



Communication of Management Comments

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, the component unit, and the aggregate remaining fund information of Board of Education of Jefferson County, Kentucky (the "District") as of and for the year ended June 30, 2019, 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.

During our audit, we 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.

Stottman and Company PSC
Louisville, Kentucky
November 12, 2019

Board of Education of Jefferson County, Kentucky

June 30, 2019

Item 2019-1 – 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: Over the past two school years, JCPS Accounting Services has transformed Redbook training for principals and bookkeepers. Every new principal is trained in-person at their school to discuss principal-specific Redbook rules. New bookkeepers must complete an all-day Redbook training, then are coached one-on-one at their school site to address school-specific needs. All bookkeepers are asked to attend quarterly meetings where the Finance division discusses “hot topics” and important reminders about how to be successful in their roles.

In addition to new bookkeeper and Principal trainings, we have created a Multiple Receipt Video that was required to be viewed by all sponsors at our JCPS schools at the beginning of the school year. This video ensures that Redbook receipt rules are discussed at each school by all sponsors. We are also working with IT3 to develop an EPES training course and other Redbook related video courses for all staff with financial functions.

Comparing FY19 school activity fund findings to FY18 findings, the results show the positive impact of our new training model: 29% reduction in findings (524 vs. 733) and 24% increase in 0-finding schools (41 vs. 33). JCPS will continue this training model to ensure that our schools continue to improve and succeed with Redbook.

Management’s Anticipated Completion Date for Corrective Action: Ongoing

Board of Education of Jefferson County, Kentucky

June 30, 2019

Technology

Item 2019-2 – 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 Business Continuity Plan and Disaster Recovery Plan should be driven from the results of the IT risk assessment and should also address change management. This plan should include not only IT but all key accounting and business functions that are required to continue operation.

Management's Response: We agree. The IT group is working closely with the KY Department of Education (KDE) to designate a business continuity site. The purpose of this site is to provide real-time failover capability for critical systems in the event the main data center becomes inoperable. KDE is an integral part of this process since they manage the security principal required to authenticate users. Further, the district uses a cloud service to back up the data to minimize the impact of a disruption at the main data center.

Management's Anticipated Completion Date for Corrective Action: We anticipate clarity on the business continuity site by July 2020.

Board of Education of Jefferson County, Kentucky

June 30, 2019

Item 2019-3 – IT Tools related to Digital Backpack Initiative

Condition & Criteria: The District has created 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 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: We agree. In 2018, the district engaged with an outside agency to audit the Google management environment. The technology team has taken measures recommended by the audit. The office of the CIO is considering the purchase of the Google Enterprise for Education which is a suite of tools to aid in the management of the Google environment.

Management's Anticipated Completion Date for Corrective Action: July 2020

Item 2019-4 – 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: We agree and recognize the critical need. The office of the CIO is working towards the creation of a dedicated information risk and compliance management position which will address this need.

Management's Anticipated Completion Date for Corrective Action: July 2020

Prior Year Comments

Prior Year Comments

Board of Education of Jefferson County, Kentucky

June 30, 2019

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.

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

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.

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

Prior Year Comments--Continued

Board of Education of Jefferson County, Kentucky

June 30, 2019

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.

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

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.

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

Prior Year Comments--Continued

Board of Education of Jefferson County, Kentucky

June 30, 2019

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.

Current Status: See Item 2019-1

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.

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

Board of Education of Jefferson County, Kentucky

June 30, 2019

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.

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

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.

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

Board of Education of Jefferson County, Kentucky

June 30, 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.

Current Status: See Item 2019-2

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.

Current Status: See Item 2019-3

Prior Year Comments--Continued

Board of Education of Jefferson County, Kentucky

June 30, 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.

Current Status: See Item 2019-4