REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Wednesday, April 27, 2022, at 4:30 PM at the Cincinnati Public Schools Education Center, 2651 Burnet Avenue, 45219 in the Rosa E. Blackwell Interactive Learning Center.

ATTENDEES

Audit Committee Members
Tim Heldman, Chair; Jen Couser; Jim Crosset; Liz Gutridge (Virtual); Paul Kitzmiller; Carol Mitchell-Lawrence; Clarice Warner

Budget, Finance and Growth Committee Members
Eve Bolton, Chair; Brandon Craig; Mike Moroski

Administration
Lauren Roberts, Chief Audit Executive; Jennifer Wagner, Treasurer/CFO; Kevin Ashley, Director of Finance Reporting; Jeremy Gollihue, Chief Information Officer; Keith Grace, Benefits Manager; Michael Gustin (Virtual Attendee), Director of Business Technology; Dan Hoying, General Counsel; Isaac Karn, Internal Audit Staff; Bryan Kennedy, Fixed Asset Supervisor; Shana Schneider, Accountability/Utility Management Supervisor; Connie Solano, Interim Chief Operations Officer; Dr. Ross Turpeau, Director of Talent Requisition and Staff; Emma Williams, Internal Audit Supervisor

Tim Heldman, Audit Committee Chairperson, welcomed everyone to the meeting.

Talent Department Updates

Dr. Turpeau updated the Committee on the following topics related to the recruitment of staff and the Board's Strategic Goal: Optimized Capabilities.

- National Staffing Landscape
- Current CPS Staffing Landscape
- Positions Needing to be Staffed
- Recruitment Strategies for Hard to Staff Positions: Certificated Staff, Civil Service Staff
- Three Year Goals

National Landscape
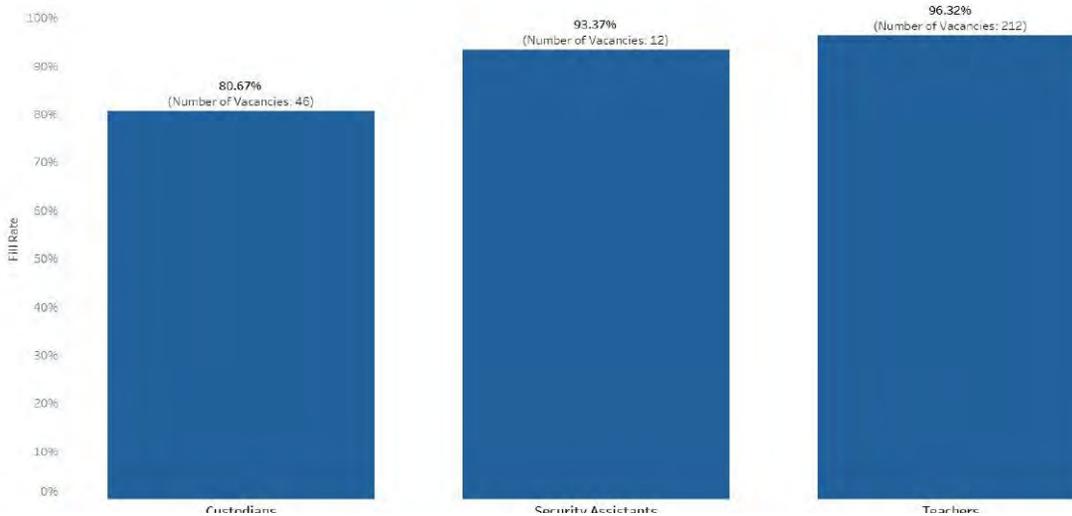
Districts with reported staffing shortages by position
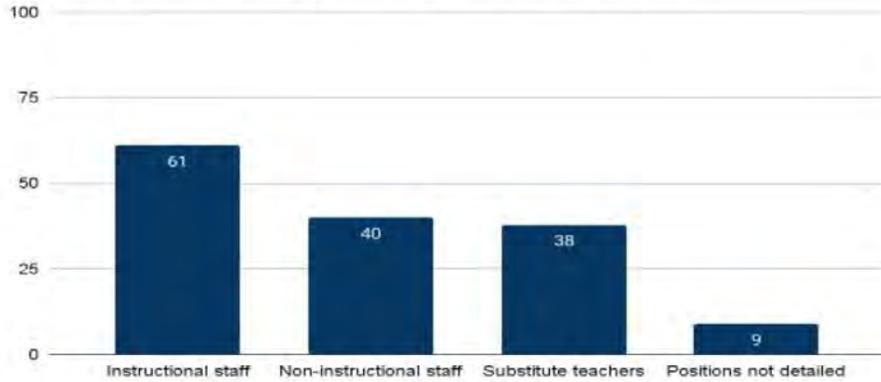
Nationally, 52% of school districts surveyed are experiencing more severe staffing shortages than the previous year.

(Source: EdWeek)

Current CPS Landscape

Our 3-Year Goals

2021-22 - Baseline Year	2022-23	2023-24
Highly effective • 94% of school-based positions filled by August 16 • 33% of applicants identify as people of color • 32% of new hires identify as people of color	**Highly effective** • 100% of school-based positions are filled by the first day of school • 43% of applicants identify as people of color • 42% of new hires identify as people of color	**Highly effective** • 100% of school-based positions are filled by the first day of school • 53% of applicants identify as people of color • 52% of new hires identify as people of color

A copy of the full presentation is available in the Board office and upon request.

Benefits Audit Update
Mr. Grace updated the Committee on the following Implementation Status of Internal Audit Recommendations from Benefits Internal Audit Report as of April 2022.

Implementation Status of Internal Audit Recommendations from Benefits Internal Audit Report - *as of April 27, 2022*

Update Provided by Dr. Ross Turpeau, Director of Talent Acquisitions and Staffing, and Keith Grace, Benefits Manager

Audit Recommendation	Recommendation Description	Audit Risk Rating	Key Performance Indicator (KPI)	Work Performed to Date	Self Audit Schedule	Internal Audit Follow-up
1	Enrolled individuals submit acceptable documentation for dependents, MERP coverage, opt out coverage, and qualifying events	Medium	Number of benefit eligible hires and employees who have notified benefits of a life event who start the enrollment process; versus number of benefit eligible employees who complete the process within 30 day time frame - to be enrolled employee must submit acceptable documents	Moved from paper enrollment to system enrollment; supporting documents now uploaded into system; enrollment dates can be viewed/validated using the system	February 2022 - no findings for reviewed files.	TBD – Based on results of self-audit
2	Establish a process to ensure benefits are properly set up and withheld timely and accurately	High	Employees enrolled in benefit plans compared to employees being charged for benefit plans match.	Enrollments take place in the system. Rates are calculated and attached to the employee record by the system.	Scheduled for May 2022	TBD – Based on results of self-audit
3	Individuals enrolled in benefits are eligible and remain eligible	High	Enrolled, benefit eligible employees fte reviewed and matches the number of employees enrolled	Policy adopted to review eligibility	Scheduled for April 2022	TBD – Based on results of self-audit
4	Employee benefits data is reviewed and reconciled against data maintained by plan vendors	High	Number of employees and amount invoiced by vendor, compared to employees enrolled in benefit and employee deductions contained in B+, match.	Terminations have been added to the file sent by CPS; Vendor systems accept and upload CPS information	Scheduled for June 2022	TBD – Based on results of self-audit
5	Human Resources, payroll and benefits data reconcile	High	Change in Payroll or HR that effects benefits are made in time to be submitted for ensuing vendor file/invoice	COGNOS report used to identify payroll/hr changes; report reviewed daily	Scheduled for June 2022	TBD – Based on results of self-audit
6	Re-communicate and provide training over termination process	High	Employee benefits are ended last day of the month the employee termination is entered.	Termination process is now system based. Benefits are terminated by the system based on term date entered	Scheduled for May 2022	TBD – Based on results of self-audit
7	Terminated employees electing COBRA coverage complete required documentation and submit COBRA premium payments timely.	High	Employees enrolled in COBRA provide complete COBRA application; COBRA enrollee's are invoiced accurately and payments received are entered into system. Non-payment results in termination of COBRA benefit.	B+ now used for COBRA invoicing.	March 2022 – 1 instance found and corrected	TBD – Based on results of self-audit

8	Cost of benefits exceeding total paychecks are identified timely and applied to future checks	High	Work with Payroll to identify employees whose benefit deductions are greater than their paycheck. Identified employees are home-billed to maintain active benefits.	Macro used to identify employees not receiving a check, B+ scheduled to be programmed to calculate arrears	Scheduled for July 2022	TBD – Based on results of self-audit
9	Employees qualifying for leave of absence or FMLA only receive benefits if eligible and making contributions	Medium	Employees entering a LWOP status are identified and home-billed in order to maintain active benefits	Macro report developed to identify employees in a LWOP status	Scheduled for July 2022	TBD – Based on results of self-audit
10	Establish and formalize a process over home billing individuals and require all home billing individuals be set up in the AR module	Medium	Invoices generated for employees who are being home billed are done so through B+	Invoices are now generated using B+	April 2022 - all invoices were generated using B+	TBD – Based on results of self-audit

Chief Audit Executive (CAE) Roberts further expanded on the Benefits Department update by stating, Internal Audit will consider including a Benefits Follow-up project in the Fiscal Year 2023 Internal Audit Plan. As shown in the table above, the Benefits Management Team will "self-audit" to confirm they have corrected the root causes of the issues identified in the February 2020 Benefits Internal Audit. During the Fiscal Year 2023 Benefits Follow-up Audit, the Internal Audit team can perform testing on those areas which have been reported by management as *corrected*. This follow-up testing will allow Internal Audit to independently validate if the findings have been successfully remediated and report the results back to the Audit Committee and Board of Education.

Audit Reports and Updates

Chief Audit Executive (CAE) Roberts updated the Committee on the following reports that are attached to the end of this report.

- Audit Reports and Update Presentation
  - Asset Inventory Internal Audit Report
  - Payroll Follow-up Internal Audit Report
  - Audit Status Report
  - Chief Audit Executive Annual Evaluation
  - FY 2023 Risk Assessment and Planning Approach

Asset Inventory Internal Audit Report

Chief Audit Executive Roberts presented the results of the Asset Inventory Internal Audit Report (attached). The following slides were presented which summarize the key takeaways from the audit project.

Asset Inventory Internal Audit Report

Objective:
- Determine the operating effectiveness of internal controls over fixed assets, and to assess the accuracy, existence, and completeness of asset data in the system

Key Takeaway:
- Significant progress has been made – next steps needed to bring all pieces together

Electronic document reference: "2a - Asset Inventory Audit Report - 4.27.2022"

THE FUTURE IS BRIGHT   2

Asset Inventory Internal Audit Report

Audit Testing: Book-to-floor

Summary of Test Results	Results	Percentage
Asset was found in the school and all data specifications are accurate	61/100	61%
Asset was not found in the school by Internal Audit but management verified asset location, existence, and specifications	13/100	13%
Assets are tagged and are scheduled to be installed	2/100	2%
Asset was a subscription/service and should not have been in the BusinessPlus asset list	1/100	1%
Asset was not found in the school and is presumed to have been disposed of in the past	23/100*	23%

Electronic document reference: "2a - Asset Inventory Audit Report - 4.27.2022"

THE FUTURE IS BRIGHT   3

Asset Inventory Internal Audit Report

Audit Testing: Floor-to-book

Summary of Test Results	Results	Percentage
Asset in BusinessPlus data with accurate specification	12/20	60%
Asset *not* in BusinessPlus data	8/20*	40%

Electronic document reference: "2a - Asset Inventory Audit Report - 4.27.2022"

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Asset Inventory Internal Audit Report

Recommendations:
- Reconciliation of Asset Data
- Importance of District-wide Support & Compliance
- Update Board Policy 7455

Electronic document reference: "2a - Asset Inventory Audit Report - 4.27.2022"

THE FUTURE IS BRIGHT

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ACTION: The Budget, Finance and Growth Committee will review and update the depreciation schedule in Policy 7455 – Accounting System for Fixed Assets at its May 20, 2022 meeting.

Payroll Follow-up Internal Audit Report

CAE Roberts presented the results of the Payroll Follow-up Internal Audit Report (attached). The following slides were presented which summarize the key takeaways from the audit project.

Payroll Follow-up Internal Audit Report

Objective:
- Determine if recommendations from prior audit are in place and document feedback based on inefficiencies within the current process

Key Takeaway:
- Payroll operates properly based on what is entered into the system
  - BUT it is critical to further evaluate those inputs for reasonableness, compliance with collective bargaining agreements (CBAs), and completeness/accuracy of data
- Primary focus of this audit = CBAs & Overtime

Electronic document reference. "2b.1 - Payroll Follow-up Audit Report - 4.27.2022"

Payroll Follow-up Internal Audit Report

Collective Bargaining Agreements:
- Follow-up of FY 2017 Recommendations:
  - Streamline bargaining unit contract terms and documentation
  - Define single owner to be responsible for overseeing contract documentation process

Recommendations:
- Ensure date the final CBA documents are published aligns with the start of the contract period

Electronic document reference. "2b.1 - Payroll Follow-up Audit Report - 4.27.2022"

Payroll Follow-up Internal Audit Report

Overtime Testing:
- Performed data analytics over full population of overtime earners for FY 2022 to date
  - Further analyzed top 25 overtime earners and identified trends of large amounts of overtime hours among these employees

Recommendation:
- Enhance internal controls to prevent excessive use of overtime
  - Require preapproval of overtime
  - Additional timecard reviews required when overtime exceeds set threshold
- Consider implications of Ohio Senate Bill 47

Electronic document reference. "2b.1 - Payroll Follow-up Audit Report - 4.27.2022"

Payroll Follow-up Internal Audit Report

General Testing:
- Gross pay is properly calculated based on system set up and inputs for the 75 samples tested

Recommendation:
- Perform additional audit engagements over the coming year(s) to evaluate the many sub processes that directly impact employee pay
  - Hiring/onboarding, set up and maintenance of pay assignments, tracking leaves of absence, separation of service, Schedule E, position management, deductions/withholdings, and the numerous CBA requirements

Electronic document reference. "2b.1 - Payroll Follow-up Audit Report - 4.27.2022"

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Audit Status Report

Ms. Roberts provided the Committee with a copy of her Audit Status report that includes the following information:

- Fiscal Year 2022 Internal Audit Plan
  - Internal Audit Department completed all projects included in the plan
- Status of External Audits and Reviews

A copy of the report is available upon request and in the Board Office.

Chief Audit Executive Annual Evaluation

CAE Roberts provided the Committee with a copy of her 2021-2022 Annual Evaluation. As noted in Ms. Roberts' memo to the Audit Committee:

"The annual evaluation is based on progress towards my goals set at the beginning of the year as well as the CPS competencies. My self-evaluation of the progress towards the 2021-22 goals and competencies are outlined on pages 1-2. Please provide feedback regarding my annual evaluation directly to Tim Heldman (theldman@mellottcpa.com) by Wednesday, May 4, 2022. Tim will compile the feedback and complete the form on page 4. He will share the summarized results with Lauren and provide the final evaluation to Dr. Ross Turpeau, Director of Talent Acquisition & Staffing, and Travis Rowley, Performance Evaluation Manager. I sincerely appreciate your feedback and support in continuing to develop the Internal Audit function."

A copy of the document is available upon request and in the Board office.

FY 2023 Risk Assessment and Planning Approach

Chief Audit Executive Roberts facilitated a conversation with the Audit Committee regarding the risk assessment and planning process which will take place from May 4, 2022 through June 29, 2022. The slide below contains the risk assessment and planning timeline Internal Audit will follow.

FY 2023 Risk Assessment & Planning Approach

Date	Action Item
May 4 – 26, 2022	Internal Audit team interviews/surveys district leadership and performs annual risk assessment
May 27 – June 1, 2022	Chief Audit Executive (CAE) meets with Treasurer Wagner and Superintendent Wright
June 6 – 12, 2022	Members of the Board of Education and Audit Committee complete survey containing list of potential audit projects (Due Sunday, June 12th)
June 13, 2022	Review survey results as well as feedback from Treasurer and Superintendent with Audit Committee Chairs
June 14 – 21, 2022	Update risk assessment and Internal Audit Plan to reflect additional input/feedback obtained
June 22 – 24, 2022	*Draft* Internal Audit Plan emailed to Audit Committee for review and final comments submitted via email to CAE for consideration
June 29, 2022	Final Internal Audit Plan presented to Audit Committee for approval

This slide reflects a projected timeline and any significant changes to the timeline will be sent to the Audit Committee members via email.

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CAE Roberts stressed the importance and value of Board and Audit Committee input in the development of the Fiscal Year 2023 Internal Audit Plan. Ms. Roberts reminded the public that the Internal Audit Department is an independent body which reports directly to the Board of Education and Audit Committee. As shown above, the Internal Audit Department will distribute an electronic survey to Board and Audit Committee members so they can provide their input. Internal Audit will incorporate the feedback the Board and Audit Committee provide into the risk assessment and planning processes.

CAE Roberts requested feedback regarding the planning timeline and approach. No additional suggestions were made by the Audit Committee members; therefore, Internal Audit will execute the timeline above and bring the Fiscal Year 2023 Internal Audit Plan to the Audit Committee for approval at the June 29, 2022 meeting.

Operational Updates

Transportation Update
Ms. Solano updated the Committee on the Yellow Bus and the Metro contracts contained in the Transportation Update presentation. Information included in the report is as follows:

- Vision of the Transportation Department
- District Transportation Options for FY 2023
- Costs for Yellow Bus and Metro Options
- Summary of Costs

A copy of the full report is available in the Board Office and upon request.

Preschool Promise Master Agreement
General Counsel Hoying reported that the Preschool Promise Master Agreement will end when levy funds end in the summer of 2022, by which a five-year levy has already been renewed. A new agreement is currently being discussed for renewal.

He reported that Preschool Promise provided a draft of their proposed revisions to the agreement.

Levy Updates

Treasurer Wagner updated the Committee on her presentation that includes the following information:

- Levy Discussion
- FY23 Budget Status
- Public Engagement Opportunities
- Capital and Growth Needs and Revenue Possibilities
- Yellow Bus: Buy, Lease
- FY23 Treasurer Goals

A copy of the report is available upon request.

A copy of the FY22 Monthly Financial Report is available upon request and in the Board Office.

Other Business &/or District Updates

Budget, Finance and Growth Committee Chair Bolton informed and shared copies with the Committee about Superintendent Wright's following 100-Day Plan.

Ms. Bolton also reported that former Interim Superintendent Amat has accepted a position of Chief Executive Officer for Community Works.

Audit Committee Chair Heldman provided "kudos" to the Internal Audit Department for the great work that they have been doing and congratulated them on the successful completion of the Fiscal Year 2022 Internal Audit Plan.

The next meeting will take place on June 29, 2022, 4:30-6:00 pm.

The meeting adjourned at 5:58 PM.

Audit Committee

Thomas D. Heldman, Chair
Daniel E. Holthaus, Vice-Chair
Jennifer Couser
Jim Crosset
Christine Fisher
David Foote
Elizabeth Gutridge
Paul Kitzmiller
Carol Mitchell-Lawrence
Clarice Warner
Eve Bolton (Budget, Finance and Growth Committee, Chair)
Brandon Craig (Budget, Finance and Growth Committee)
Mike Moroski (Budget, Finance and Growth Committee)

Staff Liaisons

Jennifer Wagner, CFO/Treasurer
Lauren Roberts, CPA, CFE, Chief Audit Executive

CINCINNATI PUBLIC SCHOOLS

Asset Inventory Audit

Internal Audit Report

APRIL 27, 2022

A Report to the Board of Education from the
CPS Internal Audit Department

Lauren Roberts, CPA, CFE, Chief Audit Executive
Emma Williams, Internal Audit Supervisor
Isaac Karn, Internal Audit Staff

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EXECUTIVE SUMMARY

REPORT SUMMARY

Over the past five years, management has made significant strides to develop systems, processes, and internal controls to enhance the accuracy, existence, and completeness of asset data in the financial system, BusinessPlus. The purpose of this Internal Audit engagement is to partner with the management team to identify potential next steps and assist in moving this work even closer to the finish line.

Internal Audit found the newly developed processes addressing each aspect of the asset life cycle (additions, disposals, and transfers) to be operating effectively. We also observed the thorough nature of the inventory cycle counts performed at each CPS location. However, Internal Audit recommends management bring all of the pieces together by performing a full reconciliation between the inventory count data and the BusinessPlus asset data. Internal Audit believes a full asset data reconciliation is the next step in the journey to further improve the completeness and accuracy of the asset database.

The reconciliation of the asset data will need to be a District-wide initiative and will require the support and attention of those throughout the organization. Reconciling items will need to be dispersed to various departments and schools for further analysis so the asset owners can ultimately determine if the asset data should be updated or if the asset has already been disposed of and should be removed from the asset database. District leadership should evaluate the information and make a determination regarding the best next steps to resolve the reconciling items. Internal Audit is confident that this reconciliation will solidify the foundation the management team has been working to create. Reconciled asset data will also be more easily monitored and maintained moving forward.

PROJECT TIMING, SCOPE & POPULATION

Project Timing	
Planning	January 2022
Fieldwork	February – April 2022
Report Issuance	April 27, 2022

Scope	
Audit Period	Asset Data as of March 14, 2022
Population	Purchased asset data extracted from the BusinessPlus financial system (119k asset records)
Note: The scope was limited to assets located at CPS schools and buildings; assets at auxiliary schools were outside the realm of this audit engagement. The scope also excluded the evaluation of fleet vehicles as they are now being taken home with Facilities employees. A future audit project may be deemed necessary to further evaluate this category of assets.	

AUDIT RESULTS BY OBJECTIVE

Objective	Audit Rating	Risk Rating
Determine the operating effectiveness of internal controls over fixed assets, and to assess the accuracy, existence, and completeness of asset data in the system.	Generally Satisfactory	High

EVALUATION CRITERIA

Engagement objectives are assigned both an audit rating as well as a risk rating. The audit rating provides a score regarding the extent to which the objective is accomplished and are defined below:

- Satisfactory meaning no significant findings or material weaknesses were noted. There was no need to add potential process improvement options as the process was functioning at a comfortable level of precision.
- Generally Satisfactory meaning results contain engagement findings relative to the overall process or control structure. Process improvements were noted.
- Unsatisfactory meaning there were significant findings in which management remediation is necessary and/or large process updates are needed.

Engagement objectives are also assigned a risk rating which provides insight into the extent of exposure in the area evaluated. Risk ratings help management prioritize and direct remediation to the areas with the highest risk. The risk ratings are defined herein:

- Low risk rated objectives would have a minimal impact on the area of evaluation if something were to go wrong in the area.
- Medium risk rated objectives would have a moderate impact on the area of evaluation if something were to go wrong.
- High risk rated objectives would have a significant impact on the area of evaluation if something were to go wrong.

The combination of the audit and risk ratings provide a more holistic score of the objectives evaluated.

ABOUT CINCINNATI PUBLIC SCHOOLS FIXED ASSETS

Fixed Assets Defined

Fixed assets are defined as property of the District that is tangible in nature, with a useful life in excess of one year from date of acquisition, and which the District intends to hold or continue in use over an extended period of time. The capitalization threshold, or minimum value, of a fixed asset at the time of acquisition is established at $25,000 on a per unit basis for assets acquired with non-federal funds. The threshold for items acquired with federal funds is established at $5,000. Capitalized assets are reported in the Annual Comprehensive Financial Report (ACFR). The District has determined items which fall below the capitalization threshold but have a value exceeding $200 will be defined as "tracked" assets, and may be entered into the fixed asset module of BusinessPlus for control purposes. The tracked assets are not capitalized and are expensed during the year of acquisition.

Only purchased assets are tracked in BusinessPlus; leased items are not in the financial system. The majority of the newer technology assets are leased assets and are tracked separately in the One-2-One system; however, there are still some older purchased technology assets that are in BusinessPlus.

History of Fixed Assets

The fixed asset processes were historically managed by the various departments who purchased and utilized the items. In an effort to streamline the process, enhance internal controls, and improve the fixed asset life cycle, the Fixed Asset Supervisor position was created within the Treasurer's Office in July 2017. The Fixed Asset Supervisor (also referred to as the "Asset Administrator") began the tedious process of identifying and collecting the various unique data sources to combine into a single streamlined asset database. Many records lacked certain fields of data, so the Fixed Asset Supervisor partnered with the Purchasing Department to pull records from the initial purchase to assign values and other details.

The District migrated asset data from the legacy system, Oracle, to the new financial system, BusinessPlus, in December 2017. The management team made the decision to carry over the full set of historical data and continue the review efforts in the new system. These research efforts of historical data were quite labor intensive and required manually updating each record in the system. In addition to refining the historical data, the management team developed processes to standardize the tracking of assets within the District. The new processes address each aspect of the asset life cycle: additions/purchases, removal/disposals, and transfers. These processes include critical internal controls to maintain the fixed asset data as the various activities occur.

District-wide inventory counts were designed and implemented by the Fixed Asset Supervisor and a third party consulting firm during fiscal year 2019. Unfortunately technical issues with the data generated by asset tag scanners and the integration of the middleware system, BMI, to BusinessPlus created challenges in utilizing the first sets of inventory data. Additionally, the inventory counts were suspended March 2020 due to COVID, and were only able to resume in August 2021. In spite of the challenges, all 75 locations will be fully inventoried by the end of the 2022 calendar year, with 50 inventories completed thus far.

Objective 1: Determine the operating effectiveness of internal controls over fixed assets, and to assess the accuracy, existence, and completeness of asset data in the system.

Observation Rating: Generally Satisfactory

Risk Level: High

Objective 1a: Policies & Procedures

Background:

Internal Audit utilized Objective 1a to gain a more thorough understanding of the fixed asset processes at CPS. Internal Audit obtained and reviewed policies, procedures, and other applicable documents related to the fixed asset processes, as well as other critically integrated processes. Internal Audit worked with the Fixed Asset Supervisor to further enhance our understanding of internal controls. We also collected documents relating to the financial system user roles and depreciation schedules.

Results:

As this objective was limited to process documentation review, there were no specific audit tests performed. However, the Treasurer's Office Financial Technology team led a successful update of the District financial system, Business Plus, in October 2021. As such, Internal Audit noted the Fixed Asset process documentation will now need to be updated to reflect the new system version 20.11.

Objective 1b: Physical Inventory

Background:

Internal Audit tested the accuracy of the fixed asset dataset by completing a sample based physical inventory check. The Internal Audit team visited four schools: Dater Montessori, Hyde Park, Silverton Elementary, and Bond Hill Academy. These schools were chosen because they aligned with the District-wide inventory scanning schedule, and took place during District's spring break week, minimizing classroom disruption. We also chose to visit the schools with the Fixed Asset Supervisor and inventory consultant to get a better understanding of the asset scanning process and to utilize their expertise to help us identify specific assets and navigate throughout the schools. For each of the four schools, Internal Audit performed book-to-floor testing and floor-to-book testing.

Results:

Testing Methodology for Book-To-Floor Testing: Internal Audit judgmentally selected 25 samples from the BusinessPlus population data (*book*), then visited each school (*floor*) to locate the asset and verify the asset's reported specifications (i.e. condition, manufacturer, model, serial number, description, etc).

For this test, the population included all furniture, fixtures, and equipment assets that are active for each school. 100 total samples were selected; 95 selections were tracked assets and 5 were reported assets.

Summary of Test Results	Results	Percentage
Asset was found in the school and all data specifications are accurate	61/100	61%
Asset was not found in the school by Internal Audit but management verified asset location, existence, and specifications	13/100	13%
Assets are tagged and are scheduled to be installed	2/100	2%
Asset was a subscription/service and should not have been in the BusinessPlus asset list	1/100	1%
Asset was not found in the school and is presumed to have been disposed of in the past	23/100*	23%

*Upon review of the 23 assets that were in the BusinessPlus data but not physically located, Internal Audit was able to perform additional follow up. Through conversations with the Information Technology Management (ITM) Department, Internal Audit learned that 20 of the 23 assets were technology assets. ITM was able to look up the technology items in their tracking system, One-2-One, and communicated that 20 technology assets were previously disposed of. The 3 remaining assets were under the Facilities Department and based on follow-up conversations with management, the equipment is also presumed to have been disposed of in the past.

Testing Methodology for Floor-To-Book Testing: Internal Audit randomly selected 5 tagged assets at each of the schools (*floor*) and verified the asset and specifications are documented in the BusinessPlus data (*book*). 20 total samples were selected.

Summary of Test Results	Results	Percentage
Asset in BusinessPlus data with accurate specification	12/20	60%
Asset *not* in BusinessPlus data	8/20*	40%

*Upon review of the 8 assets that were not in the BusinessPlus system, Internal Audit was able to perform additional follow up and found that 5 of the 8 items were scanned in the BMI software through the inventory check in 2019, but hadn't been updated in BusinessPlus due to issues with importing the scanned data. The other 3 assets either had no tag number or a different tag number in BusinessPlus. All 8 assets have since been updated in the BusinessPlus data with current and accurate information.

Objective 1c: Additions/Purchases

Background: The Internal Audit Department also chose to test the tagging and tracking of recently purchased assets. The Asset Administrator receives purchases in their BusinessPlus workflow for items that could potentially need to be tagged and tracked. If an item meets any of the criteria to be tagged,

the Fixed Asset Administrator assigns the purchased item with an ID # and a tag number, and sends the tag/barcode to the specific school or individual for them to tag it. It will stay in the system as a tagged asset associated to that school or department location until it is transferred to another school or it is disposed of.

Results:

Previously covered via *Objective 1b: Physical Inventory* as the 100 book-to-floor testing selections contain 5 additions.

Objective 1d: Removals/Disposals

Background: With the disposal process being the main procedure to remove an asset from the dataset or book, Internal Audit tested to see how effective the disposal process is.

To remove an asset, a school administrator or department manager must complete the Fixed Asset Sweep Tracking Log form. If the asset is a non-technology asset, the form is sent to the Asset Administrator who reviews the form and provides detailed instructions on proper disposal. If the asset is a technology asset, the form should be sent to the ITM Device Management Team. The Device Management Team reviews the form, schedules the asset removal, then removes the asset. The Device Management Team removes all technology assets as most devices need to be wiped/cleaned of all content. Upon removal from the building, both the Asset Administrator and the Device Management Team, send the list of removed assets to a centralized Tech Sweep email account monitored by the Fixed Asset Supervisor for retention.

Results:

Testing Methodology for Disposals: Judgmental sampling of 15 disposed assets from 11/1/2021 – 2/28/2022.

Summary of Test Results	Results	Percentage
Tracking Log form was properly completed and approved with all supporting documentation retained	15/15	100%

Recommendations:

Reconciliation of Asset Data

> As evidenced by the tests performed throughout Objective 1, there is a need to reconcile the data collected through the inventory counts/scans to the asset data in BusinessPlus. It is understood that many of the exceptions noted during the book-to-floor testing resulted from outdated information BusinessPlus, and many of the exceptions noted during the floor-to-book testing resulted from the scanned asset data not successfully importing into BusinessPlus due to technical issues. Therefore, a reconciliation between scanned asset data and BusinessPlus data would help identify discrepancies in the two data sets which require research and remediation.

It is recommended that the Fixed Asset Supervisor, along with support from the Financial Technology and Internal Audit teams, reconcile the asset data and then develop a project plan for remediation which prioritizes the reconciling items of higher value (i.e. reported assets). As expressed in the Executive Summary, the reconciliation of the asset data will need to be a District-wide initiative and will require the support and attention of those throughout the organization. Reconciling items will need to be dispersed to various departments and schools for further analysis so the asset owners can ultimately determine if the asset data should be updated or if the asset has already been disposed of and should be removed from the asset database. For instance, ITM should utilize the One-2-One system to gather additional information regarding technology assets. As discovered through the testing procedures, the One-2-One system showed technology assets had previously been disposed of, but that information had not been updated in the BusinessPlus asset database.

Additionally, the management team should review the full population of asset data in BusinessPlus for outliers. Internal Audit will share the anomalies identified through our data analytics procedures so the Fixed Asset Supervisor and Financial Technology team can further research and remediate any unusual items, such as appropriateness of asset codes, location, dollar value, and descriptions.

Importance of District-wide Support & Compliance

Internal Audit would like to emphasize the need for District-wide compliance with the procedures designed by the Treasurer's Office teams. Internal controls have been designed and implemented to identify and record additions, disposals, and transfers, but if the processes aren't adhered to, the accuracy of the resulting asset data is reduced.

For example, the risk associated with removals/disposals is around the disposal process not being performed by those who "own" the assets in the field. If asset disposals are not properly reported, the asset records will remain on the book even though the item has been physically disposed of and/or is no longer in use. The disposal testing (Objective 1d) proves that when the disposal process is adhered to, the assets are removed from the system. But as evidenced by the book-to-floor test (Objective 1b), we can see disposals are not always being reported to the Fixed Asset Administrator.

Internal Audit also recommends providing additional training regarding the fixed asset process to improve adherence to the procedures.

Update Board Policy 7455

Upon review, Internal Audit found the useful lives in the depreciation schedule in Board Policy 7455 need to be updated. Internal Audit recommends updating the depreciation schedule in Board Policy 7455 to reflect the schedule used in the Annual Comprehensive Financial Report (ACFR) and in BusinessPlus.

Management Response: *Provided by Bryan Kennedy, Fixed Asset Supervisor*

The Fixed Asset Administrator will collaborate with department leaders to:

- Discuss on-going compliance with asset procedures
- Integrate Cognos departmental system reports (to create efficiencies that will lead to the development of a more effective and efficient scanning and reconciliation process for District assets); and,
- Align our internal procedure manuals and Board policies to the current reporting and system requirements.

Steps will include prioritizing reconciliation reviews through a collaborative review process starting with the ITM department and expanding to other groups. The Financial Technology team will collaborate with the Fixed Asset Administrator on a review of available scanning technologies to ensure more timely and accurate processing of data will occur.

The Fixed Asset Administrator will review, update and highlight any recommended changes to Board policies to the Finance Committee. We will continue to leverage the knowledge, experience and expertise of the Internal Audit Department and District Leadership as we implement new procedures and technologies into the reconciliation process.

STATEMENT OF INDEPENDENCE & OBJECTIVITY

As per the Institute of Internal Auditors' International Professional Practices Framework (IPPF) standards:

- *1100 – Independence and Objectivity:*
    The internal audit activity must be independent, and internal auditors must be objective in performing their work.

- *1110 – Organizational Independence:*
    The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities….

- *1120 – Individual Objectivity:*
    Internal Auditors must have an impartial, unbiased attitude and avoid any conflict of interest

- *1130 – Impairments to Independence or Objectivity:*
    If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

DECLARATION

In connection with the Asset Inventory audit engagement, I, Lauren Roberts, certify the following:

- I do not hold any views or opinions that could bias the engagement.
- I do not have any official, professional, personal or financial relationships that might cause me to limit the extent of my inquiry, to limit disclosure, or to weaken or slant findings in any way.
- There is not any external interference or influence that would cause me to improperly or imprudently limit or modify the scope of the assignment.
- There is not any external interference that would affect the selection or application of review procedures or the selection of locations to be examined.

Due professional care and professional judgment was exercised in the performance of this engagement.   As Internal Audit is held to the standard of providing reasonable assurance, not complete assurance, there is always the risk of unreported noncompliance or irregularities. The purpose of this report is to furnish CPS management and leadership with an independent and objective analysis, information and recommendations concerning the activities reviewed.

Signature: _Lauren Roberts_____   Date: _4/27/2022_____

Printed Name: _Lauren Roberts_____   Title: _Chief Audit Executive___

Payroll Follow-up Audit

Internal Audit Report

APRIL 27, 2022

A Report to the Board of Education from the
CPS Internal Audit Department

Lauren Roberts, CPA, CFE, Chief Audit Executive
Emma Williams, Internal Audit Supervisor
Isaac Karn, Internal Audit Staff

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EXECUTIVE SUMMARY

REPORT SUMMARY

Internal Audit performed a full assurance audit of the Payroll processes in fiscal year 2017 (see *Appendix I* for original audit report). As such, we performed a base level follow-up audit over past recommendations and reperformed the audit tests from the prior audit to determine if the improvements are functioning as intended.

The results of the payroll follow-up audit indicate that the payroll processes and corresponding financial system, BusinessPlus, are functioning properly in that they are accurately computing payroll based on the system set-up and user inputs. Overtime became the predominant focus of this follow-up audit due to Internal Audit's identification of high trends in the use of overtime. While overtime is being correctly calculated based on the system rates and hours entered by the employee/timekeeper, Internal Audit (IA) questions the extent of the use of overtime. It is recommended management and Internal Audit partner to further evaluate the trends and address instances of excessive overtime use.

As this limited scope audit was designed to obtain a pulse of the baseline payroll processes, Internal Audit will plan to perform additional audit engagements to evaluate the many sub processes that feed into the payroll system. The biggest takeaway from this engagement is that payroll operates properly based on what is entered into the system, but Internal Audit believes it is critical to further review and evaluate those inputs for reasonableness, compliance with collective bargaining agreements, and completeness/accuracy of data. Internal should prioritize sub processes of higher risk for future audit engagements - and over the next few audit cycles, evaluate a variety of areas to provide more holistic assurance regarding the pay of employees.

PROJECT TIMING, SCOPE & POPULATION

Project Timing	
Planning	January 2022
Fieldwork	February – April 2022
Report Issuance	April 27, 2022

Scope	
Audit Period	Fiscal Year 2022 to Date: July 2021 - March 2022

AUDIT RESULTS BY OBJECTIVE

Objective	Audit Rating	Risk Rating
Determine if recommendations from prior audit are in place and document feedback based on inefficiencies within the current process.	Generally Satisfactory	High

EVALUATION CRITERIA

Engagement objectives are assigned both an audit rating as well as a risk rating. The <u>audit rating</u> provides a score regarding the extent to which the objective is accomplished and are defined below:

- <u>Satisfactory</u> meaning no significant findings or material weaknesses were noted. There was no need to add potential process improvement options as the process was functioning at a comfortable level of precision.
- <u>Generally Satisfactory</u> meaning results contain engagement findings relative to the overall process or control structure. Process improvements were noted.
- <u>Unsatisfactory</u> meaning there were significant findings in which management remediation is necessary and/or large process updates are needed.

Engagement objectives are also assigned a <u>risk rating</u> which provides insight into the extent of exposure in the area evaluated. Risk ratings help management prioritize and direct remediation to the areas with the highest risk. The risk ratings are defined herein:

- <u>Low</u> risk rated objectives would have a minimal impact on the area of evaluation if something were to go wrong in the area.
- <u>Medium</u> risk rated objectives would have a moderate impact on the area of evaluation if something were to go wrong.
- <u>High</u> risk rated objectives would have a significant impact on the area of evaluation if something were to go wrong.

The combination of the audit and risk ratings provide a more holistic score of the objectives evaluated.

ABOUT CINCINNATI PUBLIC SCHOOLS PAYROLL

Cincinnati Public Schools (CPS) employs approximately 7,000 individuals during the period of one fiscal year, while about 6,000 are active at any given time. The Payroll Department, which is housed in the Treasurer's Office, is responsible for providing accurate and timely compensation to all employees throughout the District. The Talent Development Department coordinates the input and maintenance of employees' compensation data which serves as the foundation for the payroll processes.

The majority (93%) of District employees are represented by a bargaining unit or union group. The District has the following six union groups:
- Cincinnati Federation of Teachers (CFT)
- Cincinnati Federation of Office Professionals (CFOP)
- American Federation of State, County & Municipal Employees (AFSCME)
- Cincinnati Association of Administrators & Supervisors (CAAS)
- Greater Cincinnati Building & Construction Trades Council
- Local 20 of the International Union of Operating Engineers (IUOE)

The following table outlines the breakout of District employees by union group for fiscal year 2022 to date (March 2022):

Union	# of Employees	% of Total
CFT	3,827	55%
CFOP	322	5%
AFSCME	1,937	28%
CAAS	305	4%
Trades	40	0.4%
IUOE	86	0.6%
Unrepresented	469	7%
Total	**6,968**	**100%**

AUDIT RESULTS, RECOMMENDATIONS, & MANAGEMENT RESPONSES

The following section outlines the audit results and corresponding recommendations for each engagement objective.

Objective 1: Determine if recommendations from prior audit are in place and document feedback based on inefficiencies within the current process.

Observation Rating: <mark>Generally Satisfactory</mark>

Risk Level: <mark>High</mark>

Objective 1a: Collective Bargaining Agreements

Background:

Cincinnati Public Schools has collective bargaining agreements (CBAs) with six union groups. The standard contract period is three years, meaning the District and all six unions renegotiate the contracts on a three-year cycle. Various senior leaders represent the District during the negotiation efforts with union representatives. *Appendix II* contains a copy of each of the agreements for reference.

Results:

Recommendation 1 from the fiscal year 2017 Payroll Audit Report (*Appendix I*) states the District should "streamline bargaining unit contract terms and documentation". The initial recommendation went on to say the District should prioritize the removal of the contract requirements that relate to changes taking place on employees' anniversary dates (e.g. longevity and salary step increases). Doing so will reduce the complexities and differences within the various contract agreements, thus improving the processes, systems, and related data. Internal Audit is pleased to report District and Treasurer's Office leadership were able to come to an agreement with the Cincinnati Federation of Office Professionals (CFOP) to incorporate the longevity pay factors into the salary step schedule in their CBA.

The initial recommendation also suggested the CPS team define a single owner to be responsible for overseeing the contract documentation process. This includes maintenance of the contracts to ensure the information is readily available to employees and the most current version is clearly indicated. The owner should also be responsible for formally documenting and centrally retaining the changes that occur to contract terms and salary schedules after the initial approval. There has been progress in this aspect due to the creation of the Labor Relations Manager position in July 2021 which oversees the initial, as well as ongoing, negotiations with the union groups.

Recommendation:

Internal Audit recommends the District continue efforts in future negotiation cycles to consolidate pay factors under a single salary schedule, as was done in the current CFOP CBA. This consolidation will streamline the backend business processes as well as simplify the CBA so employees can more easily

interpret the pay in which they are entitled. By having a clearer understanding of their pay, employees can self-monitor their paychecks and more quickly report inaccuracies in need of remediation. The recommendation to streamline the CBAs goes beyond just the pay factors; Internal Audit recommends the District and union leadership further simplify and streamline the language in the CBA agreements. Internal Audit also suggests creating as much standardization and consistency in both content and contract language organization as possible between the six agreements so they can be more easily understood by all parties.

Internal Audit recommends the Labor Relations Manager develop a process for the central storage and retention of all union contracts and subsequent memorandums of understanding (MOUs). It is critical that all documents be readily accessible to the Talent Development Department and Treasurer's Office so they can properly execute the pay terms set forth in the agreements. Any changes or updates must be communicated to relevant parties in a timely and efficient manner to ensure there is no lag time between the initiation of the contract and actual payroll implementation.

In addition, Internal Audit has observed risks relating to the timing of the production and finalization of the CBAs. While the District and union leadership come to an agreement over the specific items that will be changed/updated, the final contract documentation is often not available for 6-12 months after the start of the contract period. Through the course of this follow-up audit, Internal Audit observed the final contracts for many of the union groups were not available until March 2022, which was 9 months after the start of the contract, July 2021. Further, Internal Audit was not able to obtain a current copy of the Local 20 of the International Union of Operating Engineers (IUOE) contract as the final details are still being solidified. Management stated that in lieu of an updated contract, the terms of the previous IUOE contract should be followed; however, we caution management to ensure the new contract terms begin at the date the agreement is reached, rather than backdating the agreement to July 1, 2021.

There is a notable risk for the time between the contract period commencement and the date the final agreements are published. While management may be able to utilize the summarized list of changes (which is approved by the Board of Education before the July 1st initiation date), the specific details which often relate to pay may not be fully captured in the summary. To remediate this risk moving forward, Internal Audit recommends adding language to the initial summary of agreed upon changes that requires a fully executed CBA be completed by a specific date, perhaps 30, 60, or 90 days later. It should also state the terms of the prior CBAs will be effective until the date the new agreements are fully executed. This will ensure the date the final contract documents are published aligns with the start of the contract period.

Management Response:

Provided by Paul McDole, Employee and Labor Relations Manager

The Employee and Labor Relations Department will partner with the Treasurer's Office Payroll and Financial Technology teams, as well as the Talent Development Department to create a contract implementation team that will update/correct collective bargaining agreements as negotiations conclude, and as CBAs are ratified by our unions and approved by the Board of Education.

Provided by Joseph Porter, Accounting Operations Manager, and Michael Gustin, Director of Business Technology

The Treasurer's Office would also like MOU's to be submitted (via Smartsheet E-Form) during the proposal phase. The Treasurer's Office would like to incorporate some sort of implementation review process for all CBA changes which would provide an opportunity to consider system capabilities, as well as if we have the people and processes to implement with accuracy. This would allow Treasury (Leadership, Payroll, Budget, etc.) to financial plan for future implementation and provide feedback.

Objective 1b: Overtime

Background:

The rules governing overtime are included in the AFSCME, CFOP, IUOE and Trades contracts. AFSCME, CFOP, IUOE and Trades employees receive pay at 1.5 times their normal hourly rate for hours in excess of 8 hours in one day and 40 hours in one week. For employees that have standard hours of less than 40 per week, they are paid at "overtime base" rates for the hours that bring them up to 40 for the week. Overtime Base pay is the employee's standard hourly rate. For example, many of the Treasurer's Office staff have a standard 37.5 hour work week; therefore, if they work 45 hours in a week, 2.5 hours would be paid at overtime base pay and the remaining 5 would be paid at 1.5 times their regular rate. These calculations are performed in BusinessPlus based on the number of hours imported through timecard entry and approval.

Additionally, if an employee takes sick, personal or annual leave during the work week, the employee must work more than 40 hours to qualify for overtime. Holiday leave is exempt from this rule as it will count towards the employee's hours to qualify for overtime pay. This rule must be consistently applied throughout each school and department.

Internal Audit performed targeted testing procedures around overtime hours and pay, selecting July 1, 2021 through March 8, 2022 as the timeframe for the population tested. The population from which the selections were made was a custom query report which extracted pay data directly from BusinessPlus for overtime codes (i.e. CDH codes 3305, 3310, and 3311). The table below summarizes the population.

Totals for Period of Review (July 2021 - March 2022)	
Overtime Expenditure	$1.683 M
Overtime Hours	63,475
# of Employees with Overtime	911

A targeted sample of the top 25 overtime earners were selected from the population for testing. It is noted that completeness and accuracy procedures were only performed over the 25 targeted samples as IA reconciled each data set back to the individual's timecard and pay stub.

The table below shows a year over year comparison of overtime hours worked for the top 10 of the 25 selections. For perspective, a full time hourly employee works 37.5-40 hours per week; therefore, a standard full year of work is 1,958-2,088 hours.

| History of Top Ten FY 2022 Overtime Earners (*hours*)					
Fiscal Year					Total
2018	2019	2020	2021	2022 (to Date)	
1,188	1,052	872	872	1,211	5,193
135	76	311	379	1,157	2,057
135	573	424	660	1,066	2,858
267	842	228	304	1,001	2,641
-	-	-	249	942	1,191
350	424	392	492	875	2,532
259	393	417	491	800	2,358
177	617	211	467	698	2,169
521	556	407	587	676	2,746
294	801	352	499	627	2,572

Further, the table below shows a year over year comparison for overtime hours for all employees.

History of District-wide Overtime (*hours*) by Fiscal Year				
2018	2019	2020	2021	2022 (to Date)
52,266	53,877	44,686	41,207	63,475

Break Out of total Overtime Spend by Position – Fiscal Year 2022 to Date
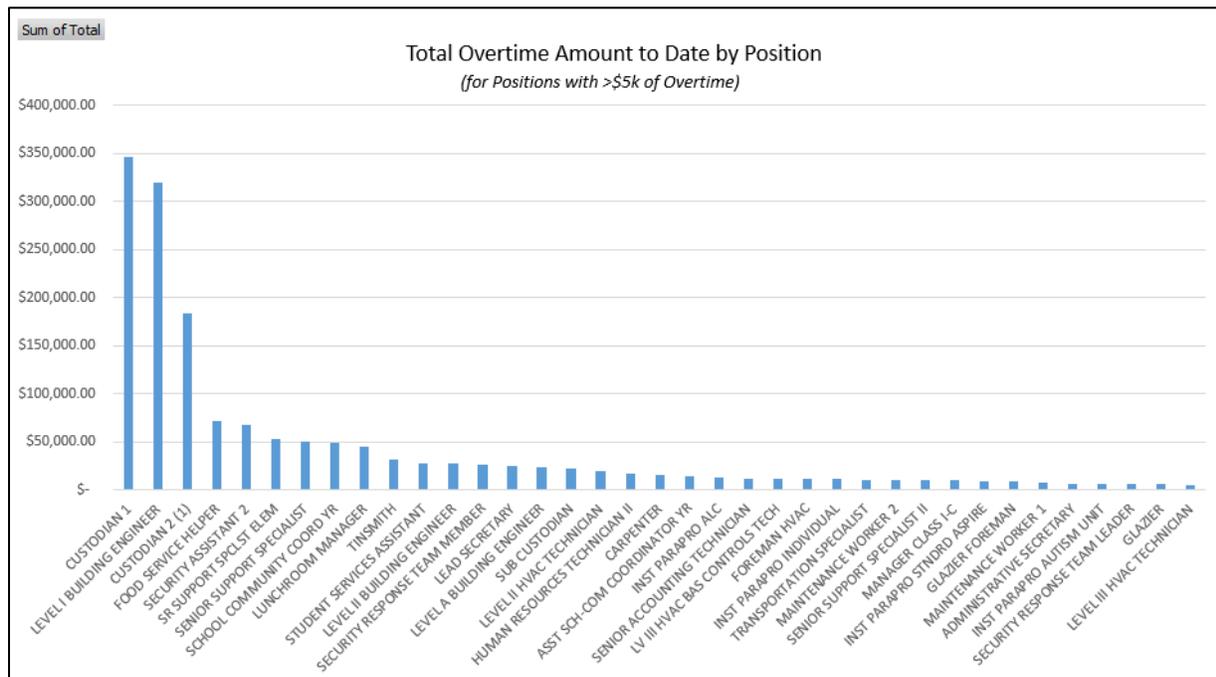
Break Out of total Overtime Hours by Position – Fiscal Year 2022 to Date

Total Overtime Hours by Position
(for Positions with >100 hours of Overtime)
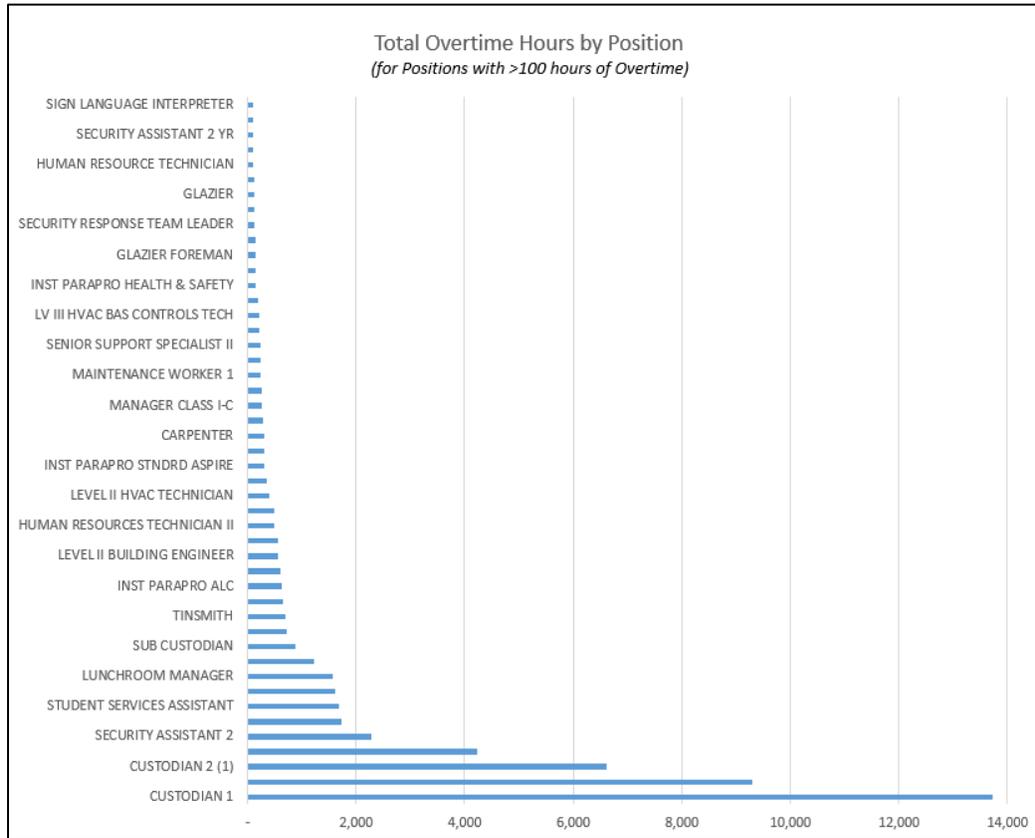
Results: Internal Audit tested a total of 25 targeted samples which included the employees with the highest overtime hours accrued from July 2021 - March 2022. Internal Audit notes that while the BusinessPlus system calculates and pays out overtime correctly, it is based on what is input per each timecard. Further, while IA notes that approvals per each timecard are being performed and evident throughout the timecard process, IA saw trends of large overtime amounts on top of base hours per their contract.

Recommendation: Management should consider flagging large amounts of overtime hours or consider additional training to supervisors and Principals who approve timecards.

IA also notes that within some collective bargaining agreements there are standards for overtime to be requested and approved beforehand, not on the backend. Sticking to these standards may also help decrease overall spend and add natural preventative controls.

Management needs to be aware of Ohio Senate Bill 47 and how this new bill will affect Cincinnati Public Employees and the District's overtime procedures. The new law also prohibits opt-out class actions for overtime violations under Ohio law. The law becomes effective on July 6, 2022. Another caveat to note is whether this will affect collective bargaining agreements in place.

[Ohio Senate Bill 47](#)

Under the new Ohio law, an employer will not be required to pay overtime compensation for any time that an employee spends:

- Walking, riding, or traveling to and from the actual place of performance of the principal activity or activities that the employee is employed to perform;
- Activities that are preliminary to or postliminary to the principal activity or activities;
- Activities requiring insubstantial or insignificant periods of time beyond the employee's scheduled working hours.

Internal Audit recommends further testing within this sub process in order to determine best practices, procedures, and to gather a baseline for a potential control structure.

Management Response: *Provided by Joseph Porter, Accounting Operations Manager*

We will work with Internal Audit, Payroll, and Talent Development teams to establish a taskforce to improve internal controls. We will additionally create a process flow chart (including swim-lanes) inclusive of the improved internal controls to minimize future risks of excessive overtime approvals. The new process flow chart should add additional layers of approval of overtime required.

Objective 1c: Longevity

Background:

Employees with the required number of years of service qualify for additional pay, known as longevity. The number of years and rates associated with the years of service vary by union as well as position. The AFSCME, IUOE, Unrepresented CFOP, and Craft contracts contain the rules regarding the longevity qualifications and pay rates. The AFSCME, IUOE, Unrepresented CFOP, and Craft contracts indicate the cutoff for the years of service to qualify for longevity is September 30th of each year. To monitor, apply and update longevity rates, Talent Development runs a report from BusinessPlus which contains all employees' longevity dates and reviews.

Results: Internal Audit tested 25 employees and their individual longevity rates which are automatically calculated within the BusinessPlus system. It is noted that the BusinessPlus system calculated the longevity rates per each sampled employee correctly for this period of testing, as Internal Audit was able to reconcile each pay stub longevity line item back to their respective rate.

Recommendation:

Internal Audit concluded that while the BusinessPlus system is calculating the longevity rates correctly, manual reviews should occur frequently in order to verify the accuracy of the data entered. Completeness and accuracy checks within the data will also help mitigate any potential errors with employees.

As recommended in Objective 1a, management must receive the finalized collective bargaining agreements prior to the start of the contract period as the system utilizes the longevity rates provided in the CBAs. If the wrong longevity rate is used, or an old longevity rate is left in the system, a further review would be needed to ensure all employees are receiving the correct rate.

Management Response:

Provided by Joseph Porter, Accounting Operations Manager

While management is pleased that all the employees tested for longevity were paid correctly, maintaining the accuracy of that data can be an onerous task for the Talent Development Department staff, although each union listed above has longevity increments, the rules are slightly different for each. We have worked to address this systematic problem through negotiated agreements starting with CFOP several years ago, and continuing with Trades this bargaining period. By converting longevity increments to a series of steps, we are able to preserve the benefit to the employee while reducing the effort required to provide it. We hope to make more changes to simplify compensation structures in future agreements.

Objective 1d: General Payroll

Background: Internal Audit performed high level general payroll testing procedures, similar to those performed during the fiscal year 2017 payroll audit. Internal Audit compared the hours and related pay on the employee's balance classification report from BusinessPlus to the recalculated pay based on the pay rate in the system. The purpose of this procedure was to confirm BusinessPlus properly calculates pay based on hours worked and rate from the pay field in the back-end of the system. Internal Audit also performed procedures to determine if the pay rate assigned to the employee was correct based on the pay rate stated in the collective bargaining agreement. Finally, Internal Audit inspected the employee's gross pay amount on the pay stub in Employee Online in BusinessPlus to ensure it reflects the total on the balance classification report from BusinessPlus.

Results: Internal Audit selected a representative sample of 25 employees and performed the above procedures for the following pay periods:

- 8/29/2021 – 9/11/2021
- 11/21/2021 – 12/4/2021
- 2/13/2022 – 2/26/2022

In addition to selecting a proportional number of employees by union, Internal Audit also diversified the sample by selecting employees who had a significant event during the period. Of the sample of 25 employees, 1 employee took a leave of absence during the year, 2 employees were new hires, 1 had a change in union, and 2 were terminated. Internal Audit also selected 7 employees who were also utilized in the overtime and longevity testing above. We found that the BusinessPlus system correctly calculated the gross pay for all 75 records reviewed (25 employees with 3 paychecks each).

Recommendation: Internal Audit recommends further audit engagements be performed to determine if the other critical aspects of payroll are functioning as intended. The payroll process is an overarching process with many sub processes throughout. Since Internal Audit only performed general testing through this follow-up audit, we can only make statements on the areas of our test work. While we found that the gross pay is properly calculated based on system set up and inputs for our 75 samples, Internal Audit believes it is important to further evaluate the many aspects of the system and the data that drives pay. A few examples of sub processes that drive payroll include hiring/onboarding, the set up and maintenance of pay assignments, tracking leaves of absence, separation of service (e.g. terminations), Schedule E (e.g. athletics and extracurricular), position management, and the numerous other requirements set forth in the collective bargaining agreements. Many of these areas reside outside of the Treasurer's Office, and many are executed at a school level as well.

Internal Audit recommends a tiered approach to the processes that relate to payroll in order for the team to perform further detailed testing and update our understanding of the sub processes within. Internal Audit will partner with the administration in both the Treasurer's Office and Talent Development Department to evaluate the risk and importance of the many sub processes, and include the most critical payroll projects in the Annual Internal Audit Plan for fiscal year 2023, and possibly beyond. This targeted multiyear approach will allow a more thorough review of each significant sub process that impacts payroll.

Management Response: *Provided by Joseph Porter, Accounting Operations Manager*

We will partner with Internal Audit, Payroll and Financial Technology teams to develop a process improvement plan. We also request that a much larger scale audit be performed in additional areas of payroll in the upcoming year.

STATEMENT OF INDEPENDENCE & OBJECTIVITY

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  If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

DECLARATION

In connection with the Payroll Follow-up audit engagement, I, Lauren Roberts, certify the following:

- I do not hold any views or opinions that could bias the engagement.
- I do not have any official, professional, personal or financial relationships that might cause me to limit the extent of my inquiry, to limit disclosure, or to weaken or slant findings in any way.
- There is not any external interference or influence that would cause me to improperly or imprudently limit or modify the scope of the assignment.
- There is not any external interference that would affect the selection or application of review procedures or the selection of locations to be examined.

Due professional care and professional judgment was exercised in the performance of this engagement.   As Internal Audit is held to the standard of providing reasonable assurance, not complete assurance, there is always the risk of unreported noncompliance or irregularities. The purpose of this report is to furnish CPS management and leadership with an independent and objective analysis, information and recommendations concerning the activities reviewed.

Signature: _Lauren Roberts_____   Date: 4/27/2022_____

Printed Name: Lauren Roberts_____   Title: Chief Audit Executive___

APPENDIX I: FISCAL YEAR 2017 PAYROLL AUDIT REPORT

Please see the attached document:

- *Appendix I: Payroll Audit Report - 6.27.2017*

APPENDIX II: COLLECTIVE BARGAINING AGREEMENTS

Please see the attached documents:

- *Appendix IIa: Cincinnati Federation of Teachers (CFT) CBA: 7.1.2021-6.30.2024*
- *Appendix IIb: Cincinnati Federation of Office Professionals (CFOP) CBA: 7.1.2021-6.30.2024*
- *Appendix IIc: American Federation of State, County & Municipal Employees (AFSCME) CBA: 7.1.2021-6.30.2024*
- *Appendix IId: Cincinnati Association of Administrators & Supervisors (CAAS) CBA: 7.1.2021-6.30.2024*
- *Appendix IIe: Greater Cincinnati Building & Construction Trades Council CBA: 7.1.2021-6.30.2024*
- *Appendix IIf: Local 20 of the International Union of Operating Engineers (IUOE) CBA: 7.1.2017-6.30.2020*