

**Minutes of the Roanoke City School Board Audit Committee
January 21, 2016**

Audit Committee Members Present:

Bill Hopkins, Committee Chair
Laura Rottenborn, Committee Member

Others Present:

Steve Barnett, Assistant Superintendent for Operations
Kathleen Jackson, Chief Financial Officer
Cari Spichek, Senior Auditor, City of Roanoke
Drew Harmon, Municipal Auditor, City of Roanoke
Sarah Gregory, Roanoke Times

1. Call to Order

- The meeting of the Roanoke City School Board Audit Committee was called to order at approximately 11:03 A.M. by Chairperson Bill Hopkins.

2. Audit Report – Workers Compensation

- Mr. Harmon briefed the committee on the results of the audit [slide show attached].
- The system of internal controls was well designed and effectively operating.
- Improvements to accident reporting forms are planned.
- A risk management committee is being formed to regularly review data on worker injuries and associated costs in order to refine overall efforts to reduce injuries and manage costs.
- Mr. Hopkins asked about the types of injuries employees were experiencing. Ms. Spichek responded that injuries typically involved falls and strains. More unusual injuries were stings and trauma from being hit by a ball. Injuries also were experienced when dealing with student fights or when managing students with special needs.
- The division is self-insured with retention insurance beginning at \$450,000 and the maximum insured loss capped at \$1,000,000. The division's largest workers compensation claim in the last 10 years was ~ \$400,000. Approximately 90% of claims over the last 20 years were below \$5,000.
- Ms. Rottenborn asked to whom Karen Switzer (Coordinator of Occupational & Health Services) reported and if that person was responsible for monitoring completion of the action plans. Mr. Barnett responded that Karen reports to Yolanda Conaway-Wood (Executive Director of Student Services). Mr. Harmon noted that Ms. Conaway-Wood had reviewed and approved the report draft with the management plans. He also noted that a follow up audit would be performed and reported back to the Audit Committee to verify action plans were completed.

3. Fees for School Audit Services – FY17

- Mr. Harmon briefed the committee on the history of the audit fees.
- Mr. Hopkins asked if the administration was in agreement with the proposed fee, to which Ms. Jackson responded that it was consistent with the formula used in past years.

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- There were no further questions and the fee was approved as presented.

4. Other Business

- Mr. Hopkins asked for an update on current audit work
 - o The Time and Attendance audit addresses processes for ensuring overtime and extra duties hours are appropriately paid, and that sick leave and vacation are properly reported. The audit was designed to verify time records supported overtime payments and was not designed to address the use of overtime as part of an overall strategy for managing the work force. However, the overtime justification process was reviewed during this audit and the report will address this aspect of overtime management. The audit is essentially on schedule and is in the control testing phase.
 - o The fixed assets audit is looking at assets costing \$500 or more which are supposed to be barcoded and inventoried annually. The audit is also looking at the surplus process used to remove assets no longer needed by the division or which need to be retired. The review of the annual inventory process has been completed and the review of the surplus process is in progress.
- Mr. Hopkins asked about identifying the next functions / areas to be audited
 - o Ms. Rottenborn asked for a listing of past audits, which Mr. Harmon promised to provide
 - o Mr. Harmon noted that accounts payable had not been audited since 2008 or 2009 and had been discussed as being due for an audit.
 - o Mr. Barnett mentioned that special education had been considered last year. Mr. Harmon noted that from a risk perspective, special education ranked as a high priority due to being highly regulated and high costs.
 - o Mr. Hopkins will ask the other members of the School Board to convey any areas they may feel deserve consideration.
 - o The Audit Committee will discuss a draft audit plan at the March meeting.
- Future Meetings
 - o The Committee agreed on the following public meetings
 - March 17 at 9:00 AM
 - June 23 at 11:00 AM

5. Adjournment

Mr. Hopkins adjourned the meeting at approximately 11.45 AM

Workers Compensation Slide Show

WORKERS COMPENSATION

11/23/15

Audit Objectives

To determine if controls are in place and operating effectively to ensure:

1. Employees can safely perform all tasks required of their position.
2. Compensated injuries were incurred within the scope of the employee performing his or her job.
3. Medical care and paid recovery time are reasonable and appropriate.

Scope

- Processes in place as of September 1, 2015
- Injuries and new hires 9/1/14 thru 8/31/15
- Indemnity payments issued in October 2015
- Contract with TPA dated 6/1/10 and extended 5/22/15
- Annual Claims Experience Reports 2013 thru 2015

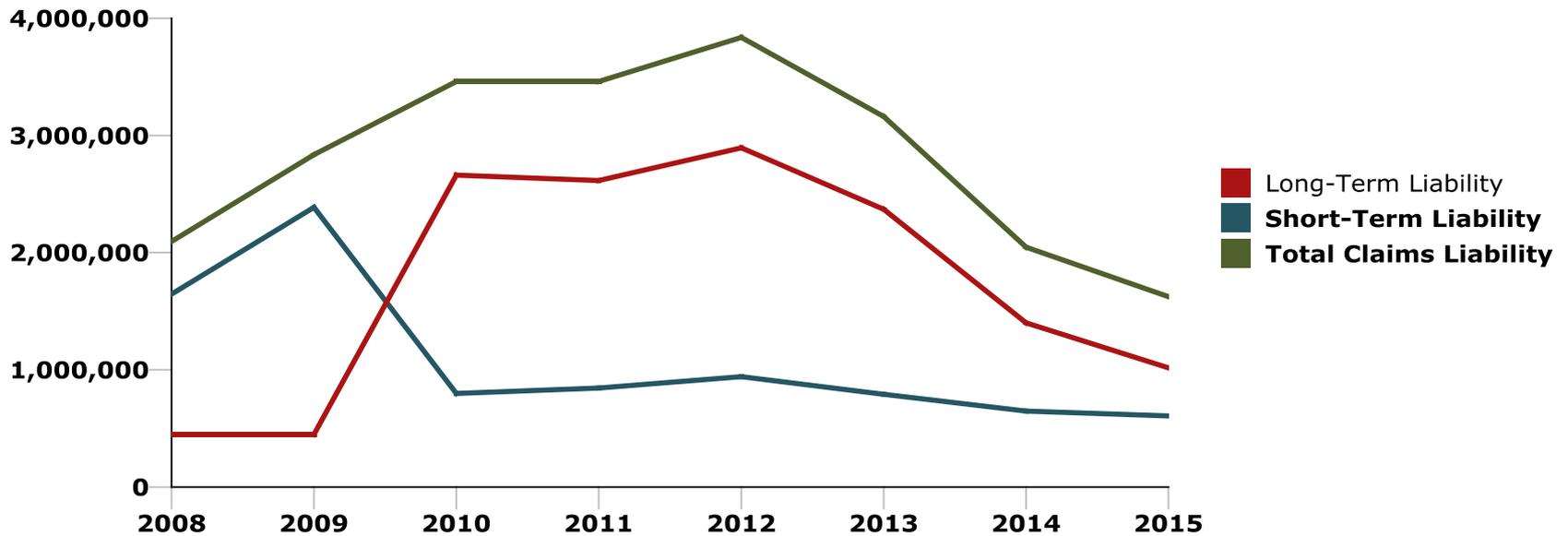
Scope [Continued]

Survey about the training and personal protective equipment provided to employees in:

- Facilities and Maintenance
- Food and Nutrition
- Warehouse
- Technology
- Special Education
- Student Health Services

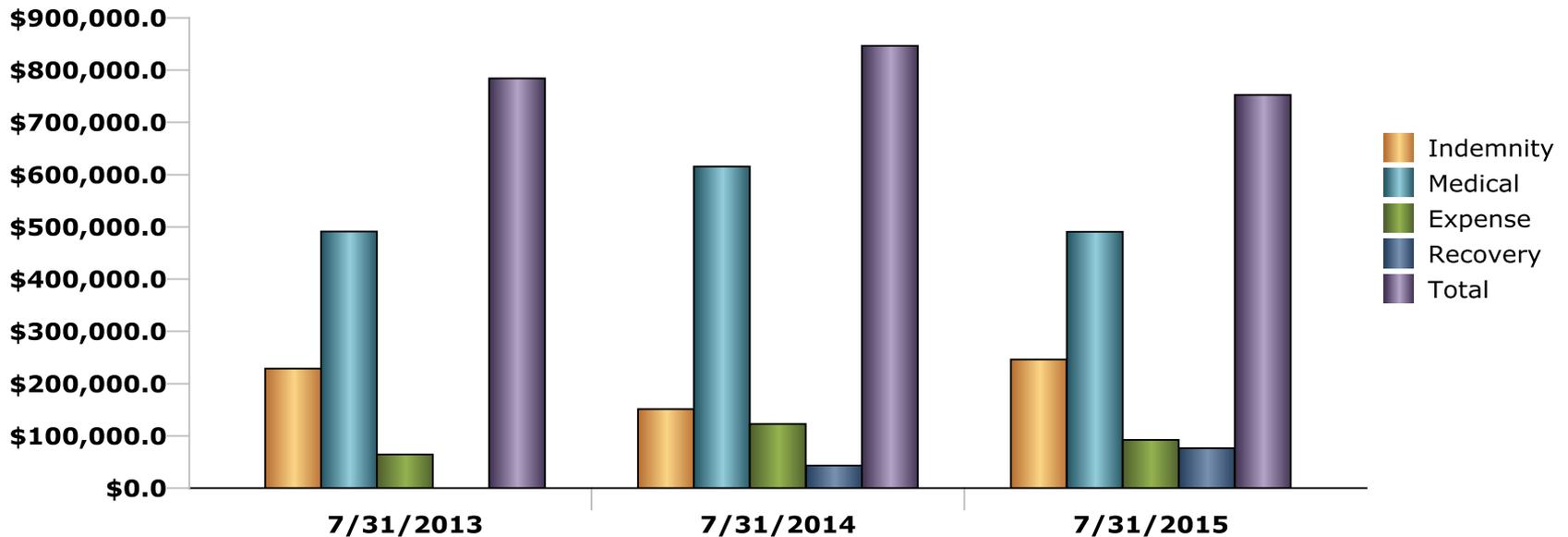
Liability Trending Down

Workers' Compensation Liability



Payments by Category

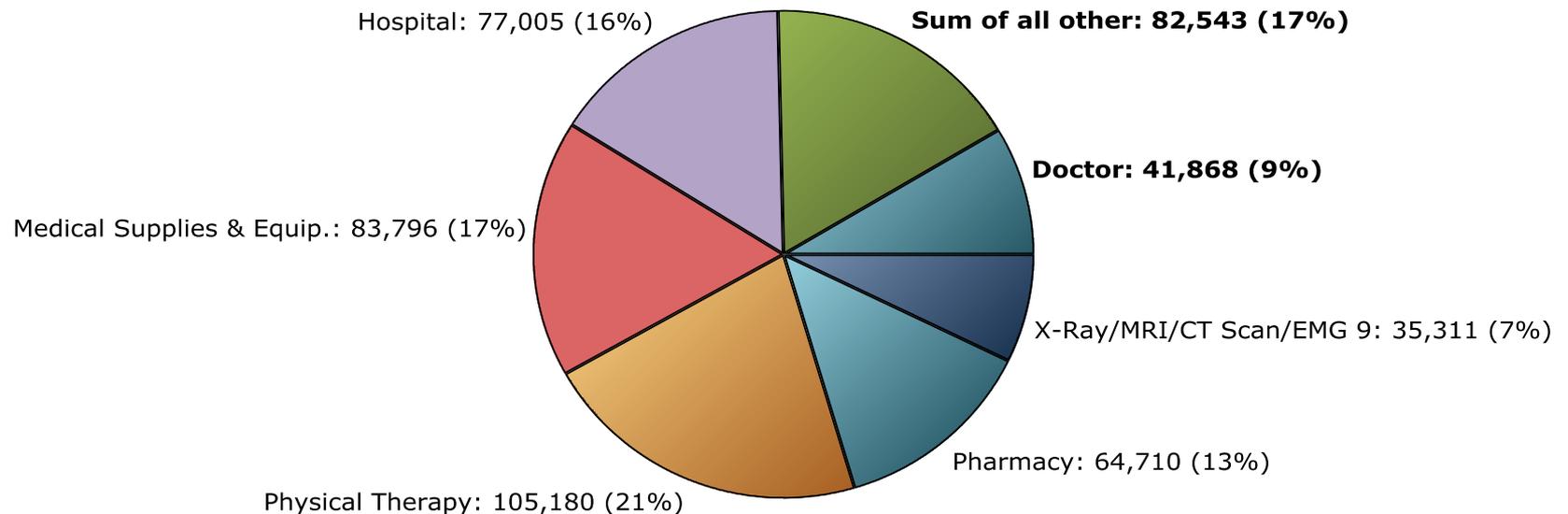
Sedgwick Payments: 3-Year History



Note: Data obtained per Roanoke Public Schools Three-Year Score Card provided by Sedgwick

Medical Expenses by Category

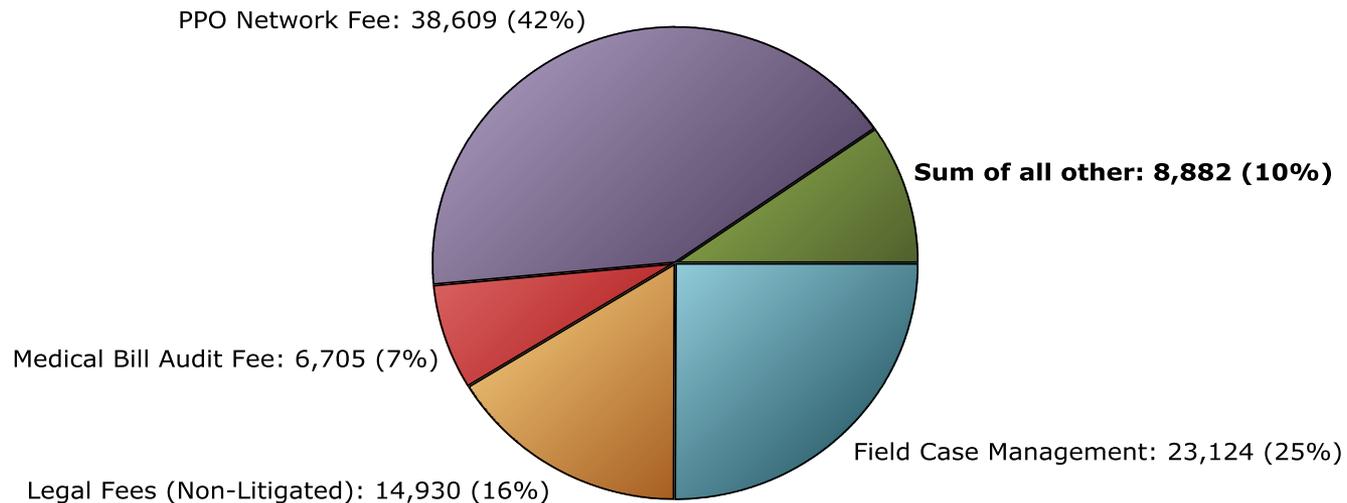
Medical Payments for the Year-Ended 7/31/15



Note: Data obtained per Roanoke Public Schools Three-Year Scorecard provided by Sedgwick

Administrative Expenses by Category

Admin. Expense Payments for the Year-Ended 7/31/15



Note: Data obtained per Roanoke Public Schools Three-Year Scorecard provided by Sedgwick

Key Aspects of Control System

1. Coordinator of Occupational & Student Health Services
2. Sedgwick Claims Management Services
3. Department Managers
4. Pre-employment Screenings
5. Employee Safety Training
6. Standardized Report of Accident to Employee Forms
7. Panel Physicians
8. Risk Management Committee [Developing]

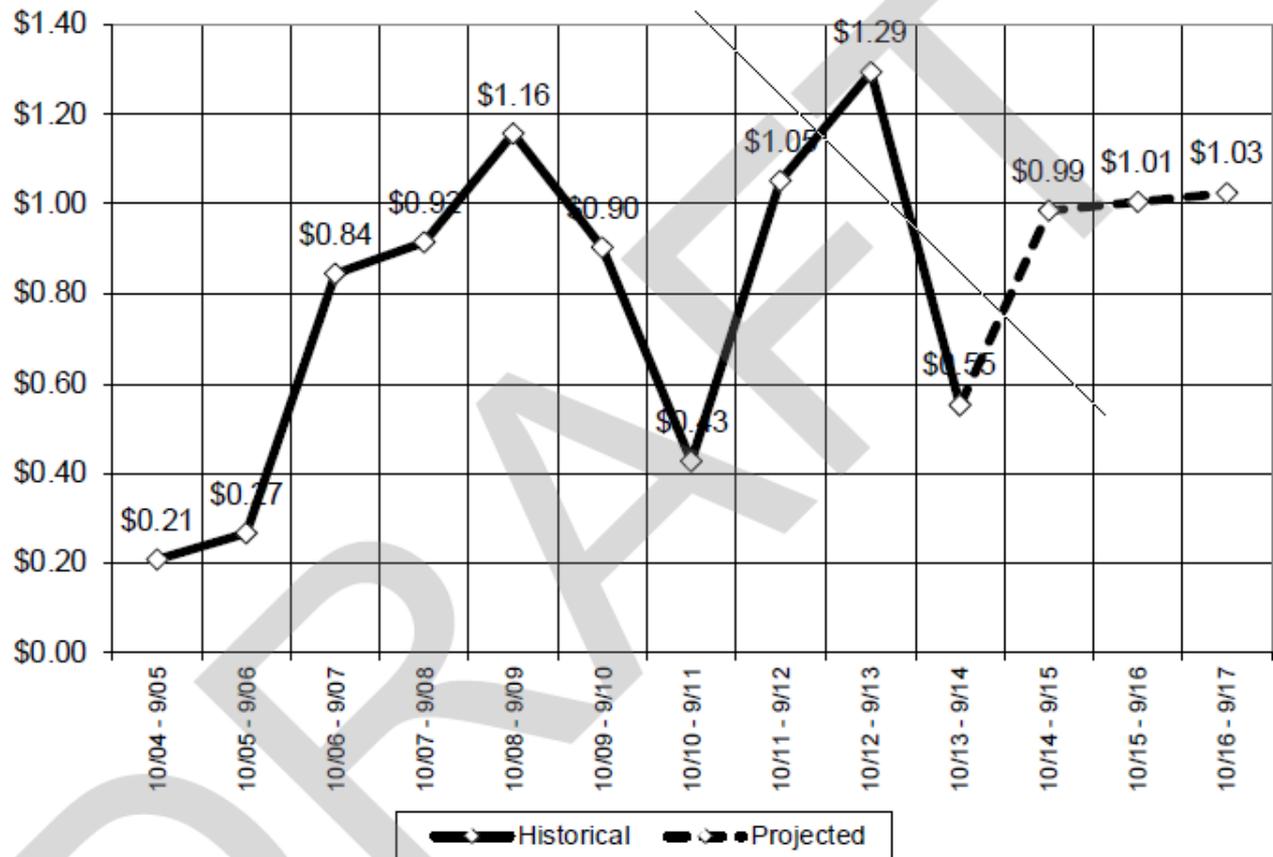
Results

- Pre-employment Screenings Completed
- Safety and Injury Prevention Training
 - On-line Training – Universal Precautions...” (Everyone)
 - 2014/15 83% of employees completed
 - Grainger Safety Solutions Website (Facilities)
 - Crisis Prevention Institute Procedures (Special Education)
- Design of Report of Accident Form could be improved
- Timeliness of filing accident reports could be improved
- Care of injured employees is appropriate and well monitored
- Cost controls such as modified duty, case management, and investigations are effectively operating

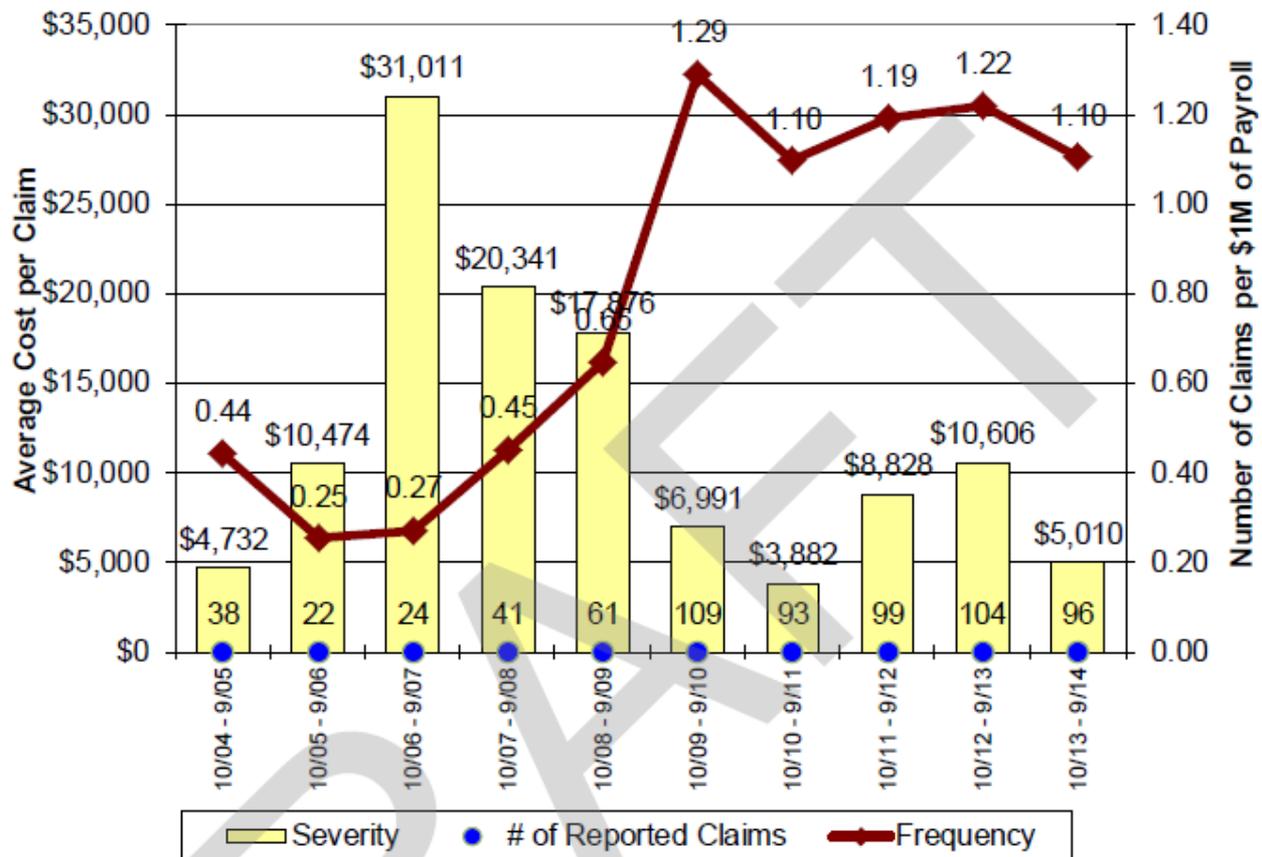
Results (Continued)

- Risk Management Committee is being developed to review the complete body of data and information regularly generated about injuries and expenses.

Graph III-1
Loss Rate per \$100 of Payroll



**Graph III-2
Frequency and Severity**

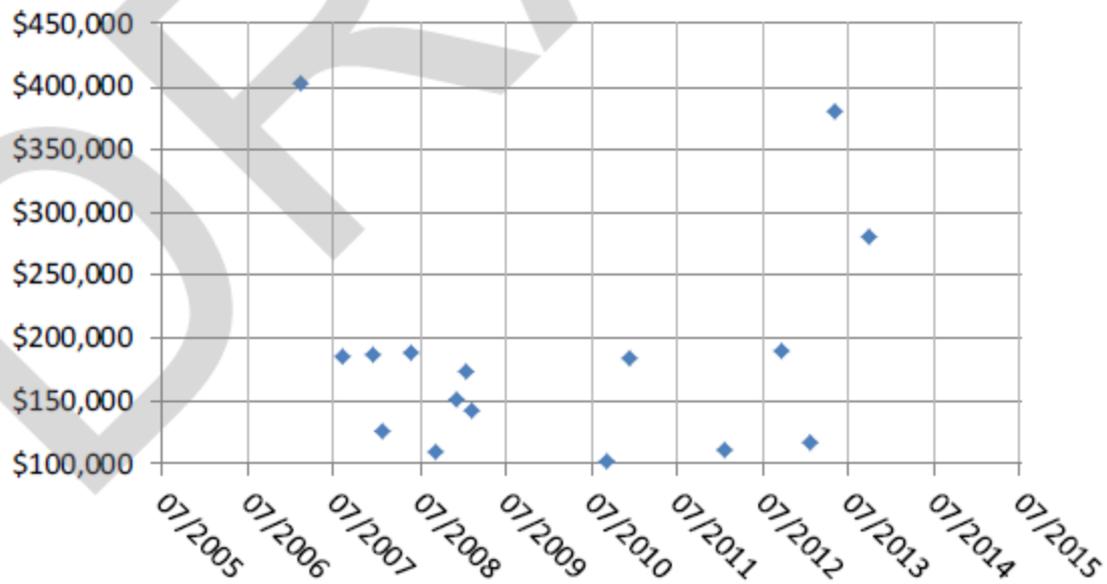


20 Years of Claims Experience

**Table III-4
Size of Loss Distribution**

Layer (1)	Total Reported Claims (2)	Percent of Total (2)/Total(2) (3)	Cumulative Percent of Total (4)	Total Reported Incurred Losses (5)	Percent of Total (5)/Total(5) (6)	Cumulative Percent of Total (7)
(A) \$1 to \$5,000	1,672	89.3%	89.3%	\$984,015	10.2%	10.2%
(B) \$5,000 to \$10,000	49	2.6%	91.9%	349,906	3.6%	13.8%
(C) \$10,000 to \$25,000	62	3.3%	95.2%	1,019,341	10.5%	24.3%
(D) \$25,000 to \$50,000	42	2.2%	97.5%	1,471,093	15.2%	39.5%
(E) \$50,000 to \$100,000	27	1.4%	98.9%	1,878,057	19.4%	59.0%
(F) \$100,000 to \$250,000	17	0.9%	99.8%	2,825,173	29.2%	88.2%
(G) \$250,000 to \$500,000	3	0.2%	100.0%	1,144,390	11.8%	100.0%
(H) \$500,000 to \$750,000	0	0.0%	100.0%	0	0.0%	100.0%
(I) \$750,000 to \$1,000,000	0	0.0%	100.0%	0	0.0%	100.0%
(J) Over \$1,000,000	0	0.0%	100.0%	0	0.0%	100.0%
(K) Total (A) ... (J)	1,872	100%		\$9,671,974	100%	

Graph III-12B
Claim Size Distribution
Claims with Incurred Amount above \$100,000



Conclusions

Overall, the results of the audit were very favorable.

- ❑ The Design of Controls is Sound
- ❑ Controls are Substantially Operating as Intended