



July 19

2021

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Wednesday, June 30, 2021, at 4:30 PM via the Blue Jeans Video Conferencing Tool.

ATTENDEES

Audit Committee Members

Chatika Britton, Jennifer Couser, Jim Crosset, Christine Fisher, David Foote, Elizabeth Gutridge, Tim Heldman, Carol Mitchell-Lawrence, Clarice Warner

Budget, Finance and Growth Committee Members

Eve Bolton, Chair

BKD CPAs & Advisors

Christie Clements, Chris Desjardins

Administration

Lauren Roberts, Director of Internal Audit; Jennifer Wagner, Treasurer/CFO; Susan Bunte, Assistant Superintendent; Dan Hoying, General Counsel; Isaac Karn, Internal Audit Staff; Paul McDole, Director of Human Resources; Ross Turpeau, Director of Talent Acquisitions and Staffing; Jeremy Gollihue, Chief Information Officer

Welcome

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

Benefits Audit Recommendations Update

Paul McDole, Director of Human Resources, reported that Christie Clements from BKD will be presenting the CPS Benefits: Operational Assessment Update. He shared that the Internal Audit Team is involved with the weekly huddle calls.

Ms. Clements informed the Committee that there has been a lot of work done with Phase 1 of the project and that they are now moving into Phase 2.

Objectives

- Help develop improvements in process and control to address Internal Audit's recommendations
- Identify opportunities for user experience enhancements via automation, system reporting and feature utilization
- Determine the need for policy or procedural changes
- Provide a project manager to oversee the program plan and assist with coordination of corrective actions

Phase 1 – Deliverables

- ✓ Information Gathering
- ✓ Define “assessment units”
- ✓ Create an inventory of target processes, systems, personnel and procedures
- ✓ Conduct meetings with key CPS personnel

- ✓ Document current-state processes
- ✓ Identify areas for further review or analysis

Phase 2 – Approach

BKD will:

- › Apply a holistic approach in a review of Benefits’ current processes and operations.
- › Provide project management and assistance to CPS in its implementation of corrective action to the 2020 Internal Audit findings as well as for items noted during our engagement
- › BKD will provide recommendations of areas for improvements sorted into short-, mid- and long-term categories.
- › Provide updates at regular intervals to Management and the Audit Committee as well as a formal report at the closing of the engagement.

Review Areas

- › 2020 Audit Report Issues
- › Immediate improvements for open enrollment 2021
- › Streamlining of benefits processes
- › Increase use of technology and available systems
- › Policy decisions
- › Structural changes

Timeline

Deliverables by Area	Jul	Aug	Sep	Oct	Nov	Dec
Early Results	hurdles to corrective action					
Early Results	root cause analysis of audit findings					
Prior to Open Enrollment	enhanced use of automation for benefit sign-up					
Prior to Open Enrollment	develop condition and workflow in Business Plus					
Prior to Open Enrollment	procedures for invoicing of benefits					
Long-Term	long-term recommendations					
Long-Term	policy decisions and structural changes					

In response to Committee Chair Heldman’s question, Ms. Clements reported that a remediation log in the form of a Gantt chart will have the recommendations put into a project management log. They are overseeing the corrective actions and will be providing guidance.

Ms. Clements reported there was not a position manual, but there was some documentation of which a lot was out of date. BKD will provide guidance regarding the policies and procedures that need updating.

Eve Bolton, Budget, Finance and Growth Committee Chair, asked if the root causes of the issues were determined.

Ms. Clements said that from a high level assessment and looking at the calendars, they do believe there may be opportunities for improvement. What it comes down to is training, not understanding the system, and not utilizing the system to its fullest.

Insurance Coverage Update

Dan Hoying, General Counsel, provided background information on the District's property/casualty insurance coverage. He reported that for more than 20 years, CPS has worked with a broker—Neace Lukens now Assured Partners.

Mr. Hoying reported that an RFP was done three years ago and Assured Partners' prices were competitive. They are currently finishing the third year of the contract and it is anticipated that a one-year renewal will be requested.

He updated the Committee on the following terms of the major policies:

Auto

- First dollar coverage up to \$1 million with Hudson Insurance Group

Property

- \$250,000 deductible – replacement costs

General Liability

- New policy this year with the Hudson Insurance Group (through Euclid Public Sector)
- \$500,000 deductible / \$5 million limit with Hudson
- Also includes Auto Coverage from \$1 million to \$5 million

Crime Policy – Actual theft or fraud is generally excluded from a commercial insurance policy, so a separate Crime policy is necessary.

- CPS has a three-year policy with Hanover (April 2020 to April 2023).
- \$1 million coverage (\$10,000 deductible) for employee theft, forgery or alteration, inside the premises theft, computer fraud, funds transfer fraud, money orders and counterfeit money.

Mr. Hoying reported that there have been high increases in premiums over the last three years and these increases are market related.

CPS has allowed its cyber coverage to lapse. The proposed premium increased from \$10,000 to \$100,000, with a \$250,000 deductible for \$1 million in coverage—and Administration determined this coverage was not worth the high cost. CPS will be looking for a more competitive product.

Audit Updates

Fiscal Year 2021 Status of Past Recommendations and Dashboard

Isaac Karn, Internal Audit Staff, presented to the Committee highlights from the *Status of Past Internal Audit Recommendations* report (a copy of the full report is available in the Board Office).

Of the 98 recommendations made by the Internal Audit Department during fiscal years 2017-2021, 75 are complete, 17 are in progress, and 6 recommendations haven't started or are in the planning phase of implementation.

Summary – Status of Recommendations

Internal Audit Report	Total # of Recommendations	Complete	In Progress	No Evidence Reported
<i>Fiscal Year 2020</i>				
Medical Benefits	10	0	10	0
Network/Security Assessment	15	4	5	6
<i>Fiscal Year 2019</i>				
Transportation Expenditures	7	5	2	0
Strategic Project	9	9	0	0
Online School Compliance	6	6	0	0
<i>Fiscal Year 2018</i>				
Data & Access Security	7	7	0	0
Charter Funding Follow Up**	6	6	0	0
Procurement Cards	18	18	0	0
<i>Fiscal Year 2017</i>				
Payroll	6	6	0	0
Voucher Funding	5	5	0	0
SunGard Conversion	9	9	0	0
Total	98	75	17	6

**The original 15 recommendations from the Charter Funding report (released March 28, 2017) were converted into the 6 recommendations in the Charter Funding Follow Up report (released April 24, 2018).

Network/Security Assessment – June 24, 2020

The Network Assessment was completed in the spring of 2020 with assistance from JW Affinity IT. The assessment resulted in 15 recommendations and was reported to the Audit Committee on June 24, 2020. Many of the recommendations were put on hold while addressing district needs during the pandemic, but the ITM team did make some progress. There are currently 4 recommendations complete, 5 in progress, and 7 in the planning phase. ITM made it clear that many recommendations will be addressed and implemented in the upcoming fiscal year 2022.

Medical Benefits Expenditure - February 26, 2020

The Medical Benefits Expenditure audit resulted in 10 recommendations. Since February 2020, the Benefits Department has been working with various departments, managers, and now third-party vendor BKD, to create a work plan to fulfill each of the recommendations. All 10 recommendations are still currently in progress with a plan to remediate each of them.

Transportation Expenditures – April 24, 2019

With the Transportation expenditures audit being completed at the end of April 2019, Transportation has made significant progress towards fulfilling each of the 7 recommendations. Since the last update around these specific recommendations, 5 have been completed with 2 still remaining in progress. The two recommendations in progress are contingent on the district’s strategic plan shifting to the “new shore,” along with RFPs (request for proposal) being issued this upcoming fiscal year. These two outstanding items are projected to be completed in fiscal year 2022.

Online School Compliance – February 27, 2019

The Internal Audit Department recommended 6 actions following the Online School Compliance audit in 2019. Internal Audit met with Eric Rozier, Principal of Cincinnati Digital Academy and Virtual High School, and concluded that the two outstanding items were completed and addressed during the pandemic, and will continue to be ongoing process improvement initiatives. In addition, Dr. Carrie Bunger presented to the Audit Committee in October 2020 to address some of the compliance and regulation aspects around remote learning during the pandemic.

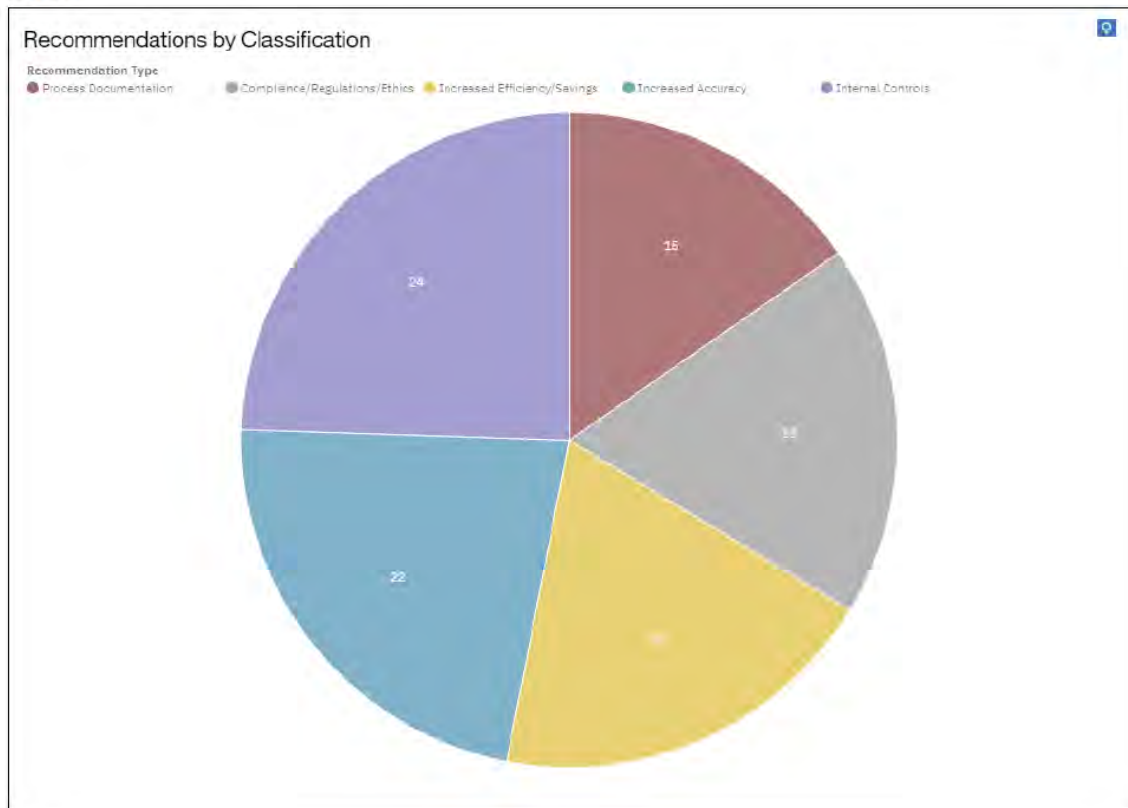
Procurement Cards – February 27, 2018

Internal Audit recently met with the Treasurer’s Office and Purchasing Department teams to review each of the 18 procurement card audit recommendations and found that all 18 recommendations have been implemented and are complete. Some items that have been marked as completed are being revisited to address current process concerns and continuous improvement. Many of the items on the list of recommendations will continue to be revisited as procurement processes change and adapt to new CPS technology.

Internal Audit Impact – Dashboard

Mr. Karn then reviewed the dashboard he created in the District’s analytics tool, Cognos. This dashboard was put together in response to a suggestion made by the Audit Committee to summarize the impact the Internal Audit Department’s recommendations have made on the District. *Figure 3* below was extracted from the interactive dashboard, and it shows the wide variety of recommendations the Internal Audit Department has made. The diverse recommendations show Internal Audit’s impact in enhanced process documentation, improved compliance/regulations/ethics, increased efficiency/cost savings, increased accuracy, as well as establishment of internal controls. This shows the impact of Internal Audit goes well beyond the basics of auditing, and truly represents the wide variety of services that are offered through a top-notch Internal Audit shop.

FIGURE 3



Fiscal Year 2022 Internal Audit Plan

Lauren Roberts, Director of Internal Audit, updated the Committee on the *Fiscal Year 2022 Internal Audit Plan* report (a copy of the full report is available in the Board Office).

As a part of the review process, a draft of the Fiscal Year 2022 Internal Audit Plan was presented to the Audit Committee Chairs on June 15, 2021, and at the Board Budget, Finance and Growth Committee meeting on June 17, 2021.

Fiscal Year 2022 Risk Assessment

Overview

A risk-based methodology was utilized to identify areas for inclusion in the Internal Audit Plan. The Internal Audit Department gathered the necessary information to complete a thorough risk assessment through the following procedures:

- Interviews with 22 district administrators, including the Performance Leadership Team as well as department heads and individual process owners.
- Input from Board of Education and Audit Committee members via an online survey.
- Review of BOE and Committee minutes.
- Prior external audit reports, management letters, and accompanying Comprehensive Annual Financial Reports (CAFR).
- Available financial information including budgeted and actual revenues and expenses.
- Prior Internal Audit reports and recommendations.
- Observations made during daily activities and meetings.

Risk Assessment Results

The four main risk categories—financial, audit, strategic, and entity-level—were weighted based on their respective impact on the overall risk.

All 122 budget units were evaluated in the financial risk category and a resulting risk score, ranging from 5 (greatest materiality) to 0 (least materiality), was assigned to each budget unit. The budget units with the top ten highest financial ratings were then further evaluated in the audit, strategic, and entity-level risk categories. The top ten budget units were ranked by their respective combined weighted risk scores and the results are as follows:

Final Risk Ranking	Budget Unit	Department	Sum of Weighted Scores
1	048	Information Technology Management	4.10
2	000	District Wide	4.08
3	057	Student Dining Services	4.00
4	025	Curriculum	3.91
5	088	Transportation	3.81
6	056	Facilities, Security, Student Dining	3.61
7	076	Student Services	3.61
8	028	Early Childhood Education	3.13
9	099	Auxiliary Services	3.11
10	450	Walnut Hills High School	3.00

The risk assessment scores above helped Internal Audit identify which departments warranted additional research and focus. The Internal Audit team performed interviews with the departmental leaders of each of the top ten areas. The results of the risk assessment and the interviews informed the selection of this year’s audit engagements.

Additionally, the *Multi-Year Audit Cycle* section outlines the long-term plan for addressing the key risk areas over the next three years. For example, the chart shows how the Internal Audit team is awaiting the implementation of previous Internal Audit recommendations for the Information Technology Management, Transportation, and Benefits departments before performing a follow-up audit.

FY 2022 Planned Engagements

Advisory – *In Advisory projects, Internal Audit provides expertise and advice while leaving decision making to management. The ultimate scope and objectives are determined by management, and the projects do not result in formal recommendations or reports.*

- Elementary & Secondary School Emergency Relief (ESSER) Funds
- BKD & CPS Benefits Consulting Project Oversight
- District Strategic Plan Support

Assurance – *These services refer to the more traditional audit functions.*

- Accounts Payable
- Asset Inventory Counts
- Data Analytics & Continuous Auditing

Follow-Up – *The Internal Audit Department revisits areas that were previously audited to measure the progress made by management towards implementing the recommendations and resolving the findings.*

- Procurement Card Audit

Multi-Year Audit Cycle

The chart below provides a summary of past, present and future audit engagements. The future audit projects are based on the fiscal year 2022 risk assessment and may be updated as new and emerging risks are identified.

	Past				Present	Future	
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Payroll						Follow-up	
Charter /Voucher Funding	Follow-up						
Procurement Cards	Assurance				Follow-up		
Network Assessment	Advisory	Advisory	Assurance				Follow-up
District Strategic Plan Support		Assurance	Advisory	Advisory	Advisory	Advisory	Advisory
Online School Compliance		Assurance		Follow-up			
Transportation		Assurance		Advisory		Follow-up	

	<i>Past</i>				Present	<i>Future</i>	
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Benefits			Assurance		Advisory		Follow-up
Accounts Payable				Advisory	Assurance		Follow-up
Data Analytics & Continuous Auditing				Assurance	Assurance	Assurance	Assurance
COVID Related: Safety & Funding				Advisory	Advisory		
Cash Controls & Minimization					Advisory		
Academic Support					Advisory		
Asset Inventory Counts					Assurance		
Contracts Management					Advisory		

Committee member Guttridge questioned how the weighted list fits in when determining the audit engagements for the year. Ms. Roberts responded that each of the top 10 risk ranked budget units are either addressed through the projects included in the Fiscal Year 2022 Internal Audit Plan, or have been recently addressed as shown in the Multi-Year Audit Cycle Chart above. Ms. Roberts stressed that the ultimate goal is to create a cycle of projects that would allow Internal Audit to visit the top 10 most critical areas on a regular basis, and as the Internal Audit Department continues to develop the size of the team, so will its ability to address the areas on a more frequent basis.

Budget, Finance and Growth Committee Chair Bolton expressed pleasure that the Administration wants the assistance and expertise of the Internal Audit Department, but stressed it is important for Internal Audit to maintain their independence as they are not an extension of the Administration.

Committee member Mitchell-Lawrence said she feels that Internal Audit’s role is getting broader and into areas that are not related to traditional assurance audits. She questioned how the Committee can help to ensure the Internal Audit Department is not pulled into other roles. Committee member Mitchell-Lawrence asked for clarification as to the purpose and mission of Internal Audit, stating she was not deeply familiar with the department.

ACTION: At a future Audit Committee meeting, Ms. Roberts will provide an overview of the Internal Audit Department’s goals, mission and purpose. Ms. Roberts will also provide information regarding the best practices of Internal Audit according to applicable governing bodies such as the Institute of Internal Auditors (IIA), the Association of Local Government Auditors (ALGA), and the Council of the Great City Schools (CGCS).

Ms. Mitchell-Lawrence also recommended the Payroll follow-up audit engagement be moved up to FY 2022. She suggested that six years is too long to wait and from her perspective as a HR/Payroll professional, it should be audited every two years.

Committee member Crosset encouraged the Committee to consider the annual external audits performed over areas, such as Payroll. He suggested Internal Audit provides a unique value in addressing areas that aren’t traditionally covered by external auditors, including operational audits and advisory/consulting projects.

Committee member Foote stated his appreciation of the effort put forth by the Internal Audit Department to capture the input of the Board and Audit Committee. Ms. Roberts reiterated her department's highest priority is to incorporate the will of the Board and Audit Committee in the annual risk assessment and Internal Audit Plan. This year the Internal Audit Department utilized a feedback survey to gather input from the Audit Committee members. The input survey was completed by three of the thirteen Committee members, so Ms. Roberts requested the Committee's guidance regarding their preferred method of collaboration for future Internal Audit Plans.

ACTION: Committee Chair Heldman moved that the Fiscal Year 2022 Internal Audit Plan be approved, but the Internal Audit Department must incorporate the Payroll Follow-up Engagement into the plan. Committee member Mitchell-Lawrence seconded the motion. The motion was unanimously approved.

It was stated that this vote also permits the Director of Internal Audit to utilize her professional judgement and remove projects from the presented plan to make space for the addition of the Payroll project. The updated FY 2022 Internal Audit Plan will be emailed by Ms. Roberts to the Committee once the requested changes have been made, and this vote permits the Internal Audit Department to immediately begin executing the updated plan.

A copy of the revised and approved plan will be available in the Board Office upon request.

Fiscal Year 2022 Internal Auditor Goals

Ms. Roberts presented her proposed goals for the 2021-22 year. The mid-year evaluation is scheduled for the December 14, 2021, Audit Committee meeting, and the final evaluation will take place at the April 2022 meeting.

Goal	Description
Risk Assessment & Internal Audit Plan Development	<ul style="list-style-type: none"> • Develop an annual Internal Audit Plan (IAP) using full risk assessment methodology, incorporating projects to support the district's strategy and objectives.
Engagement Execution & Reporting	<ul style="list-style-type: none"> • Complete the advisory, assurance, and follow up engagements from the Fiscal Year 2022 IAP. • Communicate the status of internal and external audit engagements to the Audit Committee on a bimonthly basis.
Internal Audit Development & Advancement	<ul style="list-style-type: none"> • Complete the following activities as summarized in the Fiscal Year 2022 IAP: <ul style="list-style-type: none"> ○ Quality Assurance & Improvement Program ○ Staffing & Professional Development • Lead the execution of the Internal Audit Department's three year strategic plan.

ACTION: Committee Chair Heldman moved that the FY 2022 Internal Auditor Goals be approved. Committee member Mitchell-Lawrence seconded the motion. The motion was unanimously approved.

The goals will be entered into the District's evaluation system and approved by Dr. Ross Turpeau, Director of Talent Acquisition and Staffing, (or his designee) on behalf of the Committee.

Financial Updates

Fiscal Year 2022 Budget Highlights and Challenges

In the interest of time, Treasurer Wagner provided the following highlights to the Committee:

- June 30 is the last day of the fiscal year and July 1 is the beginning of the new fiscal year. Ms. Wagner reported that her office has been very busy with the transition.
- For the year end, revenues are up almost \$3 million higher than forecasted (99.5 percent accuracy rate on forecast) and expenditures are \$400,000 higher than forecasted (99.9 percent accuracy rate on forecast).
- Budgeting for FY2022 has been challenging due to COVID and also because of not knowing what the State revenues would be. The State finalized the funding late Monday afternoon. The State approved the Cupp/Patterson funding formula, which is better for CPS than the Senate bill.
- Simulations were received and it appears the State revenue provides an increase of \$5.8 million if CPS can maintain the enrollment level. There has been a loss in enrollment; however, a rebound is being seen for next year due to recruitment activities.
- With the ESSER ARP, CPS must do public engagement regarding the grant. The Performance Leadership Team (PLT) is working on a plan.
- The CPS Board passed a temporary appropriations resolution on Monday, June 28, 2021.
- The budget supports the third year of the CPS Strategic Plan and also the New Shore normal. The PLT is working to maximize the funds to be most effectively budgeted.
- Significant changes to the State budget:
 - Will no longer have pass-through funding—the State will direct pay Charter and Voucher schools. This will change both revenues and expenses, plus decisions will need to be made regarding the staff who support those efforts.
 - Student wellness monies are being rolled back into the General Fund and we are waiting to hear what level will be funded for FY22.
 - Do not know yet how capped revenues will be handled in new formula. Will keep the Committee as updated as possible.

Other Business and/or District Updates

Budget, Finance and Growth Committee Chair Bolton shared the following with the Committee:

- The District has concluded negotiations with five of the six CPS bargaining units.
 - There are significant changes in all of Collective Bargaining Agreements, and also recognition that some salary schedules have to be reinvented for the current workforce.
 - The Administration is still negotiating with one remaining bargaining, and also the unrepresented employees.
- The Board is inclined to believe that it is in the best interest of the District and community to develop a search plan and timeline that will allow the widest community engagement throughout, including facilitating a way to include any newly elected but not yet sworn in board members to have a role in the search.
 - The following is the DRAFT timeline for the replacement of Superintendent Laura Mitchell.

JUNE Month 1	The Board Develops an RFP/RFI Negotiated a contract for up to one year for an Interim Superintendent
JULY Month 2	The Board researches and expands the possible field of available, appropriate and proven Search Firms Search Firm RFP/RFI released
AUGUST Month 3	Search Firm is selected First meetings between the Search Firm and Board in order to plan internal and external initial engagement sessions to develop the Superintendent Profile, District Description, and draft of the Recruitment Brochure
SEPTEMBER Month 4	Post Labor Day – the Board and Search Firm determine and announce the overall recruitment and selection process, benchmarks, and community engagement plan Recruitment Package/Wish to Apply is released
Mid-September to Mid-October	Recruitment Package circulates and applications are submitted and collected by the Search Firm. The Board and Search Firm narrow the pool of applicants.
NOVEMBER Month 5	Pool is re-evaluated and completed.
Mid-November to Mid-December	Interviews scheduled for pool of applicants.

- Ms. Bolton reported that, per Board Policy, CPS needs an organization chart—down to the operational level. She said that the chart would be important for the Superintendent Search and was hopeful that the Audit Committee could be helpful in the creation of one.

Next Meeting – Wednesday, August 25, 2021, from 4:30 to 6:00 p.m.

The meeting adjourned at 6:22 PM.

Audit Committee

Tim Heldman, Chair
Daniel E. Holthaus, Vice-Chair, *absent*
Chatika Britton
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), *absent*
Ryan Messer (Budget, Finance and Growth Committee), *absent*

Staff Liaisons

Jennifer Wagner, CFO/Treasurer
Lauren Roberts, CPA, CFE, Director of Internal Audit