



## **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee met on Tuesday, December 14, 2021 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 – In Person**

Tim Heldman, Chair; Daniel Holthaus, Vice Chair; Jennifer Couser; Jim Crosset; Christine Fisher; David Foote; Elizabeth Gutridge; Carol Mitchell-Lawrence; Clarice Warner

#### **Budget, Finance and Growth Committee Members**

Eve Bolton, Chair; Melanie Bates

#### **Administration**

Lauren Roberts, Chief Audit Executive; Jennifer Wagner, Treasurer/CFO; Kevin Ashley, Director of Finance Reporting; Isaac Karn, Internal Audit Staff; Emma Williams, Internal Audit Supervisor

Tim Heldman, Audit Committee Chairperson, welcomed everyone to the meeting and led the group in the Pledge of Allegiance.

### **Updates to Board Policy 6835-Audit Committee Charter**

Committee Chair Heldman updated the Committee on revisions to the following areas of the policy: Composition, Member Appointments, Audit Committee Chairs and Meetings. (Policy attached to this report)

Committee Chair Heldman asked for a motion that the Audit Committee Charter be approved. Committee member Jim Crosset motioned, and Vice Chair Holthaus seconded the motion. The motion was unanimously approved.

**ACTION:** The Committee will recommend the Policy to the Budget, Finance and Growth Committee for review. The Committee will then recommend the policy to the Board for approval.

### **Audit Committee New Member Selection, Current Member Reappointments and Chair/Vice Chair Elections**

Mr. Heldman informed the Committee that two applicants; Molly Meakin Rogers, and Paul Anthony Kitzmiller applied for membership on the Committee.

Due to the Committee revising its Audit Committee Charter to require members to live in the City of Cincinnati limits, Molly Meakin Rogers did not qualify for the position.

Committee member Heldman asked for a motion that that Paul Anthony Kitzmiller be appointed to the Audit Committee. Vice Chair Holthaus motioned, and Christine Fisher seconded the motion. The motion was unanimously approved.

Finance Committee member Bates recused herself from voting due to a conflict of interest.

The motion was approved.

Committee member Carol Mitchell-Lawrence advised the need for a better process for the Audit Committee Chairs to allow Audit Committee members to participate in the selection process.

The Committee conducted an individual roll call vote to reappoint Committee members David Foote and Tim Heldman to another three year term beginning January 1, 2022 – December 31, 2024. (Member Appointments Timeline Attached)

The Committee approved the appointments.

The Committee took a roll call vote to extend Mr. Heldman's position as Chair and Mr. Holthaus' position as Vice Chair for an additional year (1/1/2022 – 12/31/2022). The Committee approved the additional year as Chair and Vice Chair of the Committee.

**Mid-Year Evaluation:**

Chief Audit Executive Roberts updated the Committee on her following mid-year evaluation. The mid-year evaluation is based on progress toward her goals set at the beginning of the year as well as the CPS competencies. A copy of the memo is available in the Board office.

ACTION: The Committee will submit their feedback about the mid-year evaluation to Mr. Heldman by Tuesday, December 21, 2021. Mr. Heldman will compile feedback and complete the evaluation on behalf of the Audit Committee, and submit it to Dr. Ross Turpeau, Director of Talent Acquisition and Staffing.

**Audit Status Report**

Fiscal Year 2022 Internal Audit Plan

Chief Audit Executive Roberts provided an update regarding the status of the following Internal Audit projects from the Fiscal Year 2022 Internal Audit Plan.

Advisory

**Elementary & Secondary School Emergency Relief (ESSER) Funds – Complete**

The Internal Audit team performed transactional testing on actual expenditures relating to the relief funding to provide feedback to management regarding compliance with applicable regulations and CPS internal controls. The results and takeaways from this project were shared at the October 27, 2021 Audit Committee meeting.

**BKD & CPS Benefits Consulting Project Oversight – Ongoing**

Internal Audit continues to receive updates regarding management's progress towards the remediation of audit findings that resulted from the February 2020 Benefits Audit Report. Internal Audit continues to emphasize the need for management to not only design and implement improved processes with targeted controls, but also the importance of data validation to ensure the changes are addressing the root causes of the original audit findings. At the February 2022 Audit Committee meeting, the Benefits team will present a summary of the work they performed with BKD.

## Assurance

### **Accounts Payable – *In progress***

Internal Audit performed a limited scope advisory project around Accounts Payable in fiscal year 2021 which allowed the team to gain an understanding of the key processes and potential areas of improvement. The fiscal year 2022 assurance project will expand upon this work and provide further insights and recommendations to the Treasurer’s Office leadership. Internal Audit will leverage our co-sourcing partner, Guidehouse, in the completion of this audit. This engagement is now underway.

### **Asset Inventory Counts – *In progress***

Internal Audit plans to perform a limited scope assurance engagement which will include inventory counts of a variety of assets. Initial planning meetings have been scheduled with management with the goal of performing this work in the early months of spring 2022.

### **Data Analytics & Continuous Auditing – *Ongoing***

The Internal Audit Department will continue the development of data analytics and continuous auditing techniques which will be used now, and in the future, to monitor key metrics and alert management to any irregularities in a timely fashion. Guidehouse will assist the Internal Audit team in the development and utilization of analytics throughout the execution of the fiscal year 2022 IAP.

## Follow-up

### **Procurement Card Audit – *In progress***

Internal Audit performed a full assurance audit of the procurement card processes in fiscal year 2018. As all recommendations have been reported by management as fully implemented, Internal Audit will reperform the audit steps from the original audit to ensure the improvements are functioning as intended.

### **Payroll – *In progress***

As a follow up to the audit engagement performed in fiscal year 2017, Internal Audit will review the implementation of the recommendations as well as perform additional testing to identify areas of progress and potential improvement. Initial planning meetings have been scheduled with management with the goal of performing this work in the early months of spring 2022.

## Internal Audit Development & Advancement

### **Internal Audit Department Quality Assurance & Improvement Program – *In Progress***

The Internal Audit Department is engaged with Guidehouse Inc. to assist with the Fiscal Year 2022 Internal Audit Plan, which includes the development and documentation of a quality assurance and improvement program (QAIP). The development of the QAIP will be an ongoing, multiyear project with the goal of designing and implementing best practices throughout the work of the Internal Audit Department.

### **Departmental Staffing & Professional Development – *Ongoing***

The IA team continues to keep up with virtual trainings and webinars while some in person trainings have resumed. The Internal Audit members are on track to meet the continuing professional education (CPE) hour requirements set forth by the applicable governing bodies.

## Board Committee Assignments to Internal Audit

## **Preschool Workforce Development Council (PWDC) Charter Review – Complete**

During their September 15, 2021 meeting, the Budget, Finance, and Growth Committee asked Internal Audit to address the PWDC’s request for assistance regarding their charter. Internal Audit partnered with General Counsel, Treasurer and Director of Early Childhood to request documentation of how the PWDC has fulfilled each aspect of their charter to date. Internal Audit summarized the documentation provided by the PWDC and asked the management team, as the subject matter experts, to evaluate and provide recommendations to the Budget, Finance and Equity Committee at their next meeting on December 16, 2021.

## **Board Policy Review – Complete**

The Policy and Equity Committee directed Internal Audit to perform a review of four Board Policies they selected during their September 24, 2021 meeting:

- 2255 Equity and Excellence in Education
- 2256 Anti-Racism
- 2261.01 Parent and Family Engagement in Federal Programs
- 6320 Purchasing of Goods and Services

The Policy and Equity Committee asked Internal Audit to complete the review and report key takeaways at their meeting on December 16, 2021.

## **Status of External Audits & Reviews**

The purpose of this section is to share with the Audit Committee each of the external audit and review engagements that have come to the attention of the Internal Audit Department since the last Audit Committee meeting. Management shares the status of external engagements with Internal Audit to ensure accurate and timely communication to the Audit Committee.

### **The following audits are in progress:**

- Ohio Department of Education (ODE):
  - Consolidated Elementary & Secondary Education Act (ESEA) Grants Onsite Review; Fiscal Year 2021
- Ohio Auditor of State (OAS):
  - Financial Audit; Fiscal Year 2021

### **The following audits/reviews have been completed since the October 27, 2021 status report:**

- Ohio Department of Education (ODE):
  - Aspire Comprehensive Continuous Improvement Plan (CCIP) Project Cash Request (PCR) Final Expenditure Report (FER) Review; Fiscal Year 2021 – **Compliant**
  - Cincinnati Action Agency (CAA) Head Start Fiscal Monitoring; Fiscal Year 2021 – **Compliant**
  - Grants Management Subrecipient Monitoring; Fiscal Year 2021 – **Compliant**
- Ohio Auditor of State (OAS):
  - School Employees Retirement System (SERS) Census Data Examination; Fiscal Year 2021 – **Compliant, report attached**
  - State Teachers Retirement System (STRS) Census Data Examination; Fiscal Year 2021 – **Compliant, report attached**

### **Financial Updates**

Kevin Ashley, Director of Financial Reporting updated the Committee on the following Financial Review for the month of October 2021. A Copy of the presentation is available in the Board office.

### **Transportation Update**

Committee Chair Bolton updated the Audit Committee about the status of busing Cincinnati Public School students. She reported that the Policy and Equity Committee will be reviewing the following three policies at their December 16, 2021 meeting.

- 8600.01 – Supervision of Transported Students
- 8600.02 – Transportation of Students
- 8650 – Transportation by District Contracted Vans

Ms. Bolton talked about the District's dependence on private transportation for more than 45 years and not owning a fleet of bussing, policies needing to be changed and the need to address seventh and eighth grade transportation. She reported that it would be costly for the District to purchase their own fleet as well as too expensive to hire employees to drive the buses.

She talked about the possibility of new city council members working with SORTA to assist the District in making SORTA accountable and expressed concern about the District's absenteeism and tardy rates due to the elimination of extra routes.

She informed the Committee about the various types of buses that the district uses, based on the health of students and purchasing a fleet of buses.

Ms. Bolton talked about the importance of needing to know school-by-school, how students are being transported to school and to force Metro back into transporting students.

Committee Chair Bolton asked the Audit Committee members to participate in solving how to get transportation for students.

### **Other Business and /or District Updates**

Finance Committee Chair Bolton informed the Committee that the Superintendent Search is on schedule and she anticipates having the finalists selected in January 2022.

She also stated that there will be community engagement with the finalists and expects a Superintendent to be in place by the end the 2021-2022 school year.

Ms. Bolton reported that the three newly elected Board members and current Board members will participate in the selection of the Superintendent.

Ms. Bolton thanked Committee members Bates and Messer for their service on the Audit and the Budget, Finance and Growth Committees. Terms for those Cincinnati Public School Board members will end December 31, 2021.

*The next meeting will take place in February 2022. The exact meeting date will be determined by the Board in January 2022 and communicated thereafter. We will have a large agenda and may need to extend the meeting duration to two hours (4:30-6:30 pm). More details to follow.*

The meeting adjourned at 5:53 PM.

**Audit Committee**

Tim Heldman, Chair

Daniel E. Holthaus, Vice-Chair

Jennifer Couser

Jim Crosset

Christine Fisher

David Foote

Elizabeth Gutridge

Carol Mitchell-Lawrence

Clarice Warner

Eve Bolton (Budget, Finance and Growth Committee, Chair)

Melanie Bates (Budget, Finance and Growth Committee)

Ryan Messer (Budget, Finance and Growth Committee), *absent*

**Staff Liaisons**

Jennifer Wagner, CFO/Treasurer

Lauren Roberts, CPA, CFE, Chief Audit Executive



Board Policy 6835

## **AUDIT COMMITTEE CHARTER**

### **PURPOSE:**

The Board of Education established an Audit Committee to assist in fulfilling its governance responsibilities to provide materially accurate financial reports, maintain sufficient internal controls, assure independence and integrity of mandated external audits and monitor compliance with laws and regulations.

### **AUTHORITY:**

The Audit Committee has authority to:

- Propose and oversee the work of the external auditors employed by the District,
- Resolve any disagreements between management and the Internal Auditor,
- Review all auditing and non-audit services,
- Seek information it requires from employees – all of whom are directed to cooperate with the committee's requests, and
- Meet with District Administration, External Auditors, and General Counsel as necessary.

### **COMPOSITION:**

The Audit Committee consists of the three members of the Board Budget, Finance and Growth Committee and no more than ten members who are not employees of the school district. The community members shall be appointed by the Board of Education for a staggered three-year term to ensure all members do not come up for reappointment in the same year. At least one member will be a Certified Public Accountant. Collectively they will possess the expertise and experiences to understand and resolve concerns raised by independent auditors or the District's Internal Auditor. All members must reside within the Cincinnati Public School District boundaries.

### **MEMBER APPOINTMENTS:**

If, and when, the committee determines a need for additional members, communications will be issued to notify the public of the application window. The necessary requirements including, but are not limited to, those stated within this charter. Upon the conclusion of the application window, the committee will review the submissions and interview candidates as deemed necessary by the committee. The committee will make a recommendation to the Budget, Finance and Growth Committee including the names of the selected candidate(s). The Budget, Finance and Growth Committee will review the nomination(s) and have the opportunity to bring the recommendation forth for approval by the full Board of Education. Once approved by the Board, the candidate becomes an active member of the Audit Committee.

In the case of membership falling below the minimum of eight required members, the Audit Committee may devise and hold an off-cycle application process, similar to the aforementioned process.

At the conclusion of an existing member's term, the member will state their intent to return to the committee during the period of renewal, October through December of their last term year.

A recommendation reappointing the member(s) will be made by the Audit Committee, reviewed and approved by the Budget, Finance and Growth Committee, as well as the full Board of Education.

**AUDIT COMMITTEE CHAIRS:**

The Audit Committee Chair and Vice Chair positions will be held by community Audit Committee members.

The responsibilities of the Audit Committee Chair include:

- Proctor public Audit Committee meetings in accordance with Robert’s rules of order
- Serve as the point of contact for matters relating to the Audit Committee
- Coordinate, execute, and communicate the Internal Auditor’s evaluations on behalf of the Audit Committee and Board of Education
- Review Audit Committee meeting agendas and minutes
- Interview prospective Audit Committee members
- Other duties as deemed necessary by the Audit Committee

The Vice Chair will fulfill the duties of the Chair in the case of their temporary or permanent absence from the Audit Committee.

The Audit Committee Chair and Vice Chair will be selected through a majority vote of a quorum of Audit Committee members to serve a one year term. At the conclusion of the term, all interested community Audit Committee members will state their intent to run for the Chair or Vice Chair positions during the aforementioned period of renewal. A recommendation appointing the Chair and Vice Chair will be made by the Audit Committee, reviewed and approved by the Budget, Finance and Growth Committee, as well as the full Board of Education.

**MEETINGS:**

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All members are expected to attend each meeting, in person. As defined by District Bylaws 0150, a majority of the Audit Committee members constitute a quorum. If quorum is not met, the meeting can take place for informational purposes only; no recommendations or votes may take place unless there is a quorum present. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

It is expected that Audit Committee members attend all meetings. If any member misses two consecutive meetings their membership will be discussed by the Audit Committee at the second missed meeting.

This committee operates as an extension of the Board of Education and as such shall operate in the same manner as the Board of Education. Therefore, it is subject to the same open meeting, open record and Sunshine laws. Further, the committee shall appoint one of its members as chairperson and shall operate under Robert’s Rules of Order.

Meeting agendas will be prepared and provided in advance, along with appropriate briefing materials. Minutes will be created and distributed via the written Audit Committee report.



To ensure the Audit Committee is well informed of the financial dealings of the District, meeting notices for all Finance Committee meetings are e-mailed to the members.

## **RESPONSIBILITIES:**

The committee will carry out the following responsibilities:

### **Financial Statements**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, as well as recent professional and regulatory pronouncements, to understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit.
- Review the annual financial statements, and consider whether they are accurate, complete, and consistent with information known to committee members, as well as reflective of appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*.
- Understand how management develops interim financial information, as well as the nature and extent of internal & external auditor involvement.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are accurate, complete and consistent with the information known to committee members.

With respect to the financial statements, the Audit Committee's responsibilities are limited to matters formally brought to their attention by the Internal Auditor, District administration and/or Board of Education members.

### **Internal Audit**

- Provide comment on the internal audit charter.
- Give input on decisions regarding the appointment and removal of the Internal Auditor. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Auditor.
- Provide feedback on the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the Internal Auditor the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- At least once per year, provide feedback on the performance of the Internal Auditor.
- Review the effectiveness of the internal audit function.
- On a periodic basis, meet separately with the Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed confidentially in accordance with the Sunshine Laws.
- Review the Annual Risk Assessment, used to develop the internal audit plan, to promote strong internal controls and financial oversight. Provide feedback on the annual internal

audit plan created by the Internal Auditor and subsequently review the implementation of the internal audit plan and its results.

### **External Audit**

- Meet with the external auditors prior to the commencement of the annual audit examination to review their audit plans, scope, coordination efforts with internal audit and the engagement letter for the coming year.
- Meet with the internal and external auditors independent of the administration whenever necessary.
- Review with the external auditors, upon completion of their audit: contents of their report, audit cooperation, changes in accounting principles and practices, legal compliance, and recommendations for improving internal control, organizational structure, operations, etc.
- Review the performance of the external auditors, and/or review the decision to appoint or discharge of the auditors upon request.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the District, including non-audit services, and discussing the relationships with the auditors.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed confidentially in accordance with the Sunshine Laws.
- Review all audit findings and action plans along with District responses to external, internal, performance and efficiency audits as well as confirm their effective implementation.
- Prior to implementation of any supplemental contract, review the supplemental non-audit services to be performed by the independent auditing firm to insure that the new services do not compromise the independence of the external auditors.

### **Compliance**

- Upon request, Internal Audit or management present any reports relating to the systems for monitoring compliance with laws and regulations, and/or the results of investigations (including disciplinary action) of any significant instances of noncompliance.
- Obtain updates from management and General Counsel about material compliance matters as deemed necessary.

### **Reporting Responsibilities**

- Regularly report through Audit Committee minutes to the Board of Education about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Education.

### **Other Responsibilities**

- Perform other activities related to the charter or as requested by the Board of Education
- Oversee special investigations as requested.
- Review and assess the adequacy of the committee charter annually, and request Board approval for proposed changes.
- Periodically assess the effectiveness of the Audit Committee.

- Every member is required to sign a Conflict of Interest form annually.
- Superintendent, Treasurer/Chief Financial Officer and the Internal Auditor shall serve as Staff Liaisons.