
Human Resources	Teacher and Instructional Assistant Hiring Process	Assess the process for receiving, screening, and advancing qualified applicants for teacher and / or instructional assistant positions, including whether hiring decisions are made in a timely manner to meet staffing needs.	Organizational Culture; Talent Acquisition, Retention, and Management

In-Progress During FY 2026 Carryover From FY 2025

These are assurance and consulting projects that were on the FY 2025 Audit Plan and / or started prior to FY 2025 that are still in progress during FY 2026.

Area/ Department	Project Name	Preliminary Objective	Related Risk Area
Administration- Student Health and Wellness	Medicaid Billing Process Consulting Project	Assess the fiscal and operational effectiveness of the process for billing Medicaid for student health services provided through JCPS Student Health Services.	Fiscal Administration; Student and staff safety, health, and wellness
Enterprise	Annual FY 2025 Audit Follow-up	Assess the implementation and effectiveness of corrective actions from previous audit findings.	IIA Standard Requirement; Operational Performance

II. Consulting Services

In general, consulting services are initiated by methods other than the annual risk assessment. They may or may not require significant audit resources and are intended to add value for the client's process area(s).

Consulting

This value-added service is provided to help identify district best practices, and to ensure major risks are identified and mitigated as needed. These involve a wide range of issues which are important to the District's operations.

Area/ Department	Project Name	Preliminary Objective	Related Risk Area
Accountability, Research, and Systems Improvement	Diagnostic Review Improvement Priority Monitoring	Develop and implement an ongoing monitoring process to ensure new and existing initiatives are implemented with fidelity, evaluated for effectiveness, and adjusted accordingly.	Operational Performance
Operations— Warehouse and Distribution Services	Process and Control Assessment	Assess current practices to support new leadership; identify strengths and opportunities for improvement.	Operational Performance; Student and staff safety, health, and wellness
Operations— Warehouse and Distribution Services	Annual Inventory Observation	Attend and observe physical inventories and report to the results to the CFO.	Operational Performance; Fiscal Administration
Schools Division	School Based Cell Phone Policy Implementation Review	Assess implementation of the School Based Cell Phone policy; assess the overall fidelity of implementation across schools; issue mid-year and end-of-year reports.	Fiscal Administration; Student and staff safety, health, and wellness

Other Consulting Services

These are the consulting activities related to Education and Committee Meetings within JCPS.

Area/ Department	Project Name	Preliminary Objective	Related Risk Area
Diversity, Equity, and Poverty (DEP)	REAP Committee	Quarterly meeting for performing a Racial Equity Analysis Protocol (REAP) for a JCPS policy or initiative.	DEP
Enterprise	Investigation Group	Biweekly meeting to collaborate regarding JCPS security, compliance, and internal audit investigations.	Operational Performance
JCPS - Police Department	SSO Data Group	Monthly meeting for School Safety Officer (SSO) data analysis and review.	Student and Staff Safety, Health, and Wellness

III. IT Audit Services

IT Technical

These highly technical reviews require assistance from external partners and contractors. Performance of these projects is dependent on financial resources available for external partners since these cannot be performed internally.

Area/ Department	Project Name	Preliminary Objective	Related Risk Area
Technology Division	IT Risk Assessment	An assessment of the District's IT systems, processes, and applications.	Cybersecurity - Data Privacy and Security
Technology Division	Pen Test - External and Internal	Perform an authorized simulated cyberattack on JCPS's internal and external networks.	Cybersecurity - Data Privacy and Security

IV. Compliance Monitoring

Monthly Monitoring

These are continuous processes (typically monthly) for the purpose of ensuring that specific regulatory activities are occurring as required. Additionally, the purpose is to identify compliance risk issues in a timely manner.

Area/ Department	Project Name	Preliminary Objective	Related Risk Area
Schools— Attendance (High, Middle, Elementary)	Monthly Attendance Monitoring	Perform a monthly review of internal control activities regarding student attendance for a sample of schools. Results will be reported quarterly.	Student Enrollment; Operational Performance
Schools— Student Activity Funds (High, Middle, Elementary)	Monthly Verification Form Review	Collect and review monthly financial reporting for schools.	Regulatory Environment; Fiscal Administration
Schools— Student Activity Funds (High, Middle, Elementary)	Student Activity Funds Monitoring	Perform a monthly review of internal control activities and compliance with the Redbook regarding student activity funds for a sample of schools. Results will be reported quarterly.	Regulatory Environment; Fiscal Administration

IV. Integrity Services

Special Investigations and Proactive Best Practices

These investigations are performed to determine if concerns of fraud, misuse, and or abuse can be reasonably substantiated. These require substantial use of internal audit resources.

Area/ Department	Project Name	Preliminary Objective	Related Risk Area
Enterprise	Ethics Hotline Administration	Administration of the service contract of the third-party service provider. Oversight of Ethics Hotline data collection and reporting.	Organizational Culture
Enterprise	Ethics Hotline— Translation Enhancement	Ongoing implementation of translation tool and transition to new vendor platform.	Stakeholder Engagement
Enterprise	Integrity Investigation	Use a defined investigation methodology to determine if allegations or concerns of fraud, misuse, abuse and/or a violation of certain ethics policies can be reasonably substantiated.	Organizational Culture

Some audit hours are reserved for special investigations as needed.

V. Internal and Ongoing Projects

These are projects that are ongoing and / or internal projects.

Area / Department	Project Name	Preliminary Objective	Related Risk Area
Internal Audit	Annual Activity Report	Report on the activities and progress of Internal Audit to the Superintendent's Office and the Board.	Internal and External Reporting
Internal Audit	Annual Audit Plan and Risk Assessment Report	Perform an assessment of enterprise risk and develop the annual audit plan.	IIA Standard Requirement
Internal Audit	IA Process Improvement: Implement New IIA Standards (effective January 2025)	Perform activities / projects as needed to become "best in class."	IIA Standard Requirement
Internal Audit	Quarterly Activity Reports	Prepare and issue quarterly reports to the Superintendent's Office and the JCBE describing the status and progress toward completion of our annual audit plan.	Internal and External Reporting

VI. On the Horizon

Potential FY 2026 Assurance Projects

These are assurance projects that are expected to be included on future audit plans or to be moved into FY2026 if circumstances warrant eliminating or delaying an approved audit on the FY2026 Audit Plan.

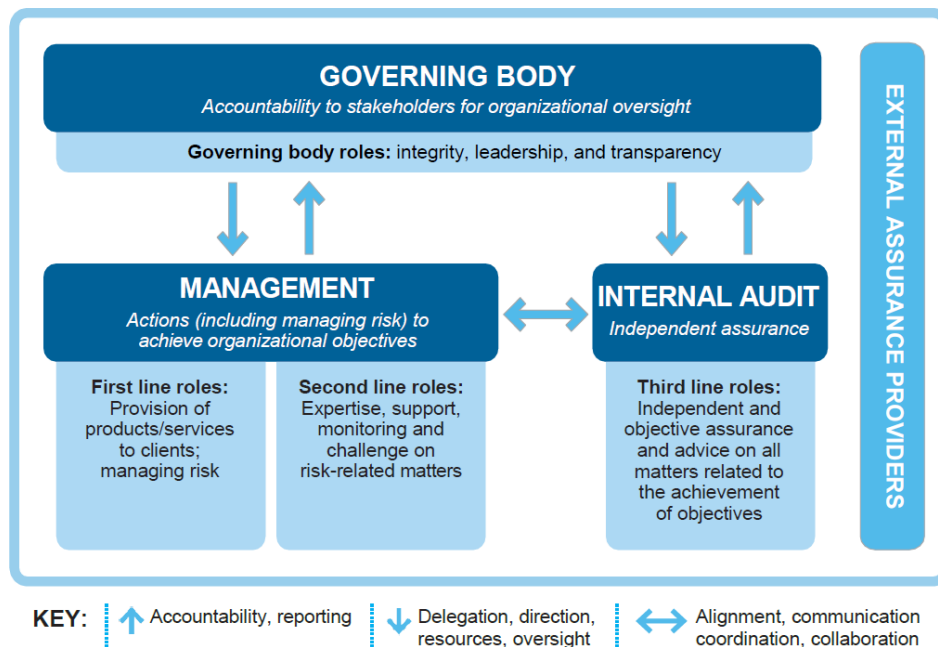
Area / Department	Project Name	Preliminary Objective	Related Risk Area
Administration—Culture and Climate	Student Discipline Compliance Audit	Assess whether student discipline activities follow JCPS procedures, JCBE policies, and related federal / state statutes.	School Violence, Behavior, and Discipline; Operational Performance
Administration—Student Support Services	Student Mental Health Administration Audit	Assess the effectiveness of school-based mental health services offered to students.	Student and Staff Safety, Health, and Wellness; Operational Performance Management
Enterprise	Employee Complaint / Grievance Process Audit	Assess the compliance and operational effectiveness of the employee complaint/grievance process.	Organizational Culture; Talent Acquisition, Retention, and Management
Financial Services—Accounting	Student Activity Funds Oversight Audit	Assess the operational effectiveness of oversight for Student Activity Funds.	Operational Performance; Fiscal Administration
Financial Services—Purchasing and General Counsel	Vendor and Contract Vetting Approval Process	Assess the process for vetting and approving vendors and contracts.	Third Party Relationship Management; Organizational Governance and Structure
Schools—School Choice	School Choice Plan: Implementation and Accountability	Assess whether key promised supports in Choice Zone schools have been implemented as planned and align with program objectives.	Sufficient Equitable Distribution of Student Resources: Equipment, Supplies, Technology; Organizational Governance and Structure

Appendix A

Institute of Internal Auditor's Three Lines of Defense Model

The visual included below depicts the Institute of Internal Auditor's (IIA) Three Lines of Defense Model from the IIA's Three Lines Model Whitepaper.¹ According to the IIA, governance of an organization requires appropriate structures and processes that enable accountability, actions, assurance, and advice.

The IIA's Three Lines Model

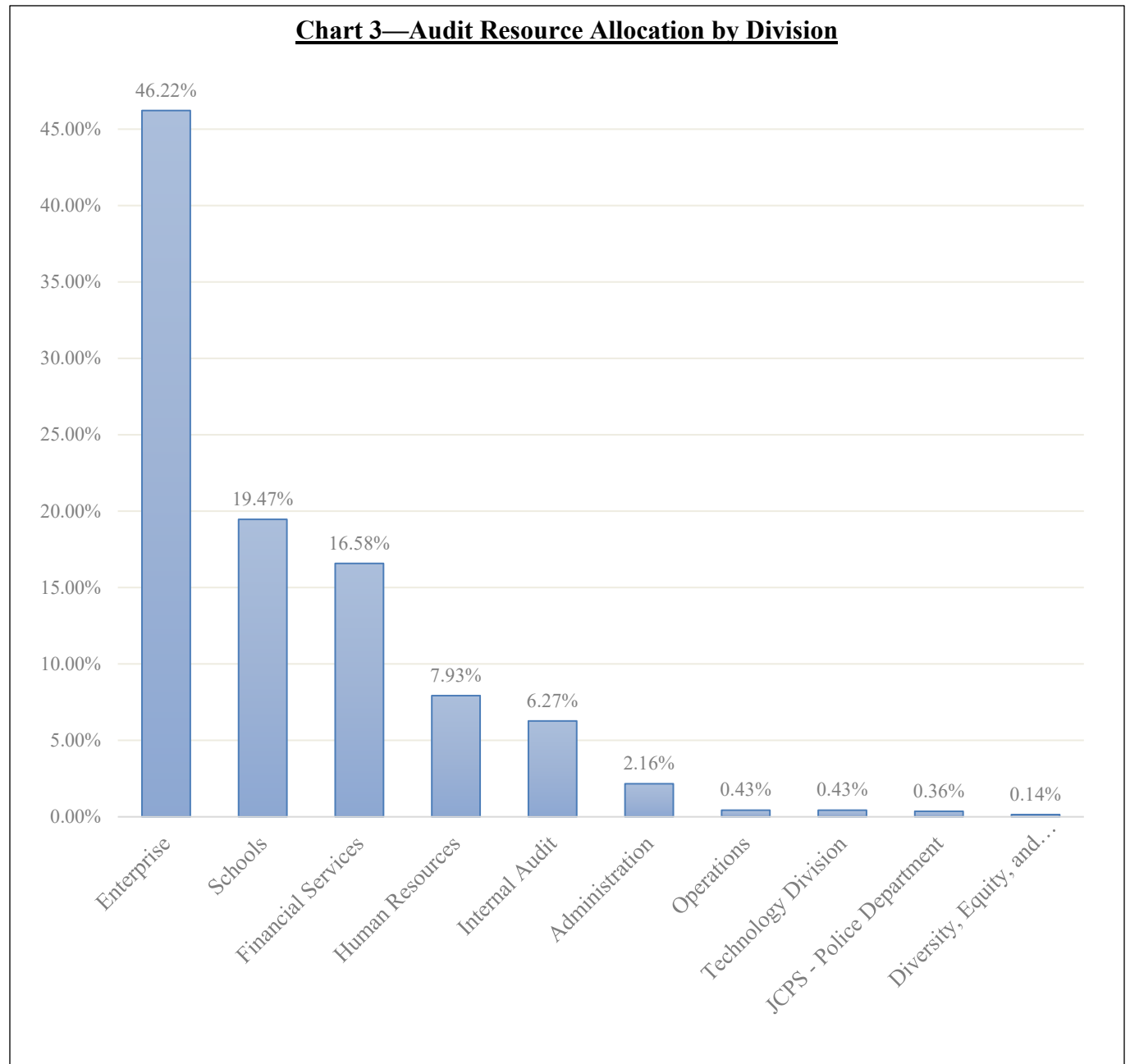


¹ <https://global.theiia.org/about/about-internal-auditing/Public%20Documents/Three-Lines-Model-Updated.pdf>

Appendix B

Resource Allocation by JCPS Division

Chart 3 depicts the resource allocation (audit hours) for the projects listed in this plan. This chart is categorized by JCPS Division (or Enterprise if applicable to the entire district). This is included for informational purposes only. It does not include financial resources allocated for IT audit services.

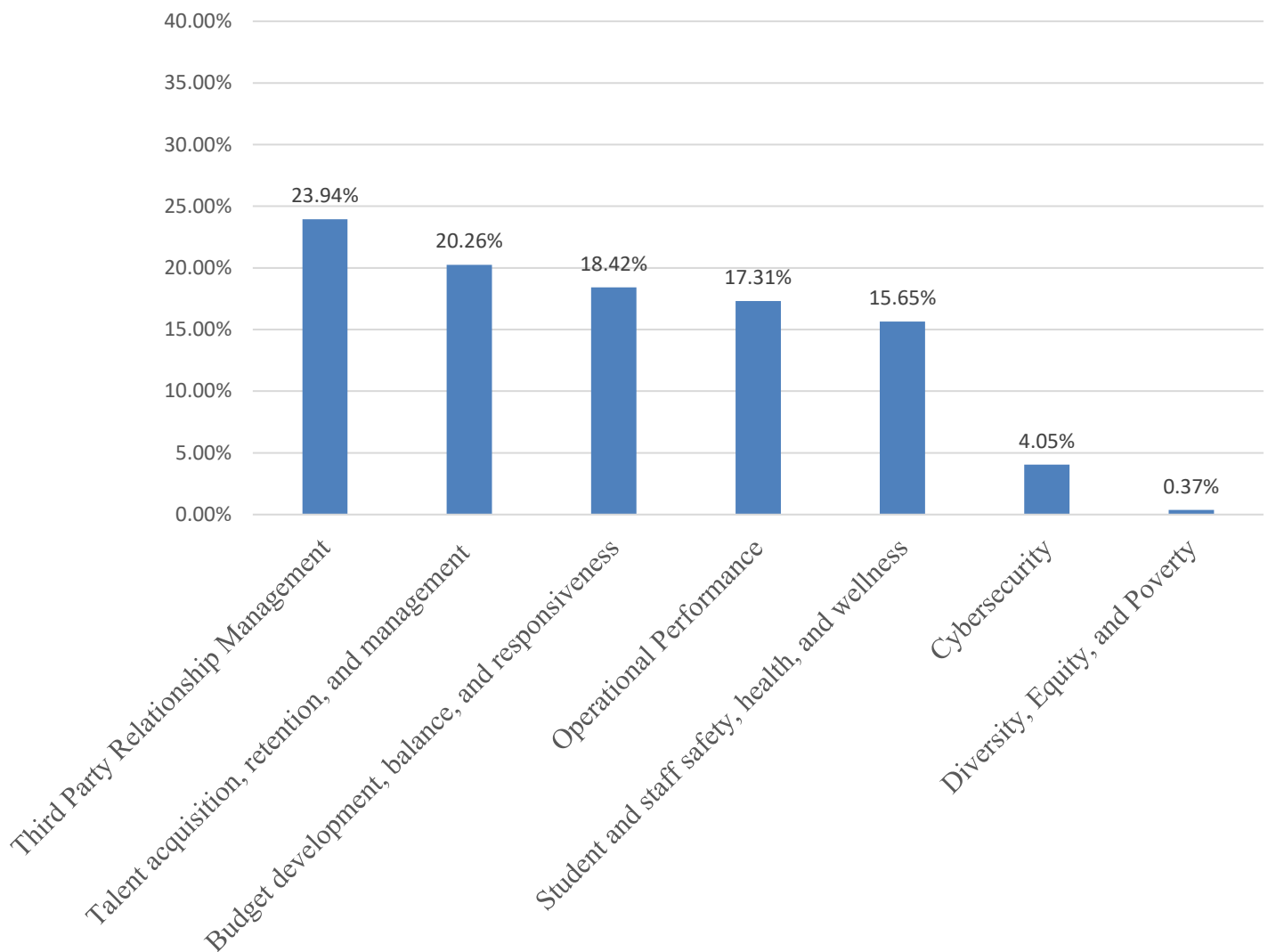


Appendix C

Resource Allocation by Risk Area

Chart 4 depicts the resource allocation (audit hours) for the assurance and consulting projects listed in this plan. This chart is categorized by Risk Area. This is included for informational purposes only.

Chart 4—Assurance and Consulting Allocation by Risk Area



Appendix D

Additional Risk Analysis

The data displayed at **Chart 1** includes the ranking of risk areas based on the results from all participants in the risk assessment, in aggregate. **Table 1** and **Table 2**, included below, display the ranking of risk areas by Chiefs and their leadership teams (**Table 1**), and by those tasked with organizational governance and leadership of the District (**Table 2**). Chiefs and their leadership teams are likely to have a perspective focused on their respective divisions. Those tasked with organizational governance and leadership of the District (i.e., JCBE, Superintendent's Office) are likely to have a more holistic perspective.

Table 1: Chiefs and Leadership Teams Risk Area Ranking	
Risk Area	Rank
Budget development, balance, and responsiveness	1
Regulatory environment and changes	2
Talent acquisition, retention, and management	3
Political environment and changes	4
Data privacy and security	5
Diversity, Equity, and Inclusion	6
Sufficient equitable distribution of student resources	7
Data governance and management	8
Organizational culture	9
Reliable and safe student transportation	10

Includes results of questionnaire from Chiefs, Executive Administrators, etc.

Table 2: Organizational Governance and Leadership Risk Area Ranking	
Risk Area	Rank
Budget development, balance, and responsiveness	1
Talent acquisition, retention, and management	2
Political environment and changes	3
Student and staff safety, health, and wellness	4
Reliable and safe student transportation	5
School violence, behavior, and discipline	6
Operational performance management	7
Economic conditions and volatility	8
Regulatory environment and changes	9
Organizational culture	10

Includes results of questionnaire from JCBE, Superintendent's Office, and Internal Audit

Risk assessment participants were asked to consider a total of 25 risk areas. The risk areas are described below at **Table 3**. All the risk areas are ranked at **Table 4** below.

Table 3

Risk Area	Description
Budget development, balance, and responsiveness	District’s capabilities to develop a balanced budget, align expenditures with available resources, and respond effectively to changes in funding levels. This includes risks related to recurring shortfalls, ineffective budget monitoring, misaligned spending priorities, and lack of fiscal responsiveness or accountability.
Business continuity planning and execution	District’s preparedness and capabilities to anticipate, identify, and effectively react, respond, and recover from a business interruption.
Cyber threats and security	District’s preparedness and capabilities are sufficient to manage cyber threats that could cause disruption and reputational harm.
Data and information reporting to JCBE	District’s capabilities to attain, accumulate, summarize, and deliver to the Board timely, relevant, accurate transparent data and information for decision making.
Data governance and management	District’s overall strategic management of data: its collection, use, storage, security, and disposition.
Data privacy and security	District’s capabilities to protect sensitive data in its care and ensure compliance with all applicable data privacy and security laws and regulations.
Disruptive innovation	District’s preparedness and capabilities to adapt to and / or capitalize on disruption in the industry and / or to its service delivery model.
Diversity, Equity, and Inclusion	District’s capabilities to design, implement, maintain, and monitor DEI strategies and practices across the organization
Economic conditions and volatility	District’s preparedness and capabilities to anticipate, identify, effectively react to, and weather challenges and uncertainties caused by economic conditions and volatility.
Food service operations	District’s capabilities to plan, acquire, store, prepare, and deliver food items to students in compliance with regulatory provisions governing food service operations.
Long-term sustainability issues	District’s capabilities to recognize, evaluate, and establish strategies to address long-term sustainability issues such as societal and environmental impact.
Operational performance management	District’s effective use of business metrics to provide timely, accurate, and reliable performance data that guides operational activities and decision making.

Risk Area	Description
Organizational culture	District's capabilities to understand, monitor, and manage the tone, incentives, and actions that drive desired behavior. Observable patterns of behavior. Communication style (e.g., siloed, collaborative). Management style (e.g., authoritarian, democratic).
Organizational governance and structure	Impact of governance maturity, agility, and organization structure on district's capabilities to effectively deliver educational services, manage support activities, and respond to change.
Political environment and changes	District's capabilities to anticipate, identify, and effectively react to challenges and uncertainties caused by the political environment and political changes such as election results
Regulatory environment and changes	District's capabilities to anticipate, identify, and effectively react to challenges and uncertainties caused by regulatory changes impacting its service delivery.
Reliable and safe student transportation	District's capabilities to provide safe and reliable transportation to all eligible students.
School violence, behavior, and discipline	District's capabilities to attain, accumulate, summarize, and report incident relevant data; identify and monitor trends; and effectively respond and implement effective strategies to reduce, eliminate, or mitigate incidents.
Stakeholder engagement	District's capabilities to design and execute meaningful engagement strategies with key organization stakeholders (parents and community).
Strategic planning, implementation, and monitoring	District's strategic planning maturity and its capabilities to implement, monitor, and adjust its strategic plan as circumstances dictate.
Student and staff safety, health, and wellness	District's capabilities to anticipate, identify, and effectively react to challenges and uncertainties related to student and staff safety, physical and mental health well-being matters
Student enrollment	District's capabilities to attain, accumulate, summarize, and report student enrollment relevant data; identify and monitor trends; and effectively leverage data and information for decision making and future planning.

Risk Area	Description
Sufficient equitable distribution of student resources; equipment, supplies, technology	District's capabilities to identify disparities and effectively respond to reduce or eliminate disparities in the distribution of resources, equipment, supplies, or technology.
Talent acquisition, retention, and management	District's capabilities to anticipate need, identify trends, acquire, reskill/upskill, retain, and manage talent sufficient to meet the organizations' objectives. Employee relations.
Third-party relationship management (service providers, vendors, and suppliers)	District's capabilities to attain, procure, and monitor third-party relationships, including supply chain disruption and management.

Table 4: Complete Listing of Risk Areas Ranked (by All Participants)	
Risk Area	Rank
Budget development, balance, and responsiveness	1
Talent acquisition, retention, and management	2
Political environment and changes	3
Regulatory environment and changes	4
Reliable and safe student transportation	5
Student and staff safety, health, and wellness	6
Data privacy and security	7
Diversity, Equity, and Inclusion	8
Sufficient equitable distribution of student resources	9
Organizational culture	10
Data governance and management	11
Data and information reporting to JCBE	12
School violence, behavior, and discipline	13
Third-party relationship management	14
Economic conditions and volatility	15
Long-term sustainability issues	16
Operational performance management	17
Organizational governance and structure	18
Stakeholder engagement	19
Strategic planning, implementation, and monitoring	20
Business continuity planning and execution	21
Cyber threats and security	22
Disruptive innovation	23
Student enrollment	24
Food service operations	25

Appendix E

Communication of Significant Risk – District Financial Crisis (Budget Shortfall)

Purpose

In accordance with Institute of Internal Auditors (IIA) Standards, Internal Audit is required to communicate significant risk exposures to the Board and senior leadership¹. This exhibit fulfills that requirement with respect to the District's financial condition.

Risk Summary

The District is facing a financial crisis driven by a sustained gap between revenues and expenses, rising personnel costs, and declining reserves. Without timely and sufficient mitigation, this risk could:

- Compromise the District's ability to sustain payroll and essential operations.
- Result in noncompliance with statutory requirements for minimum reserves and balanced budgets.
- Disrupt educational services for students and staff.
- Cause long-term reputational damage and loss of stakeholder trust.

In practical terms, the crisis has the potential to directly impact classrooms, limit resources available to schools, and undermine confidence in the District's ability to meet its obligations.

Mitigation Responsibility

- The Administration (Superintendent) is responsible for developing and implementing a mitigation strategy that is time-bound, includes measurable milestones, and is aligned with statutory budget cycles.
- The Jefferson County Board of Education is responsible for exercising oversight, ensuring the plan is sufficient, and holding leadership accountable for results.
- Internal Audit is responsible for monitoring and reporting on the adequacy of controls and the implementation of mitigation measures.
- The Audit and Risk Management Advisory Committee (ARMAC) serves as an advisory body, reinforcing transparency and accountability in the oversight process.

Current Status

A formal mitigation plan has not yet been adopted. The Superintendent will be expected to present such a plan for Board review and oversight. Internal Audit will continue to monitor progress and provide independent assurance on the adequacy of mitigation efforts.

Conclusion

The financial crisis represents a significant risk to the District's ability to achieve its mission. While management has begun taking steps toward mitigation, outcomes remain uncertain. By communicating this risk, Internal Audit ensures that both leadership and the Board are fully informed and positioned to exercise the oversight required to safeguard the District's long-term financial health.

ⁱ <https://www.ajiaweb.it/sites/default/files/imce/pdf/ig-2060-reporting-to-senior-management-and-the-board.pdf>;
Standard 2010.A1: Internal audit's plan must be based on a documented annual risk assessment.; Standard 2020:
The Chief Audit Executive must communicate the internal audit plan and significant interim changes to senior
management and the board. Standard 2060: The Chief Audit Executive must report periodically to senior
management and the board on significant risk exposures, control issues, fraud risks, governance issues, and other
matters required or requested.