



Jefferson County Public Schools  
Internal Audit Department  
Audit Plan

ASSURANCE \* INDEPENDENCE \* OBJECTIVITY

**2021-2022**

I am pleased to provide you with the Jefferson County Public Schools (hereafter “the District”) 2021-2022 Internal Audit work plan (Audit Plan). This past year challenged us to work differently. The results forced us to reduce paper usage and increase use of technology to assist us in being more efficient. I am proud of the work we have completed as well as my efforts to increase the visibility and reputation of the internal audit function as a trusted advisor and effective evaluator of processes to support the District in achieving its objectives. This document lays out the steps taken to create an audit plan that meets the needs of the District but remains flexible to meet changes in the future.

## **Internal Audit’s Purpose and Mission**

The Internal Audit Department provides independent, objective assurance and consulting activities that are guided by a philosophy of adding value to improve the operations of the District. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. By bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control, internal audit supports the District’s efforts in achieving its strategic objectives.

## **Audit Plan Overview**

The audit universe serves as the foundation of the audit plan and represents all of the potential auditable components including, programs, activities, processes, systems and initiatives throughout the District. A risk assessment is performed to help identify higher risk areas to be included in the audit plan. Through meetings with members of the Board of Education (JCBOE), members of the Audit Risk Management Advisory Committee (ARMAC), the Superintendent, Cabinet members and other District personnel, the Director of Internal Audit uses the information to update its audit universe and create a work plan that contributes to the improvement of the District’s governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. The 2021-2022 Audit Plan covers the period of September 1, 2021 to August 31, 2022. It also includes projects carried over from the prior year audit plan.

## **Audit Plan Approval Process**

In accordance with Institute of Internal Auditor’s (IIA) International Professional Practices Framework (IPPF), the Audit Plan is submitted annually to the JCBOE for approval. In response to changes in the District’s business, risks, operations, programs, systems, and controls, the Director of Internal Audit continuously reviews and adjusts the plan throughout the audit plan period, as necessary. Significant changes required of the plan will be presented to the JCBOE for approval. Periodic updates on the status of the Audit Plan activities are provided to the ARMAC, management and JCBOE throughout the year.



Jodell Renn, CPA, CIA, CFE  
Director of Internal Audit  
Jefferson County Public Schools

August 25, 2021

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## Overview of District Activities

Enrollment for school year 2020-21 was approximately 96,000 students that attended 172 schools and learning centers throughout the county. In response to the COVID-19 pandemic, the District offered Non-Traditional Instruction (NTI) majority of the year. The District is in the midst of several significant transformational activities, including creating a strategic plan for the next five years, constructing and renovating facilities and identifying the most effective use of the Federal stimulus money provided to the District. Efforts to revise its student assignment plan to improve equity for students who reside in the West End of the county continues to move forward. In addition, the District is continuing to perform the necessary work to implement its Racial Equity Policy and make it fibrous throughout the District. Finally, in response to the COVID19 pandemic, the District is looking at how automation can be effectively implemented throughout its processes to improve efficiency of operations.

## Strategic Objectives

Vision 2020 in Action defines three focus areas and 17 actions steps that guide the District's work. The focus areas are Learning, Culture and Climate and Organizational Coherence. Each activity included in the audit universe has been aligned to one of these focus areas. While some activities could cover more than one strategy, for purposes of the audit universe, the key strategy driver was identified for each activity. These are validated through meetings with Cabinet members during the annual audit plan discussions.

## Audit Plan Methodology

The goal of the audit plan methodology is to create a work plan that includes areas with the greatest exposure to the key risks or operational inefficiencies that could affect the District's ability to accomplish its goals, strategic priorities, and objectives. As a result, the following activities were performed:

- Update the audit universe based on changes throughout the year;
- Meet with JCBOE members, ARMAC members, the Superintendent, Cabinet Leaders and other district personnel to identify areas of concern or opportunity;
- Perform a risk assessment;
- Identify engagements that have the potential to improve management of risks, add value and improve the District's operations;
- Build a plan that is flexible to ensure Internal Audit can be responsive to unforeseen issues and changes in the District's risks, operations, programs, systems, and controls;
- Align the work plan with the District's goals as well as the expertise of the internal audit staff;
- Contract with outside firms to augment the limited number of internal audit staff as well as limited information technology expertise; and
- Consider reviews performed by oversight entities, external auditors and others to avoid duplication and redundant activities.

## Allocation of Resources

The 2021-2022 Audit Plan available budgeted hours equal 8,352 hours which were determined based on the four (4) full-time equivalent audit professionals (not including the Director of Internal Audit). See Exhibit A for a breakdown of the staff available hours and the proposed usage.

Majority (98%) of the department's budget is devoted to salary costs and other uncontrollable costs, such as the District's Anonymous Reporting Hotline, and Audit Services (external and outsourced Internal Audit), we carefully manage all discretionary aspects of our budget. Exhibit B provides a summary of the department's budgeted resources.

## Audit Universe

The audit universe includes around 150 potential auditable processes, many of which operate at the schools. A risk assessment serves as a tool used by Internal Audit to develop the annual Audit Plan since it will help us identify and prioritize the key areas of high risk, so that focus is placed on the auditable activities of greatest significance.

The audit universe consists of District's key risk areas that could be subject to audit (auditable units). The auditable units may include key departments, programs, functions, or processes in the District that are exposed to sufficient risks where controls should be implemented/reviewed. We identify the auditable units based on a review of the District's goals/objectives, strategic plan, organizational charts, position inventory listing, annual budget, emerging risks and trends, and Internal Audit staff's understanding of the current risks impacting school districts. Key auditable units included in the risk assessment are those that:

1. Contribute to the District's goals,
2. Are sufficiently large to noticeably impact the District, and
3. Are sufficiently important to justify the cost of a control.

## Risk Assessment Overview and Methodology

A risk assessment is recognized as the preferred process for identifying, measuring, and prioritizing risks based on their likelihood of occurrence and the magnitude of impact. Risk is defined as "The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood." A risk assessment is a process for identifying risks to achieving District's goals, objectives, and strategic plan.

Once the audit universe is established, Internal Audit measures the risk for each auditable unit based on likelihood and impact risk factors. We use seven likelihood/impact risk factors and a three-point risk factor scale with one representing the lowest level of risk and three representing the highest. The risk factors are defined in Exhibit C Risk Factors. The risk factors are reviewed annually to ensure they are relevant and effective in helping assess the operating, financial, and compliance risks of the District.

To help us determine the risk scores, we gather information relevant to the risk factors through interviews conducted with management and leadership from the auditable units as well as staying abreast of the District's activities through interactions, board meeting minutes and other relevant sources of information. The risk scoring is performed by Internal Audit. Once all auditable units have been scored, they are ranked from highest to lowest based on their risk rating. The results of the 2021-2022 Risk Assessment are evaluated in concert with requests by management and assist in defining the work plan which is provided in Exhibit D.

It should be noted that not all projects included in the plan were assessed as high in the risk rating process. In some instances, the higher risk areas are subject to increased reviews by oversight entities or the external auditors and therefore are not necessarily included in Internal Audit's Work Plan.

## Audit Plan Engagements and Activities

Audit Plan engagements encompass, but not limited to, the objective examinations of evidence for the purpose of providing independent assessments to the JCBOE, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the District. Internal Audit conducts assurance (audit), follow-up, and consulting (non-audit) engagements.

- **Assurance:** Objective examinations of evidence for the purpose of providing independent assessments on governance, risk management, and control processes for the organization. Examples include financial, compliance, performance, and information technology audits.
- **Consulting:** Advisory and related client service activities, the nature and scope of which are agreed to with the client, are intended to add value and improve the District's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, and process improvement.
- **Compliance/Monitoring:** Activities that are compliance focused such as attendance reviews, school activity fund reviews or ongoing monitoring such as the school activity fund monthly verification form process.
- **Investigations:** Activities that come from reports through the anonymous hotline, potential fraud related, or special assignments from Superintendent/Cabinet/JCBOE Board members.
- **Follow-up:** Follow-up engagements, also referred to as corrective action plan follow-up reviews, are conducted to determine the adequacy and timeliness of actions taken by management on reported engagement findings and recommendations. This work determines if management has taken action or accepted the risk of not taking action on reported findings.

The work plan also includes hours dedicated activities required and/or recommended as best practices by the IIA Standards, and administrative duties, such as professional development and participation on various committees.

The Audit Plan engagements and activities, along with broad objectives and selection criteria (risk rating), are included in Exhibit D. The specific objective(s) of each engagement will be determined after the engagement is initiated and an engagement- level risk assessment is conducted in concert with the process owner.

The Audit Plan services/activities are listed in alphabetical order within the following sections:

- Assurance (Audit), Consulting, Monitoring/Compliance and Follow-up Engagements
- Administrative and Other Activities Recommended or Required by the Standards

# Exhibits

## Exhibit A Staff Resources

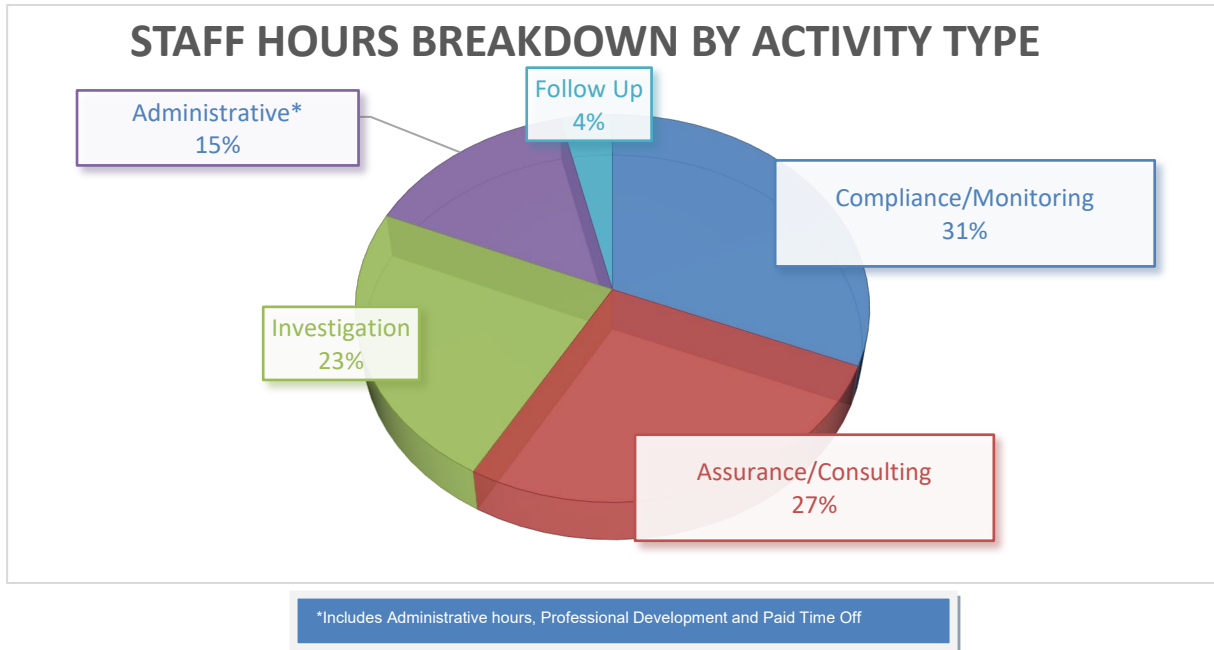
### Available Hours Calculation

A. Weekdays in fiscal year 2021-2022	261
B. Number of hours per day	8
B. Internal Audit Staff Full-time Equivalent (FTEs)	4
D. Available Hours (A x B x C)	16,704
C. Total Available Staff hours	8,352

In addition, \$80,000 is included in the Internal Audit budget for two audit vendors to assist with projects.

### Audit Team Members:

Jodell Renn, CPA, CIA, CFE – Director of Internal Audit  
 Chalynn Comage, CFE – Risk Investigator  
 John LeMaster, CPA – Internal Auditor  
 Sonya Miller – Internal Auditor  
 Shari Mattingly - Clerk





### Exhibit B Internal Audit Department Budget

Salaries and benefits	\$427,068	Actuarial Fees	\$4,000
Audit Services (Outsourced Internal Audit)	80,000	External Audit	220,000
Registration Fees (Professional Development)	2,750		
Equipment and software renewals	3,000		
Department supplies	600		
Subscription (Chief Audit Executive Center - IIA)	2,150		
In/Out of District travel	500		
<b>Total Internal Audit Activities budget</b>	<b>\$516,068</b>	Total External Services	\$224,000
		Total Internal Audit Budget	\$740,068

## Exhibit C Risk Factors

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Financial exposure considers the overall dollar amount flowing through, committed to, or generated by the unit/process (e.g., expenditures, grant amount, revenues collected/earned). This evaluates the impact of inappropriate activity from a financial perspective.

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Changes in personnel in key leadership roles. This considers the impact that leadership changes may have on the area.

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Changes in key management personnel, organizational and operational structure, and the operational systems can influence risk. In some cases, reorganization of responsibilities and activities can result in significant changes that compromise controls.

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The complexity, volume, and clarity of regulations/compliance requirements from external requirements impacts the District's ability to comply, and therefore influences risk. Risks relate to the inability to comply; penalties, fines or litigation; loss of funding sources; and regulatory restrictions. In addition, the number of locations/people involved and the level of monitoring of these activities take to ensure compliance.

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Reputational risk measures the sensitivity of the unit to public exposure of critical internal issues. This considers the potential effect to the District overall as the result of negative information.

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Timing considers whether there has been an audit of the unit, the last time an audit was performed, and the results of such audit.

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The complexity, and volume, of transactions. This factor considers the amount of manual versus automated input involved as well as the number of transactions processed.

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Exhibit D: *Proposed* 2021-2022 Internal Audit Work Plan  
 Assurance, Consulting, Monitoring/Compliance and Follow-up Engagements

Engagements <i>(in alphabetic order by engagement type)</i>	Engagement Type	Risk Rating
1. Access Controls – Security Review -Co-Sourced	Assurance	
2. Employee Separation Process (Carried Over)	Assurance	
3. Google Suite – Corrective Action Plan follow up - Co-Sourced	Assurance	
4. Grant Fund Utilization Review – CARES Funding	Assurance	
5. Inventory Management Review	Assurance	
6. Network Administration – Penetration Testing - Co-Sourced	Assurance	
7. Nutrition Services Inventory Management Review – EDISON	Assurance	
8. Vulnerability Scan Network Services – Co-Sourced	Assurance	
9. School Activity Funds Monthly Monitoring	Compliance/ Monitoring	
10. School Attendance Monthly Monitoring	Compliance/ Monitoring	
11. Backpack of Success Risk Maturity - (Carried Over)	Consulting	
12. Building Modification Process Review - (Carried Over)	Consulting	
13. Construction Projects – MBE/WBE/VBE Participation Analysis (Carried Over – Scope Adj.)	Consulting	
14. Data Analytics Project – School Activity Funds -Co-Sourced	Consulting	
15. Future State Activities	Consulting	
16. Governance, Risk and Compliance Tool	Consulting	

Exhibit D (continued): *Proposed 2021-2022 Internal Audit Work Plan*  
 Administrative and Other Activities Recommended or Required by Standards

Activities <i>(in alphabetic order)</i>	Activity Objective
1. Administrative Duties	<p>Strategic activities: Developing the annual audit plan, identifying department needs, reviewing staff competency, and planning for staff development.</p> <p>Operational activities involving designing structures and processes aimed at achieving Internal Audit activity objectives and overall goals of efficiency and effectiveness. This includes hours allocated to:</p> <ul style="list-style-type: none"> <li>• Reporting to the JCBOE and ARMAC,</li> <li>• Attending Board meetings, as needed,</li> <li>• Supervising internal audit activities, including monitoring the progression of projects and allocating/tracking time for Audit Plan activities,</li> <li>• District-mandated training,</li> <li>• Staff appraisals,</li> <li>• Ensuring Internal Audit staff follow policies and procedures,</li> <li>• Monitoring the department’s budget, and</li> <li>• Processing payroll and purchase orders</li> <li>• Internal Audit staff has volunteered to help with several district projects including working the hotline for the distribution of Chromebooks and “depot duty” for the opening of school. Participating side by side with other JCPS employees has helped our team understand the day-to-day work of the district and (we believe) to be seen as team players and as willing members who will jump in when there is a need.</li> </ul>
2. Anonymous Hotline Reports	<p>The District contracts with a third party (Calls Plus) to provide a platform to collect reports of unethical, illegal or unsafe activity, including Bullying. Internal Audit facilitates reports made through the hotline and coordinates with the appropriate administrator to investigate the complaint. The Bullying Prevention Team works all reports related to student bullying. Diversity Equity Poverty Team works with all reports related to racial intolerance. A reporter can make their report online or via a toll-free telephone number. Most reports, (with the exception of bullying, racial intolerance, cyber security incident, discrimination and harassment) reports are anonymous, unless the reporter chooses to provide their name and contact information. The platform does not track users of the hotline service to protect the anonymity of the reporter. The reporter is provided a unique report number and password to check on the status of the report and/or to provide additional information if applicable.</p> <p>New in FY2022 is the addition of the racial intolerance incident type.</p>
3. Committee Assignments	<p>Internal Audit serves in an advisory capacity on several District committees (Racial Equity Analysis Protocol, IT Risk Management and IT Executive Risk Management Committees, Data Governance, Investigations Collaboration work group, Records Management work group). Internal Audit also participates on a bi-monthly conference call with other audit executives from the Council of Great City Schools.</p>
4. Contingency and Consulting Hours	<p>Audit plans are developed based on priorities and estimations of time. Contingency hours are reserved to ensure the risk-based plan is flexible and responsive to change from unforeseen issues and events during the year. The hours are reserved for unplanned projects, as needed, to include:</p> <p>Consulting services that may include participating in various team meetings, workgroups, or committees within the District to serve in an advisory capacity, to provide management with technical assistance in a variety of areas and serve as an available resource on risk-related issues.</p> <p>Coordinating requests for information/documentation from external or law enforcement agencies,</p> <p>Follow-up on allegations of fraud or significant non-compliance, and</p> <p>Follow-up on concerns of high risk or internal controls deficiencies.</p>

Exhibit D (continued): *Proposed 2021-2022 Internal Audit Work Plan*  
 Administrative and Other Activities Recommended or Required by Standards

Activities <i>(in alphabetic order)</i>		Activity Objective
5.	Investigation Activities	Internal Audit has a dedicated Risk Investigator that works on investigations that involve fraud and/or special assignments from Superintendent/Cabinet /JCBOE members
6.	Professional Development	Auditors are encouraged to obtain 40 hours of continuing professional development. As a result, hours have been budgeted for staff to participate in professional organizations, including the local chapters of the IIA, Association of Certified Fraud Examiners, and KASBO, in an effort to stay up to date with changes in the internal audit profession and best practices in auditing, fraud, school-district operations, and information security management issues.
7.	Quality Assessment and Improvement Program	The IIA's Standards require the Chief Internal Auditor, "...must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity" (Standard 1300). Activities are performed in preparation of the Quality Assessment Review (QAR) that is required to be performed every 5 years. The goal is to ensure the internal audit activities are in conformance with the Internal Audit charter and the mandatory elements of the IPPF; the quality and supervision of audit work being done; Internal Audit's policies and procedures; and how Internal Audit adds value to the District. During FY2022 we will be preparing for a QAR to be performed in FY2023.
8.	Risk Assessment	A Risk Assessment is a process for identifying, measuring, and prioritizing risks based on their likelihood of occurrence and the magnitude of impact. The Risk Assessment serves as the primary tool used by Internal Audit to develop the annual Audit Plan since it will help us identify and prioritize the areas of high risk.



## **BOARD OF EDUCATION**

**Diane Porter, Board Chair, District 1**  
**Dr. Chris Kolb, District 2**  
**James Craig, District 3**  
**Joe Marshall, District 4**  
**Linda Duncan, District 5**  
**Dr. Corrie Shull, Vice Chair District 6**  
**Sarah McIntosh, District 7**

All Jefferson County Public Schools students graduate prepared, empowered, and inspired to reach their full potential and contribute as thoughtful, responsible citizens of our diverse, shared world.