

York Catholic District School Board

MINUTES AUDIT COMMITTEE (Regular Session)

A Regular session of the Audit Committee was held at 320 Bloomington Road West, Aurora, ON and virtually via Google Meets, on Tuesday, April 27, 2021, commencing at 4:30 p.m.

PRESENT:

Committee Members: R. Cantisano, C. Cotton, M. Iafrate
Other Trustees: M. Marchese, D. Mazzotta
External Committee Member: A. Rocha
Administration: M. Battista, A. Yeung, J. Tsai, N. Di Nardo, M. Gray
RIAT Team: P. Hatt, Regional Internal Audit Senior Manager

Other Guests:

Absent with Notice:

Recording: K. Errett
Presiding: M. Iafrate, Committee Chair

1. CALL TO ORDER, PRAYER AND LAND ACKNOWLEDGEMENT

A. Yeung, Chief Financial Officer and Treasurer, called the meeting to order, led the opening prayer and read the York Catholic District School Board Land Acknowledgement.

2. ELECTION OF CHAIR

Trustee M. Iafrate was acclaimed Audit Committee Chair for 2021 on nomination by Trustee Cotton and seconded by External Audit Committee Member, A. Rocha.

3. ELECTION OF VICE-CHAIR

Trustee R. Cantisano was acclaimed Audit Committee Vice-Chair for 2021 on nomination by Trustee Iafrate and seconded by External Audit Committee Member, A. Rocha.

REGULAR MEETING: Presiding, Trustee Iafrate, Committee Chair.

4. APPROVAL OF THE TERMS OF REFERENCE FOR 2021

The revised Committee Terms of Reference for 2021 were reviewed and approved as presented.

Motion: Cotton/Rocha

THAT the 2021 Audit Committee Terms of Reference be approved as presented.

– MOTION CARRIED –

5. APPROVAL OF NEW MATERIAL

Nil

6. APPROVAL OF THE AGENDA**Motion: Cantisano/Rocha**

THAT the Revised Agenda be approved with the moving of Information Item Revised Report 12) “Proposed School Audit Strategy for Spring/Summer 2021” to Discussion Item 12).

– MOTION CARRIED –

7. APPROVAL OF THE MINUTES:**Motion: Cotton/Rocha**

THAT the Minutes of November 10, 2020 and November 11, 2020 be approved as presented.

– MOTION CARRIED –

8. DECLARATION OF CONFLICT OF INTEREST: Nil**9. BUSINESS ARISING FROM THE MINUTES OF THE PREVIOUS MEETING: Nil****10. NEXT MEETING DATE: June 8, 2021****11. PRESENTATION ITEMS: Nil****12. ACTION ITEMS: Nil****13. DISCUSSION ITEM(S): Nil****14. INFORMATION ITEM(S):****a) School Audit Strategy for Spring/Summer 2021**

A. Yeung, Chief Financial Officer and Treasurer, presented the “Proposed School Audit Strategy for Spring/Summer 2021” which outlines the audit strategy for spring/summer 2021. The 2020-21 budget approval in July 2020 included \$109,300 of RIAT funding and \$120,000 of Board Budget (total budget of \$229,300) to conduct school audits. Five schools were audited in the Spring of 2020 and another fifteen schools were audited during Fall 2020, the findings of which were presented at the November 11, 2020 Audit Committee meeting. Following the audits, the Finance Department held training sessions in January 2021 for all schools and simultaneously performed “desk audits”. The Finance Department is currently moving forward with the school audits of 27 elementary schools and the remaining 11 secondary schools audits to be conducted during Summer 2021, which will result in a total of 42 elementary schools and all 16 secondary schools audited by the end of the 2020-2021 fiscal year.

[The Committee agreed to proceed with the next agenda item and to ask questions jointly on Information Items 14 a) School Audit Strategy for Spring/Summer 2021 and b) Specified Audit Procedures (“Desk Audits”) – School Finances]

b) Specified Audit Procedures (“Desk Audits”) – School Finances

A. Yeung, Chief Financial Officer, reported that the Board approved 2020 Revised Estimates provision of a staff resource supported the resumption of desk audit activities and also to support the Finance Department with budget-related functions. The report provides specific findings of the desk audits undertaken to-date for the 2020-2021 school year which reviewed two main areas, i.e. Section I: School Generated Funds (SGF) Audit Procedures Observations (Findings 1-5) and Section II: Purchasing Card Audit Procedures Observation (Findings 6-11). A. Yeung answered

questions from the Committee on the information provided in the report.

[The following pertains to questions asked for both Information Items 14 a) School Audit Strategy for Spring/Summer 2021 and b) Specified Audit Procedures (“Desk Audits”) – School Finances]

Trustee Cantisano referred to Finding #1 – Insufficient Funds in Sub-Ledger Accounts (11 incidents), Risk Rating: Medium, and asked Mr. Yeung to provide further explanation on this finding. A. Yeung explained that various sub-ledger accounts exist within the general ledger to which expenses incurred are coded to/charged against. The finding relates to the requirement for schools to perform a housekeeping procedure to avoid negative balance(s) in sub-ledgers, i.e. transferring funds from the reserve general ledger where unspent previous year(s) funds is held. Failing to allocate funds to a sub-ledger account(s) could result in a negative balance for the sub-ledger account; however, the overall general ledger remains positive. It was specifically highlighted for Trustees that all schools have positive overall cash balances.

A. Yeung to verify whether any schools audited in the 2020-2021 desk audits were previously audited as requested by Trustee Cantisano, as the information requested was not immediately available, however, it was noted that the samples selected for the desk audits pertained to the 2020-2021 school year only, whereas the previous audits would have been based on the 2019-2020 fiscal/school year, eliminating the chance for duplication.

A. Yeung responded to Trustee Marchese’s question whether there was a targeted number of schools included in the 2020/21 Audit Plan. A. Yeung stated that 27 elementary and 11 secondary schools in the sample would be audited prior to August 31, 2021 to address the secondary schools that had not been audited in the last two cycles. The plan used a similar approach to the previous year whereby schools having recent principal turnovers were selected and the remaining schools were randomly selected to eliminate any bias. A. Yeung further explained that the gap between the fall 2020 audits and spring 2021 audits resulted from the time period during which year-end activities and Revised Estimates are due, training sessions that occurred in January 2021 were undertaken and preparation for the spring 2021 audits was coordinated. It was assured that staff have been very busy with these financial reporting activities and the additional new audit activities.

A. Yeung confirmed for Trustee Marchese that the school finance training held in June 2020 and January 2021 included all principals, vice-principals, bursars and head secretaries that were involved in school finances. Trustee Marchese asked if trainees were required to sign-off at the end of the training sessions to confirm their understanding of the training materials. A. Yeung confirmed that test questions were provided at the end of the January 2021 training sessions to confirm participants’ understanding of the training materials. A. Yeung indicated that some of the breaches found in the audits may be attributed to pre-January 2021 sample selections and noted that the best indication of compliance would have been samples selected from the current year transactions.

Trustee Marchese expressed concerns about Finding #4, Purchasing Policy (3 incidents), Risk Rating: Medium; that despite the two training sessions, staff continue to violate the Board’s Purchasing Policy by purchasing from non-board vendors. Although it was explained that the purchase made for small equipment was made against the Policy as done from time to time by schools to save school funds by finding better pricing, e.g. from Amazon, than offered by a Board-approved vendor, Trustee Marchese stated that while sympathizing, understanding and recognizing the well-intended policy breaches to address a dilemma around saving money, there

exists no flexibility, interpretation, option or discretion for school administrators regarding the Board's Purchasing Policy and questioned how to impress on staff these breaches are subject to progressive discipline established to minimize financial risk.

Trustee Cotton pointed out a similar situation, whereby exceptions are granted for schools interested in making improvements; a process was established to facilitate school spending at a capped amount to both support local businesses/vendors (e.g. painters) to perform projects and to facilitate schools accomplishing small improvements at a more reasonable rate than abiding by the Purchasing Policy would allow for. In response to Trustee Marchese's comment, Trustee Cotton thanked the Finance Department for doing the training twice in order to ensure that messaging was clear, and acknowledged that while Trustees must be assured that the Purchasing Policy is being followed, that continual review/revision to ensure best approaches are taken suggests that a further review into this particular issue is needed in order to determine whether the cap of \$500 is appropriate to validate that schools are not spending more than necessary for products/services from fundraised dollars as a result of the Board's requirements. Trustee Cotton suggested that this item be addressed once the Finance Department staff have sufficient time to discuss and make recommendations for Trustee consideration at a future Policy Committee meeting. A. Yeung thanked Trustees Marchese and Cotton for their comments. It was stated that following an audit, staff shared and reviewed audit findings with the individuals audited with the intention of layering on a further level of education to help improve on these incidents.

Trustee Marchese added that the exemptions to Policy would only be permissible if granted by the Board of Trustees as outlined in the Board's Meta Policy, which states that Trustees are to ensure consistent application of Policies. Also, school administrators need to understand the reason for these Policies so that these particular transaction infractions, such as splitting purchases no longer occur without an exception. Trustee Cantisano agreed with Trustees Marchese and Cotton's points. Clarification was requested whether any of the schools had been previously audited and whether the findings are recurring.

Associate Director Di Nardo explained that in the beginning of the school year many staff were scrambling to get supplies needed for classrooms and asked for permission, which would have been granted, in order to obtain the items required for student programs, however, to Trustee Marchese's point it was agreed that a review of the policy should be scheduled at an appropriate time.

Trustee Mazzotta also agreed that valid points were made regarding vendors and recalled from past experience that vendor pricing must be kept up-to-date so that school administrators can be assured that the lowest, most recent pricing is communicated to staff. A. Yeung clarified that vendor pricing is now largely negotiated during the competitive RFP process to ensure the lowest prices are received from vendors for the duration of a contract (typically lasting three years), and thus, in general, frequent pricing updates would be restricted by contract terms following the RFP process.

Trustee Cotton requested the provision of a Master Audit Listing by school for each audit performed (school audit, desk audit, PCard, RIAT engagements, etc.) and date to be presented at the first meeting in September, to demonstrate what audit work has been undertaken at each school. The report should be accompanied with an audit plan to address outstanding elementary schools to be audited.

Trustee Iafrate conveyed disappointment that despite the training held, the same audit findings have occurred. Regarding Finding #3 – Improper Supporting Documentation (2 incidents), Risk Rating: Low/Medium. Referring to Vice Chair Cantisano’s comment from a previous meeting, regarding original receipts and the requirement to obtain and submit missing receipts from their Visa, bank account, vendor, etc. Regarding Finding #10 – Non-compliance with Board Policies – Recognition (1 incident), Risk Rating: Medium, it was stressed that staff follow-up to ensure that funds are reimbursed. While there may be a lack of staff resources to follow-up, it is important in order to hold people accountable.

a) Regional Internal Audit Manager (RIAM) Update

P. Hatt, Senior Manager, Regional Internal Audit Team, presented the YCDSB Regional Internal Audit Update for the 2020-2021 Audit Activities including Records Management, Workflow Assessment – Payroll and reviewed the School Audit Activities for the 15 school finance audits completed in Fall 2020 and also reviewed the 2020-2021 Upcoming Audit Activities including IT Security Audit.

P. Hatt provided additional details of the Records Management Audit and explained that the objective of this engagement is to develop an overall framework and roadmap for records management for York Catholic DSB. The engagement was outsourced to ORBIS Risk Consulting with support provided by the RIA Senior Manager as needed. Their engagement approach includes reviewing relevant documentation, as well as having a number of interviews with Board’s Administration. The interviews are complete and the next step is to provide the initial findings to the Records and Information Management Committee. The Senior Manager, Regional Internal Audit Team expects the preliminary findings will be presented by Orbis Risk Consulting at the upcoming Audit Committee meeting on their current state analysis as well as preliminary recommendations.

The Payroll Workflow Assessment engagement, outsourced to KPMG, began with a kickoff meeting and KPMG is now scheduling workshops to facilitate discussions on the various process review. Once these two engagements are near completion, the planned IT Security audit will commence.

The completed activities include 15 school finance audits, that took place in Fall 2020 which were presented in November 2020.

Trustee Iafrate asked whether the Payroll Workflow Assessment engagement would address outsourcing of the Payroll process including the cost of outsourcing. A. Yeung, Chief Financial Officer and Treasurer of the Board answered the question and informed of the two workshops being arranged from May 3-11 for each administrative area involved with a payroll process, i.e. Finance Department, Human Resources Department and Continuing Education Department. The workshop objective for the consultant, KPMG, is to review the current process with the objective to identify any areas that they feel could present an opportunity to improve efficiency. The outcome of the review may not necessarily be a recommendation that the Board outsource the payroll process, however, there may be a recommendation to alter certain approaches in order to increase efficiency. Once Trustees receive the report, an assessment will be made by staff and Trustees on whether the recommendations are sufficient to meet the Trustees’ objectives of improving efficiencies in the payroll process or whether outsourcing would be a better approach. A. Yeung expressed that while there are concerns with outsourcing, it would be beneficial to receive the KPMG recommendations as Trustees may be determined that there is value in

addressing the recommendations without the need for outsourcing.

Trustee Marchese asked further questions about the Payroll Workflow Assessment engagement and next steps. A. Yeung explained that following the workshops, KPMG Consultants will prepare the preliminary report and recommendations for the next Audit Committee meeting. A. Yeung reiterated that the review is to use a mapping process to identify areas within the current payroll processes which cross over three departments and to determine/recommend whether there are areas that can be handled more efficiently by eliminating/changing steps and/or where there is an opportunity for financial savings if continuing with the with in-house payroll process. A. Yeung further clarified that KPMG would not likely be able to provide a recommendation for outsourcing payroll processing due to the size of the Board and the complex payroll transactions processed for the four different employee groups/union groups. The cost for outsourcing payroll would need to be determined through a RFP process and staff will then compare the third-party payroll processing fees to the Board's in-house payroll processing cost. A. Yeung recommended to receive the KPMG's report and recommendations first to have the opportunity to review cost savings opportunities that may currently exist.

FUTURE ITEM(S): Nil

Adjournment: 5:30 P.M.

On Motion: Cotton/Rocha and CARRIED