

**Minutes of the Roanoke City School Board Audit Committee
March 11, 2020**

Audit Committee Members:

Bill Hopkins, Committee Chair – Unable to Attend
Laura Rottenborn, Committee Member – Present

Others Present:

Dr. Dan Lyons, Deputy Superintendent
Kathleen Jackson, Chief Financial Officer
Donna Caldwell, Director of Accounting
Drew Harmon, Municipal Auditor, City of Roanoke
Brian Pendleton, Senior Auditor, City of Roanoke
Cari Spichek, Senior Auditor, City of Roanoke

1. Call to Order

Ms. Rottenborn called the meeting to order at 11:00 AM, as Mr. Hopkins was unable to attend the meeting.

2. Selection of Public Accounting Firm for the Annual Financial Audit

Mr. Harmon stated that three (3) firms submitted proposals; two (2) were interviewed by the selection committee. The selection committee consisted of Kathleen Jackson, Donna Caldwell and Drew Harmon. Both firms interviewed were qualified and capable of performing the audits, as reflected by their attached client lists and proposed staffing. The selection committee recommends awarding the contract to Brown, Edwards and Company, LLC (Brown Edwards).

Ms. Rottenborn asked if rotation of audit firms was required for governments; Mr. Harmon responded that firm rotation is not required. Ms. Rottenborn asked how long Brown Edwards has served as the Division's auditors. Mr. Harmon stated that it has been ten (10) years. The new contract will be for one (1) year with the option of four (4) annual renewals. Discussion ensued around partner rotation and risks. Ms. Rottenborn noted her satisfaction with past audit work and would not suggest a change in partners this year. She asked that Mr. Harmon and Ms. Jackson talk with Brown Edwards about how partner rotation might work in advance of the FY21 audit. The Committee will revisit this issue next year.

Ms. Rottenborn concurred with the selection committee's recommendation to contract with Brown Edwards.

3. Audit Report – Substitutes Follow Up

The audit verified that all pending action plans had been implemented. Services were correctly billed and properly monitored. Mr. Harmon noted that the vendor provides an informative annual report on the qualifications of the substitutes it provides the Division and its fill rates.

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Ms. Rottenborn noted her concern that fill rates have not improved over those experienced prior to outsourcing, but overall costs for substitutes have increased by almost one million dollars. She noted that fill rates have actually decreased.

Mr. Harmon commented that the vendor had improved fill rates for instructional assistants and clerical staff. Ms. Jackson added that filling the instructional assistant positions was one of the considerations for outsourcing, as well as concerns about the impacts of the Affordable Care Act. The Act required closely tracking hours worked and providing benefits in some cases. The Division also had to increase pay rates for substitutes shortly after outsourcing, for competitive reasons. The volume of requests and low unemployment numbers were also discussed as potential factors affecting fill rates. Given all of these factors, it is difficult to know if the division is in a better or worse position now, than it would be if it had not outsourced substitutes.

Ms. Rottenborn concluded the discussion, saying she understood the benefits of outsourcing from an administrative standpoint. In terms of the Division's return on investment related to the objective of improving fill rates, it has not been achieved, at least not for teachers.

The report was received and filed.

4. Audit Report – Career & Technical Education

Mr. Harmon noted that the background section in the report provides an overview of all aspects of CTE that auditors considered during planning. Based on risk assessment and other considerations, auditors decided to look at required reporting and efforts to promote awareness of CTE programs.

One of the issues Mr. Harmon highlighted was the process for surveying CTE completers after they graduate. Ms. Rottenborn asked if the VDOE required school divisions to survey CTE completers nine (9) to 12 months after graduation. Mr. Harmon confirmed that it was a state requirement. He noted that management's concern about the impact on response rates was valid, but the state's logic was also sound. Ms. Rottenborn commented that as a mandatory requirement, we should not knowingly be out of compliance. She asked who in administration would be responsible for addressing this issue. Dr. Lyons responded that the ROTEC Principal, Kathy Duncan, would be taking the lead on this effort. Mr. Harmon noted that Ms. Duncan is the assigned person in the action plan and the target date for implementation is 2021. Mr. Harmon stated that Auditing will conduct a follow up audit to verify the action plan was implemented and effective.

The next issue Mr. Harmon addressed was the development of academic career plans. The state mandates that students should complete a plan by fall of their eighth grade year. This would help inform students about CTE offerings. Auditors noted that students were not completing their plans within the deadline. The state recommends a dedicated career exploration class for middle school students, but allows divisions to incorporate the material into other classes as an alternative. A dedicated class would provide more focus on career planning and would provide counselors more opportunity to work with students to complete their plans. However, adding another required class would have other implications that management would have to evaluate before committing.

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Mr. Pendleton noted that discussions with middle school counselors identified issues with the transition to Major Clarity, the software used to assess career interests and develop student plans.

The report was received and filed.

5. Audit Report – Fixed Assets Follow Up

Mr. Harmon noted that Auditing completed the original audit approximately two (2) years ago and that the target dates for completing action plans extended further out than usual. The Division's fixed asset controls are sound, with centralized receiving and a barcode system that makes it easier to take inventories. However, the Division has struggled to complete annual inventories due to the large number of assets that must be scanned. Incomplete inventories made it difficult to clean up the records and purge legacy assets that no longer exist.

Mr. Harmon complimented the recent changes made by the Division to provide stipends to staff at each building who now are responsible for completing their building's annual asset inventory. He noted that the Division had not yet completed a full year's inventory at the time of the audit, so a follow up audit will be scheduled after October 2020.

Ms. Rottenborn asked why there was a one year delay in implementing the new policy. Ms. Jackson responded that it was a combination of things, including having the Warehouse Supervisor retire last year. They postponed further implementation of changes until a new Supervisor could be hired and provide his or her input.

Ms. Rottenborn asked to whom the current Warehouse Supervisor reports. Ms. Jackson responded that the Supervisor reports to the Director of Purchasing, who reports to Ms. Jackson. Ms. Rottenborn asked to what degree the legacy assets contributed to the issues noted, pointing out that the report indicates that about 700 of over 30,000 assets are legacy. Mr. Harmon responded that the legacy assets appear to be less of a problem now; that technology assets seem to be the more significant issue. Discussion ensued about the tracking of legacy assets and how they are aging out of the system over time.

Ms. Rottenborn expressed concern that 40% of the assets were unaccounted for and only 5 out of 30 sites had completed their inventories. She commented that this made the Division look derelict in its duty to account for assets. Ms. Jackson agreed with the concern and noted that during this time, management had realized that hiring temporary workers to take inventory during the summer was not the solution. This period was the interim between the old and the new processes and Ms. Jackson expects to see better results this summer.

Ms. Rottenborn asked Ms. Jackson if having the reporting lines for the Warehouse made sense to her. Ms. Jackson responded that the Warehouse may have reported to Building Operations at one time, but moved under the CFO prior to her tenure with the Division. She noted that the relationship between the purchasing process and the receiving process would be one reason for the current structure. Mr.

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Harmon added that asset depreciation and losses are also significant accounting issues that are concerns for the CFO. Discussion then ensued about the physical aspect of inventories, and the involvement of Building Maintenance.

Ms. Rottenborn stated that she had no preference as to reporting lines, but thought it was a good time to ask Ms. Jackson about her preferences. She noted that if a change were desired, this would be the time to do it. Ms. Jackson thanked her for asking and expressed no preference to change the structure at this time.

Ms. Rottenborn asked what is next regarding inventory. Mr. Harmon responded that Auditing will schedule another follow up audit in October, after the schools have completed a full inventory under the new process.

The report was received and filed.

6. Annual Budget for School Audit Services

Mr. Harmon noted that a 2001 Council ordinance requires that the Municipal Auditor conduct audits of the School Division annually in cooperation with the School Board. The agreement provides for services equivalent to one full time person, reimbursed by the Division at 125% of the mid-point salary for a Senior Auditor.

Ms. Rottenborn asked if Ms. Jackson or Ms. Caldwell had any concerns or questions. Hearing none, the budget was received and filed.

7. Other Business

Ms. Rottenborn asked if there was any other business. Mr. Harmon noted that the proposed next meeting of the Audit Committee is for May 21 at 11:00 AM. Ms. Rottenborn confirmed that she and Mr. Hopkins were agreeable with this date.

8. Adjournment

Ms. Rottenborn adjourned the meeting at 11:29 AM.