

Audit and Risk Management Advisory Committee
Jefferson County Public Schools
July 29, 2020
Zoom Video Conference
Minutes

ARMAC Members Present: Chairperson James Rose, Vice-Chairperson Rhonda Mitchell, Dr. Sarah Moyer, Pedro Bryant, Dr. Keith Davis, and Dr. Lois Adams-Rodgers

Public Present: James Tencza, Simon Keemer

JCPS Staff Present: Dr. Marty Pollio, Amy Dennes, Cordelia Hardin, Eddie Muns, Jodell Renn, Chalynn Comage, John LeMaster, Sonya Miller 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 and shared that the meeting was being live streamed on YouTube (<https://www.youtube.com/watch?v=-y-j-wOxYpc>). A quorum was present.

Approval of Minutes

Mr. Rose requested a motion to accept the minutes of the May 20, 2020 meeting, which was made by Dr. Keith Davis and seconded by Ms. Rhonda Mitchell. The minutes were approved by a unanimous voice vote.

Introductory Comments

Mr. Rose gave a brief overview of today's meeting agenda.

External Audit Planning Discussion – James Tencza and Simon Keemer, Dean Dorton

Mr. Tencza introduced the Dean Dorton team and reviewed their responsibilities in providing the external audit activities for the District. Dean Dorton utilizes a two director approach, one in charge of the audit and a concurring director. This provides a second set of eyes and allows the concurring director to step in as director should the need arise. The scope of the review will be performing audit activities for the Comprehensive Annual Financial Report (CAFR), School activity funds (Redbook), and the single audit (Federal grants) as well as ensuring the data collection form is submitted to the federal clearinghouse and activity findings submitted to Kentucky Department of Education.

Mr. Tencza walked the committee through the timing of activities, noting that some work has already started. In addition, an overview of the key audit areas and procedures was discussed.

Mr. Simon Keemer will be leading CAFR and single audits. He walked the committee through the timing of activities, noting that some work has already started. He provided an overview of the key audit areas noting that the standards identify the following areas as significant risk: revenue and management override of controls; on the liability side, pension and other post-employment benefits (OPEB). Dean Dorton will further ensure that data used within the District matches state data.

Due to the impact of COVID-19, Dean Dorton plans to conduct as much work as possible remotely. In the area of IT, they will examine the virtual environment to determine whether the District implemented appropriate controls. With Dean Dorton working remotely as much as possible, Mr. Tencza shared that they use a secure portal to minimize exposure in the transmission of confidential/sensitive data. Dean Dorton is committed to ensuring the audit is completed efficiently and safely.

One major difference this year is that school activity fund audits will be based on a risk assessment resulting in the detail testing of transactions at 30 – 40 school as opposed to detail testing at all schools. However, all of the schools will be subjected to some type of audit procedure and the report will cover all schools. And finally, Mr. Keemer reviewed effective dates for new accounting standards that would have been effective in the current year have been postponed and extended by one year, for example GASB 84 Fiduciary Activities, GASB 87 Leases, and GASB 91 on Conduit Debt in particular.

Mr. Rose requested that when leveraging Internal Audit, that the focus is on what Internal Audit is already doing and not pushing work to them. In addition, he requested that in the course of their review that any observations noted that could help drive improvement across the District especially in the area of school activity funds be considered and shared with the District. Mr. Rose acknowledged the work already being spearheaded by Eddie Muns, Executive Administrator Accounting Services, to support schools in moving to a cashless systems, but looking for other ways to increase automation. In addition, as the District begins the construction of new school buildings within the District any thoughts on how to best manage that process, while not a totally new process given the substantial rehabilitation work that is currently performed, any suggestions would be very helpful. Mr. Keemer shared his expertise as the leader of the construction industry team and has extensive experience in the construction arena.

Dean Dorton is scheduled to meet with ARMAC on November 4, 2020 to provide the results of the audit and will present to the Board on November 10 which is prior to the Kentucky Department of Education deadline.

Return to School Plan and Pandemic Response Plan – Amy Dennes, Chief of Staff

Ms. Dennes walked the committee through a presentation that summarizes the Districts activities around returning to school and the pandemic response plan. She shared that the District brought a lot of people together to look at different scenarios for the 2020-21 school year. In response to all of the information, three committees were formed to look at each option which included: 1) starting school in the classroom, 2) offering a virtual option in tandem with in person classes for families that may be concerned with in person classes, and 3) Full non-traditional Instruction. Using the guiding principles of health and safety, high quality instruction, flexibility, equity, accurate and timely communication and community trust, hundreds of people from across the District representing teachers, principals, and many departments were charged with creating the systems for what each scenario would need to succeed.

Ms. Dennes shared that community input and feedback was also gathered, through a virtual town hall, Evolve 502, 15th District PTA, Union Leadership, Parent Advisory Council, employee survey, Racial Equity Advisory Council and other community partner representatives from Metro Parks, Urban League, and Metro Louisville etc. including many conversations with Dr. Sarah Moyer, Chief Health Strategist, Louisville Metro Government and her staff. Some assumptions used as part of the process include that there will be active COVID-19 cases at the time of school opening and throughout the school year, a vaccine will not be ready this year, the virus will come in waves

throughout the year and cost to provide services will be atypical and may be higher than prior years.

In response to the current trend in COVID-19 cases along with community input and feedback, the District recommended and the JCBOE approved to start the year with NTI. In response to this decision several steps were needed, including obtaining JCBOE approval for a new 2020-21 Calendar that pushed back the start date and increased the number of professional development days for staff. Using the lessons learned to design NTI 2.0, the goal was to build on the successful components while creating a more equitable, robust plan to be consistently implemented across schools Pre-K through grade twelve. In addition, it is important to make devices available for all students, which is different than last spring when families, no matter the number of children in a family, were only loaned one device per family. Which created challenges for families with multiple children trying to share one device. The new model will be for each child in the family to be assigned a device and this is seen as much more equitable. More laptops have been ordered to make this possible.

To address the issues for families that don't have access to Wi-Fi, the District has purchased more hotspots that will be provided, as well as in collaboration with community partners who are willing to open up their facilities, with appropriate social distancing considerations to help families. The District will provide technical support to families and community partners. In addition, Spectrum, AT&T and T-Mobile all have programs to help and will align with families to provide the best service for their needs.

The committee asked questions and staff provided responses on different aspects of the implementation and its impact on student and staff engagement, grading, personal protection equipment and other ancillary issues.

Mr. Rose commended the District on the efforts to pull this effort off and make it engaging for students and families.

Booster, etc. Partnership Strategy – Amy Dennes, Eddie Muns

Mr. Rose set up the discussion with the goal of learning how the District leverages ancillary organizations, i.e. Boosters, PTA, JCPS Foundation etc. to maximize fundraising. Ms. Dennes explained that it is important for these organizations to be self-sustaining and because they are localized at the school levels, their fundraising activities go to support the schools for which they were connected. One example is athletics. Due to differences in the alumni support, JCPS has set aside money to support school athletics where there may be inequities and limited booster support, which is handled by the District Athletic Director. For example, currently JCPS will look at gate proceeds to help determine how to tier the funds to help them support their activities. Ms. Dennes agreed that this does not solve all of the inequities across the District but does show how the District is trying to address the issue.

In regards to booster clubs, Mr. Muns explained that these are a local and site-based initiatives. Most schools do not have the extra time necessary to create a booster club, for example, to establish a 501c3 is not a simple task, they require bylaws and must work through the Secretary of State's office, there are a handful of reports that are required for JCPS and a tax return must be filed annually. JCPS shares this information with interested parties but recognizes that it does require a lot of work and coordination. Some schools will raise a lot more money than other schools, and it can create inequities.

The committee asked questions and staff provided responses on different ways to maximize fundraising across the District. Noting that schools and volunteers need to have the capacity, sustainability and importance of succession planning for organizations to keep momentum. In addition, looking at transparency of information from the different organizations that would be

available to view by the community.

Mr. Rose requested that JCPS put some deliberate thinking around how to maximize the overall fundraising and consider centralized support for booster clubs in addition to district led fundraising on behalf of the school; to support the schools that need more support. Consideration of where that effort should come from either the District or the Foundation as options to consider.

Internal Audit FY 2020 Audit Plan Status Update – Jodell Renn, Director of Internal Audit

Ms. Renn provided an update on the progress made on the FY 2019-20 annual audit plan. The scope of the plan covers November 1, 2019 – October 31, 2020. Ms. Renn shared with the committee some examples where she sees a shift in how Internal Audit is viewed throughout the District. Internal Audit collaborated with Early Childhood staff on a process improvement review of healthcare compliance activities. At the end of the project, the Early Childhood staff was very complimentary and appreciative of the input provided. In addition, Internal Audit has been invited to participate on several committees throughout the District which is further evidence that the department is being seen as a trusted advisor.

Ms. Renn further shared that while some projects included in the 2019-20 Work Plan may not be completed by October 31, those projects will roll over to the 2020-21 Work Plan as needed.

Internal Audit FY 2021 *Proposed* Audit Plan – Jodell Renn

Ms. Renn provided an overview of the activities performed to create the FY 2021 Audit Plan, which will cover the period November 1, 2020 – October 31, 2021. To assist in augmenting the limited resources of Internal Audit, the District has contracted with two outside firms. Brown Smith Wallace, a firm out of St. Louis, Missouri has a robust information technology expertise as well as a strong data analytics practice. Strothman and Company who served as the previous external auditor and has a deep understanding of the District.

Ms. Renn described that her team is considering how the recent environment will impact the work currently being performed and the projects included in the proposed work plan. Flexibility and creativity are key components. In addition, the team is looking at ways that documentation performed at schools can be better reported, for example having the monthly verification reports scanned into a portal. Her team works closely with Accounting Services which is led by Mr. Muns and his team to improve school processes, and since this is looked at a lot by KDE, Internal Audit wants to provide support and monitoring to help ensure ongoing compliance.

Ms. Renn will be presenting the proposed audit plan to the Board at the upcoming meeting on August 4th.

Committee members stated that audit plan looks very solid, and that Ms. Renn is doing a great job in explaining the value proposition of internal audit work to the District. The committee encouraged the District to look at ways to leverage expertise throughout the District to identify process improvement opportunities.

Adjournment

Ms. Mitchell made a motion to adjourn the meeting; Dr. Keith Davis seconded the motion. The meeting adjourned at 4:06 pm.