



**Auditor of State
Betty Montgomery**

COLUMBUS CITY SCHOOL DISTRICT PERFORMANCE AUDIT

OCTOBER 4, 2005



Auditor of State Betty Montgomery

To the Residents and Board of Education of the Columbus City School District:

In April 2005, the Columbus City School District (CCSD) contacted the Auditor of State's Office to initiate a performance audit. The District and Board of Education selected several functional areas within the Office of the Treasurer and the Office of Internal Audit to be assessed in the performance audit including organizational structure and reporting relationships, work processes, policies and procedures, internal controls, statutory compliance, and technology. These areas were selected because they are important components of District operations that support its mission of educating children, and because improvements in these areas can help ensure the efficient and effective expenditure of resources.

The performance audit contains recommendations for enhancing District operations within the Office of the Treasurer and the Office of Internal Audit. Generally, CCSD has opportunities for improvement in the areas that were evaluated within both Offices. Collaboration and communication between Office of the Treasurer and other administrators may limit its ability to provide the administration, Board, and citizens of the District with appropriate guidance and management decision-making information. The Office of the Treasurer and the Office of Internal Audit could also enhance existing policies and procedures for some functions to meet best practice standards. The District should also improve the communication of internal control processes to staff, and improve the consistency of its response to internal control problems and corrective actions. Finally, technology in the Office of the Treasurer does not allow it to share information easily between different functions and departments. The District is encouraged to continue to assess overall operations and develop other recommendations independent of this performance audit.

An executive summary has been prepared which includes the project history; a district overview; the scope, objectives and methodology of the performance audit; and a summary of recommendations and financial implications. This report has been provided to Columbus City School District and its contents discussed with the appropriate officials and District management. The District has been encouraged to use the results of the performance audit as a resource in improving its overall operations, service delivery, and financial stability.

Additional copies of this report can be requested by calling the Clerk of the Bureau's office at (614) 466-2310 or toll free at (800) 282-0370. In addition, this performance audit is accessible online through the Auditor of State of Ohio website at <http://www.auditor.state.oh.us/> by choosing the "On-Line Audit Search" option.

Sincerely,

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 4, 2005

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Executive Summary

Project History

The Columbus City School District Board of Education (the Board) engaged the Auditor of State's Office in April 2005 to conduct a performance audit. The Board requested an independent assessment of the Office of the Treasurer and Office of Internal Audit (IA) to identify efficient and effective practices and determine areas for improvement. Pursuant to discussions with the Board, the following assessment areas were identified for inclusion in the performance audit:

- Organizational Structure,
- Reporting Relationships and Capacity,
- Work Processes,
- Policies and Procedures,
- Protocols,
- Internal Controls,
- Statutory Compliance and
- Technology

In December 2004, the Treasurer resigned, effective January 2005. In February 2005, the Board of Education placed the internal auditor on administrative leave through the expiration of her contract in June 2005. The Board contracted this independent assessment in an effort to increase accountability and provide a blueprint for the individuals selected to fill these positions. During the course of the performance audit the District began interviewing prospective candidates for both the Internal Auditor and Treasurer positions. Both positions were filled prior to completion of the audit.

Overview of CCSD

Columbus City School District encompasses approximately 120 square miles and is located primarily in Franklin County. According to the Ohio Department of Education (ODE), the District's average daily membership (ADM) was approximately 64,600 students in FY 2004-05. Currently, the District operates 90 regular elementary schools, 25 middle schools, and 18 high schools. In addition, the District operates 4 career centers, 10 special schools, and 11 administrative facilities.

During FY 2004-05, the District employed approximately 8,600 full-time equivalent (FTE) employees, including approximately 5,500 teachers and administrators. According to ODE's FY 2003-04 Local Report Card, Columbus City School District met 5 of 18 indicators, which resulted in a continuance of the District's academic watch rating.

Objectives, Scope, and Methodology

A performance audit is defined as a systematic and objective assessment of the performance of an organization, program, function, or activity to develop findings, conclusions, and recommendations. Performance audits are usually classified as either economy and efficiency audits or program audits. While economy and efficiency audits consider whether an entity is using its resources effectively; program audits are designed to determine if the entity's activities or programs are effective, if entity goals are proper, suitable, or relevant, and if goals are being achieved. This audit contains elements of both an efficiency and effectiveness audit, as well as a program audit.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards. Audit work was conducted between April and August, 2005. To complete this report, auditors gathered and assessed data from various areas, conducted interviews with administration members and staff, and compared requested information with school districts in other states, such as Colorado, Illinois, Pennsylvania, and Washington. Best practice information from the Government Finance Officers Association (GFOA) and the Society for Human Resource Management (SHRM) was used for additional comparisons. Also, the August 2003 *Evaluation of the Columbus Public Schools Treasurer's Office* report by the Council of the Great City Schools (CGCS) contained several similar recommendations which were considered during the audit.

Recommendations contained within this report include analyses and recommendations for streamlined operations and heightened statutory compliance. Specifically, these recommendations seek to assist CCSD in its mission to provide quality education. Based on a discussion with the Board, the following objectives were used in this performance audit:

- Is the current structure and relationship between IA and the Treasurer's Office effective and, if not, what alternative best practice models are available?
- Are the current organization structures and staffing levels of each function appropriate for current and future workloads and Board expectations and, if not, what alternatives exist?
- Are reporting relationships between and among the Board, Superintendent, Treasurer and IA Director appropriate, effective, reliable and within recommended or best practice

protocols? If not, what changes should be considered to improve reporting relationships (see also work processes and policies and procedures)

- Does the current staff have the capacity (skills, training and expertise) to effectively perform their assigned functions and possible future tasks. If not, what types of skills, training and expertise should be developed?
- Is the span of control appropriate for each function and is the management structure organized in a manner to ensure appropriate analysis of information and continued operations in the event of a staffing void? If not, what changes should be made to the structure to ensure appropriate spans of control, analytical capacities and succession plans?
- Do work models exist for the Treasurer's Office, such as the CFO model, that would enhance this function within CCSD?
- Are the functions of the Treasurer's Office and Office of Internal Audit appropriate and in line with recommended and best practices? If not, what changes should be made to workflow to ensure the most efficient and effective financial management for the District? What alternative models should CCSD consider?
- What benchmarks and best practices should be applied to the Treasurer's Office and IA to ensure appropriate Board oversight and performance measurement to enhance productivity and reliability?
- What policies and procedures should be applied to IA and the Treasurer's Office to enhance financial reporting, streamline and ensure reliability in office tasks, and provide a routine protocol for requesting information from the departments and prioritizing their work?
- What types of reports should the Board receive from the Treasurer's Office and IA based on recommended and best practices?
- Is the Treasurer's Office in compliance with statutory requirements and CCSD policies? If not, what structural and procedural changes should be made to ensure compliance?
- Are internal controls appropriate, effective, and in line with recommended and best practice? Do the District's policies support internal controls? If not, what changes should be made to ensure the most effective internal controls are adequately documented and explained, and in use?

- Is the technology in use sufficient to ensure efficient operations and effective controls? Is it appropriate to CCSD's business needs? If not, what options should be explored to improve this function?

The performance audit process involved significant information sharing with District administration and staff, including preliminary drafts of findings and recommendations as they were developed. Furthermore, periodic status meetings were held throughout the engagement to inform the Board of key issues impacting selected areas, and to share proposed recommendations to improve or enhance operations. Finally, the Board provided written comments in response to various recommendations which were taken into consideration in the reporting process.

The Auditor of State and staff express appreciation to CCSD for its cooperation and assistance throughout this audit.

Audit Conclusions & Recommendations

The following is a brief summary of recommendations contained within the performance audit.

Organizational Structure and Design

- **Adopt a systems view of the District's organizational development efforts to address various components of the system including its structures, culture and climate, leadership, technical resources, and staff development.**
- **Revise the authority and purpose statements within the Office of Internal Audit charter.**
- **Review key administrative positions within the Treasurer's Office to ensure adequate relationships between duties and initiatives are supported and potential position consolidation is considered.**
- **Develop comprehensive job descriptions for all supervisors and managers in the Treasurer's Office.**
- **Require higher minimum qualifications for entry level positions in the Treasurer's Office.**
- **Reduce the span of control of the School Support/Fixed Asset Management Supervisor and review the span of control within each functional area of the Treasurer's Office.**

- **Develop and commit to a long-term effort to enhance a culture of quality service and a clear strategic vision supporting collaborative decision-making structures.**

Work Processes, Policies and Procedures, and Protocols

- **Enforce established financial reporting procedures for student activity funds.**
- **Implement a fixed asset-tracking program to improve asset management.**
- **Consolidate all grant related activities under the Treasurer's Office operations.**
- **Resume regular internal audits of student activity funds.**
- **Create a formal policy and procedures manual in the Treasurer's Office by consolidating its department level procedures.**
- **Include a securities portfolio report in the Treasurer's Office financial reports submitted to the Board, at least quarterly.**

Internal Controls, Statutory Compliance, and Technology

- **Develop methods to follow up on compliance and control recommendations or audit report citations.**
- **Clearly define internal control procedures in a standard, written format.**
- **Implement an Enterprise Resource Planning (ERP) system and develop procedures to integrate its financial and operational processes to the parameters of the system.**
- **Make more information and services available to internal stakeholders on the District's website and Intranet.**

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**TREASURER'S OFFICE &
OFFICE OF INTERNAL
AUDIT**

Treasurer's Office and Office of Internal Audit

A. Organizational Structure and Design

Background

This section of the report focuses on organizational structure and design models and staffing issues within the Office of the Treasurer and Office of Internal Audit (IA) of the Columbus City School District (CCSD or the District). Various sources including peer school districts, literature on best practices and quality, education administration research, and other national best practice organizations provided standards used in the analyses throughout the **organization structure and design** section of the report.

Staffing

The Office of Internal Audit of CCSD has one newly appointed director who is scheduled to assume this position in late August. Additional staffing in IA includes one manager, two internal auditors and one classified administrative secretary. The Treasurer's Office, as of August 1, 2005, is lead by an interim treasurer who has been with the District since January 2005. The Board of Education has finalized the selection of a new Treasurer. The District has two Assistant Treasurers charged with overseeing distinct functional areas within the Treasurer's Office. Only three job classifications are used in the Treasurer's Office: account clerk I, account clerk II, and secretary I. There are forty-four account clerk I positions and six secretary I (one current vacancy) positions functionally dispersed within the Treasurer's Office.

The office is divided by operation, with three managers (classified accountant II) over the areas of school support/fixed asset management, general accounting, and cash management reporting to one assistant treasurer, and another three managers over accounts payable operations, special funds accounting and payroll reporting to the other assistant. The District recently added another classified administrator to share management responsibilities for special funds (grants accounting). Another recent staffing change within the Treasurer's Office occurred as a result of the District's restructuring of benefits administration from the Treasurer's Office and to the Human Resources Division.

Summary of Operations and Issues

Because of the degree of impact of organizational design models, cultural and techno-social structures system wide, this section is intended to lay the groundwork for each of the recommendations found in subsequent report sections, which describe in greater depth what is happening within the system and what specific changes are recommended to help the District achieve best practice standards.

Organizational issues assessed include determining whether the current organization structure adequately supports the goals, objectives, and overall mission of the Board, staffing levels and staff capacity (skills, training, and expertise) are appropriate to meet current and future needs, and reporting relationships and span of control are appropriate to achieve success and production quality. Implications of the organizational design and constraints imposed by statute are pointed out in an effort to emphasize the importance of implementing planned change initiatives to improve performance within a bureaucratic and highly vulnerable environment.

The Auditor of State (AOS) used a behavioral approach to diagnosing organizational issues, which was heavily based on interviews with internal and external stakeholders, observation, and review of documentation provided. Results of each assessment, analyzed in comparison to peers or best practices are presented throughout the report to provide the Board with sufficient evidence needed to help guide decision making and strategies for the future.

The primary problems identified will require an organizational transformation to correct. District personnel outside the Treasurer's Office perceive a culture of complacency within the Treasurer's Office, which appears to be valid, based on anecdotal evidence. Although the credentials of departmental leaders meet or exceed standards set by law, core competencies required to provide the level of quality and support the Board expects were not evidenced. On the other hand, the District has not adequately supported the technological systems that are critical to the Treasurer's Office production environment, such as an appropriate systems interface between payroll and personnel, or vendor contracting policies which are reasonable and manageable. In addition, training programs both for departmental leaders and staff within the Treasurer's Office were determined to be inadequate. The recommendations throughout the report detail these and other issues and provide a centerpiece for using ideas for improvement from best practice sources.

Recommendations

R2.1 The Board of Education should adopt a systems view of its ongoing organizational development efforts. In the absence of a systems perspective, the whole organizational framework becomes secondary to the component parts of the organization. Within an open systems framework, the Board can appropriately

address various components of the system including its structures, culture and climate, leadership, technical resources and staff development with an understanding that what happens or does not happen in any part of the system ultimately impacts the whole to some degree. This will allow the Board to address overarching issues and coordination and communication concerns.

The performance audit included an assessment of the appropriateness and effectiveness of the organization. The assessment addresses organizational design and structure issues within both IA and the Treasurer's Office and includes observations of the physical plant environment, a review of documentation produced within the environment, and interviews with both internal and external stakeholders. During the course of the audit work, a disconnect between the Superintendent's Office view and Treasurer's Office view of the organization emerged as a prominent organizational issue. Based on interviews with various District employees, the level of disconnect is perceived to be greater by personnel within the Treasurer's Office. While the Superintendent reported a more optimistic view of shared goals and participative management, all other District personnel interviewed reported conflict, ill-defined roles and poor communications between the Superintendent's area of organization and the Treasurer's Office.

During the performance audit, a single common theme emerged from various areas of the system: an apparent lack of focus on the business operations - in other words, the technology and management of processes behind producing the desired outputs. Observations of the physical work environment and the feedback employees receive about their work show that departments are in some cases, arrayed against one another and must compete for scarce resources. For example, employees in the Treasurer's Office have limited work and storage space and dilapidated furniture and equipment – conditions that contribute to low morale. In comparison, other offices appear to have access to more space and newer, higher quality equipment. Reports outside the Treasurer's Office of customer dissatisfaction, poor work product quality and numerous errors that need correcting, are sources of frustration and conflict, particularly when used to compare the efforts of the Treasurer's Office to other administrative operations. Operations that have ongoing problems in the Treasurer's Office and other administrative offices include fixed asset management, payroll operations, vendor contracting, and grants monitoring. The effect of coordination and communication problems in these areas leaves the District at risk for financial loss and continuing audit citations.

Deploying a systems approach to uncovering the reasons behind these issues allowed the reviewers to diagnose problems and develop recommendations to target certain organizational levels (an organizational, group, or individual) to address the problems appropriately. Although Treasurer's Office staff qualifications are not optimum, the low productivity results from poor system design and discontinuity in leadership within the Office (see **R2.3**).

R2.2 The Board of Education should revise the authority and purpose statements within the Office of Internal Audit charter to ensure that the Audit and Accountability Committee is the sole source for reporting and oversight of all IA matters. This will help ensure that District operations are conducted in accordance with industry and compliance standards.

A review of reporting relationships between and among the Board, Superintendent, Treasurer and Internal Audit Director was conducted as part of the performance audit. There are no existing laws and regulations for reporting relationships between the Board and the Office of Internal Audit. However, best practice protocols defined by the General Accounting Office (GAO), provide specific guidelines for reporting relationships between and among the Board, Administration and internal auditors.

According to the IA charter (section A -3 of the Internal Audit manual), under the sub-heading “Authority”, IA will “report findings, recommendations, and management responses to District administration and to the Audit Committee of the Board of Education.” This reporting relationship is problematic in that it appears to decrease the overall level of independence of the division. For example, IA’s activities could potentially involve District administrators either directly or indirectly. The charter should distinguish between submitting findings to District administration for review and verification of data, and submitting final reports to the Audit Committee.

Based on interviews conducted during the performance audit, it appears that the IA Office staff operates under the practice that audit findings and reports are submitted to the Audit and Accountability Committee, as well as the Superintendent and Treasurer. This creates a matrix of reporting authority and builds inherent problems into the structure. In practice, the process conflicts with standards of independence.

According to the Government Accountability Office (GAO), internal auditors may be subject to administrative direction from persons involved in the management process. To help achieve organizational independence, IA should report the results of its audits and be accountable to the head or deputy head of the entity and should be organizationally located outside the staff or line management function of the unit under audit. The internal audit function’s independence is enhanced when it reports to the entity’s independent audit committee and/or the appropriate oversight body. Additionally, in a 2004 publication by the National Commission on Fraudulent Financial Reporting (NCCFR), the Treadway Commission recommended that all public entities have audit committees comprised entirely of independent directors due to the critical role they play with respect to the integrity of the organization’s financial reporting. Implementation of these best practice standards will help ensure higher levels of integrity when reporting to the public, which will help the District build credibility and public confidence. For

additional information on compliance standards, see the **compliance and technology** section.

R2.3 The Board should ensure that reporting relationships and structures adequately support quality initiatives in the Treasurer’s Office. Restructuring activities should stress principles of high-involvement management to create an environment that encourages and motivates employees to become more active in improving performance and outputs. Specifically, the Board should ensure that reporting relationships within the Treasurer’s Office support quality efforts, particularly concerning grants accounting, fixed asset management and systems administration.

In addition, the Board should review the duties and requirements of the Assistant Treasurer position and ensure that this position provides appropriate supervision and oversight of direct reports. In order to support an environment of quality successfully, the presence of key organizational resources is very important. Interdependence among various task groups in the Treasurer’s Office is high and activities must be coordinated in a manner that cannot always be fully anticipated. Furthermore, due to the level of vulnerability resulting from the quality of outputs, the Assistant Treasurer must demonstrate high-involvement management. Upon review of the duties for this position, the Board and Treasurer should determine the feasibility and impact of consolidating the duties of the assistant treasurers into a single position.

While reporting relationships between and among executive level offices appears to meet ORC and peer standards, a number of reporting relationships within these functional areas will require change in order to improve performance and quality, particularly with regard to grants accounting and monitoring, fixed asset management, and systems administration. The District has experienced many problems surrounding these operations that have led to financial audit citations, financial reporting errors, and a general image within the District of low performance and quality in terms of work products.

The District should work to ensure that the employees responsible for oversight of Treasurer’s Office operations demonstrate high-involvement management to support higher levels of collaboration in decision-making and cultural change initiatives. The performance audit assessment reveals that reporting relationships within the Treasurer’s Office need to be strengthened. Ill-defined roles and responsibilities, lack of leader involvement, and lack of perceived competence throughout the District were used as indicators. For example, some managers reported very little contact or interaction with the Assistant Treasurer in charge of overseeing their functional area. Other managers reported they had not seen their own job description, thus, their roles are ill defined, particularly with respect to overlap with other departments. The Systems Administrator

reported that his direct supervisor had not been identified. In response to these issues, the Board should clearly define reporting structures for each position within the Treasurer's Office (see **R2.5** regarding staff qualifications.) and should do the following:

- Make the Treasurer and Assistant Treasurers accountable for ensuring the top-down and bottom-up efficacy of reporting relationships, which means providing higher levels of supervision and guidance and offering higher levels of support and involvement.
- Ensure that all employees within the Office know to whom they report and only seek to provide oversight of activities for which the Treasurer's Office is responsible. (Treasurers or Assistant Treasurers are not in a position to evaluate performance of systems administrator personnel adequately. This should be the responsibility of management information systems executives.)

Also, based on interviews with District personnel both internal and external to the Treasurer's Office, and on observations of the auditor, it appears there is inconsistent involvement on the part of the Assistant Treasurers and, at times, ill-defined roles regarding oversight of specific task groups. According to the Interim Treasurer, the duties of the Assistant Treasurer could potentially be combined and performed by one individual.

In order to better support organizational strategies, changes to structures and functional reporting relationships become necessary. The efficacy of reporting relationships could be regarded as an indicator of various factors including the up and down flow of communications, level of involvement of managers, and organizational climate. The District should ensure that reporting relationships are appropriately aligned with business strategies in support of work flow processes, and that leaders in the Treasurer's Office consistently demonstrate high involvement in the operations for which they are responsible. For additional discussion regarding structures in support of strategies, see the **work processes, policies and procedures, and protocols, and internal controls, statutory compliance, and technology** sections.

- R2.4 The District should enlist assistance from the Human Resource Executive Director to develop comprehensive job descriptions for all supervisors and managers in the Treasurer's Office based on peer and best practice standards. Some managers reported not having been provided a job description. When job duties and responsibilities (and the core competencies required to complete them) are not clearly defined and formalized, no standard exists for determining expectations or adequately assessing performance. Implementation of this recommendation will help the District ensure accountability and identify managerial training needs.**

Part of the assessment of staff qualifications involved a review of current job descriptions. Job descriptions typically list tasks and duties for the job and necessary knowledge, skills, and abilities required. They also include minimum educational requirements and/or experience levels.

The District did not have job descriptions for any of its managers or staff on file, but one Assistant Treasurer made an effort to create a single document listing each position and the primary duties and responsibilities for each. The brief descriptions did not list minimum qualifications or make mention of educational or job experience requirements. Basic job descriptions for classified account clerk I and II, and secretary I were obtained from the District's classified civil service department within HR. No comprehensive job descriptions for the Assistant Treasurer positions outlining division of duties were provided. In addition, a number of managers interviewed reported they had not been provided their job description, including the Systems Administrator who stated he was unclear to whom he reported. The August 2003 *Evaluation of the Columbus Public Schools Treasurer's Office* report by the Council of the Great City Schools (CGCS) contained similar recommendations concerning job descriptions and performance evaluations.

Without up-to-date and accurate job descriptions, appropriate evaluation of performance is not possible. The District should review the necessary duties and responsibilities of each managerial and administrative position; detail the minimum knowledge, skills, and abilities needed to do the required tasks, and list the minimum education and prior work experience required for the job, similar to the job analysis conducted on each of the current account clerk jobs. According to Business and Legal Reports, Inc., the content of written job descriptions should include the following:

- List of tasks;
- List of decisions made;
- Supervision received;
- Supervision exercised;
- Interactions with other staff;
- Physical conditions; and
- Software or other equipment used.

The District should use the criteria listed above to revise and update all job descriptions and should review them annually for changes. New job descriptions should be maintained in an electronic format so that they can be updated easily. This recommendation can be implemented at no additional cost to the District.

R2.5 CCSD should institute higher minimum qualifications for entry level positions in the Treasurer’s Office. By increasing the level of qualifications based on a job analysis, the Treasurer’s Office can ensure that entry-level account clerks are prepared to complete the tasks assigned to them. In addition, the Office should increase the level of training provided at all levels to ensure that it enhances the base level of skills and education, and provides continuing education to seasoned and managerial employees.

The District staff meets the minimum skill and educational requirements for their assigned jobs *based on the requirements contained within their job descriptions*. The Treasurer’s Office has seven classified administrators who oversee the following functions:

- School support and fixed asset management;
- General accounting;
- Cash management;
- Accounts payable;
- Special funds (has 2 account managers); and
- Payroll

There are two Assistant Treasurer positions: one is responsible for oversight of school support and fixed assets, general accounting, and cash management; the other oversees accounts payable, special funds, and payroll. Oversight of benefits administration was recently restructured under the direction of the Executive Director of Human Resources; however, the staff is still physically located in the Treasurer’s Office. All staff within the Treasurer’s Office are classified account clerks, with the exception of five who are classified secretaries. According to the Assistant Treasurers, about 90 percent of the new hires within the Treasurer’s Office are promoted from the District’s food service area through civil service appointments. The District follows municipal civil service guidelines which stipulate that selections must be made based on the *Rule of Three*. In other words, hiring managers are required to select from the top three certified eligible employees on the list derived from civil service test scores. This is a constraint which is problematic for the hiring managers and an issue pointed out repeatedly by various administrative staff in interviews.

While the District is required to operate within the bounds of civil service rules, there are additional actions that could be taken to help ensure candidates that become certified eligible come closer to meeting the desired knowledge, skill and ability level to achieve success in the account clerk role. These actions include:

- Request that a job analysis be performed on the various account clerk jobs. Although the Office only uses the account clerk classification, different jobs actually require different skill sets, such as analytical abilities versus basic data entry skills.
- Work closely and collaboratively with the HR director and civil service personnel to increase minimum qualifications and experience levels required of applicants, based on job analyses.
- Include a demonstration of skills component in the testing process and check for verification of training for applicants.
- Differentiate between the Account Clerk 1 and Account Clerk 2 positions based on knowledge and skills required. The positions should be based on a separate set of skills and separate civil service eligibility lists.
- Develop and formalize training programs for new hires in each functional area of the Treasurer's Office.
- Improve efforts to adequately monitor and track progress and learning for new employees and make full use of probationary period reviews and performance evaluation instruments. Hiring managers cannot afford to be lax in documenting signs of poor performance from the new employee start date.

In addition, the District should implement management training for all administrators in the Treasurer's Office. Although licensing requirements are met in accordance with ORC, leadership skills and high involvement of management appears to be below best practice standards. Additional leadership training would help administrators within the Office better coordinate the efforts of employees and direct the day-to-day and long term operations of the office.

R2.6 The District should review the span of control within each functional area of the Treasurer's Office at the first-line supervisor level, as well as the middle management level, and make changes based on elements of time (demand), space (size) and organizational stability (management change). At minimum, the District should reduce the span of control of the School Support/Fixed Asset Management Supervisor. High levels of task-demand diversity (variation), size (the number of

building locations to cover), and instability (changes in school support or site-based personnel, lack of formalized processes, and limited information systems capabilities), increase the liability associated with the current wide span of control for this position. The decision as to how to reduce the span of control should be made with input from all affected stakeholders. Two options include adding another School Support Supervisor to oversee half of the area treasurers, or permanently assigning the 18 current area treasurers to CCSD's 18 high schools and adding a number of clerks or bookkeepers to serve middle and elementary school locations which generally have a lower measure of work volume and complexity.

Span of control generally refers to a set of ratios that link sets of managers and subordinates. A wide span of control ratio exists when a manager oversees many subordinates; a narrow ratio exists when a manager oversees few subordinates. Although simple in concept, the implications of span of control to the organization, or in this case, the District, can be widespread in terms of impact on outputs. According to a 2003 study published in *Public Administration Review*, school districts tend to be flat organizations with broad spans of control at lower organizational levels and narrow spans at levels in which administrators supervise and oversee other administrators. (Meier & Bohte, pg. 64)

According to the Assistant Treasurer who oversees operations, school support staff (area treasurers) are intended to be representatives of the Treasurer's Office within the physical school sites. The District has one School Support Supervisor who oversees 18 area treasurers. This supervisor was recently assigned the additional duty of overseeing fixed asset management. Each of the 18 area treasurers are responsible for overseeing financial matters and the handling of monies at one high school and approximately eight other locations (middle and elementary schools, service centers, or administrative sites). Interviews with District personnel and a review of financial audit citations indicate there are significant problems with management of school support operations and fixed asset management. To enable the District to more effectively and efficiently manage both of these critical operational areas, it must take steps to narrow the span of control at the middle management level. Implementation of this recommendation will require full support from the Board and other administrators including the superintendent and her executive level staff. Changes must be communicated to site-based personnel in a manner that encourages collaboration and mutual accountability.

Research on span of control suggests three variables as crucial determinants in organizations: diversification of function, time and space.

- *Diversification of Function:* An organization that combines diverse functions will need to reduce the size of its spans of control because of the level of interaction required with many different individuals.

- *Time*: The element of time focuses primarily on stability. Stability includes the level of need to train and oversee new employees as well as the stability of other organizational inputs. This suggests that the more stable the environment, and the more routinized the jobs, the larger the span of control permissible.
- *Space*: The element of space includes the number of buildings or locations that the operations cover. The suggestion is that the greater the number of buildings, the less face-to-face contact. At least for less experienced employees, this could mean that closer supervision is required.

Understanding the overall effects of these variables is important for CCSD because they provide insight into performance measures of the Treasurer's Office. It is not uncommon for organizations to have broad spans of control in certain areas and narrower ones in others. However, in areas where performance has been compromised and may be below expectations, attention to span of control and the complexity and variety of supervisory efforts must be considered. A narrower span of control as described above would help the Treasurer's Office implement controls and policies and improve its compliance in the areas of school activity funds and fixed assets. Finally, creating a more focused span of control over those employees responsible for direct interaction with the schools is likely to improve the schools' ratings of the performance and helpfulness of the Treasurer's Office. For additional discussion regarding school support operations and fixed asset management, please see the **work processes, policies and procedures and protocols**, and **internal controls, statutory compliance, and technology** sections.

R2.7 The Board, in conjunction with the Treasurer and Superintendent, should develop and commit to a long-term effort that orients all of the organization's activities around a concept of quality. This will help focus the District's business operations on the creation of collaborative decision-making structures. As changing the culture is difficult, this initiative will require clear strategic vision and commitment from the Board and central administrators, strong leadership, and changes in the supporting structures. A well-conceived and well-managed culture, closely tied to an effective business strategy will help eliminate a considerable measure of dysfunction inherent in a bureaucratic environment.

ORC defines school district treasurers as the chief fiscal officer (CFO) of the district who, by law, is charged with handling all monies for that entity. In this regard, the District's organizational design model is constrained by statute. Therefore, enhancing the functioning of the Treasurer's Office based on the work model must be approached from the perspective of whether characteristics of a professional CFO model would enhance functioning over the traditional CFO model within a bureaucratic organization.

The bureaucratic and political nature of all public boards of education can create built-in obstacles to the efficiency of operations due to heavy reliance on compliance with legislation and rules. This naturally leads school districts toward characteristics in which communications generally have a top-down orientation (if they occur at all), subordinates have little input on decisions which affect them, hierarchical positions often lack technical competence, and centralization (hierarchy of authority) is very high. In order to keep operations running, the focus is often on short-term fixes to problems rather than implementation of long-term remedies.

However, the quality-focused organization places more emphasis on degree of excellence of outputs (sometimes less efficient but usually more effective), and is characterized by a more decentralized environment in which communications flow freely up and down and side to side, responses to technological innovations are made, and job satisfaction of employees is a concern.

CCSD Treasurer's Office could be characterized as highly bureaucratic and production oriented based on the following conditions:

- Managers rated operations as both ineffective and inefficient with regard to vendor purchases due to Board policy, which states that all purchases with a single vendor that exceed \$25,000 must be approved through Board legislation. According to employees in the Treasurer's Office, this process is cumbersome and difficult to manage, as information technology systems available do not support the operations and manual file searching and keyboarding is required (for each requisition, an employee has to manually search backwards to see if the purchase must be approved by the Board). A quick remedy for this was to develop a pre-approved vendor list for purchases that exceed the \$25,000 threshold to avoid seeking Board legislation for items such as \$50 in pizza or \$100 for homecoming supplies that exceed the \$25,000 in purchases with a single vendor. However, the District must ensure that it maintains ORC compliance with competitive bidding thresholds.
- Efforts leading toward establishment and implementation of an enterprise resource planning (ERP) system to provide a technology systems interface between personnel and payroll were tabled due to lack of funds. There is no long-term strategy for responding to technological needs. (See **internal controls, statutory compliance and technology.**)
- The Treasurer's Office does not work with the District's Human Resources Department to ensure that new hires are afforded some level of formalized training once they have been assigned a position in the Office. According to one of the Assistant Treasurers, about 90 percent of the account clerks in the Treasurer's Office

came from the food service division of the District and have little or no computer or keyboarding skill. There is no formalized training plan in place to help ensure that employee learning and development is maximized for success in their jobs.

- The Treasurer's Office does not maintain comprehensive and accurate job descriptions for line and management staff positions within its own Office. The job descriptions provided for review were brief summaries of duties by employee, not by classification. All management employees in the Treasurer's Office are classified supervisors, or Accountant II's; staff employees are classified as either secretaries or Account Clerks. Job descriptions by classification were obtained from the HR department. Although there is a measurable degree of variation and skill level required for different functions in the Treasurer's Office (some jobs require more analytical skills), there is no formalization of the differences in task requirements, responsibilities, or experience needed.
- Staffing level additions or changes are slow and decision-making regarding staffing does not appear to be a collaborative effort. One Assistant Treasurer assumes the responsibility for facilitating all staffing additions within the office. The process is too highly centralized to be effective. Decentralization of the process would allow each hiring manager to work closely with HR to fill position vacancies, once a collaborative decision is made to proceed based on budget provisions.
- The Treasurer's Office lacks the dynamic and symbolic leadership needed to champion change and shoulder the competitive pressure and public scrutiny to which it is subject.
- Vertical structures impede functioning and communications and do not support collegial problem solving. Despite its bureaucratic characteristics, the Treasurer's Office is under-organized.

A transformation of the Treasurer's Office will require the support and cooperation of administrative structures outside its Office. The following activities are recommended to help the District achieve a higher level of quality and functioning:

- Allocate resources in response to technological needs. This will help avoid manual errors and facilitate workflow processes and effectiveness. (See **work processes, policies and procedures and protocols**.)
- Increase formalization of job descriptions to better define tasks and responsibilities. This will help increase organization and understanding of expectations, which encourages job satisfaction.

- Decrease centralization in hiring and training employees to help facilitate communications between and among hierarchical layers. This would help expedite meeting needs of the Office such as filling job vacancies, and training employees. Once the Treasurer and budget officials granted the appropriate approval, hiring managers should work directly with HR to post vacancies, select employees, and implement training followed by monitoring and evaluation.

By implementing a quality orientation in the Treasurer's Office and requiring collaboration and assistance from other operational units, the Board will be able to assist the Office in remedying several problem areas in communication, employee skill level, job satisfaction, and customer satisfaction. However, without the assistance and collaboration of other administrative units, a cultural transformation will not be possible.

B. Work Processes, Policies and Procedures, and Protocols

Background

This section focuses on work processes, policies and procedures, and protocols within the Treasurer's Office and Office of Internal Audit of the Columbus City School District (CCSD or, the District). The objective is to review and evaluate selected operations and practices and develop recommendations to increase efficiency and effectiveness. Comparisons are made with peer school districts, most notably Denver Public Schools, Seattle Public Schools, and Westerville City Schools. Additional comparisons are made using best practices obtained from national organizations such as the Government Finance Officers Association (GFOA).

The CCSD Board of Education requested this review of work processes, policies and procedures, and protocols to provide the future internal auditor and treasurer with blueprints for correcting issues that existed prior to their arrival. The District would like to ensure that departmental policies and procedures are consistent not only with peer districts within Ohio, but also best practices employed by schools nationwide. In the past, financial policies have not always been consistent with management goals or based on reasonable and sound analysis. It is essential that these problems be corrected as sound financial policies are essential to facilitate the development of service, capital, and financial plans, as well as the annual budget.

The Treasurer's Office is responsible for a number of different activities including tracking of student activity funds, fixed asset management, posting of all District financial transactions, bank reconciliations, administration of grant programs, and payroll. However, in most cases the District does not adequately document the procedures which are used in these processes. Formal procedures are essential because they communicate how day-to-day activities comply with the District's policies. In a high-performing organization, documented procedures provide a starting point for correcting functional problems. Documented procedures allow management to identify specific flaws in the management system and correct those problems before they evolve into larger issues. Without formal procedures, the CCSD Treasurer's Office has also experienced significant problems within its system of accountability, internal control, and organization communication. These problems have resulted in financial audit citations, poor functional relationships with other district departments, and undesirable publicity. In contrast, IA has formal procedures but these procedures are not communicated to staff and other stakeholders. This has resulted in communication problems and problems with staff following protocols.

Recommendations

R2.8 The District should follow and enforce its currently established procedures concerning the financial reporting of student activity funds. The role of the area treasurer should be limited to quality control and should not extend to the day-to-day duties of building staff. In addition, the Treasurers' Office should implement an annual training program to ensure that building staff are aware of reporting requirements and position expectations in regards to financial reporting. Disciplinary procedures should also be formally outlined for staff members who repeatedly do not comply with reporting requirements. If necessary, the Treasurer's Office should also consider a periodic review of procedures with building staff to ensure that requirements are not excessive and procedures are conducted in the most efficient and least time-consuming manner possible.

Under the current organizational structure, CCSD has 18 area treasurers organized under the direction of the School Support Supervisor. The area treasurers are responsible for reviewing financial information reported by building personnel prior to its submission to the Treasurer's Office. According to the School Support Manager, school building staff often do not place a high priority on financial reporting because they do not understand the link between financial reporting activities and student education. This results in incomplete or incorrect reports being submitted to the Treasurer's Office. This has been a persistent problem and has resulted in a significant number of non-compliance citations in the District's financial audit report. (See the **internal controls, statutory compliance and technology** section). In an effort to remedy this problem, area treasurers have, in many cases, extended their role beyond that of supervision to actually performing the duties of building staff, including completing expenditure tracking and day-to-day financial monitoring activities, primarily for student activity funds.

The District has formal procedures which specifically detail the role of the area treasurer in reporting student activity funds. These procedures state that it is the responsibility of area treasurers to answer questions that building principals may have about procedures and review completed work to ensure its accuracy. Student activity sponsors are responsible for the financial reporting of their designated activities. However, building principals are responsible for correcting any areas of noncompliance as they pertain to the activities in their building. Area treasurers are also responsible for ensuring that all appropriate documents are present when information is submitted to the Treasurer's Office.

As previously mentioned, school building staff do not place a high value on clear and accurate reporting of financial information primarily because student activities have only an indirect link to educational objectives. The school support manager noted that this attitude may be because many student activity sponsors are teachers or other building

staff. In many cases, the staff members do not have sufficient experience or training in financial reporting standards and are not held to a high level of accountability for issues unrelated to educational outcomes.

The District's formal procedures ensure the quality and accuracy of the reports by providing two levels of review. First, a detailed review of student activity fund reports is conducted by area treasurers, followed by a high level review by the school support manager. Therefore, area treasurers circumventing the process and completing financial reports for building staff undermine the established system of quality control. Under the District's current practice, the School Support Manager is the only formal level of review for all student activity reports submitted by the 18 area treasurers. This does not facilitate a quality review, as evidenced by the District's past three financial audits, each of which included noncompliance citations concerning student activity funds. As a measure to improve the quality of reports received, the Treasurer's Office should work with the Superintendent and Board to establish a system to enforce reporting requirements, including a fair system of consequences for building employees who habitually neglect the reporting requirements.

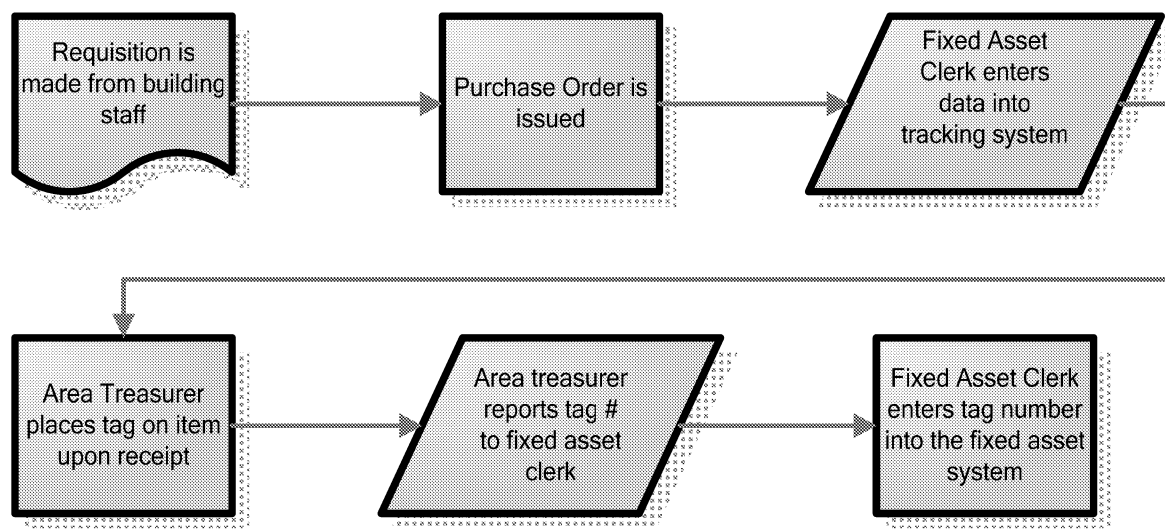
R2.9 The District should implement a fixed asset tracking program to improve asset management and inventory related tasks. Based on the capabilities of this program, the District should revise its existing policies and procedures concerning fixed asset management and aggregate them into a single document that details the following aspects of the fixed asset system

- **Purpose, benefits and responsibilities**
- **Accounting requirements, property status, property disposal, inventory accountability**
- **Property responsibility and control principles**
- **Accounting procedures and classifications**
- **Monitoring (asset types, creating a record, irregular items)**
- **Annual Inventory Procedures**
- **Labeling standards**
- **Central receiving**
- **Forms and documentation**

The District should also amend its procedures for the receipt of fixed assets so that all items that exceed the District's defined capitalization threshold (currently \$5,000) are received and tagged centrally. Items that do not exceed the threshold can be received and tagged locally by the person issuing the initial requisition for the item.

Under the current organizational structure, fixed asset management is the responsibility of the school support supervisor. Two full-time staff members with support from area treasurer's perform fixed asset activities. The District's process for tracking non-computer fixed assets is as follows:

Chart 2-1: Fixed Asset Tracking



Note: According to the detailed Capital Asset Narrative written by AOS financial auditors, principals or their designees may also place tags on assets received.

Several inefficiencies and control deficiencies were identified in the District's current process. These are detailed below:

- **Database Management:** The District uses three separate databases for fixed asset management, including a database for additions, administrator tracking, and transfers of fixed assets.
- **Overlap of Duties:** Disposal is performed through the delivery services department. Therefore, information pertaining to the disposal is frequently not communicated to the fixed asset department.
- **Barcode Application:** Barcodes are not affixed to items by the person who receives them but rather, by the building principal, area treasurers, or the principal's designee. Area treasurers are responsible for tagging items and completing the appropriate forms. According to the School Support Supervisor,

items could be in the district's possession for several weeks before they are tagged and entered into the system.

- **Internal Control of Barcodes:** Entire rolls of barcodes are given to area treasurers rather than being issued as needed. This presents a significant risk for fraud or misplacement.
- **Accountability:** The District requires no accountability for items that cannot be located during asset inventory. Items that cannot be located are searched for and then recorded as lost with no further verification. In addition, staff members are not held responsible for items in their possession that cannot be located.

Denver Public Schools has implemented effective and efficient fixed asset tracking guidelines. The District has developed a property control manual that clearly outlines the aspects of the fixed asset management program noted in this recommendation.

The property control manual establishes an operating standard for Denver Public Schools regarding property control, accountability, responsibility, and general fixed asset management. It is the means by which all Denver staff can understand the requirements of fixed asset management and a comprehensive methodology for site based end-users of District property. In addition, such a manual provides consistent fixed asset reporting procedures for maintaining and updating inventory records.

Westerville City School District has also implemented an effective and efficient fixed asset tracking process. Westerville logs and tracks fixed assets through its enterprise resource planning (ERP) software, Comprehensive Information Management for Schools (CIMS). Based on the capabilities of this program and the District's tracking needs, the District has set-up two methods to track and receive fixed assets, based on its threshold for capitalizing fixed assets (currently \$2,500).

Any District employee wishing to purchase an item with a value greater than \$2,500 must initiate their order through the CIMS system. Once entered, the requisition is reviewed by the Purchasing Office and converted into a purchase order. Purchase orders are printed daily along with a log of intended fixed asset acquisitions. This log is presented to delivery staff at the district's central receiving location. Westerville CSD receives the items centrally and uses central receiving staff to affix a barcode and enter information into the fixed asset database. Items are then delivered to the staff member placing the original requisition.

For items greater than \$100 but less than \$2,500, the District follows a similar process. The employee submits a requisition in the CIMS system to be reviewed by the purchasing office. The purchasing office then converts the requisition to a purchase order and prints

the daily log of intended asset acquisitions. A hard copy of the purchase order is then sent to the requestor. Attached to the purchase order, the requestor receives a fixed asset information form and a barcode. The requestor is responsible for ensuring the form is completed and the barcode is placed on the item when delivered. If the purchase is not completed, the requestor returns the unused tag to the purchasing office. If the fixed asset form is not submitted within seven days, the employee is responsible for producing the form or the unused barcode. Under this system, responsibility is clearly defined and inventory checks can be performed on a daily basis when needed.

According to the Columbus CSD School Support Supervisor, the District does not use central receiving for any non-computer purchases regardless of value. The School Support Supervisor indicated that it has historically been the view of management that centralized receiving consumes resources that could otherwise be diverted to educational programs. However, this decision was not based on a formal analysis of the costs associated with a poorly designed fixed asset system (i.e., the cost of replacing lost or stolen items).

Implementing a fixed asset management program will provide the basis for system redesign. The program will consolidate existing databases, thereby decreasing the number of database users and increasing internal control. This simplification of the District's existing management program will make it easier to develop guidelines and procedures that can be communicated to end-users and applied consistently. Due to the large number of assets for which the District is responsible, an efficient and effective fixed asset system is essential to ensuring that it does not waste resources replacing items which have been lost or stolen. In addition, simplification of this process will eliminate the need to use area treasurers to locate and tag acquisitions, allowing more time to focus on other areas of the District financial reporting structure. See the **internal controls, statutory compliance and technology** section for further discussion on an ERP system for the CCSD.

R2.10 The Board of Education should consolidate all grant related activities in a single office under the direction of the Treasurer or Chief Financial Officer. Specifically, the budgeting for grant programs should be moved from the Office of Budget and Management into the Treasurer's Office. Under the central leadership of the Treasurer, the District should work with grant managers to revise grant policies and processes to be more efficient, consistent, and easily communicated. These revised policies and procedures should be communicated through a single document and periodic training sessions for grant managers.

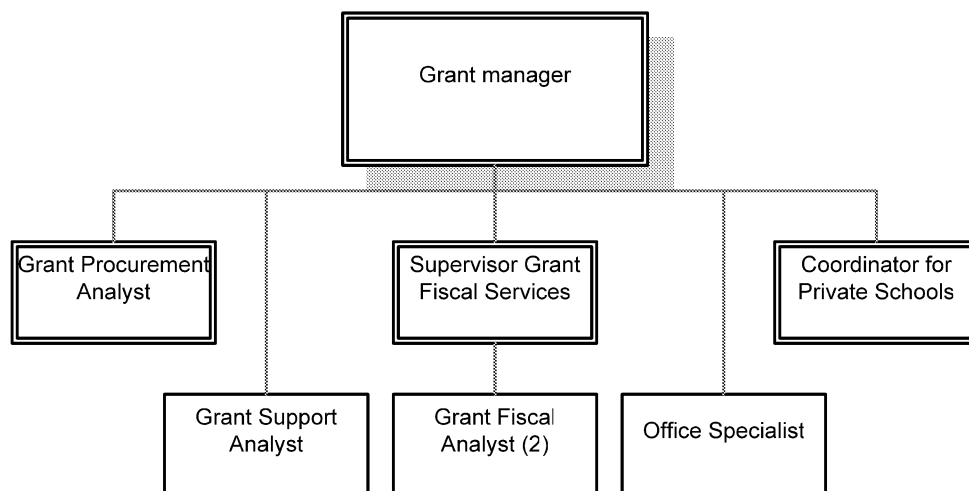
According to the Treasurer, the District managed approximately 600 different grant programs in FY 2004-05. Under the current organizational structure, management of grant programs is inefficient. The grants process, as shown in the Districts FY 2004-05

Grant Guidelines, could require coordination and interaction with up to seven different District departments. In addition, coordination and communication problems exist between the Office of Budget and Management and the Treasurer's Office. According to the Special Funds Manager, the District's process for the fiscal management of grant programs is not formalized. This has resulted in the Special Funds Department and Office of Budget and Management having conflicting views of which activities are within the scope of their duties. These activities include budget monitoring, budget adjustments, and advising employees on how and when grant monies may be spent. As a result, grant program managers may receive conflicting or incorrect advice.

Due to the varying levels of complexity surrounding grant programs, many similar-sized districts have chosen to consolidate all grant services under a single point of contact in the District. Of the districts reviewed, Seattle Public Schools had the most comprehensive, well-organized grants management program. This program is administered through an Office of Grant Services under the direction of the Chief Financial Officer.

The Seattle Public Schools Office of Grant Services is organized under the following structure:

**Chart 2-2: Seattle Public Schools Office of Grant Services
Organizational Chart**



Source: Seattle Public Schools

Table 2-1 details the roles of each position shown in **Chart 2-2**.

Table 2-1: Description of Key Job Roles

Position	Duties
Grant Manager	<ul style="list-style-type: none"> - Provides leadership and management oversight to the District's grant procurement and maintenance program - Supervises and evaluates staff performance - Assists the District in the resolution of audit findings
Grant Support Analyst	<ul style="list-style-type: none"> - Coordinates office external communications - Prepare maintains and updates policies and procedures, business and work plans, website, grant award files
Grant Procurement Analyst	<ul style="list-style-type: none"> - Provides management level support for the development, and acquisition of grant revenues. - Acts as a consultant to schools and central office - Acts as a contact for grant funding agencies - Provides training and assistance to various staff - Reviews and edits grant applications to ensure they meet district quality expectations - Assists in resolving audit findings
Grant Fiscal Services Supervisor	<ul style="list-style-type: none"> - Provides management level support for the development , acquisition, and revenue control for awarded grants - Ensures maintenance and control of master budget files. Reconciles differences between the current budget and approved budgets - Consults with school and central office staff regarding cost analysis and compliance requirements - Prepares and distributes to senior managers fiscal reports and grant revenue updates for budget development - Researches proposed and adopted state budgets and prepares an analysis of their future impact on the District
Grant Fiscal Analyst	<ul style="list-style-type: none"> - Assists school and non-school staff with the development, implementation, operation and modification of their grant budgets - Monitors and reports and the expenditure of grant budgets - Assist school personnel in the resolution of grant related issues - Assists in the training of program managers - Provides advisory support on how to best utilize grant dollars
Coordinator for Private Schools	<ul style="list-style-type: none"> - Coordinates private schools under federal programs
Office Specialist	<ul style="list-style-type: none"> - Performs various clerical duties such as processing documents and preparing forms - Provides information and assistance regarding procedures and required documents

Source: Seattle Public Schools Grant Management Manual

Seattle Public Schools supports the grant services structure with a user-friendly grants management manual. This manual explicitly communicates the grant process and the District's expectations relating to the administration of a grant program. Key components are as follows:

- General responsibilities of a grant program manager;
- Scope and design of the District’s grant management program;
- Basic functions, organizational structures and description of services provided; and
- Operating procedures and guidelines relating to procurement and operations.

In addition, the appendix of the manual provides staff with specific points of contact for various grant services. This appendix shows the following for each building, department, and program in the District:

- Building or Unit Name;
- Principal;
- Grant Program Director;
- Grant Fiscal Analyst; and
- Budget Analyst.

Under the provisions of ORC § 3313.31, the Treasurer is declared by law to be the “chief fiscal officer of the school district subject to the direction of the board of education.” In contrast, the superintendent is held accountable for all other operations within the District. In order to provide the Superintendent with greater control over the programs and activities for which CCSD is accountable, the District has placed all budgeting activities under the Superintendent in the Office of Budget and Management rather than the Treasurer. It should be noted that the other districts examined are not subject to any law comparable to ORC § 3313.31 and therefore have chosen to place their Chief Financial Officer (including budgetary functions) under the direction of the superintendent.

CCSD’s organization of these functions has resulted in an organizational structure in which two departments under different supervision are involved in the same process. Inherently these departments have conflicting goals related to the process. The Special Funds Department conducts its activities with the intent of ensuring that grant monies are spent, recorded, and reported in accordance with grant guidelines and specifications. In contrast, the Office of Budget and Management conducts its activities with the primary goal of maximizing the efficient allocation of resources and, according to the Budget Director, the Office of Budget and Management permits optimal program decision making. The conflicting goals could be minimized with increased levels of coordination and specific delineation of duties, but due to recent management turnover and lack of strategic guidance, these elements have not been present in CCSD.

Without coordination and explicit delineation of duties, departments have been free to independently interpret their role in the grants management process and have advised employees accordingly. The result has been repeated audit citations relating to grant funds that the District has been unable to fully resolve. Creating a single point of information with explicitly defined duties will eliminate the ability for departments to advise employees based on incorrect or differing interpretations of grant standards. This will result in improved financial reporting and increased accountability.

R2.11 The Office of Internal Audit should resume regular audits of student activity funds. Student activity funds should be audited, by building, on a regular basis. These audits should include a review of compliance with District policies, procedures, and Ohio statutory requirements.

The CCSD Office of Internal Audit does not regularly audit student activity funds. According to the Internal Audit Manager, the Office has audited student activity funds in the past, but this practice was discontinued at the discretion of the prior Internal Auditor. A review of internal audit reports showed that only four high schools were subjected to these audits and the last report was issued in October 2003. In some instances, specific aspects of student activity funds have been reviewed as a component of internal audits, but these were small components of special reviews conducted to address allegations of fraud or improper conduct. While the student activity funds are a small percentage of the District's total budget, the inherent risk associated with cash and cash transactions within the student activity funds is high.

Denver Public School District (DPSD) uses its Internal Audit Department to consistently monitor and proactively identify problems with student activity funds. The department receives monthly updates on student activity funds and performs periodic audits in each building on the following schedule:

- High Schools: Every Year
- Middle Schools: Every 2nd Year
- Elementary Schools: Every 3rd Year

According to DPSD's internal audit supervisor, the Department allocates about 50 percent of its time to monitoring and auditing student activity funds. DPSD initiates the audit process by attempting to identify potential audit issues proactively. On a monthly basis, its internal audit department receives student activity reports from the building bookkeepers (equivalent to CCSD area treasurers) and secretaries. These reports are given a high-level examination and reconciled to bank records. Reports which are consistently submitted late or do not reconcile are then flagged for a more frequent review than the schedule listed above.

DPSD also uses its internal audit department as its singular authority on procedures and reporting requirements of student activity funds. This eliminates variations in the process, minimizes the risk of incorrect information being disseminated to employees, and ensures that procedures meet audit standards. To support this role, the Internal Audit Department conducts periodic training sessions to communicate reporting requirements to appropriate staff. These trainings include components detailing procedural issues, changes from prior years, and discussion on the importance of accountability and documentation.

The CCSD Office of Internal Audit has not historically reviewed student activity funds at the discretion of management. Based on a review of reports issued in the last year, management has placed greater emphasis on allegations of misconduct and review of existing processes.

Student activity funds have been a persistent problem for CCSD in several regards. As noted in **R2.8**, the student activity reports are frequently completed by area treasurers who are supposed to be the first level of review for the reports. In addition, the District's last three financial audits have contained findings noting that CCSD does not follow its policies for reporting student activity funds. In the most recent financial audit, 70 percent of the fundraisers tested did not meet financial reporting standards. By implementing regular audits of student activity funds, CCSD can begin to resolve these issues and improve the quality of its financial reporting. Conducting internal audits of student activity funds will also give the District an opportunity to identify issues proactively, which may result in fewer future audit findings or citations.

R2.12 The District should seek to enhance communication in the Treasurer's Office by creating a formal policy and procedures manual which meets best practice standards. The District should consolidate its current department level procedures into a single manual which can be used to support operations and supplement training materials.

The District has documented its accounting policies and procedures two ways. The Treasurer's handbook seeks to provide guidance in the conduct and documentation of financial transactions. This handbook is intended for use by area treasurers, building and department administrators and secretaries, budget administrators, and any other persons responsible for District funds. This handbook has not been updated since 2002 and does not reflect all of the District's current policies and procedures. In addition to the Treasurer's handbook, informal documented procedures exist in some departments. However, these documented procedures are used primarily by Department managers and are assembled in a paraphrased or abbreviated manner rather than a formal document to be used by employees.

According to the Government Finance Officers Association (GFOA), governments should document accounting policies and procedures. Several best practices for the presentation of policies and procedures are detailed below:

- Accounting policies and procedures should be disseminated by an appropriate level of management to emphasize their importance and authority;
- Documentation of accounting policies and procedures should be updated periodically according to a predetermined schedule;
- Changes in policies and procedures that occur between these reviews should be updated in the documentation as promptly as they occur;
- A specific employee should be assigned to this process with management being responsible for ensuring that this duty is consistently performed;
- Documentation should be readily available to all employees who need it. It should delineate the authority and responsibilities of all employees and detail which employees are to perform which tasks; and
- Documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to increase employee understanding of and support for controls.

One of the District's two assistant treasurers has initiated an effort to formally document the District policies and procedures. However, this effort appears to be limited to those functions which fall under her supervision. The remaining three departments in the Treasurer's Office do not have formal procedures disseminated to employees or approved by management. Documented policies and procedures which do exist have not been put together in a manner which meets best practice standards. However, it should also be noted that the effort to assemble documented policies and procedures is ongoing and, therefore, in progress at the time of this audit.

A well designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. It will help to ensure that procedures are performed as they are intended and in a consistent manner rather than in a haphazard fashion. Documented policies and procedures can also serve as a useful training tool for staff, supplementing the efforts recommended in the **organizational structure and design** section.

R2.13 On at least a quarterly basis, the Treasurer should include a report on the District securities portfolio in the monthly financial reports submitted to the Board of Education. In light of recent significant changes to the Districts portfolio, the District should consider reporting with greater frequency. In addition, any departmental report, individual fund report, or similar report should include a management discussion and analysis which is objective, easily readable, and based

on currently known facts, decisions, or conditions. Management discussions and analyses should be brief and supplement the information presented in the financial reports.

Each month the Treasurer's Office presents selected financial reports to the Board of Education. These reports include the following:

- **Financial Report by Fund:** A high level view of all funds maintained by the District. This report shows opening cash balance, revenue, expenditure, and encumbrance activity
- **Appropriation Financial Report:** Summary listing General Fund expenditures and encumbrances by function
- **Detailed Financial Report by Fund:** Lists all funds with month-to-date revenues and expenditures

These reports do not typically include a discussion from the Treasurer of significant events or an analysis of potential future risks. Based on interviews with District staff, there is also no evidence that the Treasurer's Office has presented investment information to the Board on a consistent basis.

The GFOA recommends that state and local governments responsible for investment portfolios reporting determine the market value of all securities on at least a quarterly basis. These values should be obtained from a reputable and independent source and disclosed in a written report. It is recommended that the report include market value, book value, and unrealized gains or losses of all securities in the portfolio.

In addition to submitting a quarterly investment report, the GFOA recommends that management discussions and analyses be presented in conjunction with departmental reports, individual fund reports, and similar reports. The discussion should precede basic financial statements and any required supplementary information. The purpose of management discussions and analyses is to provide objective and easily readable analyses of financial activities based on currently known facts, decisions, or conditions.

The Treasurer's Office includes information relating to the performance of investments in the Comprehensive Annual Financial Report (CAFR). However, this information is not required to be submitted to the Board for periodic monitoring. In addition, the information presented in the financial report is, in most cases, presented in aggregate rather than on an itemized basis. The August 2003 CGCS report made several investment related recommendations, including establishing benchmarking tools to measure investment performance.

Regular disclosure of investment performance can further stakeholder confidence in the District's investment practices. In addition, it will provide the Board an opportunity to proactively identify underperforming investments and change these investments if necessary. In addition, the inclusion of management discussions with monthly financial reports will provide documented identification of key issues impacting the District. Future risks should also be identified, providing an opportunity for the Board to act proactively to minimize risks. The discussions can also serve as an evaluation tool for the treasurer position, as routine misidentification of key issues could signal underperformance.

C. Internal Controls, Statutory Compliance, and Technology

Background

Internal control is broadly defined as a process, affected by an agency's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

Internal controls are tools that help agencies be effective and operate efficiently while avoiding serious problems such as overspending, operational failures, and violations of law. Internal controls are the structures, policies, and procedures put in place to provide reasonable assurance that management meets its objectives and fulfills its responsibilities by serving as safeguards against undesired actions.

A well-designed internal control structure reduces improper activity. Designing and implementing internal controls is a continuous process that should be consistently monitored for effectiveness. As conditions change, control procedures may become outdated and inadequate. Management must anticipate that certain procedures will become obsolete and modify internal control systems in response to changes such as new compliance requirements or organizational structure changes.

The internal control process has five components: control environment, risk assessment, control activities, information and communication, and monitoring. Major internal control areas include budget management, payroll administration, procurement and disbursement, property management, and personnel (e.g. conflict of interest, acceptance of gifts, and employment of relatives).

Most internal controls are classified as either preventative or detective. Preventative controls are designed to discourage errors or irregularities, while detective controls are designed to identify an error or irregularity after it has occurred. Internal controls are also an integral part of compliance requirements to help ensure that applicable laws and regulations are met.

Internal Controls in CCSD

CCSD is responsible for establishing and maintaining internal controls to protect against the loss, theft, or misuse of its assets, as well as to reduce errors in reporting. The Treasurer's Office is a key area where controls are established. However, based on the District's independent financial audit, CCSD has not fully complied with internal control and compliance requirements. In addition, controls and compliance procedures have not been sufficiently formalized in written form for staff to understand their individual and collective responsibility for internal controls and compliance.

CCSD maintains its own Office of Internal Audit, which is responsible for reviewing and strengthening the District's internal controls. However, IA has not been effectively used and follow-up on audit report citations has not been sufficiently timely in its feedback to CCSD administrators to be useful in correcting deficiencies. The current Audit Committee is also not sufficiently involved in monitoring the audit process, giving guidance on audit areas and setting deadlines.

The internal control process could be enhanced by a technology system that fits the size and the needs of the District. CCSD does not have an information system to effectively and efficiently perform accounting and human resources related functions. CCSD operates many smaller applications including an outdated MS-DOS system that does not interface between required functions. Many larger government entities have strengthened processes by implementing ERP systems and bringing all financial and personnel functions together to maximize effectiveness and efficiency in operations.

CCSD could also strengthen its internal control processes by compiling written policies and procedures that properly fit each departmental function. Policies have not been tailored toward the stated mission of the District and do not establish responsibility for meeting objectives. Many CCSD procedures are copied from other agency manuals without altering the procedures to fit District operations in a realistic manner. In addition, CCSD has not invested sufficient resources in training to optimize its human resources. Internal Audit and Treasurer's Office staff have not been sufficiently trained to produce outputs that meet statutory compliance and internal control requirements.

Recommendations

R2.14 In order to improve its statutory compliance, CCSD should develop methods to follow up on compliance and control recommendations or audit report citations. In conjunction with these processes, it should develop an internal audit manual to help guide the Office of Internal Audit in reviewing and resolving compliance issues. Lastly, CCSD should enhance communication between Budgetary Office, Treasurer's Office, and Board to ensure that each party fulfills its responsibility in ensuring compliance with State and federal regulations and reporting requirements.

AOS reviewed prior audit reports and management letters for fiscal periods of 2002, 2003, 2004. The results of the review show the District has not complied with all regulatory laws and received noncompliance citations and recommendations including those citing failure to adhere to District policy. During the past three financial audits, the District has received a total of 43 noncompliance citations; 24 federal citations (56 percent), 11 state citations (25 percent), and 8 District policy citations (19 percent). Of these citations, 18 citations were repeat citations resulting from a failure to correct the noncompliance issue. CCSD has agreed to pay back \$1,002,409 in questioned costs and improper period expenditures over the last three years due to its inability to comply with federal grant requirements, although the repayment has not yet been made.

Statutory compliance is an integral part of the District's functions over certain forms of governmental financial assistance. According to "Codification of Statements on Auditing Standards," by accepting grants and other monies, the District is subject to laws and regulations that may have a direct and material effect on the determination of amounts in their financial statements. For example, such laws and regulations may address the fund structure required by law, regulation, or bond covenant; procurement; debt limitations; and legal authority for transactions. It is the duty of the District to meet such requirements in order to continue receiving school funding. According to Ohio Revised Code Section §3313.31, the treasurer is required to perform all duties relating to moneys. Therefore, the treasurer of the board is responsible for ensuring that statutory compliance is met. However, per review of the District's financial audit report and management letters, the District has received several noncompliance citations. In addition, the District has often been required to repay federal funds.

The District has failed to communicate statutory requirements and establish responsibility for adherence to regulations. The District does not have specific compliance guidelines or manuals for staff to aid in complying with statutes. In addition, the District does not have an effective control method to ensure statutory compliance, nor a corrective action plan to address noncompliance citations. District staff is unclear on departmental roles and responsibility for statutory compliance. Also, the organization structure does not facilitate the flow of information or enhance accountability. Further, the district does not

have an Enterprise Resource Planning (ERP) system to support the flow of information between departments properly.

Effective communication is key to achieving statutory compliance. CCSD must ensure that staff is informed of and responsible for their part in ensuring compliance with District policy and State and federal requirements. Compliance manuals, including documentation of staff's understanding of their role in the compliance process, should be developed to help employees better understand their departmental and individual roles in the process. A compliance manual to help guide IA would ensure that IA staff have appropriate procedures to monitor and correct non-compliance issues.

Follow-up methods for non-compliance issues are also critical in ensuring statutory compliance. The District does not have a method for controlling statutory compliance and there is no follow-up procedure. This is an overarching issue between the responsibilities of the Board, Treasurer's Office, Audit Committee, and Office of Internal Audit. The District does not have specific control policies, department responsibilities, or individual job descriptions to clarify responsibility and facilitate a follow-up process. IA should have the duty to follow up on the compliance and control recommendations or other audit report citations as directed by the Audit Committee. By following up on audit report citations and recommendations, the District will be able to quickly identify the areas of deficiencies for proper correction, thus resulting in minimizing repeat audit comments.

Lastly, the District's organizational structure does not facilitate the flow of statutory responsibility. Confusion exists in departmental reporting and responsibility. The District lacks proper communication of the desired participation to achieve compliance with statutory requirements. Financial functions are separated between the Treasurer's and Budgetary Offices. The separation causes miscommunication over functional responsibility to ensure compliance requirements are met. There has been no evidence of collaboration between the departments to help bridge the gap in achieving set rules of specific responsibilities. Enhancing communication between the Budgetary Office, Treasurer's Office, and Board would decrease the likelihood of critical compliance issues being overlooked and improve coordination between the two departments.

R2.15 CCSD should take steps to improve internal controls by clearly defining control procedures in a standard, written format. Proper control procedures enable personnel to comply with standards set forth by management. These procedures help explain by whom, what, and how internal controls are to be implemented and achieved. A standard control policy and procedure manual should be designed to reflect the duties of each department. Also, the District should work to enhance communication between the Budgetary Office, Treasurer's Office and Board. By setting the correct tone at the top, and illustrating proper guidance and a desire to

achieve compliance with controls, the Board can help facilitate the flow of communication between departments.

Furthermore, the Board, through the Audit Committee, should develop methods to follow up on compliance and control recommendations and audit report citations. The Audit Committee should set internal audit deadlines in a timely manner to quickly resolve all control and compliance issues. The Audit Committee's commitment to resolve all reported citations through the use of internal audits sends a firm message to all personnel that controls and compliance are an important priority to the District. Lastly, CCSD should enhance training for IA and Treasurer's staff. Limited understanding of internal controls and other finance related matters directly affects the Treasurer's staff on issues like timely reporting, and the IA staff on issues such as independence.

The District does not have specific written control procedures for the staff to follow. Specific control responsibility is not assigned to departments or personnel. There also is no standard for ensuring internal control compliance and performance measurement (see **R2.12**). Also, the District does not have an effective flow of communication between critical departments. District operational departments, falling under the Superintendent's Office, are not clear on their responsibility for internal controls related to the Treasurer's responsibility to ensure that controls are implemented.

Prior audit reports and audit committee minutes provide evidence that the District does not have a proper follow-up process to correct compliance and control citations. This has resulted in several repeat citations. Currently, the IA staff has six months in which to complete any audits or follow ups. Policy states that follow-up is based on a rating system; however, it is not followed. This practice encourages the continuance of poor controls and noncompliance. Failure to perform follow-ups in a timely manner causes the implementation of corrections to be delayed. As a result, the next audit often detects continuing control failures and noncompliance issues before corrections are fully implemented. By establishing proper audit deadlines, the District can quickly resolve issues to ensure compliance and mitigate the risk of repeated citations in their audit reports. Internal Audit has recently implemented a new follow-up procedure of 90 days. However, the effects of the shortened time frame can not be measured at this time.

Furthermore, the IA staff and Treasurer's staff do not receive adequate training to help provide them knowledge to perform their job functions. A general standard of controls requires that staff maintain a level of competence that allows them to accomplish their responsibilities and understand the importance of implementing good internal controls. One example of the shortfalls in the current training is IA staff's misunderstanding of independence requirements. Although the internal audit manual has a policy regarding independence, the IA staff does not properly document its independence when

conducting the audit. A review of Audit Committee minutes showed that the Audit Committee has improved its monitoring of the Office of Internal Audit; however, the committee does not set proper deadlines by which the internal auditors should complete their work. As a result follow-up audits are not performed or completed in a timely enough manner to provide a remedy for audit citations. Therefore, many citations have been repeated year to year.

Internal controls are an integral part of any organization's financial and business policies and procedures. Internal controls consist of all the measures taken by the organization for the purpose of; (1) protecting its resources against waste, fraud, and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the applicable laws and regulations and policies of the organization. Although internal controls are an important operational function, the District does not effectively communicate to all levels of staff the desired level of understanding and participation necessary to achieve compliance.

All departments within the District have some role in internal controls. The roles vary depending upon the level of responsibility and the nature of involvement by the individual. The Board is responsible for establishing the presence of integrity, ethics, competence and a positive control environment. The Treasurer has specific responsibility for internal controls due to his or her responsibility over all District monies. The Treasurer's Office supervisory staff is responsible for executing control policies and procedures at the detail level within their specific units. Each individual within a unit executes the proper internal control procedures associated with their specific job responsibilities.

The Audit Committee and the Office of Internal Audit complete the structural portion of the control environment. The Audit Committee composition of independent professional members helps ensure independence and objectivity in regards to reviewing both internal and external audits. The Committee's prime responsibilities are to oversee the District's independent audit and properly supervise IA. The Office of Internal Audit carries out audits as directed by the Audit Committee.

A proper control environment, as established by the District's administration, sets the tone at the top and influences the control consciousness of its people. Implementing effective control standards is the responsibility of management. Management should develop detailed policies, procedures, and practices conducive to their particular environment. This is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include:

- Integrity and ethical values;
- The commitment to competence;

- A leadership philosophy and operating style (i.e. tone at the top);
- The way management assigns authority and responsibility, and organizes and develops its people;
- Policies and procedures.

Control activities are the policies and procedures that help ensure management directives are carried out. They aid in ensuring that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels, and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

Another factor is management's commitment to competence. All personnel need to possess and maintain a level of competence that allows them to accomplish their duties and understand the importance of good internal control. Management should identify the appropriate knowledge and skills required for each position and provide ongoing training, performance appraisals, and job counseling if required.

The District's organizational structure also affects the control environment. It provides the framework for planning, directing, and controlling operations to achieve objectives. A good internal control environment requires that the organizational structure clearly define key areas of authority and responsibility and establish appropriate areas of reporting and responsibility.

The environment is also affected by the manner in which the District delegates authority and responsibility throughout the organization. Clear and concise directives, which define departmental responsibility, not only aide in the flow of information, but assign effective responsibility over established control procedures.

Pertinent information must be identified, captured and communicated in a form and time frame that enables people to carry out their responsibilities. Effective communication must occur in a broad sense, flowing down, across, and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream. Specific internal control policies and procedures are an effective tool to educate and guide all personnel on the desired participation of ensuring effective internal control compliance.

Monitoring the control environment is a vital, final step in ensuring the success of complying with internal controls. A major role of IA is to examine the adequacy and

effectiveness of the District's internal controls and make recommendations where control improvements are needed. Since IA is to remain independent and objective, it does not have the primary responsibility for establishing or maintaining internal controls. However, the effectiveness of the internal controls are enhanced through the reviews performed and recommendations made by IA.

Proper use of the internal audit function will help in both identifying deficiencies and providing proper remedy for problem areas. In addition, management will be able to promptly evaluate findings, determine proper response actions, and complete implementation of improvements within established or desired time frames.

R2.16 The District should invest in an Enterprise Resource Planning (ERP) system and develop procedures to integrate its financial and operational process to the parameters of the system. A single system would maximize efficiency, improve reporting capabilities, and streamline the flow of information throughout the District.

The District does not have effective technology in place to successfully support its financial functions. The Treasurer's Office uses various applications to perform tasks. General accounting functions are set up in the Uniform School Accounting System (USAS) through the District's A-site. Fixed assets are tracked using Lotus Notes and Microsoft applications are used for day-to-day functions. Poor interface capabilities between the separate applications requires unnecessary manual data entry. For example, the Human Resources Department uses an in-house MS-DOS system which does not interface with the payroll system. Therefore, many hours are spent completing manual data entry to gather payroll related information. Also, based on a review of other available systems, the MS-DOS system is an outdated system. By implementing an ERP system, the District would be able to break down barriers between departments by using a single database system for the storage of all interrelated District information. It would provide staff with the ability to quickly gather information from other areas for their Department so they could work more efficiently. The following functions could be combined into a single operating database that would reduce the duplication of services, manual work, and additional time used to process data from separate applications:

- Accounts receivable,
- Accounts payable ,
- General ledger,
- Customer relationship management,
- Material resource planning,
- Bill of materials,
- Inventory control,

- Purchasing ,
- Logistics,
- Budgeting,
- Human resource management, and
- Report writer.

An effective ERP structure improves efficiencies and enhances controls by providing the following capabilities:

- Data is keyed once, rather than being re-keyed into different systems.
- Detailed records such as budgetary, cash balances, and payroll transactions are instantly available, decreasing processing time and promoting efficient functions.
- Procurement communication improves, decreasing the time and effort devoted to keeping a separate fixed asset tracking system.
- Manual data entry is reduced and reliance on paper documents from other departments is minimized.
- Reports are better integrated; financial, budgetary, and payroll reports can be viewed in conjunction with one another.
- Monitoring capabilities are improved, enabling management to view departmental data instantly.
- Data is more available because it resides in a single database.

CCSD had selected an ERP system to replace its aging in-house and legacy systems but did not follow through on its implementation. The August 2003 CGCS report recommended the appointment of a management team for the ERP project. The Board and District administrators should develop an implementation plan for updated information systems to remedy the reporting and control shortcomings exhibited in the current systems.

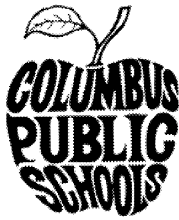
R2.17 The District should use the technology available to facilitate the flow of communication with internal stakeholders. It should make more information available to its Board, administrators, and staff by enhancing its website and intranet by having pertinent information available to stakeholders regarding the functions provided by each individual department.

A comparison of the CCSD's website to the websites of other large districts indicates CCSD does not use its technology to provide critical information to its users. The District does not have an effective system in place to help communicate to staff its mission and goals. Communication barriers have been most noted by staff when performing their assigned tasks. In particular, confusion exists between departments regarding responsibilities and departmental roles. For example, a discussion on communication issues between the Office of Budget and Management and the Treasurer's Office concerning grant management is found in **R2.10**.

Other large districts use their websites as a mechanism to facilitate the flow of information. The Denver and Seattle Public School Districts have many links to their departments and make all board policies available on their websites. The department links help explain the functions and responsibilities of each department. Model districts have the following website information that explains to users departmental functions and responsibilities:

- Treasurer's (or CFO's) Department page,
- Board page,
- Policies and procedures,
- Human Resources links,
- Purchasing information,
- Payroll information, and
- Grants Management information.

A review of the CCSD's intranet was performed to identify pertinent information available to staff. The intranet has several links to departmental forms and some handbooks are available; however, the Treasurer's Office and some other departments do not have specific departmental responsibilities posted. Other large districts use their intranet as a core source of information to enable staff to have the correct tools and information available to meet the mission and goals set forth by management. In those districts, information available on the intranet includes departmental functions, manuals or SOPs, and online forms. Improving the information available on CCSD's web page and intranet would help the District remedy some of the communication issues and procedural problems highlighted in this report.



Columbus Board of Education

Columbus Public Schools • 270 East State Street • Columbus, Ohio 43215

September 23, 2005

Betty Montgomery
Auditor of State
State of Ohio
88 E. Broad Street
Columbus, Ohio 43215

Auditor Montgomery

The Members of the Columbus Board of Education has received the preliminary, draft performance audit report of the Office of Internal Audit and the Office of the Treasurer, and participated in an audit conference with Auditor of State representatives on August 22, 2005.

On April 5, 2005, the Board authorized, by resolution, the Auditor of State to conduct a performance and management evaluation of the Offices of Internal Audit and the Treasurer to focus on the organizational structures, reporting relationships, and capacity; work processes; policies, procedures and protocol; and statutory compliance, internal control and technology in both Offices.

The Board requested such evaluation to provide both the incoming Internal Auditor and Treasurer a blueprint for improvement. As such, the Board welcomes the recommendations offered through this process and as part of the Board's continued commitment in improving processes throughout the District, plans to implement these recommendations as permissible under every changing budget restraints. The Board recognizes the District as an entity and every intricate part thereof, like the Office of Internal Audit and the Office of the Treasurer, affects the whole. Consequently, the recommendations are overarching.

The evaluation of job classification and requirements of employees in the Office of the Treasurer are first for implementation, along with other like matters not demanding significant current resources. Other key issues, Enterprise Resource Planning (ERP) management system and the potential restructuring of the Office of the Treasurer, will require prioritization, so as resources become available, implementation can occur.

The Auditor of State representatives were thorough, as well as, professional in their interaction with District personnel and the Board. On behalf of the Board, I would like to express our appreciation for the work conducted.

Sincerely

Stephanie Hightower, President
Columbus Board of Education

cc: Columbus Board of Education Members