

Audit Committee Meeting – July 18, 2018

Attendees:

Sharon Holbrook
Bill Gatliff
Larry Forester
Chris Ensslin
Becky Riley
Myron Thompson
Lindsay Wright
Sherry Price
Julane Mullins
Tiffany Williams
Quoya Shegog
Dave Osborne
Beverly Reese

Rodney opened the meeting. Several Committee members were absent including John White, the Internal Auditors and School Board member Daryl Love.

Minutes were sent out prior to the meeting. Internal Audit updates were skipped as auditors were absent. Dave Osborne inquired about current audits going, was told external audit was being conducted. We're also prepping for upcoming Internal audit. The focus of the audits would be 2018-19 School Activity Funds as requested by the Committee. The External Auditors will be here in Oct, Internal audit will have started and both will be able to give progress of where they are.

Dave asked if MCM had updated their risk assessment, Rodney had not seen anything from them. Dave will contact Deb for a meeting. Question was asked if there was a formal audit universe, answer is yes there are 21 high risk audit areas identified. A few years ago audits were rated high, medium and low. High risk audits are in a cycle. Rodney has spreadsheets of all audits that have been prepared and all the information on that audit.

External auditors were here in May, they reviewed 18 or 19 schools. The internal auditors will review 14 -15 schools this coming year. External auditors requested information, will provide after year end closing. Audit field work will begin in Sept and run thru Oct. Nov 5th meeting will be dedicated to the Auditors and will get ready for a presentation to the Board.

Julane Mullins overview of Budget office operations, experience and certifications of employees in the office. Several things have been put in place such as an Electronic PAF (Personal Action Form) System which helps improve routing and the approval process for HR. There are over 200 Budget managers and our MUNIS System has over 100,000 line items. A budget transfer Pilot was first used at the School level now used at the District level. Principals are budget managers at each school and are over several budgets. The budget office oversees each school's master budget. Schools have discretionary spending

over the operation budgets and some stipend payments. Control's are in place so PO's cannot be entered if money is not available to fund them. No one gets paid on stipends without 2 approvals. 99% of school operational activities are in general funds. 10% of budgets can be carried over to the next school year. Restrictions are in place so that grant funds can only be used for specific purposes. District wide building funds are also restricted.

The Budget office has created a special report that is provided to the schools is much more detail than the year to date report that comes out of MUNIS. This report can be retrieved without logging into MUNIS. Staffing workbooks are available for all departments and Principals. Schools are allowed staffing allocations. Staffing workbooks provide a District average. Budget makes sure that all Cost centers are in place once staffing plans are complete. New budget transfer policy was put into place a few years ago, there was strong opposition and language was requested to be put back in. Written request is required to expand programs as part of the budget process for the upcoming school year. Work on the upcoming budget is started in September. In January, Will start talking to the Board about the draft budget although they're not required to approve anything. Internal Budget planning committee established with school Chiefs. As part of Strategic plan, Common Core Curriculum has been implemented in reading areas across all grade levels, this year math is included. It was very costly initiative, \$7 million was spent last year and \$2.7 million this year. Budget office works with Data Management and Research Dept to put a program evaluation process in place as they implement new initiatives. Data Management looks at the effectiveness and efficiency.

The Superintendent has started talking to his direct reports and the ELT about the budget presentation. After the budget was finalized, almost \$5 million was cut from the General fund to balance the budget this year. Dave asks where the biggest risks are, some thought needs to be given to this answer and responded to later.

Lindsey Wright gave the Compliance Hotline report, overall It's going well. Majority of complaints were personnel grievances with concerns about speaking out and maintaining confidentiality. Calls came from the Schools as well as some from Departments in District. Touched on also was the Let's Talk hotline, an initiative via the Communications department for general questions. Let's Talk is no longer in use.

Quoya Shegog talked on risk mitigation for Procurement cards, P-card requests go through Rodney. Discussed steps for obtaining p-card. Completion of two forms is required, one is for the bank and the other is in-house for tracking purposes. Once documents are received, the card is ordered. A training on card usage is scheduled then the card will be given to the responsible party (the name on the card). 99% of cards have restrictions on them and the cards are geared by Emergent Category Codes, these codes are set up at the Point of Sale machine when the business is established, it unknown to the providers of the goods and services what those codes are. P-card Administrators are able to look those codes up. There are also in-house restrictions on the cards. Fifth Third Direct is the program used for setting and changing restrictions and amounts it's also used for ordering cards. Card transactions do not have standard limits.

P-card limits are set by the Director of Finance. There are 3 levels of cards: Schools have level 1 cards (in the Principal's name) and they can only be used for clothing, supplies and food (groceries only) the limit is \$3000, level 2 cards can be used for the same things as a level 1 except they can be used at restaurants and they can make travel and level 3 cards are used by the Superintendent and the Director

of Finance and are unrestricted, for emergencies. We also have specialty cards such as Fleet cards, they are a level 1 and can only be used for gas. Food Services also has a card and they have different restrictions, they can only buy food as commodities, in bulk. P-cards should only be used for immediate needs where vendors do not accept our PO's such as Airlines or Monopoly vendors.

P-card statements go to Rodney and Tiffany for review and random pre-audit reviews are conducted. Each card is paid in full at the end of every month. Every card holder is given a deadline to produce receipts and documentation (PCR1 form) each month and those who don't provide are at risk of having their card suspended. Presentation was provided with example slides of all forms that could be used from lost receipt to attendance verification. Failure to comply with p-card policy 1st incident is written notification, 2nd incident could be written and possible 30 day suspension, after that suspension and card termination. Incidences are kept on file for one fiscal year, unless it's toward the end of the fiscal year.

In the next meeting on October 17, 2018 in Conference Room A at 9:30 am. There will be discussion on some Bids that are coming due.

Laws have changed regarding Vendors in the schools, as of April 2018 any Vendors going to a school will need a background check before they are allowed in. Once a vendor has taken care of this in one Kentucky school district then it's good for all (for instance, if they've been cleared in Fayette Co then they're good for any of the other counties as long as they have the documentation backing it up). The MUNIS group will be presenting. And please note, Financial Services name has changed to Financial Accounting and Benefits Services.

As a reminder the quarterly meeting is October 17th at 9:30 am and the focus will be External Audit update and a presentation from the MUNIS Team discussing our Financial Accounting Software system. On November 5th, a full Audit presentation will be given to this Committee before it goes to the School Board with final audit results.

Lindsay will also be giving a presentation to the Board, sometime this year, as per our charter.

Floor was opened for any questions or concerns and there were none. The next quarterly meeting was set for Wednesday October 17th at 9:30 am. Rodney adjourned the meeting.