

Audit Committee Meeting

April 17, 2023 – 9:30 a.m. in the John D. Price Administration Building, Conference Room 139

Attendees:

Jaclyn Badeau (Audit Committee Chair)
Dave Osborne (Audit Committee)-via phone
Nick Clark (Internal Auditor for the District)
Raymond Ross (Information Security Manager)
Jana Moulton (Associate Internal Auditor)
Alicia Miller (Compliance Officer)
Chris Salyers (Certified Representative)
Kacey Urbaneja (Classified Representative)
Amy Green (School Board Representative)
Houston Barber (Deputy Superintendent)
Rodney Jackson (Executive Director of
Financial Accounting & Benefit Services)
Greg Hodge (Audit Committee)
Larry Forester (Audit Committee)

Absent: Joe Gibson (Principal Representative)

INTRODUCTION & APPROVAL OF MINUTES

Jana Moulton was introduced as the new Associate Internal Auditor.
Minutes approved by the Audit Committee.

INTERNAL AUDIT UPDATE – Nick Clark

P-Card audit presented to the committee. There were 148 active cards during the scope of the audit period with 14, 861 transactions totaling \$3,643,997. The audit was conducted on transactions from January to December 2022. The number of transactions increased 42% over prior year and total expenditures increased 47% over prior year. Jaclyn Badeau asked how long the District has been using P-Cards. Rodney Jackson provided some factors that have expanded the program over the last several years including the P-Card agreement. Nick Clark provided a summary of the scope and objectives of the audit. Dave Osborne asked whether the policy or procedures for P-Cards listed out the disallowable expenditures. Nick indicated that technology is not allowed to be purchased and District policy states that alcohol and tobacco are not allowed to be purchased. Greg Hodge asked for clarification on objective two and how this was accomplished. Nick Clark indicated samples were selected and reviewed. One percent (150) of the transactions were selected for testing and review.

There were four findings noted. Finding #1 was usage level and credit limits which were determined to be of moderate priority. The policy states that there are three levels of card usage however, the agreements do not specify what level the card is. It was recommended that Financial Accounting & Benefit Services add the level of each card to the agreements which will allow monitoring of the transactions to see if they are in line with the card level. In addition, Financial Accounting and Benefit Services will review the levels of authority/credit limits to standardize those limits and include that

information on the P-Card agreement. It was also recommended that Financial Accounting and Benefit Services establish an efficient approval process for requesting limit increases. Finding #2 was missing agreements which were determined to be of moderate priority. Twenty percent of the agreements were reviewed, and it was noted that two were missing. Rodney Jackson indicated that he located one of the missing agreements after the audit report was drafted. Financial Accounting and Benefits Services is looking at updating forms to include recommendations from finding #1. All P-Card holders would be required to sign the updated agreements. Finding #3 was completeness of forms which was determined to be of low priority. It was found that 21 of the tested transactions were missing information or there was a discrepancy between the names and the signatures on the forms. It was recommended that a process be implemented to ensure accuracy and completeness of the forms. Greg Hodge inquired as to how the sample was generated. Nick Clark indicated that he used a randomizer within excel and ensured that a couple of those selected were the largest transactions. Amy Green asked if there was something in the P-Card agreement that would indicate that the person would not save the credit card information on the site to ensure that it was not used as the default payment. Currently this is not included in the agreement. Finding #4 was P-Card used for vendors who accept PO which was determined to be of moderate priority. It was noted that purchases were made using the P-Card for at least three vendors who accept POs. Policy currently states that P-Cards are not to be used for any vendor who accepts POs to ensure that the district is getting appropriate approvals prior to the purchase.

It was recommended that a policy be put in place that requires employees to provide detailed explanation when a P-Card is used for a vendor that accepts a PO with appropriate approvals. Other recommendations included providing formalized training for new and existing P-Card users. Financial Accounting and Benefit Services has created a video going over the requirements for the P-Card. New agreements will be sent to all P-Card holders along with the training video. Each P-Card holder will be responsible for watching the video and signing the new agreement. In addition, the bookkeepers and administrative assistants will be sent the video to watch as they help with reconciling the P-Card statements and filling out the PCR forms.

Dean Dorton audit follow-up: There were initially 100 findings that Dean Dorton had identified over the last three years. At the audit committee meeting in October 2022, there were 78 items that were still not resolved. As of April 2022, there are only 18 items that are unresolved of which 7 items are considered high risk. Internal Audit is making strides to resolve the open items. A large number of items (50 findings) were associated with the After School Program which have been reviewed and resolved through training. One of the outstanding IT findings involves creating a policy for IT. This will be addressed in June as that is when policies are reviewed for the new school year. The Booster Assessment will be reviewed once baseball is underway to determine if the recommended changes have been implemented.

Nick Clark met with interns from University of Kentucky to discuss the results of the school audits they worked on. They will send their report to internal audit within the week. The interns completed workpapers for review. Nick Clark will finalize the report for submission. The ESSER audit is ongoing. Nick is reviewing expenditures back to receipt of funds. The audit is moving forward. The ESSER audit should be ready for the July meeting. It is the goal of internal audit to have the insurance audit and additional school audits completed by the July meeting.

INFORMATION SECURITY MANAGER UPDATE- Raymond Ross

Raymond Ross had to extend the Cyber Resilience Review Audit due to some leadership changes. He had some healthy discussions with the new leadership to get buy in and explain the audit process. This audit evaluates the district's cyber maturity and capabilities to identify any gaps in design, policies, standards, and procedures. The audit covered 10 domains, with corresponding goals for each domain. A maturity indicator was used to measure the district's maturity levels in Cyber Security to assess how we are progressing. As this was the first audit of its kind, there is no benchmark for comparison. The audit identified three high-priority items and seven medium-priority items. The report is in draft form as Raymond is working with IT to complete the management response areas of the report. Raymond provided some additional information about the three high priority items including Service Continuity which could take up to five years to implement, external dependencies was set for two years, and situational awareness is an ongoing issue. Raymond indicated that the District should perform random phishing campaigns to test this control. The final copy, including the responses to the audit, will be presented at the next committee meeting in July.

Life Cycle of IT Audit will be presented at some later date after the Infrastructure Audit which will be presented in July.

COMPLIANCE OFFICER REPORT – Alicia Miller

Only one item is open at this time and it is the Northern PTO issue. Nick Clark has asked for documentation from the PTO president and has not received the information need to date to perform an audit. Nick will attempt to contact the PTO one last time and request the information. If there is no response, he will issue a report to reflect the lack of cooperation on the PTO's part.

No new compliance issues since the last meeting.

AUDIT COMMITTEE MISC.

No comments

CLOSING THOUGHTS

Next meeting is scheduled for July 17.

Meeting is adjourned by Jaclyn Badeau.