

**Minutes of the Roanoke City School Board Audit Committee
March 17, 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
Donna Caldwell, Director of Accounting Services
Cari Spichek, Senior Auditor, City of Roanoke
Drew Harmon, Municipal Auditor, City of Roanoke
Sarah Gregory, Roanoke Times

1. Call to Order

Mr. Hopkins called the meeting to order at approximately 9:05 AM.

2. Update on Current Audit Work

Mr. Harmon reviewed the completed work from the 2015/16 audit plan. Mr. Hopkins noted that there was no report date for the 21st Century Grants audit. Mr. Harmon responded that the 21st Century Grant work was not in the audit plan and that Auditing had worked with management to review specific aspects of the grant. Auditing did not prepare a formal report.

The audit of fixed assets and equipment has been essentially completed and the report is being developed. Mr. Harmon noted that management faces some challenges related to completing the required annual inventory of fixed assets costing over \$500. He anticipates the final draft of the report will be ready by mid-April.

Auditing will follow up with departments who have completed their action plans this past year. This includes Transportation, Student Testing, Facilities, and Grounds. Ms. Rottenborn asked about Student Testing. Mr. Harmon responded that Jean Pollock and John Lincoln had important responsibilities related to managing student testing for which the processes had not been formally documented. Auditing would like to confirm procedures have been documented. Mr. Harmon also explained that the work order process in Facilities was in transition when Auditing last looked at it. The audit was suspended until changes were completed. Auditing will follow up with Facilities to evaluate the improvements.

Mr. Harmon mentioned that he had also met with management regarding things to consider as they begin managing the contract for food services. They plan to meet again before June 30 to review protocols for overseeing contractor performance. Mr. Hopkins remarked that Dick Willis, School Board Member, has been designated by the Board as the Food Services Committee representative. He asked that Mr. Willis be included in future meetings.

Audit Committee Minutes
March 17, 2016

Finally, Mr. Harmon noted that the annual risk assessment required by auditing standards is in progress and would be discussed in more detail later in the meeting.

Time and Attendance Audit: Mr. Harmon thanked Ms. Jackson and Mr. Barnett for providing a timely response to the audit and for their help and cooperation during the audit. Personnel accounts for approximately 67% of the school division's overall costs. It is important that controls be in place to help ensure time worked is accurately recorded. The audit specifically looked at overtime, paid leave and extra duty work. Mr. Harmon noted that the school division uses an integrated system from Harris software for accounting and payroll processes [Aptafund]. The time and attendance system is a Harris product and can be integrated with AptaFund. It significantly reduces the risk of fraudulent time reporting since each employee is assigned a badge and has to swipe in and out of the system to record hours worked. Mr. Harmon noted that the system has significant potential to reduce paper work and improve oversight of time and attendance, when more fully developed.

Mr. Hopkins asked if everyone at the meeting had clocked in, to which everyone responded "yes." The division's policy is for all employees, hourly and salary, to clock in and out. Mr. Harmon commented that this policy keeps things simple and sends the message that the expectations are the same for all employees.

Mr. Hopkins asked if any savings were identified from the audit. Ms. Jackson responded that a task force will be created to understand the various levers creating the need for overtime. This may identify opportunities for reducing overtime and associated expenses.

Mr. Hopkins referred to a statement in the audit report indicating that the process for approving overtime provides no significant control value. Mr. Harmon confirmed this was the conclusion reached by Auditing. Ms. Rottenborn asked about the pre-approvals required for overtime. Ms. Jackson responded that overtime may be planned in advance or may arise from emergencies. The quarterly requests were intended to include both types of overtime. Mr. Harmon noted that the previous process required supervisors to complete a request form for each employee involved. Ms. Jackson added that the requests were usually received after the overtime had already been worked. Mr. Harmon noted that the system can be used to report the hours and reasons for emergency overtime. Reviewing reports from the system would be more beneficial than reviewing paper forms.

Mr. Hopkins asked if there were any other comments or questions. Hearing none, he asked Mr. Harmon to proceed to item #3.

3. Audit Plan Development – FY 2016/17

Mr. Harmon explained the purpose of the risk assessment, noting that it provides a quantifiable ranking that involves significant subjectivity. The ranking provides insight but is not intended to be the only consideration when deciding on an audit plan. Additionally, he pointed out that the criteria for reputation impact were based on the City's bi-annual citizen survey.

Audit Committee Minutes
March 17, 2016

Mr. Hopkins asked if the time since the last audit was a significant factor, noting that Student Health was at the bottom of the risk ranking and had just been audited last year. Mr. Harmon confirmed that the time since last audit was significant factor, but that the favorable results from the audit of Student Health also reduced its risk ranking.

Mr. Harmon noted that the Audit Committee and the Board have traditionally wanted outsourced services to be audited two to three years into the contract. The contract with the company providing substitute teachers will have been in effect for 18 months by July 1. Mr. Hopkins and Ms. Rottenborn would like the 2016/17 audit plan to include an audit of this contract to be performed after January 1, 2017.

The area with the highest risk ranking is IT security. Mr. Harmon suggested that 2016/17 audit plan allocate time for the Information Systems Auditor to meet with the Director of Technology and his Coordinators as time permits. This would enable the Information Systems Auditor to develop relationships with IT management and to create an overview of the department. Mr. Harmon noted the risk assessment currently breaks IT into four auditable areas: security, applications, infrastructure and PC replacement. These areas are somewhat general and might be expanded once an overview is completed. While PC replacement seems to be a significant function of IT given the thousands of computers utilized by the Division, the survey of IT may not support this conclusion. An audit would be developed for the 2017/18 plan. Mr. Hopkins and Ms. Rottenborn supported this approach.

Mr. Hopkins and Ms. Rottenborn asked how many audits are included in the annual plan. Mr. Harmon responded that the plan typically includes three (3) significant audits, external audit coordination, and follow up on any action plans due to be completed during the year. The IT survey would not count as one of the three significant audits.

Special Education is second in this year's risk ranking, represents significant costs, and is highly regulated. It is an area that has been considered for inclusion in the audit plan in recent years. There are many areas that could be considered, including compliance, reporting, cost analysis, or Medicaid billing. Mr. Hopkins and Ms. Rottenborn asked that a preliminary scope for an audit in this area be developed for consideration.

Grant Management is third in the risk ranking and has also been considered in recent years for the audit plan. Competitive grants have been a significant source of funding for the Division. The processes for identifying and applying for grants have never been audited and are largely performed by one person. Mr. Hopkins and Ms. Rottenborn asked that a preliminary scope be developed.

Accounting ranks fourth in the risk ranking and has not been audited recently. The processes for developing the operating budget and the capital improvement plan have been identified in past years as potential audit areas. The current line item budget provides insightful information, including a complete listing of approved positions by cost center and location. However, there are models and guidance that suggest additional information should be considered for inclusion in the published budget.

Audit Committee Minutes
March 17, 2016

Athletics have also been discussed and considered for audit in recent years. Athletics did not rank as a high risk area, but is a focus area for the Division's strategic plan. In 2009, the Board adopted a plan for athletics designed to increase participation and improve competitiveness.

Auditing will meet with Ms. Jackson, Mr. Barnett and other administrators to further develop the areas suggested by the Committee. Mr. Hopkins will gather input from other members of the School Board over the next 30 days. The Audit Committee will convene again in June to finalize an audit plan to recommend to the full Board.

4. Other Business

There was no other business.

5. Adjournment

Mr. Hopkins adjourned the meeting at approximately 9:50 AM.