

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Tuesday, December 18, 2018 at 4:30 PM at the Cincinnati Public Schools Education Center in Conference Room 1-A.

Strategic Project Review and Verification Report

Lauren Roberts, Internal Auditor

Strategic improvement projects are a top priority of the Cincinnati Public Schools' Performance Leadership Team (PLT) for the 2018-2019 school year. The PLT consists of the following key members: Superintendent, Treasurer/CFO, Deputy Superintendent, Assistant Superintendents, Chief Information Officer, Chief Operating Officer, General Counsel, Chief Strategic Communications Engagement Officer, and Director of Human Resources.

The PLT is participating in an Improvement Science Leadership course, Impact U, through Cincinnati Children's Hospital which focuses on quality improvement and change management. Through this training, each member of the PLT selects a strategic project in which they will define a process, identify areas in need of improvement, apply various solutions, and track data to identify the most effective solutions in which to implement more broadly.

Internal Audit is supporting the strategic project initiative by reviewing the PLT's resulting process documentation and data to independently determine if the project objectives have been met and if there are additional opportunities for improvement.

Internal Audit performed review and verification procedures for The Director of Human Resources' strategic improvement project, The CPS Employee Experience. The goal of the strategic project was to decrease the payroll errors to enhance the employee experience.

The Internal Auditor's objectives were to review the project documentation, validate the results of the strategic project, and identify additional areas of opportunity. Although Internal Audit was unable to definitively validate that the interventions performed directly decreased pay errors, there is reliable evidence payroll errors have in fact decreased since the initial HR/Payroll system conversion.

The review also resulted in numerous recommendations which can be utilized by the PLT as they execute future strategic projects.

The full report is available in the Board Office.

Audit Status Report

Internal Auditor Roberts provided the Committee with the following information from her Audit Status Report.

2018-19 Internal Audit Plan Status

The following provides a brief status update for each engagement within the Internal Audit Plan:

- **Engagements Supporting District Strategy and Objectives**
 - Virtual High School & Cincinnati Digital Academy Attendance – *In Progress*
 - Plan to release report at the February 27, 2019 Audit Committee meeting.
 - Strategic Project Review & Verification – *Complete*
 - Report shared during meeting on December 18, 2018.

- **Engagements Resulting from Risk Assessment**
 - Technology Security Assessment – *In Progress*
 - Internal Audit continues to follow up with the Information Technology Management (ITM) Department to ensure the request for proposal (RFP) is posted in a timely manner.
 - The network assessment RFP is currently in the final stages of review by the Purchasing Department.
 - Internal Audit has been informed that ITM will post the RFP on the CPS website no later than January 1, 2019.
 - Transportation Expenditures – *In Progress*
 - Plan to release report at the April 24, 2019 Audit Committee meeting.

- **Internal Audit Development and Advancement**
 - Prior Engagement Follow-Up and Annual Reporting – *Complete*
 - Internal Audit Annual Report released June 26, 2018.
 - PwC Skills for Society Project Coordination – *In Progress*
 - The PwC team is reviewing the project request for the key performance indicator (KPI) dashboard.
 - Recruiting and Internal Audit Department Development – *Complete*
 - Internal Audit Interns:
 - Patrick Fuller: January 2 – January 25, 2019
 - Jakob Snyder: January 14 – April 29, 2019
 - Isaac Karn: May 15 – August 12, 2019
 - Professional Development – *Complete*
 - Met CPE requirements to renew CPA license
 - Attended Association of Local Government Auditors Annual Conference.

Internal Auditor Midyear Evaluation

Midyear evaluations are based on progress toward goals set at the beginning of the year, as well as the CPS standards. Internal Auditor Roberts provided the Committee with her self-evaluation of her progress toward the 2018-19 goals and standards. She requested the Committee complete the *Audit Committee Evaluation Form* and submit it to Paul McDole, Human Resources Director.

ESEA Nonpublic Review

Sheila Radtke, Auxiliary Services Program Manager

Ms. Radtke presented to the Committee the ESEA Auxiliary Service Audit Findings and Cincinnati Public Schools Action Plan for 2018-19. She explained that CPS is the fiscal entity and has to ensure compliance safeguards for parochial and nonpublic schools.

In conclusion:

- CPS is in the process of repairing relationships with the Archdiocese and nonpublic schools with increased efficacy of accessing and spending their allocated funds.
- The Treasurer's Office and Auxiliary Office are working together weekly (and when needed) to improve processes.
- The next audit is a Desk Audit scheduled for February 15, 2019.

Tax Abatement Update

As requested by Board Member Melanie Bates, Internal Auditor Roberts provided the following report of the City of Cincinnati Tax Increment Review Council meeting on June 28, 2018 to the Audit Committee.

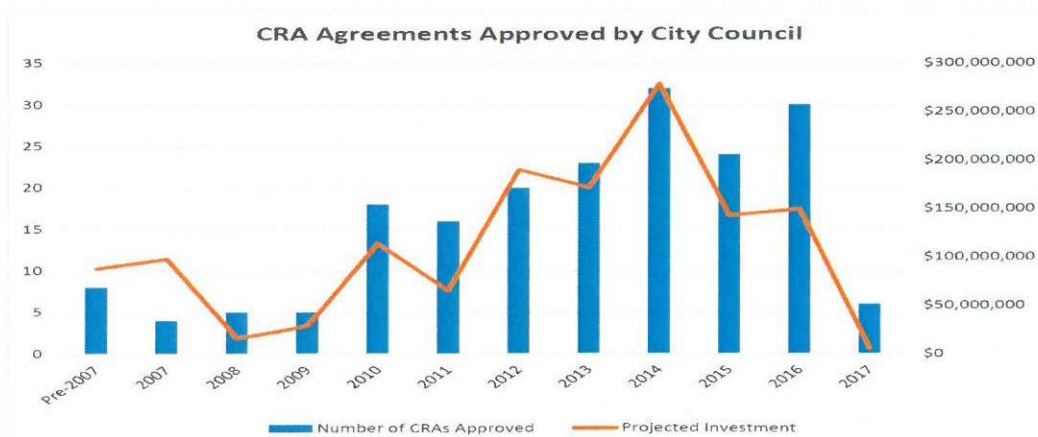
**Tax Increment Review Council (TIRC) Meeting Recap
City of Cincinnati: Community & Economic Development Department
6/28/18 @ 3:00 PM**

- I. **Tax Increment Financing (TIF) Program**
 - a. Recommendation that all TIF agreements be continued.
 - i. 20 active TIF Districts – applicable to a specific geographic area of the city
 - ii. 12 active TIF Projects – applicable to a particular development
 - iii. The city received reports documenting higher than anticipated real property investment (1.466 billion actual vs 823 million projected) and jobs retained (576 actual vs 554 projected).
 - b. Oakley Station TIF Project: Discrepancy in the jobs committed (1,700) and the jobs reported (300). Sam Stephens and Michael Banish with the city are researching and will notify TIRC members of the outcome.
 - c. The city has authorized 14 new TIF Projects, including Vernon Manor Phase 2.
- II. **Community Reinvestment Area (CRA) Program**
 - a. Of the 191 active agreements through 2017, recommendations were made to continue 175 agreements, modify 10 agreements, and terminate 6 agreements. Of the 6

recommended for termination, the expired agreements are Public School Works (Neyer/Pulsar) & TMBG Properties, LLC (18 West 7th Street).

Recommendation	Notes	Agreements
Continue	Pending Completion	18
	Complete – Pending HCA	7
	Complete	150
Modify	Construction Completion Date Extensions	10
Terminate	Non-Reporting	2
	Late Completion	2
	Expired	2

- b. 160 agreements were completed by end of CY2017 compared to a projected 173. Of the 160, investments reported were lower than their committed investment (\$1.33 billion vs \$1.34 billion). 24 of the 160 agreements did not meet 80% of their committed investment.
- c. 6 agreements were approved and registered in 2017. There are an additional 48 agreements in 2017 that were approved but are in the process of being registered with the state and not accounted for in this graph.



The meeting adjourned at 6:14 PM

Audit Committee

- Brian Ross, Chair
- Jennifer Couser, *absent*
- Jim Crosset, CLM
- Christine Fisher, *absent*
- David Foote, CPA
- Thomas D. Heldman, CPA
- Daniel E. Holthaus, CPA, *absent*
- Carol Mitchell-Lawrence
- Jeffrey L. Orschell
- Clarice Warner
- Melanie Bates (Finance Committee), *absent*
- Ericka Copeland-Dansby (Finance Committee), *absent*
- Ryan Messer (Finance Committee)

Staff Liaisons

- Jennifer Wagner, CFO/Treasurer
- Lauren Roberts, CPA, Internal Auditor