Audit and Risk Management Advisory Committee
Jefferson County Public Schools
VanHoose Education Center
October 30, 2019 Minutes

ARMAC Members Present: Chairperson James Rose, Dr. Sarah Moyer, Pedro Bryant, Dr. Vicki Phillips (via teleconference) and Dr. Lois Adams-Rodgers (via teleconference)

Public Present: Bill Carroll, Meaghan Reynolds, Bill Meyer

JCPS Staff Present: Cordelia Hardin, Eddie Muns, Dr. Kermit Belcher, Raghu Seshadri, Amy Dennes, Hannah Lehman, Susan Porter, Linda Miller, Jodell Renn, Chalynn Comage, John LeMaster, and Shari Mattingly

Board Members Present: none

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

Approval of Minutes

Mr. Rose requested a motion to accept the minutes of the August 21, 2019 meeting, which was made by Pedro Bryant and seconded by Dr. Sarah Moyer. The minutes were approved by a unanimous voice vote.

Introductory Comments

Mr. Rose gave an overview of the meeting agenda with those present.

Comprehensive Annual Financial Report presentation – Cordelia Hardin, CFO, Eddie Muns, Executive Administrator Accounting Services, Bill Carroll, Strothman & Company, Bill Meyer, Strothman & Company

Mr. Eddie Muns, presented on a draft of the Comprehensive Annual Financial Report. He provided an overview of the three sections - Introductory, Financial and Statistical - of the document. Mr. Muns explained that JCPS is the only school district in the state that issues a comprehensive annual financial report, which is the highest standard in the area of transparency. New this year is the inclusion of the JCPS Foundation as a component unit. Previously, this had been considered a significant deficiency by the external auditors. Mr. Muns shared that the negative net position is a result of the inclusion of the liabilities resulting from the actuarial calculations related to the net pension and post-employment employee benefits costs as required by Governmental Accounting Standards Board.

Mr. Bill Carroll, Engagement Partner, Strothman & Company introduced other members of the audit team, Mr. Bill Meyer, Concurring Partner, and Ms. Reynolds, Senior Manager. He described the overall audit process that was followed, along with a high level summary of the financial statements. It was highlighted that 60% of total district liabilities are directly related to pension costs.

Mr. Meyer walked through all of the elements of the CAFR describing the sections for which their opinion was expressed (District-Wide Financial Statements, Governmental Fund Financial Statements, Proprietary Fund Financial Statements, Fiduciary Funds, Notes to the Financial Statements) and the sections that they read to ensure the unaudited sections at a minimum conformed with their understanding of the district (Introduction, Management's Discussion and Analysis, Required Supplementary Information, Other Supplementary Information and Statistical).

Mr. Carroll shared that the financial statements are prepared in accordance with Governmental Accounting Standards Board and their audit is performed in accordance with three different governing bodies (American Institute of Certified Public Accountants, Government Auditing Standards and Kentucky State Committee for School District Audits). They issued an unmodified opinion which is the highest rating possible. The CAFR and Management Comments will be presented to the full Board November 12th, with all reports due to the Kentucky Department of Education by November 15th. In addition to the CAFR, Strothman will be issuing six other reports, the Single Audit of Expenditures of federal funds, School Activity fund reports (High, Middle, and Elementary school), Communication with those Charged with Governance report and Management Comments.

The report of Management Comments summarizes recommendations that came to the attention of the external auditor throughout the engagement and are considered to be opportunities for strengthening internal controls and operating efficiency. There were no significant deficiencies identified.

Mr. Rose asked for questions from the committee members. A discussion was held about the impact of the pension liabilities and JCPS responded that it is continuing to look for revenues and adjust expenses to meet its objectives and financial responsibilities. Strothman also explained their peer review process and the latest peer review that they had received. Based on the presentations and answers to the Committee member's questions, all the Committee members present agreed to recommend that the Board of Education accept the CAFR and external auditor's report.

Information Technology Update of Risk Management Activities – Dr. Kermit Belcher, Chief Information Officer, Raghu Seshadri, Executive Administrator, Information Technology

Dr. Kermit Belcher and Raghu Seshadri provided a presentation on how IT monitors, manages and mitigates risk. A recent restructure of the department resulted in synergies around Information, Integration and Innovation which is referred to as IT3. Dr. Belcher shared several activities that his team is working on after the completion of the IT risk assessment last spring. Such as, identifying which framework is most appropriate for JCPS; creation of two IT risk management committees and recent investments made to upgrade the network infrastructure.

Dr. Belcher has created a core team within IT that is working on addressing areas identified in the risk assessment. IT3 Risk Management Committee was created with technology and instructional members, this committee currently meets bimonthly to provide recommendations to Executive Management on policies and procedures designed to manage and mitigate IT risks. The role of the JCPS Risk Management Executive Committee is to vet the policies impact before sending the policies through the process to be approved by the Board. Balancing security with educational instruction makes developing policies difficult.

IT is implementing mandatory security awareness training for all employees next year; adding a position dedicated to Cybersecurity and Compliance that reports to the CIO and implementing the technical control enhancements that are possible with the recent upgrades (Microsoft A5 upgrade, Google domain audit, CIS controls).

Mr. Rose asked for questions from the committee members. The committee discussed the District's Technology Plan and whether one to one devices were part of the plan and if prescribing specific devices was one solution. Dr. Belcher spoke about the importance of digital agility, however, recognizing how that agility has a cost due to increased complexities of knowing how to effectively manage multiple IT platforms (IOS, Microsoft and Google). In addition, from a financial standpoint, JCPS doesn't want to limit donors who may have different affinities to devices they want to give to students. Dr. Belcher has applied for grants to help with the initiatives. If approved, he would like to ensure schools are committed to using the devices by offering a matching program, for example when a school purchases a device through their budget, IT will give them a device to help their money go further. He also shared that schools have managed costs in different ways over the years, for example evolving from computer labs to computer carts that are mobile. He concurred that the idea of one to one devices is optimal, however, there must be an age appropriate and academic application. With testing moving to computer based, the District has to identify solutions to address this change and ensure it fits the needs of the school and students.

The Committee members noted the ongoing need to specify what optimal technology adoption and usage looks like in the classroom. Without that baseline, understanding gaps across all schools and classrooms is difficult. The Committee further endorsed the idea of a dedicated cybersecurity and compliance position.

New Business

Mr. Rose asked for feedback form the committee members on areas they want to address at future meetings.

Dr. Adams-Rodgers is still interested in more information in the area of technology and how JCPS interacts with KDE and other districts. She would like to see coherence among all kids at all schools and grade levels having access to technology. Ms. Amy Dennes, Chief of Staff clarified that JCPS and KDE are close allies, and that there is technology in every school, just at different levels. Dr. Sarah Moyer, raised the concern regarding age appropriate use of technology and how some parents don't want their children to have so much "face time" on a device. We need to make sure technology is used for expanded instruction. Ms. Dennes shared that JCPS has noted that the age of the instructional staff also plays a part of how technology is incorporated into curriculum; for example, younger staff that grew up using technology seem to be better versed in its use.

Dr. Moyer would like the committee to have a discussion of health roles in the district such as mental health, physical health, and bullying. These are very complex issues and are not currently aligned under one area of responsibility; there is no standardization.

Dr. Moyer also mentioned that she would like to have a discussion regarding the organization chart because it seems to be very horizontal. Ms. Dennes shared that the current structure came out of discussions with the Council of Greater City Schools based on the size and complexity of JCPS.

Communication is another area of interest, to make sure the district is easy to navigate by parents. Ms. Dennes noted the various sources of information and that a communication matrix is available.

Mr. Rose asked about a metrics deck that could be provided regularly to the committee. Ms. Dennes shared that the metrics used in the Vision 2020 report to the Board is the best source since it is consistently used at all levels within the organization. Mr. Rose requested additional metrics in the area of faculty assaults to address concerns raised by Board Member Duncan. Ms. Dennes indicated that Dr. Dossett was working on the distilling the data in an understandable manner and will work with Jodi Renn, Director Internal Audit to get the information together for a future meeting.

The next meeting will be held Wednesday, November 20, 2019 in the Superintendent's Conference room.

Adjournment

Dr. Sarah Moyer made a motion to adjourn the meeting; Dr. Lois Adams-Rodgers seconded the motion. The meeting adjourned at 4:25 pm.