

**Minutes of the Roanoke City School Board Audit Committee  
May 19, 2022**

**Audit Committee Members:**

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

**Others Present:**

Kathleen Jackson, Chief Financial Officer  
Donna Caldwell, Director of Accounting  
Chris Perkins, Chief of Operations  
Laura Kelly, Supervisor of Gifted and Advanced Programs & RtI  
Chris Banta, Partner, Brown Edwards & Company (Remotely)  
Drew Harmon, Municipal Auditor

**1. Call to Order**

Mr. Cathey called the meeting to order at approximately 10:58 a.m.

**2. Approval of Minutes from February 18, 2022 Meeting**

The minutes from the February 18, 2022 meeting were approved as presented.

**3. General Audit Plan – Brown Edwards**

Mr. Banta discussed his role as engagement partner and his historical involvement with the annual financial audit of Roanoke City Public Schools. The scope of the audit includes three components.

- The financial statements, which includes testing internal controls in accordance with governmental auditing standards and compliance testing required by the Virginia Auditor of Public Accounts.
- Single Audit testing of expenditures of federal awards.
- Employee census data reported to the Virginia Retirement System.

Brown Edwards also performs a separate audit of the Division's student activity funds focused on cash receipts and expenditures at each school.

Mr. Banta discussed the three phases of the audit.

- Planning began in mid-April, and is mostly behind the scenes work. Mr. Banta noted the engagement team evaluates risks related to school systems in Virginia during this phase. They talk about any changes to reporting and compliance requirements. The team also reads news articles and board minutes to develop a sense of any new and / or hot-button issues. They talk with Board members, management, and other key personnel. Mr. Banta emphasized the importance of this behind the scenes work in understanding risks.

## **Audit Committee Minutes**

### **May 19, 2022**

- Interim fieldwork begins shortly after the school's fiscal year end. It includes compliance testing of federal expenditures, updating internal control documentation and testing controls. Auditors ask management and internal audit about potential fraud. They test journal entries and read Board minutes. Auditors also perform preliminary School Activity Fund and VRS testing at this time.
- Final fieldwork begins in September, when auditors begin substantiating all of the numbers on the balance sheet. Management completes a preliminary draft of the financials in early October. Auditors prepare management letter comments as needed, which communicate suggestions for improving controls to management and the Audit Committee. At the end of fieldwork, Brown Edwards issues the independent auditor's reports. Mr. Banta noted that while the format of the report will be changing this year, the information in the report will essentially be the same.

Mr. Banta talked about significant audit areas that are by nature more risky, are more sensitive to external parties, and that involve significant balances and transaction classes: Intergovernmental revenues, payroll, compensated absences, workers' compensation, pension and OPEB.

Single audit testing is performed on the major federal awards. Mr. Banta noted that the school division has not had a material weakness in 2 years and is designated as a low-risk auditee. This means Brown Edwards has to test only 20% of the Division's federal awards. Large programs must be tested on a cyclical basis, at least once every three years. As a result, more than 20% of expenditures may be tested in order to satisfy the three (3) year requirement.

Preliminarily the following areas are expected to be audited this year:

- Special Education (Title VI-B) – this has not been tested in the last 3 years
- Education Stabilization (CARES Act) funds
- Child Nutrition or Title I (As needed to achieve 20% coverage)

Mr. Banta discussed what is new for 2022. While most entities have settled into the "new normal," COVID-19 continues to impact operations and controls. Auditors will continue to monitor current expenditures of COVID, CARES Act, and ARPA federal funding.

Mr. Banta talked about the new lease standards that are applicable this year. Prior to this year, operating leases were just period expenses. However, the new GASB standards require booking these leases as an asset and a liability. Based on preliminary information from RCPS Fiscal Services, Mr. Banta does not think the financial impact will be too significant. The new accounting will complicate the entity-wide financial statements.

Mr. Banta noted the Division established a Capital Projects Fund this year. Auditors will review the fund's balance sheet and transactions. As a component of fund balance, this fund will receive significant auditor attention. He mentioned ongoing discussions about accounting for the new administration building on Campbell Avenue.

**Audit Committee Minutes**  
**May 19, 2022**

Mr. Banta concluded by discussing the engagement staff. He is the engagement partner and has been with Brown Edwards for 22 years. John Aldridge will serve as the concurring partner and has been with the firm for 28 years. John was the engagement partner on the RCPS audit for ten (10) years and is the engagement partner for the City's audit. Chris Murray will be the engagement senior manager. He has been with Brown Edwards for 14 years; two (2) of those working on the RCPS audit.

Mr. Cathey thanked Mr. Banta for the presentation and stated that it appears to be a sound plan. He then opened the floor for questions.

Mr. Harmon commented that the Municipal Auditing office is more actively coordinating this year's audits of the City, Schools, and GRTC, since all are related entities. A planning meeting was held in April to ensure everyone is on the same page about dates and deliverables. Mr. Harmon hopes this will make it easier for Ms. Caldwell and her team to get the information needed from the City.

Mr. Cathey thanked Mr. Banta again for the thorough presentation. Mr. Banta noted that his contact information is in the presentation should anyone on the Committee have any questions.

Hearing no other questions or comments, the presentation was received and filed.

**4. Gifted Education Audit**

Mr. Harmon noted that the report is dated March 3, 2022, and has been issued for some time. The report is lengthy in order to provide a complete picture of the gifted program and the scope of the audit. There were four (4) audit objectives as summarized on page 1 of the report.

Mr. Harmon commented on the effort that goes into identifying gifted potential early and the complexity of the process. The work with potentially gifted students in elementary school is very important to prepare them for higher-level courses in middle and high school.

Mr. Harmon referred the Committee to the conclusion on page 25, noting that processes for identifying gifted students and preparing them for advanced course work are comprehensive and methodical. He noted that the audit found processes were being followed. He also emphasized that the gifted program is not just about test scores, but includes having qualified teachers trained to recognize characteristics of gifted students and who can provide support for gifted development. Teachers, counselors, and administrators also provide input to help ensure gifted students receive appropriate support. Mr. Harmon stated that Ms. Kelly was excellent to work with and asked if she had any comments.

Ms. Kelly stated that she was very pleased with the process. She noted the State has gifted regulations that all local divisions must follow. RCPS's local plan is very detailed and outlines how the Division serves its gifted students. All divisions in Virginia have similar plans, but each puts its own spin on what they do and how they serve their student population.

**Audit Committee Minutes**  
**May 19, 2022**

Mr. Cathey stated that he was pleased with the results of the audit. He noted that one of the concerns of the School Board has been to ensure the identification of all gifted students. There are students who may be gifted but may not have the support at home they need. Mr. Cathey stated that the Division needs to recognize this and address it, and he thinks the audit proves that they do. He added that this was a real hands-on audit of people, curriculum and processes. He sees a really good process backed by data, and it looks like the program is working.

Ms. Smith agreed with Mr. Cathey's comments and thought the audit was very comprehensive. She commented on how the report can help the public understand the comprehensive process gifted education follows. She noted that some parents may believe there is a "mystery" or bias to the process and that the report can help dispel this belief. Ms. Smith expressed her appreciation for the information reported in the audit.

Ms. Kelly stated that RCPS uses local norms in addition to national norms, when many other divisions do not. She explained that Roanoke compares students with their peers within their individual school as well as within the Division as a whole. This is in addition to comparisons with students nationwide (national norms). Ms. Kelly noted that this provides a more comprehensive comparison that helps ensure students from different backgrounds and with more limited prior knowledge about gifted programs are not penalized. She added that while this is unique, in the gifted world this practice is highly recommended.

Mr. Cathey was happy to hear that the Division is able to identify those students using local norms that might not otherwise have been included. He asked if there were any other comments or questions. Hearing none, the report was received and filed.

**5. Other Business**

Mr. Cathey inquired about the date of the next meeting. Mr. Harmon responded that it would be August 18, 2022.

Mr. Harmon noted that he had hoped to present the audit plan at the current meeting. However, due to his time out for surgery he needs additional time to complete the plan. The audit universe has not been revised to align with changes in the Division's organizational structure. Mr. Harmon needs to meet with Ms. Jackson and Mr. Perkins, as well as the new HR Executive Director and IT Executive Director. The plan will be presented at the August meeting. Mr. Harmon stated that Municipal Auditing may look at more traditional "just numbers" audits to help limit time demands on school staff this year.

Mr. Cathey was understanding of the delay and commented that he was not aware of any areas that Board members may be specifically interested in having audited this coming year. He looks forward to reviewing the proposed plan at the August meeting.

**Audit Committee Minutes**  
**May 19, 2022**

Ms. Jackson commented on Auditing being more involved in coordinating the financial audit this year and appreciated the planning meeting organized by Auditing in April that included City Finance. She looks forward to having the Auditing Department's help for this year's audit.

Mr. Cathey recognized Ms. Smith for her service on the Audit Committee as she will be leaving the Board at the end of June. He thanked Ms. Smith for her service, as did Mr. Harmon. Ms. Smith responded that she has enjoyed her time on the Committee and appreciates the partnership between the Schools and the City. She believes that every board member would benefit from serving on the Audit Committee.

**6. Adjournment**

Mr. Cathey adjourned the meeting at 11:44 a.m.