Communication of Management Comments

Members of the Board and Management
Jefferson County Board of Education
Louisville, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jefferson County Board of Education (the "District") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that would not be identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Item 2018-1 to be a significant deficiency.

During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency that we have included in this letter.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.
The District’s written responses to the comments identified in our audit have not been subjected to the
audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion
on them.

This communication is intended solely for the information and use of the Members of the Board,
management and others within the District, and the Kentucky Department of Education, and is not
intended to be and should not be used by anyone other than these specified parties.

Louisville, Kentucky
November 6, 2018
Current Year Comments and Management Responses

Jefferson County Board of Education

June 30, 2018

Financial Reporting

Item 2018-1 – Proper Inclusion of Component Units

Condition & Criteria: Management believes the Jefferson County Public Education Foundation to be a component unit and it is not included in the District’s financial statements.

Cause: The information necessary to properly include the Foundation has not been available by the date needed for inclusion.

Effect: This component unit is not included in the District’s financial statements

Recommendation: We recommend that management engage and complete in a timely manner the audit of the component unit so that it can be properly included in the financial statements.

Management’s Response: In an effort to receive a discounted price on their financial statement audit, the report is not completed in time for inclusion in our financial statements. We continue to discuss this with the Foundation and comply with this audit finding, but we cannot compel them to resolve this since they are a separate organization with their own management priorities.

Management’s Anticipated Completion Date for Corrective Action: We will review this matter again with the Foundation by June 30, 2019.

Personnel

Item 2018-2 – New-Hires not Reported in Board Minutes

Condition & Criteria: District policies require all newly hired employees be included in Board minutes.

Cause: Two out of the eight new hires selected for testing were not reported in the Board minutes.

Effect: District policy was not followed.

Recommendation: We recommend that Human Resources personnel ensure that newly hired employees are properly reported in the Board minutes as required by District policy.

Management’s Response: We are reviewing ways to eliminate these omissions through automating this process.

Management’s Anticipated Completion Date for Corrective Action: January 31, 2019
Current Year Comments and Management Responses--Continued

Jefferson County Board of Education

June 30, 2018

Item 2018-3 – Standardized Electronic Timekeeping

Condition & Criteria: During a review of overtime payroll performed by Internal Audit, it was observed that there were several errors in the calculation of payroll at various transportation centers.

Cause: These locations use handwritten time sheets, which require manual calculations.

Effect: Time reporting can be manipulated and current timekeeping systems may not be reliable to accurately report hours worked.

Recommendation: We recommend that the transportation centers adopt an electronic timekeeping system, using employee badges or other appropriate identification, in order to eliminate manual time sheets and calculations.

Management’s Response: We have had discussions about potential time reporting improvements in Transportation, including electronic timekeeping. With limited resources, we will review the cost versus benefits of implementing a standardized electronic timekeeping system in relation to other priority district-wide process improvements. In the meantime, we have periodic training, individualized staff assistance, and resources such as Minutes to Decimal Conversion Chart.

Management’s Anticipated Completion Date for Corrective Action: Ongoing.

Capital Assets

Item 2018-4 - Disposal of Assets

Condition & Criteria: Documentation is not being completed when assets are disposed of.

Cause: District policy does not require a transfer or disposal form to always be completed when assets are auctioned, recycled, or otherwise disposed of. The District does utilize a tagging system to track assets. However, a formal process of documenting asset disposals and transfers should be implemented and the existing forms could improve this process.

Effect: Capital assets could be disposed of or destroyed without proper authorization.

Recommendation: We recommend that a request for disposal be prepared that describes the asset and the reason for and means of its disposal. An appropriate official who does not have custody of the asset should approve the request as a basis for establishing control over the asset pending its disposal.

Management’s Response: The form referenced is a useful tool for schools to track their assets; however, it is not a required form. Regardless of whether the form is submitted or not, all assets will be removed from our capital asset register upon disposal, whether by removing the asset tags prior to auction or after computers or other technology are verified as destroyed by our recycler.

Management’s Anticipated Completion Date for Corrective Action: N/A
Other Items

Item 2018-5 – School Activity Funds

Condition & Criteria: Kentucky Department of Education requires all Kentucky schools to follow the Redbook in accounting for School Activity Funds. Currently, many schools are not properly following the policies/requirements of the Redbook when accounting for the various activities of the schools.

Cause: Redbook policies/requirements were not followed by bookkeepers/principals in accounting for the various activities at the school in areas such as multiple receipt forms, ticket sales, invoice approval, and transfers.

Effect: Non-compliance with Kentucky Department of Education Redbook policies/requirements.

Recommendation: We recommend that Management continue to provide on-going training and follow-up for bookkeepers and principals, as well as monitor compliance with the Redbook.

Management’s Response: In July 2017, JCPS began a new system of training bookkeepers, all new Principals, and any others requesting or identified as needing assistance in Redbook matters. Trainings for new bookkeepers and Principals are mandatory. The additional resources include position-specific, on-site training. Our bookkeeper trainer will visit new bookkeepers at least three times to train, reinforce the training, and review the new bookkeeper’s work output.

In addition to new bookkeeper and Principal trainings, we plan to offer coach and sponsor trainings across the district. We have had these sessions at a few schools and will expand these across the District.

Last, at the completion of the school audits, we will review all school audits to determine which schools may need remedial training.

Management’s Anticipated Completion Date for Corrective Action: Ongoing.
Item 2018-6 – Transfer of School Funds to the District Activity Fund

Condition & Criteria: District activity funds are used to support co-curricular and extra-curricular activities, and are not raised and expended by student groups. Historically, some district activity funds have been accounted for in the school activity account for convenience or other reasons. The District requires funds that are controlled by adults to be recorded in the District Activity Fund. Currently, many schools are not properly transferring such funds to the District on a monthly basis.

Cause: District policy requiring the transfer of such funds was not followed.

Effect: District policy was not followed.

Recommendation: We recommend the Management remind school personnel on a monthly basis to transfer such funds accordingly.

Management’s Response: This is part of our ongoing training sessions with both bookkeepers and new Principals. We will remind schools of this requirement.

Management’s Anticipated Completion Date for Corrective Action: Ongoing.

Technology

2018-7 – Centralized Security and IT Access

Condition & Criteria: There are various IT functions performed throughout the District and security over these functions is not centrally managed through IT.

Cause: Several departments throughout the District are administering their own security and access protocols.

Effect: Without centralized management around IT functions, there is a lack of a consistency in what security is enabled or the ability to enforce access giving District employees the minimum user rights to various applications needed to perform their job functions. This could result in security vulnerabilities that could be mitigated if functions were centralized.

Recommendation: We recommend that the District consolidate all security and access protocols within the IT Department. This should also include the annual review of access rights to all applications to ensure no user has more access than needed to perform their job functions.

Management’s Response: Information Technology is working closely with Dean Dorton on an enterprise-wide technology risk assessment initiative. The risk assessment includes reviewing IT functions performed outside of IT. The CIO will use the recommendation from the assessment to create a comprehensive action plan.

Management’s Anticipated Completion Date for Corrective Action: The risk assessment is scheduled to be completed in early spring 2019.
2018-8 – Perform a Districtwide IT Risk Assessment Annually

**Condition & Criteria:** While the District currently does have personnel performing risk assessment functions, the District does not have a current formal IT Risk Assessment.

**Cause:** A Risk Assessment should be performed annually to remain current for changes in the IT environment in which the District operates.

**Effect:** The District will not have an up to date assessment documenting the critical systems and functions of the District that are vital to keep the District operating.

**Recommendation:** The District should consider a formal Risk Assessment which will identify critical systems and functions. This plan should include not only IT but all key accounting and business functions that are required to continue operation.

**Management’s Response:** Information Technology is working with Dean Dorton on an enterprise-wide technology risk assessment. The assessment will span several key business areas where IT functions are performed.

**Management’s Anticipated Completion Date for Corrective Action:** The risk assessment is scheduled to be completed in early spring 2019.
2018-9 – Develop Business Continuity and Disaster Recovery Plans

Condition & Criteria: While the District has made some arrangements for continuity and recovery of MUNIS and Infinite Campus processing in the case of disaster, certain technology and student information systems are not covered by a formal comprehensive Business Continuity Plan or Disaster Recovery Plan.

Cause: A major disaster could cause loss of data and operational downtime.

Effect: If a major disaster occurs, the District does not have a documented plan for how to continue business or recover data to continue business as usual.

Recommendation: The District should consider the development of a comprehensive Business Continuity Plan and Disaster Recovery Plan. The District should consider a formal Risk Assessment as discussed in the previous comment. The Business Continuity Plan and Disaster Recovery Plan will be driven from the results of the Risk Assessment. This plan should include not only IT but all key accounting and business functions that are required to continue operation.

Management’s Response: Information Technology is working closely with Dean Dorton on a comprehensive risk assessment initiative. The assessment is scheduled to be completed in early spring 2019. The recommendations of the assessment will be used to address the BC and DR recommendations. Further, IT is actively pursuing an initiative to establish a business continuity site to provide continuity to key district systems.

Management's Anticipated Completion Date for Corrective Action: The risk assessment is scheduled to be completed by early spring 2019 with a draft action plan to address the recommendations coming after that.
2018-10 – IT Tools related to Digital Backpack Initiative

Condition & Criteria: The District is currently undertaking a new initiative to create a digital backpack for students in the District. Google G-Suite is the platform used for this initiative. IT does not have the management tools available to be purchased from Google to monitor and control what is stored in these digital backpacks.

Cause: Without the tools available to monitor these digital assets, potentially harmful files or files that are not used for instruction could be stored in these digital backpacks.

Effect: Harmful files such as malware or infected files could be transferred through the backpacks without proper tools for monitoring.

Recommendation: The District should consider the purchase of the management tools needed to monitor these digital backpacks for potentially harmful files or files that are not of instructional value.

Management’s Response: IT is utilizing the tools provided by the Google for Education suite to manage the Google implementation and the digital backpack. Further, IT worked closely with Amplified IT, a Google partner, to conduct a comprehensive audit of the district’s Google domain. An action committee consisting of IT and educators has been formed to address the audit recommendations. The committee is meeting periodically and some of the recommendations have been implemented. IT is also working with the digital backpack leaders to ensure that schools are actively moderating the content in the Google domain.

Management’s Anticipated Completion Date for Corrective Action: The Google audit action committee is scheduled to complete the implementation of the Google domain audit recommendations by spring of 2019.

Item 2018-11 – Security Awareness Training

Condition & Criteria: Cybercrime is becoming much more prevalent in our society.

Cause: The District is not currently requiring all employees to attend information technology security awareness training.

Effect: Employees are not properly updated on the potential for cybercrime.

Recommendation: Information technology security awareness training should be implemented on an annual basis for all employees.

Management’s Response: IT is working closely with Dean Dorton on a comprehensive enterprise-wide technology risk assessment. The assessment recommendations will be used to formulate a corrective action plan to address the security awareness, district-wide.

Management’s Anticipated Completion Date for Corrective Action: The risk assessment is scheduled to be completed in early spring 2019.
Prior Year Comments
Prior Year Comments

Jefferson County Board of Education
June 30, 2018

Financial Reporting

Item 2017-1 – Proper Inclusion of Component Units

Condition & Criteria: Management believes the Jefferson County Public Education Foundation to be a component unit and it is not included in the District’s financial statements.

Cause: The information necessary to properly include the Foundation has not been available by the date needed for inclusion.

Effect: This component unit is not included in the District’s financial statements

Recommendation: We recommend that management engage and complete in a timely manner the audit of the component unit so that it can be properly included in the financial statements.

Current Status: See 2018-1

Personnel

Item 2017-2 – New-Hires not Reported in Board Minutes

Condition & Criteria: District policies require all newly hired employees be included in Board minutes.

Cause: One out of the twelve new hires selected for testing were not identified as properly reported in the Board minutes.

Effect: District policy was not followed.

Recommendation: We recommend that Human Resources personnel ensure that newly hired employees are properly reported in the Board minutes as required by District policy.

Current Status: See 2018-2
Capital Assets

Item 2017-3 - Improper Disposal of Assets

Condition & Criteria: Transfer forms are not being completed when assets are disposed of.

Cause: Individual schools are failing to submit to property auditors transfer forms.

Effect: Capital assets are not being properly disposed of.

Recommendation: Schools should communicate to property auditors whenever assets are ready for disposition and the proper forms should be completed.

Current Status: See 2018-4

Other Items

Item 2017-4 – School Activity Funds

Condition & Criteria: Kentucky Department of Education requires all Kentucky schools to follow the Redbook in accounting for School Activity Funds. Currently, many schools are not properly following the policies/requirements of the Redbook when accounting for the various activities of the schools.

Cause: Redbook policies/requirements were not followed by bookkeepers/principals in accounting for the various activities at the school in areas such as multiple receipt forms, ticket sales, invoice approval, and transfers.

Effect: Non-compliance with Kentucky Department of Education Redbook policies/requirements.

Recommendation: We recommend the Management consider centralizing the bookkeeping department in order to provide better oversight of accounting for the various activities of the schools.

Current Status: See 2018-5
Technology

Item 2017-5 – Security Awareness Training

Condition & Criteria: Cybercrime is becoming much more prevalent in our society.

Cause: The District is not currently requiring all employees to attend information technology security awareness training.

Effect: Employees are not properly updated on the potential for cybercrime.

Recommendation: Information technology security awareness training should be implemented on a yearly basis for all employees.

Current Status: See 2018-11

Item 2017-6 – Mobile Device Management

Condition & Criteria: JCPS IT staff has requests from teachers, staff and students which require deployment and management of thousands of various devices including Chromebooks, iPads/iPhones, Windows and Android phones and tablets.

Cause: Currently, the District has no mobile device management system to provision, track and securely manage these devices to allow network access. Several vendor quotes were obtained however funding has not been allocated.

Effect: Delays in provisioning new mobile devices, misconfiguration of new or current devices and failure to properly manage current devices that are lost/stolen can cause loss of data, system availability and security issues.

Recommendation: We recommend that IT management provide senior management with several proposals for mobile device management including an overview of the risks and threats to the District if a solution is not implemented.

Current Status: Not identified as an issue for the current year.