

# Finance & Audit Committee Meeting

Third Quarter – Year 2018

*April 25, 2018*



# Audit Update



# Continuous Monitoring - Data Analytics

## Continuous Monitoring Program

- **Period:** July 1, 2017 - February 2, 2018



- **Outcomes:**
  - IAC helped recover a \$10K donation over 120 days old that was never deposited
  - SSC is taking ownership of the ongoing follow-up and resolution of exceptions identified in internal accounts & cash receipts
  - Procurement is following up individually with schools to root-cause and provide policy guidance
  - Student Support & Engagement is working with schools to improve transfer verification process and quality of data

## Benefits of Continuous Monitoring Program

- Identify and respond to risks more effectively
- Increase transparency
- Make better informed decisions
- Provides value-added insights, instead of just exceptions to help drive better awareness and improvement actions



# School Audits Update

**Below are the FY18 YTD school audit results:**

Audit Type	Audits	Satisfactory	Needs Improvement	Unsatisfactory	Not Rated
Full Scope	36	8	26	2	N/A
Audit Follow-up/Other	16	0	14	2	N/A
Principal Transition Review	25	n/a	n/a	n/a	25
<b>Totals</b>	<b>77</b>	<b>8</b>	<b>40</b>	<b>4</b>	<b>25</b>

## **Common School Audit Findings**

Audit Finding	Risk	Impact
Check Requisition Not Approved Prior to Purchase	Unauthorized or Unallowable Purchases	\$300K
Unsupported Student Transfers	Inaccurate Student Data	55%
Unsupported Attendance Changes	Inaccurate Student Data	41%
Grant Account/Program Code Reclass	Inaccurate Grant Data	\$2.2M
Untimely Submittal of Cash Collections	Funds Are Lost/Stolen	\$104K

## **School Audit Scope Areas:**

- Internal Accounting
- Cash Receipts
- Cash Disbursements
- Fixed Assets
- Payroll
- Supplemental Pay Transactions
- Procurement
- Safety & Security
- Grants Compliance
- Attendance Changes
- Grade Changes
- Enrollment



# School EL Program Review Update

## Below are the FY18 YTD EL Program Review results:

Type	Reviews	Implemented	Partially Implemented	Minimal
EL Review	36	10	13	13

## Common EL Program Review Findings

Compliance Finding	Risk	Impact
Deficient Maintenance of EL Student/Program Files	Loss of Student/Program Records	86%
EL Language Proficiency Progress Not Included in Report Card	Deficient Communication of EL Student Progress	83%
Inaccurate EL Student SIM Data	Improper Identification of EL Student	83%
Untimely Administration of Screener	Delayed EL Student Identification	58%
Inadequate Tracking of Transitioned EL Students	Untimely Identification of Possible EL Student Regression	42%

### Background:

IAC collaborates with the Office of Language and Cultural Education (OLCE) to determine which schools with EL Programs require a compliance review. The following is a breakdown of the EL programs reviewed:

- 27 schools with a Transitional Program of Instruction (TPI) for 19 or less EL Students with the same language background.
- 9 schools with medium EL student populations, the majority are in a transition year due to an increase in EL students, requiring the school to offer a Transitional Bilingual Education Program (TBE) for EL students of 20 or more in same language background.
- Minimal ratings school visits are in progress.

### Next Steps:

At EOY, IAC will meet with OLCE Network Specialists to share findings and ensure schools are obtaining the support and training needed to better serve EL students across the district.



# Audits in Process

- Testing Protocols & Detection Analysis
- Charter School Reviews
- Chicago Teacher Pension Fund
- Lead Engineer Review



# CPS Financial Update



# CPS' Financial Picture Continues to Improve

## 1. **FY2018 cash is improved by \$455M versus FY2017**

- Maximum TANs outstanding in FY2017 was \$1.55B versus FY2018 of \$1.1B
- \$1.1B Maximum TANs outstanding beats \$1.3B projections in November
- CPS projects saving \$62M in TAN interest costs in FY2018
- The improved cash flow is due in part to accelerated state and local funding as well as active cash management

## 2. **The City has paid all of the \$80M of Security Funding**

- CPS has received all of the \$14M of security funding via an IGA and \$66M of TIF Surplus funds to fund security funding, which is ahead of schedule

## 3. **State funding is no longer a risk**

- With the passage of SB5812, the State has confirmed that they will increase the Evidence Based Funding beginning with the first April distribution
- \$141M of \$296M in FY18 state grants have been paid year to date

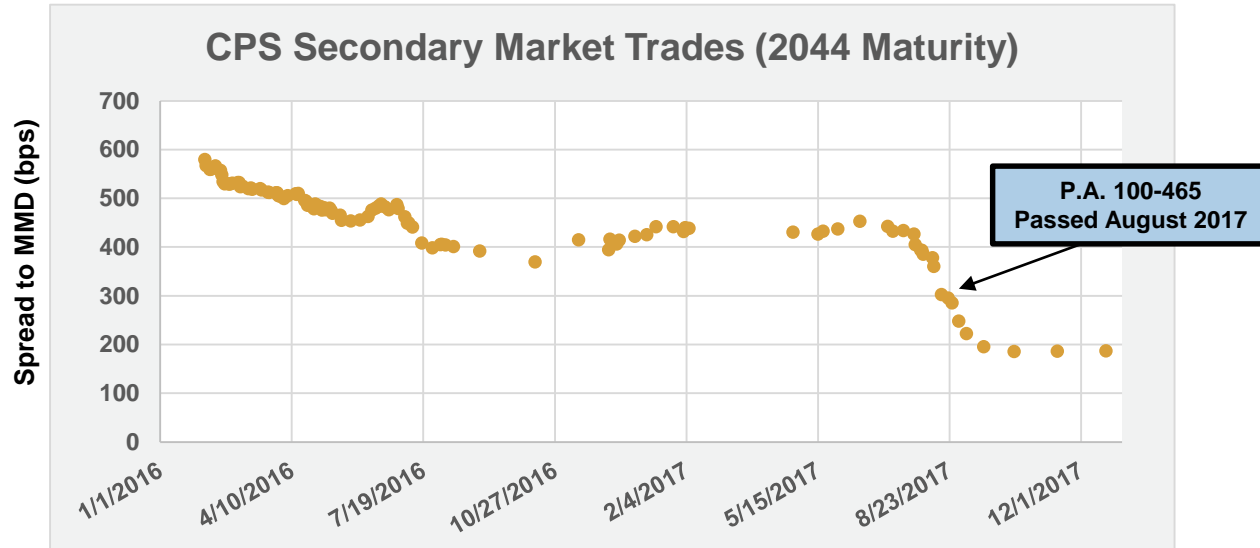
## 4. **As a result of these improvements, S&P upgraded the outlook from stable to positive**





# The markets agree that CPS is more stable financially

- CPS' bond rate has improved dramatically over the last 2-years
- Most recently, the market reacted positively to the passage of P.A. 100-465 and CPS was able to lower its 30-year bond rate from a 7.65% to a 4.80% or 285 bps
- On the \$1B 2017C-H Bonds, the lower rates saved over \$200M in interest
- CPS credit spreads are now comparable with the State of Illinois and closer to historical relative value to the City of Chicago



# Refunding Transaction

- **As a result of our improved trading, CPS expects to be able to generate savings from the upcoming financing**
- **This refinancing would generate savings by replacing outstanding debt at higher interest rates with new debt at lower interest rates**
  - Outstanding debt: 4.50% - 7.50% rates
  - New debt: 4.00% - 5% rates
- **The new debt service will be lower than the old debt service in all years**
  - The operating fund will see savings in all years
- **Savings are dependent on the market reception at the time of bond sale**

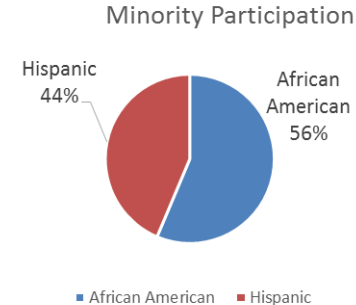


# Investment Overview (As of April 5)

- **CPS currently invests a \$2.2B investment portfolio**
- **The investment portfolio generates a 1.91% yield for a 1 year duration**

	Balance	Yield	Duration
Operating Fund	\$714M (37%)	1.75%	2 month
Capital Fund	\$842M (40%)	2.07%	1.7 years
Debt Service Fund	\$714M (23%)	2.00%	1.3 years
<b>Total</b>	<b>\$2,270M</b>	<b>1.91%</b>	<b>1.0 years</b>

- **For FY18, CPS will generate \$4M more operating fund earnings than budgeted**
- **CPS has purchased 100% of its investment securities from minority brokers**
  - 56% from African American and 44% from Hispanic and firms



# Asset Management Briefing



# Background

- Board approved two new Asset and Inventory Management policies in Oct 2017.
- Beginning in FY2017, CPS began a Districtwide count of all items valued at \$500 and above at all locations.
- For the first time at CPS, we are on track for a 100% inventory of non-depreciable assets.



# Contract Summary

The vendor, Hayes Software Systems and its MBE subcontractor, ProBar, Inc. were contracted for the following:

- Supply CPS with an automated system of accounting and reporting on its assets (IT and non-IT) and instructional materials.
- Total contract value: \$8.78MM/Total contract spend to date: \$4.03MM.
- The District purchased licenses for asset management software which is used to identify, assign, track, transfer and dispose of assets.
- The software implementation is 65% complete as conversion of TechXL data is ongoing.
- Inventory of assets over \$500 at schools and Central Office is required per Federal and State guidelines.
- Current M/WBE Goals: 30%/7%



# Asset and Inventory Management Highlights

In order to comply with Federal and State guidelines:

- Over 88% of schools have been inventoried
- 96% of school staff have been trained
- Ongoing communications, live trainings and webcasts will continue through the end of implementation
- Only 53 support calls to the SSC have been logged since Fall 2017 by schools for assistance
- Central Office and all satellite locations will also be inventoried in May 2018
- A detailed plan for inventorying Central Office and CPS Warehouse has been presented to Executive Cabinet
- The District is on track to complete its first ever 100% inventory of all assets (\$500+) by June 30, 2018



# School Asset Inventory

- Phase 1 includes software licensing and other IT costs, consulting for policy and procedures documents, as well as the physical inventory of CPS school buildings.
- Estimated Cost: \$4.5MM
- Estimated Timeframe: October 2017 – June 2018
- Number of schools inventoried: 451 of 514 (88%)
  - Number of assets counted: 485,099
  - Value of assets counted: \$107,235,460
- 96% of schools trained on new software, w/80% positive survey results
  - Only 19 schools remaining
  - Additional training scheduled throughout the month of April





# Central Office Inventory

- Estimated Cost: \$1.6MM
- Timeframe: May 2018
- All Central Office locations inventories are currently scheduled for:

May 7<sup>th</sup> thru May 17, 2018

42 W. Madison/1 N. Dearborn  
Western Avenue  
Colman  
Bridgeport  
Garfield  
CPS Warehouse

- Central Office (Loop) location scheduled inventory days are:

May 14, 2018

Garden Level 08:00-2:30  
1<sup>st</sup> Floor 08:00-9:30  
2<sup>nd</sup> Floor 12:30-6:30

May 15, 2018

3<sup>rd</sup> Floor 08:00-2:30  
9<sup>th</sup> Floor and Vehicles 12:30-6:30

Note: "Makeup" day for Loop inventory will occur on May 16, 2018.

