

July 25, 2024

**RESCIND BOARD REPORT 96-0124-PO2 POLICY ON FINANCIAL SUPERVISION AND
ADOPT A NEW POLICY ON INTERNAL CONTROL MONITORING****THE CHIEF EXECUTIVE OFFICER RECOMMENDS:**

The Chicago Board of Education (“Board”) rescind Board Report 96-0124-PO2, the Financial Supervision Policy, and adopt a new internal control policy, named Internal Control Monitoring.

I. PURPOSE

The purpose of the internal control monitoring policy is to establish a framework and guidelines that safeguard the organization's assets, ensure the accuracy and reliability of financial reporting, promote operational efficiency, and mitigate risks by outlining procedures, responsibilities, and checks that support compliance with laws and regulations, thereby fostering a culture of accountability and transparency within the organization.

II. INTRODUCTION

Chicago Public Schools Office Heads and school principals are responsible for establishing and maintaining an effective system of internal control.

III. INTERNAL CONTROL STRUCTURE

All offices and schools shall establish and maintain a system(s) of internal fiscal and administrative controls, which shall provide assurance that:

- resources are utilized efficiently, effectively, and in compliance with applicable law;
- obligations and costs are in compliance with applicable law;
- funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; and
- revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over resources.

IV. INTERNAL CONTROL CERTIFICATION

The Office of Internal Audit and Advisory Services (“IAAS”) will administer an annual internal control certification for all offices and schools to certify their internal control structure in accordance with Section III. Internal Control Certifications will be required to be submitted annually by April 30th.

Offices and school heads will be responsible for completing the certification and submitting to the IAAS based on the annual established timeframe. If any internal control weaknesses are identified, the certification submission shall also include a report describing any material weaknesses in the systems of internal controls and the plans and schedule for correcting the weaknesses, or a statement of the reasons why the weaknesses cannot be corrected. As part of the Board Rule 3-9.a.ii.1 annual audit reporting requirements, IAAS will include the internal control certificate results with the offices and schools that responded, didn't respond, any material weaknesses identified and related corrective action plans.

V. AUDIT PROCESS

Board Rule Section 3-9 establishes the Office of Internal Audit and Advisory Services function.

Audits are conducted to support school administrators and District leadership in achieving compliance operationally, financially, and programmatically while gaining a stronger understanding of the internal

control environment. Audits include: verifying and evaluating the accuracy of transactions; safeguarding of assets; financial and operational controls; and compliance with applicable laws, regulations, ordinances, contracts, and administrative policies and procedures. Audits are an opportunity to review particular aspects of District operations to provide an independent assessment.

Audits may be conducted on district schools, departments, programs or vendors through IAAS or an external entity. IAAS conducts a districtwide annual risk assessment to select audits for the fiscal year to present an annual audit plan to the Board. In addition, audits may be requested from management or the Board.

The results of an audit are presented through a formal report issued to the appropriate parties based on the audit area and may include: Chicago Public Schools executive leadership, school leadership, management and the Board. The IAAS will be responsible for monitoring the internal control deficiencies and management corrective action plans to report resolution of the matters to the Board.

VI. INTERNAL CONTROL DEFICIENCIES

Internal control deficiencies may vary by nature, severity and duration. Areas of internal control deficiency include but are not limited to the following:

- internal books of the school have been lost, destroyed or are significantly in arrears;
- noncompliance with rules, regulations, policies and/or procedures;
- proper approvals have not been obtained;
- funds are missing, not properly accounted for or inappropriately used;
- funds received from federal, state or local entities are improperly used or accounted for;
- proper documentation does not exist to support key transactions and decisions.

VII. MANAGEMENT CORRECTIVE ACTION PLANS

To address internal control deficiencies, management corrective action plans (MCAP) may include the following:

- mandatory training of appropriate staff;
- plan for ongoing monitoring of school internal accounts and financial activities;
- CPS Office of Finance oversight plan and restrictions on spending;
- suspension of vendor payments;
- policies and/or procedures to strengthen internal controls;
- additional controls to prevent future deficiencies;
- restitution.

The MCAPs shall be assigned completion dates and will be tracked by IAAS for resolution of the matters. IAAS will report quarterly to the CPS Risk Management Committee (“RMC”) on the status of MCAPs. IAAS will work with the RMC on addressing schools, departments or vendors that are noncompliant with MCAPs. If schools, departments or vendors continue to be noncompliant, a report will be submitted to the Board by the Chief Executive Officer stating the plan for addressing.

VIII. ESCALATION

If potential fraud, mismanagement or abuse is suspected, additional audit work may be conducted and the Office of Inspector General and/or the Law Department will be notified to discuss further action. If the audit identifies concerns regarding safety or security issues, the concerns will be immediately communicated to the appropriate parties, i.e. Office of Student Protections, Office Safety & Security, Facilities Office, Law Department, etc.

IX. GUIDELINES

IAAS has established guidelines to further define the processes for selecting audit areas, conducting audits, reporting on audit results and tracking management corrective action plans.

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