



Finance & Audit Committee Meeting

Third Quarter Fiscal Year 2017

January 25, 2017





Enterprise Risk Assessment – Priority Risks

The priority risks identified by management during the

Priority Risk	Risk Definition	Impact	Likelihood
Academic Program Excellence	Inability to effectively maintain and expand academic program excellence.	High	Low to Moderate
Federal & State Requirements	Inability of timely and effective maintenance for compliance with federal and state requirements.	Moderate	Low to Moderate
Funding	Inadequate funding to maintain academic gains, provide support services, and meet operational, and capital objectives.	High	High
Infrastructure	Inability to effectively sustain an aging, complex and costly infrastructure footprint.	High	Moderate to High
Information Technology Systems	Inability of IT systems and applications to support current and future CPS needs.	High	Moderate
Internal Control Environment	Lack of effective controls to safeguard assets, provide reliable financial reporting, comply with applicable laws, regulations, and policies, and achieve organization objectives.	Moderate to High	Moderate
Talent	Inability to attract and retain quality talent needed to sustain academic progress and meet organization objectives.	Moderate to High	Moderate



Compliance Risk Assessment – Priority Risks

The priority risks identified by management during the **Compliance Risk Assessment** are:

Priority Risk	Risk Definition	Impact	Likelihood
Environmental, Health & Safety	Limited capacity to detect or prevent non compliance with environmental laws and regulations.	High	Moderate
ISBE Reporting Requirements	Inadequate capacity to provide accurate and timely data to demonstrate organizational compliance with ISBE requirements.	High	Moderate
Grant Monitoring (District, Charter, Non public)	Inadequate monitoring of school and central office management use of grants.	Moderate to High	Moderate
Grant Revenue Management	Inability to monitor the proper and timely usage of grant funds within established guidelines and timeframes.	Moderate to High	Moderate
Privacy & Information Security	Inadequate storing and safeguarding of personally identifiable information, HIPAA covered information, and academic records.	High	Low to Moderate
Time & Effort Attestation	Inadequate capacity and technical processes to properly monitor time and effort reporting requirements consistent with applicable requirements.	Moderate to High	Low to Moderate



-
- **Implemented a school risk assessment based on key performance and risk indicators, such as the following:**





Risk Management Framework – Responsibilities

Lines of Defense Model (Representative Model)		
Board of Education		
Executive & Senior Leadership		3rd Line of Defense
1st Line of Defense	2nd Line of Defense	



Key Ongoing Internal Audit Activities

- **Cybersecurity Diagnostic Assessment** – Evaluate key internal control and management processes related to cybersecurity such as: leadership and governance; information risk management, and incident response; identify strengths and gaps based on IT standards and leading practices; and develop recommendations to remediate gaps.
- **Option Schools Attendance Audit** – Assess accuracy of attendance data provided by management and evaluate alternative funding models based on attendance and enrollment.
- **Payroll Audit** – Evaluate the design and operational effectiveness of key internal controls designed to help ensure integrity in payroll transactions including employee payments, withholdings, and third party remittances will begin in February 2017 (planning is underway).
- **English Language Learners (EL) Program Compliance** – EL Program Compliance Monitoring Visits based on prior OLCE EL Visits



District wide Audit Highlights

Closed School Asset Review

Objectives – CPS invested millions of dollars in assets including textbooks; computers, laptops, and tablets; tables, desks, and chairs; and other equipment such as boilers and furnaces. These assets are located primarily within the schools and purchased using a range of funding sources. In mid to late 2016, IAC conducted a fixed asset assessment to both understand internal controls from acquisition to disposal and to determine location of assets transferred during the 2013 school closings.

Results – IAC was able to gain an understanding of processes employed to track assets – both on a general basis and related

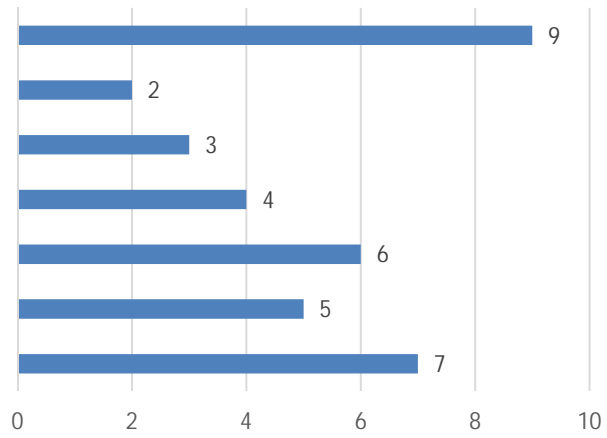


District wide Audit Highlights

Options Attendance Audit (Started in 2016 with update underway)

Objectives – CPS provides funding to Option schools, which include Alternative Learning Opportunities Program (ALOP); alternative charter and contract; and Safe* schools. Option schools generally serve students who need a new pathway toward high school graduation. IAC performed an audit of Option schools during FY16 to verify attendance against enrollment and gain insight into attendance recording processes.

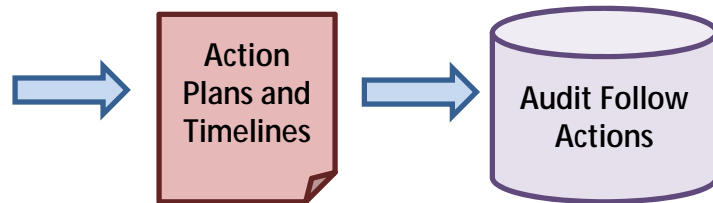
Results – IAC noted that for Option schools tested in early to mid 2016, average IMPACT attendance was 52% of enrollment. Additionally, the average actual headcount based on IAC testing was 44% for the same timeframe. As such, Option schools attendance levels are exceptionally low based on IMPACT attendance data and are even lower based on IAC testing. Deficient internal controls have led to low





Internal Audit Follow up Process

Ongoing Management Reporting and Quarterly Board Updates



Issue audit results with recommendations.

- Central Office
- Compliance
- School Audits
- External Audits

Obtain agreed upon action plans and timelines from management and issue final report.

Follow up monthly on prioritized open action plans, i.e. high and

Board Reporting

- Quarterly Board updates commencing fourth quarter FY2017 (next Finance and Audit Committee Meeting).
- Findings will be tracked from July 1, 2016 to current.



Finance Update



000's	2017 <u>Forecast</u> C	2016 <u>Actuals</u> B	2015 <u>Actuals</u> A
Total Revenue	\$ 5,299,873	\$ 4,877,767	\$ 4,909,584
Total Expenses	\$ 5,299,873	\$ 5,414,846	\$ 5,620,366
Revenues in excess (below) Expenditures	\$	\$ (537,079)	\$ (710,782)
If CPS would have received its 2016 State Revenue \$107,000 on time then the actual 2016 Adjusted 2016 Total		\$ 107,000 \$ (430,079)	

A. 2015 Operating Revenue was below