



**April 11**

**2022**

## **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee met on Thursday, February 24, 2022, at 4:30 PM at the Cincinnati Public Schools Education Center, 2651 Burnet Avenue, 45219 in the Rosa E. Blackwell Interactive Learning Center.

### **ATTENDEES**

#### **Audit Committee Members**

Daniel Holthaus, Vice Chair; Jim Crosset; Christine Fisher; David Foote; Liz Gutridge; Paul Kitzmiller; Carol Mitchell-Lawrence; Clarice Warner

#### **Budget, Finance and Growth Committee Members**

Eve Bolton, Chair; Brandon Craig; Mike Moroski

#### **Administration**

Lauren Roberts, Chief Audit Executive; Kimberly Hughes, Assistant Treasurer; Kevin Ashley, Director of Finance Reporting; Susan Bunte, Assistant Superintendent; Jeremy Gollihue, Chief Information Officer; Keith Grace, Benefits Manager; Isaac Karn, Internal Audit Staff; Emma Williams, Internal Audit Supervisor; Trina Levins, Director of Purchasing; Joseph Porter, Accounting Operations Manager; Connie Solano, Interim Chief Operations Officer; Ross Turpeau, Director, Talent Acquisition and Staffing

#### **Plattenburg & Associates**

Kevin Vaughn

Dan Holthaus, Audit Committee Vice Chairperson, welcomed everyone to the meeting. Mr. Holthaus Chaired the meeting in the absence of Chairperson Tim Heldman.

### **Fiscal Year 2021 Financial Audit**

Kevin Vaughn, Plattenburg & Associates, reported that they have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cincinnati City School District for the year ended June 30, 2021.

Mr. Vaughn reported that the audit was “clean” for the District. A copy of the full report is available in the Board office and upon request.

### **Audit Committee Overview**

Audit Committee members introduced themselves and provided information about their backgrounds.

#### **Conflict of Interest Form**

Chief Audit Executive Roberts informed Committee members about their requirement to sign the *Conflict of Interest and Related Party Disclosure Form* that Ohio Revised Code prohibits public

officials from participating, in any way, in action or decisions that directly involve their own financial interest, or those of their families or business associates.

Calendar Year 2022 Meeting Dates

Chief Audit Executive Roberts provided the Committee with a copy of the Board of Education’s 2022 Audit Committee meeting schedule. The Committee agreed with the 2022 Audit Committee meeting dates.

Benefits Update

Chief Audit Executive Roberts updated the Committee on the background of the following Benefits Audit Report:

Background – February 26, 2020: Internal Audit Released Benefits Audit Report

SCOPE

<b>Audit Period</b>	January – November 2019
<b>Benefits Examined</b>	Medical Insurance (Anthem) Vision Insurance (Humana) Dental Insurance (Dental Care Plus) Basic Life Insurance (AXA) AFSCME Care Medical Expense Reimbursement Plan (J&K Consultants) COBRA & Home Billing FMLA & Leave of Absence

AUDIT RESULTS BY OBJECTIVE

Objective	Resulting Risk Rating
1 - Enrolled individuals submit acceptable documentation for dependents, MERP coverage, opt out coverage, and qualifying events	Medium
2 - Benefit selections are submitted timely and are accurately withheld	High
3 - Individuals enrolled in benefits are eligible and remain eligible	High
4 - Employee benefits data is reviewed and reconciled against data maintained by plan vendors to ensure eligible employees are fully covered and CPS is not over/underpaying for employee coverage	High
5 - Human Resource, Payroll, and Benefits data reconcile	High
6 - Employee terminations are timely communicated and employee benefits are cut-off timely	High
7 - Terminated employees electing for COBRA coverage complete required documentation and submit COBRA premium payments timely	High
8 - Costs of benefits exceeding total paychecks are identified timely and applied to future checks	Medium
9 - Employees qualifying for leave of absence or FMLA only receive benefits if eligible and making contributions	Medium
10 - Employees on home billing are tracked and continue to make contributions to remain in an active HR status	Medium

- August 2020 - Present:
  - Bi-Monthly updates presented to Audit Committee by the Benefits management team
    - Shift in management team in June 2021
- April 2021 - Present:
  - Management team engaged professional services firm BKD to assist with the remediation of the Internal Audit findings and recommendations

Keith Grace, Benefits Manager updated the Committee about the following meetings and the remediation items:

- Numerous project team meetings held weekly
- Weekly emails with project status and updates
- Weekly meetings with executive team

IA Report Finding	Design Assessment Due Date	Design in Place	Test of Design	Control Frequency
Enrollment Eligibility Documentation	11/19/2021	Complete	11/22/2021	Monthly
EDI Files to Include Terminations	9/23/2021	Complete	10/20/2021	Monthly
Provide Enrollment Docs Timely	8/20/2021	Complete	9/01/2021	Monthly
Accuracy of AFSCME System Data	8/20/2021	Complete	9/01/2021	Monthly
Benefit are Correctly Accounted For	9/30/2021	Complete	9/17/2021	Weekly
Review AFSCME for Eligibility	11/12/2021	Complete	11/24/2021	Quarterly
Maintaining Benefits Eligibility	10/29/2021	Complete	11/24/2021	Quarterly
Term Life Reconciliation	1/3/2022	In Progress	TBD	Monthly
Discrepancies in recordkeeping	9/30/2021	Complete	10/27/2021	Monthly
Data Validation	9/17/2021	Complete	9/17/2021	Daily, Weekly, Monthly
Interface of Terminations	9/30/2021	Complete	10/28/2021	On Occurrence
COBRA & LOA Amount Calculations	10/1/2021	Complete	8/31/2021	Monthly
COBRA and LOA Home Billing Collections	10/1/2021	Complete	10/06/2021	Monthly
COBRA Billing Accuracy	10/1/2021	Complete	9/30/2021	Monthly
Insufficient Paychecks	9/30/2021	Complete	8/25/2021	Bi-weekly
LOA and FMLA process	9/30/2021	Complete	10/19/2021	On Occurrence

Dr. Turpeau reported that the next steps are to:

- Continue with regular review of internal controls and checklist
- Regular desk audits
- Acquire Enhanced New Technology
- Work closely with Internal Audit in planning future process audits

The Benefits team will provide an update on how automation and custom reporting is beneficial and share wins about the new process.

### **Audit Status Report**

#### Fiscal Year 2022 Internal Audit Plan

Chief Audit Executive Roberts provided an update regarding the status of the following Internal Audit projects from the Fiscal Year 2022 Internal Audit Plan.

## Advisory

### **Elementary & Secondary School Emergency Relief (ESSER) Funds – Complete✓**

#### **BKD & CPS Benefits Consulting Project Oversight – Ongoing**

Internal Audit continues to receive updates regarding management’s progress towards the remediation of audit findings that resulted from the February 2020 Benefits Audit Report. Internal Audit continues to emphasize the need for management to not only design and implement improved processes with targeted controls, but also the importance of data validation to ensure the changes are addressing the root causes of the original audit findings. At the February 2022 Audit Committee meeting, the Benefits team will present a summary of the work they performed with BKD.

## Assurance

### **Accounts Payable – Complete✓**

Internal Audit performed a limited scope advisory project around Accounts Payable in fiscal year 2021 which allowed the team to gain an understanding of the key processes and potential areas of improvement. The full assurance project was included in the fiscal year 2022 Internal Audit Plan. The project is now complete and the Internal Audit report will be presented at the February 24, 2022, Audit Committee meeting.

### **Asset Inventory Counts – In progress**

Internal Audit plans to perform a limited scope assurance engagement which will include inventory counts of a variety of assets. The Internal Audit report will be presented at the April 27, 2022, Audit Committee meeting.

### **Data Analytics & Continuous Auditing – Ongoing**

The Internal Audit Department will continue the development of data analytics and continuous auditing techniques which will be used now, and in the future, to monitor key metrics and alert management to any irregularities in a timely fashion. Guidehouse assisted the Internal Audit team in the development and utilization of analytics during the Accounts Payable audit.

## Follow-up

### **Procurement Card Audit – Complete✓**

Internal Audit performed a full assurance audit of the procurement card processes in fiscal year 2018 and a follow-up audit was included in the fiscal year 2022 Internal Audit Plan. The project is now complete and the Internal Audit report will be presented at the February 24, 2022 Audit Committee meeting.

### **Payroll – In progress**

As a follow-up to the audit engagement performed in fiscal year 2017, Internal Audit will review the implementation of the recommendations as well as perform additional testing to identify areas of progress and potential improvement. The Internal Audit report will be presented at the April 27, 2022 Audit Committee meeting.

## Internal Audit Development & Advancement

### **Internal Audit Department Quality Assurance & Improvement Program – In Progress**

The Internal Audit Department is continuing to make progress in the development and documentation of a quality assurance and improvement program (QAIP). The development of the QAIP will be an ongoing, multiyear project with the goal of designing and implementing best practices throughout the work of the Internal Audit Department.

## **Departmental Staffing & Professional Development – Ongoing**

The IA team continues to keep up with virtual trainings and webinars while some in person trainings have resumed. The Internal Audit members are on track to meet the continuing professional education (CPE) hour requirements set forth by the applicable governing bodies.

## **Board Committee Assignments to Internal Audit**

### **Board Policy Review – Complete ✓**

The Policy and Equity Committee directed Internal Audit to perform a review of four Board Policies they selected during their September 24, 2021 meeting:

- 2255 Equity and Excellence in Education
- 2256 Anti-Racism
- 2261.01 Parent and Family Engagement in Federal Programs
- 6320 Purchasing of Goods and Services

The Policy and Equity Committee asked Internal Audit to complete the review and report key takeaways at their meeting on December 16, 2021. The Policy and Equity Committee meeting can be viewed via this link: <https://youtu.be/3fUiFNxqg1w> (scroll to 47:06 of 1:32:59). Also, the documents presented to the Policy and Equity Committee are attached and titled “4c.2 - Policy & Equity Committee Memo & Attachment - 12.16.2021”.

An additional update was given at the January 21, 2022 Policy and Equity Committee meeting and can be viewed via this link: <https://youtu.be/JnnkI0CVBWk> (scroll to 15:06 of 1:35:19). The Committee and Chief Audit Executive had a discussion regarding next steps for the Internal Audit’s involvement in policy reviews moving forward.

## **Status of External Audits & Reviews**

The purpose of this section is to share with the Audit Committee each of the external audit and review engagements that have come to the attention of the Internal Audit Department since the last Audit Committee meeting. Management shares the status of external engagements with Internal Audit to ensure accurate and timely communication to the Audit Committee.

### **The following audits are in progress:**

- Ohio Department of Education (ODE):
  - Consolidated Elementary & Secondary Education Act (ESEA) Grants Onsite Review; Fiscal Year 2021
  - Consolidated ESEA Self Survey; Fiscal Year 2022
  - Support Schools School Quality Improvement Grant Self-Assessment; Fiscal Year 2022
  - McKinney-Vento Self Survey; Fiscal Year 2022

### **The following audits/reviews have been completed since the December 14<sup>th</sup> status report:**

- Ohio Auditor of State (OAS):
  - Financial Audit; Fiscal Year 2021
- Ohio Department of Education (ODE):
  - Auxiliary Services Program Review; Fiscal Year 2021 – *Compliant*

## **Audit Status Report**

### **Accounts Payable Report**

The Internal Audit Team presented the Accounts Payable Internal Audit Report to the Audit Committee. In short, Internal Audit performed a limited scope advisory project around Accounts Payable in fiscal year 2021, which allowed the team to gain an understanding of the key processes and potential areas of improvement. This assurance project expands upon the advisory work and provides further insights and recommendations to the Treasurer's Office leadership.

In summary, Internal Audit found the Accounts Payable (AP) processes to be operating well; however, the biggest point of concern is the manual nature of the processes and corresponding internal controls. Through conversations with management, Internal Audit found the Accounts Payable team to be in agreement with the need to automate processes as the sheer quantity of invoices cannot be processed in the most efficient manner until automation is utilized.

A copy of the full report is available upon request.

### **Procurement Card Follow-up Audit**

Chief Executive Roberts reported that Internal Audit performed a full assurance audit of the procurement card (p-card) processes in fiscal year 2018. As all recommendations had been reported by management as fully implemented, the Internal Audit Department reperfomed the audit steps from the original audit to ensure the improvements are functioning as intended.

They also documented important changes to the financial and information technology environment that have occurred, or are planned to occur, with estimated dates of completion. As part of their discussions with management, they also inquired as to the status of the prior audit period exceptions from their initial evaluation. The results of those discussions and updates are included within the report.

Overall, Internal Audit was pleased to report that the majority of progress reported by management was substantiated by the follow-up audit testing they performed through the course of the project. Internal Audit and management are in agreement regarding the aspects of the process that are in need of further development in order to strengthen internal controls and increase process efficiencies.

A copy of the full report is available upon request.

### **Financial Updates**

Kevin Ashley, Director of Financial Reporting, updated the Committee on the Financial Review for the month of January 22. A copy of the report is attached.

### **Other Business**

**ACTION:** The Administration will provide the Committee with an update on any risks that may occur due to teaching resignations and the transition to remote learning that occurred in January due to staffing shortages.

Ms. Roberts reported that Audit Committee Training will take place at the April 27, 2022 Audit Committee meeting.

*The next meeting will take place on April 27, 2022, 4:30-6:00 pm.*

The meeting adjourned at 6:02 PM.

**Audit Committee**

Thomas D. Heldman, Chair, *virtual*

Daniel E. Holthaus, Vice-Chair

Jennifer Couser, *absent*

Jim Crosset

Christine Fisher

David Foote

Elizabeth Gutridge

Paul Kitzmiller

Carol Mitchell-Lawrence

Clarice Warner

Eve Bolton (Budget, Finance and Growth Committee, Chair)

Brandon Craig (Budget, Finance and Growth Committee)

Mike Moroski (Budget, Finance and Growth Committee)

**Staff Liaisons**

Jennifer Wagner, CFO/Treasurer, *absent*

Lauren Roberts, CPA, CFE, Chief Audit Executive

# Financial Overview– January 2022

**Summary – Finances are on track and no significant, unexpected issues.**

- **General Fund Cash Balances** as of January 31, 2022 are up over this point last year. (As noted in the next section, the District's General Fund will be receiving \$78.7M.)
- **General Fund Revenues** through January 2022 are down; however, this is directly related to the impact of the new state funding adopted for this fiscal year that eliminates pass-through funding for Community Schools and other scholarship programs. Therefore, the District is on-track, given that Revenues are down but the related Expenditures are down at a higher rate. Also, due to a timing delay in Hamilton County Property Tax Advances, the District was notified the General Fund will receive \$78.7M in the next week.
- **General Fund Expenditures** through January 2022, as mentioned above, are down related to the elimination of the pass-through funding. Alternatively, salaries and benefits expenditures are higher based on collective bargaining agreements.
- **School Wide Pool Expenditures** through January 2022, primarily salaries and benefits are higher based on collective bargaining agreements.
- **Preschool students funded through Tuition Assistance** for January 2022 were 872 students vs. 589 at this point last year. United Way distributions are down due to the CPP underspend which offsets the quarterly payments due to United Way.



## General Fund (001)

Cash Balance and Encumbrances (in millions)  
January 31, 2022



Notes: See summary.

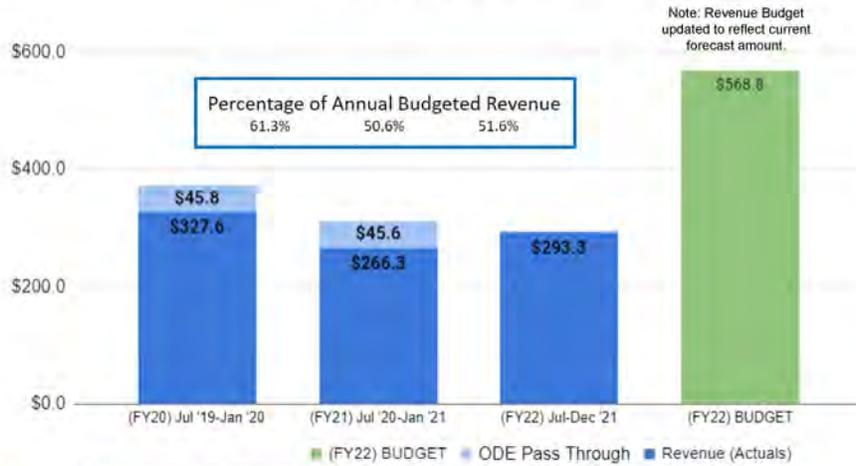


Revenue

General Fund (001)

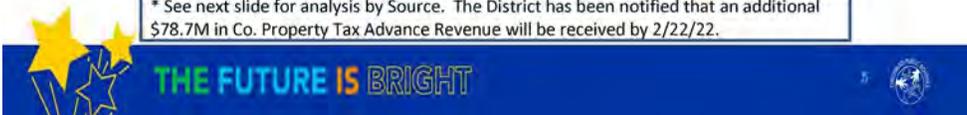
3 Year Revenue Comparison (in millions)

January 31, 2022



Note: Revenue Budget updated to reflect current forecast amount.

\* See next slide for analysis by Source. The District has been notified that an additional \$78.7M in Co. Property Tax Advance Revenue will be received by 2/22/22.



Revenue

General Fund (001)

3 Year Revenue by Source Comparison (in millions)

January 31, 2022



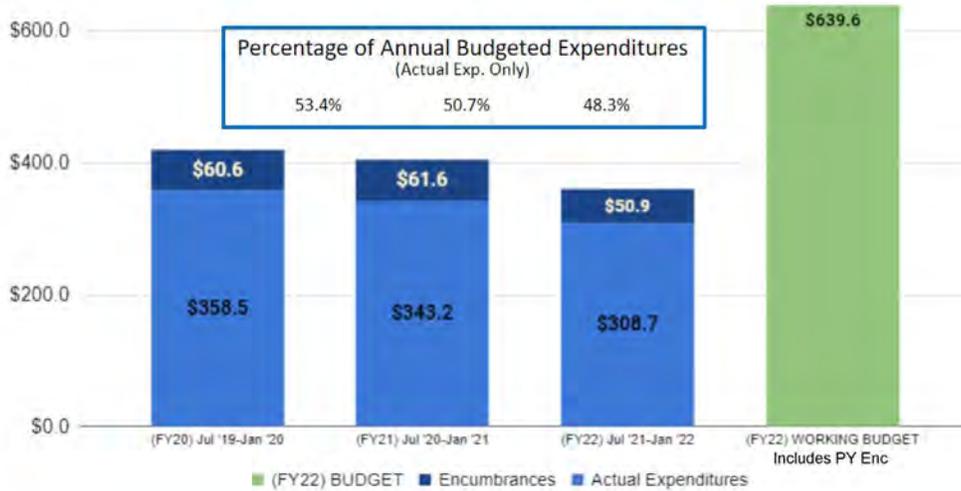
Note: Revenue Budget updated to reflect current forecast amount.

Notes: See summary.



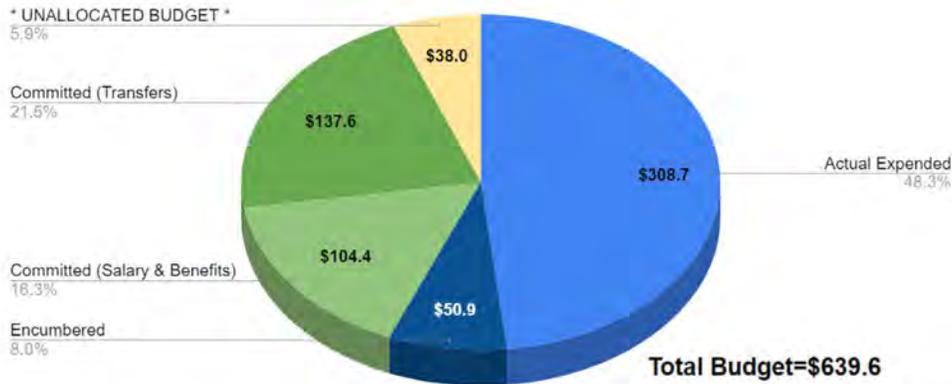
**Expenses**

**General Fund (001)**  
 3 Year Expenditure Comparison (in millions)  
**January 31, 2022**

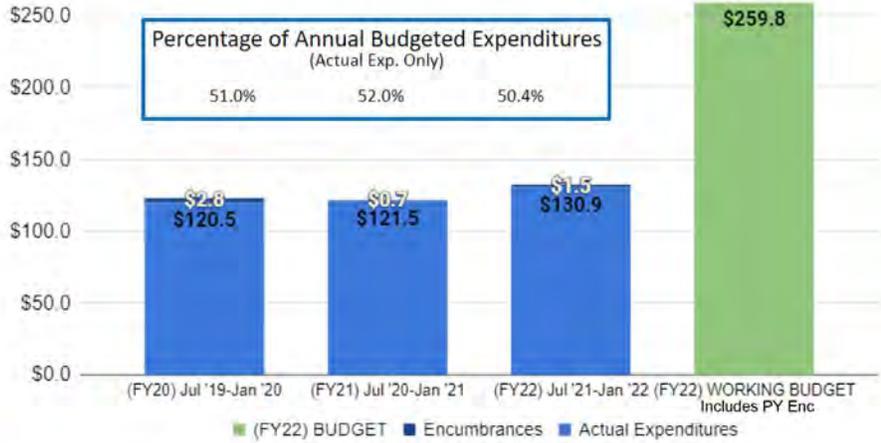


**Expenses**

**General Fund (001)**  
 Unallocated Expenditure Budget Assessment (in millions)  
**January 31, 2022**



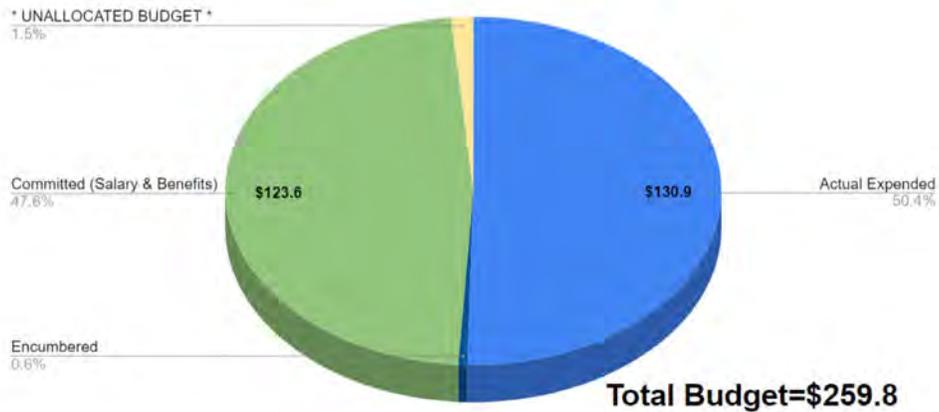
**School Wide Pool (SWP) Fund (598)**  
 3 Year Expenditure Comparison (in millions)  
**January 31, 2022**



Notes: See summary.



**School Wide Pool (SWP) Fund (598)**  
 Unallocated Expenditure Budget Assessment (in millions)  
**January 31, 2022**



## CPS Tuition Assistance Summary

FY22	Income	FT	HT	Total	Days	Tuition Assist \$
<b>JAN</b>	<200 %	733	45	778	13,752	\$577,111
	200-250	80	14	94	1,671	\$60,462
	<b>Sub-Total</b>	<b>813</b>	<b>59</b>	<b>872</b>	<b>15,423</b>	<b>\$637,573</b>
<b>Tuition Assistance</b>						
<b>FY22</b>	<b>FYTD:</b>	<b>(Jan 2022 # of students=872)</b>			<b>74,983</b>	<b>\$3,094,219</b>
<b>FY21</b>	<b>FYTD:</b>	<b>(Jan 2021 # of students=589)</b>			<b>47,886</b>	<b>\$2,033,725</b>

*Note: The data in the chart above represents only the CPS preschool students who receive Preschool Tuition Assistance. As of the end of the month shown above, CPS has 1,899 preschool students enrolled.*

13

## CPS Preschool Expansion

<b>JANUARY 2022 (FY22)</b>	<b>* Budget FY22</b>	<b>FY22 Actual Jul '21-Jan '22</b>	<b>Prior FY21 Actual Jul '20-Jan '21</b>
<b>Revenues: (net of Co. Auditor Fees)</b>	<b>\$15,943,542</b>	<b>\$7,434,338</b>	<b>\$7,406,425</b>
<b>Expenses:</b>			
CPS Tuition Assistance	5,300,000	3,094,219	2,033,725
Payments to United Way @	7,133,775	4,703,607	5,734,221
Workforce Development	139,305	45,030	55,960
Special Education Support	807,273	423,552	380,889
Administrative Support	183,246	81,509	95,542
Other Professional Services	116,533	90,757	12,480
Supplies and Materials	229,476	27,445	45,745
Bldgs/Equip-Capital Outlay	<u>19,330</u>	<u>13,431</u>	<u>305,982</u>
<b>Total</b>	<b><u>\$13,928,938</u></b>	<b><u>\$8,479,550</u></b>	<b><u>\$8,664,544</u></b>
<b>Net Income</b>	<b>\$2,014,604</b>	<b>(\$1,045,212)</b>	<b>(\$1,258,119)</b>

\* - Subject to revision.

@ – Due to Prior Year CPP underspend, payment schedule differs from Year to Year.

14