

Audit Committee Meeting

April 16, 2025 – 9:30 am – John D. Price Administration Bldg. – Conference Room 139

Attendees:

Jaclyn Badeau (Audit Committee Chair)
Nick Clark (Internal Auditor for the District)
Donna Austin (Administrative Assistant)
Jana Moulton (Associate Internal Auditor)
Dave Osborne (Committee Member) - Virtual
Kacey Urbaneja (Classified Representative)
Amy Green (School Board Representative)
Chris Mottet-(Committee Member)-Virtual
Larry Forester (Audit Committee)
Brett Nabors (Weaver)
Hunter Sundbeck (Weaver)
Rodney Jackson (Executive Director of Financial Accounting & Benefit Services)
Bret Nathaniel (Equity Council Representative)
Chris Salyers (Certified Representative)-Virtual
Alicia Miller (Compliance Officer)

Absent:

Houston Barber (Deputy Superintendent)
Jeanna Jones (External Audit Representative)
Joe Gibson (Principal Representative)
Greg Hodge (Audit Committee)-Virtual

Engage and X-plore

The meeting was called to order at 9:30 AM by Jaclyn Badeau, Audit Committee Chair. Quick introductions were made around the table, including the Information Technology auditors from Weaver who were present in person. Nick Clark inquired if there were any public comments. It was noted that no public was present.

The agenda had been previously distributed via email, with no changes. The minutes from the January 15th meeting, which covered the network user access audit, self-assessment, new IIA standards, and student activity funds audits, were presented for approval. A motion to approve the minutes was made by Larry Forester. The motion was seconded by Chris Mottet. The minutes were approved by the Audit Committee.

Communicate

Information Security - Update

Hunter Sunbeck(Weaver) provided an update on the IT audit activities. The information security audit is in progress.

Preliminary Observations from Information Security Audit:

- **System Incident Event Monitoring Platform (SIEM):** There is a need to identify and potentially implement a SIEM to monitor events from critical systems beyond the network level. This is currently challenging due to the district's reliance on the Kentucky Department of Education (KDE) as a managed service provider. Raymond Ros - Information Security Manager is working with KDE to gain more internal access and monitoring capabilities. It was noted that even with a managed service provider, the district retains responsibility for oversight.
- **Enhancing Security Training:** While phishing tests and annual security training are conducted, there's an opportunity to enhance the frequency and type of training. Raymond is exploring new learning platforms and looking to utilize resources from CISA (Cybersecurity and Infrastructure Security Agency). A reward system for employees reporting potential security threats was suggested as a way to foster a security-conscious culture.
- **Board Reporting:** Suggestions were made for additional enhancements to board reporting regarding the information security program. This could include quantitative metrics and trends related to cyberattacks. Chris Mottet shared that his company tracks and reports the number of events on the cyber kill chain. This type of reporting is currently presented in the closed session of the board meeting.

Weaver will provide additional insights into trends and risks in K-12 education and will share. Weaver mentioned they have an executive resource center with information available via a QR code.

Internal Audit Plan for Fiscal Year 25-26

Nick Clark presented the draft internal audit plan for fiscal year 2026. He is in the process of revising the risk assessment by meeting individually with higher-level management members (Team One, directors), classified staff, principals, and potentially board members and committee members to identify key risks and concerns.

The following audits are included in the audit plan for FY 2026:

- payroll operations
- overtime/supplemental duty/stipend pays
- administrative leave
- grants and donations
- school activity fund audits.
- follow-up on previous audits

A preliminary timeline for the FY 2026 audit plan was shared. The IT audit elements (data protection, IT governance, IT service delivery) will be included as an appendix to the internal audit plan. A motion to approve the fiscal year 2026 internal audit plan as presented was made by Dave Osborne. The motion was seconded by Larry Forester. The audit plan was approved.

Student Fees Audit

The objective of the student fees audit was to assess the necessity, approval, adequacy, redundancy, collection, and use of student fees. Approximately 15% of schools were sampled. No significant redundancy in fees was found. One finding was identified. Six out of eight elementary schools reviewed did not maintain a formal Excel spreadsheet listing all fees, as stipulated in the board-approved fee schedule, though they could provide the information in other formats. This was considered a low-level finding, and communication has occurred with the assistant and deputy superintendents.

Nick Clark clarified that the fee money is collected and deposited into specific accounts for the intended purpose at the school level, allowing for tracking of deposits and expenditures. Student activity fund audits include verifying appropriate spending based on account designation.

Accounts Payable Audit

The audit reviewed forms of payments such as checks, ACIs, and EFTs. Data on the number and dollar amounts of each payment type from FY 2020 to YTD FY 2024 were presented, showing an increase in electronic payments. A sampling methodology based on invoice amounts was used, reviewing 421 payments totaling \$15.5 million. The appropriateness of the sample size was discussed. Using data analytics tools for more targeted sampling was suggested. An aging summary of payments showed that a majority are paid within 30 days.

There were two findings noted that 23% of the sampled invoices lacked a clear indication that they were approved for payment, as required by accounts payable procedures. Training, communication, and review of procedures were recommended. The "okay to pay" is sometimes communicated via email but not documented on the invoice or attached documentation. The possibility of an electronic workflow for approvals was discussed. The second finding was instances of purchase orders being created after the invoice date, reiterating a finding from previous audits. Accountability measures are being implemented at the school and district levels to address this.

Compliance Update

Alicia Miller reported no new compliance issues.

External Audit Update

Rodney Jackson indicated that the District put a bid out for external audit firms. The board has not yet seen the external audit bids, so details cannot be officially shared until the following day. A committee of seven members was involved in reviewing and evaluating the bids. The committee's scoring process included eliminating the highest and lowest scores to ensure consistency. The committee will present its recommendation to the board at the next board meeting.

Launch

Audit Schedule for FY 2026: The meeting dates for the upcoming fiscal year were confirmed: July 16th, October 15th, November 10th (Monday, 4-5 PM for external audit review), January 21st, and April 15th, all typically 9:30-11:00 AM in the same room, except for November.

Audit Committee Membership: With Jaclyn Badeau stepping down, efforts are underway to recruit a fifth community member with finance, accounting, or auditing expertise (potentially IT). One person has already expressed interest.

Audit Charter Review: The audit charter will be reviewed in July, with consideration of implementing term limits for voting members to encourage fresh perspectives. Input will be sought from Larry, Dave, and Chris on this matter. Reaching out to the local chapter of the IIA (Institute of Internal Auditors) for potential members was suggested. Board Member Green suggested posting the committee member application on the district website and social media.

Adjournment:

A motion to adjourn the committee meeting was made by Larry Forester. The motion was seconded by Dave Osborne. The motion carried with all in favor. The meeting was officially adjourned.

Jaclyn Badeau was thanked for her service as Chair.