

Audit Committee Meeting

April 17, 2024 – 9:30 am – John D. Price Administration Bldg. – Conference Room 139

Attendees:

Jaclyn Badeau (Audit Committee Chair)
Nick Clark (Internal Auditor for the District)
Jill Recor (Administrative Assistant)
Jana Moulton (Associate Internal Auditor)
Larry Forester (Audit Committee)/Virtual
Amy Green (School Board Representative)
Greg Hodge (Audit Committee)/Virtual
Alicia Miller (Compliance Officer)
Jeanna Jones (External Audit Representative)/Virtual
Dave Osborne (Committee Member)
Chris Salyers (Certified Representative)/Virtual

Absent:

Bret Nathaniel (School Board Representative)
Penny Christian (16th District PTA Representative)
Joe Gibson (Principal Representative)
Kacey Urbaneja (Classified Representative)
Rodney Jackson (Executive Director of Financial Accounting & Benefit Services)

INTRODUCTION & APPROVAL OF MINUTES

The Chair opened the meeting by requesting approval of minutes from the following meetings: November 13, 2023, January 24, 2024, and February 17, 2024. The minutes can be seen on the district website. The Audit Committee approved the minutes.

INTERNAL AUDIT UPDATE - Nick Clark

- **Insurance Audit**

Nick Clark updated the committee on the Insurance Audit. The audit identified two overall findings. The first finding was the district's lack of documented procedures regarding insurance operations. Rodney Jackson (Executive Director of Financial Accounting & Benefit Services) indicated that standard operating procedures are in the process of being documented.

The second finding identified fleet discrepancies between the district's internal records, the ERP system, and the insurance policy. This may be due to a lack of communication between departments. The district lacks a fleet management policy. Small vehicles are the issue, and the district has increased the number of these small vehicles over the last two years due to ESSER funding. Mr. Jackson advised that they do an annual inventory of vehicles. The audit also noted that Risk Management is the only department that can purchase an insurance policy. Risk management has some procedures in place regarding insurance; however, they are not formally documented.

Operations are looking at a secure area for vehicles from the JDP building. Management has begun meeting with various departments to develop a more formalized process for fleet management. This was done by creating a dedicated subcommittee to oversee and assist in creating SOPs encompassing all fleet management aspects. This combined approach focuses on both immediate corrective action and establishing long-term solutions to ensure efficient and consistent fleet management practices.

Dave Osborne requested an implementation date be added to the report to keep management accountable.

- **Bid Audit**

Nick Clark reported the bid audit started in December. The Office of Internal Audit reviewed the district's adherence to model procurement. Currently, the district has 97 companies that we utilize through bids. The number of vendors has almost doubled for services. Mr. Osborne questioned the qualifications to be a vendor and if there is a policy for becoming a vendor. Nick explained that the district must have a W9 and that qualifications for vendors are looked at once a year near the end of the fiscal year.

The audit also looked at vendors where the district spent more than \$30,000. The spending threshold of \$30,000 per Vendor was in place for FY 2023. The threshold increased to \$40,000 for FY 2024. The Office of Internal Audit reviewed total expenditures per vendor to see if there were vendors the district used that should have been bid out.

The Office of Internal Audit identified violations of the Kentucky Model Procurement Code involving six out of sixty-nine vendors tested. The district spent more than thirty thousand dollars with each of the six vendors during the fiscal year 2023 and did not have bids for those vendors. Starting in April 2024, management will review vendor spending quarterly to identify vendors who may be approaching the bid threshold.

- **Audit Plan**

Nick Clark advised that the audit plan for fiscal year 24/25 will be presented to the board in June to get the plan in place for the new fiscal year. The only change is the audits that will be done.

IT audits will be handled by Weaver. Nick had a conversation with Weaver regarding the next steps to move forward. A user access audit is the first audit that Weaver will conduct. The Office of Internal Audit will work with Weaver for a full IT risk assessment. An IT audit plan will be forthcoming. Nick hopes to have Weaver present the IT Audit plan at the October Meeting. Weaver is good with working with the Office of Internal Auditing.

The following audits are included in the audit plan for FY 2025: Payroll operations, new time system, stipend pays, student fees, administrative leave, grant process, and school activity fund audits. Regarding the administrative leave process, the Office of Internal Audit wants to ensure a standard for administrative leave is fair and equitable.

The Office of Internal will be looking at the grant process. Internal Audit will look to see how grants versus donations are handled.

Mr. Osborne commented that the plan looks very aggressive. Nick advised that as the audits become more streamlined, the Office of Internal Audit will be able to better gauge the number of audits that can be completed in a fiscal year. Mr. Osborne suggests they revisit the plan in six months to see where the progress is.

At this time, 20 schools have been audited since May 2023. We will provide the committee with a progress update at the November meeting. The committee approved the 2025 audit plan by adding a sentence regarding the IT audits.

- **Student Activity Fund Audits**

Nick Clark is finishing up with the interns, and currently, the Office of Internal Audit is on track to audit all schools within a four-year period.

Other Matters – Nick Clark

The members of the Committee need to sign the Open Records Document acknowledging that these meetings are subject to open records requests.

AUDIT COMMITTEE MISC.

External Audit does not have anything to present. The Audit Committee Charter is online but needs an update regarding who a voting member is. Since the last meeting, Alicia Miller (Compliance Officer) has nothing to report.

CLOSING THOUGHTS

The next meeting is scheduled for July 17, 2024, at 9:30 am. Jaclyn Badeau adjourned the meeting.