

**Minutes of the Roanoke City School Board Audit Committee
February 18, 2022**

Audit Committee Members:

Mark Cathey Committee Chair - Present
Lutheria Smith, Committee Member - Absent

Others Present:

Kathleen Jackson, Chief Financial Officer
Chris Perkins, Chief of Operations
Eric Thornton, Director of Purchasing
Cari Spichek, Senior Auditor, City of Roanoke
Drew Harmon, Municipal Auditor, City of Roanoke

1. Call to Order

Mr. Cathey called the meeting to order at approximately 10:58 AM. He noted that Ms. Smith was out of town and unable to attend.

2. Food Services Follow Up Audit

Mr. Harmon referred Mr. Cathey to management's comments that provide additional context about the operational challenges stemming from the pandemic. He commented specifically on the need to obtain a more detailed annual budget from the vendor every year, including for the year when the contract is expected to be rebid. Mr. Harmon also talked about inventory management, including controls to manage over-production, spoilage and pilferage.

Mr. Cathey noted that he was on the School Board that voted Sodexo in. He thinks they have performed well, going above and beyond, especially through the pandemic. Mr. Cathey stated however, that he recognizes their part in the issues that were cited in the audit. He commented that this was one of the "less favorable audits" that he has seen during his tenure on the board and audit committee.

Mr. Harmon noted that while a number of objectives from the follow up audit were not satisfactorily met, Sodexo's performance has generally been good. More adequate monitoring of Sodexo's performance is needed since it is effectively a cost plus contract. RCPS pays all of the labor and supply costs, plus a management fee. The management fee is reduced if Sodexo does not generate a specified level of fund balance.

Mr. Cathey commented that he was pleased with the audit work and that the report was helpful.

Mr. Perkins agreed that Sodexo has been a "champ" during the pandemic, but noted there have been issues. There have been differences of opinion between the General Manager and Regional Manager regarding the timeliness of requests. Starting in December 2021, Mr. Perkins meets with John White, Senior Vice President of Sodexo, every two (2) weeks via Zoom to ensure deadlines are met (payroll costs, inventory, vendor discounts, etc.). He has also setup regular meetings with the RCPS Food

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Services Director and the Sodexo General Manager to ensure RCPS receives the documentation needed. Mr. Perkins has met with Ms. Jackson and has one of her team members providing guidance to the Food Services Director about working through the remaining audit issues.

Mr. Perkins added that Food Services has received the FY 23 budget from Sodexo. He also said that he brought in RCPS's Director of Organizational Diversity to help address issues between Sodexo management and RCPS's Director and Assistant Director of Food Services. There had been some friction that has now been worked through. Sodexo has personnel attending all meetings to ensure items are provided as requested. Mr. Perkins stated that he does not want to use the pandemic as an excuse and that things should have been better going into the pandemic. His team knows what is expected and now the Sodexo teams know too. He feels things have improved tremendously since meetings started in December.

Mr. Cathey thanked Mr. Perkins for his candor and stated that this was all good to hear.

Mr. Perkins noted that they are currently working with Purchasing on an RFP to go out later this year. Food Services has added a part time monitor as well. She helps with program monitoring, reviewing the audits, monitoring site visits (for the breakfast, lunch and supper programs), and assisting with quarterly inventories.

Mr. Harmon stated that he appreciates the follow-up and follow-through by management.

Mr. Perkins responded that prior to this, it was very difficult to get information from Sodexo.

Mr. Cathey stated that he appreciates everyone's efforts, including the additional part-time hire, and the action plan for the Food Services Director. He feels it's the right way to resolve the issues.

Mr. Harmon agreed and noted that even when using a third party, the division still maintains accountability for monitoring the performance of that third party and meeting regulations. It's important to establish the monitoring and accountability up front.

3. Purchasing Follow Up Audit

Mr. Harmon noted that this was the second follow-up of the Purchasing audit. Purchasing had "triaged" issues by importance due to the impending Keystone implementation at the time of the first follow up. This second follow up addresses the remaining issues.

Mr. Harmon commented on how much he liked the Disclosure Form included in the report as an exhibit. The form helps guard against specifications being taken directly from a vendor's marketing materials. All action plans were completed so no further follow ups will be required. He asked if there were any questions.

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Mr. Cathey commented on the TRANE contract and Fallon Park, noting that he was glad to see they were a part of this. He added that the change in the limit for the small purchasing threshold from \$5,000 to \$10,000 was appropriate. Mr. Cathey noted that this was a really good audit with all objectives completed and all issues resolved. He asked if there were any other questions or comments.

Ms. Jackson stated that she feels good about this follow up, noting that the original audit was pretty good too, but this just confirms that the Division is “crossing the T’s” and “dotting the I’s.” She noted that good processes are in place and commended Mr. Thornton and his team on completing all of the objectives.

Mr. Cathey commented on the importance of documenting spot checks. He stated that he was pleased with the report and appreciates the work.

4. Preliminary Discussion - FY23 Audit Plan

Mr. Harmon noted that the FY23 audit plan will be presented at the May meeting. He referred Committee members to the audit history included in this meeting’s materials. The audit of Gifted Education is almost complete and a draft report is being written. The audit of the Capital Improvement Plan will begin in March. Preliminary objectives from the FY22 audit plan included looking at how enrollment projections are developed and how the condition of buildings are assessed and monitored to help in developing CIP priorities. Mr. Harmon noted that Data and Analysis may play a significant role in enrollment projections and that the audit history reflects this expectation. Other areas marked as being included in audit work in FY22 include:

- Purchasing (Follow-up)
- Maintenance (CIP audit)
- Food Services (Follow-up)
- Gifted Education (Audit)

Based on last year’s risk ratings and the Committee’s prior discussions, potential audits include:

- Human Resources (Based on time since last audit and changes in management)
- Payroll – (Based on changes in staff and systems)
- Operations (Based on prior issues with overtime and changes in regulations since COVID)

Mr. Perkins commented that the Division is experiencing increased overtime in Operations due to having 29 full time and 20 part-time custodian positions unfilled. Mr. Harmon noted that input of this nature from management will be considered in developing the plan.

Mr. Harmon talked about past audit work in the area of instruction, which includes Gifted Education, Special Education, and Career and Technical Education. He noted that guidance is usually looked at as part of these audits. He also commented that the Gifted Education department’s work only covers

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elementary and middle schools. The audit of Gifted Education did not include the Governor's School, which is separately funded and administered. Mr. Harmon also noted that the Committee discussed Student Services (truancy, bullying hotline, etc.) last year and that this area is under new management with Hayley Poland.

In reference to the audit history graphic, Mr. Cathey asked about the areas that have not been audited within the last ten years. This includes School Activity Funds, which are audited annually. Mr. Harmon responded that school activity funds are included in the audit universe from when Municipal Auditing performed the annual audit. Brown Edwards now audits activity funds on a slightly more limited basis that still satisfies state requirements. Activity funds remain in the audit universe in case the Committee asks Municipal Auditing to investigate or evaluate a specific school or related function.

Alternative Education (ie., GEDs) at one time had activity funds that were audited annually. Funding came from several sources and was complex. Auditing planned to audit it separately but management at the time indicated they were not going to continue offering alternative education. This was some years ago so Mr. Harmon turned to Ms. Jackson to comment. Ms. Jackson responded that RCPS still offers adult education and that it is funded by a regional grant. She noted that Salem is the fiscal agent that manages the grant. Currently, RCPS offers courses and submits reimbursement requests to Salem. Ms. Jackson noted that Noel C. Taylor and Forest Park academies are now considered part of Alternative Education.

Ms. Jackson stated that the current Superintendent was excited to hear about everything RCPS was offering with adult education. She added that the Superintendent has met with other school divisions involved in the regional grant and that Salem is not interested in being fiscal agent going forward. RCPS may become fiscal agent in FY24 and she believes the grant is on a five (5) year cycle. Mr. Harmon will note these changes in the risk assessment.

Mr. Cathey stated that he has no "burning issues" top of mind for audit. He expects the Board will want to follow the recommendations of the Municipal Auditor based on the risk assessment process. Mr. Cathey noted that Ms. Smith will be leaving the board at the end of this term (June 30) as she is not seeking re-appointment.

Ms. Jackson commented that she could see an HR audit going several ways. Since we have a new Director of HR, we may need to give him a chance to settle in to the position first. On the other hand, he might find it valuable and helpful to have an audit going in.

Mr. Harmon responded that he needs to setup a meeting with the new Director of HR as well as the new Director of Information Technology, but his first thought is to give them some time to settle in. He added that he is interested in Keystone and how position control works, as this is a crucial part of the system.

Mr. Perkins commented that staff and administrators at Ruffner, the Central Office, and the Warehouse will experience significant disruption as they are relocated to temporary space in the former Roanoke

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Times building, potentially having to move multiple times before their permanent space is finished. He asked that Auditing keep this in mind when setting up audits.

Mr. Cathey asked about personnel currently in the former Roanoke Times building. Mr. Perkins responded that some Operations personnel are there now, along with some Information Technology staff supporting those employees. Departments at Ruffner will move first, then Human Resources staff will move there in early March. Some Regional Occupational Therapists and Adult Learning Staff will be moved to the building in the coming month as well.

5. Other Business

Mr. Harmon reminded the committee that the next meeting is scheduled for Thursday, May 19, 2022 at 11:00 AM.

6. Adjournment

Mr. Cathey adjourned the meeting at 11:37 AM.