

**Minutes of the Roanoke City School Board Audit Committee
November 2, 2020**

Audit Committee Members:

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

Others Present:

Kathleen Jackson, Chief Financial Officer, RCPS
Ty’Nesha Scales, Staff Accountant, RCPS
Chris Perkins, Acting Chief of Operations, RCPS
John Aldridge, Partner, Brown Edwards & Company
Brad Tomlinson, In-charge Associate, Brown Edwards & Company
Tyler Gall, Senior Associate, Brown Edwards & Company
Drew Harmon, Municipal Auditor, City of Roanoke

1. Call to Order

Ms. Rottenborn called the meeting to order at approximately 11:02 AM.

2. Presentation of Audit Results for the June 30, 2020, Comprehensive Annual Financial Report and School Activity Funds

John Aldridge handed out the following reports:

- Roanoke City Public Schools School Activity Funds “Comments on Internal Control and Other Suggestions for Your Consideration”
- Roanoke City Public Schools School Activity Funds “Financial Report”
- Required Communication with those Charged with Governance – for the Statement of Cash Receipts and Expenditures for RCPS School Activity Funds
- School Board of the City of Roanoke, Virginia (A Component Unit of the City of Roanoke, Virginia) “Comments on Internal Control and Other Suggestions for Your Consideration”
- Required Communication with those Charged with Governance – for the Financial Statements of the governmental activities, each major fund, and the remaining fund information of the School Board of the City of Roanoke, Virginia
- School Board of the City of Roanoke, Virginia, Component Unit of the City of Roanoke, Virginia Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2020
- Revenue Summary Spreadsheet

Mr. Aldridge began by complimenting the Accounting Department for once again completing the financial statements in time for an October 30 opinion. He noted that RCPS is one of only two municipal clients across the State that he works with that consistently wrap up by the end of October.

Mr. Aldridge stated that there was one compliance finding this year due to the Division overspending the budget. The issue arose after year-end, when accounting for the energy performance agreement signed in 2019. This is an unusual transaction and not an issue likely to be repeated.

Audit Committee Minutes November 2, 2020

Mr. Aldridge also noted that the guidance for auditing CARES funds (federal funds associated with the pandemic) has not been issued and therefore, the results from the single audit cannot yet be reported. Brown Edwards has completed its required audit work on the Division's other grants and has not cited any findings. He is hopeful that the guidance will be available soon and that they can wrap up the single audit in December. The Division has until March 31 to have its single audit completed.

Mr. Aldridge referred the Committee to the Revenue Summary Spreadsheet, noting that the City and State each provide about one-half of the revenue in the General Fund. The lower half of the spreadsheet shows the intergovernmental funding for all school funds, including federal funds. Federal funds dropped ~ \$800,000 from 2019 to 2020.

School Activity Funds:

Mr. Aldridge noted that the ending balances of activity funds were up from the prior year, most likely due to cancelling all travel and events from March through the end of the school year in response to the pandemic. He noted that teachers improved on remitting funds to the office the day received, with only two (2) instances in which funds were in the classroom overnight. However, the auditors identified seven (7) deposits totaling ~ \$20,000 that did not reach the bank in a timely manner.

Ms. Rottenborn asked where activity fund monies are kept. Mr. Aldridge responded that the money is in one consolidated bank account. He noted that schools in most other divisions have their own bank accounts with the bookkeepers signing the checks. Having a consolidated account is one of the strong controls RCPS has in place that helps avoid issues seen in other divisions.

Ms. Rottenborn noted that balances, receipts and expenditures varied widely from school-to-school, and asked if this indicates a potential equity issue. Comments from Mr. Aldridge, Mr. Perkins, Ms. Jackson and Mr. Harmon suggested that there are numerous factors behind the variations. Schools vary in their tolerance for fund raising, the clubs they sponsor, their identified needs, parent involvement, etc., from one year to the next. Some schools prefer having their PTA and booster clubs manage fundraising to reduce the administrative burden associated with activity funds.

Mr. Aldridge commented that some divisions include an itemized listing of activity fund expenditures for each school in the back of their activity fund financial statements. The listing provides the reader with more context about how activity funds are used. The listing is not required and Mr. Aldridge noted he was just sharing the information, not making a recommendation.

CAFR:

Mr. Aldridge stated that it was a clean audit, other than the accounting for the funds associated with the energy performance contract. He noted that ~ \$4 million related to the energy project was unspent at June 30 and was accounted for as restricted funds.

Ms. Rottenborn asked if Mr. Aldridge could reconcile the issue of spending more than budgeted with the increase in the Division's overall fund balance. Mr. Aldridge clarified that the overspending was in

Audit Committee Minutes November 2, 2020

one expenditure category, that the Division expended less than budgeted in other categories, which when combined resulted in a net increase in fund balance.

Ms. Rottenborn asked if any federal funds went into the general fund. Mr. Aldridge referred her to Exhibit 4, page 30 of the CAFR, showing that federal dollars were booked exclusively in the Food Services Fund and School Grants Fund.

Ms. Rottenborn asked if there were any other questions. She then thanked Mr. Aldridge for his firm's work on the audit. She also thanked Ms. Jackson and the Accounting staff for their good work on the financial statements, including issuing the reports on time during a challenging year. Hearing no other questions or remarks, the reports were received and filed.

3. Other Business

Ms. Rottenborn asked Mr. Gall to brief the Committee on the preliminary results of the **Technology audit**. Mr. Gall noted that the audit began in January 2020 and, understandably, was interrupted when the pandemic began in March. The Division's IT department recently provided the remaining requested information, enabling Brown Edwards to complete the audit. Mr. Gall reviewed the findings with Dan Smith on Friday, October 30.

Mr. Gall referred the Committee to a handout listing the preliminary findings by focus area. Auditors rated each finding as a low, medium, or high priority item. Mr. Gall commented on each finding, with special emphasis on the importance of employee awareness programs. In a sample of 45 employees, auditors noted ten (10) did not complete the Division's required security training.

There was one high priority finding cited by the auditors. Mr. Gall stated that six (6) servers and over 100 workstations in the Division were operating on end of life operating systems that are no longer supported by the associated vendors. Those operating systems are no longer being patched to address new vulnerabilities. Brown Edwards recommends removing these devices from the network.

Ms. Rottenborn asked for more information about the activity reported in VPN logs. Mr. Gall clarified that the logs report who has attempted to log into the VPN servers.

Mr. Cathey commented that IT will have to be reorganized to address responsibilities that come with remote learning in the future. He noted that the end of life finding is a real concern, acknowledging the challenges of keeping all devices up to date. Mr. Gall responded that the perimeter is secure and that the infrastructure is in good shape.

Ms. Rottenborn asked if the full report would provide information on what the Division is doing well. Mr. Gall confirmed that the report will discuss all areas audited and include information on what the Division is doing well. He noted that vulnerability scans identified no high risk items and that patch management has been good.

Audit Committee Minutes
November 2, 2020

Ms. Rottenborn commented that the information was illuminating and thanked Mr. Gall for the update. She looks forward to seeing the full report. Mr. Gall noted that as soon as IT provides their responses, he will issue the report. Hearing no further comments or questions, the report was received and filed.

School Safety Audit:

Ms. Rottenborn asked Mr. Harmon if there was any update on the School security audit. Mr. Harmon responded that Brian Pendleton has nearly finished planning. The objectives of the audit will be shared with management and the Committee in the next few days.

Next Meeting Date:

The Committee agreed to schedule the next Audit Committee meeting for Thursday, March 4th at 11:00 AM.

4. Adjournment

Ms. Rottenborn adjourned the meeting at 11:45 AM.