

### **Executive Summary**

This report to the Board of Education provides background on the Audit Committee (the committee), committee responsibilities, a list of committee's members, and a general update of committee activities respective to the committee's responsibilities.

### **2020 Members**

Current committee members:

Susan Miller, Board of Education Representative (appointed 1/2020)  
Brad Rupert, Board of Education Representative (re-appointed 1/2020)  
Leanne Emm, Financial Oversight Committee Representative (appointed 9/2019)

Current support staff:

Nicole Stewart, Interim Chief Financial Officer  
Vacant, Director-Finance  
Lisa Anderson, Controller  
Kristopher Schuh, Interim Superintendent

### **General Activities**

**Meetings** – The committee met on February 11, June 3, October 13 and December 3, 2020.

1. On February 11, 2020, members [Brad Rupert, Susan Miller] heard from Paul Niedermuller with CliftonLarsonAllen, on the independent auditors' report on applying agreed-upon procedures for the quarter ending December 31, 2019. Highlights were two funds being yellow flagged including Food Services and Central Services which will both continue to be monitored. Stephanie Corbo stepped through the second quarter financial report and commented on fund charts and how funds are analyzed against benchmark. There was further discussion regarding yellow flag status of Food Services and Central Services funds and plans to assure accountability and a balanced budget. There was discussion on charter school enrollment at Doral and New America and how the charter school fund is reviewed the same as other district funds. Niedermuller presented information on the process and scope of the 2020 audit plan combined with training that covered the committee's role, clarification on what sections of the comprehensive annual financial report (CAFR) that are audited, an explanation on governmental accounting and cash versus accrual basis, fund types, understanding net position, TABOR reserve, and aspects of the single audit. There was discussion of the bond plan and how it is monitored including by the Capital Asset Advisory Committee (CAAC) and a quarterly financial analysis. Ken Felan, Jeffco Public Schools internal auditor, and Sherrie LaChance, financial analyst/internal auditor for the district, presented a semi-annual review and summary report of internal audits for first semester 2019/2020. There was discussion regarding frequency of audits, top issues, monitoring of school carryforwards, accountability and follow-up. The committee reviewed and approved the annual report of committee activity to be submitted to the Board of Education (BOE).

2. On June 3, 2020, members [Brad Rupert, Susan Miller and Leanne Emm] discussed questions regarding third quarter 2019/2020 financial report which all members had reviewed at a Board meeting or Financial Oversight Committee meeting. There was discussion regarding status of accruals, impacts of COVID-19 on financials, the Coronavirus Aid, Relief and Economic Security (CARES) Act funding, and timing of receipt of property tax and specific ownership tax revenues from Jefferson County. Members received notification that Stephanie Corbo resigned as Director of Finance and would be leaving the district. As a result, the district reported it will be engaging with a separate group at CliftonLarsonAllen (CLA) to work with staff to produce the CAFR. Paul Niedermuller with CLA shared a presentation on the 2020 Audit Plan that covered scope and responsibilities of all parties, the sections of the CAFR that are audited, 2020 unique audit issues, fieldwork and reporting timeline, and audit success factors and questions. There was additional discussion regarding the challenges of having employees working in a remote environment due to the COVID-19 situation, fraud awareness, and tightened parameters and internal controls initiated by the district. Other topics covered the delay in audit guidance for the Single Audit for Title I and COVID-19 programs, postponement of GASB 95 implementation effective dates due to COVID-19 and timeline to ensure a successful audit. Additional discussion covered pre- and post-COVID-19 environment, use of data analytics, impacts on in-school audits, and how refunds were managed due to pandemic related cancellations. Staff reported challenges and plans for use of CARES funding due to the delay in guidelines for how the funds can be used, how to identify appropriate expenditures and the timeframe for how soon the funds must be spent which is also impacting the district's ability to finalize a budget.
  
3. On October 13, 2020, members [Brad Rupert, Susan Miller and Leanne Emm] reviewed a summary report of school audits covering 2019/2020 school year from Ken Felan, internal auditor with Jeffco Public Schools, and a history summary of internal audits from 2008 to 2020. Felan covered audit ratings—effective, partially effective and not effective, repeat issues, improvements, variables that affect audit results, resolution and corrective actions, accountability, and coordination with leadership and school administration. Other discussion included audit objectives, enhanced tools that will be implemented to assist with system and process, and impacts and limitations of performing audits at schools due to the COVID-19 environment. Following the presentation and reports, future presentations will focus on numbers rather than percentages and will include an update on the effectiveness of the new tools. Staffing for internal audit was discussed; staff confirmed that there are no plans to expand the number of FTE at this time. Mary Cooper, presented the fourth quarter financials which it was noted are unaudited. All members had already reviewed the report at the October 7 Board of Education meeting or the Financial Oversight Committee meeting on October 6. Highlights of the presentation covered adequate cash on hand, the yellow flag status of Food Services and Central Services Funds, the supplement to Food Services from General Fund and Jefferson County CARES funding, pending audit determination of applicable expenditures for CARES funding, timing for expenditure of CARES funds, Arbitrage monitoring of the Building Fund, impacts to several funds due to loss of fees as a result of COVID-19, and confirmation that charter schools ended the year with positive cash balances. In response to a question, staff clarified that because the district had already purchased one to one devices with mill levy override funds prior to the pandemic, the Technology Fund did not see higher expenditures. There was further discussion of the bond, expenditures to date and clarification that CLA doesn't audit bond spending. Niedermuller updated the committee on the status of work to date on the annual audit. Members chose to meet in Executive Session with the Internal Auditor.

4. On December 3, 2020, members [Susan Miller and Leanne Emm] received an audit update on first quarter of 2020/2021; both members had reviewed the report as part of the Financial Oversight Committee on November 3 or the Board of Education meeting on November 11, 2020. In response to discussion at a prior meeting, it was reported that confirmation was received that no significant legal matters were impacting the district. Paul Niedermuller with CLA reported that the CAFR for fiscal year ending June 30, 2020 was completed. Highlights of the review included audit responsibilities under Generally Accepted Auditing Standards (GAAS), scope of engagement, CAFR results, and required communications. There was discussion regarding the single audit which will be conducted in the spring, the extension of the due date due to the delay of audit guidelines for CRF funds from the federal government, an explanation of what defines a major program, how the single audit programs are selected and how non-qualifying expenditures would be tested if deemed ineligible during the single audit. Key areas covered included the use of a risk-based approach to conduct the audit, an overview of sections of CAFR that are opined on by the auditors, and increased fraud awareness. Niedermuller pointed out a management letter comment related to an expense recognition that was corrected, though not required, and reflected in the financial statements of the CAFR. He stepped through each section of the CAFR document. There was discussion regarding whether the audit met the language of the bond ballot issue. Niedermuller noted that capital programs are audited as part of their engagement to audit the financial statements of the district and that a performance audit is different than a financial audit. Staff confirmed that the district is in compliance with the language of the bond. Other components of the CAFR were covered including the Governmental Funds Balance Sheet, the Notes section, and schedules on Net Pension Liability. He reported there were no audit findings or issues and that the district received a clean opinion. Niedermuller reported on a correspondence received from a citizen with allegations regarding auditing of the bond program. He confirmed that CLA does not engage with citizens and that the correspondence was referred to district management and the Financial Oversight Committee. Staff advised that the district is working internally to assist CAAC with information for reporting to the Board. Leanne Emm advised that Mary Everson was appointed to be the representative from Financial Oversight Committee starting with the February Audit Committee meeting.

### **Background**

The Audit Committee was formed in February 2013. By policy, the committee meets two times per year with meetings generally scheduled four times a year and includes, as approved by the Board, two Board of Education members and one citizen member of the Financial Oversight Committee. The Superintendent, Chief Financial Officer and Director of Finance attend in an ex-officio capacity. Per Governance Process GP-13 and district policy DIEA and DIEA-R, the primary functions of the committee are to:

1. Annually, review the committee charter and schedule at least three meetings for the committee for the next fiscal year. Review and approve minutes from each meeting.
2. Provide training for any new members to the committee.
3. Communicate regularly during open meetings and/or in executive sessions with the Chief Financial Officer, internal auditor, external auditor, Financial Oversight Committee and the Board of Education.
4. Provide reports to the Board of Education and Financial Oversight Committee on activities and any recommendations.

5. Engage the independent auditors, subject to Board approval. Confirm the firm's internal quality control procedures, any material issues raised during the most recent peer review and any corrective actions taken. Review and evaluate auditor independence.
6. Review the quarterly reports with staff and external auditors.
7. Meet with independent auditors to obtain an understanding of factors considered by them in determining audit scope.
8. Review with management and the independent auditors at the completion of the annual audit:
  - a. The overall report.
  - b. Any problems or difficulties that they may have encountered in connection with the audit.
  - c. Scope and quality of internal controls in effect.
  - d. Any management letters, single audit findings or other material communications from the independent auditors and managements response to those communications.
  - e. Significant transactions outside the ordinary operations of the district.
  - f. Selection of and changes to the district's accounting principles.
  - g. Material correcting accounting adjustments.
  - h. Process for formulating accounting estimates.
  - i. Risk assessment and risk management.
9. Determine and advise on any additional non audit services.
10. Review and approve annual internal audit plan.
11. Review the performance of the district's internal auditor.
12. Obtain summaries on internal audit activities.
13. Obtain an understanding of the district's internal control and risk management policies.
14. Discuss with management and the internal auditor the major risk exposures, the adequacy and effectiveness of accounting and financial controls, and steps management has taken to mitigate exposure.
15. Review and approve updated internal audit risk assessment model.

### **Executive Summary**

This report to the Board of Education provides background on the Audit Committee (the committee), committee responsibilities, a list of committee's members, and a general update of committee activities respective to the committee's responsibilities.

### **Members**

Current committee members:

- Susan Miller, Board of Education Representative (appointed 1/2020)
- Brad Rupert, Board of Education Representative (re-appointed 1/2020)
- Leanne Emm, Financial Oversight Committee Representative (appointed 9/2019)

Current support staff:

- Kathleen Askelson, Chief Financial Officer
- Stephanie Corbo, Director-Finance
- Dr. Jason Glass, Superintendent

### **General Activities**

**Meetings** – The committee met on February 19, May 1, October 9 and December 10, 2019.

1. On February 19, 2019, members [Brad Rupert and Bob West] reviewed the independent accountants' report on applying agreed-upon procedures for the quarter ending December 31, 2018. Highlights were the change of Free Horizon Montessori from a charter school to a School of Innovation beginning in FY 2019 and inclusion in district's financial activity; summary of funds projected to possibly require a supplemental appropriation; and yellow flag status of the Food Service Fund. Members received an update on the Second Quarter Financial Report from staff. Ken Felan, Jeffco Public Schools internal auditor, presented a semi-annual review and summary report of internal audits for first semester 2018/2019. There was discussion regarding guidelines for boosters; guidelines for working with crowdfunding vendors; audit tools to support school administrators; policy compliance; fraud awareness; and internal control changes. The committee reviewed and approved the annual report of committee activity to be submitted to the Board of Education (BOE).
2. On May 1, 2019, members [Brad Rupert, Ali Lasell] were notified that Bob West resigned from the Financial Oversight Committee. Staff provided several financial updates including the pending status of requests for proposals for banking services and armored car services; the yellow flag status of the Food Services Fund; development of an internal platform for receiving donations; and award of the Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR) for fiscal year 2018 by the Government Finance Officers Association. Staff reviewed the Third Quarter Financial Report. Discussion highlights included adequate cash on hand through receipt of property tax revenue in the spring; yellow flag status of Food Services Fund and Great Work Montessori; appropriation of 5A mill levy funding; supplemental appropriations for the Capital Reserve Fund, Building Fund, Debt Service Fund and Employee Benefits Fund; and implementation of cost tracking system by user for printers. Also covered was the upcoming consent agenda item regarding increased costs and complexities for obtaining insurance coverage for the district due to impacts from hail activity

and high property claims. Paul Niedermuller, independent auditor for the district with CliftonLarsonAllen, reviewed the auditor's report for third quarter and commented on the upcoming year end audit regarding timing and scope. Members discussed full day kindergarten, roll out of 1:1 devices, fees, charter-related foundations, transparency, funding practices, reserves levels, ratings agency letters, unspent school carryforwards, school based budget model adjustments and AMP funding. Staff provided clarification on the annual data pipeline submission feedback from Colorado Department of Education (CDE) for FY 2017/2018, noting that no formal response was due to CDE.

3. On October 9, 2019, staff advised that Leanne Emm was appointed as the new member representative from Financial Oversight Committee. Members [Brad Rupert, Al Lasell, Leanne Emm] reviewed a summary report of school audits covering 2018/2019 school year from Ken Felan, internal auditor with Jeffco Public Schools, that covered an overview of audits performed, summary of audit findings by schools by year, total and repeat issues, ratings/frequency by school type and conclusions. There was discussion regarding corrective actions, accountability, training, controls and compliance. Also covered was an Audit History Summary Report from 2008-2019, goals for the 2019/2020 school year, Department of Labor rules regarding paying classified employees and impacts of volunteering and recording of grant time. Staff reported on a district-sponsored public school internal audit roundtable with metro area districts. Members stepped through the Fourth Quarter 2018/2019 Financial Report. Highlights included yellow flag status of three funds, not including any charter schools, monitoring plans for flagged funds including the Building, Food Services and Central Services Funds. Also covered were an update on proposed legislation and the status of the independent audit for FY 2018/2019.
4. On December 10, 2019, members [Brad Rupert (by phone) and Leanne Emm] received an audit update on first quarter of 2019/2020. Stephanie Corbo stepped through the First Quarter Financial Report for 2019/2020. Key areas of discussion included the yellow flag status for the Food Services Fund and the plan for monitoring and accountability; the Building Fund and Arbitrage monitoring; and enrollment concerns at two charter schools – Doral and New America. Paul Niedermuller with CliftonLarsonAllen presented an overview of audit responsibilities under Generally Accepted Auditing Standards (GAAS), scope of engagement, CAFR and Single Audit results, required communications and Governmental Accounting Standards Board (GASB) changes as they pertain to the annual audit of the 2018/2019 CAFR. There was discussion regarding pension liability calculations and reporting. Members did not chose to meet in executive session with the Independent Auditor.

### **Background**

The Audit Committee was formed in February 2013. By policy, the committee meets two times per year with meetings generally scheduled four times a year and includes, as approved by the Board, two Board of Education members and one citizen member of the Financial Oversight Committee. The Superintendent, Chief Financial Officer and Director of Finance attend in an ex-officio capacity. Per Governance Process GP-13 and district policy DIEA and DIEA-R, the primary functions of the committee are to:

1. Annually, review the committee charter and schedule at least three meetings for the committee for the next fiscal year. Review and approve minutes from each meeting.
2. Provide training for any new members to the committee.
3. Communicate regularly during open meetings and/or in executive sessions with the Chief Financial Officer, internal auditor, external auditor, Financial Oversight Committee and the Board of Education.

4. Provide reports to the Board of Education and Financial Oversight Committee on activities and any recommendations.
5. Engage the independent auditors, subject to Board approval. Confirm the firm's internal quality control procedures, any material issues raised during the most recent peer review and any corrective actions taken. Review and evaluate auditor independence.
6. Review the quarterly reports with staff and external auditors.
7. Meet with independent auditors to obtain an understanding of factors considered by them in determining audit scope.
8. Review with management and the independent auditors at the completion of the annual audit:
  - a. The overall report.
  - b. Any problems or difficulties that they may have encountered in connection with the audit.
  - c. Scope and quality of internal controls in effect.
  - d. Any management letters, single audit findings or other material communications from the independent auditors and managements response to those communications.
  - e. Significant transactions outside the ordinary operations of the district.
  - f. Selection of and changes to the district's accounting principles.
  - g. Material correcting accounting adjustments.
  - h. Process for formulating accounting estimates.
  - i. Risk assessment and risk management.
9. Determine and advise on any additional non audit services.
10. Review and approve annual internal audit plan.
11. Review the performance of the district's internal auditor.
12. Obtain summaries on internal audit activities.
13. Obtain an understanding of the district's internal control and risk management policies.
14. Discuss with management and the internal auditor the major risk exposures, the adequacy and effectiveness of accounting and financial controls, and steps management has taken to mitigate exposure.
15. Review and approve updated internal audit risk assessment model.

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This report to the Board of Education provides background on the Audit Committee (the committee), committee responsibilities, a list of committee's members, and a general update of committee activities respective to the committee's responsibilities.

### **Members**

Current committee members:

- Ali Lasell, Board of Education Representative (appointed 12/2015)
- Brad Rupert, Board of Education Representative (appointed 12/2015)
- Bob West, Financial Oversight Committee Representative (appointed 2/2013)

Current support staff:

- Kathleen Askelson, Chief Financial Officer
- Stephanie Corbo, Director-Finance
- Dr. Jason Glass, Superintendent

### **General Activities**

**Meetings** – The committee met on February 13, April 26, October 3 and December 5, 2018.

1. On February 13, 2018, members [Rupert and West] received information on the Second Quarter Financial Report from staff. Ken Felan, Jeffco Public Schools internal auditor, presented a semi-annual review and summary report of internal audits for first semester 2017/2018 that included a timeline for planned audits, the process for reporting and follow-up, and an overview of other financial support to schools. Chris Paschke, Executive Director of Data Privacy and Security, and Brett Miller, Chief Technology Officer, discussed the role and responsibilities of the information technology security team, current threats and vulnerabilities, the role and activity of the district's Technology and Data Privacy Advisory Committee, network security strategies, and current projects and future initiatives. The committee reviewed and approved the annual report of committee activity to the Board of Education (BOE). Stephanie Corbo reported on the status of the request for proposal for the engagement of independent external auditors and advised that the contract award recommendation will go to the Board as a consent item, even though the dollar amount did not require BOE approval.
2. On April 26, 2018, members [Rupert and West] reviewed the Third Quarter Financial Report. Stephanie Corbo, discussed highlights including cash reserves and timing for receipt of property tax revenue, the yellow flag status for the food service fund as well as Rocky Mountain Academy Evergreen and Great Work Montessori Schools. Paul Niedermuller, independent auditor for the district with CliftonLarsonAllen, presented an overview of the scope of the annual external audit and single audit that included an overview of the independent auditors responsibilities, major activities and/or changes at the district during fiscal year 2018, a timeline of fieldwork and reporting, and a summary of audit success factors. Stephanie Corbo reviewed the annual notification from the Colorado Department of Education (CDE) on the acceptance of the prior year audit and financial submission via the data pipeline, noting no formal response was due to CDE.



3. On October 3, 2018, members [Rupert and West] reviewed a summary report of school audits covering 2017/2018 information as well as an audit history summary covering 2008-2018 from Ken Felan, internal auditor with Jeffco Public Schools, that covered audit scope, identification of repeat issues, trends and reporting and follow-up. Felan updated members on training provided for booster groups with regard to best practices for finance and tax issues. Corbo reviewed fourth quarter financial highlights. Paul Niedermuller with CliftonLarsonAllen provided an update on the status of the external audit. Stephanie Corbo presented a review of the Fourth Quarter Financial Report that included and update on cash reserves, the yellow flag status of the Food Services fund, insurance reserves due to hail claims, the yellow flag status of Rocky Mountain Academy of Evergreen and Great Works Montessori School, the status of Free Horizon's move, and the transition of Golden View Academy from a district charter school to a Charter School Institute school. Kathleen Askelson updated the committee delayed receipt of property tax review from the county due to county issues with processing property tax receipts. Askelson reported that Moody' reaffirmed the district Aa2 rating. Members of the committee met in executive session with the Internal Auditor.
4. On December 5, 2018, members [Lasell, Rupert and West] received an audit update on first quarter of 2018/2019. Paul Niedermuller with CliftonLarsonAllen discussed the results of the annual audit as it relates to the Comprehensive Annual Financial Report for 2017/2018. Members chose to meet in executive session with the Independent Auditor.

### **Background**

The Audit Committee was formed in February 2013. The committee generally meets four times a year and includes, as approved by the Board, two Board of Education members and one citizen member of the Financial Oversight Committee. The Superintendent, Chief Financial Officer and Director of Finance attend in an ex-officio capacity. Per Governance Process GP-13 and district policy DIEA and DIEA-R, the primary functions of the committee are to:

1. Annually, review the committee charter and schedule at least three meetings for the committee for the next fiscal year. Review and approve minutes from each meeting.
2. Provide training for any new members to the committee.
3. Communicate regularly during open meetings and/or in executive sessions with the Chief Financial Officer, internal auditor, external auditor, Financial Oversight Committee and the Board of Education.
4. Provide reports to the Board of Education and Financial Oversight Committee on activities and any recommendations.
5. Engage the independent auditors, subject to Board approval. Confirm the firm's internal quality control procedures, any material issues raised during the most recent peer review and any corrective actions taken. Review and evaluate auditor independence.
6. Review the quarterly reports with staff and external auditors.
7. Meet with independent auditors to obtain an understanding of factors considered by them in determining audit scope.
8. Review with management and the independent auditors at the completion of the annual audit:
  - a. The overall report.
  - b. Any problems or difficulties that they may have encountered in connection with the audit.
  - c. Scope and quality of internal controls in effect.

- d. Any management letters, single audit findings or other material communications from the independent auditors and managements response to those communications.
  - e. Significant transactions outside the ordinary operations of the district.
  - f. Selection of and changes to the district's accounting principles.
  - g. Material correcting accounting adjustments.
  - h. Process for formulating accounting estimates.
  - i. Risk assessment and risk management.
9. Determine and advise on any additional non audit services.
  10. Review and approve annual internal audit plan.
  11. Review the performance of the district's internal auditor.
  12. Obtain summaries on internal audit activities.
  13. Obtain an understanding of the district's internal control and risk management policies.
  14. Discuss with management and the internal auditor the major risk exposures, the adequacy and effectiveness of accounting and financial controls, and steps management has taken to mitigate exposure.
  15. Review and approve updated internal audit risk assessment model.

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### **Members**

Current committee members:

- Ali Lasell, Board of Education Representative (appointed 12/2015)
- Brad Rupert, Board of Education Representative (appointed 12/2015)
- Bob West, Financial Oversight Committee Representative (appointed 2/2013)

Current support staff:

- Kathleen Askelson, Chief Financial Officer
- Stephanie Corbo, Director-Finance
- Dr. Jason Glass, Superintendent

### **General Activities**

**Meetings** – The committee met on February 13, May 1, October 2 and December 4, 2017.

1. On February 13, 2017, members [Rupert and West] received information on the Second Quarter Financial Report from staff and the independent auditor's report for second quarter from Paul Niedermuller, independent auditor with CliftonLarsonAllen. Members were advised of a wire transfer fraud that occurred and steps taken by management to tighten internal controls. Ken Felan, Jeffco Public Schools internal auditor, presented a semi-annual review of internal audits that included a timeline for planned audits, the process for reporting and follow-up, and an overview of other financial support to schools. Kay Bridges, the district's compliance and assurance manager, presented information and results on the annual grant audit process. The committee approved the annual report of committee activity to the Board of Education. Members voted to exercise the option for a one-year renewal contract for independent audit services with CliftonLarsonAllen. Members received an update on the use of point of sale systems districtwide in lieu of a manual cash process to provide better funds tracking and reporting.
2. On May 1, 2017, members [Rupert, Lasell and West] reviewed the Third Quarter Financial Report, and Jean Bushong, independent auditor with CliftonLarsonAllen, covered the independent auditor's report results for third quarter. Bushong presented an overview of the annual external audit that included audit best practices, audit scope, auditor and management responsibilities, risk analysis, major activities and changes at the district over the last year. The committee was updated about the annual notification and report from Colorado Department of Education regarding the Pipeline Submission.
3. On October 2, 2017, members [Rupert, Lasell and West] reviewed a summary report of school audits covering 2016/2017 information as well as an audit history summary covering 2008-2017 from Ken Felan, internal auditor with Jeffco Public Schools, that covered audit scope, identification of repeat issues, trends and reporting and follow-up. Felan updated members on

training provided for booster groups with regard to best practices for finance and tax issues. Corbo reviewed fourth quarter financial highlights. Paul Niedermuller with CLA provided an update on the status of the external audit. Corbo covered the Colorado Office of the State Auditor Fiscal Health Analysis report for 2014-2016 that was released in July and reported that there were no negative indicators for the district.

4. On December 4, 2017, members [Lasell, Rupert and West] received an audit update on first quarter of 2017/2018. Paul Niedermuller with CliftonLarsonAllen discussed the results of the annual audit as it relates to the Comprehensive Annual Financial Report for 2016/2017. Members chose to meet in executive session with the Independent Auditor.

### **Background**

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5. Engage the independent auditors, subject to Board approval. Confirm the firm's internal quality control procedures, any material issues raised during the most recent peer review and any corrective actions taken. Review and evaluate auditor independence.
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- Bob West, Financial Oversight Committee Representative (appointed 2/2013)

Current support staff:

- Kathleen Askelson, Chief Financial Officer
- Stephanie Corbo, Director-Finance
- Dan McMinimee, Superintendent

## **General Activities**

**Meetings** – The committee met on February 24, June 16, September 10, 2015, and January 21, March 9, June 13, September 26 and December 5, 2016.

1. On February 24, 2015, Ken Felan, Jeffco Public Schools internal auditor, presented a semi-annual review of internal audits. Kay Bridges, Manager of Compliance and Assurance, presented an overview of the internal controls and tools in place within the district to assure compliance with policies and procedures, including the Financial Services Guide, school support through the School accounting Support Team and other training and support. The committee reviewed the second quarter financial report, approved the audit committee annual report to the Board of Education, and conducted oversight of the independent auditing firm of CliftonLarsonAllen (CLA) with no objections or concerns identified.
2. On June 16, 2015, the committee (Fellman, Newkirk and West) reviewed the third quarter financial report and auditor's report, the external audit plan for the district that included an overview of the auditor's roles and responsibilities under U.S. generally accepted auditing standards (GAAS) and the audit committee's role, and the Colorado Office of the State Auditor Fiscal Health Analysis report which did not include any negative indicators for the district. In addition, members of the committee held an executive session with the chief financial officer to discuss district turnover, new hires, negotiations and questions regarding an injunction by Jefferson County Educators Association.
3. On September 10, 2015, the committee (Newkirk, West) received an update on the fourth quarter financials. Askelson clarified a routine letter sent from Colorado Department of Education regarding issues with the annual data pipeline submission and noted that the letter is not the same level as an audit but rather an informational document that relates to reporting consistencies for all districts at the state level. Paul Niedermuller with CLA discussed the annual audit and reviewed recent changes to the U.S. Office of Management and Budget (OMB) A-133 that defines guidelines for conducting the single audit. The committee discussed the new OMB rules and possible impacts to dollar thresholds as defined by district policy. Niedermuller updated the committee on the status of implementation changes due to GASB No. 68 and No. 71 as it relates to reporting of pension liability. Askelson further

discussed the unique challenges for the district due to how PERA funds are allocated through the district to its charter schools. Niedermuller discussed Title II programs being audited. Other discussion included clarification on pension liability projections, legislated funding requirements, Title II teacher training, professional development funds, and staff turnover.

Ken Felan, the district internal auditor, provided a 2014/2015 internal audit summary report and fielded questions regarding issues tracking, audit frequency, and audit assessment software that could improve efficiencies. Members of the committee passed on meeting in executive session with the internal auditor as there were no concerns.

4. On January 21, 2016, a training session was conducted for member Bob West and new members Ali Lasell and Brad Rupert. Askelson reviewed the committee charter and annual work calendar as well as committee-related district and Board policies and the Government Finance Officers Association (GFOA) best practices and *Elected Official's Guide for Audit Committees*. Paul Niedermuller with CLA covered background on CLA and the history of auditing, the whys and expectations of an audit committee, structuring an audit, internal controls and risk assessment, ethics versus fraud, single audits and transparency requirements.
5. On March 9, 2016, members (Rupert, Lasell and West) reviewed the 2014/2015 Fourth Quarter Financial Report Recap and 2015/2016 First and Second Quarter Financial Report review. Paul Niedermuller conducted a training overview of the Comprehensive Annual Financial Report that included reviewing district financial statements and the independent auditors' reports and for determining the scope of the annual audit plan that included timeline for audits, reporting and follow-up process, and other financial support to schools. Ken Felan, Jeffco Public Schools internal auditor, presented a semi-annual review of internal audits that included timeline for audits, reporting and follow-up process, and other financial support to schools.
6. On June 13, 2016, the committee reviewed financial and auditor's report for third quarter. Paul Niedermuller with CLA discussed the overview of the annual external audit plan that included the scope of the annual audit, unique audit issues and changes, the timeline and audit success factors. Askelson reviewed background on the state statute for transparency, posting deadlines, and Colorado Department of Education (CDE) guidelines for compliance, and staff demonstrated how to access information from the district's financial transparency website. Askelson advised that Stephanie Corbo will join Jeffco as director of finance in July.
7. On September 26, 2016, Ken Felan, internal auditor with Jeffco Public Schools, provided a 2015/2016 audit summary report and 2008-2016 audit review that covered audit scope, identification of repeat issues, trends and reporting and follow-up. Paul Niedermuller with CLA provided an update on the status of the external audit including challenges due to issues surrounding obtaining information needed from Golden View Classical Academy. Askelson updated the committee on an instance of email fraud that occurred in the district. Staff provided a demonstration of the dashboard and reporting available to principals to assist them with managing their budget. Askelson shared a copy of the Colorado Office of the State Auditor Fiscal Health Analysis report for 2013-2015 that was released in August and reported that there were no negative indicators for the district.

8. On December 5, 2016, members (Rupert, Lasell and West) reviewed the 2015/2016 Comprehensive Annual Financial Report with auditors from CliftonLarsonAllen that included reviewing district financial statements and the independent auditors' reports. Stephane Corbo, Jeffco Public Schools director of finance, briefly discussed the fourth quarter 2015/2016 and the first quarter 2016/2017 financial reports which members had reviewed in detail as part of Financial Oversight Committee and Board of Education meetings.

**Background**

The Audit Committee was formed in February 2013. The committee generally meets four times a year and includes, as approved by the Board, two Board of Education members and one citizen member of the Financial Oversight Committee. The Superintendent, Chief Financial Officer and Director of Finance attend in an ex-officio capacity. Per Governance Process GP-13 and district policy DIEA and DIEA-R, the primary functions of the committee are to:

1. Annually, review the committee charter and schedule at least three meetings for the committee for the next fiscal year. Review and approve minutes from each meeting.
2. Provide training for any new members to the committee.
3. Communicate regularly during open meetings and/or in executive sessions with the Chief Financial Officer, internal auditor, external auditor, Financial Oversight Committee and the Board of Education.
4. Provide reports to the Board of Education and Financial Oversight Committee on activities and any recommendations.
5. Engage the independent auditors, subject to Board approval. Confirm the firm's internal quality control procedures, any material issues raised during the most recent peer review and any corrective actions taken. Review and evaluate auditor independence.
6. Review the quarterly reports with staff and external auditors.
7. Meet with independent auditors to obtain an understanding of factors considered by them in determining audit scope.
8. Review with management and the independent auditors at the completion of the annual audit:
  - a. The overall report.
  - b. Any problems or difficulties that they may have encountered in connection with the audit.
  - c. Scope and quality of internal controls in effect.
  - d. Any management letters, single audit findings or other material communications from the independent auditors and managements response to those communications.
  - e. Significant transactions outside the ordinary operations of the district.
  - f. Selection of and changes to the district's accounting principles.
  - g. Material correcting accounting adjustments.
  - h. Process for formulating accounting estimates.
  - i. Risk assessment and risk management.
9. Determine and advise on any additional non audit services.
10. Review and approve annual internal audit plan.
11. Review the performance of the district's internal auditor.
12. Obtain summaries on internal audit activities.
13. Obtain an understanding of the district's internal control and risk management policies.



14. Discuss with management and the internal auditor the major risk exposures, the adequacy and effectiveness of accounting and financial controls, and steps management has taken to mitigate exposure.
15. Review and approve updated internal audit risk assessment model.

## **Executive Summary**

This report to the Board of Education provides background on the Audit Committee (the committee), committee responsibilities, a list of committee's members, and a general update of committee activities respective to the committee's responsibilities.

## **Members**

Committee members:

- Jill Fellman, Board of Education Representative (appointed 2/2013)
- John Newkirk, Board of Education Representative (appointed 2/2014)
- Bob West, Financial Oversight Committee Representative (appointed 2/2013)

Support staff:

- Kathleen Askelson, Chief Financial Officer
- Dan McMinimee, Superintendent

## **General Activities**

**Meetings** – The committee met on February 14, May 13, August 21, and December 2, 2014.

1. On February 14, 2014, Ken Felan, Jeffco Public Schools internal auditor, presented a semi-annual review of internal audits. The committee reviewed the second quarter financial report, approved the annual report to the Board of Education, planned training for the new committee member, conducted oversight of the independent auditing firm of CliftonLarsonAllen (CLA) and provided a recommendation to staff to move forward with the one-year contract renewal for CLA.
2. On May 13, 2014, a training session was conducted by Justin Petrone with CLA covering the purpose of an audit committee, audit committee best practices, committee responsibilities, fraud assessment, detection and prevention.
3. On August 21, 2014, the committee reviewed the third quarter financial report and heard an update on fourth quarter financials. Justin Petrone with CLA discussed the plan for the 2014 fiscal year audit and reviewed responsibilities of the auditors under Generally Accepted Auditing Standards (GAAS), the scope of the annual audit, unique audit issues for 2014, the timeline and audit success factors. The committee charter was reviewed with no changes and the revised annual checklist was approved. Ken Felan, internal auditor with Jeffco Public Schools, provided an overview of the internal auditing process. There was discussion regarding auditing capacity due to the limitation of having one auditor at the district. Also discussed was the asset disposal process and procedures for handling surplus property. The committee waived the annual executive session with the Chief Financial Officer and internal auditor stating no concerns.
4. On December 2, 2014, the committee met with staff and Paul Niedermuller of CLA. The committee discussed the annual audit process, purpose and considerations for audit planning, reviewed the 2014 Comprehensive Annual Financial Report in detail, recapped the 2014 fourth quarter financial report and reviewed the 2015 first quarter financial report.

## **Background**

The Audit Committee was formed in February 2013. The committee meets four times a year and includes, as approved by the Board, two Board of Education members and one citizen member of the Financial Oversight Committee. The Superintendent and Chief Financial Officer attend in an ex-officio capacity. Per Governance Process GP-13 and district policy DIEA and DIEA-R, the primary functions of the committee are to:

1. Annually, review the committee charter and schedule at least three meetings for the committee for the next fiscal year. Review and approve minutes from each meeting.
2. Provide training for any new members to the committee.
3. Communicate regularly during open meetings and/or in executive sessions with the Chief Financial Officer, internal auditor, external auditor, Financial Oversight Committee and the Board of Education.
4. Provide reports to the Board of Education and Financial Oversight Committee on activities and any recommendations.
5. Engage the independent auditors, subject to Board approval. Confirm the firm's internal quality control procedures, any material issues raised during the most recent peer review and any corrective actions taken. Review and evaluate auditor independence.
6. Review the quarterly reports with staff and external auditors.
7. Meet with independent auditors to obtain an understanding of factors considered by them in determining audit scope.
8. Review with management and the independent auditors at the completion of the annual audit:
  - a. The overall report.
  - b. Any problems or difficulties that they may have encountered in connection with the audit.
  - c. Scope and quality of internal controls in effect.
  - d. Any management letters, single audit findings or other material communications from the independent auditors and managements response to those communications.
  - e. Significant transactions outside the ordinary operations of the district.
  - f. Selection of and changes to the district's accounting principles.
  - g. Material correcting accounting adjustments.
  - h. Process for formulating accounting estimates.
  - i. Risk assessment and risk management.
9. Determine and advise on any additional non audit services.
10. Review and approve annual internal audit plan.
11. Review the performance of the district's internal auditor.
12. Obtain summaries on internal audit activities.
13. Obtain an understanding of the district's internal control and risk management policies.
14. Discuss with management and the internal auditor the major risk exposures, the adequacy and effectiveness of accounting and financial controls, and steps management has taken to mitigate exposure.
15. Review and approve updated internal audit risk assessment model.

## **Recommendations or Comments**

## **Executive Summary**

This report to the Board of Education provides background on the Audit Committee (the committee), committee responsibilities, a list of committee's members, and a general update of committee activities respective to the committee's responsibilities.

## **Background**

The Board of Education approved the members of the Audit Committee in fiscal year 2013. The committee meets three to four times a year. Per Governance Process GP-13 and district policy DIEA and DIEA-R, the primary functions of the committee are to:

1. Annually, review the committee charter and schedule at least three meetings for the committee for the next fiscal year. Review and approve minutes from each meeting.
2. Provide training for any new members to the committee.
3. Communicate regularly during open meetings and/or in executive sessions with the Chief Financial Officer, internal auditor, external auditor, Financial Oversight Committee and the Board of Education.
4. Provide reports to the Board of Education and Financial Oversight Committee on activities and any recommendations.
5. Engage the independent auditors, subject to Board approval. Confirm the firm's internal quality control procedures, any material issues raised during the most recent peer review and any corrective actions taken. Review and evaluate auditor independence.
6. Review the quarterly reports with staff and external auditors.
7. Meet with independent auditors to obtain an understanding of factors considered by them in determining audit scope.
8. Review with management and the independent auditors at the completion of the annual audit:
  - a. The overall report.
  - b. Any problems or difficulties that they may have encountered in connection with the audit.
  - c. Scope and quality of internal controls in effect.
  - d. Any management letters, single audit findings or other material communications from the independent auditors and managements response to those communications.
  - e. Significant transactions outside the ordinary operations of the district.
  - f. Selection of and changes to the district's accounting principles.
  - g. Material correcting accounting adjustments.
  - h. Process for formulating accounting estimates.
  - i. Risk assessment and risk management.
9. Determine and advise on any additional non audit services.
10. Review and approve annual internal audit plan.
11. Review the performance of the district's internal auditor.
12. Obtain summaries on internal audit activities.
13. Obtain an understanding of the district's internal control and risk management policies.
14. Discuss with management and the internal auditor the major risk exposures, the adequacy and effectiveness of accounting and financial controls, and steps management has taken to mitigate exposure.
15. Review and approve updated internal audit risk assessment model.

## **Members**

Committee members:

- Jill Fellman, Board of Education Representative (appointed 2/2013)
- Bob West, Financial Oversight Committee Representative (appointed 2/2013)

Support staff:

- Lorie Gillis, Chief Financial Officer
- Kathleen Askelson, Director of Finance
- Dr. Cindy Stevenson, Superintendent

## **General Activities**

**Meetings** – The committee met on May 29, 2013; August 6, 2013; and December 2, 2013.

1. On May 29, 2013, the new Audit Committee had a training session conducted by Jean Bushong with CliftonLarsonAllen that discussed the importance of the committee, best practices and responsibilities. The committee reviewed a draft of the committee charter and checklist of annual responsibilities.
2. On August 6, 2013, the Audit Committee met with Ms. Bushong to review the upcoming external audit and any potential audit issues. Ms. Bushong walked the committee through a Comprehensive Annual Financial Statement in detail to provide information on the sections and what to look for within the report. The committee met with the district internal auditor, Ken Felan to review the fiscal year 2013 internal audit summaries and top ten issues. The charter and checklist of annual responsibilities was approved.

### **Recommendations from the August meeting:**

- a. **The Internal Audit Program should enforce timely correction or explanation of identified issues.**
  - b. **Internal Audit Program should continue to develop and communicate consistent behaviors and practices in support of effective internal controls.**
  - c. **Policies surrounding the frequency of school internal audits should not be changed, but staff should communicate realistic targets as a result of budget cuts of internal audit resources.**
  - d. **The Board of Education members should receive a copy of the *Elected Officials Guide to Auditing*.**
3. On December 2, 2013, the Audit Committee met with Ms. Bushong and staff. The committee reviewed the 2013 Comprehensive Annual Financial Report in detail, discussed communications with the auditors, reviewed the audit process, and reviewed the first quarter financial report for fiscal year 2014.

## **Recommendations or Comments**