

Audit Committee Meeting – January 22, 2018

Attendees: Rodney Jackson
Byron Costner
Mendy Mills
Tiffany Davis Williams
Becky Riley
Dave Osborne
Debbie Smith
Beverly Reese
Matt Moore
Larry Forester
Chris Ensslin
Sherry B. Price
Casondra Jones
Kiyon Massey
Cindy Godsey
Jennifer Dyer
John White
Daryl Love
Myron Thompson

Absent: Lindsay Wright
Craig Cammack
Frank Coffey
Sharon Holbrook
Bill Gatliff
Allison Marcum
Jeanna Jones

We had three new members (two were in attendance), Larry Forester and Chris Ensslin.

Discussed Internal Audit of Employee Benefits Process – Stacy Huff performed testing consisting of conducted employee interviews, relevant benefits documentation she also performed testing to the validated processes, functions and procedures which included hiring and termination, benefits eligibility based on hire & term dates and elected benefits matched the payroll, etc. and making sure beneficiary forms were up-to-date.

Observation summary – Health Insurance falls under the State’s Administrative manual. Termination date is when health insurance stops. The sample testing showed that 5 employees stopped working June 30 but health insurance didn’t stop until August 15. Auditors suggestion was to contact the Commonwealth to verify that this is an acceptable practice. Recommend to adopt policy stating summer terminations will continue thru August 15.

When policy changed for processing health insurance, if your last day is prior to the 15th of the month, then that will be your last benefit day. The less than 12 employees have deductions taken out of each check for the summer months so even though they don't work summer months, they're covered. They get three checks for the summer: July 15, 31 and Aug 15.

Commonwealth of KY was contacted to inquire about our practice and it was consistent with other districts around the state. Our plan will be updated to accurately reflect this.

Dave asked if samples covered months other than just the summer and the answer was yes, this is a normal process. Yes, testing did cover other months but the only exceptions were part of the summer coverage. Dave Osborne (Audit Committee Chair) suggested this should be stated in the process recommendations.

Beneficiary forms – It's the beneficiaries responsibility to update their forms, Recommendation written information (as opposed to verbal) should be included in the packet to try and get them to update their forms. Dave asked what the Districts level of exposure is, Rodney states he can't recall any situation with regards to Benefits. Daryl Love gives an example of if there is a death and the family comes in asking about coverage but we find a form that's incomplete, maybe didn't change a partner, does that become our issue? The response seems be that we email periodically to remind employees to say it's their responsibility to update their forms in writing, no documentation with verbal communication.

Eligibility for Health Insurance for employees who are not considered regularly employed but work more than 30 hours a week, 1095-C that has to be filed. Low level recommendation was made to verify that you would need to offer coverage to them and make sure you are aware of that issue. Research with trying to find out what happened in this instance showed it was about the timing of us pulling it versus the timing of the employee becoming eligible. Since then we've done more research with Munis, we've gotten more information in and have had additional training with the ACA. Out a sample of 40 employees only one had an issue. Dave and other audit committee members commended the team for doing a great job on this especially since they had to jump into this in the middle of an audit.

Procurement thru cash disbursement, which included physical support procurement for bids and/or construction, There are levels to purchasing: under \$2,500, \$2,500 - \$10,000, \$10,000 - \$20,000 and above \$20,000. Dave commented on the impressiveness of the scope. We had three observations: Vendor Maintenance – Ran data on Vendor Maintenance and found almost 9700 vendors with inactive status, with 68 duplicates in the Master file. Risk for inactive vendors is fraudulent activity or duplicates. Recommendation: Review master file to focus on purging or archiving vendors who have been inactive for quite a while (or what you identify as an extended period) and remove duplicates. Since Inactive vendors were continuing to use the #, we had to change the status from inactive to STOP. Vendors cannot just be easily deleted out of Munis; we have to delete ALL the history (documentation), such as invoices, requisitions, checks, before the vendor can be deleted. When a vendor becomes inactive we create a new vendor #, and a notation will be on the old vendor # to say Do Not Use this #, please use whatever the new # is. Matt Moore sets the Vendors up and reviews for duplicates. Change of address will create a new record and new remit to can be added.

Determination forms – To be filled out before the PO can be approved or paid. Recommendation: Make sure determination is available before PO is approved or paid. Anything over \$2,500 goes to Matt Moore for first approval (he checks for Bid or Determination #). If John White, Myron Thompson or Superintendent Caulk are not available then Rodney can approve. There is no go around for this process but we can email to make approvers aware something needs their attention.

Bids – An informal process at FCPS. When principal requests a purchase, he forwards to Purchasing Director the specs for the item, with the amount and appropriate information. Recommendation: Comply with policy and there should be a form with every Bid that has amount, acct code, annual spend etc. Normal lead time depends on Bid and Specifications. Document has been created that will be used asking for how much is expected to be spent, acct code, when contract is expected to start and end. We do not re-bid every year but Bids already in place have the option to be renewed annually.

Rodney thanked Byron Costner and former Associate Director Employee Services Tracy Dennis and their team for a great benefits and insurance internal audit reflecting due diligence and attention to detail in monitoring these processes.. Dave commended Rodney on getting a clean Audit with such a large operation as very impressive.

Human Resources – Jennifer Dyar, Kiyon Massey and Cindy Godsey gave a presentation to the audit committee on Human Resources practices and procedures. As well as how they mitigate risk performing these procedures as part of the requested series of risk mitigation presentations to the audit committee.

School Activity Funds will be the focus of the internal audits for the near future. A meeting will be occurring between the external and internal auditors prior to the next audit committee meeting. To discuss how this interaction can be utilized to be most effective related to School Activity Funds audits.

Compliance Hotline – Communication will go out this week. It will be Internal and External so anyone would be able to access the hotline. The compliance office will monitor this and there will be screenings to detect fraudulent complaints (Lindsay has had training). There will be a summary of audits. The report will be available in April. There are five different areas: Human Resources, Finance, Risk Management, Law Enforcement, and Student Safety. The notification emailed last week in the district newsletter is as follows:

Compliance Officer:

The District Compliance Hotline will be available for District employees to use on February 12, 2018. The purpose of the hotline is another avenue for individuals to report concerns regarding personnel, safety, and financial matters. Please feel free to review the hotline website [here](#). Lindsay Wright will monitor the hotline and will screen for frivolous complaints. For additional information or questions about the hotline, please contact Lindsay at lindsay.wright@fayette.kyschools.us or 859-381-4223.

Rodney Informed the committee that he will not be able to make the next meeting because of a scheduling conflict and that Lindsay Wright will be the facilitator.

Next mtg April 18 9:30 am