

Audit Committee Minutes July 19, 2017

Attendance: Becky Riley, Debbie Smith, Allison Marcum, Lindsay Wright, Myron Thompson, Beverly Reese, Rodney Jackson, Jennifer Koutoulas, Tiffany Williams, Corey Ogburn, Andy Ahern, Daryl Love, Dave Osborne, Craig Cammack and Sherry Price

Introductions were made and we have several new members, Craig Cammack from Equity Council, Allison Marcum, Classified Staff, Daryl Love, Board Member, and Paula Whitmer, Certified Staff.

Lindsay Wright, Compliance Officer, reported on our Navex whistle blower system. Communications is still fine tuning the system and it is planned for roll out September or October. We are waiting on the Director of Communications, Lisa Deffendall to finalize the plan.

Debbie Smith, Mountjoy, Chilton, Medley reported on the internal grant audit and management comments. One hundred and thirty grants were audited started from 2015 through present. There were 3 observations; Budget set up, Document Management and pre-award. The audit committee chair, Dave Osborne requested that the response for Budget set up be rewritten and reviewed. Board member Daryl Love, discussed his experience with work flow management systems, that would provide notices to all stakeholders on deadlines and due dates as milestones. He was informed that MUNIS currently has a program that performs this function, but it has not been implemented. The "Grants Milestone" module in MUNIS was suggested to be utilized to help with observations 2 and 3. The staff stated, that they will communicate this to the New Senior Director of Administration, John White to get his thoughts on future implementation as a solution.

The next internal audit will be with the Benefits. Rodney will coordinate this review since the Associate Director of Benefits position is currently vacant. Stacey Huff, of Mountjoy, Chilton, Medley will lead this review to start this week. The focus of this internal audit was discussed including the history and potential financial impact related to the risk of benefits management related to penalties from ACA, IRS or other agencies including Tax Payer Annuity Audit. It was also referenced that an IRS audit and external audit management comment in the past was the primary rationale for the current structure with benefits in Financial Services to mitigate putting the district at financial risk in this area. It was also questioned when Activity Funds will be audited. The committee was informed that the external auditors audit these accounts annually and Financial Services performs reviews with FCPS School Business Office staff and Finance & Grants Compliance Officer for those accounts. It was suggested to possibly have an additional internal audit in that area since the last audit was 2013. Procurement and Physical Support will also be reviewed in the near future. The internal auditors presented the audit committee an overall risk rating assessment to determine the areas to be audited in the 2017-2018 fiscal year. The committee decided on Accounts Payable (cash disbursements), Purchasing Office (procurement) and Physical Support (Procurement).

Becky Riley, Associate Director of Tax/Accounting and Jennifer Koutoulas, Tax Supervisor, presented the tax office operations to the committee as part of the continuing educational process of how the district functions and mitigates risk. In their, presentation, it was explained if you live and work in Lexington you must pay school OLT tax. That tax will be on your W2. Tax department compares W2 records to tax information. A new system was implemented in August 2016 and it still has some kinks that are being

worked on. The Tax Department collects approximately \$37,000,000. Tax payments can be made by credit card with a fee to the tax payer. It was noted that credit card payments are only utilized currently in the tax office for the district because of security concerns. It was noted that the district may pursue expanding the use of credit cards for payments in other areas, but as board member Mr. Love mentioned we need to be very careful because of the security issues that come with them. 1099's are also processed in the tax department if they are greater than \$10. One of the major concerns in the tax department is some federal agencies will not withhold the tax. As an example, UK Medical Center does withhold but the Federal Prison does not withhold. How can this be rectified? There is in appeal to the Treasury Department. Rodney informed the committee that he has brought this to Mr. John White's attention as the new Senior Director Administrative Services.

Corey Ogburn and Andy Ahern with Strothman and Co CPA, the districts external auditors reported they will have more to report on October 18th to the audit committee and they will give a detailed report to the audit committee on that date and will meet with school districts management as well. The external auditors began their field work on July 19th and will be on site this week. They will return in late September to finalize fieldwork after the district has performed all accruals and adjusting entries in creating their year-end financials. The external auditors will also be attending a special called audit committee meeting on November 6th to present the final audit report in detail to the audit committee prior to the planning board meeting. They will also present the results to the full board on this date and again at the regular meeting on November 20th.

Rodney gave a report on monitoring reviews by Financial Services staff. He stated that all high schools except TCHS have been reviewed. TCHS was not reviewed due to principal staff change recently. TCHS as well as all Middle Schools will be the focus of reviews in the coming months. He also reported that an adhoc Booster Committee was created to address boosters and fees. The committee consisted of several stakeholders including High School Principals, Instructional Directors, Financial Services and the District Athletic Director. The committee concluded that all fees have to be approved by the Board and be instructional in nature. The Boosters can only do fundraisers with Principal or board approval if a school wide fundraiser. Boosters cannot charge fees for athletics. This has been communicated to all schools.

The next meeting will be Wednesday October 18, 2017 9:30am.