

Audit and Risk Management Advisory Committee (ARMAC) Meeting

Jefferson County Public Schools

February 25, 2026

Location: Stewart Auditorium

ARMAC Members Present

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

JCPS Staff Present

Dr. Brian Yearwood (Superintendent), Eddie Muns, (Chief Financial Officer), May Porter (Director of Internal Audit), Sam Zaritsky, Chalynn Comage, John LeMaster, Sonya Miller, and Gina Thompson (Internal Audit)

External Consultants

Plante Moran: Matthew Bohdan (Partner), Caroline Main (Senior Manager), Brianna Solorio (Manager)

Board Members Present

Vice Chair James Craig, Member Taylor Everett

Call to Order and Approval of Minutes

Chair James Rose called the meeting to order at 1:53 p.m. and confirmed a quorum. A motion to approve the minutes of the January 14, 2026 meeting was made by James Rose and seconded by Wilbert Whitfield. The motion carried by unanimous voice vote.

Internal Audit Update – May Porter, Director of Internal Audit

Ms. Porter provided a quarterly update on Internal Audit activities and the status of the FY 2026 Internal Audit Work Plan. She reported that approximately 33% of the audit plan was currently in progress and approximately 17% had been postponed due to organizational changes and the need to support several external assessments underway.

Current engagements include a Vendor Performance Audit, an Amazon Payback Invoice consulting engagement, a School-Based Cell Phone Policy Implementation Review, and a Police Department Operational Coverage and Duty Assignment Review. Ms. Porter also noted that the Annual Audit Follow-Up process would begin soon to evaluate the implementation status of prior audit recommendations. She also provided an update on investigations and ethics hotline activity. For the second quarter reporting period, the district received 162 hotline reports, approximately 38% of which related to bullying or harassment concerns. Ms. Porter explained that Internal Audit reviews hotline trends to identify systemic concerns and ensure appropriate follow-up.

Ms. Porter also discussed oversight of Student Activity Funds. Internal Audit performs monthly verification procedures for all schools to review bank reconciliations, supporting documentation, and required internal control documentation. In addition to monthly verification procedures, Internal Audit also performs transaction testing and periodic on-site reviews to assess compliance with financial procedures.

Finance Update – Eddie Muns, Chief Financial Officer

Mr. Muns provided an update on current finance activities, including budget monitoring and financial forecasting. He explained that the Finance Department uses a forecasting process that analyzes expenditures through multiple reports and spending perspectives. The process requires generating approximately six different reports, each of which examines spending trends based on historical patterns and current spending levels.

Mr. Muns explained that Finance compares current spending patterns to historical trends in order to estimate likely year-end outcomes. If spending levels appear low during the current period but historically increase later in the year, those historical patterns are incorporated into forecasting assumptions.

Committee members discussed the importance of receiving financial information in advance of meetings so that ARMAC members have adequate time to review materials and prepare questions. Chair Rose noted that more frequent updates would help the committee better understand how the current fiscal year is progressing and allow for more meaningful discussion ahead of major budget decisions.

Mr. Muns explained that the tentative budget must be submitted to the Board of Education by May 10. He indicated that Finance would attempt to provide information to RMAC members in advance of meetings whenever possible, ideally by the Friday preceding a meeting, although the complexity of current budget reduction efforts can sometimes affect the timing of materials.

Mr. Muns also discussed the district's current fiscal outlook and explained that Finance continues to expect a net loss for the current fiscal year, which will affect the district's cash position during the early months of the next fiscal year. He noted that the district may need to convert investments to cash or take other routine treasury management actions during the fall months to manage liquidity prior to receiving property tax revenues. He also explained that the district has the option to use a line of credit as a temporary cash-flow management tool if necessary.

Fiscal Administration and Budget Shortfall Assessment – Plante Moran Presentation

Ms. Porter introduced the Plante Moran team and explained that the firm had been engaged to conduct an independent assessment of the district's fiscal administration practices and the factors contributing to the district's budget shortfall. The Plante Moran team presenting included Matthew Bohdan (Partner), Caroline Main (Senior Manager), and Brianna Solorio (Manager).

Mr. Bohdan began by clarifying the nature of the engagement. He explained that the work was not a financial statement audit and therefore did not produce a pass-fail opinion. Rather, the engagement was designed as an independent and objective assessment of fiscal administration practices, intended to help the district understand systemic and situational factors contributing to the budget shortfall and to identify opportunities to strengthen financial governance, transparency, and long-term financial sustainability.

The Plante Moran team reviewed the scope of their work, which examined fiscal administration activities across fiscal years 2022 through 2025. The assessment evaluated several areas including budget development, monitoring of expenditures and commitments, governance processes related to financial decision-making, procurement practices, and financial reporting and transparency.

The consultants reported that their review identified eight high-priority findings, five moderate-priority findings, and two opportunities for improvement. The findings were evaluated using a risk-based framework to prioritize the most significant governance and financial management issues.

During the presentation, Plante Moran discussed observations related to budget development and financial governance practices. One observation was that formal written guidance regarding budget management responsibilities for cabinet members, chiefs, and department leaders was limited. As a result, departments often developed their own approaches to monitoring budgets and expenditures. The consultants noted that many districts implement clear written expectations and periodic monitoring practices, such as regularly reviewing spending against budget, to promote consistency and accountability across departments.

The consultants also discussed how budget development processes were historically built upon prior-year budgets with incremental adjustments, rather than consistently reassessing spending priorities relative to strategic goals and long-term financial planning. They noted that in some cases programs initially characterized as one-time expenditures later continued for multiple fiscal years without a formal multi-year

financial evaluation. As a best practice, Plante Moran recommended establishing stronger linkages between budget development, strategic priorities, and long-term financial planning processes.

A portion of the discussion focused specifically on how financial information has been presented to the Board of Education over time. Board Member James Craig indicated that the report referenced changes in how financial information had historically been presented to the Board and expressed interest in revisiting that issue during the discussion to better understand how those reporting practices had evolved and how the decision to change the reporting format had been made.

Plante Moran noted that, from a best-practice perspective, governing bodies typically receive budget-to-actual financial reports along with underlying supporting data that allow members to independently evaluate financial performance and formulate questions prior to board discussions. While narrative summaries were often provided, the consultants indicated that best practice generally includes providing both the narrative summary and the underlying financial reports so that board members and oversight bodies can review the complete financial picture.

In response to questions regarding changes in reporting practices, Chief Financial Officer Eddie Muns explained that the district had transitioned away from presenting large tables of raw financial data toward a more summarized presentation format designed to improve readability and understanding. Historically, financial information had been presented as large columns of numbers with limited contextual explanation. In an effort to make financial information more understandable to non-finance audiences, Finance began presenting information using a format more similar to traditional financial statements, incorporating narrative analysis, charts, graphs, and trend visualizations to help illustrate financial performance. Mr. Muns explained that the intent of the change was to improve communication and provide clearer explanations of financial trends rather than simply presenting large volumes of numerical data.

The discussion also addressed the fact that different financial reports used by the district categorize expenditures differently, which can make it difficult to compare financial information across reports. For example, the district's working budget may present expenditures using instructional-level categories that are useful for explaining operational decisions, while the Annual Comprehensive Financial Report (ACFR) must categorize expenditures according to federally required reporting functions such as instruction, student support services, and administrative costs. In addition, the district's forecasting model evaluates financial projections based on expected changes in revenues and expenditures. Because these reports serve different purposes and use different classification structures, reconciling them can sometimes be challenging without additional explanation.

Committee members and consultants discussed the importance of improving documentation and transparency in the financial reporting process so that both board members and oversight bodies can clearly understand the district's financial position and the assumptions underlying financial projections.

During the later portion of the discussion, Chair Rose emphasized that board members ultimately approve the district's budget and therefore need clear information to explain financial decisions in public meetings. He noted that when financial documents show projected deficits, board members may be asked to explain those figures publicly, making clear communication and consistent reporting especially important.

The Plante Moran team reiterated that strengthening financial reporting practices, including clearer documentation of assumptions, improved linkage between strategic planning and budgeting, and more consistent reporting formats, would help improve transparency, support stronger financial governance, and enable more informed decision-making by district leadership and the Board of Education.

District Change Management & Reorganization Readiness – James Rose, ARMAC Chair and Dr. Brian Yearwood, Superintendent

Chair James Rose engaged Superintendent Dr. Brian Yearwood in a discussion regarding the district's approach to managing the significant organizational and financial changes currently underway. Chair Rose noted that the district is implementing a number of major initiatives, including budget reductions, organizational restructuring, and operational changes, and he asked how those changes were being coordinated across the organization.

During the discussion, Chair Rose referenced the concept of a project management role or function to help coordinate large-scale organizational changes. He noted that when multiple initiatives are occurring simultaneously across different divisions, organizations sometimes designate a project manager or similar coordinating role to help ensure that implementation activities remain aligned, timelines are monitored, and communication occurs consistently across departments.

Dr. Yearwood noted that the district's project manager role was eliminated as a result of budget reductions and is scheduled to end on June 30, 2026. He acknowledged the importance of coordination during periods of significant change and explained that the district is approaching implementation through the existing leadership structure, particularly through cabinet-level coordination and divisional leadership. He indicated that cabinet members and division leaders are responsible for working within their respective areas to implement changes and ensure that operational adjustments are carried out consistently across the district.

Dr. Yearwood further explained that leadership teams are working to communicate the rationale for changes, clarify expectations for departments and schools, and monitor how changes are affecting operations. He emphasized that while the adjustments currently underway involve difficult decisions, the administration's goal is to establish a more sustainable organizational structure and align district resources more closely with student needs and operational priorities.

The discussion highlighted the importance of maintaining clear communication and coordination during the implementation of major organizational changes. Committee members emphasized that thoughtful change management practices, including clear leadership accountability, coordination across divisions, and ongoing monitoring of implementation can help support stability as the district works through its financial and organizational transition.

Adjournment

Chair Rose thanked participants for their collaboration. The meeting adjourned at 4:05 p.m.