

Audit and Risk Management Advisory Committee

Jefferson County Public Schools

August 13, 2025

(Meeting began approximately 1:53 p.m.)

ARMAC Members Present

Chair James Rose; Vice Chair Rhonda Mitchell; Dr. Eric Russ; Jenna Cowley; Wilbert Whitfield.

JCPS Staff Present

Dr. Brian Yearwood (Superintendent); Dr. Katy DeFerrari (Chief of Staff); Eddie Muns (Chief Financial Officer); Jason Detre (Executive Administrator of Budget); May Porter (Director, Internal Audit).

Board Members Present

Taylor Everett; Linda Duncan.

Call to Order & Approval of Minutes

Chair Rose called the meeting to order. A motion to approve the April 16, 2025 meeting minutes was made by Dr. Eric Russ, seconded by Ms. Cowley, and approved unanimously by voice vote.

Financial Services Update – Eddie Muns, Chief Financial Officer

Mr. Muns provided an update on financial services, beginning with the external audit firm selection. LBMC (formerly Strothman) was selected through a competitive process. The contract structure allows for a one-year engagement with four one-year renewals (five-year total if renewed). JCPS requires auditor rotation every five years to maintain independence. The incumbent firm declined to propose due to rotation requirements and competing engagements.

Chair Rose asked for clarification on the selection rationale, noting prior issues the district had experienced with the firm. Mr. Muns explained that the firm submitted the highest-rated proposal and that JCPS policy requires only partner rotation, not firm rotation. He further stated that the incumbent firm chose not to rebid due to staffing and scheduling constraints. Chair Rose acknowledged the explanation and advised continued monitoring of audit performance.

Mr. Muns explained ongoing messaging regarding the FY26 budget shortfall. Approximately \$50 million in cuts are required to maintain solvency, while closer to \$100 million would be needed to fully restore structural balance and prevent continued deferrals. Superintendent Yearwood has been emphasizing the larger target to promote long-term stability.

Mr. Muns noted JCPS aims to protect the instructional environment and salaries, maintain mental-health practitioners and nursing services, and avoid across-the-board reductions that could impact classrooms. Deferred needs such as Chromebook replacements and bus purchases must be restored in the base budget through steady annual set-asides.

He stated that Finance anticipates holding one-on-one meetings with board members when a new reduction package is developed, similar to prior budget engagement efforts.

Introduction of Superintendent Dr. Brian Yearwood & Board-Requested Assessment Discussion

Dr. Yearwood thanked the committee and provided an overview of his priorities. He identified four major instructional and operational goals under development with his Cabinet:

1. Improving literacy and numeracy across all schools.
2. Reducing chronic absenteeism.
3. Reducing student discipline incidents.

4. Strengthening collaboration and information-sharing between Cabinet and advisory bodies like ARMAC to leverage outside expertise and diverse perspectives in decision-making.

He invited ARMAC to serve as a critical thought partner, offering an external, systems-level lens on both financial and academic priorities.

He emphasized that the board-requested assessment should be data-driven, utilizing internal expertise to take a deep dive into fiscal administration and identify root causes of the budget shortfall. He confirmed the project is a high priority for his administration.

Chair Rose asked how the assessment's success should be defined and whether it would provide new insight beyond prior analyses. Dr. Yearwood responded that success would be determined by actionable, data-supported findings that can inform decisions and improve transparency.

Ms. Porter asked if the working scope and objectives should be brought to ARMAC for review before finalization. Chair Rose agreed and stated that ARMAC's feedback would be valuable to ensure the engagement remains appropriately scoped. Vice Chair Mitchell emphasized ARMAC's role in aligning the work with the FY27 budget timeline and ensuring it focuses on systemic causes.

Mr. Muns requested to participate in scoping discussions to ensure the assessment aligns with budget development cycles. He noted that Phase 1 of budget development begins in November, with key milestones in January.

Chair Rose suggested that institutional knowledge could also provide insight into how the shortfall developed. Dr. Yearwood agreed institutional input is valuable but stressed that data verification and independent validation are essential.

Internal Audit – Annual Risk Assessment & FY26 Audit Plan

Ms. Porter presented an overview of Internal Audit's role and adherence to the Institute of Internal Auditors (IIA) Standards. She explained that Internal Audit reports functionally to the Board of Education and administratively to the Superintendent. She described the types of engagements performed—assurance audits, compliance reviews, consulting projects, investigations, and outsourced IT audits.

As of August 2025, 82% of the FY25 audit plan was completed or in progress. Three completed audits generated 26 recommendations, with 92% accepted by management. Common themes included governance, compliance, operational efficiency, and vendor performance monitoring.

Ms. Porter noted that Internal Audit will issue a follow-up report in September to verify implementation of accepted recommendations. Unaccepted recommendations are escalated from management to the Chief, then to the Superintendent, and ultimately to ARMAC or the Board if unresolved.

She summarized results of the annual risk assessment, which received several responses across divisions, including the Superintendent's office and Board members. The highest-rated risks were budget development and financial sustainability, followed by talent acquisition and retention. Ms. Porter identified the budget shortfall as meeting the IIA definition of a significant risk due to its potential impact on district operations.

Action Items

1. Internal Audit will circulate the draft scope and objectives for the board-requested assessment to ARMAC for review and input.

2. Internal Audit will provide the FY25 follow-up report in September verifying implementation of recommendations.

Adjournment

A motion to adjourn was made by Mr. Whitfield, seconded by Dr. Russ, and approved unanimously. The meeting concluded at approximately 3:53 p.m.

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