

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Tuesday, March 28, 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, updated the Committee on her Fiscal Year (FY) 2017 Internal Audit Plan and reported that since the last Audit Committee meeting on January 17, 2017, the charter school funding and voucher funding audit engagements have been completed. In addition to the SunGard conversion audit which was completed in January 2017, she also plans to address the payroll audit in the current fiscal year.

For the areas of the FY 2017 Internal Audit Plan that have not yet had a full audit or an audit report issued, Ms. Roberts reported that she served in a consulting capacity to ensure she is aware of the state of each area. She recommended the consideration of the remaining audit plan areas for the FY 2018 Internal Audit Plan as many of these areas are currently being redesigned by management. Fiscal Year 2018 should be an ideal time to audit the remaining areas as the new processes will be in place and executed for a period of time, thus giving the Internal Auditor the opportunity to audit the most current processes.

Ms. Roberts asked for approval to reallocate the remainder of the below FY 2017 Internal Audit Plan in order to focus on the payroll audit engagement and the Clark Schaefer Data Verification Project.

The Committee agreed with her request to reallocate the audits to her FY 2018 Internal Audit Plan. The below audits will be considered in the development of the FY 2018 Internal Audit Plan.

- Cash Collection
- Payroll
- PNC Purchase Cards
- Purchasing Process
- Bank Reconciliations
- Computer User Access and Security

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 7/1/2015 to 6/30/2016
 - b. Medicaid Compliance Audit, Period 1/1/2013 to 12/31/2015
2. Ohio Department of Education (ODE)
 - a. Consolidated ESEA Grants, Desk review January 2017
 - b. Competency Based, Onsite January/February 2017
 - c. Straight A, Onsite January/February 2017
 - d. CTE Perkins, Desk review January/February 2017

- e. McKinney Vento, Desk review January/February 2017
- f. IDEA-B, Audit January 2017
- 3. Universal Service Administrative Company engaged Cotton & Co., E-Rate Audit, 2015-16 E-Rate Funding Year; *Note: There were no findings.*
- 4. U.S. Department of Justice, Grant Program Audit, *Developing Knowledge About What Works to Make Schools Safe*;
- 5. Hamilton County Community Action Agency, Head Start Federal, Period of 7/1/2014 to 6/30/2015.

An audit report has been issued for the following audits and reviews since the last status report on January 17, 2017:

- 1. Plattenburg
 - a. Single Audit; Period of 7/1/2015 to 6/30/2016; report issued January 13, 2017.
- 2. Ohio Department of Education (ODE):
 - a. Auxiliary Review; onsite February 2017; report issued February 6, 2017.

Overview of Audits of Like-Kind Districts in Ohio

Ms. Roberts provided and discussed with the Committee an overview of audits that Columbus, Cleveland and Dayton school districts have been subjected to, in comparison to CPS. The data showed that the District appears to be audited more often than the mentioned school districts.

Finance Committee Chair Bates reported that she attended the Council of the Great City Schools Legislative Policy Conference and brought this to the attention of U.S. Congressman Steve Chabot’s office for their assistance in relieving the District of excessive audits.

Internal Auditing in the Great City Schools: A White Paper by the Council of the Great City Schools

Ms. Roberts reported that Ms. Bates advised the Audit Committee to review the document for information that could be pertinent to the duties of the Audit Committee.

ACTION: Ms. Bates advised the Audit Committee to email her and/or Ms. Roberts with recommendations/duties from the report that would enhance and strengthen the work of the Audit Committee. The information would then be reviewed by the Finance Committee for their recommendation to the Board for approval.

Timeline of action:

April 14, 2017 – Recommendations due to Ms. Bates and Ms. Roberts

April 18, 2017 – Finance Committee review for recommendation of approval at the

April 24, 2017 Regular Board meeting

To Be Determined – Revise Policy 6835 — Audit Committee

Audit Committee Appointments

Ms. Roberts informed the group that she revised the Audit Committee’s Charter to add language that a *minimum of eight members* shall be appointed by the Board of Education. She also contacted two candidates who were interviewed to invite them to the March 28, 2017 Audit Committee meeting. They were not available to attend due to previous appointments and have been invited to attend the May 23, 2017 Audit Committee meeting.

The following revised language under COMPOSITION of the Charter was approved at the Board's March 10, 2017 Regular meeting.

The Audit Committee consists of the members of the Board Finance Committee and at least eight members who are not employees of the school district. The minimum of eight members shall be appointed by the Board of Education for three-year terms. At least one member will be a Certified Public Accountant and one will be designated as the "financial expert" as defined by applicable legislation and regulation. Collectively they will possess the expertise and experiences to understand and resolve concerns raised by independent auditors or the District's internal auditor.

ACTION: Audit Committee member Jeff Orschell inquired if: (1) there are any qualifications or rights for those auditing the District; and (2) if there are no findings, is the District liable for payment of those audits. Ms. Roberts will follow-up on the inquiry and report back to the Audit Committee.

Charter School Funding Internal Audit Report

Ms. Roberts provided a summary of the Charter School Funding Internal Audit Report. The audit report provides a detailed description of the funding processes, including the internal and external factors which impact it. Given the significant financial impact of the charter school funding process, Ms. Roberts provided recommendations which should be addressed by management.

ACTION: The Audit Committee requested the Charter School Funding Internal Audit Report recommendations be addressed by management. Ms. Roberts will provide updates of the progress towards the recommendations at future Audit Committee meetings.

In addition, Audit Committee Member Jeff Orschell inquired about the possibility of using Robotic Process Automation (RPA) to add efficiencies to the new charter reconciliation process. He will also schedule a meeting to discuss this technology with representatives from Ernst and Young, Treasurer Wagner, Ms. Roberts and Sarah Trimble-Oliver.

Voucher Funding Internal Audit Report

Ms. Roberts provided a summary of the Voucher Funding Internal Audit Report. The audit report provides a detailed description of the funding processes, including the internal and external factors which impact it. Given the significant financial impact of the voucher funding process, Ms. Roberts provided recommendations which should be addressed by management.

ACTION: The Audit Committee requested the Voucher Funding Internal Audit Report recommendations be addressed by management. Ms. Roberts will provide updates of the progress towards the recommendations at future Audit Committee meetings.

Preschool Agreement and Funding Model

Committee Chair Bates informed the group that the Board at its March 28, 2017 Special Public meeting approved that the Treasurer be authorized to enter into a Master Agreement for Preschool Services with the United Way of Greater Cincinnati and the Cincinnati Preschool Promise, LLC.

She reported that the District is responsible for \$15 million that have been allocated for CPS preschools, preschool providers outside of the CPS district, and community providers. The Finance Committee will be monitoring the funding and will be updating the Audit Committee about the flow of dollars.

ACTION: Audit Committee members will be provided with a copy of the final Master Agreement for Preschool Expansion Services.

ACTION: Mrs. Wagner will present at the May 23, 2017 Audit Committee meeting a chart of how the preschool dollars will flow.

Schoology

Ms. Bates inquired about the Committee receiving meeting documents electronically. The Committee agreed to access documents electronically and will utilize Schoology as a tool to house the documents. Ms. Roberts will upload the documents prior to each Audit Committee meeting and will email instructions for accessing the Schoology site.

The meeting adjourned at 6:05 PM.

Audit Committee

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

Staff Liaisons

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