

Audit Committee Meeting

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

Attendees:

Larry Forester (Audit Committee Chair)
Nick Clark (Internal Auditor for the District)
Greg Hodge (Audit Committee Vice Chair)
Jana Moulton (Associate Internal Auditor)
Dave Osborne (Committee Member)
Kacey Urbaneja (Classified Representative)
Amy Green (School Board Representative)
Meaghan Reynolds (LBMC Audit Representative)- Virtual
Katie Reed (LBMC Audit Representative)- Virtual
Brett Nabors (Weaver)- Virtual
Hunter Sundbeck (Weaver)- Virtual
Rodney Jackson (Executive Director of Financial Accounting, Budget & Benefit Services)
Bret Nathaniel (Equity Council Representative)
Chris Salyers (Certified Representative)-Virtual
Alicia Miller (Compliance Officer)
Houston Barber (Deputy Superintendent)
Lindsey Dial (Committee Member)
Tyler Murphy (School Board Chair)- Virtual

Absent:

Chris Mottet-(Committee Member)
Donna Austin (Administrative Assistant)

Engage and X-plore

The meeting was called to order at 9:30 AM by Larry Forester, Audit Committee Chair. 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 April 16th meeting were presented for approval. A motion to approve the minutes was made by Dave Osborne. The motion was seconded by Greg Hodge. The minutes were approved by the Audit Committee.

Election of the Committee Chair and Vice Chair was discussed. A motion to approve Larry Forester as Chair and Greg Hodge as Vice Chair of the Audit Committee was made by Dave Osborne. The motion was seconded by Lindsey Dial. It was approved by the Audit Committee. This formalized the previous conversation at the April meeting.

Lindsey Dial was introduced as a new audit committee member. All committee members and attendees introduced themselves to the new member, providing their roles and tenure.

Discussion on Term Limits for Committee Members: Nick Clark proposed adding a clause to the committee charter to include term limits (e.g., two three-year terms). This is intended to bring fresh

perspectives and ensure progression. There was a discussion about potential challenges in finding qualified candidates, though currently, it has not been an issue. The preference is for Fayette County residents invested in the community, with expertise in auditing, finance, or business. This will be an action item brought back for a formal vote, potentially in January.

Communicate

Information Security Audit

Hunter Sunbeck(Weaver) provided an update on the IT audit activities. The Information Security Audit was “acceptable with findings,” identifying two low-risk findings and several observations.

Findings from Information Security Audit:

- **Finding 1: Cybersecurity Training Completion:** A sample of users showed that five individuals did not complete their cyber training. While some were substitute or temporary staff, the spirit of the finding is to enhance the security program for proactive tracking, assignments, and reminders. The current "Safe Schools" platform bundles cybersecurity with other trainings (slip/fall, ladder safety, etc.) and sends reminders, but compliance is an ongoing challenge, particularly with transient staff like subs and temps who may not consistently check email or have computer access. There was a discussion on mitigation. While training is a "directive control" and does not prevent fraud, the committee discussed the lack of consequences for non-completion. The extreme consequence (e.g., inability to teach) is impractical. Discussions are ongoing with Raymond Ross (Information Security Manager) regarding ramifications for incomplete training.
- **Finding 2: Unused Accounts with Access to Critical Systems (PowerSchools):** Two accounts with access to PowerSchools (HR/hiring, recordkeeping, professional learning software) had zero login activity. While not directly financial access, these accounts could provide access to personal information. Mitigation was discussed, and a recommendation was made to remove individuals from the system if they have not logged in for a significant period (e.g., two years, given the duration of PowerSchools implementation). This reduces the "attack surface" of the environment.

Observations (Opportunities for Enhancement): *Program Enhancements:* Inventorying cyber assets with classification, documenting security controls centrally, performing data protection/privacy assessments, and identifying a universal system incident event monitoring tool. There is a reliance on the Kentucky Department of Education (KDE) for external network monitoring, but a gap exists for internal network incident tracking within Fayette County. *Roadmap Enhancements:* Creating a holistic roadmap and timeline for addressing penetration tests, vulnerability assessments, and other cyber assessment remediations. *Board Report Considerations:* Enhancing communication to the board on incidents blocked, security initiative tracking, roadmap progress, associated costs, biggest risks, and

remediation activities. *Business Impact Analysis (BIA)*: Performing a BIA to apply recovery point/time and maximum tolerable downtime objectives to critical systems annually, helping direct resources.

ERP System Update (AWS): An immediate concern was raised regarding a new AWS update to the ERP system that potentially allows forwarding of PO approvals (e.g., superintendent approval for over \$40,000) to other individuals. The District is working with Tyler Technologies and KDE to resolve this issue.

Student Activity Fund Audits

The internal audit team is nearing completion of auditing every school's student activity fund within Nick Clark's three-to-four-year goal. Roughly 30 schools are in the current group, with drafts expected for all by the October meeting and final reports for most. Consistently finding the same issues across schools: "timeliness of deposits, the lack of prior approval, and a lack of completed documentation." Currently, in-person meetings are held with bookkeepers and principals to discuss findings, fostering connection and comfort for them to approach auditors with concerns. Amy Green suggested the board would be interested in a "distillation of those things" – a report on recurring themes across all audits without mentioning specific schools, providing a consistent overview of challenges. Nick Clark agreed to explore this.

Administrative Leave Audit

Nick Clark indicated that this audit is nearing completion with a report expected in October. The audit is reviewing the disciplinary leave process, specifically paid administrative leave, to ensure consistency and assess costs. The audit has identified a key bottleneck during the process. The Cabinet for Health and Family Services (Child Protective Services) often creates delays, as its process must conclude before the district can proceed. This is outside the district's control and contributes to significant paid leave costs.

District Financial Update

Dr. Barber provided the committee with an update regarding the budget process, the Occupational License Tax increase, the attorney general's opinion on the legality of the increase, and the State Auditor's special examination. Rodney Jackson, Executive Director of Financial, Accounting, Budget, and Benefit Services, shared that the uncertainty is where the issues are. There was uncertainty with SEEK funding this year, along with the back and forth regarding Federal Funding. This uncertainty affects Food Services and grants. In addition, expenses are outpacing revenue due to various factors. The District did not touch Contingency in the five years leading up to FY24. Rodney said that he could not guarantee that contingency had not already been affected this year due to this uncertainty. Until the District receives final numbers from the external audit for FY25, we will not know how much fund balance will be affected. The District is affected by wildfires in other states and other natural disasters. These perfect storm situations affect pricing for everything. Other school districts across the United States are facing these same challenges.

External Audit Update (LBMC)

Meaghan Reynolds, external audit shareholder, indicated that LBMC is currently in the planning process, conducting risk assessments, and preparing for school audits and interim testing. The bulk of the fieldwork will be in the fall, with the audit report expected in mid-November. The auditors will provide a brief update at the October 15th meeting and will present the audit report on November 10th.

Compliance Update

Alicia Miller reported no new compliance issues.

Adjournment:

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