

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Tuesday, June 27, 2017 at 4:30 PM at the Cincinnati Public Schools Education Center in Conference Room 1-A.

Internal Audit Status Report

Lauren Roberts, Internal Auditor, reported the IAP 5 – Payroll internal audit engagement has been completed since the Audit Committee meeting held on May 23, 2017.

The following table summarizes the FY 2017 Internal Audit Plan engagements, and the fiscal quarter when the engagement audit report was issued:

Internal Audit Engagement	Fiscal Quarter of Report Issuance	Status
Charter School Funding	Third	Complete: 100% - Final report issued March 28, 2017.
Voucher Funding	Third	Complete: 100% - Final report issued March 28, 2017.
SunGard Conversion	Second	Complete: 100% - Final report issued January 17, 2017.
Cash Collection	FY18	Current Year Work - Recommended and ensured management implementation of internal control improvements to existing cash/check receipt process within Treasurer's Office. Consider during risk assessment for FY18 Internal Audit Plan
Payroll	Fourth	Complete: 100% - Final report issued June 27, 2017.
PNC Purchase Cards	FY18	Current Year Work - Recommended and ensured management implementation of internal control improvements for new PNC purchase card procedures Consider during risk assessment for FY18 Internal Audit Plan
Purchasing Process	FY18	Consider during risk assessment for FY18 Internal Audit Plan
Bank Reconciliations	FY18	Current Year Work - Reviewed past challenges & plan for future process. Consider during risk assessment for FY18 Internal Audit Plan
Computer User Access & Security	FY18	Consider during risk assessment for FY18 Internal Audit Plan
Clark Schaefer Consulting Data Verification Project	FY18	In Progress: Transitioned to CPS Management

Payroll Internal Audit Report

Ms. Roberts reported the following for the scope of the completed Payroll Internal Audit.

<u>Audit Timeframe:</u>	<u>Planning</u>	<u>Fieldwork</u>	<u>Report Issuance</u>
	December 2016	April – June 2017	June 27, 2017

Areas Addressed

- General Payroll Processes
- Policies & Procedures
- Time Keeping System
- Payroll Processing
- Utilized Forms
- Absence Reporting
- Hiring & Termination of Employees
- Ohio Auditor of State Recommendations
- Tax Reporting
- Custody of Payroll Records
- Business Plus Conversion

The annual payroll expenses average \$243M per fiscal year, with \$186M for Certificated employees and \$57M for Civil Service employees.

Findings and Recommendations

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| <p>1. Streamline bargaining unit contract terms and documentation.</p> <ul style="list-style-type: none"> • 6 Bargaining Unit Contracts each with own specific requirements • Consolidation and simplification of contract language • Centralized documentation and storage of contracts, salary schedules, etc. |
| <p>2. Design, documentation and communication of processes.</p> <p>3. Documentation and retention of HR and Payroll records.</p> <p>4. Internal controls; review, monitor and analyze.</p> <ul style="list-style-type: none"> • By documenting and communicating procedures the District can achieve: <ul style="list-style-type: none"> ○ Greater efficiency ○ Enhanced internal controls ○ Consistent execution of tasks ○ Improved record retention ○ Proper approval levels and oversight |
| <p>5. Human Resources and Payroll data.</p> <p>6. System considerations for Business Plus.</p> <ul style="list-style-type: none"> • Human Resources and Payroll data within Oracle: <ul style="list-style-type: none"> ○ Does not usually provide complete picture and requires additional research to fully understand ○ Data inaccuracies create environment of heightened risk • Business Plus should include: <ul style="list-style-type: none"> ○ Increased automation ○ Controls to limit pay rates and other factors ○ Additional reporting functionality and interfacing with other systems |

A discussion of overtime reporting and accountability took place.

FY 2017 Annual Evaluation

Ms. Roberts reported to the Committee that the evaluation for her position is a 50-50 split between the Goals and SuccessFactors Standards.

GOALS

Internal Audit Planning – Complete – 100%

- ✓ Develop Internal Audit Plan
- ✓ Develop Internal Audit Manual
- ✓ Present & obtain Audit Committee approval for IAP/IAM

Internal Audit Execution & Reporting – Complete – 100%

- ✓ Complete 3-5 IAP engagements
- ✓ Internal Audit Status Reports to Audit Committee/Board
- ✓ Administrative assistance to ensure ongoing function of Audit Committee

Professional Development – Complete – 100%

- ✓ CPA Continuing Education
- ✓ Attend 2 Internal Audit Trainings

SuccessFactors STANDARDS

Communication
Customer Focus
Job Knowledge
Problem Solving
Productivity
Quality
Results Focus
Teamwork
Valuing Diversity

Paul McDole, Director of Human Resources, will be collecting the *Internal Auditor Annual Evaluation Worksheets* from the Audit Committee members.

Resolutions to Appoint New Members and Resignation of Current Member

At the regular Board meeting on Monday, July 10, 2017, two resolutions will be presented for approval:

- A Resolution Accepting the Voluntary Resignation of Audit Committee Member Calvin Maxton; and
- A Resolution Appointing New Audit Committee Members.

Jennifer Couser, Christine Fisher, and Clarice Warner will each be appointed to serve on the Audit Committee for a three-year term beginning June 26, 2017 through June 26, 2020.

Audit Committee Meeting

The next meeting date is August 22, 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
Daniel E. Holthaus, CPA
Jeffrey L. Orschell, *absent*
Melanie Bates, Chair (Finance Committee), *absent*
Eve Bolton (Finance Committee)
Carolyn Jones (Finance Committee)

Staff Liaisons

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