

Finance Committee of the Suffolk School Board
Minutes of the
January 24th, 2023 Meeting

Present: Chairman Riddick, Vice-chair Howell, Dr. John B. Gordon III, Superintendent, Wendy Forsman, Chief Financial Officer

- I. Welcome and purpose of the Finance Committee of the School Board
 - A. *Mr. Riddick called the meeting to order*
 - B. *Dr. Gordon and Mrs. Forsman called Mr. Ray Mellindez from Cherry Bekaert, LLP to the podium*

- II. Overview of the audit process for both Activity Funds and All other funds
 - A. *Mr. Millendez described the audit process for all the funds of the school division to include the school activity funds as an assessment of risk of material misstatement based upon a review and walkthrough of the controls (processes) as described by the management. Tests of the controls, sampling of source documents to confirm controls and review of all account balances and estimates for material misstatement. He stated that the SPS audit result was No Comments.*
 - B. *Mr. Riddick and Mrs. Howell each asked questions about the p-card program specifically and Mr. Millendez responded that he found no issues with the program and had tested the controls and done samples of expenses on that program as part of the audit.*
 - C. *Mr. Riddick asked about finding fraud and Mr. Millendez responded that the audit was not designed specifically to detect fraud and that no fraud was found or the audit firm would have reported it as a material weakness.*
 - D. *Mrs. Howell asked about a fraud audit and Mr. Millendez responded that he was not a certified forensic auditor and that as part of the audit, the firm questions management about areas of concern or known weaknesses. He stated that a fraud audit happens when there is a specific concern or known issue.*
 - E. *Mr. Riddick gave a specific example of when he personally gave the auditors a packet of materials where a citizen had claimed fraud may be happening and the audit firm at that time determined that no fraud had been committed. Mr. Millendez stated that he had 10*

years experience in government auditing in several states such as Virginia and California and had not experienced a time or seen a forensic or fraud audit needed.

- F. Both Mr. Riddick and Mrs. Howell commented on public concerns and the need to understand/discern the difference between not liking how the money was spent and claiming that money was not spent appropriately.*
- G. Mr. Riddick stated that he accepted the results from the audit and as such was satisfied and wanted the issue of a fraud audit “put to bed”*

III. Review of the results of the FY22 audit

- A. Mr. Millendez stated that the highest and best opinion for an audit is a “Unmodified, no comment” audit. Meaning that there were no material misstatements in the financial statements and that there were no material weaknesses found. He further commented that if there had been findings that they would have been discussed with management.*

IV. Various types of audits of the School division’s funds

- A. Mrs. Forsman gave an overview of all the ways in which SPS funds are audited or reviewed by others*
 - 1. Annual External audit by Cherry Bekaert, LLC*
 - 2. Audits of Food and Nutritional Services*
 - a) National School Lunch Program - every 5 years*
 - b) Child and Adult food care - every 3 years*
 - c) Summer Food service program -every 3 years*
 - d) Procurement review - every 3 years*
 - 3. Grant programs at the state level on a rotation basis every two to three years*
 - a) Mr. Riddick commented that a Title I audit was no joke that he had experienced it and even the logs of who came to events had to be shown to the auditors*
 - 4. Monthly expense reimbursements for grants is also reviewed at the state level by at least two levels of approval prior to every reimbursement*
 - 5. Federal Government transparency Act - C.A.R.E.S. Act funds must be reported quarterly*

6. *All bank accounts and statements are held by the City Treasurer's office and must be reconciled with that office on a monthly basis*
 7. *All the same information from our Financial system is also reported to the state on an annual basis and their system performs tests and analytics and any variances must be reviewed and cleared prior to the state's acceptance of the report*
 8. *The City must load their financial information to the Virginia Auditor of Public Accounts and any variances have to be explained before that is accepted.*
 9. *Also, as part of the external audit, information on variances in balances that the auditors find must have a written explanation.*
- B. *Mrs. Forsman went on to explain the best source to see where the school division is spending money is the Actual column of the Budget book which shows expenses by program and object code. She cautioned that trying to compare the budget books expenses with the state expenses or even the city financial report is not possible since the state does not recognize middle school, only elementary (K-7) and secondary schools (Grades 8-12). SPS reports school expenditures by each school to the state annually. The city report simply has educational expenditures as a single line as this is all that is required on those reports.*
- C. *Mr. Riddick commented that if there had been an issue that certainly one of these agencies would have picked up on it and reported on it.*

V. **Overview of the various Financial Statements as presented in the City Annual Comprehensive Financial Report June 30, 2022**

- A. *Mrs. Forsman showed the committee the City of Suffolk's Annual Comprehensive Financial Report for June 30, 2022 and stated that it was on the City of Suffolk's website under the Finance Department tab and had been published since December 2022.*
- B. *Mr. Riddick asked where the School Activity funds are on the website and Mrs. Forsman called upon Mr. Tyrone Carr to answer. He stated that each school had a tab called "Our School" and the link to the school activity funds audit on their website. Mr. Riddick commented that it was important for the public to know exactly where these types of items were found.*
- C. *Mrs. Forsman then went through all the sections of the City of Suffolk's Annual Comprehensive Financial Report*

1. **Introductory Section:**
 - a) Page 5
2. **Notes to the Financial Statement section:**
 - a) Pages 25, 39-41,45,47-48, 51,57,72-43, 75-77, 79,96-97, and 113
3. **Other Supplementary Information: Discretely Presented Component Unit:**
 - a) Pages 139-144
4. **Statistical Section:**
 - a) Page 148
5. **Compliance Section:** -whole section to show no comments for the school division

D. Mr. Riddick thanked Mrs. Forsman for all the information presented and commented that it was a lot of information. Mrs. Howell confirmed that it was a lot of information.

E. Dr. Gordon commented that the information as presented was very specific and only someone with CPA credentials or in the finance field would be able to fully understand it.

F. Mr. Riddick concurred and stated that the public would not know how to read or understand the information and that he had discussed with Dr. Gordon the possibility of having a citizens academy to help citizens who want to understand and learn. He further stated that it is not a transparency issue but rather a communications issue in helping the lay person to understand the complicated material. He further stated that it is the reason we have employees with credentials like CPA's (Certified Public Accountants) to do the jobs like Mrs. Forsman.

VI. New minimum wage update \$15.11 FY24 exceeding timeline of General Assembly

A. Mrs. Forsman reported that the minimum wage for SPS will be above the state requirement prior to the 2026 date set by the general assembly.

1. *Mrs. Howell asked for clarification on the start date, and Mrs. Forsman confirmed that July 1st, 2023 is the effective date.*

VII. Questions/Comments

A. Dr. Gordon commented on the years of no comment audits and the need to move on from the negativity

B. Mr. Riddick commented on the need to question but not create more work for our understaffed and underpaid departments and that while questions were welcomed, insinuations and claims of misappropriation without merit create a false and negative narrative of the division that could harm the division and create a hostile workplace for staff who could leave and go work elsewhere due to their excellent work and credentials. Dr. Gordon echoed what Mr. Riddick stated and Mrs. Howell thanked Mrs. Forsman for her work and stated that she herself had more to learn. Mrs. Forsman then had Pamela Kindred and Tyrone Carr who were in the audience stand up and be recognized for their effort and stated that these were two of her phenomenal staff and that they did the heavy lifting to make the audit happen.

C. Mr. Riddick adjourned the meeting