

Roanoke City Public Schools

Audit Committee Meeting

May 18, 2023 at 11:00 AM

School Administration Building - Board Conference Room

40 Douglas Ave, NW, Roanoke, VA 24012

1. Call To Order

The Committee Chair will call the meeting to order.

2. Approval Of Minutes From February 16, 2023 Meeting

Documents:

[ITEM 2 - RCPS AUDIT COM MINUTES 02.16.23.PDF](#)

3. General Audit Plan FY23 - Brown Edwards

Documents:

[ITEM 3 - GENERAL AUDIT PLAN - BROWN EDWARDS \(FY23\).PDF](#)

4. Accounts Payable Follow Up Audit

To verify controls over gift cards are improved

Documents:

[ITEM 4 - ACCOUNTS PAYABLE FOLLOW-UP AUDIT.PDF](#)

5. Other Business

The Committee Chair will ask members of the Committee and staff if they have any other business for discussion.

6. Adjournment

The Committee Chair will adjourn the meeting.

**Minutes of the Roanoke City School Board Audit Committee
February 16, 2023**

Audit Committee Members:

Mark Cathey, Committee Chair – Present
Diane Casola, Committee Member - Present

Others Present:

Kathleen Jackson, Chief Financial Officer
Chris Perkins, Chief of Operations
Drew Harmon, Municipal Auditor
Cari Spichek, Senior Auditor

1. Call to Order

Mr. Cathey called the meeting to order at 11:00 a.m.

2. Approval of the minutes from the November 1, 2022 Meeting

Ms. Casola made a motion to approve the minutes from the November 1, 2022 meeting. The minutes were approved and filed.

3. Audit of the Capital Improvement Planning Process

Mr. Harmon stated that the CIP audit was part of the FY 2022 audit plan, and was started in March 2022. It was a busy time for the Schools and for Municipal Auditing, which led to some delays in completing the audit. He noted that the audit also required at least two meetings with the Virginia Department of Education (VDOE) to clarify how building capacities should be calculated based on VDOE guidelines.

Mr. Cathey asked if the VDOE had changed things (in relation to building capacities). Mr. Harmon responded that the VDOE has good guidelines for new construction, but the guidance was not clear about how calculate student capacities for existing buildings with smaller sized rooms. The VDOE simply multiplies the number of classrooms by the maximum pupil-to-teacher ratios (PTR) allowed by the State. However, they stated that the local school division controls class sizes and can apply a lower PTR for calculating building capacities.

Mr. Harmon noted that a quick review of the capacities being reported by the Division indicated there were errors. In some cases, useable capacity was higher than the constructed capacity. The Chief of Physical Plants agreed and asked architects engaged by the Division to recalculate student capacities. Architects were not consistent in how they interpreted the VDOE guidance and so capacity numbers continued to have issues. Management's Action Plan specifies how capacities should be calculated going forward. Municipal Auditing had suggested the Board might want to adopt a policy to help ensure building capacities are consistent and accurate in the future.

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Mr. Cathey was aware of capacity issues at Round Hill and some other schools, but he did not realize William Fleming and Patrick Henry were over capacity. He agreed there should be Board policy at some point.

Mr. Perkins commented on how things change from year-to-year, especially Average Daily Memberships (ADM). He talked about capacities listed on Table 21 (in the Annual Comprehensive Financial Report) and how the data never seemed quite right. Mr. Perkins gave Preston Park as an example, noting that Table 21 reported space for an additional 138 students when in fact, anyone visiting the school could see it is very crowded. He agreed that reading groups, specials and pull out instruction are often in hallways, stairwells and gymnasiums.

In noting how challenging it would be to create a policy on capacities, Mr. Perkins spoke about the differing PTRs in preschool, elementary school, middle and high school. He remarked about the hallways in the high schools and how it's clear during class changes that the schools are over-crowded.

Mr. Perkins commented on the major overhaul of the CIP process the Division had started just prior to the audit. The overhaul added an equity lens and scoring matrix, and additional changes have been made during the audit. He noted that principals are now asked annually to list capital improvement priorities on a new form, which is an improvement under the 3rd Objective of the audit. This provides schools an opportunity to get on the record when they need more space.

Mr. Perkin's hope is that between the feasibility study and the new building planned for Preston Park, capacity will be freed up. However, he reiterated the challenge of writing a Board policy that accommodates variations in class sizes and fluctuations in school-by-school ADMs.

Mr. Cathey talked about the projections cited in the audit regarding the decrease in Western Virginia school populations. He noted how the City is different and that it actually needs more housing to accommodate a growing population, including school-aged children.

Mr. Perkins noted that Roanoke City is one of five (5) refugee relocation sites in Virginia. This increases the need for English Language Learner (ELL) services, including additional teachers, aides and building space.

Mr. Cathey commented on the flexibility that is needed now with small groups, reading instruction, pull-out groups, etc., and how this takes a different type of facility.

Mr. Perkins noted another nuance, giving an example of classes such as Physics. The classroom might accommodate 25 students, but there may be only 12 students who sign up for the class.

Mr. Harmon went on to talk about conditions of the buildings, noting that one of the main objectives of the audit was to verify the Division had an inventory of all of its facilities and knew the condition of each. The Facilities department had put together an inventory prior to the audit, but it remains a work in

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progress. The Facilities Department is looking for a system that would be an improvement over the current process that relies on maintaining spreadsheets.

Mr. Perkins indicated the new system is in the budget and is awaiting funding. The system will automate many of the functions currently performed in spreadsheets. He noted that there is software that can interface with School Dude, the Division's current work order system.

Mr. Harmon commented on the importance of work order history as an indicator of building condition. He also mentioned the need for processes to help ensure data is entered accurately and consistently into the work order system.

Mr. Perkins agreed, giving an example of roof leaks. There may be 12 reports about a leaking roof, but in reality they should be counted as one work order.

Mr. Harmon asked the committee if there were any questions.

Ms. Casola stated she had two (2) thoughts. She inquired what the board should do regarding the establishment of a policy mentioned earlier, as there seemed to be differing opinions on this.

Mr. Perkins suggested any policy would need to be flexible enough to allow for annual changes in ADM. He was also concerned that a policy might have to be changed every time a major capital asset is renovated or newly built.

Ms. Jackson added that the policy would need to take into account the constraints of those buildings which have smaller classrooms and the need for smaller physical spaces.

Mr. Harmon added it any policy would need to be "principles-based" so that it promotes consistent decisions without being overly prescriptive.

Mr. Perkins stated the strategic plan indicates the Division will meet VDOE guidelines for pupil-to-teacher ratios. The Chief of Physical Plants and Mr. Perkins have already drafted a procedure which they would like to present the Board, as a Superintendent's Regulation.

Ms. Casola asked Mr. Harmon for his thoughts. He felt Mr. Perkin's plan made sense and that the Board could consider the need for a policy later. Mr. Harmon noted that his office had not identified any model policies that could be used for guidance.

Mr. Perkins noted that they have researched policies from other Divisions and that they are finding RCPS policies have similar language, but other Divisions have more steps in their policies. He added that the Division is working towards ISO compliance and that the proposed Superintendent Regulation will help.

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Ms. Casola asked if there is a plan for how this information (from the audit) will be shared with the third party performing the feasibility study.

Mr. Perkins responded that the RFP has not gone out yet and that the information from the audit will be provided, along with other required data. There are many things in play with the feasibility study, such as pupil-teacher ratios and Title I requirements, which will all be worked through with the vendor.

Ms. Casola stated that she just wanted to make sure the work that has already been done is provided and doesn't have to be duplicated.

Mr. Harmon noted that Auditing can share any data and records that may be of interest to the vendor.

Mr. Cathey thanked everyone for the report noting it contained a lot of good information. Mr. Perkins agreed and noted that the information from the audit has been helpful.

Ms. Casola asked how and when plans will be communicated to stakeholders.

Mr. Perkins responded that the CIP will be presented to the School Board on February 28, 2023. A response will go back to Principals letting them know the changes. Principals will be directed to submit facility maintenance items, such as new carpet, through operational budget requests.

Mr. Cathey thanked the group again for the report and discussion. The report was received and filed.

4. Other Business

Mr. Cathey asked if there was any other business to come before the committee.

Ms. Jackson updated the Committee on one of the items in the financial audit performed by Brown Edwards. While not a "finding," Brown Edwards commented on Ms. Jackson having "superuser" access to the financial system (Keystone). Ms. Jackson serves as a backup system administrator, which is important to have but is considered a risk given her role as Chief Financial Officer. In response, the Division has put in place a review process. Dominick McKee, Chief Human Resources Officer, will review reports showing Ms. Jackson's activity in the system each quarter. Ms. Jackson feels this is a good solution that should address Brown Edward's concern. Mr. Cathey responded that he was pleased with this update and thinks it is a great solution.

Mr. Harmon reminded the Committee of the next meeting scheduled for May 18, 2023 at 11:00 a.m. The agenda will include a presentation of the audit plan from Brown Edwards and Municipal Auditing's first draft of the internal audit plan for FY 2024.

5. Adjournment

Hearing no further questions or comments, Mr. Cathey adjourned the meeting at 11:49 a.m.



Your Success is Our Focus.

Chris Banta, CPA, CFE
Partner



ROANOKE CITY
PUBLIC SCHOOLS

Strong Students. Strong Schools. Strong City.

General Audit Plan FY 2023

Audit Plan

- Services to be performed by Brown, Edwards:
 - We will perform a full scope audit of Roanoke City Schools in accordance with auditing standards generally accepted in the United States of America, *Governmental Auditing Standards* issued by the Comptroller General of the United States; *Specifications of Audits of Counties, Cities, and Towns*; and *the Uniform Guidance (the Single Audit Act)*.
 - *This will include an examination of VRS in accordance with APA specifications.*
 - We will also perform an audit of the recorded cash receipts and expenditures of the School Activity funds in accordance with auditing standards generally accepted in the United States of America and *Governmental Auditing Standards*.

Audit Objective

- The objective of our audit will be the expression of an opinion on the fairness with which the financial statements present the financial position and results of operations in conformity with:
 - Accounting principles generally accepted in the United States of America – Financial Report
 - Attestation standards established by the AICPA – VRS Examination
 - Basis of Cash Receipts and Expenditures – School Activity Funds

Audit Approach

- Three phases:
 - Planning
 - Interim Field Work
 - Final Field Work

Audit Approach - Continued

- Planning
 - Will be performed at the commencement of the engagement and involves accumulation and evaluation of data relative to the economy and industry of the client.
 - We will meet with management to discuss the audit, unusual accounting problems, audit efficiency suggestions, and any new audit considerations or required disclosures.

Audit Approach - Continued

- Planning – Continued
 - During planning we will specifically:
 - Provide management with information requests.
 - Meet with management to address unusual or new accounting/auditing issues up front.
 - Identify significant audit areas.
 - Make a preliminary evaluation of internal controls, a preliminary assessment of risk, identify key audit areas, and determine levels of materiality.
 - Timing – June 2023

Audit Approach - Continued

- Interim Field Work
 - Will be performed prior to or shortly after the School's fiscal year end. Will include:
 - Single audit compliance testing of major programs.
 - Updating internal control documentation and appropriate testing of those controls.
 - Fraud inquiries.
 - Testing of journal entries and other walkthroughs.
 - Read minutes of the School Board.
 - Perform preliminary Activity Fund and VRS testing.
 - Timing – June 2023

Audit Approach - Continued

- Final Field Work
 - The final phase of the audit is performed after the Schools fiscal year has ended.
 - Currently, proposed schedule will be similar to prior years follows:
 - Information requests provided to Brown, Edwards throughout September.
 - Delivery of a draft financial report for auditor review by in early October.
 - Conclusion of evidence gathering and review of the financial report by October 31 .

Audit Approach - Continued

- Final Field Work – Continued
 - During final field work we will:
 - Review and finalize financial statements and disclosures.
 - Analyze and audit significant year-end accounts.
 - Wrap up school activity fund transactions and VRS testing.
 - Update interim analytical review.
 - Prepare final management letter accounts.
 - Issue independent auditor's reports.

Significant Audit Areas

- This year we anticipate the significant audit areas to be as follows:
 - Intergovernmental Revenue – primary source of revenue for Schools. Audit procedures will include: review significant fluctuations, determine proper receivable and/or deferred revenue amounts.
 - City transactions – We will confirm due to/from amounts with City during field work to avoid end of audit confusion.

Significant Audit Areas - Continued

- Payroll – largest portion of the School’s expenditures relate to payroll and related activities. Audit procedures will include: Testing of year end accruals for payroll, OPEB, workers compensation, health insurance liabilities, and compensated absences; analytical review of payroll related expenditures
- Program expenditures –We will test the cutoff of accruals of these expenditures as well as analytically test expenditures. This will be done in conjunction with our compliance testing of program expenditures.
- See “New for 2023” slides as well.

New for 2023

- GASB 96 SBITA
 - ***What is SBITA?***
 - Subscription Based Information Technology Arrangements
 - Easier question is **WHAT ISN'T SBITA.**
 - Agreements to use software and other subscriptions for use of IT programs.
 - ***What's new?***
 - These arrangements no longer just a period cost.
 - Now an asset for the “right to use” another entity’s assets.
 - Now a liability for the commitment.
 - Very similar to leases.

New for 2023

- GASB 96 SBITA
 - ***What is the impact?***
 - Liability is repaid with an interest component.
 - Asset is amortized.
 - In some circumstances the operating statement impact may not be significant under the new standard.

Single Audit Testing

- Due to no internal control weaknesses and no significant findings in 2021 and 2022, Schools are “low risk” auditee. We plan to test 20% of your total federal awards.
- Cyclical testing may cause us to test more.
- The process for selecting what programs to test:
 - Test large programs once every three years.
 - Test programs with significant residual COVID funding expenditures.
 - Test for coverage defined above.

Single Audit Testing - Continued

- Major programs selected for testing:
 - Preliminary selection:
 - Title I
 - Education Stabilization – CARES Act
 - Possibly another program depending on preliminary estimates. Most likely selection will be either:
 - Child Nutrition or
 - Title VI-B – Special Education

Engagement Staffing

- All senior members of the engagement team have prior years' experience with Roanoke City Schools. All key members of the audit team have experience with local government audits, including school boards, and meet the continuing education requirements of *Govt. Auditing Standards*
- Engagement Partner – Chris Banta, CPA, CFE – 23 years with BE, 12 years working on RCPS as concurring reviewer.
- Concurring Partner – John Aldridge, CPA – 29 years with BE, 12 years working with RCPS.
- Engagement Director – Chris Murray, CPA – 15 years with BE, 3 years working on RCPS.

Questions?

- If you have any questions about our approach, our large governmental practice, or would like to contact your engagement partners at any time, we encourage two way communication.
- Contact information:
 - Chris Banta, CPA, – cbanta@becpas.com; 804-282-6000

MUNICIPAL AUDITING REPORT CITY OF ROANOKE



RCPS Accounts Payable Follow- Up

March 9, 2023

Report Number: 23-005

Audit Plan Number: 23-104

*Municipal Auditing Department
Chartered 1974*

www.roanokeva.gov/auditing

Phone 540.853.5235

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AUDIT OBJECTIVES & CONCLUSIONS

Audit Objectives:

1. Have gift card procedures been communicated to employees involved in issuing gift cards and are they being followed to ensure signatures are obtained acknowledging receipt of gift cards when distributed for student incentives?

Yes – The Communications and Marketing Department developed written procedures for handling gift cards used as student prizes. Fiscal Services communicated required procedures to departments responsible for issuing gift cards, and provided appropriate training. Our test work showed gift cards were only purchased to provide assistance to students experiencing homelessness, and in limited cases, as student incentives as allowed by Division policies.

END OF AUDIT OBJECTIVES & CONCLUSIONS

BACKGROUND

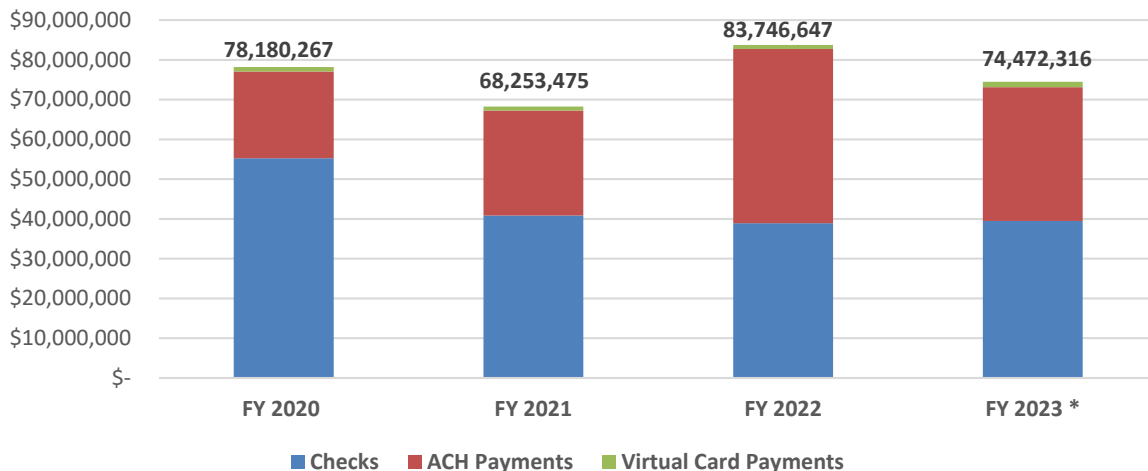
Roanoke City Public Schools (RCPS) Accounts Payable supports all departments and school sites through the centralized payment of expenditures. The following are the primary goals of Accounts Payable:

1. To pay invoices timely and accurately for allowable expenditures in accordance with School Board Polices.
2. To reimburse RCPS employees timely and accurately for allowable expenditures in accordance with School Board Polices.
3. To ensure reports generated from the Keystone Financial system are accurate and balance to the General Ledger.

The Division uses Keystone for budgeting, accounting, purchasing, and accounts payables operations. There is also an employee management module used by RCPS for payroll and human resource functions.

The Accounts Payable function is part of Accounting Services under the Fiscal Services Department of Roanoke City Public Schools. Three (3) Accounts Payable Specialists report to the Director of Accounting and handle all invoice and payment voucher processing through the Keystone financial system. The Keystone system shows the following, excluding payroll:

Payments Issued



*As of 2/28/23

We completed the original audit of Accounts Payable in 2021 with the following objectives:

1. Are system access rights appropriately assigned to ensure users can only perform the financial functions compatible with their positions and as authorized by management?
2. Are all payments timely, accurate and only issued for legitimate, authorized purchases of goods and services?

We had only one (1) audit observation, which involved the purchase of gift cards. Management had a very sound policy limiting the purchase of gift cards, which like cash, are difficult to track and can create a taxable event if given to employees.

Using data queries, we confirmed gift card purchases were limited in accordance with the policy. However, signatures of persons receiving gift cards were not obtained in many cases, and there were no formal processes in place to monitor compliance.

Our initial audit report was dated August 20, 2021, and the remaining piece of management's action plan was targeted to be completed by December 31, 2021.

END OF BACKGROUND

OBJECTIVE 1: Gift Card Documentation

In our 2021 audit, we noted that gift cards were given to more than 100 students as prizes for the Reading Challenge and the Summer Reading Program. Division staff did not have the students who received cards, or their guardians, sign an acknowledgement as required by policy. Gift cards are essentially the same as cash and therefore cannot be traced to the recipient in the same way that checks written to a payee can be. As such, they can easily be lost, stolen, or given to the wrong person.

Action Plan:

The Communications and Marketing Department planned to develop a procedure for gift cards used as student prizes.

The Fiscal Services Department planned to modify its gift card guidance to include a process for discussing other ways of documenting the use of gift cards should unforeseen circumstances, such as the pandemic, arise.

Additionally, Fiscal Services Management planned to work with staff to ensure everyone on the Accounts Payable team would be aware of gift card requirements and would be prepared to share that guidance with other departments should requisitions or invoices include suspected purchases of gift cards.

Action Completed / Issues Resolved – Yes**Follow Up – March 2023:**

Scope: We reviewed gift card communications and training provided to Division employees since the original audit report issued in August 2021. We attempted to identify all gift card purchases made from January 1, 2022 through February 15, 2023.

Results:

In mid-September 2021, Fiscal Services management shared Municipal Auditing's Final Report on Accounts Payable with Accounting staff to convey the importance of tracking the distribution of gift cards. Later in September 2021, management included guidance on gift cards in the *Faculty and Staff Annual Training on Financial Matters* slides that were presented to all school principals and other key department personnel. In July 2022, Fiscal Services conducted bookkeeper training which included an overview of gift card requirements. In January 2023,

Fiscal Services conducted in-person staff training, again covering the Accounts Payable audit and addressing proper procedures for gift cards. All Fiscal Services staff attended this training as evidenced by their signature on a sign-in sheet.

We identified 21 gift card purchases totaling \$28,980 during the period January 1, 2022 through February 15, 2023. All were properly supported by Purchase Orders and corresponding invoices / receipts. Those made on RCPS purchasing cards were identified on the credit card statement and included appropriate approvals.

The majority of gift card purchases (18 transactions for \$25,560) were for the support of homeless students and their families, funded through the McKinney-Vento Homeless Assistance Act:

Description	Purpose	Amount
Goodwill Store Cards	Clothing and household items	\$ 10,700
Speedway Fuel Prepaid Cards	Reimbursement when transportation unavailable	\$ 8,310
Best Western Travel Cards	Temporary housing in emergency situations	\$ 3,500
Kroger Store Cards	Food for families in emergency situations	\$ 1,500
Dominos Cards	Food for families in emergency situations	\$ 775
McDonalds Cards	Food for families in emergency situations	\$ 775
		<u>\$ 25,560</u>

As noted in the original audit and confirmed on 2/27/23, the Homeless Coordinator tracks all gift cards purchased and distributed using the Resource and Referral spreadsheet. She has parents / guardians sign a form when they receive gift cards, which is then kept on file in her office. All unissued gift cards are stored in a locked cabinet, to which only the RCPS Homeless Coordinator and the Homeless Outreach Specialist have a key. As they remove gift cards from the cabinet, they record the type and number of cards taken on a log. Any cards that cannot be distributed as intended are returned to the cabinet and added back to the log.

Other than the McKinney-Vento funded cards, we identified only three (3) purchases of gift cards. These cards were to be given to students as incentives:

1. \$500 for 50 McDonald’s gift cards to be given to students as incentives for William Fleming High School’s Project Graduation program.
2. \$980 for 50 Dominos gift cards to be given to students as prizes for the Summer Reading Program.

3. \$1,940 for 100 Dominos gift cards to be given to students as prizes for the Summer Reading Program.

All gift cards were logged on a Master Tracking spreadsheet when purchased, which included the unique card numbers imprinted on each one. As of the date of our fieldwork (3/2/23), 11 of the McDonalds gift cards and 124 of the Dominos gift cards had been distributed to students. A properly completed Gift Card Receipt form, signed by the student, was on file in all cases. We confirmed that the remaining gift cards on hand, combined with the cards reported as issued, were equal to the number of cards purchased. These were stored in a locked vault with limited access by authorized personnel.

END OF OBJECTIVE 1

SUMMARY OF MANAGEMENT ACTION PLANS

NA – the finding has been remediated

MANAGEMENT COMMENTS

Management has the option of providing comments to clarify issues, to provide context, or to share other information management feels is relevant and not otherwise addressed in the report. Management has considered the need for comments and decided none were necessary.

ACKNOWLEDGMENTS

We would like to thank the Accounting Department, specifically Donna Caldwell, Director of Accounting and Debbie Blevins, Accounts Payable Specialist, for their cooperation and assistance throughout the audit. We would also like to thank the Communications and Marketing Department, specifically Kelly Sandridge, Chief Communications and Community Engagement Officer, Claire Mitzel, Coordinator of Communications and Public Relations, and Sarah McMinn, Marketing and Events Specialist, and Miriam Ornelas in the William Fleming High School Finance Department for their time and input.



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