

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Tuesday, February 27, 2018 at 4:30 PM at the Cincinnati Public Schools Education Center in Conference Room 1-A.

Fiscal Year 2017 Financial Audit Report

Kevin Vaughn, Plattenburg & Associates, updated the Committee on their audit of the District’s financial statements for fiscal year 2017 that ended June 30, 2017. He informed the Committee about Plattenburg’s audit of internal controls over financial reporting and compliance. Mr. Vaughn also reported that the audit went smoothly.

Audit Status Report

Fiscal Year (FY) 2018 Internal Audit Engagements

Lauren Roberts, Internal Auditor, reported that since the Audit Committee meeting on December 19, 2017 the following internal audit engagement has been completed:

IAP 2 PNC Purchase Cards

Ms. Roberts reported, updated the Committee on the below FY2018 Internal Audit engagements that are in progress since the Audit Committee meeting on December 19, 2017:

IAP 1 Cash Collections
 IAP 4 Data and Access Security
 IAP 5 Purchasing Process

Activities Outside of the Internal Audit Plan

Ms. Roberts informed the Committee about the following work completed outside of her internal audit plan since the December 19, 2017 Audit Committee meeting:

1. Shared best practices and participated in question and answer sessions regarding procurement cards at the monthly school Principals meeting;
2. Participated in weekly Treasurer’s Department coaches meetings and one-on-one meetings with Treasurer;
3. Provided guidance in operational meetings as necessary;
4. Attended Board and Committee meetings such as the Policy Committee, Finance Committee and Student Achievement Committee.

The following table summarizes the FY 2018 Internal Audit Plan engagements and the projected fiscal quarter when the engagement will occur:

Internal Audit Engagement	Projected Quarter of Audit Engagement	Status
Cash Collections	Q3-Q4	In progress
Procurement Cards	Q1- Q2	Complete

Internal Audit Engagement	Projected Quarter of Audit Engagement	Status
Payroll	Q4/FY 2019	Not yet started.
Data and Access Security	Q2-Q4	In Progress
Purchasing Process	Q3-Q4	In Progress
Grant Process	Q4/FY 2019	Received updated procedures from outside legal firm 2/21/2018. Will begin to evaluate and plan.
Charter School Funding Follow Up	Q4/FY 2019	Initial meeting with new process owners complete. Will begin testing once enough data from new procedures has been generated.

External Audits

Ms. Roberts updated the Committee on the following external audit engagements and reviews that are in progress:

1. Ohio Department of Education (ODE), Period of 7/1/2017-Present:
 - a. Homeless Education
 - b. Consolidated ESEA Grants – *awaiting report*
 - c. IDEA Part B
 - d. National School Lunch Program Administrative Review
 - e. Child and Adult Care Food Program Review
2. U.S. Department of Justice, Grant Program Audit, Developing Knowledge About What Works to Make Schools Safe

An Audit report has been issued for the following compliance audit since the last status report on December 19, 2017:

1. Ohio Auditor of State (OAS)
 - a. Financial Audit, Period of 7/1/2016 to 6/30/2017
2. E-Rate
 - a. Payment Quality Assurance Review – *no report; no issues noted*

Procurement Card Internal Audit Report

Internal Auditor Roberts updated the Committee on her audit engagement of the District’s procurement card program. The audit focused on evaluating predetermined objectives that she selected and within the Annual Audit Plan.

The following are the objectives of the audit:

- Procedures for the use and administration of procurement cards are documented and communicated to employees.
- PNC cards are used once a purchase order is in place and for the purpose within the purchase order.
- Supporting documentation, such as receipts and invoices, to support all purchase card transactions are centrally reviewed and maintained on file.
- Procurement card statements are reconciled monthly by employees, reviewed and approved by the Treasurer’s Office.
- Procurement card transactions are appropriate (i.e. proper public purpose) and in compliance with Board policies and State regulations.
- Invoices are sent to employees who do not submit necessary documentation for expenses.

Ms. Roberts reported that overall the controlled environment is deemed satisfactory, although there are key controls that require attention from management for improvement.

The District's purchasing card program is through PNC Bank-issued Visa cards.

Treasurer Jennifer Wagner informed the Committee that negotiations are taking place with Amazon to create a "punch-out" option in the purchasing module of the financial system, Business Plus. This will help reduce the number of transactions executed through the procurement card.

Tax Abatements

Finance Committee member Melanie Bates updated the Committee with information about tax abatements that were discussed in the February 15, 2018 Finance Committee meeting.

Treasurer Wagner re-presented her presentation on tax abatements to the Committee and discussed the following with the Committee.

- CPS' Current Status:
 - 215 Active Agreements
 - Abated Value \$749,033,420.00
 - Average of 12 years (range 4-15 years)
 - Annual Revenue \$6,105,688.27
- 249 Pending Agreements
- CRA Billing Research Project
- Tax Increment Financing Communities
- CPS Millage
- Financial Impact to CPS
- Top Level Calculations
- Tax Exemptions Available to the Port Authority

A copy of the presentation is available in the Board office.

Ms. Bates reiterated that the Finance Committee reviews the abatements and then recommends them to the full Board for approval. She also informed the group about research that was done on the abatements and revealed that there were agreements that had not been billed to the District. Treasurer Wagner has addressed the issue to secure the reimbursements.

The Audit Committee had extensive conversation about the non-billings and recommended that they send a letter to the City or the County on behalf of the Board, requesting a list of agreements that the City has with the District.

ACTION: Board staff will draft a letter for all Audit Committee members to sign, requesting the tax abatement information. Committee member Tim Heldman motioned and Brian Ross seconded the motion to request the information.

ACTION: Treasurer Wagner will direct her team to complete an analysis of the District's tax abatements and Internal Auditor Roberts will assist upon the Treasurer's request.

ACTION: Audit Committee member Dan Holthaus advised that the District and the Audit Committee should be involved in discussions in the renewal of the July 2, 1999 Community Reinvestment Act Agreement.

The meeting adjourned at 6:15 PM

Audit Committee

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

Staff Liaisons

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