

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Tuesday, October 23, 2018 at 4:30 PM at the Cincinnati Public Schools Education Center in Conference Room 1-A.

Food Services Audits/Reviews

Jessica Shelly, Food Services Director

Jessica Shelly provided an overview of the audit process that Food Services goes through on a consistent basis with the U.S. Department of Agriculture (USDA) via the Ohio Department of Education (ODE).

She reported that the District has more rules and regulations in its Federal code than the tax plan actually does and that the District is constantly being monitored by ODE and held to a higher standard. The District receives a significant amount of Federal funding for the food program.

Ms. Shelly reported the following information about CPS' Food Services Department to the Committee.

- 85% free and reduced ... 76.2% ethnic minority ... 100+ different languages
 - School Lunch:** •Free in 46 schools
 - Participation: 84% Elementary ... 78% Secondary
 - Lunch Prices: \$1.75 Elementary ... \$2.00 Secondary ... No Reduced Category
 - School Breakfast:** •Free in all schools!
 - Reimbursable Vending Machines in all 14 secondary schools
 - BIC, Grab 'n' Go, and/or Breakfast After First Bell in 35 elementary schools
 - Breakfast Participation: 68% Elementary ... 36% Secondary
 - Other Programs:** •Summer Food Service Program at 108 sites
 - Farm to School Initiatives including 17 school gardens
 - Fresh Fruit and Vegetable Program at 29 schools
 - Afterschool Snack Program at 38 schools
 - Fresh Fruit choices in every school, every day
 - Garden Salad Bars in every school, every day

Administrative Review Objectives

Conducted every three years to ensure program integrity

- Determine whether the SFA meets program requirements
- Provide technical assistance
- Secure any needed corrective action
- Assess fiscal action, if applicable

The Administrative Review Process is intended to provide technical assistance balanced with an assessment of program compliance.

Other Food Service Federal Programs That Are Audited By ODE

Procurement (January 2019)

Fresh Fruit & Vegetable Program (May 2018) No findings

Afterschool Snack Program (May 2018) No findings
Summer Feeding Program (July 2017) No findings
Provision 2 (August 2015) No findings
CEP (August 2015 ... August 2019) No findings

CPS Food Services Fun Facts

- Biggest restaurant chain in Cincinnati—over 6 million breakfast and lunches served each year.
- Serve 4,375 gallons of milk—you have to milk 546 cows to produce that many gallons.
- Serve approximately 3½ tons of fresh fruit—most popular fruit is the kiwi and orange slices cup.
- Serve approximately 5 tons of fresh vegetables—our most popular vegetable on the salad bar is broccoli.

Ms. Shelly reported that the District has received the following awards for its excellence in food practices.

1. Exceeding the USDA requirements and leading the state in healthy changes!
2. Stellar Award Winner for Best Nutrition Practices by Ohio Department of Education
3. Children’s Hunger Alliance School Breakfast of the Year Award
4. United Fresh Produce Excellence in Foodservice Award
5. OASBO Outstanding Food and Nutrition Director of the Year
6. FAME (Foodservice Achievement Management Excellence) Silver Rising Star Award
7. Food Service Director Magazine, Director of the Month
8. Alliance for a Healthier Generation Healthy Schools Ambassador

A full report of the presentation is available in the Board Office.

Charter Funding Update

Connie Solono, Director of Performance and Accountability

Ms. Solono provided the following comments about the below topics that were outlined in her presentation.

Foundation Funding Report

The graph reflects transferred funds from first payment in July through first payment in October. Although the graph shows a substantial decrease in payments, there are still charter schools for which funds have not been transferred. See slides 6 and 7. There is an expectation that the October number two payment for FY2019 to be substantially lower than the October number 2 payment for FY2018.

Source: ODE Website FY2019-SFPR-REPORT

Comparison of Payments FY2018 - vs - FY2019

Summit Academies include 7 schools in FY2018 and 10 Schools in FY 2019.

Charter Schools Not Yet Funded (SLIDE 6)

These schools and associated FTEs were on the District’s October 22, 2018 FTE Detail Report; however, they are not listed on the FY 2019 transfers through the first October payment. There is an expectation that these schools’ FTEs to be reflected in the second October 2018 payment.

Charter Schools Initially Funded in FY2019 but not on most Recent FTE Reports (SLIDE 7)

Funds were transferred to these schools but these schools are not in the October 22, 2018 FTE report. There is an expectation for these to be removed in the second October 2018 payment. These figures are estimates. FTEs change daily

Flagged Records

These are estimates on funds not transferred as a result of flagging students who do not reside within the District's attendance area.

Please find attached a copy of the presentation that contains the above mentioned graphs.

Business Reporting

Lauren Roberts, Internal Auditor

Brittany Treolo, Director of Financial Reporting and Transparency

Ms. Roberts and Ms. Treolo updated the Committee on their presentation about their business recruiting efforts for their new business internship programs. The presentation included:

New Business Internship Programs

Internal Audit Internship

- Assist in execution of internal audit engagements

Accounting Internship

- Rotational program providing exposure to all Treasurer's Office business processes

Duration of Program

- Winter: 4 weeks
- Spring: 16 weeks
- Summer: 12 weeks

The update also included information about

- Fall and Spring 2018 Recruiting Events (Xavier University, University of Cincinnati)
- Recruiting Results (Applicants from 12 Universities; 91 Student Resumes; 77 Business Students; 14 non-business students)

Internal Audit and Accounting Internships Data

- 63 Formal Applicants
- 15 Interviews
- 3 Offers Accepted! (including 1 CPS graduate)

Audit Status Report

Internal Auditor Roberts provided the Committee with following information from her Audit Status report.

2018-19 Internal Audit Plan Status

The following provides a brief status update for each engagement within the Internal Audit Plan:

- **Engagements Supporting District Strategy and Objectives**
 - Virtual High School & Cincinnati Digital Academy Attendance – *In Progress*
 - Gathering attendance reporting procedures and general information regarding the schools to scope specific audit work programs.

- Strategic Project Review & Verification – *In Progress*
 - Assessing the Human Resources Director’s strategic project which relates to the tracking of payroll complaints logged weekly by the CPS Payroll and Human Resources departments.
- **Engagements Resulting from Risk Assessment**
 - Technology Security Assessment – *In Progress*
 - Reviewed the network assessment request for proposal (RFP) draft and it will be posted online for vendor submissions in the near future.
 - Transportation Expenditures – *In Progress*
 - Analyzing expense data within the BusinessPlus financial system to identify key areas to be targeted through the audit testing procedures.
- **Internal Audit Development and Advancement**
 - Prior Engagement Follow-Up and Annual Reporting – *In Progress*
 - Continuously following up on all past Internal Audit recommendations to ensure timely implementation. Status of all recommendations will be included in the Internal Audit Annual Report.
 - PwC Skills for Society Project Coordination – *In Progress*
 - Drafted and submitted the application for a key performance indicator (KPI) dashboard. The project team is meeting with PwC representatives to scope the details of the work.
 - Recruiting and Internal Audit Department Development – *Complete*
 - Designed Internal Audit Internship program
 - In partnership with Brittany Marks, utilized information from Human Resources to design a campus recruiting program focused on attracting business majors.
 - Attended 4 fall recruiting events, interviewed 7 candidates, and offered 3 internship positions
 - Professional Development – *Complete*
 - Met CPE requirements to renew CPA license
 - Attended Association of Local Government Auditors Annual Conference

Activities Outside of the Internal Audit Plan

In the period since the August 28, 2018, Audit Committee meeting, the Internal Auditor completed the following work outside of the Internal Audit Plan:

- Redesigned the Internal Audit Department website to promote greater transparency and accessibility to audit resources;
- Reperformed the BusinessPlus user access and password sharing testing for the Treasurer and Human Resources Director;
- Participated in the monthly Directors meetings which include professional development and networking opportunities;
- Contributed to the I am CPS Culture Team as one of the eleven selected Culture Ambassadors who meet monthly;
- Participated in bimonthly one-on-one meetings with the Treasurer and Superintendent;
- Provided guidance in operational meetings as necessary; and
- Attended Board and Committee meetings such as the Policy Committee, Finance Committee and Student Achievement Committee.

Status of External Audits and 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 Auditor 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 and reviews are in progress:

- Ohio Department of Education (ODE):
 - Child and Adult Care Food Program Review; Period of 7/1/2017 – 6/30/2018
 - Consolidated ESEA Grants; Period of 7/1/2017 – 6/30/2018
 - Food Services Procurement Audit; Period of 7/1/2017 – 6/30/2018
 - Medicaid School Programming Audit; Period of 7/1/2016 – 6/30/2017
- Ohio Auditor of State (OAS):
 - Financial Audit; Period of 7/1/2017 – 6/30/2018
- 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 audits/reviews since the last status report:

- Ohio Department of Education (ODE); Period of 7/1/2017 – 6/30/2018:
 - McKinney Vento Onsite Review
 - *Complete; no findings; no report issued*
 - IDEA Part B (Special Education) Fiscal Self-Assessment
 - *Complete; no findings; no report issued*
 - National School Lunch Program Administrative Review
 - *Complete; no findings; letter attached*

Tax Abatement Update

Dan Hoying, General Counsel

Mr. Hoying reported that a team consisting of the following individuals has been created to address tax abatements: Treasurer Wagner; Dave Ken Dietz, consultant; Dave DiMuzio, outside counsel for CPS; Nathan Tyhur; Brittany Treolo; and Mr. Hoying.

Mr. Hoying reported that the team was prepared to respond to the City's ACE's Committee's online presentation that outlined the agreement. The presenters included the City's legal counsel and their development officer in June 2018.

The City's agreement included language that Abatement agreements offered great benefit to the District because the property was worth X and now is worth $X+$. Mr. Hoying reported that CPS' team was prepared to counter their perspective at an October 6, 2018 meeting.

Mr. Hoying advised that the team wants to meet with the Board to ensure that the Board is in agreement with the Administration's philosophy about abatements. Once the team presents to the Board, the team will then present to the Audit Committee.

The meeting adjourned at 6:10 PM

Audit Committee

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

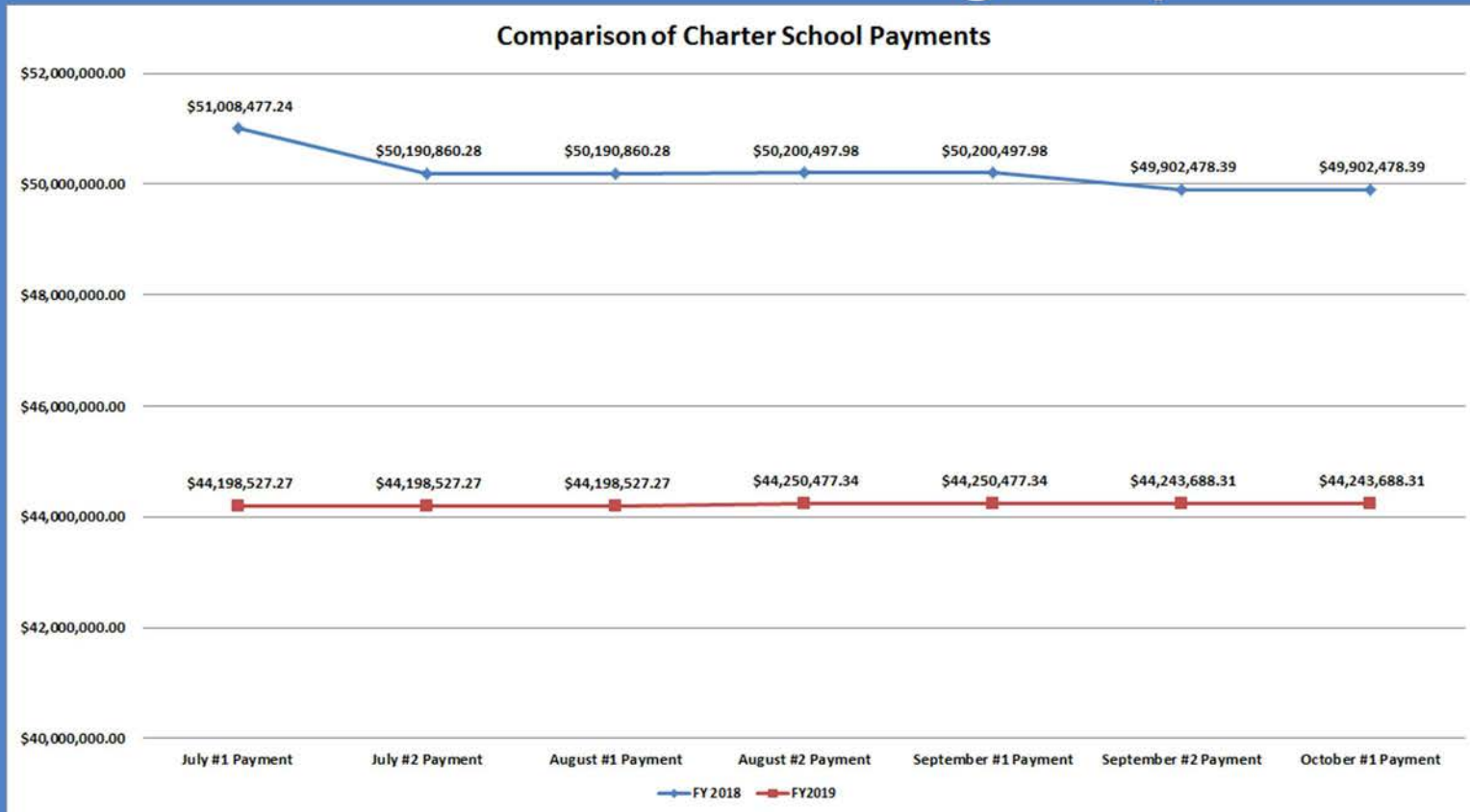
Staff Liaisons

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

Charter Schools Update

10/23/2018

Foundation Funding Report



Number of Charter Schools Funded

FY 2018 1st October Payment

40 Community Schools

- Total FTEs: 6591.46
- Total Payments: \$49,902,478.39

FY 2019 1st October Payment

38 Community Schools

- Total FTEs: 5790.11
- Total Payments: \$44,243,688.31

Comparison of Payments FY 2018 vs FY 2019

Community School	Student FTE FY2018 October #1 Payment	Total Transfer FY2018 October #1 Payment	Student FTE FY2019 October #1 Payment	Total Transfer FY2019 October #1 Payment	FTE Difference	Payment Difference
Alliance Academy of Cincinnati	483.74	\$3,600,067.05	530.82	\$4,051,841.31	47.08	\$ 451,774.26
Alternative Education Academy	40.04	\$267,454.67	44.18	\$303,648.15	4.14	\$ 36,193.48
Buckeye On-Line School	3.59	\$25,585.05	1.01	\$10,125.25	-2.58	\$ (15,459.80)
Cincinnati College Prep Acad	920.28	\$6,483,245.69	898.49	\$6,381,215.91	-21.79	\$ (102,029.78)
Cincinnati Learning Schools	188.05	\$1,615,004.24			-188.05	\$ (1,615,004.24)
Cincinnati Technology Academy	160.33	\$1,296,831.23	218.28	\$1,770,726.59	57.95	\$ 473,895.36
Cliff Park High School			0.86	\$7,898.50	0.86	\$ 7,898.50
Dohn Community	450.28	\$3,584,261.51	544.32	\$4,447,321.66	94.04	\$ 853,060.15
Electronic Classrm Of Tomorrow	404.00	\$2,924,854.97			-404.00	\$ (2,924,854.97)
Greater Ohio Virtual School	3.78	\$24,595.09	8.23	\$56,875.75	4.45	\$ 32,280.66
Hamilton Cnty Math & Science	43.84	\$297,200.21	47.02	\$328,877.65	3.18	\$ 31,677.44
Horizon Science Acad Dayton			0.97	\$6,836.03	0.97	\$ 6,836.03
Horizon Science Acad. Cincinnati	315.14	\$2,358,968.82	277.80	\$2,120,976.14	-37.34	\$ (237,992.68)
Insight School of Ohio	54.16	\$393,806.33			-54.16	\$ (393,806.33)
King Academy Community Sch	135.99	\$951,336.24	131.89	\$920,150.60	-4.10	\$ (31,185.64)
Life Skills Ctr Of Cincinnati	119.64	\$1,088,849.40	108.75	\$1,054,165.85	-10.89	\$ (34,683.55)
Lighthouse Community Sch Inc	52.82	\$685,931.59	43.73	\$543,189.25	-9.09	\$ (142,742.34)
Madisonville SMART Elem	188.29	\$1,389,142.18	129.89	\$996,607.58	-58.40	\$ (392,534.60)
Marshall High School	0.56	\$9,237.42			-0.56	\$ (9,237.42)
Mound St. Academies			0.98	\$7,777.60	0.98	\$ 7,777.60
Mound St. Military Career Acad	0.70	\$5,928.82			-0.70	\$ (5,928.82)
Mound Street IT Careers Academ	0.42	\$7,598.53			-0.42	\$ (7,598.53)
Mount Auburn International Acad	416.12	\$3,084,674.32			-416.12	\$ (3,084,674.32)
Mt. Healthy Prep&Fitness Acdy	58.75	\$424,464.46	54.30	\$402,434.32	-4.45	\$ (22,030.14)
Ohio Connections Academy	94.13	\$672,953.84	105.03	\$745,633.47	10.90	\$ 72,679.63
Ohio Virtual Academy	229.44	\$1,601,136.71	301.92	\$2,115,388.77	72.48	\$ 514,252.06
Orion Academy	542.29	\$4,042,530.45	544.51	\$4,060,247.15	2.22	\$ 17,716.70
Phoenix Community Learning Ctr	449.89	\$3,285,146.33	452.79	\$3,326,786.13	2.90	\$ 41,639.80
QDA			1.75	\$10,575.05	1.75	\$ 10,575.05
Richard Allen Academy III	1.00	\$10,679.73			-1.00	\$ (10,679.73)
Riverside Academy	276.85	\$2,114,448.29	259.68	\$1,968,572.92	-17.17	\$ (145,875.37)
Southwest Ohio Preparatory Sch			175.31	\$1,258,844.06	175.31	\$ 1,258,844.06
Summit Academies	113.71	\$1,503,102.91	147.89	\$1,783,178.84	34.18	\$ 280,075.93
T.C.P. World Academy	410.64	\$2,919,229.09	379.30	\$2,713,960.39	-31.34	\$ (205,268.70)
Treca Digital Academy	14.11	\$90,907.80			-14.11	\$ (90,907.80)
TRECA Digital Academy			23.07	\$153,767.08	23.07	\$ 153,767.08
Urban Early College Network	0.70	\$4,672.32			-0.70	\$ (4,672.32)
Virtual Community Sch Of Ohio	8.40	\$55,991.68			-8.40	\$ (55,991.68)
Westwood Prep Acad	9.63	\$125,155.56	8.23	\$134,181.43	-1.40	\$ 9,025.87
Winton Preparatory Academy	400.15	\$2,947,485.86	349.11	\$2,561,884.88	-51.04	\$ (385,600.98)
Total	6591.46	\$49,902,478.39	5790.11	\$44,243,688.31	-801.35	\$ (5,658,790.08)

Charter Schools Not Yet Funded*

Community School	Date Opened	Anticipated FTEs	Anticipated Transfers
Ohio Construction Academy	08/01/2016	1.00	\$15,158.91
Academy of Junior Scholars	03/28/2018	14.83	\$97,088.70
Great River Connections Academy	04/10/2018	13.79	\$93,974.38
Mount Auburn Preparatory Academy	05/16/2018	321.34	\$2,063,284.18
AchievePoint Career Academy - Cincinnati	05/16/2018	54.83	\$390,510.65
Summit Academy Akron Middle School	09/07/2016	1.00	\$6,927.38
Miami Valley Academies	09/07/2016	0.98	\$6,804.41

* Based on 10-22-2018 FTE Detail Report

Charter Schools Initially Funded in FY 2019 but not on Most Recent FTE Report

Community School	SFPR Summary Report FY 2019 October 1 Payment
Mound St. Academies	\$7,777.60
Summit Academy Alternative Learning Canton	\$12,424.79
Summit Academy CS Columbus	\$18,448.14
Summit Academy CS Dayton	\$4,305.57
Summit Academy MS Columbus	\$3,700.10
Summit Academy Transition High School Dayton	\$41,816.66

Flagged Records

Charter School	Estimated Loss Prevention
Cincinnati College Preparatory Academy	\$21,742.13
Dohn Community	\$17,617.93
King Academy Community School	\$6,455.31
Mount Auburn Preparatory Academy	\$12,585.96
Riverside Academy	\$24,116.76
Southwest Ohio Preparatory School	\$21,304.57
TCP World Academy	\$ 6,750.42
Winton Preparatory Academy	\$14,174.76
Ohio Virtual Academy	\$6,044.53
Grand Total	\$130,792.37