



**September 2**

**2020**

## **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee met on Wednesday, August 26, 2020, 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; Thomas D. Heldman; Daniel E. Holthaus; Carol Lawrence; Clarice Warner

#### **Administration**

Jennifer Wagner, CFO/Treasurer; Kevin Ashley, Director of Financial Reporting; Jeremy Gollihue, Chief Information Officer; Paul McDole, Director of Human Resources; Keith Grace, Benefits Manager; Isaac Karn, Internal Audit Staff; Lauren Roberts, Director of Internal Audit; Colin Twarek, Business System Analyst, Human Resources; Stephanie Woods, Human Resources Benefits Specialist; Jessica Young, Payroll Software Systems Manager

#### **Finance Committee**

Eve Bolton, Finance Committee Chair; Ben Lindy

### **FY 2020 Audit Engagement Kick-Off**

Kevin Vaughn, Plattenburg & Associates, informed the Committee about Plattenburg's audit of internal controls over financial statements of Cincinnati Public Schools, as of and for the year ended June 30, 2020.

Mr. Vaughn also reported that Plattenburg will begin preliminary field work on September 14, 2020, and that Federal Grant testing will begin in October 2020. A draft of financial statements will be presented sometime in November and field work will be completed in December 2020.

The audit is due to the State Auditor by midnight, December 31, 2020.

The audit will consist of control testing in the area of expenditures (non-payroll), payroll, self-insurance (employee benefits), purchase card transactions, cash investments, unreported liabilities, and capital asset activity, as well as other areas.

He also reported that testing is still needed on the Nutrition and Special Education cluster.

### **Status of Benefits Audit Recommendations**

Paul McDole, Director of Human Resources, informed the Committee about the Benefits Audit that was conducted on February 26, 2020. He also thanked the Benefits Committee and Audit Committee members Chatika Britton and Carol Lawrence for their assistance in the Audit.

The scope of the audit consisted of the time period of January through November 2019 and covered the following benefit areas:

- Medical Insurance (Anthem)
- Vision Insurance (Humana)
- Dental Insurance (Dental Care Plus)
- Basic Life Insurance (AXA)
- AFSCME Care
- Medical Expense Reimbursement Plan (J&K Consultants)
- COBRA and Home Billing
- Family Medical Leave Act and Leave of Absence

Keith Grace, Benefits Manager, updated the Committee on the following audit objective results, recommendations from the findings, and processes to address those recommendations. The following memo below from Human Resource outlines the current status of management's remediation of the audit findings and recommendations. The memo attachments are available in the Board Office upon request. Mr. McDole and Mr. Grace reported six of the ten categories of findings and recommendations have been completed, meaning they are fully addressed and remediated.



**TO: Audit Committee**

**FROM: Human Resources**

**DATE: August 21, 2020**

**RE: Audit Committee Information**

---

## **INTER-OFFICE CORRESPONDENCE**

Please see the below information and the attachments for the August 26, 2020 Audit Committee meeting.

**Recommendation 1:** Create, establish, and communicate acceptable documentation requirements for benefit elections.  
**Status of project:** Completed      **Review status:** Biweekly      **Process map attached.**

**Recommendation 2:** Establish a process to ensure premiums are properly set-up and are withheld timely and accurately.  
**Status of project:** Completed      **Review status:** Biweekly      **Process map attached.**

**Recommendation 3:** Establish periodic reviews over continued employee eligibility for benefits.  
**Status of project:** Completed      **Review status:** Daily, biweekly, and monthly.      **Process map attached.**

**Recommendation 4:** Establish a process to reconcile plan vendor data to Benefits data.  
**Status of project:** In progress      **Review status:** Monthly      **Process map attached.**

**Recommendation 5:** Establish a process to review, validate, and update Benefits data based on changes to HR and Payroll data.  
**Status of project:** Completed      **Review status:** Daily      **Process map attached.**

**Recommendation 6:** Communicate and provide training over termination procedures.  
**Status of project:** Completed      **Review status:** Daily      **Process map attached.**

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

Process map attached.

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

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: Completed

Review status: Daily with request form submission

Process map attached

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

Process map attached.

Colin Twarek, Business Systems Analyst for Human Resources, informed the Committee about benefits training that will address the some of the findings. A benefits dashboard will be created to review and track data on Human Resource processes as well as produce various reports.

Committee Vice-Chair Daniel Holthaus reported that the Audit Committee will continue to monitor the Human Resources' response plan on an ongoing basis, and will be instructing the Internal Audit Department to perform a follow up audit in fiscal year 2021 to ensure the findings have been remediated.

Lauren Roberts, Internal Audit Director reported that the Benefits team will continue to attend Audit Committee meetings to provide bi-monthly updates regarding the implementation status of the recommendations per the Committee's request.

**ACTION:** Paul McDole and Keith Grace will continue to update the Committee on the HR/Benefits Department's action plan to address each of the audit findings, and will bring data to support those improvements.

### **FY 2019 Management Letter Response Plans**

Mr. McDole and Dan Hoying, General Counsel, provided comment on three recommendations contained in the FY2019 Management Letter. The recommendation titled "Employee Improperly Reported in the STRS Pension System" related to an employee that was included in the State Teachers Retirement System (STRS) who, based on the nature of their position at the District, would not be eligible to participate in the system. The employee's position is eligible to enroll in the State Employment Retirement System (SERS).

It was also reported to the Committee that there have been situations where employees were paying into the incorrect retirement system. This is typically due to employees transferring to different positions. Human Resources is building in a review process to correct these situations from happening. They are also working on creating documented processes and procedures to address the issues raised in the Management Letter.

Human Resources will review all employees' job descriptions and duties to verify that they are enrolled in the proper retirement system.

In response to the “Independent Contractors” recommendation, Mr. McDole and Mr. Hoying provided an update regarding the management response. They discussed with the Committee the topic of contractors versus employees and the importance of correctly classifying an individual as one or the other. They reported that a team has been assembled and a form created to assist in making the correct determination.

### **Internal Auditor FY 2021 Goals**

Internal Auditor Roberts reviewed with the Committee her following goals for the 2020-2021 evaluation year. The table outlines the suggested goals which began July 2020 and conclude April 2021.

Goal	Description
<b>Internal Audit Strategic Plan</b>	<ul style="list-style-type: none"> <li>• Lead the execution of year 2 of the Internal Audit Three Year Strategic Plan (<i>attached</i>).</li> </ul>
<b>Planning, Engagement Execution &amp; Reporting</b>	<ul style="list-style-type: none"> <li>• Develop an annual Internal Audit Plan (IAP) using full risk assessment methodology, incorporating projects to support the District's strategy and objectives.</li> <li>• Complete the advisory, assurance, and follow up engagements from the Fiscal Year 2021 IAP.</li> <li>• Communicate the status of internal and external audit engagements to the Audit Committee on a bimonthly basis.</li> </ul>
<b>Internal Audit Development &amp; Advancement</b>	<ul style="list-style-type: none"> <li>• Complete the following activities as summarized in the Fiscal Year 2021 IAP: <ul style="list-style-type: none"> <li>○ Documentation of Internal Audit Procedures</li> <li>○ Departmental Staffing Expansion (<i>once hiring resumes</i>)</li> <li>○ Professional Development</li> </ul> </li> </ul>

**ACTION:** Audit Committee Chair Thomas Heldman made a motion to approve the Fiscal Year 2021 Internal Audit Goals as presented. Audit Committee Vice Chair Daniel Holthaus seconded the motion. The Committee agreed with the plan and goals, thus recommending them to the Board for approval (via approval of the minutes) at their September 14, 2020 Regular Business meeting.

Ms. Roberts reported once the hiring freeze is lifted, she will move forward in hiring an Internal Audit Supervisor. The Committee members expressed agreement with moving forward in filling the position once hiring resumes.

### **Internal Audit Three Year Strategic Plan**

Lauren Roberts, Director of Internal Audit, reviewed the Internal Audit Department's Three-Year Strategic Plan as it relates to her 2020-21 goals. The Strategic Plan was originally presented to the Audit Committee at the June 26, 2019, meeting, and the Internal Audit team updated the document for the August 26, 2020, meeting.

The purpose of the document is to create a pathway for developing a more strategic and risk-based Internal Audit Department while supporting the Cincinnati Public Schools Three-Year Strategic Plan; specifically Strategic Measure 4 - Optimized Capabilities.

The components of the Internal Audit Strategic Plan include key stakeholder management, people strategy, methodology and process, systems and information, and communications and reporting.

The chart below summarizes the maturity levels for each strategic category. The blue boxes indicate the current state of the Internal Audit Department while the green boxes indicate the ideal future state of the department. This three-year plan will help begin the process of advancing the maturity of the Internal Audit function.

OVERALL MATURITY LEVEL*	KEY STAKEHOLDER MANAGEMENT	PEOPLE STRATEGY	METHODOLOGY AND PROCESS	SYSTEMS AND INFORMATION	COMMUNICATIONS AND REPORTING
OPTIMIZED	IA considered a trusted advisor to the company; included in key executive-level meetings	SMEs identified and used, training and development monitored; robust career and succession planning in place	Continuous monitoring and updating for necessary changes and emerging practices	Extensive use of data mining and analytics; continuous audit and monitoring processes in place driving value	Communication and reporting highly effective; high level of quality demonstrated in timely reports
MANAGED	IA considered a valued resource for consultation on strategic and operational initiatives	All resources have appropriate skills and credentials; targeted training and development in place	Methodology and processes are communicated to personnel and training occurs as necessary	Data integrity is high; automated reports are reliable; key data is monitored continuously	Communication and reporting highly effective; quality and timeliness metrics defined and monitored
DEFINED	IA provides assurance and/or advisory services to address the company's risk profile	Appropriate skills and credentials in place; training requirements and performance expectations documented and executed	Uniform methodology and processes are defined, in place, and documented	Stable systems in place; information generated is reliable and relied upon	Communication and reporting processes are defined, in place and documented; effective use of reporting templates
REPEATABLE	IA provides assurance to financial and operational areas, as required	Some specialized technical skills and credentials; training, development and performance expectations defined but may not be well documented	Uniform methodology and processes are defined and in place but may not be documented	Fairly effective systems are in place; low reliance on data and information generated from systems	Communication and reporting processes are defined and in place but may not be documented
INITIAL	IA is leveraged by the company as needs are identified, but does not have a well defined role	Resource skills and credentials do not match company needs and requirements; training programs not defined	Methodology and processes are not defined or in place	High reliance on manual systems and spreadsheets; critical information not readily available	Communication and reporting done on an ad hoc basis; no validation of results or focus on quality

Current State  
Future State

The full Internal Audit Three-Year Strategic Plan document is available in the Board Office upon request.

## **Audit Status Report**

### *Internal Audits*

Ms. Roberts provided an update regarding the status of each project from the Fiscal Year 2021 Internal Audit Plan. Of the work completed thus far, Ms. Roberts noted the Internal Audit team's involvement in the School Safety Walkthroughs and appreciation for the partnership with management to assist in such critically important work.

Committee member Christine Fischer inquired about risk areas around remote learning, responsibility in auditing attendance, and if the State has provided any flexibility. Ms. Roberts agreed those aspects should be included in the Online Learning Compliance follow up project. The Internal Audit Department will partner with General Counsel to research and review compliance requirements regarding remote learning.

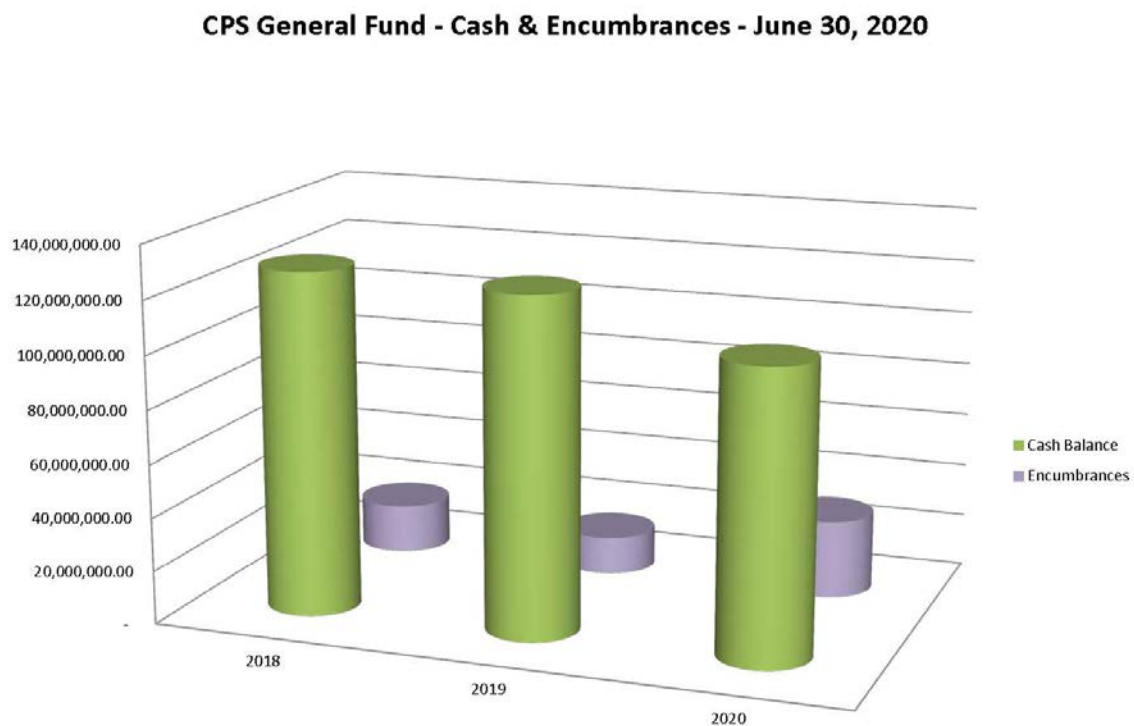
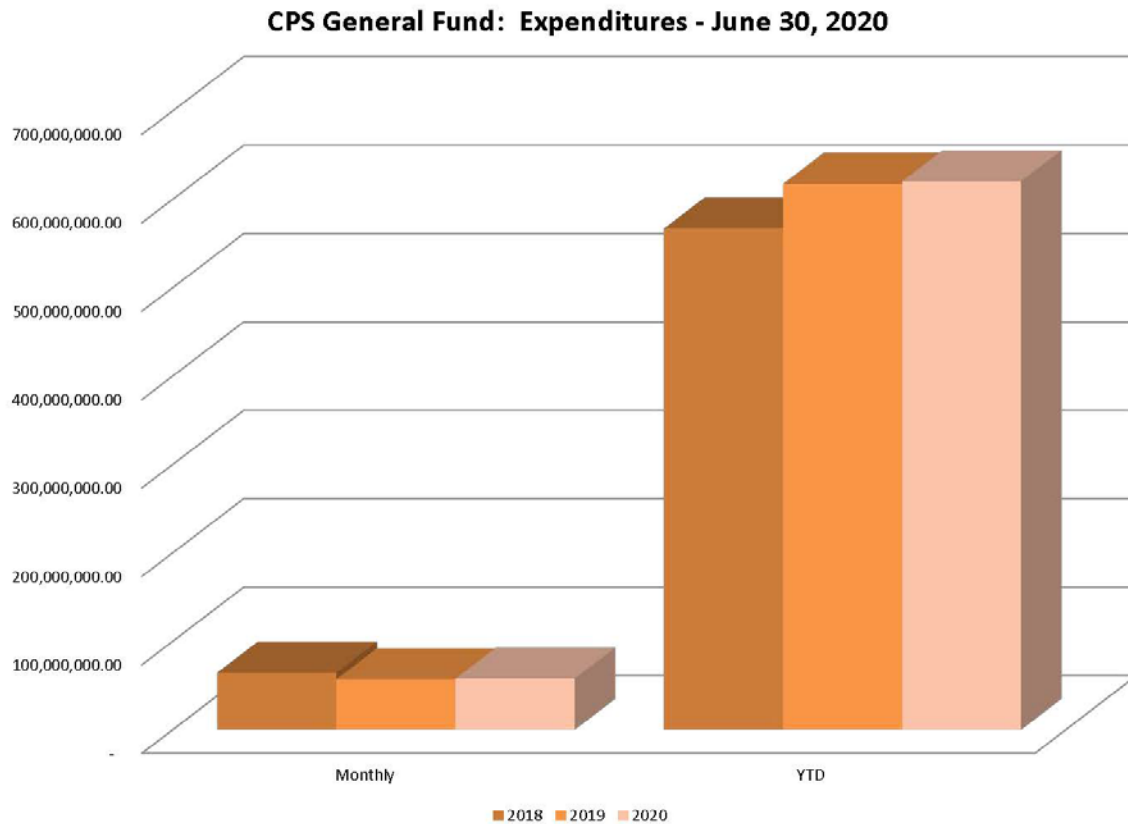
### *External Audits*

Ms. Roberts reported that current audits taking place are being executed through the Ohio Auditor of State's office and include the fiscal year 2020 Financial Audit as well as the National Webcheck Agency Audit. Updates will be provided to the Committee as information is received. The Ohio Department of

Education's McKinney Vento Desk Review and Consolidated ESEA Self-Survey for the period ending June 30, 2020, concluded and CPS was found to be compliant in both.

### **Treasurer June and July Financial Updates**

Treasurer Wagner updated the Committee on the following financials.





# State & Federal Grants

June 2020

	State	Federal	Combined	June 2019
Beg Cash	\$1,672,558	\$5,753,426	\$7,425,984	\$9,749,721
Receipts	23,422,250	55,777,948	79,200,198	60,516,123
Expenditures	13,932,444	47,139,929	61,072,373	62,838,082
Encumbrances	1,289,880	4,667,947	5,957,827	1,982,519
Ending Cash	\$9,872,484	\$9,723,498	\$19,595,982	\$5,445,243

## CPS Tuition Assistance Summary

	Income	FT	HT	Total	Days	Tuition Assist \$
<b>MAY</b>	<200 %	736	53	789	11,833	\$512,849.41
	200-250	41	6	47	705	\$27,478.54
s/t		<b>777</b>	<b>59</b>	<b>836</b>	<b>12,538</b>	<b>\$540,327.95</b>
<b>YTD</b>				<b>836</b>	<b>135,752</b>	<b>\$5,819,156</b>
<b>LY</b>				<b>697</b>	<b>109,460</b>	<b>\$4,178,662</b>

**No Changes for June 2020.**

*Note: The data in the chart above represents only the CPS preschool students who participate in the Preschool Expansion Tuition Assistance program. CPS currently has enrolled 1,911 preschool students.*

# CPS Preschool Expansion

	Budget FY20	JUNE YTD FY20	JUNE YTD FY19
<b>Revenues:</b>	<b>\$ 14,800,000</b>	<b>\$ 15,767,475</b>	<b>\$15,260,528</b>
<b>Expenses:</b>			
CPS Tuition Assistance	4,376,878	5,819,156	4,178,630
Payments to United Way	8,887,251	6,036,536	5,901,750
Workforce Development	183,015	22,484	45,768
Special Education Support	751,439	672,513	560,841
Administrative Support	200,000	145,966	9,399
PS Classroom Expansion	131,900	108,956	0
Professional Development	60,000	700	0
Meeting Expense	400	0	0
Buildings-Capital Outlay	0	1,257,313	0
<b>Total</b>	<b>\$14,590,883</b>	<b>\$14,063,624</b>	<b>\$10,696,388</b>
<b>Net Income</b>	<b>\$209,117</b>	<b>\$1,703,851</b>	<b>\$4,564,140</b>

## 2018 Certificates of Participation (COPS) Debt Issuance Spend Down of Proceeds - Status

Spend Down Deadline = 09/27/21

	As of July 31, 2020			Through July 31, 2020	As of July 31, 2020		
Fund-SCC	Building Improvement Project	Object Description	Total Project Budget	All Years Total Expenditures	Current Outstanding Encumbrances	Total Expenditures Plus C/S Enc	Unencumbered/ Remaining Balance
003-1321C	Mercy	Other Prof Tech Services	\$352,449.78	\$349,984.28	\$0.00	\$349,984.28	\$2,465.50
		Buildings	10,955,432.49	10,832,291.77	123,886.34	10,956,178.11	(745.62)
		Equipment	1,156,154.65	1,156,154.65	0.00	1,156,154.65	0.00
			12,464,036.92	12,338,430.70	123,886.34	12,462,317.04	1,719.88
003-1322C	CANS	Other Prof Tech Services	172,578.49	158,812.07	12,022.88	170,834.95	1,743.54
		Buildings	4,504,631.68	4,457,693.59	42,574.93	4,500,268.52	4,363.16
		Improvements (Non Bldg)	108,687.47	96,404.10	0.00	96,404.10	12,283.37
		Equipment	32,258.36	32,258.36	0.00	32,258.36	0.00
		4,818,156.00	4,745,168.12	54,597.81	4,799,765.93	18,390.07	
003-1323C	Carthage	Other Prof Tech Services	34,250.00	30,060.58	4,189.42	34,250.00	0.00
		Buildings	1,985,750.00	162,159.00	1,823,591.00	1,985,750.00	0.00
			2,020,000.00	192,219.58	1,827,780.42	2,020,000.00	0.00
003-1324C	North Fairmount	Other Prof Tech Services	34,250.00	30,060.54	4,189.46	34,250.00	0.00
		Buildings	1,985,750.00	807,784.82	1,177,965.18	1,985,750.00	0.00
			2,020,000.00	837,845.36	1,182,154.64	2,020,000.00	0.00
Totals			\$21,322,192.92	\$18,113,663.76	\$3,188,419.21	\$21,302,082.97	\$20,109.95

Footnote:

\* - Contracts related to these Improvement projects exceed available COPS Proceed Funds and the remaining contract expenses are encumbered in the General Fund.



**FY21 - Temporary Appropriations Compared to Total Expenditures and Encumbrances**  
**As of July 31, 2020**

Fund #	Fund Description	FY 21 Total Appropriations +PY Carryover Enc	FY 21 Total Expenditures + Encumbrances	Difference
		(Rounded)	(Rounded)	(Rounded)
001	GENERAL FUND	\$185,829,689	\$93,445,734	\$92,383,954
	<b>SPECIAL REVENUE FUNDS</b>			
018	Public School Support Fund	102,206	13,548	88,658
019	Other Grant Fund	1,372,961	316,163	1,056,798
034	Classroom Fac Maintenance Fund	2,146,891	2,020,316	126,575
300	District Managed Stud Act Fund	1,590,852	641,028	949,824
401	Auxiliary Services (NPSS) Fund	11,328,641	1,997,093	9,331,548
439	Public School Preschool Fund	539,000	443	538,557
461	Voc Ed Enhancement Fund	16,656	5,163	11,493
467	Student Wellness and Success Fund	3,179,000	2,200,407	978,593
499	Misc. State Grants Fund	78,719	108,379	(29,659) *
501	Adult Basic Education	319,565	130,511	189,053
507	ESSER Elem & Secondary Emergency	9,797,000	1,148,502	8,648,498
516	IDEA, Part B Spec Ed of H.C Fd	5,981,539	2,389,891	3,591,648
524	Voc Ed: Carl D Perkins 1984 Fd	726,731	582,242	144,490
525	Project Head-Start	1,200,504	225,526	974,978
536	Title 1 Sch Improve Stimulus A	312,471	255,970	56,501
551	Title III - LEP	215,639	108,102	107,537
572	Title I Disadv Children Fund	13,755,043	2,195,906	11,559,137
587	IDEA Presch Grant Handicap Fd	44,837	9,438	35,399
590	Improving Teacher Quality Fund	1,433,607	388,796	1,044,811
598	Schoolwide Building Program	64,439,438	15,098,854	49,340,584
599	Misc, Federal Grant Fund	1,241,353	349,208	892,146
	<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b>119,822,651</b>	<b>30,185,486</b>	<b>89,637,165</b>
002	BOND RETIREMENT	15,250,000	0	15,250,000
	<b>CAPITAL PROJECTS</b>			
003	Permanent Improvement Fund	6,006,176	5,705,363	300,813
	<b>TOTAL CAPITAL PROJECTS</b>	<b>6,006,176</b>	<b>5,705,363</b>	<b>300,813</b>
	<b>ENTERPRISE</b>			
006	Food Services Fund	14,203,770	8,811,406	5,392,364
009	Uniform School Supplies Fund	263,580	13,540	250,040
011	Rotary Special Services Fund	453,519	152,399	301,120
012	Adult Education Fund	7,824	824	7,000
	<b>TOTAL ENTERPRISE FUNDS</b>	<b>14,928,693</b>	<b>8,978,169</b>	<b>5,950,524</b>
	<b>INTERNAL SERVICE</b>			
014	Internal Services Rotary Fund	814,567	993,318	(178,750) *
021	Intra District Services Fund	15,400,195	10,524,418	4,875,777
024	Emp Ben Self Insurance Fund	17,258,596	7,777,420	9,481,176
	<b>TOTAL INTERNAL SERVICE FUNDS</b>	<b>33,473,359</b>	<b>19,295,156</b>	<b>14,178,203</b>
007	Special Trust Fund	116,591	5,696	110,895
008	Endowment Fund	125,000	0	125,000
	<b>TOTAL FIDUCIARY FUNDS</b>	<b>241,591</b>	<b>5,696</b>	<b>235,895</b>
200	Student Managed Activity Fund	109,761	41,313	68,448
	<b>TOTAL AGENCY FUNDS</b>	<b>109,761</b>	<b>41,313</b>	<b>68,448</b>
	<b>TOTAL ALL FUNDS</b>	<b>\$375,661,920</b>	<b>\$157,656,917</b>	<b>\$218,005,003</b>

Footnote:

\* - For negative variances, these are being reviewed by staff and we expect closing or adjustment to carryover and/or current outstanding encumbrances.

## District Update

### Ohio Vouchers

Audit Committee member Bolton informed the group that school districts around the state have entered into a legal case regarding the “Vouchers Hurt Ohio” campaign. The Coalition is suing the State over the EdChoice Voucher.

She also reported that a number of [Northeast Ohio school](#) districts have joined a coalition planning to take the State to court over the controversial private school voucher program, EdChoice.

Ms. Bolton advised General Counsel Hoying to look into the initiative as well as the Audit Committee both providing feedback to determine if it's beneficial for CPS to join the Coalition.

### **Explanation of Employee Leaves**

Committee member Bolton advised the Administration, as it relates to COVID-19, to look at the cost of employee leaves, employee leave options, and what the cost is to the District.

The Audit Committee will conduct its next meeting on Wednesday, October 21, 2020, at 4:30 pm.

The meeting Adjourned at 6:09 pm

### **Audit Committee**

Thomas D. 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)  
Melanie Bates (Finance Committee), *absent*  
Ben Lindy (Finance Committee)

### **Staff Liaisons**

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