

**Minutes of the Roanoke City School Board Audit Committee
September 17, 2020**

Audit Committee Members:

Laura Rottenborn, Committee Chair - Present
Mark Cathey, Committee Member - Present

Others Present:

Kathleen Jackson, Chief Financial Officer
Donna Caldwell, Director of Accounting
Drew Harmon, Municipal Auditor

1. Call to Order

Ms. Rottenborn called the meeting to order at approximately 11:02 AM. She welcomed Mr. Cathey to his first meeting as a Committee member and her first meeting as Chairperson. Mr. Cathey stated he was looking forward to serving on the committee. Ms. Rottenborn noted the interesting work the committee is involved in and the opportunities members have to look into Division operations in greater detail.

2. Audit Plan – FY21

Mr. Harmon talked about the risk assessment process as a tool that provides a method for evaluating audit priorities, but that risk rankings should not be the only consideration. He reminded the committee about the detailed scoring they received in July reflected in the overall rankings on page five (5) of the audit plan. He referred committee members to page seven (7) of the plan, listing the proposed audits, and asked for their thoughts on other considerations and areas that should be discussed.

Ms. Rottenborn asked about areas that have not been audited in the last ten (10) years according to the audit history spreadsheet. Mr. Harmon noted that Student Services would likely be touched on during the safety and security audit. He compared the situation to the career and technical education audit, noting that Guidance played a significant role in informing families about CTE through development of academic and career plans. Guidance has action plans that Auditing will follow up on, so the Guidance area is marked on the audit history. Mr. Harmon suggested that over the coming year, areas such as gifted and early childhood education should be visited to develop a better understanding of their risks.

Ms. Rottenborn noted that gifted education is a high profile area that is routinely brought up by parents who question why a student is or is not placed in a program. She believes the process is fair, but it would be good to have an audit to ensure such is the case. Mr. Cathey noted that he serves on the board of the Roanoke Valley Governor's School and that the State Secretary of Education has asked all Governors Schools to submit information on their selection processes. RVGS Principal Levy is very proactive and visits middle schools to inform students about RVGS and to encourage applications. Both Ms. Rottenborn and Mr. Cathey support developing more information on instructional areas to be considered in next year's planning.

Audit Committee Minutes September 17, 2020

Mr. Harmon noted that Athletics was an interesting area from the perspective of the assets the division manages (gyms and football fields), and the challenges Parks & Recreation is experiencing with recreation leagues. Ms. Rottenborn noted that the GSA (Greater Southwest Athletics) association has stopped league play. Mr. Harmon talked about the collapse of the existing recreation league approach and that Parks & Recreation may assume more responsibility for managing recreation leagues. He noted that successful recreation leagues are a key ingredient for athletics in the school division. Ms. Rottenborn suggested that school athletics directors may have time now, while VHSL sports are delayed, to meet with Auditing about potential audits in future plans.

Ms. Rottenborn asked about the Accounting area, noting that it encompasses a large variety of functions such as debt, capital improvement plans (CIP), grants and accounts payable. She would be interested to know what functions have been audited in the past. In particular, she is interested in the CIP process, given the large investments the Board has approved for capital improvements. Mr. Harmon responded that his audit history files include descriptions of the audit work done in each area. The 2017 work in Accounting related to the bank reconciliations produced from AptaFund and how cash balances compared to those reported by the City Treasurer. To his knowledge, Auditing has never audited the processes for developing the CIP. Ms. Rottenborn and Mr. Cathey expressed an interest in prioritizing an audit of the CIP process in a future plan. They are interested in how priorities are established, including how equity is factored in, as well as how the work is contracted. Mr. Harmon noted that the Division has experimented with different models over the years, including using a Clerk of the Works, subcontracting projects piecemeal, and using general contractors who bid the whole job, turnkey. Mr. Harmon will research CIP in advance of the Committee preparing the FY22 audit plan.

The discussion turned to the currently proposed audits for FY21. Mr. Harmon noted that he had spoken with the Chief of Physical Plants, Jeff Shawver, about the **fleet management audit**. Facilities has purchased some new vehicles recently, and has stopped performing in-house maintenance choosing instead to contract with local garages. Facilities will be able to work with Auditing at any time.

Mr. Harmon stated that the audit will likely look at fleet availability, contracted maintenance, fuel costs, and replacement planning. Ms. Jackson commented that she would be interested in knowing how decisions are made between reimbursing employees to use their personal vehicles versus assigning employees a division vehicle. Ms. Rottenborn added that she would be interested in this as well, including looking at the dollars being paid for personal mileage across the division. She also suggested looking at the number of miles division vehicles are being driven annually and if utilization justifies the expense of insurance, depreciation, and maintenance. Mr. Harmon commented that utilization is something his office has audited at the City, that mileage data is available from fuel systems and state inspections. He noted that mileage is not the only consideration when looking at utilization. He gave the example of trucks used to carry staff and tools to work sites. These vehicles may sit idle most of the day, but need to be available on the work site throughout the day.

Ms. Rottenborn expressed surprise that the division has 75 vehicles and there was a general conversation about outsourcing of transportation and food services having reduced the fleet. Mr.

Audit Committee Minutes September 17, 2020

Harmon mentioned specialty vehicles, such as bucket trucks, that the division has in its fleet. He noted that specialty vehicles require more rigorous maintenance and inspections to ensure lifts and hydraulics are functioning properly and safely.

Next, the committee discussed the audit of **accounts payable**. Ms. Rottenborn noted that this area was selected based on a new system having been installed ~ 18 months ago. Mr. Harmon added that accounts payable was also seen as a natural progression after having audited purchasing last year. Accounts Payable reports to the Director of Accounting, Donna Caldwell. Ms. Caldwell commented that there is some overlap between purchasing and accounts payable, noting that purchasing manages purchase orders. Mr. Harmon noted that the audit would look at how procurement roles are segregated between accounts payable and purchasing. He also mentioned the shift to EFT and p-card payments from paper checks being a notable change since this area was last audited. Hearing no further questions, Ms. Rottenborn asked about external audit coordination.

Mr. Harmon noted how smoothly the **external audit** has gone for the last several years and how this has minimized the effort needed from his office. He explained the primary benefit of Municipal Auditing's involvement is to maintain an arms-length relationship between Accounting and the audit firm, Brown Edwards. Mr. Harmon keeps in touch with the firm Partner, John Aldridge, about the progress of the work and what, if any, control weaknesses have been identified. Likewise, he keeps in touch with Ms. Jackson and Ms. Caldwell about the progress of the audit and any issues with the audit work. When audit findings are being considered, the Auditing department can provide an objective viewpoint to help ensure findings are fair and all valid issues are reported. Ms. Rottenborn noted that Brown Edwards will make their report to the committee in November. She commented that she was pleased with Brown Edward's response to the committee's discussion about partner rotation. A new partner has been assigned this year to review the audit. While the committee has enjoyed working with Mr. Aldridge and Mr. Banta since first contracting with Brown Edwards, rotating partners is an important safeguard.

Finally, Mr. Harmon discussed the **follow up audits** in the plan. He noted that food services would be a major follow up and that the bulleted items in the plan understate the number of action plans involved. The food services and payroll follow ups can be initiated any time. Purchasing and fixed assets were only recently reported and would be scheduled next Spring.

Hearing no further questions, Ms. Rottenborn moved that the plan be recommended to the School Board as written. Mr. Cathey seconded the motion and the committee approved the plan unanimously.

3. Other Business

Safety & Security Audit: Mr. Harmon provided committee members with a copy of the preliminary scope and objectives from the FY20 plan. He noted that this audit was on hold over the summer to allow the administration to focus on planning for opening schools during the pandemic. In conversation with Chief of Security, Chris Perkins, it seems that there are overlapping responsibilities with Student Services. How responsibilities are assigned and coordinated will need to be explored when planning

Audit Committee Minutes September 17, 2020

the audit. Ms. Rottenborn expressed a strong interest in discipline, crime and violence reporting. She noted that ensuring incidents are correctly and consistently classified and reported is extremely important given how the data is utilized. She feels that a lot of effort and expense have been concentrated on making the buildings safe, threat assessments, response plans, etc., and that these areas are in good shape.

Mr. Harmon stated that Mr. Perkins also identified incident reporting as his top priority for the audit. Mr. Perkins recommended involving the Police and Sheriff departments to address differences in how the State Police and VDOE classify incidents. Mr. Harmon noted that the former Deputy Superintendent, Dan Lyons, had commented on changes the VDOE had made to classifications in 2019 when the FY20 plan was developed.

Ms. Rottenborn asked about safety drills. She noted that some schools do not conduct all of the drills required by the State. She hoped that including a check of compliance in the audit might help emphasize the importance of conducting drills. Mr. Harmon asked if the drills were state mandated, which Ms. Rottenborn confirmed. Drills will be included in the audit.

Ms. Rottenborn asked how long the audit might take. Mr. Harmon responded that it depends on the number of audit objectives and the availability of division staff to work with the auditors. Ms. Rottenborn commented on the importance of safety and the need for a thoughtful and comprehensive plan for auditing this area.

IT Audit: Ms. Rottenborn noted that she had spoken with John Aldridge (Brown Edwards Partner whose firm is performing the audit) prior to the last Board meeting. Mr. Aldridge stated that the audit is nearly finished, but on hold while awaiting requested information from the Division's IT department. Ms. Rottenborn commented that it was understandable that the IT department has been extremely busy over the summer preparing for virtual instruction. She asked that Ms. Jackson make inquiries with IT's chain of command and that she encourage them to provide the pending information as soon as possible. Ms. Jackson stated she would do so.

Mr. Harmon provided committee members a copy of the scope of work for the IT audit. He noted his interest in all the areas outlined, specifically pointing out the governance and management section. When the Director of IT resigned and was not replaced, the three existing managers began jointly overseeing the department. Mr. Harmon is interested if this structure provides adequate governance and management over IT. Mr. Cathey commented on the shift to virtual instruction and that this method of instruction will not go away when the pandemic is over. The IT department will have to support virtual instruction and may need a dedicated position to manage this area.

Mr. Harmon noted that backup and restore processes are extremely important in the current environment. Committee members were aware that Fairfax County Public Schools were recently the victim of a cyber-breach. Mr. Cathey noted that Roanoke City Public Schools had also been victimized a couple of years ago. Mr. Harmon commented that the Brown Edward's audit will provide a good base line. Auditing has a certified information systems auditor who should finish her work on the City's tax

Audit Committee Minutes
September 17, 2020

and treasury system around June 30, 2021. She can then follow up on action plans that come out of the Brown Edwards audit.

Next Audit Committee Meeting: Mr. Cathey noted that the Virginia General Assembly has declared Tuesday, November 3, Election Day, an official holiday. State and local government buildings will be closed on that day. Based on this information, the committee agreed that the next meeting should be scheduled for Monday, November 2, at 11:00 AM, in the School Administration Building Media Center.

Finally, Mr. Harmon asked if Mr. Cathey had received the more recently issued audit reports. Mr. Cathey responded that he had received those reports and read them. Ms. Rottenborn asked if he had been given the audit report on Transportation. She asked that Mr. Harmon provide the most recent follow up reports on Transportation to Mr. Cathey. Mr. Cathey stated he is happy to read any materials Auditing would like to provide him.

4. Adjournment

Hearing no other business to bring before the Committee, Ms. Rottenborn adjourned the meeting at 11:55 AM.