



May 10

2021

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Wednesday, April 28, 2021, at 4:30 PM via the Blue Jeans Video Conferencing Tool.

ATTENDEES

Audit Committee Members

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

Finance Committee Members

Eve Bolton, Melanie Bates

BKD CPAs & Advisors

Christie Clements

Administration

Lauren Roberts, Director of Internal Audit; Kevin Ashley, Director of Financial Reporting and Transparency; Carrie Bunger, Director of Positive School Culture and Safety; Kimberly Hughes, Assistant Treasurer; Loren Johnson, Director of Transportation; Isaac Karn, Internal Audit Staff; Paul McDole, Director of Human Resources

Welcome

Tim Heldman, Audit Committee Chair, welcomed everyone to the meeting. He reported the following:

- An electronic version of the *Conflict of Interest and Related Party Disclosure* form has been created so there is no need to print and upload the PDF version previously distributed. Audit Committee members are asked to please complete the electronic form.
- The School Finance Session will be held on Wednesday, May 5, from 2 to 8 p.m. All Committee members are encouraged to sign up to attend.

Benefits Audit Recommendations Update

Paul McDole, Director of Human Resources, reported that following the Benefits Internal Audit report, it was determined the assistance of a third-party firm offering services specific to the District's need in process improvements was needed. Interviews were conducted and BKD was selected.

The Benefits Team has met with BKD and all are ready to proceed with an aggressive timeline. Mr. McDole introduced Christie Clements from BKD to the Committee.

Ms. Clements presented the following Operational Assessment Update to the Committee.

Objectives

- Assist with identifying process and control improvements to address the recommendations in the report
- Develop a road map for improvements and a program plan
- Provide a project manager to oversee the program plan and assist with coordination of corrective actions

Accomplished

- Established a project team, roles and responsibilities, both within BKD and the District
- Identification of internal processes, personnel, procedures and systems
- High-level planning processes by holding discussions with key personnel
- Met with internal audit—BKD will leverage existing documentation, if any, and update as needed

Next Steps

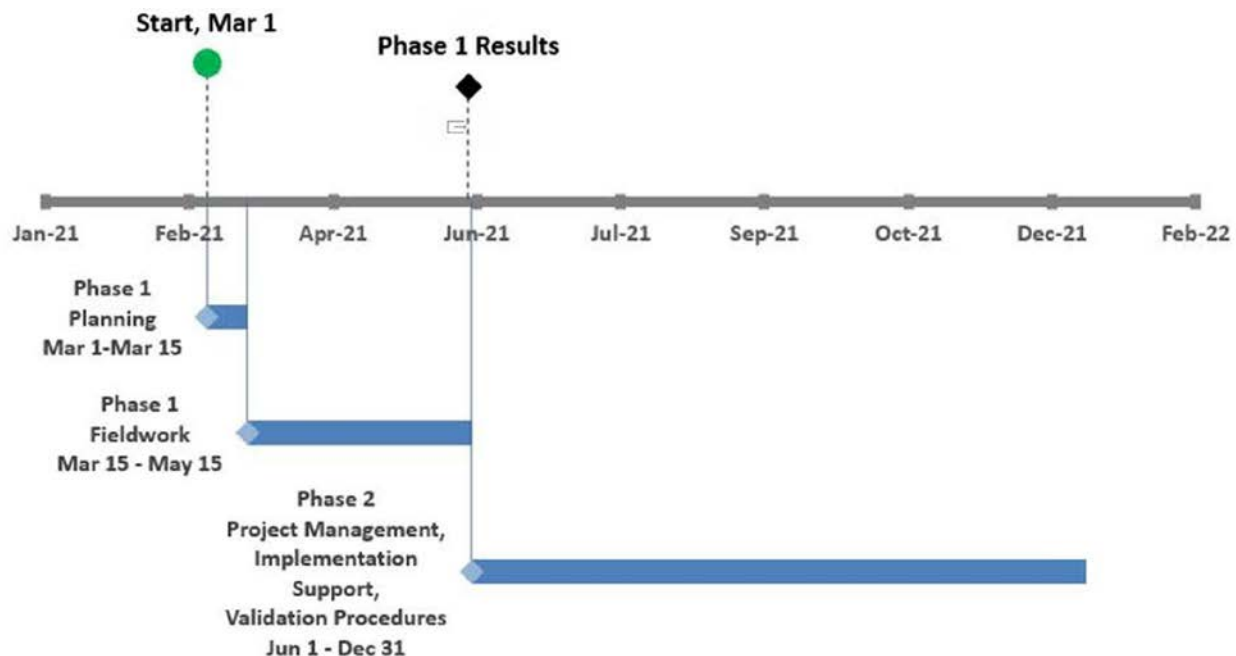
- Information gathering
- Define “assessment units”
- Create an inventory of target processes, systems, personnel and procedures
- Conduct targeted walk-through meetings and discussions with key personnel
- Document current-state processes flowcharts

Deliverables

BKD will provide a Remediation Log containing:

- Recommendations for improvements which have been triaged into short-, mid- and long-term categories
- Phase 2 timeline, target dates and responsible parties outlined
- Provide project management, oversight and assistance with management of the implementation efforts

Operational Transformation Timeline



Committee Chair Heldman questioned the reporting structure. Ms. Clements reported that they will be reporting to Mr. McDole, but also will be working with Lauren Roberts, Director of Internal Audit.

ACTION: The Administration will ensure the Audit Committee receives updates, reports, and recommendations from BKD.

ACTION: Committee Chair Heldman requested the Internal Audit Department follow up on the Benefits recommendations which resulted from the Internal Audit, as well as those which

will result from Ms. Clements work. Once all of the recommendations and findings have been addressed by the Benefits Team, Mr. Heldman requested the Internal Audit Department re-perform the original audit tests to determine if the number of exceptions has decreased, and the issues have been successfully remediated.

District Update: “New Shore/Old Shore”

Dr. Carrie Bunker, Director of Positive School Culture and Safety, presented the *CPS Strategic Plan Refresh, Year 3 and Beyond* to the Committee (copy available in Board Office).

She provided the following one-page summary for this work.



Committee member Mitchell-Lawrence brought up the topics of parent engagement and transparency of the District regarding decisions. She said there is a perception by some in the community that CPS is lacking both.

Dr. Bunger said the point is well taken, and that CPS wants to make sure that parents and students are the center of all that is done. She shared that parents and caregivers are the primary educators of our children, and CPS needs to be redundantly clear that they are always including parents and standing beside parents and engaging in authentic two-way communication.

She shared that a series of town halls for New Shore/Old Shore were conducted with parents. The Themes and Strategies for Community Engagement were included on pages 13-14 of the presentation.

Committee member Warner asked the number of students that have left CPS. Dr. Bunger did not have the exact number but reported the numbers at preschools and elementary schools were higher than at the high schools.

Committee member Fisher shared that an enrollment update presentation was made at the Board meeting on March 15, 2021. She will locate the document and forward to the Committee.

Eve Bolton, Finance Committee Chair, reported that gains were seen at the high schools only, while reductions for both preschool and elementary schools were in the hundreds. She shared that preschool will be back up to its enrollment goal by the end of the year.

Ms. Bolton shared that the Board passed *A Resolution Committing to Offering Two Instructional Opportunities: Five-Day In-Person Instruction and Remote Availability, as Well as Blended Learning, if Necessary, During the 2021-22 School Year*, which is helping families to come back to the District.

She reported that the entrance test for Walnut Hills High School and Spencer Center was changed last year. This year the test results showed a decline; therefore, the result levels were recalculated/recalibrated, which is increasing the number of students eligible for entrance.

For the Committee's information, Ms. Bolton reported that Dr. Bunger was filling in for Susan Bunte, Assistant Superintendent, and that Kimberly Hughes, Assistant Treasurer, was filling in for Treasurer Wagner.

Audit Updates

Audit Status Report

Isaac Karn, Internal Audit Staff, informed the Committee that the Audit Status Report document is updated regularly and this month's report provides a brief summary of the work that has been completed for each area of the Fiscal Year 2021 Internal Audit Plan.

Mr. Karn highlighted a few areas of the report. He reported that the **District Strategic Plan Support** has been completed.

Licensure Verification Process:

Internal Audit first performed and documented a walkthrough of the District's Ohio Department of Education (ODE) license verification process. In summary, the license verification process is a set of work steps and internal controls intended to ensure only those employees with proper ODE licensure are paid via payroll. This verification process occurs before the execution of each biweekly payroll run.

Audit testing procedures were executed to gauge the effectiveness of the current process. IA partnered with the HR management team to explore potential process improvements, including the utilization of the licensure reporting functions of the existing Bonefish software. IA completed this project by communicating the suggested process interventions and recommendations to district leadership.

Contractor vs Employee Determination:

The Internal Audit Department served in an advisory capacity on a team focused on addressing and remediating the items noted in the Management Letter relating to the proper classification of contractors and employees.

Accounts Payable:

Internal Audit received a request from the Treasurer's Office to assist in the review of the Accounts Payable processes. IA performed and documented a process walkthrough to identify internal controls and potential risks. The preliminary impressions will be communicated to the Treasurer's Office leadership, and a joint decision will be made to determine the best next steps for Internal Audit's involvement in fiscal year 2022.

Ms. Roberts updated the Committee on the following.

Continuous Auditing – Ongoing

Throughout fiscal year 2021, Internal Audit worked with BDO to establish a foundation for the data analytics program. Through collaboration with CPS leadership, IA discovered the district was in the process of selecting an entity-wide analytics tool. The Internal Audit team was invited to join the CPS "Data and Analytics Team"; the group was responsible for selecting the analytics software. The team ultimately selected Cognos as the analytics tool in March 2021.

While the team worked through the tool selection process throughout the year, Internal Audit continued our work to ensure we would be prepared to hit the ground running upon selection of the software. IA leveraged the data analytics and audit experts at BDO to develop an approach that will ultimately allow us to proactively test full data populations and best utilize the limited time and resources of our audit team. We look forward to continuing this work partnering with both the CPS Data and Analytics Team, as well as our partners at BDO over the coming years.

Documentation of Internal Audit Procedures – Complete

In partnership with BDO, Internal Audit updated the Audit Manual to reflect the Department's best practices and procedural requirements. The Audit Manual Table of Contents is provided on pages 6-7 to provide an example of the information contained in the document. Internal Audit will continue to expand upon this procedural manual over the coming years to ensure a robust IA quality assurance program is developed, documented, and executed.

Departmental Staffing Expansion – Resuming Fiscal Year 2022

Hiring for the Internal Audit Supervisor position was paused in spring 2020 due to the impacts of the pandemic. Internal Audit has included this position in the fiscal year 2022 budget and will resume the hiring process with the goal of the new team member starting during summer 2021.

The following audits/reviews have been completed since the February 23, 2021 status report:

- Ohio Department of Education (ODE): **Compliant**
 - 21st Century Community Learning Centers Monitoring Survey; Fiscal Year 2021

Ms. Bolton expressed support of the Internal Audit Department and the Fiscal Year 2022 budget request to hire the third Internal Audit team member. Ms. Bolton expressed the Board of Education has a deep respect for the work conducted by the Internal Audit Department.

Internal Auditor Annual Evaluation

Ms. Roberts reported that her 2020-2021 annual evaluation is based on progress towards the following goals set at the beginning of the year as well as the CPS competencies.

2020-21 Annual Self-Evaluation – Goals	
Goals	Progress
Internal Audit Strategic Plan	Complete
	<ul style="list-style-type: none">○ Lead the execution of year 2 of the Internal Audit Three Year Strategic Plan
Planning, Engagement Execution & Reporting	Complete
	<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.○ Complete the advisory, assurance, and follow up engagements from the Fiscal Year 2021 IAP.○ Communicate the status of internal and external audit engagements to the Audit Committee on a bimonthly basis.
Internal Audit Development & Advancement	Complete
	<ul style="list-style-type: none">○ Complete the following activities as summarized in the Fiscal Year 2021 IAP:<ul style="list-style-type: none">▪ Documentation of Internal Audit Procedures▪ Departmental Staffing Expansion (once hiring resumes)▪ Professional Development

ACTION: Committee members are asked to provide feedback regarding Ms. Roberts’ annual evaluation to Committee Chair Heldman by Wednesday, May 5, 2021.

Committee Chair Heldman will compile the feedback, complete the evaluation process, and provide the final evaluation to Paul McDole and Lauren Roberts by May 12, 2021.

Fiscal Year 2022 Internal Audit Plan Input

Committee members received via email a link to the *Fiscal Year 2022 Audit Committee Input Form*. The purpose of the form is to provide a means for Audit Committee members to provide input regarding the objectives of the Audit Committee as well as the Internal Audit Plan for the 2022 fiscal year.

ACTION: Audit Committee members are asked to complete the *Fiscal Year 2022 Audit Committee Input Form* by Friday, May 7, 2021.

Monthly Financial Report Updates

Kevin Ashley, Director of Financial Reporting, presented the monthly update to the Committee on the March 2021 (FY21) Financial Reports.

General Fund (001)

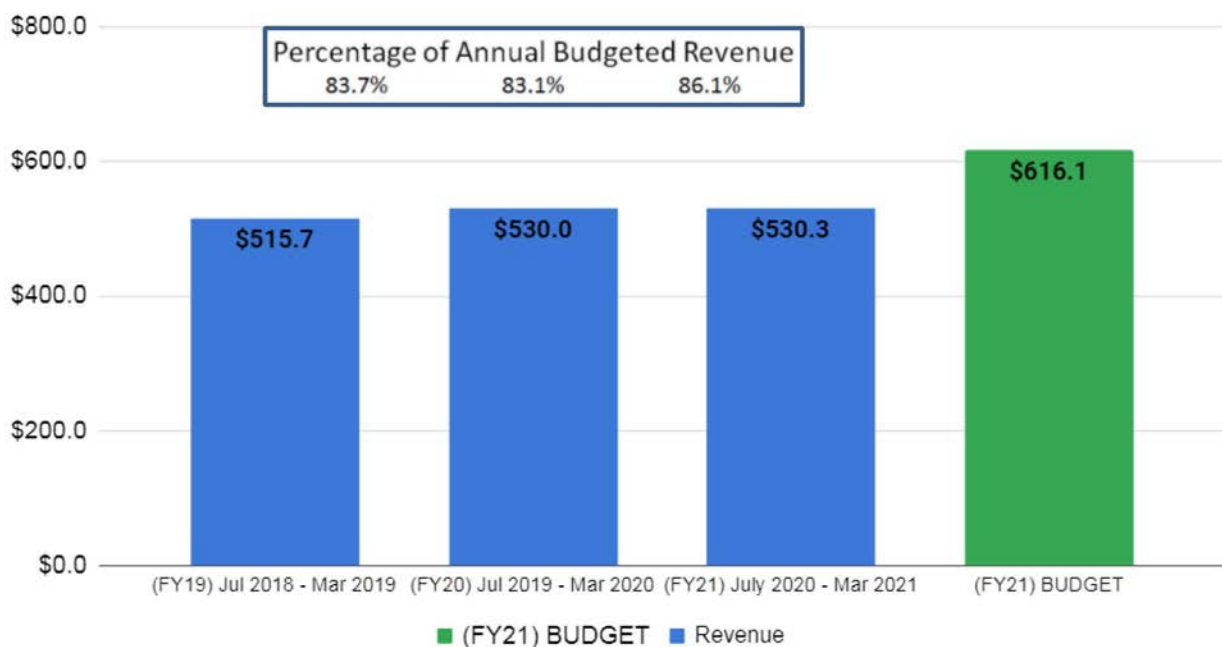
Cash Balance and Encumbrances (in millions)
March 31, 2021



Revenue

General Fund (001)

3 Year Revenue Comparison (in millions)
March 31, 2021

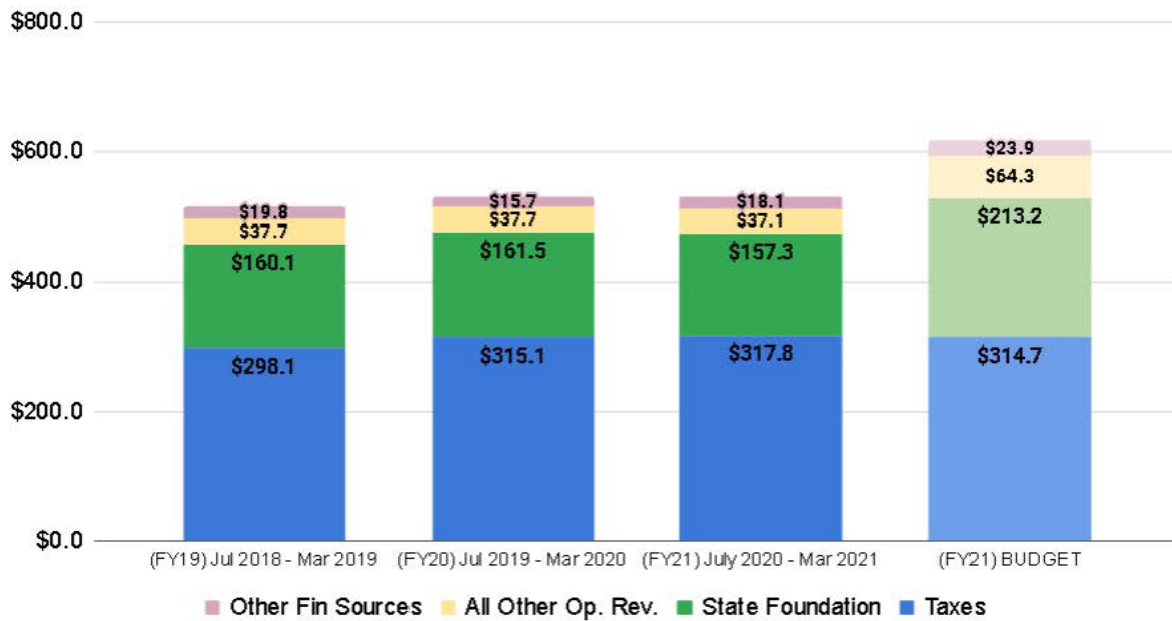


See next slide for analysis by Source.

Revenue

General Fund (001)

3 Year Revenue by Source Comparison (in millions)
March 31, 2021



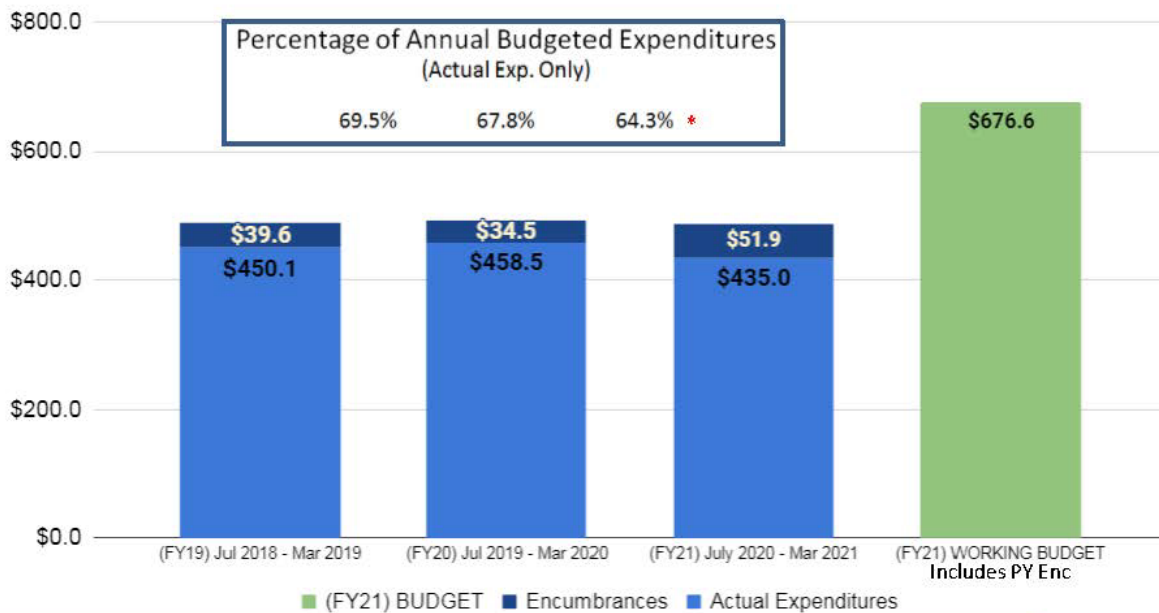
* - Notes:
State Foundation Revenue -\$3.8M Due to State cut in Final Quarter of FY20. (For FY21, cut spread over FY.)

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Expenses

General Fund (001)

3 Year Expenditure Comparison (in millions)
March 31, 2021

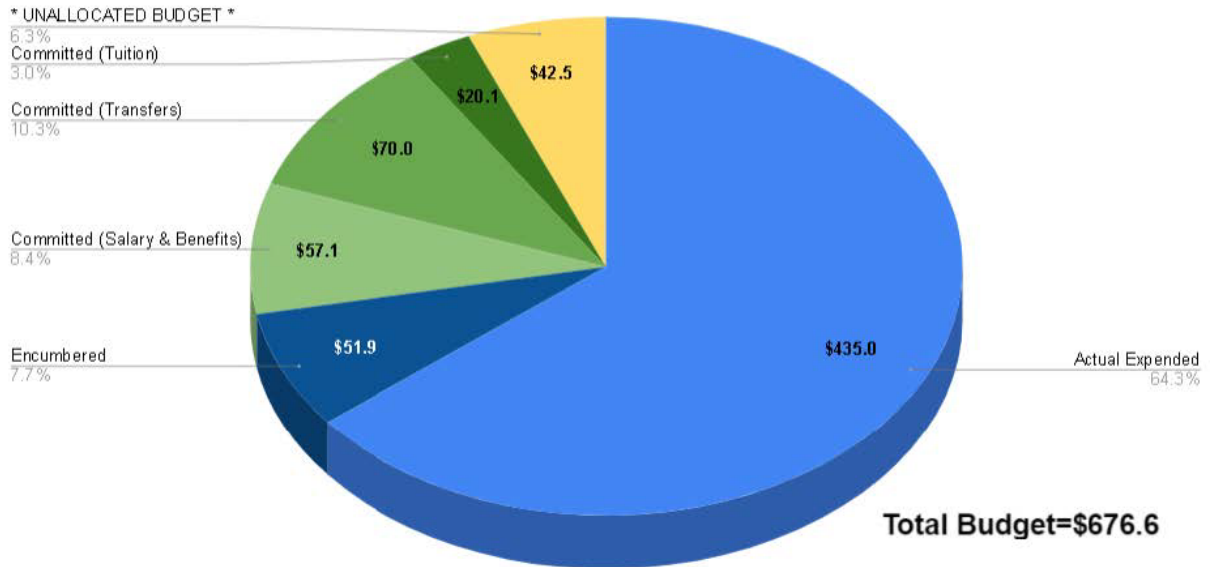


* - Notes: Salaries & Benefits +\$900Th (COLA 1/1/20, in part)
 Purchases Services -\$14.9M (-\$7.1M ITM Lease-Purchase Adjustments to CARES Fund)
 Supplies & Materials +\$170Th (+New Textbooks; -Adjustments to CARES Fund)
 Transfers Out -\$3.8M (Transfers to SWP) Capital Outlay -\$1.2M (PY Lighthouse)

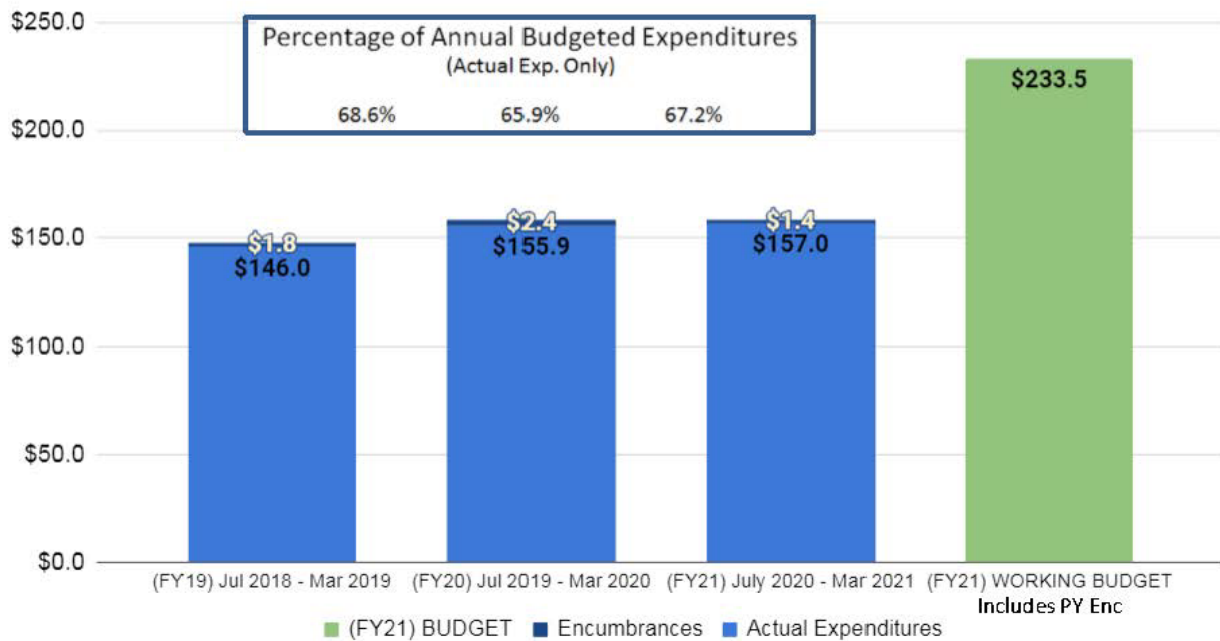
6

Expenses

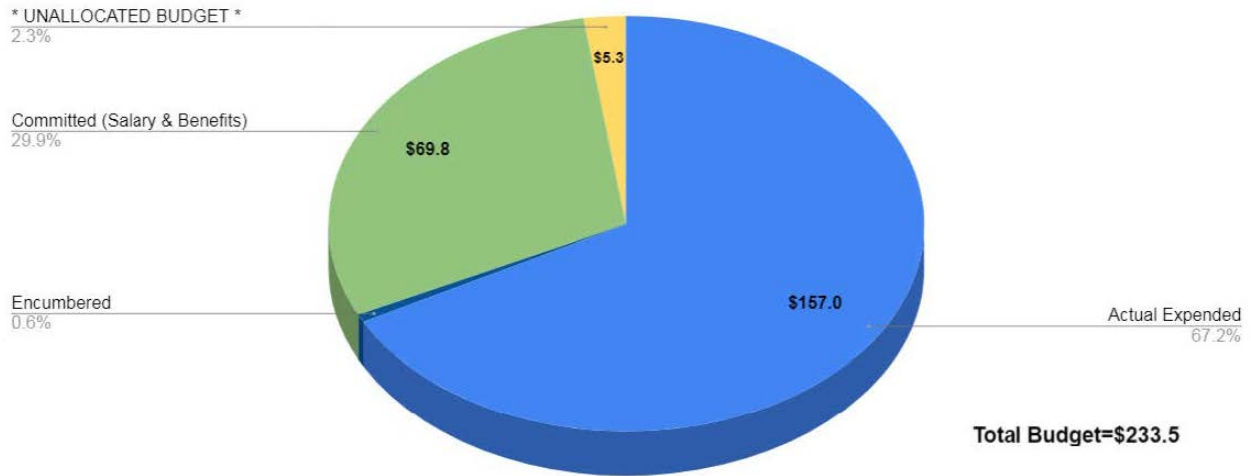
General Fund (001) Unallocated Expenditure Budget Assessment (in millions) March 31, 2021



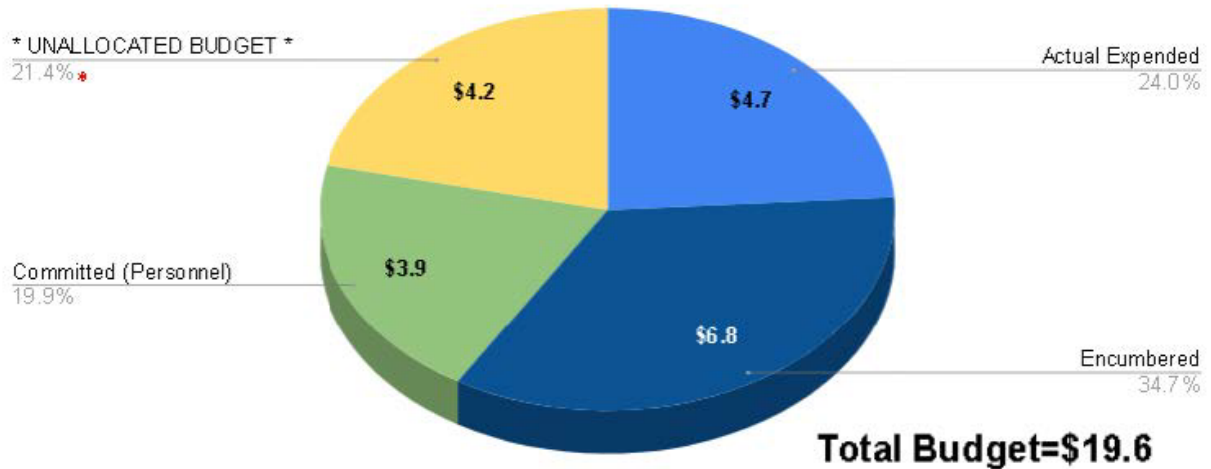
School Wide Pool (SWP) Fund (598) 3 Year Expenditure Comparison (in millions) March 31, 2021



School Wide Pool (SWP) Fund (598)
 Unallocated Expenditure Budget Assessment (in millions)
March 31, 2021

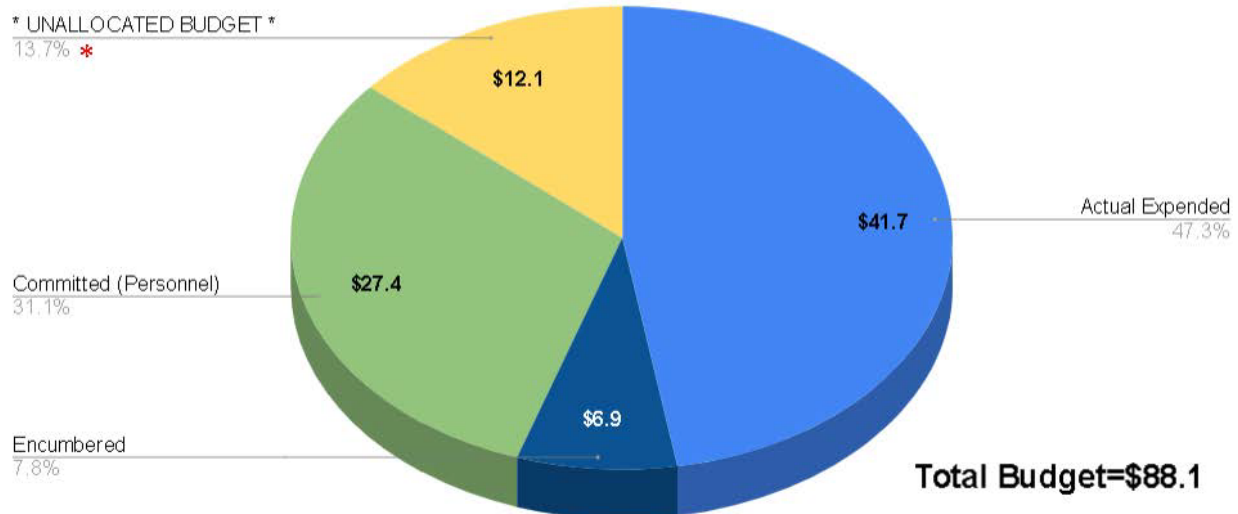


State Grants (excludes Non-Public)
 Unallocated Expenditure Budget Assessment (in millions)
FY 20-21 Grants (7/1/20-9/30/21)
March 31, 2021



* - Note: Includes \$4.2M related to Student Success & Wellness Funds.

Federal Grants (Excluding SWP, Non-Public)
 Unallocated Expenditure Budget Assessment (in millions)
 FY 20-21 Fed. Grants (7/1/20-9/30/21)
 March 31, 2021



* - Note: Includes \$1.9M related to CARES Act (Fund 507) which can be carried over beyond 9/30/21.

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The Committee discussed the impact of the lower enrollment and where it is reflected in the financial statements.

Mr. Ashley shared that there is a lagging impact because the enrollment growth piece of the funding is a three-year average. He said Treasurer Wagner has mentioned that if CPS gets the growth back next year, it will help soften that impact of the change.

He reported that there is a monthly adjustment for community school transfers and open enrollment, but those are not as dramatic and the funding is set based on the three-year average base foundation formula.

Committee member Fischer shared that she has had that conversation with Treasurer Wagner regarding the three-year average, so the impact this year on revenue would not be seen because this year's revenue is based on a three-year average. If continue to recover and grow won't have as big of an issue. She suggested that Treasurer Wagner explain this at the School Finance Session on May 5, 2021.

Finance Committee member Bates shared that the enrollment decrease may not have been seen until after the October Average Daily Membership (ADM) count. She also reminded the Committee that the District did not have a Reduction in Force (RIF) and continued to pay all staff.

Finance Committee Chair Bolton shared that if a student moves to a charter school, the District does lose twice as much in funding. However, the base foundation formula number does lag and the reduction in revenue will be seen in the following year.

Fiscal Year 2022 Audit Committee Goals/Work Plan

Committee Chair Heldman shared that it is important for the Audit Committee to be as relevant as possible and to make a positive contribution to the success of the District.

He said that an important part of being relevant is to understand school funding and the financial statements, and again encouraged Committee members to attend the School Finance Session on May 5, 2021.

Audit Committee Vice Chair Holthaus said the Committee listens to the reports and asks questions, but in the past has not been involved in creating the Audit Plan. This is an opportunity to assist the District utilizing the collective expertise of the Committee.

Ms. Roberts stated that the Audit Committee Charter provides that the Committee will assess their effectiveness on an annual basis. In order to ensure the Committee is accomplishing everything from the Charter, she asked the Committee member to provide their thoughts regarding the goals and priorities of the Committee for the next fiscal year or calendar year. These goals will be utilized when the Committee performs a self-evaluation regarding their effectiveness at the conclusion of the year.

Any input for the Audit Committee Goals/Work Plan would be appreciated. She will combine the input and formalize it to develop a draft for the Committee's review.

ACTION: As noted above, the Audit Committee members are asked to complete the *Fiscal Year 2022 Audit Committee Input Form* by Friday, May 7, 2021.

Ms. Bolton shared that the Board would appreciate input from the Audit Committee as the new CPS is being developed.

Other Business

Finance Committee Chair Bolton shared the following with the Committee:

- Negotiations with six bargaining units are continuing simultaneously
- Superintendent Mitchell has realigned the CPS organizational structure to meet the needs of CPS now and in the future.
- The third year of the Strategic Plan is well underway and will probably be extended for two more years in order to get fully implemented into the NEW CPS.
- Transportation continues to be a persistent problem with operational issues and unsustainable costs. Some issues are:
 - The State is considering having HCESC assist in scheduling transportation times for parochial and charter schools.
 - Students in 7th/8th grades may not be able to use METRO buses due to legislative changes.
 - Contrary to the request of Transportation Director Loren Johnson, the Finance Committee has been working to delay the extension of the contracts with yellow bus and van vendors until more information is available.
 - Finance has more confidence on moving forward with the METRO contract extension.
 - Current contracts continue through June so transportation for the Summer Scholars program will be available.

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

The meeting adjourned at 5:46 PM.

Audit Committee

Tim Heldman, Chair
Daniel E. Holthaus, Vice-Chair
Chatika Britton, *absent*
Jennifer Couser
Jim Crosset
Christine Fisher
David Foote
Elizabeth Gutridge
Carol Mitchell-Lawrence
Clarice Warner
Eve Bolton (Finance Committee, Chair)
Melanie Bates (Finance Committee)
Ryan Messer (Finance Committee), *absent*

Staff Liaisons

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