



September 13

2021

FOR INFORMATION ONLY DUE TO THE ABSENCE OF A QUORUM

REPORT OF THE AUDIT COMMITTEE

The Audit Committee met on Wednesday, August 25, 2021, at 4:30 PM at the Cincinnati Public Schools Education Center, 2651 Burnet Avenue, 45219 in the Banquet Room.

ATTENDEES

Audit Committee Members – In Person

Christine Fisher, Dan Holthaus

Audit Committee Members – Virtual

Chatika Britton, Jim Crosset, Elizabeth Gutridge, Carol Mitchell-Lawrence, Clarice Warner

Budget, Finance and Growth Committee Members

Eve Bolton, Chair, Ryan Messer (Virtual)

BKD CPAs & Advisors

Christie Clements, Chris Desjardins

Administration

Lauren Roberts, Director of Internal Audit; Jennifer Wagner, Treasurer/CFO; Isaac Karn, Internal Audit Staff; Susan Bunte, Assistant Superintendent; Ross Turpeau, Director of Talent Acquisitions and Staffing

Plattenburg & Associates

Kevin Vaughn

Welcome

Dan Holthaus, Audit Committee Vice Chair, welcomed everyone to the meeting.

Fiscal Year 2021 Audit Engagement Kick-Off

Kevin Vaughn, Plattenburg & Associates, shared the engagement kickoff communication letter informing the Committee that they are engaged on behalf of the Ohio Auditor of State to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cincinnati City School District for the year ended June 30, 2021. Mr. Vaughn updated the Committee on how they will plan and conduct the audit.

The audit is due to the State Auditor's office on December 31, 2021.

Budget, Finance and Growth Committee Chair Bolton advised the Administration to update the Board about the outcome of the audit at an Executive Session in January 2022.

A copy of the Plattenburg Communication Letter is available in the Board office.

Mr. Vaughn also provided a summary of the audit testing his team will be performing during this audit:

- CASH AND INVESTMENTS:

- Year end reconciliation is audited to the accounting system and financial statements
- Confirmations are obtained for most cash and investment accounts
- Outstanding and In transit items are tied to detail supporting reports and schedules
- **PROPERTY TAX REVENUE:**
 - County settlement documentation is obtained and reconciled to the accounting system and financial statements
 - Verify the funds were received into proper funds and for correct amounts
- **INTERGOVERNMENTAL REVENUE:**
 - Federal grants are confirmed via ODE Federal Subsidy Report
 - Foundation Settlement is reconciled with the accounting system
 - Remaining balances are substantive tested by a sample
- **REVENUE IN LIEU OF TAXES:**
 - Balances are substantive tested by a sample
- **OTHER REVENUE:**
 - Balances are substantive tested by a sample
- **EXPENDITURES:**
 - Control testing over expenditures is performed on key controls
 - Substantive tested by a sample
 - Dual purpose test of substantive is performed related to Purchase Orders (properly encumbered per requirements of ORC)
- **PNC PURCHASING CARDS:**
 - Control testing over expenditures is performed on key controls
 - Substantive tested by a sample
- **KEY PERSONNEL REIMBURSEMENTS:**
 - Auditing standards state that management override of controls is a risk
 - Expense reimbursements are tested to supporting documentation and for proper public purpose
- **SELF INSURANCE DISBURSEMENTS:**
 - Control testing over expenditures is performed on key controls
 - Substantive tested by a sample
- **PAYROLL:**
 - Control testing over expenditures is performed on key controls
 - Substantive tested by a sample
- **KEY PERSONNEL PAYROLL:**
 - Auditing standards state that management override of controls is a risk
 - Certain key personnel are tested for payroll. This is a test that includes the entire audit period (not just a transaction from a particular payroll)
- **OHIO COMPLIANCE TESTING:**
 - Testing is performed using the Auditor of State's Compliance Supplement (sections applicable to school districts)
 - Documentation of control environment
 - Testing of compliance sections in Chapters 1 to 3
- **UNIFORM GUIDANCE (FEDERAL GRANTS):**
 - Major Federal Grant Programs are tested (selected based on risk criteria in the UG)
 - Control testing over applicable compliance sections for major programs
 - Compliance testing over applicable compliance for major programs
- **GAAP ACCRUALS:**
 - Accruals at only made at year end to meet Ohio's GAAP filing requirement
 - We audit all material accounts by vouching to source documents and reconciling from prior to current year as applicable

This summary was provided by Mr. Vaughn in response to an action item from the Committee at the June 30, 2021 meeting; the Committee requested clarification regarding the specific testing performed by the external audit team. The Committee desired this information so they can provide guidance to the Internal Audit team during the annual planning process.

Ms. Roberts further explained the partnership between the Plattenburg external audit team and the CPS Internal Audit team. Ms. Roberts explained how Internal Audit partners with Plattenburg ensure proper testing coverage over the material areas. For example, if there were areas where Plattenburg had historically identified issues, it would make sense for Internal Audit to also perform testing in the areas to ensure any problems are corrected before the next external financial audit. Conversely, if Plattenburg has audited areas for many years without identifying any issues, it could be less impactful for Internal Audit to perform the same testing and Internal Audit should focus their efforts on other areas not covered by the external team.

Ms. Roberts stated this was the first presentation in a series of informational presentations which will continue throughout the year to further educate Audit Committee members, as well as the public, as to the role of Internal Audit in our organization.

Benefits Audit Recommendations Update

Susan Bunte, Assistant Superintendent, and Ross Turpeau, Director of Talent and Acquisition, did a recap of their engagement with BKD.

Dr. Turpeau reported that the root cause analysis of audit findings was completed at the end of July 2021, and they are now focusing on Open Enrollment.

Ms. Clements informed the Committee that there has been a lot of work done with Phase 1 of the project and that they are now moving into Phase 2.

Timeline

Deliverables by Area	Jul	Aug	Sep	Oct	Nov	Dec
Early Results	hurdles to corrective action					
Early Results	root cause analysis of audit findings					
Prior to Open Enrollment	enhanced use of automation for benefit sign-up					
Prior to Open Enrollment	develop condition and workflow in Business Plus					
Prior to Open Enrollment	procedures for invoicing of benefits					
Long-Term	long-term recommendations					
Long-Term	policy decisions and structural changes					

Chris Desjardins of BKD updated the Committee on the following chart highlighting what has been done thus far.



Phase 2 Progress

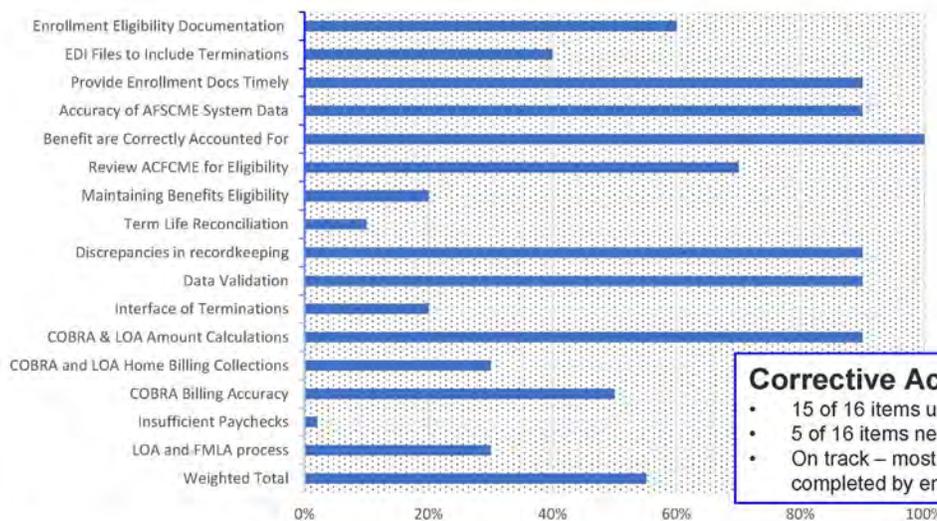
- Completed the root cause analysis, which is the springboard into other activities.
- Currently pursuing the completion of corrective action. See separate slide.

Action Items

- Identifying items that need to be completed before Open Enrollment in October.

Mr. Desjardins then updated the Committee on the following chart highlighting the Corrective Action Progress.

Corrective Action Progress



Corrective Action

- 15 of 16 items under way
- 5 of 16 items nearing completion
- On track – most targeted to be completed by end of October

ACTION: Mr. Holthaus requested Ms. Bunte provide the Audit Committee with evidence of this remediation work upon its conclusion via deliverables at the December 14, 2021 Audit Committee meeting.

Audit Status Report

Fiscal Year 2022 Internal Audit Plan

Lauren Roberts, Director of Internal Audit, reminded the Committee that the *Fiscal Year 2022 Internal Audit Plan* was updated based on feedback received from the Committee at the June 30, 2021 meeting. The updated plan was emailed to Committee members on July 13, 2021 and a copy of the full document is available in the Board Office.

Ms. Roberts informed the Committee the Audit Status Report provides a description of the status of each of the projects from the Fiscal Year 2022 Internal Audit Plan as well as external audits. The Audit Status Report is available in the Board Office.

Audit Committee Member Fisher asked Ms. Roberts how the Audit Committee can better prepare for the next year's risk assessment and Internal Audit planning process. Ms. Fisher emphasized the importance of a robust district wide risk assessment and highlighted the importance of participation of district leadership as well as the Board and Audit Committee.

Ms. Roberts explained the inherent limitation to the current Internal Audit risk assessment process is that it is limited to the conversations the Internal Audit team has with management, and the Internal Audit team's interpretation of those risks. Alternatively, an ERM program is a management led and owned process that incorporates the perspectives of all key leaders, allowing all involved to fine tune the risk ratings and outcomes. An ERM program is a much more advanced risk assessment, which would ultimately serve as a critical tool for the Internal Audit team to utilize in the annual risk assessment and audit planning process. The ERM would also provide critical risk information to the Audit Committee, Board of Education, and senior leadership; thus guiding the work of both the Administration (as control owners) and Internal Audit team (as oversight providers).

The Committee discussed the possibility of developing an Enterprise Risk Management (ERM) program for the District.

ACTION: The Committee asked that the Administration research the details around a possible engagement with a consultant to coordinate an Enterprise Risk Management (ERM) program.

Treasurer Wagner will research ERM program consultants and do a cost analysis of the venture. The Audit Committee will review the research and make a formal recommendation whether to move forward with the ERM program at the Audit Committee meeting on October 27, 2021.

Change in Job Title

Ms. Roberts provided and updated the Committee on the below memo that outlines the background for changing Ms. Roberts' Job title from *Director of Internal Audit* to *Chief Audit Executive*. The full memo is available in the Board Office.

This memo serves as a follow up to the presentation of the Audit Committee meeting minutes at the July 19, 2021 Board of Education Business Meeting. During the presentation of the minutes, Board Member and Finance Committee Chair Eve Bolton noted the Audit Committee's interest in ensuring the highest level of independence for the Internal Audit Department. Ms. Bolton suggested updating the title of the Director of Internal Audit to one that more clearly shows the independence of the position. It was also noted that the title should indicate the role is not an extension of the administration, but rather a direct report of the Board of Education via the Finance and Audit

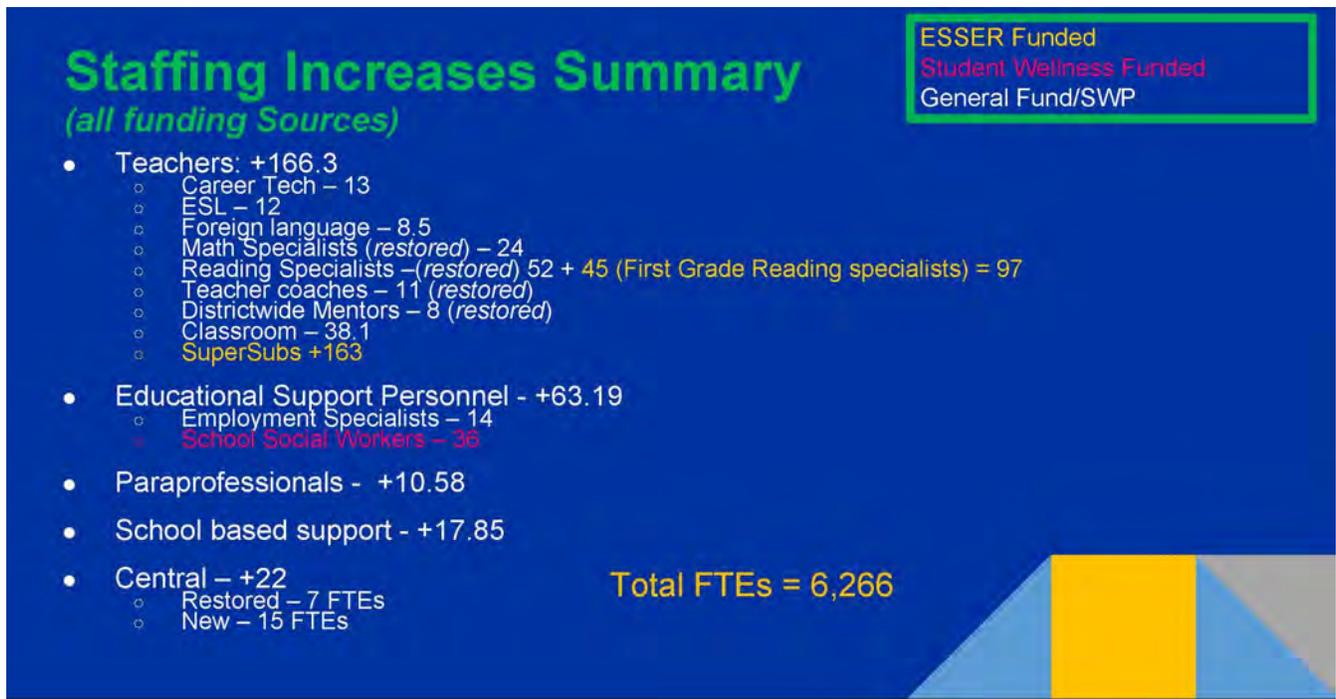
Committees. Ms. Bolton asked Treasurer/CFO Jennifer Wagner for guidance regarding the appropriate terminology for the title, and Ms. Wagner suggested the title “Chief Audit Executive” as it represents a senior management level position that directly reports to the Board of Education.

Ms. Bolton outlined the next steps from the July 19th Board meeting, which include bringing this recommendation forth to the Finance Committee at the August 19th meeting, and upon agreement of the members, taking the proposal onward to the Audit Committee at the August 25th meeting. Further, if both Committees are in support and agreement, the change in title may be entered into the Superintendent’s Report for full Board approval at the September 13th Board of Education Business Meeting.

Ms. Bolton informed the Committee that the change in title was in response to the discussions from the June 30, 2021 Audit Committee meeting regarding enhancing the independence of the Internal Audit function. The Budget, Finance and Growth Committee reviewed the Audit Committee’s request for greater independence and approved the changes in Board Policy 6836 on August 19. Ms. Bolton stated this communication to the Audit Committee was informational in nature and can move forward for approval by the Policy and Equity Committee on August 26 and for full Board approval on September 13. The Audit Committee members expressed their support of the new title and this process.

Financial Updates (including explanation of budget and cliff proposals)

Treasurer Wagner updated the Committee on her FY22 Financial Update and the FY22 Budget Status (*copy attached*). The following is a summary of her report.



Addressing the CLIFF Summary

- Every line item was considered for yearly need
- Phased out – no longer need
- Keep – Reduced value
- Keep – Return to General Operating Funds
- Keep line items – assigned measure for performance

FY23	FY24	FY25
\$ 6,238,000	\$500,000	\$ 59,578,194

*Opportunity: Balance the return to General Fund (GF)



Transportation Update

Budget, Finance and Growth Committee Chair Bolton provided a synopsis of what occurred with Metro in the planning of bus routes.

Hearing the Public

The following person addressed the Board regarding the topic indicated:

Julie Sellers, CFT President SORTA/Metra Extra Routes and Impact on CPS Teaching and Learning

The next meeting is scheduled for Wednesday, October 27 from 4:30 – 6:00 pm.

The meeting adjourned at 6:15 PM.

Audit Committee

Tim Heldman, Chair, *absent*

Daniel E. Holthaus, Vice-Chair

Chatika Britton, *virtual*

Jennifer Couser, *absent*

Jim Crosset, *virtual*

Christine Fisher

David Foote, *absent*

Elizabeth Gutridge, *virtual*

Carol Mitchell-Lawrence, *virtual*

Clarice Warner, *virtual*

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

Melanie Bates (Budget, Finance and Growth Committee), *absent*

Ryan Messer (Budget, Finance and Growth Committee), *virtual*

Staff Liaisons

Jennifer Wagner, CFO/Treasurer

Lauren Roberts, CPA, CFE, Director of Internal Audit

FY22 Financial Update

August 25, 2021



PREPARING STUDENTS
FOR LIFE



Jennifer Wagner

Treasurer
Chief Financial Officer





Key Points

- 1. FY21 Financial Status
- 2. FY22 Budget Status



FY21 Pre-Audit Results (compared to FY20)





FY22 Operating Budget Update



FY22 Budget Adoption Experience

- Board Adopted 90-day Temporary Appropriation – 6/28
 - State Budget delays (House and Senate versions wildly different)
 - ESSER III/ARP – Three year plan
 - Public Engagement Requirement
 - Addressing the CLIFF
- Public Presentations & feedback cycle
 - July & August
- Adoption of operating budget – Aug 23



THE FUTURE IS BRIGHT



General Fund Budget Challenge



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General Fund Budget Challenge

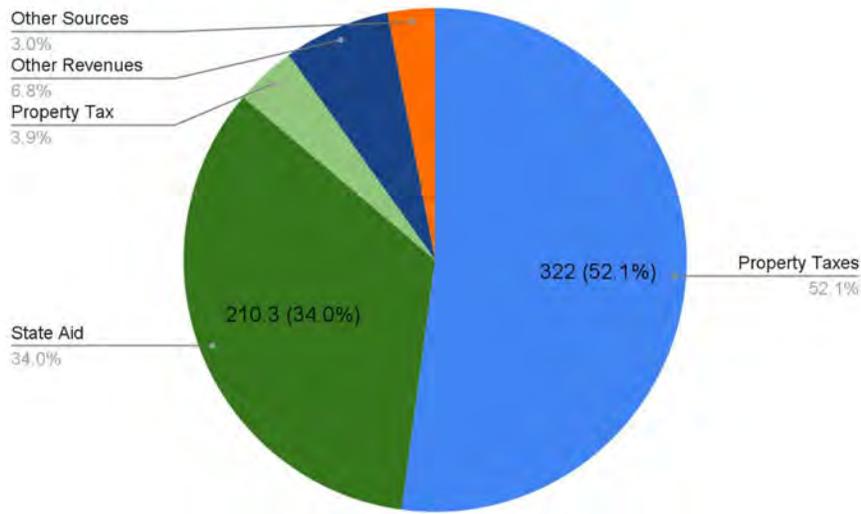


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General Fund Revenues



Major changes HB110:

- Closely aligned the “Fair Funding Formula” or “Cupp-Patterson Formula”
- Adopted by State June 28th

Changes:

- **Direct Funding of Tuition to:**
 - Ed Choice Vouchers
 - Peterson Scholarships
 - Autism Scholarships
 - Community/Charter School Tuition
- **Moved Student Wellness from separate grant into the General Fund**



General Fund Budget Revision

Previous Budget Estimate 6.28	\$676.6M
Remove estimated tuition	- 80.1
Add Student Wellness Allocation	+12.5
Adjusted Budget Total	\$609.0M

Board Adopted - Aug 23rd!



Strategic Plan - Year 3 Initiatives+COVID influenced modifications

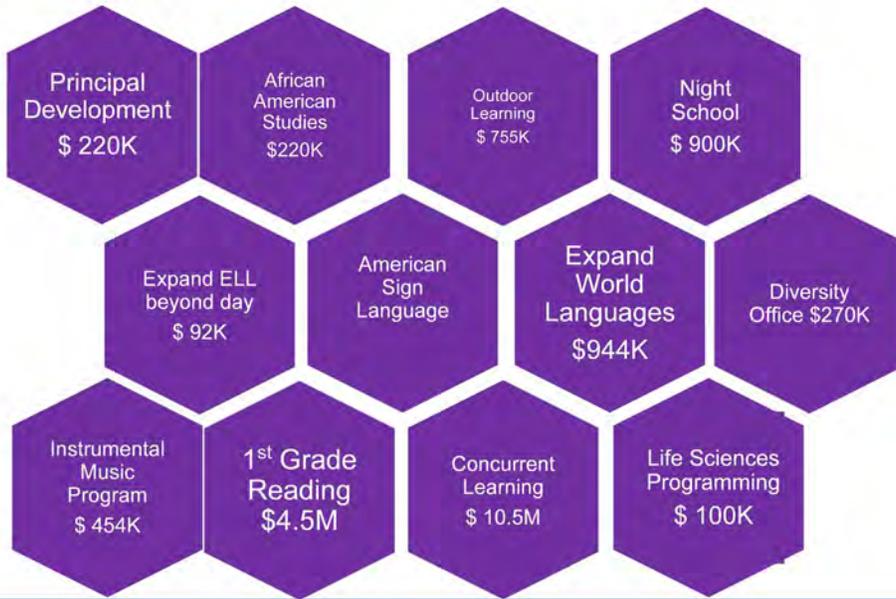
Student Centered	Health & Safety	Community Engagement	Optimized Capabilities	Growth
Science Curriculum Adoption	+10 Alternative Learning Centers	+11 Resource Coordinators	+25% schools and dept QI Projects	+student enrollment by 457
World Languages Adoption	+8 School Social Workers	+8 Parent Groups	+45 schools Employee Engagement	+preschool enrollment by 100
+6 days for preschool	+12 schools (SEL QI)			*Expand Pleasant Ridge, Hyde Park, Walnut
Budget Redesign	+26 more School Social Workers			Walnut Hills Dome
	+ 59.5 more Nurses			

COVID Influenced Modifications



New Shore Initiatives

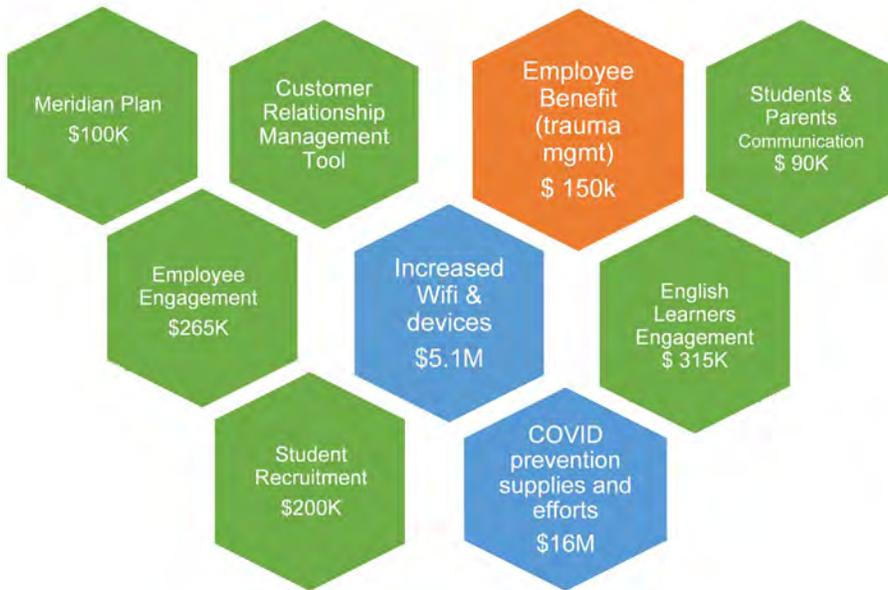
Student Centered Decision Making



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Health & Safety



Community Engagement



Optimized Capabilities



ESSER II & III (ARP) – 3 Year Plan - \$297.6M

DRAFT	ESSER II	ESSER III			ESSER III Total
	FY22	FY22	FY23	FY24	
Health & Safety	28,373,785	0	20,809,307	16,617,972	37,427,278
In Person Learning	26,577,215	11,286,890	23,317,986	20,400,063	55,004,939
Physical Distancing	140,459	6,873,000	30,300,000	0	37,173,000
Students and staff SEL	3,390,100	388,000	145,000	110,000	643,000
Student Academic Needs	32,569,342	13,000,000	34,657,410	21,961,661	69,619,071
Student Accommodations	1,147,750	0	1,147,750	1,147,750	2,295,500
Budget Allocations	92,740,651	31,547,890	110,377,453	60,237,446	202,162,788

Unallocated contingency - \$ 2.4M

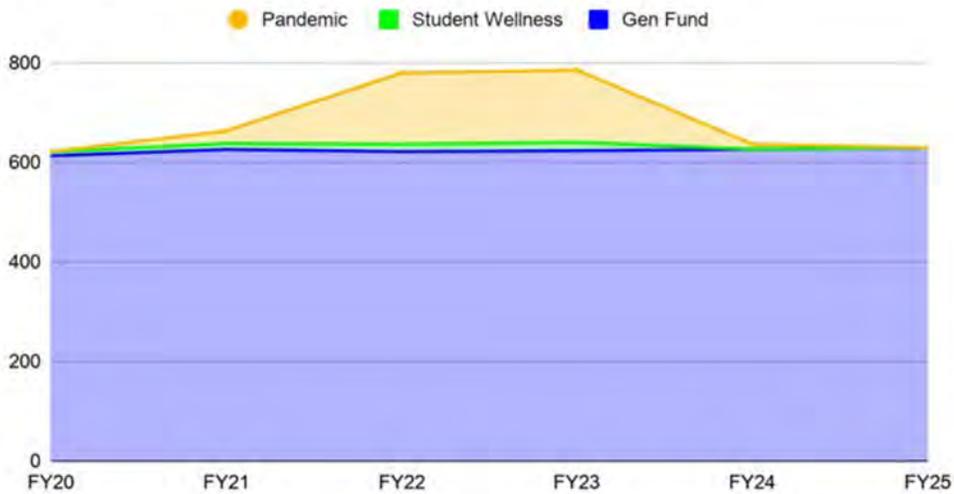


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Gen Fund, Student Wellness and Pandemic



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Addressing the CLIFF Summary

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- Keep – Return to General Operating Funds
- Keep line items – assigned measure for performance

FY23	FY24	FY25
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Staffing Increases Summary

(all funding Sources)

ESSER Funded
Student Wellness Funded
General Fund/SWP

- Teachers: +166.3
 - Career Tech – 13
 - ESL – 12
 - Foreign language – 8.5
 - Math Specialists (*restored*) – 24
 - Reading Specialists – (*restored*) 52 + 45 (First Grade Reading specialists) = 97
 - Teacher coaches – 11 (*restored*)
 - Districtwide Mentors – 8 (*restored*)
 - Classroom – 38.1
 - SuperSubs +163
- Educational Support Personnel - +63.19
 - Employment Specialists – 14
 - School Social Workers – 36
- Paraprofessionals - +10.58
- School based support - +17.85
- Central – +22
 - Restored – 7 FTEs
 - New – 15 FTEs

Total FTEs = 6,266

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**Student-Centered
Decision Making**



**Health and
Safety**



**Community
Engagement
and Influence**



**Optimized
Capabilities**



Growth



PREPARING STUDENTS
FOR LIFE