

REVISED**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee met on Wednesday, April 24, 2019 at 4:30 PM at the Cincinnati Public Schools Education Center in Conference Room 1-A.

ATTENDEESAudit Committee Members

Jim Crosset, Christine Fisher, Thomas D. Heldman, Daniel E. Holthaus, Carol Lawrence, Brian Ross, Clarice Warner

Administration/Staff

Scott Adams, Chief Operations Officer; Michael Gustin, Business Systems Analyst; Loren Johnson, Transportation Director; Lauren Roberts, Internal Auditor; Pamela Williams, Transportation Operations Supervisor; Lauren Worley, Chief Strategic Communications Engagement Officer

Finance Committee

Eve Bolton, Chair; Melanie Bates, Ryan Messer

Cincinnati Federation of Teachers (CFT)

Don Mooney, Counsel and Field Representative

Community Members/Parents

Marlena Brookfield, Craig Rozen

Transportation Expenditure Audit Report

Loren Johnson, Transportation Director

Lauren Roberts, Internal Auditor

Internal Auditor Roberts and Transportation Director Johnson co-presented on transportation expenditures. Ms. Roberts' Transportation Expenditure Audit focused on the financial aspects of transportation expenditures and Mr. Johnson provided supporting comments about the audit.

Resulting recommendations are intended to inform the Transportation Department and District leadership of key areas which should be addressed as they redesign processes moving forward. Future audit engagements can then evaluate a greater breadth of transportation services, while targeting the areas identified in this audit.

The report was as follows:

Report Summary

The purpose of this audit is to assist the Transportation Department in evaluating its processes and internal controls regarding transportation expenditures. The recommendations resulting from this audit will provide the new Transportation Director and Chief Operating Officer the information they need to strategically target areas of internal control weakness to improve future financial processes.

Objectives

Objective 1: Transportation expenditure processes are documented, compliant applicable regulations and contain adequate internal controls.

Objective 2: The following financial aspects are properly and reasonably executed: Budget, Contracts, Purchase Orders, Invoices, Payments, and Journal Entries.

Timing

Planning: December 2018

Fieldwork: January – April 2019

Report Issuance: April 24, 2019

Scope

Services Examined: Transportation of regular and special education CPS students

Account Functions per USAS Manual: 2821 (Transportation for Students with Disabilities) and 2822 (Transportation for Regular Students)

Audit Period: Fiscal years 2017, 2018, and 2019 (to date)

Internal Audit Recommendations

Recommendation 1: Create, document, and communicate Transportation processes

Recommendation 2: Improvement of budgeting process

Recommendation 3: Strengthen controls within the Transportation contracts process

Recommendation 4: Eliminate then and now certificates

Recommendation 5: (a) Enhance internal controls regarding invoices; and, (b) Develop an invoice review and reconciliation process

Recommendation 6: Evaluate the use change orders for existing purchase orders

Recommendation 7: Add a review control of expense journal entries into payment process

Management Response

Leadership will utilize these audit recommendations as a baseline in determining our progress in successfully transforming Transportation. The Transportation Department recognizes many of the recommendations are directly and/or indirectly correlated to the Department's contract development, budgeting, and reconciliation processes. Transportation will continue to utilize the support of the CPS' Internal Audit Department to validate for effectiveness the implementation of various systems and standard operating procedures that will be instituted as a result of the following audit and operational assessment.

A copy of the Transportation Expenditures Audit Report is available in the Board office.

Technology Security Assessment

Lauren Roberts, Internal Auditor

Ms. Roberts informed the Committee about the Information Technology Assessment Request for Proposal, which completes the Technology Security Assessment project from the Annual Internal Audit Plan.

RFP Background

CPS is seeking the services of a qualified firm to plan, provide, and manage a comprehensive, multi-tiered Information Technology Security Profile Assessment with fixed or 'not to exceed' based pricing.

The Information Technology Security Profile Assessment should be comprised of an extensive tier of project building and planning, logistical and environmental knowledge gathering and discovery, and timeline development and negotiation; a tier consisting of a number of technical engagements to be defined in the below sections; and another tier of developmental engagements, documentation, training, remediation, policy review and creation, and reporting.

RFP Objectives

The engagement is to provide data, analyses, and reports to establish an initial Security Profile for CPS Information Technology systems and services to be used as the basis for subsequent verification and drivers for the change of current Security policy and profile stance where necessary. The overall engagement is intended to be performed under a 'do no harm' methodology such that all tests are not system impactful outside of scheduled maintenance windows and findings are based on demographic information and not personally identifying where unnecessary.

External Audit Status Memo

Lauren Roberts, Internal Auditor

The purpose of this memo is to share with the Audit Committee each of the external audit and review engagements that have come to the attention of the Internal Auditor 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 and reviews are in progress:

- Ohio Department of Education (ODE); Period of 7/1/2017 – 6/30/2018
 - Child and Adult Care Food Program Review
 - Food Services Procurement Audit
 - Consolidated ESEA Grants Desk Review
 - 21st CCLC Onsite Review
 - Collaborative Monitoring Desk Review

A report has been issued for the following audit since the last status report:

- U.S. Department of Justice:
 - Grant Program Audit – Developing Knowledge About What Works to Make Schools Safe (*Reported emailed on 3/15/2019*)
- Ohio Department of Education (ODE); Period of 7/1/2017 – 6/30/2018
 - National School Lunch Program – Resource Management Review – *No violations*

Annual Internal Auditor Evaluation

Lauren Roberts, Internal Auditor

Ms. Roberts provided the Committee with a summary of her 2018-2019 Annual Evaluation. The Evaluation assessed the progress of her goals and appraisal of the following categories

Goals

- Risk Assessment and Internal Audit Plan Development – *Complete*
- Engagements and Reporting – *Complete*
- Internal Audit Development and Advancement – *Complete*

Standards

- Communication
- Customer Focus

- Job Knowledge
- Problem Solving
- Productivity
- Quality
- Results Focus
- Teamwork
- Valuing Diversity:
- Progress of her goals

ACTION: The Audit Committee Members will provide their feedback to Audit Committee Chair Brian Ross by Friday, May 3, 2019. Mr. Ross will compile the feedback, meet with Ms. Roberts if necessary, and provide the final evaluation to Paul McDole, Director of Human Resources by Friday, May 10, 2019.

Audit Committee Audit Charter Updates

The Committee reviewed the following sections of the Charter.

COMPOSITION:

The Audit Committee consists of the three members of the Board Finance Committee and at least eight, but no more than ten, members who are not employees of the school district. The community members shall be appointed by the Board of Education for a staggered three-year term to ensure all members do not come up for reappointment in the same year. At least one member will be a Certified Public Accountant. Collectively they will possess the expertise and experiences to understand and resolve concerns raised by independent auditors or the District's internal auditor.

MEETINGS:

The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All members are expected to attend each meeting, in person or via teleconference. As defined by district Bylaws 0150, a majority of the Audit Committee members constitute a quorum. If quorum is not met, the meeting can take place for informational purposes only; no recommendations or votes may take place unless there is a quorum present. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

ACTION: Audit Committee member Heldman motioned and Audit Committee member Crosset seconded the motion to approve the above recommended changes to the Audit Committee Charter and Board Policy 6835 – Audit Committee; thus agreeing that a quorum of the Audit Committee will consist of a majority of members being present in order to conduct business requiring *actions*. The Audit Committee agreed with the motion. The Policy Committee will also review and recommend approval of the documents at its May 16, 2019 Committee meeting.

The meeting adjourned at 6:00 pm.

Audit Committee

Brian Ross, Chair
 Jennifer Couser, ABSENT
 Jim Crosset, CLM

Staff Liaisons

Jennifer Wagner, CFO/Treasurer, ABSENT
 Lauren Roberts, Internal Auditor

Christine Fisher
David Foote, CPA, ABSENT
Thomas D. Heldman, CPA
Daniel E. Holthaus, CPA
Carol Lawrence, ABSENT
Jeffrey L. Orschell, ABSENT
Clarice Warner
Eve Bolton, Chair (Finance Committee)
Melanie Bates (Finance Committee)
Ryan Messer (Finance Committee)