

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Tuesday, October 24, 2017 at 4:30 PM at the Cincinnati Public Schools Education Center in Conference Room 1-A.

Annual Audit Overview

Kevin Vaughn, Audit Manager at Plattenburg and Associates, updated the Committee on communications that took place at the beginning of the audit. The audit began in August 2017. Mr. Vaughn did a brief overview of the schedule of the audit, what has occurred and what will occur in the coming months, and a scope of key areas.

Five-Year Forecast

Treasurer Wagner updated the Committee on the following areas of her forecast. A copy of the presentation is available in the Board office.

- Ohio Department of Education (ODE) Requirement
- Purpose of the Forecast: Monitor District Solvency; Planning Tool for Future Financial Activities
- Forecast Assumptions
- Fiscal Year (FY) 2018 Expenditures, Revenues and Other Sources
- FY 2018 Transfers
- FY 2018 School Wide Pool
- ODE Cash Balance Requirement
- Financial Transparency (Opengov – Interactive Financial Dashboard)

A copy of the draft Five-Year Forecast is attached.

Fiscal Year (FY) 2018 Internal Audit Plan (Draft)

Lauren Roberts, Internal Auditor, updated the Committee on the below FY2018 Internal Audit engagements that are in progress. Ms. Roberts reported on:

IAP 1 Cash Collection
 IAP 2 PNC Purchase Cards
 IAP 4 Data and Access Security

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

Internal Audit Engagement	Fiscal Quarter of Report Issuance	Status
Cash Collection	Q2	In progress.
PNC Purchase Cards	Q2 (Initial Testing) Q3 (Full Audit)	Initial testing and procedures/internal controls review in progress.

Internal Audit Engagement	Fiscal Quarter of Report Issuance	Status
Payroll	Q4	Not yet started.
Data & Access Security	Q2-Q3	Coordinated joint training session in data and access security led by Chief Information Officer, Sarah Trimble-Oliver, for the HR Department and Treasurer's Office staff.
Purchasing Process	Q3	Not yet started.
Grant Process	Q3-Q4	Not yet started. (Awaiting completion of new grant procedures)
Charter School Funding Follow UP	Q3	Initial meeting with new process owners complete. <i>EMIS to present status update at December 19, 2017 Audit Committee Meeting.</i>

External Audits

Ms. Roberts updated the Committee on the following external audit engagements and reviews that are in progress or have been completed, but an audit report has not been issued:

1. Ohio Auditor of State (OAS)
 - a. Financial Audit, Period of 7/1/2016 to 6/30/2017
 - b. Medicaid Compliance Audit, Period 1/1/2013 to 12/31/2015
2. Ohio Department of Education (ODE)
 - a. Straight A, Onsite January/February 2017
3. U.S. Department of Justice, Grant Program Audit, *Developing Knowledge About What Works to Make Schools Safe*;

The following engagements concluded and do not include the issuance of formal audit reports:

1. Ohio Department of Education (ODE)
 - a. Consolidated ESEA Grants, Desk review January 2017 – *Completed, non-compliant Highly Qualified Teachers (HQT)*;
 - b. Competency Based, Onsite January/February 2017 – *Completed, programmatic review only*;
 - c. IDEA-B, Audit January 2017 – *Completed, compliant*.
2. Universal Service Administrative Company, E-Rate:
 - a. 2015-16 Post Payment Review – *Completed, compliant*;
 - b. SLD Invoicing Reviews – *Completed, complaint*.

OpenGov Presentation

Britany Marks, Director of Financial Reporting & Transparency, did a demonstration of the OpenGov financial reporting website. OpenGov is a financial reporting platform that improves transparency and increases access to district spending and budgeting information and makes it easier for the community and CPS staff to analyze how the district's money is spent.

The website can be accessed in the *Financial Information* section located in *About CPS* on CPS' website: www.cps-k12.org or by clicking: [OpenGov](#).

Community member Tom Conlan recommended that the Treasurer conduct workshops/outreach with the community, community partners, the CFT, media, LSDMCs, and principals to bring awareness to the existence of this financial information being available on the District's website.

ACTION: Mrs. Wagner reported that she and Superintendent Mitchell meet quarterly with the unions and she will add Mr. Conlan's recommendation to the agenda for discussion.

Audit Committee Charter Revision

The Audit Committee discussed at its August 22, 2017 meeting the Board's concern about criteria for appointing members, when to appoint, and who can appoint members to the Audit Committee. At that meeting, the Committee agreed to recommend to the Board that individuals who were previously scheduled for appointment be recommend for approval at the Board's January 2017 Business meeting. The Committee also recommended that this be the criteria, as well as allowing stakeholders to submit nominations, and update the Audit Committee Charter to reflect the changes.

Ms. Roberts provided the Audit and Finance Committees a summary of the Audit Committee's suggestions to the Charter.

Suggested ideas for the process of reviewing and appointing new members:

- Create a window of time for potential new members to apply
 - Will not accept appointments during election periods (90 days prior to election)
- (or) Appointments occur each year during the January Audit Committee meeting to allow full year appointments
- The Audit Committee determined additional appointments will be tabled until a more clear appointment process has been determined and documented within the Charter

The Finance Committee advised the need to revise the Audit Committee Charter to outline the process of appointing future members, solicit additional appointees and how to clarify the selection process.

The Audit Committee discussed revisions to the charter and proposed solutions for each of the following concerns (solutions are subject to further discussion and approval):

1. Is there a maximum number of appointees; Does the Audit Committee set the amount?
 - a. The need for additional members will be identified by the Audit Committee. The Charter states the membership will not fall below the minimum of eight members.
2. What are the qualifications; Independent of Organizations?
 - a. The criteria within the Audit Committee Charter will be utilized by the Committee when considering new candidates.
3. Should nominations occur once a year; January?
 - a. Once a need for new members has been identified by the Audit Committee, an application window will take place each year and concluding with a formal recommendation in January.
4. How many CPAs to appoint; Is CPA certification required; Is a financial background required?
 - a. The Audit Committee Charter will be utilized to guide the Committee's decision regarding the number of CPAs appointed.
5. How do individuals get nominated; Do nominations go through the Audit and Finance Committees; Who can submit nominations; Community? Partners? CFT?
 - a. Public notice will be given by the Audit Committee to notify all stakeholders of the request for applicants.

6. What is process for determining who gets selected; Who will do the search?
 - a. Applications will be submitted to the Audit Committee who will review the candidates' qualifications and vote to decide upon recommended new members.
7. The Finance Committee will outline the policy
8. Will there be interviews?

ACTION: Ms. Roberts will utilize the solutions above to redraft the Audit Committee Charter and corresponding timeline for the Finance Committee to review, discuss and provide input. The Audit Committee will meet to discuss the revised charter.

Audit Committee Meeting

The next meeting date is December 19, 2017.

The meeting adjourned at 6:04 PM.

Audit Committee

Brian Ross, Chair
Ryan Belt, CPA, *absent*
Jim Crosset, CLM
David Foote, CPA
Thomas D. Heldman, CPA, *absent*
Daniel E. Holthaus, CPA
Jeffrey L. Orschell, *absent*
Melanie Bates (Finance Committee), *absent*
Eve Bolton (Finance Committee), *absent*
Carolyn Jones (Finance Committee)

Staff Liaisons

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

Cincinnati Public City

Hamilton County

Schedule of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Years Ended June 30, 2015, 2016 and 2017 Actual; Forecasted Fiscal Years Ending June 30, 2018 Through 2022

	Actual				Average Change	Forecasted				
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017			Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Revenues										
1.010 General Property Tax (Real Estate)	224,078,567	229,951,469	253,604,244	6.5%	275,043,686	257,399,465	237,942,377	209,542,065	160,630,812	
1.020 Tangible Personal Property	26,294,459	27,864,399	31,082,610	8.8%	34,537,923	33,206,971	31,865,591	29,722,387	25,583,616	
1.030 Income Tax	-	-	-	0.0%	-	-	-	-	-	
1.035 Unrestricted State Grants-in-Aid	153,470,415	167,575,186	176,092,031	7.1%	183,647,015	186,511,622	188,090,135	189,742,967	191,598,675	
1.040 Restricted State Grants-in-Aid	19,655,078	21,034,281	22,807,436	7.7%	21,692,216	21,445,908	21,204,822	20,968,823	20,737,781	
1.045 Restricted Fed. SFSF Fd. 532 /Ed Jobs Fd.504 FY12	0	0	-	0.0%	-	-	-	-	-	
1.050 Property Tax Allocation	37,704,872	30,646,950	28,140,734	-13.4%	27,243,368	24,573,816	21,451,779	17,625,677	13,304,824	
1.060 All Other Revenues	24,932,878	28,277,260	35,488,014	19.5%	24,876,616	30,228,645	30,281,195	30,334,270	30,387,876	
1.070 Total Revenues	486,136,269	505,349,545	547,215,069	6.1%	567,040,822	553,366,426	530,835,899	497,936,189	442,243,585	
Other Financing Sources										
2.010 Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-	
2.020 State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-	
2.040 Operating Transfers-In	-	11,260	35,518	0.0%	-	-	-	-	-	
2.050 Advances-In	26,182,275	17,288,115	12,354,183	-31.3%	11,505,000	12,500,000	12,500,000	12,500,000	12,500,000	
2.060 All Other Financing Sources	112,823	3,198,317	11,172,996	1492.1%	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	
2.070 Total Other Financing Sources	26,295,098	20,497,692	23,562,697	-3.5%	15,005,000	16,000,000	16,000,000	16,000,000	16,000,000	
2.080 Total Revenues and Other Financing Sources	512,431,367	525,847,237	570,777,766	5.6%	582,045,822	569,366,426	546,835,899	513,936,189	458,243,585	
Expenditures										
3.010 Personal Services	216,950,183	91,077,322	104,102,889	-21.9%	\$117,801,315	\$124,151,367	\$127,184,395	\$129,678,083	\$132,221,644	
3.020 Employees' Retirement/Insurance Benefits	70,956,843	28,769,824	32,445,283	-23.1%	37,218,446	40,715,205	42,787,951	44,738,418	46,773,816	
3.030 Purchased Services	171,529,900	170,023,074	193,152,235	6.4%	201,326,615	208,375,129	215,708,250	223,338,242	227,777,927	
3.040 Supplies and Materials	6,035,331	5,861,496	6,481,339	3.8%	11,282,349	11,465,380	11,652,071	11,842,497	12,036,730	
3.050 Capital Outlay	6,273,870	4,689,415	3,409,414	-26.3%	2,839,604	2,981,584	3,130,664	3,287,197	3,451,557	
3.060 Intergovernmental	-	-	-	0.0%	-	-	-	-	-	
Debt Service:										
4.010 Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-	
4.020 Principal-Notes	-	-	-	0.0%	-	-	-	-	-	
4.030 Principal-State Loans	-	-	-	0.0%	-	-	-	-	-	
4.040 Principal-State Advances	-	-	-	0.0%	-	-	-	-	-	
4.050 Principal-HB 264 Loans	-	-	-	0.0%	-	-	-	-	-	
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-	
4.060 Interest and Fiscal Charges	-	-	-	0.0%	-	-	-	-	-	
4.300 Other Objects	4,907,031	4,954,415	3,485,543	-14.3%	5,450,375	5,450,375	5,450,375	5,450,375	5,450,375	
4.500 Total Expenditures	475,753,158	305,375,546	343,076,703	-11.7%	\$375,918,704	393,139,041	405,913,706	418,334,811	427,712,048	
Other Financing Uses										
5.010 Operating Transfers-Out/Contingency	15,979,631	196,799,511	192,091,179	564.6%	\$203,151,556	\$207,586,872	\$214,015,240	\$220,668,178	\$227,548,919	
5.020 Advances-Out	17,288,115	12,354,183	11,505,000	-17.7%	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	
5.030 All Other Financing Uses	(1,162,230)	4,682,306	16,933	-301.3%	\$0	\$0	\$0	\$0	\$0	
5.040 Total Other Financing Uses	32,105,516	213,836,000	203,613,112	280.6%	\$215,651,556	220,086,872	226,515,240	233,168,178	240,048,919	
5.050 Total Expenditures and Other Financing Uses	507,858,674	519,211,546	546,689,815	3.8%	\$591,570,260	613,225,913	632,428,945	651,502,989	667,760,967	
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	4,572,693	6,635,691	24,087,951	154.1%	(9,524,438)	(43,859,487)	(85,593,046)	(137,566,800)	(209,517,383)	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	54,108,439	58,681,132	65,316,823	9.9%	89,404,774	79,880,336	36,020,849	(49,572,197)	(187,138,997)	
7.020 Cash Balance June 30	58,681,132	65,316,823	89,404,774	24.1%	79,880,336	36,020,849	(49,572,197)	(187,138,997)	(396,656,380)	
8.010 Estimated Encumbrances June 30	13,622,917	12,322,749	13,136,744	-1.5%	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000	
Reservation of Fund Balance										
9.010 Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-	
9.020 Capital Improvements	-	-	-	0.0%	-	-	-	-	-	
9.030 Budget Reserve	-	-	-	0.0%	-	-	-	-	-	
9.040 DPIA	-	-	-	0.0%	-	-	-	-	-	
9.045 Fiscal Stabilization	-	-	-	0.0%	-	-	-	-	-	
9.050 Debt Service	-	-	-	0.0%	-	-	-	-	-	
9.060 Property Tax Advances	-	-	-	0.0%	-	-	-	-	-	
9.070 Bus Purchases	-	-	-	0.0%	-	-	-	-	-	
9.080 Subtotal	-	-	-	0.0%	-	-	-	-	-	
10.010 Fund Balance June 30 for Certification of Appropriations	45,058,215.00	52,994,074	76,268,030	30.8%	67,380,336	23,520,849	(62,072,197)	(199,638,997)	(409,156,380)	
Revenue from Replacement/Renewal Levies										
11.010 Income Tax - Renewal	-	-	-	0.0%	-	-	-	-	-	
11.020 Property Tax - Renewal or Replacement	-	-	-	0.0%	-	26,265,000	51,500,000	84,752,000	141,180,000	
11.300 Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	26,265,000	77,765,000	162,517,000	303,697,000	
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	45,058,215	52,994,074	76,268,030	0	67,380,336	49,785,849	15,692,803	(37,121,997)	(105,459,380)	