



November 23

2020

REVISED

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Wednesday, October 21, at 4:30 PM via the Blue Jeans Video Conferencing Tool.

ATTENDEES

Audit Committee Members

Chatika Britton; Jennifer Couser; Christine Fisher; David Foote; Elizabeth Gutridge; Tim Heldman; Daniel E. Holthaus; Carol Mitchell-Lawrence; Clarice Warner

Administration

Jennifer Wagner, CFO/Treasurer; Lauren Roberts, Director of Internal Audit; Kevin Ashley, Director of Financial Reporting; Carrie Bunger, Director of Positive School Culture and Safety; Susan Bunte, Assistant Superintendent; Paul McDole, Director of Human Resources; Keith Grace, Benefits Manager; Isaac Karn, Internal Audit Staff; Colin Twarek, Business System Analyst, Human Resources

Finance Committee

Ben Lindy

Welcome and Member Reappointment Discussion

Tim Heldman, Audit Committee Chairperson, welcomed everyone to the meeting and reported that Audit Committee members Jennifer Couser, Christine Fisher, Carol Mitchell-Lawrence, and Clarice Warner's three-year terms expire December 31, 2020.

The four members accepted the Audit Committee's invitation to serve for another three-year term beginning January 1, 2021 through December 31, ~~2021~~2023.

Mr. Heldman stated that member Fisher works for a vendor of the District and that it is his opinion that it would not be a conflict of interest for her to continue service on the Audit Committee. Ms. Fisher will disclose this relationship in her annual conflict of interest form and will abstain from any discussion relating to her employer should it ever arise.

ACTION: Audit Committee Vice Chairperson Daniel Holthaus made a motion to approve the four reappointments for terms beginning January 1, 2021 through December 31, ~~2021~~2023. Audit Committee member Chatika Britton seconded the motion.

The Committee agreed with the appointments, thus recommending them to the Finance Committee for discussion at their November 19, 2020, 1:30 p.m. Committee meeting.

The Finance Committee will then recommend the reappointments to the Board for approval at their November 23, 2020, Regular Business meeting.

ODE Attendance Requirements in Distance and Blended Learning Models

Dr. Carrie Bunger updated the Committee on the Ohio Department of Education's mandate that all districts report attendance hourly to the State.

She informed the group during her presentation that this is a shift from Spring 2020 when ODE stated that all students were to be marked present with no truancy penalties due to statewide closures.

She stated that State funding for traditional public schools is not based upon student attendance or participation for 2020-21; however, tracking attendance has value for monitoring and supporting student access and exposure to engaging teaching and learning opportunities.

Dr. Bunger discussed the following with the Committee. *A detailed copy of the below report is available upon request and in the Board Office.*

- Blended Learning Attendance: Teachers are to record attendance in Powerschool
- The importance of taking attendance consistently
 - Learning Environment
 - At-Home / Teacher-Led Learning
 - In-Person / On Campus Learning
 - At-Home / Student Led Learning
- Excused versus Unexcused Absences
- New Attendance Codes
- Students Attending School Remotely
 - Parents Submitting Distance Learning Commitment Form
- Parent Communication with the School
- Considerations for Students in Specialized Classrooms
- Resources for Attendance Reporting
- Additional Support for Teachers

Ms. Roberts reminded the Committee that this conversation related to the comments from the last Audit Committee meeting regarding distance learning. It also relates to the follow up work being done by the Internal Audit team regarding online learning compliance. The Internal Audit team met with Dr. Bunger, General Counsel, and the EMIS team to gain an understanding of the additional ODE requirements associated with remote or blended learning environments, as well as the potential financial impact of attendance. As Dr. Bunger discussed, while attendance does not have a direct impact on state funding, it does impact other important areas like the state report card. Ms. Roberts expressed her hope that the presentation is informational and requested the perspective and feedback of the Committee regarding additional risk considerations.

Audit Committee member Christine Fisher asked about the plan for tracking the attendance and engagement for students who decide to stay in distance learning with their home schools. Assistant Superintendent Susan Bunte described the process in place to successfully monitor the attendance and engagement of those students.

Status of Benefits Audit Recommendations

Paul McDole, Director of Human Resources, Keith Grace, Benefits Manager, and Colin Twarek, Business System Analyst, updated the Committee on the status of the following recommendations that are in progress.

The following memo below from Human Resource outlines the current status of the projects.



TO: Audit Committee

FROM: Human Resources

DATE: October 15, 2020

RE: Audit Committee Information

INTER-OFFICE CORRESPONDENCE

Please see the below information and the attachments for the October 21, 2020 Audit Committee meeting.

Recommendation 1: Create, establish, and communicate acceptable documentation requirements for benefit elections.

Status of project: In progress

Review status: Biweekly

Documents: Life event/enrollment document guide; Enrollment checklist. The Life Event/Enrollment document is available for all employees on the Benefits site. Employees are also informed of the documents required to enroll during the new hire onboarding process. The life event document along with the document checklist is used internally to identify that required enrollment documents have been received.

Recommendation 2: Establish a process to ensure premiums are properly set-up and are withheld timely and accurately.

Status of project: In progress

Review status: Weekly

Documents: Business Plus report – Employees Who Are Set Up on the Wrong Medical Plan. This report shows the employees whose benefit set up was inconsistent with their position, FTE, union, eligible plan and that it is being addressed and corrected. Number of employees in this category has gone from a high of 159 when the year started to 4 employees as of the last pay period.

Recommendation 3: Establish periodic reviews over continued employee eligibility for benefits.

Status of project: In progress

Review status: Daily, biweekly, and monthly.

Documents: FTE Change-MACRO Report. This report allows us to capture changes in employee FTE that may result in a benefit eligibility change.

Recommendation 4: Establish a process to reconcile plan vendor data to Benefits data.

Status of project: In progress

Review status: Monthly

Documents: Employee Contributions. This report is used to help reconcile employee enrollments and deductions in Business Plus .

Recommendation 5: Establish a process to review, validate, and update Benefits data based on changes to HR and Payroll data.

Status of project: In progress

Review status: Daily

Recommendation 6: Communicate and provide training over termination procedures.

Status of project: In progress

Review status: Daily

Documents: Terminated Employees, Employees receiving benefits. We are able to reconcile the employees who were terminated with the employees who are still receiving benefits.

Recommendation 7: Establish a review process over the enrollment of COBRA individuals and require all COBRA individuals to be set-up in the BusinessPlus AR module.

Status of project: In progress

Review status: Biweekly

Documents: The COBRA invoice process has been set up. We are in the process of having invoices approved to be mailed out.

Recommendation 8: Establish a process to timely identify instances where the cost of benefits for any employee exceeds their total paycheck

Status of project: In progress

Review status: Biweekly

Document: A MACRO has been developed that identifies employees who enter a leave without pay status.

Recommendation 9: Establish a process to review and monitor employee sick leave used to timely identify individuals potentially on leave of absence or FMLA.

Status of project: In progress

Review status: Biweekly

Document: A MACRO has been developed that identifies employees who enter a leave without pay status.

Recommendation 10: Establish and formalize a process over home billing individuals and require all home billing individuals to be set-up in the AR module.

Status of project: In progress

Review status: Biweekly

Documents: The COBRA invoice process has been set up. We are in the process of having invoices approved to be mailed out.

Mr. McDole reported that the information will put on the Benefits Dashboard in order to review and track data on Human Resource processes as well as produce various reports.

Mr. McDole informed the group that he is working with Internal Audit to identify a consultant with experience in benefits to assist the Benefits Department with addressing the audit findings.

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.

Advisory – In Progress

COVID-19 School Site Walkthroughs – *In progress*

Internal Audit (IA) team worked with district leadership to create and complete safety walkthroughs for all 65 CPS buildings in August. IA analyzed trends in the data collected through the first round of walkthroughs, safety hotline reports, and online daily staff safety reports. The results were reported to Chief Strategy Officer, Sarah Trimble-Oliver, and additional follow up was performed by the Quality Improvement Manager. IA recommended a second round of school visits, which were performed by the IA team on October 1 and 2, 2020. IA will continue to partner with District leadership to perform additional analysis and school walkthroughs as necessary.

Grants Financial Management and Internal Controls – *In progress*

Internal Audit completed the preliminary project planning meetings with the Grants Department. The Grants Department is currently developing a project plan and will assign the review of internal controls to IA. More information regarding the timing of this work will be shared once the Grants team's project plan is available.

District Strategic Plan Support – *In progress*

IA is providing consulting services to management regarding the following Plattenburg Management Letter items:

Licensure Verification Process:

IA has completed walkthrough meetings to gain an understanding of the current Ohio Department of Education license verification process which occurs before each payroll run. Audit testing procedures are currently being executed to gauge the effectiveness of the current process. IA is partnering with management to explore potential process improvements, including utilizing the licensure reporting functions of the existing Bonefish software.

Contractor vs Employee Determination:

A management team has been formed to address and remediate the items noted in the Management Letter. IA joined the team's kickoff meeting to discuss current processes, and upon request, will continue to serve as consultants.

Assurance – In Progress

Continuous Auditing – *In progress*

IA is partnering with BDO to develop a data analytics and continuous auditing program. Development and implementation will be a multiyear project. IA and BDO held numerous meetings with the District's technology and financial system directors to develop a plan that integrates the audit analytics system into our existing network and data framework.

Follow – UP

Online Learning Compliance – *In progress*

IA met with Eric Rozier, Principal of Cincinnati Digital Academy and Virtual High School to discuss the implementation status of the recommendations from the fiscal year 2019 audit report (which are noted in the final section of this document). IA offered assistance regarding potential data analysis or process review if needed.

IA is expanding the scope beyond the original audit recommendations to include the review of the processes relating to distance and blended learning models. The October Audit Committee presentation from Dr. Carrie Bunger will inform the Committee of the current processes in place and may lead to potential action steps for the IA team.

Potential Carryover Projects

Transportation Follow-Up – *In progress*

After meeting with Loren Johnson, Director of Transportation, to discuss the implementation status of past audit recommendations, IA and Transportation agreed upon conducting follow-up testing beginning in November to address past and current district concerns or shortcomings.

Payroll Follow-Up– *On hold*

Although this follow-up project is on hold, IA will integrate aspects of payroll testing into the data analytics to ensure coverage in this area.

Internal Audit Development and 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 The Institute of Internal Auditors (IIA) professional auditing standards. The Internal Audit Department will utilize the manual to further develop the department's capabilities and ensure the highest quality audit work.

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.

External Audits

Lauren Roberts, Internal Audit Director, shared with the Audit Committee each of the following external audit and review engagements that have come to her attention 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.

- Ohio Auditor of State (OAS):
 - Financial Audit; Period of 7/1/2019 – 6/30/2020
 - National Webcheck Agency Audit; Period of 7/1/2019 – 6/30/2020
- Ohio Department of Education (ODE):
 - Head Start Monitoring; Period of 7/1/2019 – 6/30/2020*
 - Will be reviewing programmatic and fiscal requirements for compliance with federal regulations. *Will begin November 4, 2020

No additional audits/reviews have been completed since the August 26, 2020, status report.

Implement Status of Past Internal Audit Recommendations

Isaac Karn, Internal Audit Staff, summarized the status of the below recommendations that help guide the Administration, Audit Committee, and Board of Education as to which areas may need additional attention or resources. Of the 108 recommendations made by the Internal Audit Department during fiscal years 2017-2020, 60 recommendations (55%) have been completed and 41 recommendations (38%) are in progress. Internal Audit engagements highlighted in green indicate projects where all recommendations have been reported as complete.

| Internal Audit Report | # of Recommendations | Complete | In Progress | Not Yet Addressed |
|-----------------------------|----------------------|----------|-------------|-------------------|
| <i>Fiscal Year 2020</i> | | | | |
| Network Assessment | 15 | 4 | 4 | 7 |
| Benefits | 10 | 0 | 10 | 0 |
| <i>Fiscal Year 2019</i> | | | | |
| Transportation Expenditures | 7 | 0 | 7 | 0 |
| Online School Compliance | 6 | 4 | 2 | 0 |
| Strategic Project | 9 | 9 | 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 | 14 | 4 | 0 |

| <i>Fiscal Year 2017</i> | | | | |
|-------------------------|------------|-----------|-----------|----------|
| Payroll | 6 | 5 | 1 | 0 |
| Voucher Funding | 5 | 5 | 0 | 0 |
| SunGard Conversion | 9 | 9 | 0 | 0 |
| Total | 108 | 60 | 41 | 7 |

*The status of each recommendation was reported to Internal Audit by the process owner. Internal Audit reviewed management status responses for reasonableness but full follow-up procedures were not executed for the purposes of this report.

**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).

August and September Financial Updates

Treasurer Wagner and Kevin Ashley, Director of Financial Reporting, shared in updating the Committee on the following financial areas.

September 30, 2020 Financial View (Kevin Ashley)

- CPS General Fund – Revenues and Expenditures – September 30, 2020
- CPS General Fund – Cash and Encumbrances – September 30, 2020
- State and Federal Grants – September 2020 (FY21)
- Grants Reporting (New Templates)
- FY20 Financial Audit Process

Back to School (Treasurer Wagner)

- Remote Learning
- Safety Measures and Protocols
- Transportation
- Meals
- Community Measures

FY21 Budget

- Budget Current Status – \$644M
- Closing the Gap
- CPS Staffing Changes (Teaching Allocation Committee (TAC))

➤ **Next Steps**

Budget Staffing Committee Process:

- Align Staff to actual enrollment (Oct 28, 29, 30)

Election Day- Nov 3rd

- No immediate impact on current year budget
- Could influence current reduction decisions

- PLT Develop Recommendations to Close the “final gap”
- Budget Update- Nov 4th
- Budget Approval and Five Year Forecast – Nov 16th

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

The Audit Committee will meet on Thursday, December 17, 2020, 4:30 PM.

The meeting Adjourned at 6:09 PM.

Audit Committee

Tim Heldman, Chair

Chatika Britton

Jennifer Couser

Jim Crosset, *absent*

Christine Fisher

David Foote

Elizabeth Gutridge

Daniel E. Holthaus

Carol Mitchell-Lawrence

Clarice Warner

Eve Bolton (Finance Committee, Chair), *absent*

Melanie Bates (Finance Committee), *absent*

Ben Lindy (Finance Committee)

Staff Liaisons

Jennifer Wagner, CFO/Treasurer

Lauren Roberts, CPA, CFE, Director of Internal Audit