



March 1

2021

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Tuesday, February 23, 2021, at 4:30 PM via the Blue Jeans Video Conferencing Tool.

ATTENDEES

Audit Committee Members

Chatika Britton, Jennifer Couser, Jim Crosset, Christine Fisher, Elizabeth Gutridge, Tim Heldman, Daniel E. Holthaus

Finance Committee Members

Eve Bolton

Administration

Jennifer Wagner, CFO/Treasurer; Lauren Roberts, Director of Internal Audit; Kevin Ashley, Director of Financial Reporting and Transparency; Loren Johnson, Director of Transportation; Paul McDole, Director of Human Resources; Isaac Karn, Internal Audit Staff

Welcome

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

The following 2021 meeting schedule was provided to Committee members.

	AUDIT Chair: Tim Heldman Vice Chair: Dan Holthaus Bimonthly on Last Wednesday @ 4:30 to 6:00 pm
January	NO MEETING
February	02/23/2021 4:30 to 6:00 pm*
March	NO MEETING
April	04/28/2021 4:30 to 6:00 pm
May	NO MEETING
June	06/30/2021 4:30 to 6:00 pm
July	NO MEETING
August	08/26/2021 4:30 to 6:00 pm
September	NO MEETING
October	10/27/2021 4:30 to 6:00 pm
November	NO MEETING
December	12/14/2021 4:30 to 6:00 pm*

* Meeting not on regular meeting date/time

A *Conflict of Interest and Related Party Disclosure Form* was provided to Committee members. Mr. Heldman asked that each member sign the form and return it to Lauren Roberts, Director of Internal Audit.

Benefits Audit Recommendations Update

Paul McDole, Director of Human Resources, reported that interviews of third-party firms that offered services specific to the District's need in process improvements were conducted and a firm has been selected. The contract will be submitted for approval through the Treasurer's Report at the Board meeting on March 1, 2021.

Once the contract is approved, the Benefits Team is ready to proceed with an aggressive timeline with two phases of work and are hopeful the contractor will be on the ground by mid-March. They will focus on high cost areas and the plan is to have the scope of work done by December.

Transportation Follow-up and Cost Analysis

As requested at the Audit Committee meeting in December, 2020, Ms. Roberts and Loren Johnson, Director of Transportation co-presented the Transportation Follow-up and Cost Analysis (attached at end of report) to the Committee.

Mr. Johnson provided the following background and reported that CPS is currently in year five of a five-year multi-vendor contract that began in FY2016.



Ms. Roberts shared the following seven recommendations from the FY2019 audit:

1. Create, document, and communicate Transportation processes;
2. Improvement of budgeting process;
3. Strengthen controls within the Transportation contracts process;
4. Eliminate “then and now” purchase orders;
5. (a) Enhance internal controls regarding invoices;
(b) Develop an invoice review and reconciliation process;

6. Evaluate the use change orders for existing purchase orders; and
7. Add a review control of expense journal entries into payment process.

The Internal Audit showed a lack of structure in those areas. Mr. Johnson presented the following Problem Statement which is tied to Audit Recommendations 2, 3, and 5:

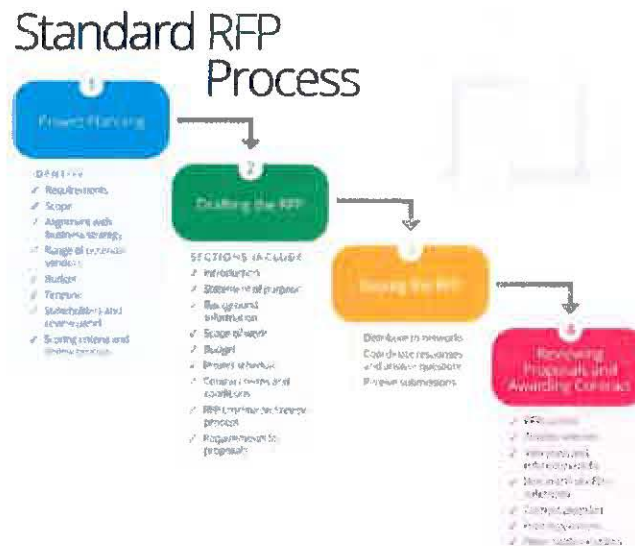


Administration is asking the Board for full support in the approval of the renewal terms of expiring essential transportation service contracts. This will afford the District the time to thoroughly assess the Transportation needs as a “New CPS” is being discussed for the upcoming years.

The following factors below will allow to a successful RFP:

1. Establish a clear scope of objectives and requirements of requested transportation services and equipment.

- a. Utilize trending data of actual ridership levels of eligible students to forecast transportation needs by school based on enrollment data.
 - b. Comprehensive assessment of Athletic, Extra Curricular and Academic Field Trip transportation needs
2. Define a realistic timeline for successful execution of the RFP process and awarding of new contracts.
3. Control Cost -
 - a. Multiple transportation contracts with the same vendors decreases the District's leverage and over efficiency of services/resources.
 - b. Increased unknowns will create higher risk that will result in an increased cost to the District.



A Case Study of busing for three schools—Taft Elementary, Cheviot Elementary, and Dater Montessori—was completed and Mr. Johnson, Ms. Roberts, and Isaac Karn, Internal Audit Staff, presented the information of that study to the Committee. The study looked at the cost of a bus route providing service to only one school versus also providing a mid-day route versus providing a double route.

The bell schedules of the schools and the timing of the routes were factors, and it was determined that providing two or more routes with a daily rate was the most cost effective.

Ultimately, the long-term goal is to use a pricing model for elementary schools similar to what is used for the high schools, which is a per-student rate.

Committee Chair Heldman questioned whether the Board was okay with changing the bell schedules. Mr. Johnson stated that the Board passed *A Resolution Implementing Healthy High School Start Times* in 2019. He also stated they are also looking at how to work with start times for non-CPS schools.

Committee member Fisher questioned if the cost per student was for only CPS students. Mr. Johnson responded that the Case Study was for only three CPS schools and they were CPS students.

Board Finance Committee Chair Bolton shared that she attended a Zoom meeting earlier in the day regarding the Governor's budget. She reported there may be a number of significant regulations (Metro,

yellow bus, Hamilton County Educational Service Centers (HCESC)) and suggested CPS be very hesitant before making all plans.

Audit Status Report

Ms. Roberts provided an update regarding the status of the following Internal Audit projects from the Fiscal Year 2021 Internal Audit Plan.

Ms. Roberts reported that agility remains a top priority for the Internal Audit Department to ensure focus is placed on the most important areas as they develop. As such, please refer to updated Annual Internal Audit Plan which reflects the developments in the IA Department's work for the 2021 fiscal year. The following section provides a brief status update for each project of the Internal Audit Plan.

Advisory

COVID-19 School Site Walkthroughs – Complete

As previously reported, the Internal Audit (IA) team worked with district leadership to create and complete safety walkthroughs for all 65 CPS buildings in August, analyzed trends in the safety data, and performed a second round of school visits in October.

Grants Financial Management & Internal Controls – Complete

Internal Audit met with the Grants Department, and upon further conversation the support of the IA Department is no longer needed in the originally anticipated capacity. While IA will provide limited advisory support, this allows IA to reallocate time towards additional projects within the following section ("District Strategic Plan Support").

District Strategic Plan Support – In progress

Licensure Verification Process:

IA has completed this project by communicating the suggested process interventions and recommendations to district leadership.

Contractor vs Employee Determination:

The IA Department is serving in an advisory capacity on a team that is 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 recently received a request from the Treasurer's Office to assist in the review of the Accounts Payables processes. Initial planning meetings have been scheduled to determine the goals and scope of this work.

Assurance

Continuous Auditing – In progress

IA is continuing work with BDO to develop a data analytics and continuous auditing program. The team is working on developing the initial analytics focused on payroll. Once developed, the analytics will be shared with management to gain feedback and adjust the analytics as necessary to ensure they are providing valuable insights. The Internal Audit Department also joined the district's "Data and Analytics Team" which meets biweekly for analytics training and software tutorials.

Follow Up

Online Learning Compliance – Complete

While a full scale follow-up audit is not necessary, IA reviewed the distance learning plans and related ODE requirements. Management reported a summary of their processes to the Audit Committee at the October 2020 meeting to conclude this project.

Benefits – In Progress

The Internal Audit team assisted the HR Department in identifying a third party firm to help with the implementation of the Benefit audit recommendations. IA is awaiting next steps from the Director of Human Resources regarding the timing of the third party work. IA will ensure a successful transfer of all relevant knowledge, workpapers and findings to the firm, and will continue providing support as needed.

Potential Carryover Projects

Transportation Follow-Up – Complete

Internal Audit performed limited scope follow-up audit testing procedures by focusing the testing on one vendor. The Transportation Department recently implemented a new pricing structure with this vendor, so Internal Audit not only evaluated the progress from the original findings, but also provided feedback regarding the cost effectiveness of the new pricing model. This information will be presented to the Audit Committee during the February 23rd meeting.

Payroll Follow-Up – Incorporated into Continuous Auditing

Rather than performing a full scale follow-up audit, Internal Audit has selected payroll as the focus of the first data analytics projects, thus combining the two initiatives.

Internal Audit Development & Advancement

Documentation of Internal Audit Procedures – In progress

In partnership with BDO, Internal Audit has completed a draft of the procedural manual and will continue to expand the documentation of the specific requirements set forth in IIA professional auditing standards.

Departmental Staffing Expansion – On hold

Hiring for the Internal Audit Supervisor position remains paused and IA is awaiting approval to reopen the position.

Professional Development – Ongoing

IA team continues to keep up with virtual trainings and webinars while most in person trainings are on hold.

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):
 - McKinney-Vento Onsite Review; Fiscal Year 2021
 - Special Education Fiscal Desk Review; Fiscal Year 2021
 - 21st Century Community Learning Centers Monitoring Survey; Fiscal Year 2021
 - Consolidated ESEA Grants Onsite Review; Fiscal Year 2021

The following audits/reviews have been completed since the December 17, 2020 status report:

- Ohio Auditor of State (OAS):
 - Financial Audit; Fiscal Year 2020
- Ohio Attorney General (OAG): **Compliant**
 - National Webcheck Agency Audit; Fiscal Year 2020
- Ohio Department of Education (ODE): **Compliant**

- Comprehensive Continuous Improvement Plan, Project Cash Request, and Final Expenditure Report Review; Fiscal Year 2020
 - Review of selected expenditures for the FY20 Consolidated ESEA grants for compliance with federal regulations.

Financial Updates

Fiscal Year 2020 Annual Financial Statement Audit

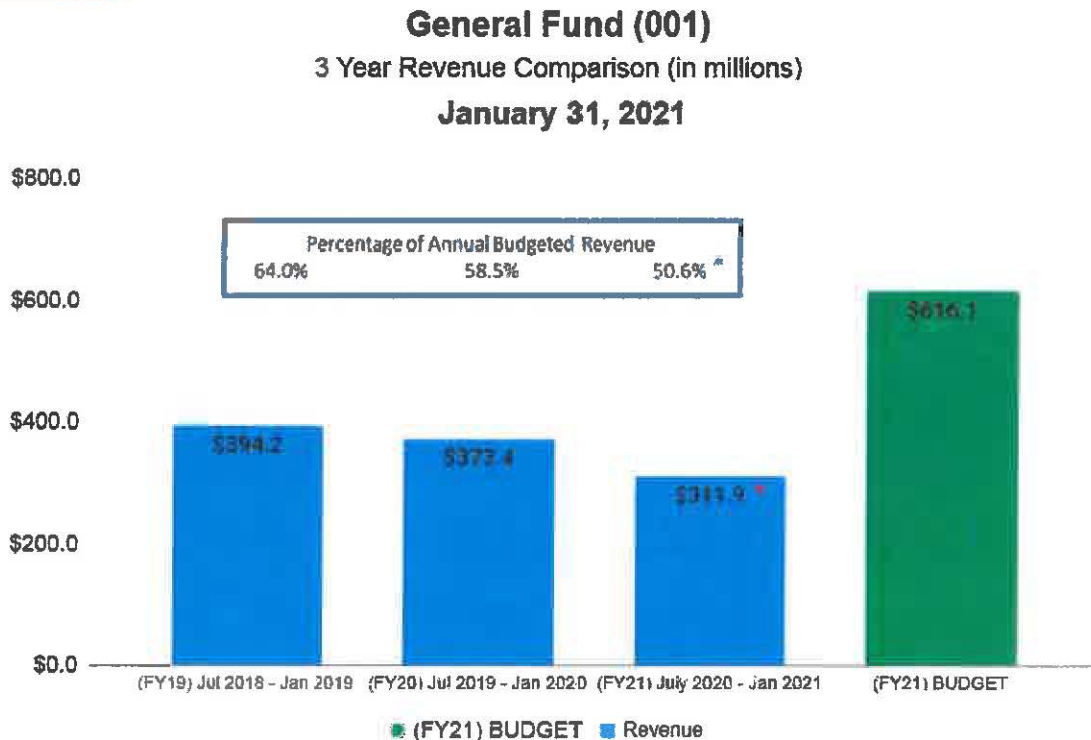
Kevin Vaughn, Plattenburg & Associates, informed the Committee that they are engaged on behalf of the Ohio Auditor of State to audit the financial statements of the governmental activities of the Cincinnati City School District for the year ended June 30, 2020. Mr. Vaughn reviewed the results of the Single Audit Report and Management Letter.

Copies of the full report and Management Letter are available in the Board office.

Financial Reporting Updates

Kevin Ashley, Director of Financial Reporting, updated the Committee on the following Financial Reports through January 2021.

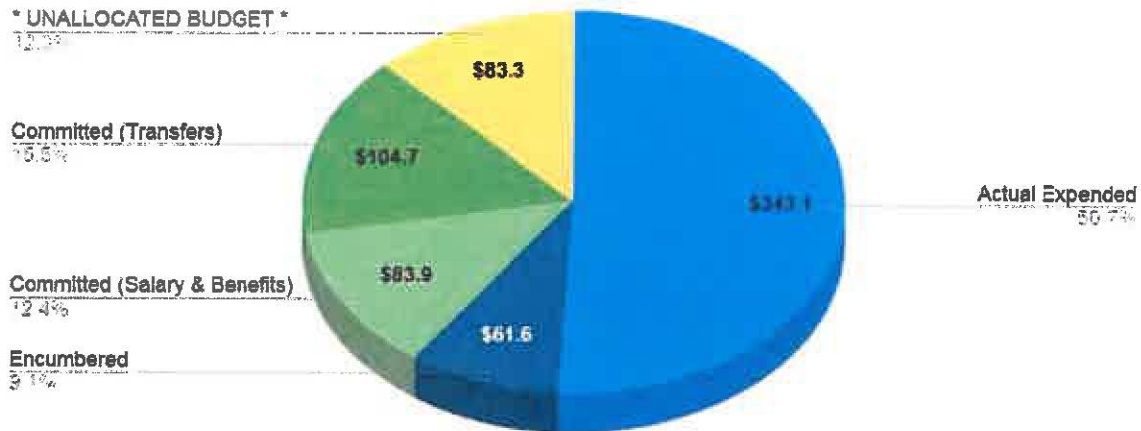
Revenue



* - Note: Additional \$46.0M Property Tax Advance and \$8.4M ODE State Foundation Revenue received at January Month-End, posted to Business Plus beginning of February.

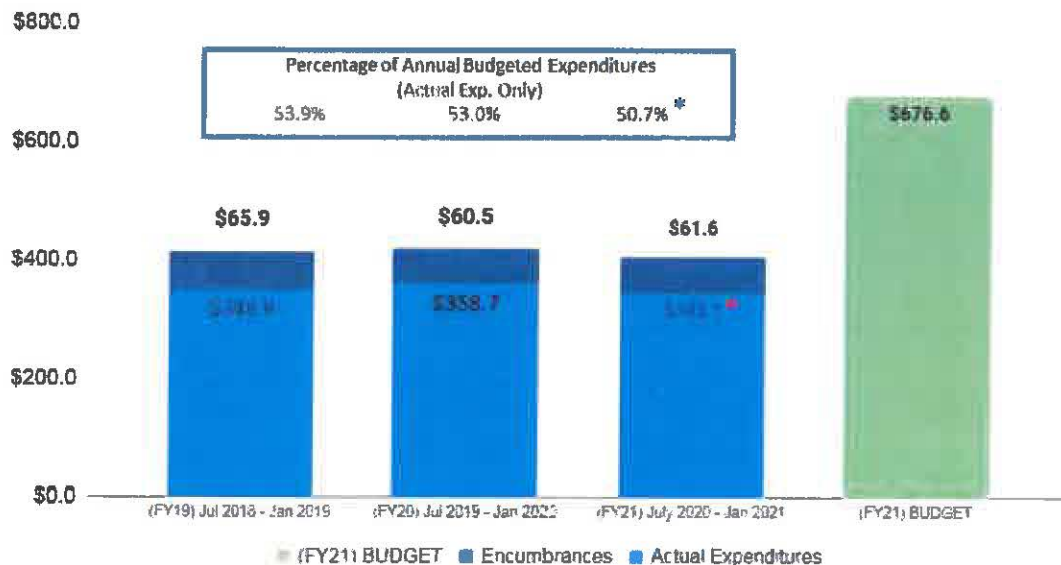
Expenses

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



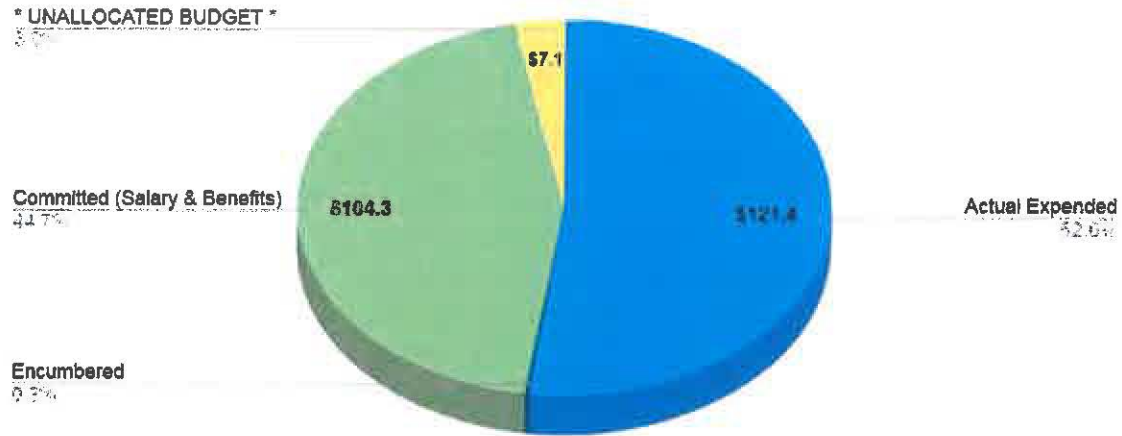
Expenses

General Fund (001) 3 Year Expenditure Comparison (in millions) January 31, 2021

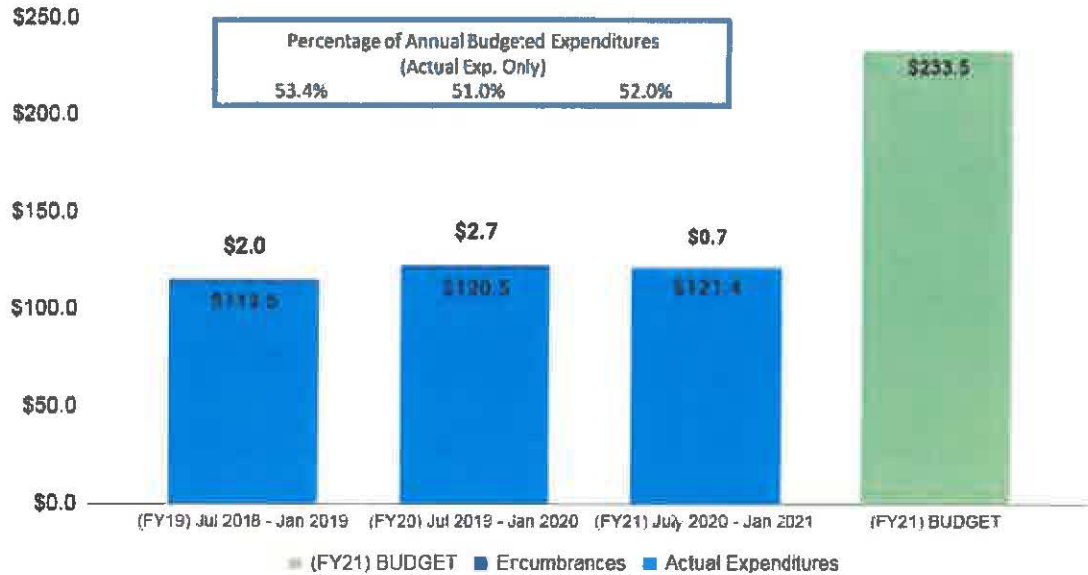


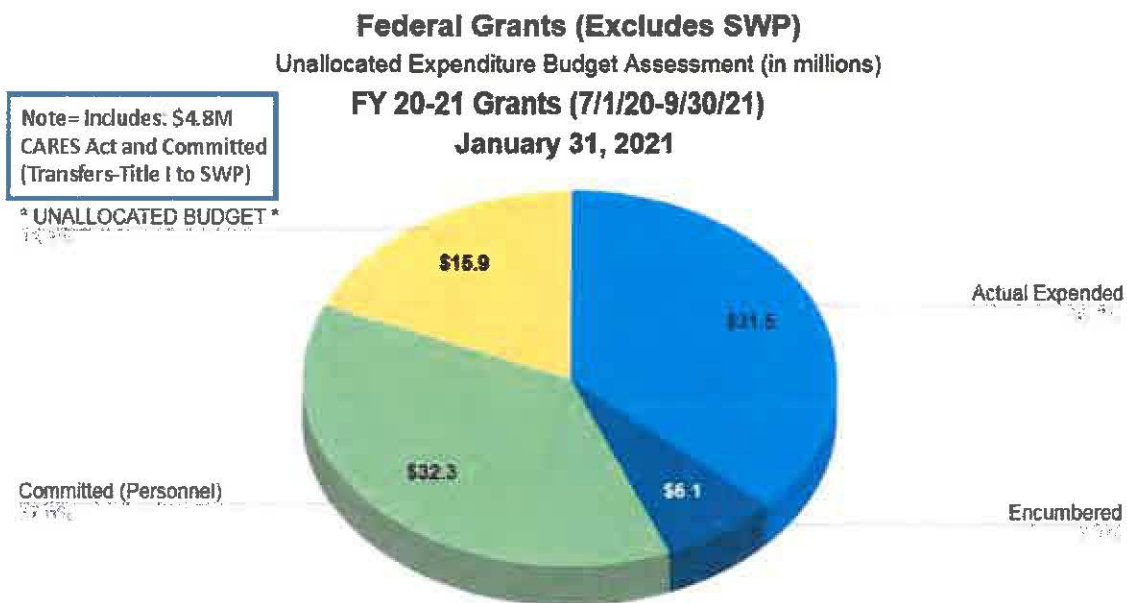
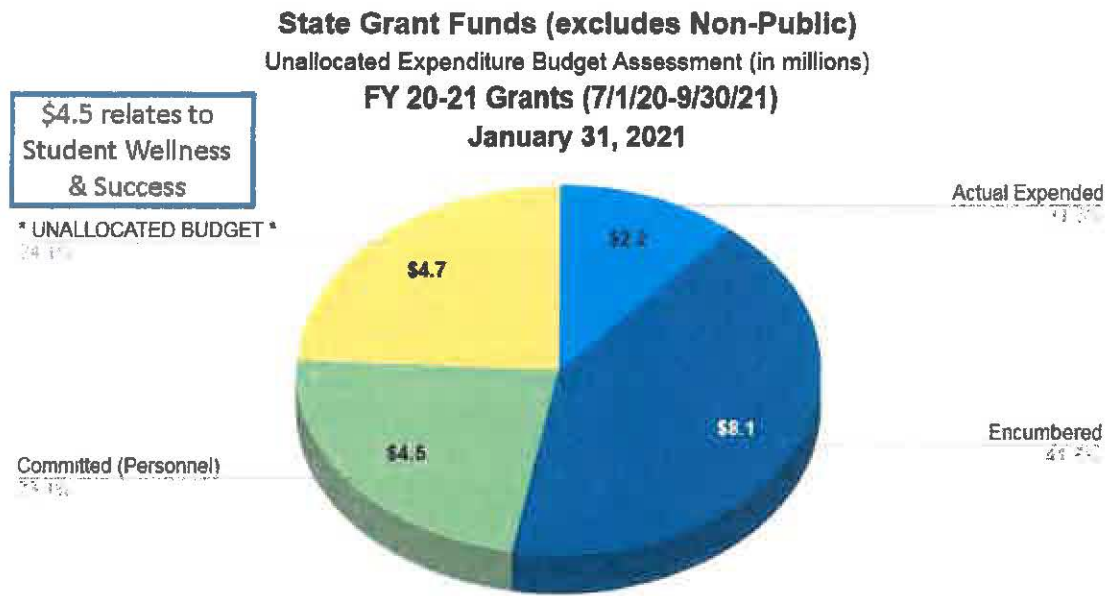
* - Salaries & Benefits +\$1.0M (COLA 1/1/20)
 Purchases Services -\$8.8M (-\$7.1M ITM Lease-Purchase Adjusted to CARES Fund)
 Supplies & Materials -\$1.1M (New Textbooks)
 Transfers Out -\$4.1M (Transfers to SWP, Timing)

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



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





Treasurer Wagner reported that both the Cares Act and Student Wellness and Success grants continue through 2022.

The Committee discussed the impact of enrollment on future budgets.

Mrs. Wagner shared that some funding is based on enrollment and that the Administration has created a marketing team to recruit students/families back to CPS. She stated that there are challenges if growth happens and also if enrollment declines.

Audit Committee Financial Training Sessions

Committee Chair Heldman stated that it is important to ensure the Audit Committee is making as valuable a contribution to CPS as possible. In order to assist in that endeavor, an *Audit Committee Boot Camp* has been discussed that will provide a high level overview of the finances in a regular financial format that Committee members are accustomed to seeing in the private sector.

Treasurer Wagner has agreed to provide an Orientation to School Finances and Public School Financing session. Details are not yet complete, but Mr. Heldman wanted to provide some information to Committee members.

Other Business and/or District Updates

Treasurer Wagner share with the Committee the good news that CPS was able to maintain the same credit ratings from Moody's (AA) and Fitch (AA) rating agencies.

Finance Committee Chair Bolton shared the following with the Committee:

- This week adding 7/8 grade classes will return all—with the exception of Walnut Hills—to Blended Learning.
- The vaccination program has finished the first dose to employees, and is currently working on providing the second dose.
- CPS will not be returning to business as it was in the past and the Board and Administration are planning with New Shore/Old Shore.

The meeting Adjourned at 6:09 PM.

Audit Committee

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

Staff Liaisons

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

CINCINNATI PUBLIC SCHOOLS

CPS ACCESS

Pupil Transportation Services

Loren M. Johnson

Director of Pupil Transportation

Lauren Roberts

Director of Internal Audit

Isaac Karn

Internal Audit Staff



INTERNAL AUDIT DEBRIEFING

The Progressive Transformation of Pupil Transportation Services

1st Year of Multi-
Vendor Contract
1 First Student
2 Queen City
3 Paul's
Transportation

- District Approves
Pettermann LLC as
an authorized
Vendor

District Approves
Universal Transportation
Systems as an
authorized vendor

- New Pricing Model
(daily rate)

- Transportation
RFP/RFQ
- New Contracts
Awarded

FY-2016

FY-2017

FY-2018

FY-2019

FY-2020

FY-2021

FY-2022

FY-2023

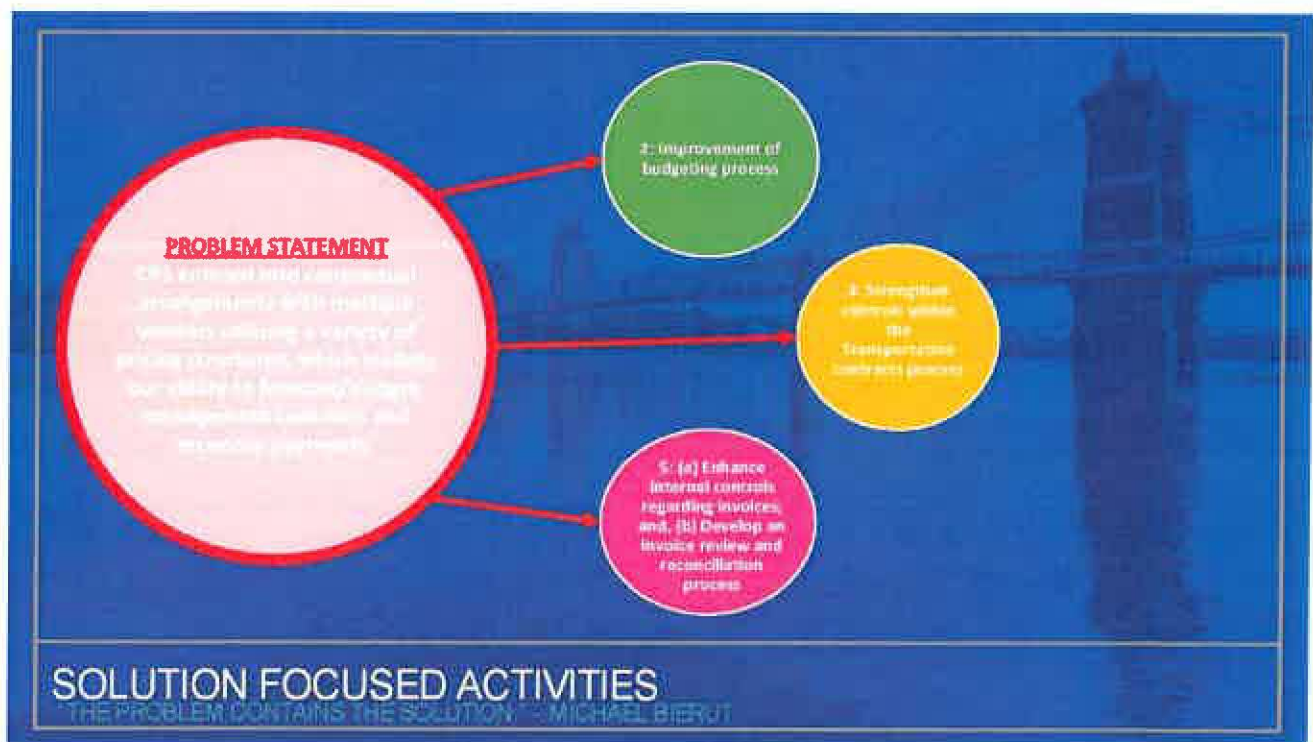
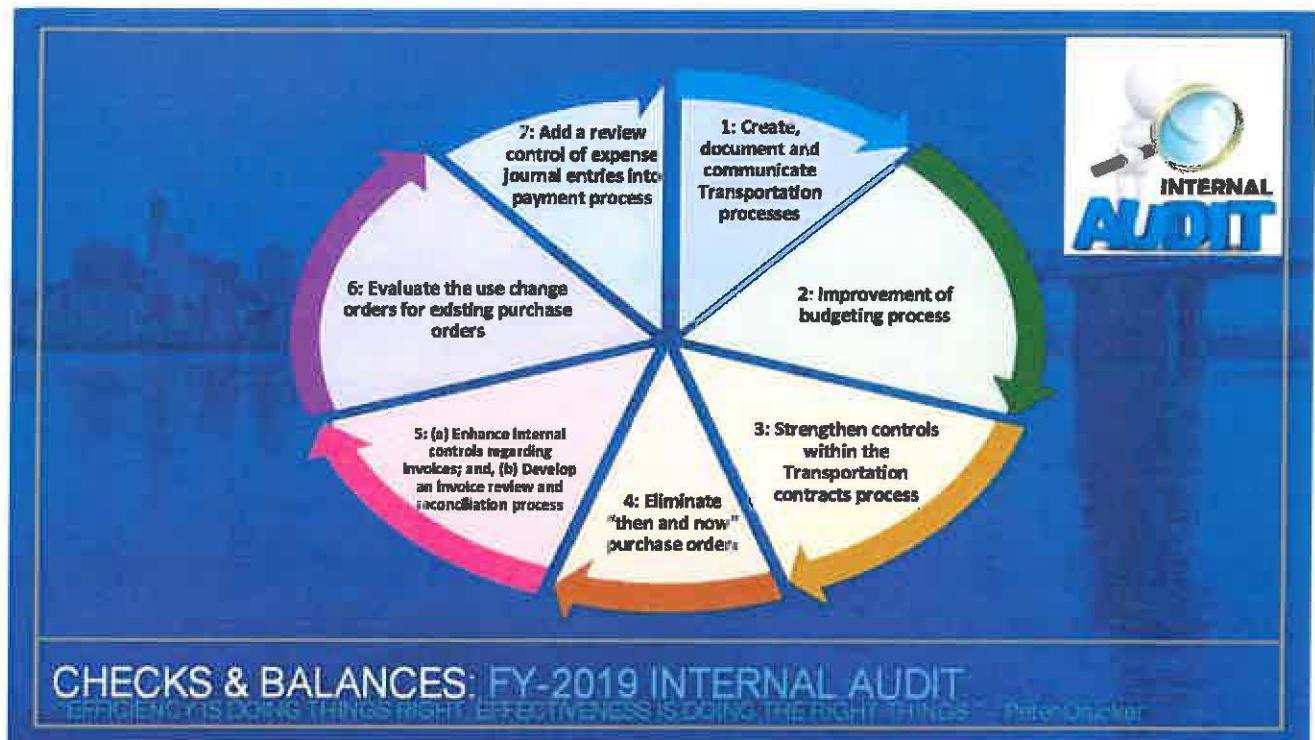
- Paul's Transportation
removed as an
Authorized Vendor
- New Transportation
Leadership (11/2018)
- Internal Financial
Audit Conducted
- METRO Service Audit
Conducted resulting in

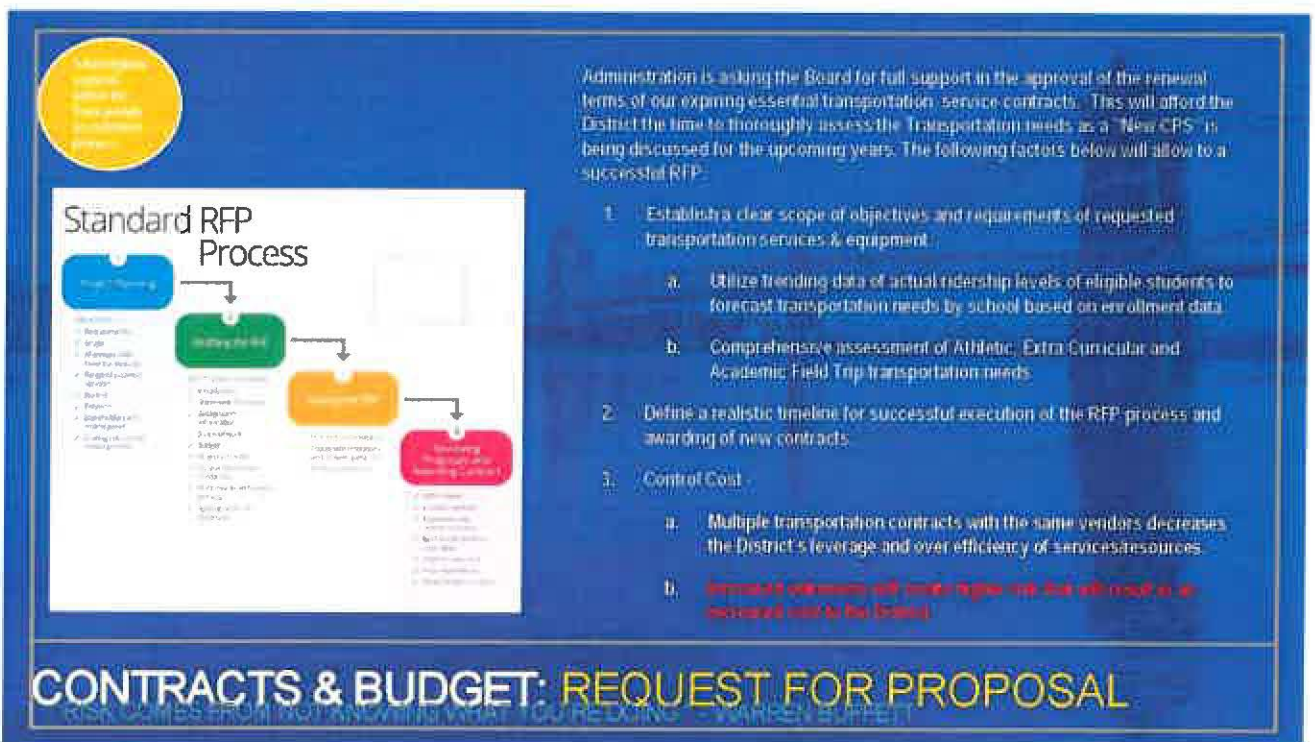
- Final Year of 5 Year
Contracts
- Pending 1 Year
Contract Extensions
Approval
- Scope of Services
- RFI Published

- New Transportation
Contracts Approved
- Quality service
meeting the needs
of the District

BEGIN WITH THE END IN MIND...

"A GOAL WITHOUT A TIMELINE IS JUST A DREAM" - UNKNOWN







WILLIAM H. TAFT ELEMENTARY

- BELL TIME 7:30 am - 7:45 am (15 min)
- 100 Students / 1000 sq ft
- 2 yellow buses



CHEVIOT ELEMENTARY

- BELL TIME 7:45 am - 7:55 am (10 min)
- 1,200 Students / 1000 sq ft
- 100 yellow buses



DATER MONTESSORI

- BELL TIME 7:00 am - 7:10 am (10 min)
- 400 Students / 1000 sq ft
- 100 yellow buses



Transportation Implications & Financial Impact

- A collective total of 8 yellow buses would be needed to transport 706 students at Cheviot, Dater, and Taft. Bell times vary within a 30 minute time window.
- Total of 8 buses at an annual (180 school day) cost of \$54,859.20 each for a grand total of **\$658,310.40** to provide transportation service to all locations.

MULTI-TIER SCHOOL BELL STRUCTURE

THE KEY TO A SUCCESSFUL LEARNING ENVIRONMENT IS STRUCTURE. - GARY CARROLL

2. Improvement of budgeting process

Queen City	1 Route	1 Route + Mid	2 Routes	2 Routes + Mid	3 Routes
Type II	\$ 259.81	\$ 326.97	\$ 400.13	\$ 473.29	\$ 546.41
Petermann					
Type II	\$ 388.31	\$ 406.88	\$ 494.37	\$ 611.41	\$ 729.31
First Student 250-236 Route Level					
Type II	\$ 290.10	\$ 356.93	\$ 423.75	\$ 490.58	\$ 557.41
UTS Daily Rate					
Type II	\$ 346.52	\$ 446.52	\$ 446.52	\$ 446.52	\$ 446.52

Case Study Bus Needs	Queen City	Petermann	First Student	UTS
6 x 2.5 Routes	\$ 2,639.74	\$ 3,668.48	\$ 2,943.45	\$ 2,679.12
2 x 2 Routes	\$ 800.26	\$ 988.75	\$ 847.50	\$ 893.04
Total	\$ 3,440.00	\$ 4,657.23	\$ 3,790.95	\$ 3,572.16
Cost 180 Days	\$ 655,200.00	\$ 898,290.60	\$ 682,371.00	\$ 642,988.90

Schools in Study	Queen City	Petermann	First Student	UTS
Cost Allocated to Dater	\$1,820.00	\$1,328.61	\$1,895.48	\$1,786.08
Cost Allocated to Cheviot	\$682.50	\$873.13	\$710.80	\$669.78
Cost Allocated to Taft	\$1,137.50	\$1,455.38	\$1,184.67	\$1,116.30

Less Efficient
Moderately Efficient
More Efficient

2. Improvement of budgeting process

SCALE OF UTILIZATION: OPERATING COST BY SCHOOL

"OUR BIGGEST COST IS NOT POWER, OR SERVERS, OR PEOPLE. IT'S LACK OF UTILIZATION. IT DOMINATES ALL OTHER COSTS." - REZDA

