



State Auditor
Dave Boliek

RAPID RESPONSE SPECIAL REPORT

North Carolina
Office of the State Auditor
Rapid Response Division

1-800-730-TIPS

August 14, 2025

Winston-Salem/Forsyth County Schools

WHY WE CONDUCTED THIS REPORT

The Office of the State Auditor (OSA) initiated a review into the financial standing of Winston-Salem/Forsyth County Schools (WS/FCS or the District) based on concerns reported to the State Auditor's Tipline. As of July 29, 2025, WS/FCS reported an estimated \$46 million budget deficit for FY 2025.¹

OBJECTIVE

The objective of this review was to determine the factors that contributed to the District's FY 2025 deficit.

WHAT WE FOUND

OSA found that WS/FCS is running a deficit because:

1. The District failed to adjust its full-time equivalent (FTE) staffing despite a decrease in its student population;
2. The District used temporary COVID-era funds to pay staff salaries and did not remove positions when the temporary aid ended;
3. The District regularly approved purchase orders that exceeded its account budgets and did not later revise these budgets;

4. The District did not reconcile budgeted and actual revenue and expenditures in a timely manner. As a result, no corrective action was taken when there was a material difference in budgeted and actual revenue and expenditures during the fiscal period;
5. The District did not reassess COVID-era bonus payments to ensure alignment with current financial conditions and fund availability;
6. The District inappropriately uses suspense accounts—temporary holding accounts intended for transactions that could not be immediately classified—as fund equity or fund balance accounts across multiple funds; and
7. The District did not adequately consider its contracts when creating its budget.

Beyond these findings, OSA assessed that the WS/FCS Financial Services Department's failure to correct prior audit findings has contributed to poor accounting procedures, budgetary practices, and the FY 2025 budget shortfall.

FINDING 1 DETAILS & RECOMMENDATION

The District failed to adjust its full-time equivalent (FTE) staffing despite a decrease in its student population.

¹ <https://www.wsfc.k12.nc.us/article/2324128>. A budget deficit occurs when expenditures exceed appropriated revenue or available financial resources during a given fiscal period.

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FINDING 1 DETAILS & RECOMMENDATION

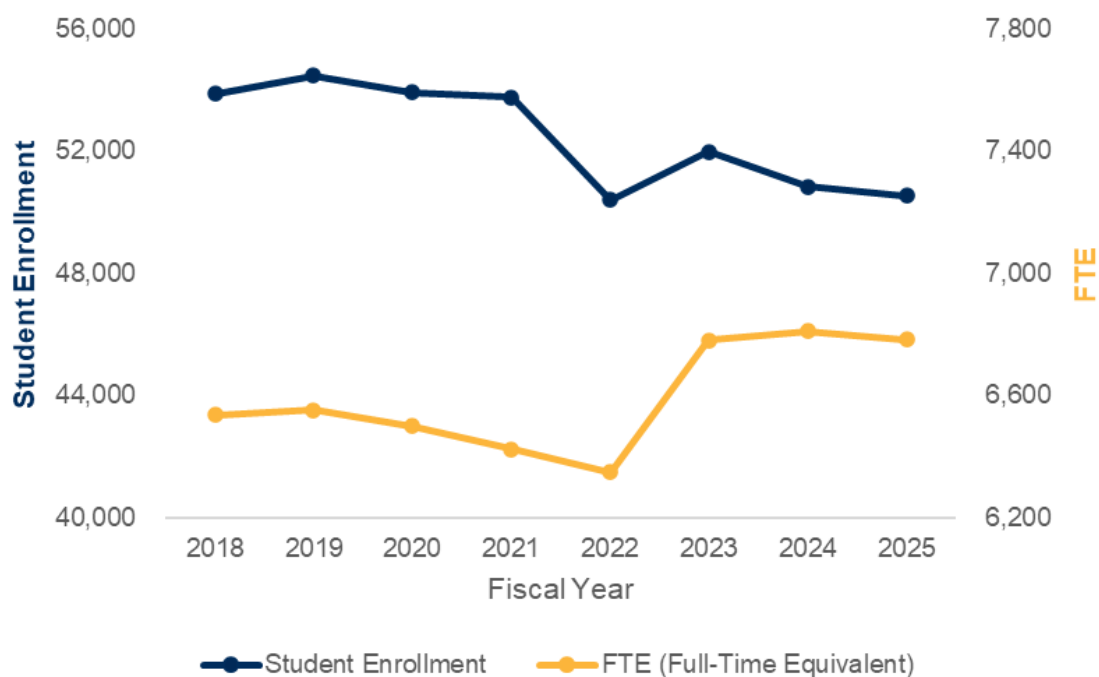
All school districts in North Carolina receive funding based, in part, on student enrollment. As WS/FCS's student enrollment declined, the District failed to make proportional staffing adjustments.

Table 1: Student Enrollment and Full-Time Equivalent (FTE) Counts Across Fiscal Years

Fiscal Year	Student Enrollment	FTE
2018	53,878	6,538
2019	54,480	6,553
2020	53,920	6,501
2021	53,777	6,424
2022	50,411	6,350
2023	51,979	6,782
2024	50,842	6,812
2025 (Partial Year)	50,550	6,783

Student enrollment and FTE data for WS/FCS from FY 2018 to FY 2025. Data for FY 2018 student enrollment and FTE was obtained from the WS/FCS Financial Services Department. The remaining data was sourced from the WS/FCS "BOE Budget Workshop and 2025-2026 Budget Request" presentation delivered on April 15, 2025.²

Figure 1: Student Enrollment and Full-Time Equivalent (FTE) Counts Across Fiscal Years



WS/FCS's student enrollment and full-time equivalent (FTE) staffing data from FY 2018 through FY 2025. This graph displays data from Table 1.

² https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enID=EChvS4RY0er31D3Cj5o9RQ%3D%3D

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FINDING 1 DETAILS & RECOMMENDATION

WS/FCS appears to have proportionally reduced staffing as a result of decreased enrollment through FY 2022, but this practice has not persisted. Specifically, the number of FTEs added since FY 2022 does not reflect the general decline of student enrollment that has occurred in the District.³ This misalignment between staffing and student enrollment contributed to the District's budget deficit.

Recommendation: WS/FCS should consider adjusting its staffing to more proportionately reflect the number of students it serves and the appropriations it receives, or whether other appropriate funding exists to support its positions.

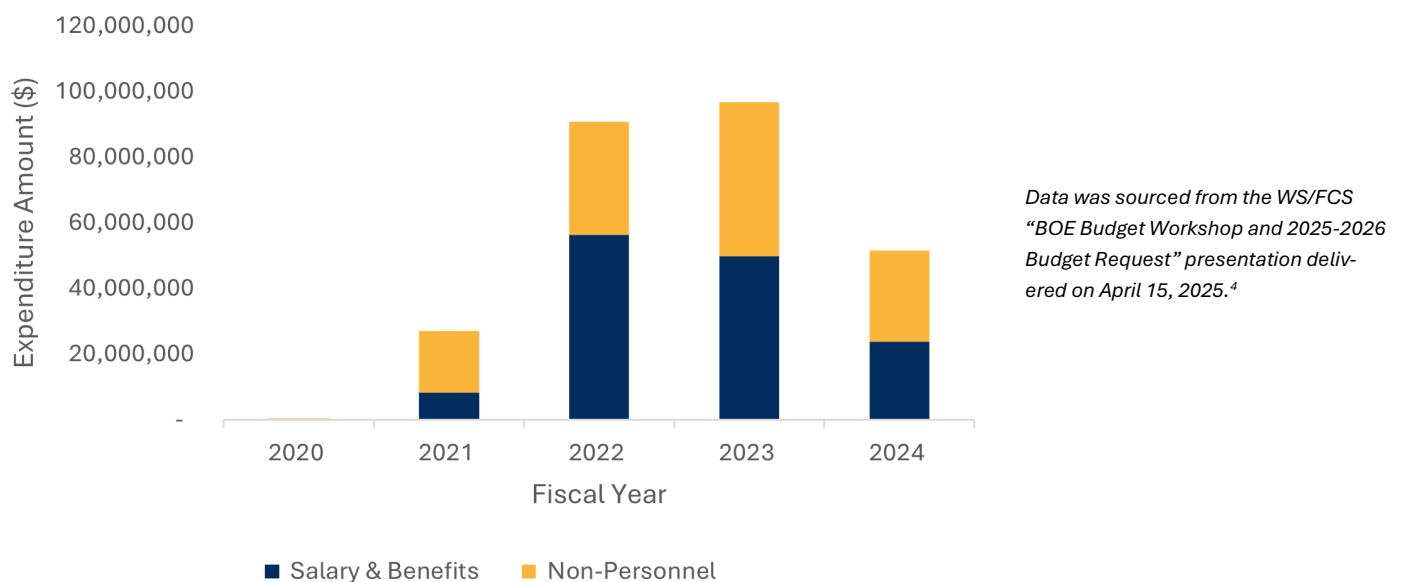
FINDING 2 DETAILS & RECOMMENDATION

The District used temporary COVID-era funds to support salaries and did not remove positions when the temporary aid ended.

During the COVID-19 pandemic, the federal government provided educational relief monies through the Elementary and Secondary School Emergency Relief (ESSER) Fund. When the federal government began allotting ESSER Fund awards in March 2020, WS/FCS increased the number of permanent positions it funded with federal dollars and used ESSER funds to pay teacher salaries, even though much of the new revenue sources from the federal fund were temporary in nature. As federal grant money began to expire, WS/FCS made no efforts to eliminate positions supported by ESSER.

Figure 2 is a graphical representation of the District's ESSER Fund expenditures from FY 2020 to FY 2024.

Figure 2: ESSER Expenditures Across Fiscal Years



³ Although the District experienced a slight increase in student enrollment between FY 2022 and FY 2023, student numbers have steadily decreased since then.

⁴ https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enIID=EChvS4RY0er31D3Cj5o9RQ%3D%3D

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FINDING 2 DETAILS & RECOMMENDATION

Table 2 provides a detailed breakdown of the District's ESSER Fund expenditures from FY 2020 to FY 2024.

Table 2: ESSER Expenditures Across Fiscal Years

Pay Type	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Salary	-	4,709,775	10,733,706	13,401,105	8,473,524
Operational Support Pay	-	8,881	319,442	584,953	254,690
Salary Differential	-	-	-	-	-
Benefit Related Pay	-	-	-	14,442	1,982
Sub Pay	-	537,521	57	-	457
Salary Totals	-	5,256,178	11,053,205	14,000,499	8,730,654
Supplement	-	305,984	1,029,154	1,639,214	1,080,117
Extra Duty Pay	-	900,086	4,127,690	5,689,937	8,705,384
Bonus Pay	-	-	32,179,772	19,644,918	(1,300)
Additional Pay Totals	-	1,206,070	37,336,617	26,974,069	9,784,201
Total Salary	-	6,462,248	48,389,822	40,974,568	18,514,854
Benefit	-	1,714,648	7,818,823	8,868,906	5,216,831
Total Salary & Benefits	-	8,176,896	56,208,645	49,843,474	23,731,686
Purchased Services	-	2,343,631	10,647,994	24,175,808	17,447,099
Supplies Materials	-	16,500,658	23,884,908	22,648,907	10,369,818
Capital Outlay	-	7,760	13,735		
Total non-personnel	491,686	18,852,049	34,532,901	46,824,715	27,830,651
Total Expense	491,686	27,028,945	90,741,547	96,668,189	51,562,337

ESSER Fund expenditures across fiscal years. Data was sourced from the WS/FCS "BOE Budget Workshop and 2025-2026 Budget Request" presentation delivered on April 15, 2025.⁵

⁵ https://simbli.eboardsolutions.com/SB_Meetings/ViewMeeting.aspx?S=36030885&MID=16839&Tab=Agenda&enIID=EChvS4RY0er31D3Cj5o9RQ%3D%3D

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FINDING 2 DETAILS & RECOMMENDATION

Table 3 shows the number of positions and funding sources from FY 2018 to FY 2025.

Table 3: Positions by Funding Source

Fiscal Year	Positions from State Fund	Positions from Federal Fund	Positions from General (local) Fund	Total Positions by FTE
2018	5,109	562	867	6,538
2019	5,150	462	941	6,553
2020	5,027	468	1,006	6,501
2021	4,977	523	924	6,424
2022	4,795	542	1,013	6,350
2023	4,862	645	1,275	6,782
2024	4,883	566	1,363	6,812
2025 (Partial Year)	4,908	536	1,339	6,783

Number of positions available in the District by funding source for each fiscal year. Data was sourced from the WS/FCS Financial Services Department. Highlighted cells note trends of interest.

Once ESSER funds were no longer available, WS/FCS reduced the number of positions funded by the federal fund and increased the number of positions funded by the general (local) fund, even though revenue from Forsyth County could not support this staffing. The decision to absorb federally funded positions into the general (local) fund budget without adequate revenue contributed to the District's budget deficit.

Recommendation: Since the federal government is no longer appropriating ESSER funds, WS/FCS should determine how much money it has to support full-time positions, in light of its other financial obligations, and adjust its staffing and funding of positions accordingly. WS/FCS should refrain from using temporary funding to support non-temporary positions in the future, or if it uses temporary funding to support non-temporary positions for a time, it should plan for how to it will continue funding those positions once the temporary funding is no longer available.

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FINDING 3 DETAILS & RECOMMENDATION

The District regularly approved purchase orders that exceeded its account budgets and did not later revise these budgets.

WS/FCS regularly overspent its stated budget lines using a budget override function in its accounting system to approve purchase orders (POs) that exceeded an account's budget line. WS/FCS informed OSA that only the District's Chief Financial Officer (CFO) can approve a purchase order (PO) that exceeds its related budget. OSA assessed available POs from FY 2025 and found that from July 1, 2024 through May 9, 2025 (the former CFO's last day of employment with the District), WS/FCS manually overrode the budget 311 times for an associated 308 POs (some POs required more than one override). The district reported 19,603 POs from July 1, 2024 through May 9, 2025.

In each instance of an override, the CFO should have soon thereafter executed, and the WS/FCS Board of Education (the Board) should have approved, an upward budget adjustment for affected accounts and an equivalent downward budget adjustment or budgeted an additional legitimate source of revenue for other accounts to appropriately reflect the budget override. Of the 311 overrides, only 33 overridden accounts received an upward budget adjustment within 30 days of the PO date. Thus, 278 account-line budgets were not adjusted to reflect the increased budget required by overridden POs in a timely manner.

As a result, affected accounts did not accurately reflect how much money the District had left to spend while the overrides remained uncorrected. This lack of timely budget clarity contributed to the budget deficit.

Recommendations: Unless an emergency arises, the District's CFO and Financial Services Department should consistently use the budget transfer process adopted by the District in a Budget Resolution on September 10, 2024, in place of the budget override process.⁶ The budget transfer process gives the superintendent authority to raise the amount of money appropriated to certain budgets while equivalently lowering the amount of money appropriated to other budgets. The CFO may initiate these transfers up to a certain threshold between functions or projects within the same fund. The Board is to receive notice of any such transfers made by the superintendent at its next meeting.⁷ Going forward, when a budget does not contain sufficient money to fund a pending PO, the CFO should complete a budget transfer prior to completing the PO, rather than a budget override. If the CFO must utilize the budget override function, each budget override should be accompanied by a subsequent budget transfer soon thereafter. The budget transfer process will permit the CFO and Financial Services Department to appropriately account for all purchases and remaining funds. Adopting this process will help the District maintain a current and sufficient budget for each of its accounts, avoid approving POs that exceed budget thresholds, and promote transparency about its financial condition.

⁶ Section 14 of the WS/FCS Budget Resolution, which was approved on September 10, 2024, by the Board. Source: <https://simbli.eboardsolutions.com/Meetings/Attachment.aspx?S=36030885&AID=409357&MID=14855>

⁷ The superintendent can execute budget transfers without notifying the Board if they are "between sub-functions and objects of expenditure within a function without limitations," pursuant to Section 14(a) of the Budget Resolution.

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FINDING 4 DETAILS & RECOMMENDATION

The District did not reconcile budgeted and actual revenue and expenditures in a timely manner.

When WS/FCS prepared its original budget, the District appropriated an equal amount of estimated revenue to expenditure accounts, thereby establishing the spending limits for those expenditures at the beginning of the year. Throughout the fiscal year, via budget amendments, the District appropriated additional equal amounts of estimated revenue to expenditure accounts, effectively increasing spending limits.

During its meeting with OSA on June 17, 2025, WS/FCS informed OSA that the District's Financial Services Department did not perform timely reconciliations between estimated revenue/expenditures and actual revenue/expenditures in prior years. No actions were taken when material differences existed between budgeted expenditures and actual expenditures, as well as budgeted revenue and actual revenue. As a result, expenditures and liabilities were incurred against financial resources that were not available or appropriated. The District's failure to consistently monitor its budget contributed directly to its budget deficits.

Table 4 shows whether actual revenue was over or under actual expenditures across fiscal years.

Table 4: Revenue Over (Under) Expenditures of Governmental Funds (Excluding Individual Schools Fund)

Fiscal Year	Revenue	Expenditures	Revenue Over (Under) Expenditures
2018	540,921,985	546,833,799	(5,911,814)
2019	578,740,135	588,730,966	(9,990,831)
2020	570,032,625	564,931,127	5,101,498
2021	622,017,258	610,811,568	11,205,690
2022	735,746,531	739,292,563	(3,546,032)
2023	745,790,844	746,817,109	(1,026,265)
2024	722,071,071	737,477,678	(15,406,607)
2025 (Partial Year)	685,531,474	699,830,067	(14,298,593)

Revenue and expenditure data for WS/FCS. Data for FY 2025 was summarized from the trial balance provided by WS/FCS's Financial Services Department on June 5, 2025. The individual schools fund was not included in FY 2025 because the data was unavailable. Data for FY 2018 through FY 2024 were extracted from the District's publicly available audited financial statements. For consistency, this data includes all governmental funds other than the individual schools fund.

Recommendation: WS/FCS should conduct monthly reconciliations between budgeted revenue/expenditures and actual revenue/expenditures to maintain current information about budget variances.

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FINDING 5 DETAILS & RECOMMENDATION

The District did not reassess COVID-era bonus payments to ensure alignment with current financial conditions and fund availability.

WS/FCS expanded bonus payments during the COVID-19 pandemic. In subsequent years, the District continued providing bonuses without properly reevaluating the funding sources for such disbursements.

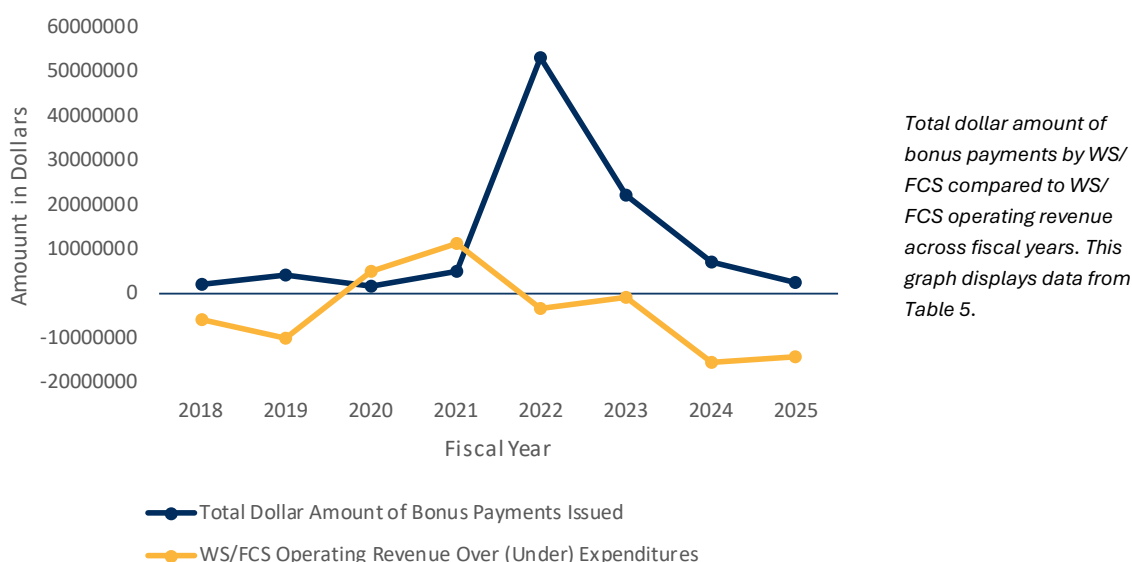
Table 5 presents the funding sources for bonus payments across fiscal years.

Table 5: Bonus Payments Paid from Governmental Funds (Object Code 180 and 183)

Fiscal Year	State Fund	General Fund	Federal Fund	Special Revenue Fund	Total	WS/FCS Operating Revenue Over (Under) Expenditure
2018	1,701,249	39,501	238,640	8,014	1,987,403	(5,911,814)
2019	1,438,314	2,201,369	428,888	14,471	4,083,042	(9,990,831)
2020	1,552,715	47,250	254,474	34,939	1,889,378	5,101,498
2021	1,647,600	2,368,392	781,474	124,638	4,922,103	11,205,690
2022	11,859,455	7,990,452	32,179,772	1,197,750	53,227,429	(3,546,032)
2023	1,359,250	161,535	19,659,262	1,058,418	22,238,464	(1,026,265)
2024	2,140,039	4,063,953	118,700	940,375	7,263,067	(15,406,607)
2025 (Partial Year)	1,301,240	3,000	706,650	694,088	2,704,978	(14,298,593)
Total	22,999,861	16,875,451	54,367,859	4,072,692	98,315,864	

Bonus payment expenditures from WS/FCS. Data was compiled from the trial-balance documents provided by WS/FCS.

Figure 3: Total Bonus Payments from Governmental Funds vs Operating Revenue Over (Under) Expenditures



Total dollar amount of bonus payments by WS/FCS compared to WS/FCS operating revenue across fiscal years. This graph displays data from Table 5.

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FINDING 5 DETAILS & RECOMMENDATION

Some bonuses paid during this period were issued pursuant to state directive and were funded by state monies (for instance, performance bonuses for teachers based on end-of-year test scores). These bonuses must be issued to comply with the state law. See, e.g., Section 7A.3 of Session Law 2023-134. However, in FY 2022 and FY 2023, the District issued additional discretionary bonus payments from federal, general, and special revenue funds yet overspent its annual revenue in each of these years. This pattern continued in FY 2024, when WS/FCS issued bonuses largely using general funds and again overspent its annual revenue.

Recommendations: WS/FCS should consider refraining from issuing discretionary bonus payments until its financial condition improves. Before issuing future bonus payments, WS/FCS should carefully consider how doing so will impact fund balances.

FINDING 6 DETAILS & RECOMMENDATION

The District inappropriately uses “suspense accounts” in multiple funds.

A suspense account is automatically generated by accounting software, or manually generated by the software user, when a transaction cannot be immediately classified due to missing, unclear, or incorrect information. It is a temporary account used to hold transactions until they can be properly classified. In standard accounting practice, all items in a suspense account should be promptly investigated and resolved to ensure the account regularly maintains a zero balance.

WS/FCS’s Financial Services Department treats suspense accounts as equity accounts⁸ rather than using them as temporary holding accounts for transactions pending classification. As of June 5, 2025, the total balance under all the District’s suspense accounts was \$332,008,316, and \$145,546 was posted to these accounts between July 1, 2024 and June 5, 2025. The improper use of suspense accounts may delay the resolution of misclassified transactions and weaken budgetary control by creating confusion over the availability and use of funds, which could contribute to the District’s budget deficit.

Recommendations: WS/FCS should only use suspense accounts for their intended purpose—a temporary holding place for properly classifying transactions. The District should regularly review and analyze such accounts. Additionally, the District should ensure that suspense accounts are cleared in a timely manner and that transactions are reclassified to the appropriate accounts.

⁸ An equity represents the ownership interest in an entity. In government accounting, it is often referred as fund balance or net position. In simple terms: Asset - Liabilities=Equity; Revenue - Expenditure=Changes in Equity in a given Fiscal Year.

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FINDING 7 DETAILS & RECOMMENDATION

The District does not adequately consider its contracts when creating its budget.

During its meeting with OSA on June 17, 2025, the District stated that when preparing its budget for contracted expenditures each year, it creates purchase orders for those expenditures as a control to ensure it considers all contracts in the budget. However, the District does not have a control to ensure that it has identified all contracts. As a result, contracts may not be given a purchase order and therefore, the District is not able to ensure that it budgets for all of its contracted expenditures. For example, the District failed to appropriately budget for its contract with ESS Southeast, LLC, a substitute staffing firm. The company only had one purchase order with WS/FCS, entered in 2021, which became a contract that has been active for several years. Because a new purchase order was not issued each year, WS/FCS failed to budget for this expenditure, which led to increased deficits.

Recommendations: The District should more fully consider the financial liabilities agreed to in its contracts when creating its budget. The District should consider maintaining all active contracts in a central repository so that the District can understand the entirety of its current and future contractual liabilities. The District should review all active contracts when creating its annual budget.

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ADDITIONAL ASSESSMENT

WS/FCS has not fully corrected previous audit findings.

Several findings made by external auditors in the District's audited financial statements for FYs 2017, 2018, 2019, and 2023 identified poor accounting procedures in the Financial Services Department. These findings have not been fully corrected by the District and, as a result, contributed to the FY 2025 deficit. The audit findings are included as Attachment 1.

Recommendation: WS/FCS should adjust its accounting procedures in response to previous years' audit findings.

OSA's Budget Dashboard, Feedback on New Accounting Software, and Concluding Remarks

During OSA's meeting with the District, OSA provided a preview of a budget dashboard that is in development. The budget dashboard seeks to display information that informs WS/FCS and the public about the financial position of the District. OSA will continue to work with the District to refine this tool.

WS/FCS also gave OSA a demonstration of the District's new accounting software from Tyler Technologies, which appears to administer controls for the District that are not currently present. The District is actively implementing this system. While the new software appears to be sufficient for addressing the District's needs, the District should proactively monitor its expenditures and provide accurate, current financial information to the Board and the public.

WS/FCS should consider implementing OSA's recommendations, improving its accounting procedures based upon prior audit findings, utilizing OSA's dashboard (upon completion), and completing the implementation of its new accounting software. Although taking such actions will not immediately resolve the District's current budget challenge, adopting OSA's recommendations will help the District prevent financial issues from occurring in the future.

OSA will continue to monitor WS/FCS's financial condition and plans to release a follow-up report in the coming months to review whether each of these findings has been corrected. During OSA's limited review, OSA did not find any evidence of malfeasance on the part of WS/FCS. This, however, does not preclude potential future allegations, whether similar or different in nature, from being subject to investigation or audit by OSA.

As a final note, the information contained in this report is based on documentation provided to OSA by WS/FCS prior to publication and may not reflect any updates, changes, or new information that became available after its release.

OSA appreciates the cooperation of WS/FCS staff and their willingness to provide requested documentation as OSA conducted this review.

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RESPONSE FROM WS/FCS



P.O. Box 2513 ▪ Winston-Salem, NC 27102

August 8, 2025

David L. Boliek
State of North Carolina
Office of the State Auditor
20601 Mail Service Center
Raleigh, NC 27699

RE: Winston-Salem/Forsyth County Schools Response to Investigative Audit Findings

Dear Mr. Boliek,

The Winston-Salem/Forsyth County School (WS/FCS) district has received and reviewed the results of the investigative audit initiated on April 21, 2025. We appreciate the time and effort taken by the Auditor's Office in reviewing our financial records and providing recommendations for how we can continue to improve our processes and procedures. The WS/FCS accepts responsibility for its current financial situation and acknowledges the difficult path forward in restoring the financial health of the district. We are committed to transparency, accountability, and to rebuilding the public's trust by showing good stewardship of public dollars.

As noted in the draft audit report, the information below sets forth the district's response to the report's findings and recommendations.

FINDING 1

Auditor's Finding 1: The District failed to adjust its full-time equivalent (FTE) staffing despite a decrease in its student population.

WS/FCS Response: WS/FCS acknowledges that it has not adequately reduced its staffing over the past few years to align with the gradual decline in student enrollment. WS/FCS has begun making reductions by instituting a reduction-in-force of 81 positions in Central Office and has re-adjusted the 2025-2026 school-based allotments to be more aligned with the State allotment formulas. As of the date of this letter, the district has approximately 474 fewer full-time positions than it did for 2024-2025. We anticipate making further reductions

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RESPONSE FROM WS/FCS



in the coming year to be more aligned with current student enrollment as well as state and federal appropriations. Please note, Table 1 data was compiled from annual state reporting submitted each October and does not include vacant positions.

Persons responsible for taking correction action: Angela Clark, Interim Chief Financial Officer, and Chris Weikart, Chief Human Resources Officer.

Completion date: The current wave of positions reductions will be complete by December 1, 2025. An additional reduction may be needed next spring, to be completed by August 1, 2026, for the 2026-27 school year. The District will conduct annual reconciliations of formulas and enrollment every fall.

FINDING 2

Auditor's Finding 2: The District used temporary COVID-era funds to pay staff salaries and did not remove positions when the temporary aid ended.

WS/FCS Response: WS/FCS acknowledges that it did not adequately reduce the number of ESSER-paid positions once the federal funds were no longer available. In addition to the adjustments and reductions noted in the response to Finding 1 above, going forward the District will ensure that all staffing allocations are supported and specified by budgeted and available state, federal, and/or local funds.

Persons responsible for taking correction action: Angela Clark, Interim Chief Financial Officer, and Chris Weikart, Chief Human Resources Officer.

Completion date: In process to be completed by June 30, 2026.

FINDING 3

Auditor's Finding 3: The District regularly approved purchase orders that exceeded its account budgets and did not later revise these budgets.

WS/FCS Response: WS/FCS acknowledges that it approved purchase orders that exceeded account budgets without subsequently revising those budgets. For decades, WS/FCS has operated on an outdated, archaic financial management system known as AS400. The AS400 system lacked many of the internal controls that modern financial management systems contain. Fortunately, WS/FCS is currently in the midst of a

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RESPONSE FROM WS/FCS



conversion to an Enterprise Resource Planning (ERP) system referred to as Tyler Munis ("Tyler"). The new ERP system has built-in controls that will prevent any purchases from exceeding the budgeted line-item amounts. No user will be able to exceed a budgeted line item without a budget transfer. This will ensure that the CFO and Finance Department can appropriately account for all purchases and remaining funds.

Additionally, the District will conduct a thorough review of its policies and procedures on budget transfers as well as established dollar amount thresholds that require Board approval. Changes to policies and procedures will be implemented and appropriate training will be provided for all staff who are responsible for managing a departmental budget.

Persons responsible for taking correction action: Angela Clark, Interim Chief Financial Officer and the Financial Department team.

Completion date: In process to be completed by June 30, 2026.

FINDING 4

Auditor's Finding 4: The District did not reconcile budgeted and actual revenue and expenditures in a timely manner. As a result, no corrective action was taken when there was a material difference in budgeted and actual revenue and expenditures during the fiscal period.

WS/FCS Response: WS/FCS acknowledges not reconciling budgeted and actual revenue and expenditures in a timely manner. Beginning with the 2025-2026 year, WS/FCS will re-institute providing a monthly budget update to the Board of Education. In August, the district will begin to provide monthly budget-to-actual reports as a regular part of the monthly Finance Committee, so that the Board will maintain current information about budget variances.

The WS/FCS has contracted with HIL Consulting Group through December 2025 and will seek recommendations on the format and type of any other reports that may be helpful to the Board and WS/FCS leadership to carefully and clearly evaluate the status of the budget on an ongoing basis.

Persons responsible for taking correction action: Angela Clark, Interim Chief Financial Officer with support from HIL Consulting Group.

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RESPONSE FROM WS/FCS



Completion date: In process to begin August 2025 and monthly thereafter.

FINDING 5

Auditor's Finding 5: The District did not reassess COVID-era bonus payments to ensure alignment with current financial conditions and fund availability.

WS/FCS Response: WS/FCS acknowledges that it did not reassess COVID-era bonuses to ensure alignment with current fund availability. WS/FCS will not issue any bonuses other than state-allocated bonuses for district personnel. In the future, WS/FCS will ensure that adequate funds are available, regardless of the funding source, before contemplating any bonuses to its employees.

Person responsible for taking correction action: Angela Clark, Interim Chief Financial Officer

Completion date: Complete.

FINDING 6

Auditor's Finding 6: The District inappropriately uses suspense accounts – temporary holding accounts intended for transactions that could not be immediately classified – as fund equity or fund balance accounts across multiple funds.

WS/FCS Response: WS/FCS acknowledges the use of suspense accounts. Upon information and belief, the SunPac financial system, which was our financial partner prior to the transition to Tyler Munis, created the "suspense accounts" automatically, and it was the responsibility of WS/FCS to reverse the journal entries out of those suspense accounts into the appropriate accounts. WS/FCS acknowledges that it did not properly adjust these accounts, and it is working with SunPac to understand how the reported amount has accumulated over the years and what immediate steps it needs to take to reflect a zero balance.

Person responsible for taking correction action: Angela Clark, Interim Chief Financial Officer

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RESPONSE FROM WS/FCS



Completion date: A review with SunPac is currently in progress, to be completed by June 30, 2026.

FINDING 7

Auditor's Finding 7: The District did not adequately consider its contracts when creating its budget.

WS/FCS Response: WS/FCS acknowledges that it did not properly account for certain contracts, namely the contract with ESS Southeast, LLC, in previous budgets. Under the new Tyler system, all contracts are required to be uploaded into the system and must be associated with a specific line item in the budget. As stated in response to Finding 3 above, Tyler has built-in controls that will ensure that no purchase orders are issued on any contracts for which there are not adequate funds in the budget. All contracts will be pre-audited by the Chief Financial Officer in accordance with State law.

Additionally, the district is reviewing its current policies and procedures regarding contract administration and is committed to creating a centralized repository of contracts, either through Tyler or some other system, so that the district can more clearly assess its current and future contractual obligations. The district will train all contract administrators on any new or revised policies and ensure that contract administrators are familiar with district guidelines and expectations.

Persons responsible for taking correction action: Angela Clark, Interim Chief Financial Officer, John Mann Jr., Director of Procurement Services and Dionne Jenkins, General Counsel

Completion date: In process, to be completed by June 30, 2026.

ADDITIONAL ASSESSMENT

Auditor's Additional Assessment: The District has failed to correct prior audit findings, which has contributed to poor accounting procedures, budgetary practices, and the FY 2025 budget shortfall.

WS/FCS Response: WS/FCS acknowledges the repeat findings noted in the attached excerpts from audit reports going back as far as 2017. Since 2017, the district has

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RESPONSE FROM WS/FCS



experienced significant changes in leadership including four Chief Financial Officers, four Superintendents, three different school boards, and considerable turnover across several departments, including the Finance Department and Human Resources. WS/FCS recognizes the need for stronger internal processes and succession planning to address the systemic inefficiencies and lack of controls that have existed for nearly a decade or more. WS/FCS also recognizes the need for additional training to build and maintain the capacity of staff to manage the financial operations of such a large institution.

The district will seek out learning opportunities about the state's complex financial system that may be available for its next Superintendent, Chief Financial Officer, Finance Department staff, and senior leadership. The Superintendent and Board will establish a regular cadence to review progress on the audit recommendations. This work will continue to be the focus of the new permanent Superintendent and Chief Financial Officer.

The WS/FCS appreciates the opportunity to work with the Auditor's office on the development of a budget dashboard and looks forward to ongoing discussions and collaboration on the public release of the dashboard. The district remains committed to building the necessary systems and internal processes that promote accountability and transparency. WS/FCS will continue to cooperate with the Auditor's office on any future requests or ongoing monitoring for the 2025-2026 school year.

WS/FCS maintains, and we believe the Auditor's report confirms, that the current financial crisis which WS/FCS is experiencing was not the result of any illegal misappropriation of funds or fraudulent behavior on the part of any member of its Finance Department or district leadership. It was the result of years of poor accounting practices and lack of financial management. WS/FCS accepts accountability for its financial mistakes and will take all necessary steps to restore the financial health of this district.

If you have any additional questions, please do not hesitate to reach out to me.

Sincerely,

Catty Q. Moore, Interim Superintendent
Winston-Salem/Forsyth County Schools

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SOURCES AND ATTACHMENTS

Attachment 1- Audit Findings in prior year financial statement audits.

FY 2024 Audit:

Finding 2024-001

Deficit in Fund Balance for the Special Revenue Fund

MATERIAL WEAKNESS

Criteria: Adequate resources must be available for fund operations.

Condition: The Special Revenue Fund has a deficit in fund balance of \$1,981,248 at June 30, 2024.

Effect: The Special Revenue Fund does not have sufficient assets to pay their liabilities at June 30, 2024.

Cause: Continued increases in costs that have exceeded appropriations in the Special Revenue Fund.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2023-001

Recommendation: We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Special Revenue Fund in order to reduce the deficit.

Views of responsible officials and planned corrective actions: Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

Finding 2024-002

Expenditures in Excess of Budget for General Fund, Special Revenue Fund, Federal Grants Fund, and Child Nutrition Fund

MATERIAL WEAKNESS

Criteria: General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: For the General Fund, the Board expended \$63,129 more for regular instructional services, \$977,627 more for school leadership, \$110,386 more for co-curricular, \$667,696 more for school-based support, \$6,279,995 more for operational support, \$12,707 more for system-wide pupil support, and \$1,452,106 more for non-programmed charges than appropriated in the annual budget ordinance. For the Special Revenue Fund, the Board expended \$185,254 more for special populations than appropriated in the annual budget ordinance. For the Federal Grants Fund, the Board expended \$1,578,506 more for financial and human resources than appropriate in the annual budget ordinance. For the Child Nutrition Fund, the Board expended \$5,016,223 more for operating expenditures than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Cause: The Board received and expended funds in the General Fund, Special Revenue Fund, Federal Grants Fund, and Child Nutrition Fund that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds

Views of responsible officials and planned corrective actions: Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

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Finding 2024-003

Reconciliation and Proper Recording of Certain Balance Sheet Accounts

MATERIAL WEAKNESS

Criteria: Balance sheet accounts should be reconciled to underlying accounting records and subledgers on a periodic basis.

Condition: Account reconciliations and proper procedures for certain balance sheet accounts were not being performed accurately or timely resulting in an initial misstatement in the accounts at June 30, 2024.

Effect: Several adjustments, some identified by Board staff and other identified as a result of the audit, were required to adjust accounts to actual at June 30, 2024.

Cause: Given staffing constraints and other factors, the Board was not able to successfully execute their closing process on a timely basis.

Recommendation: Employees responsible for account reconciliations should receive training on how to perform the necessary procedures appropriately. The Balance Sheet should also be examined on a periodic basis to ensure that accounts agree to their respective underlying records. The underlying records should also be investigated to ensure they are accurate. The Board and management should analyze the department to determine if additional headcount resources are needed.

Views of responsible officials and planned corrective actions: Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

Finding 2024-004

Noncompliance: Activities Allowed or Unallowed - Allotment Overdraft

Career and Technical Education - State: Months of Employment

SIGNIFICANT DEFICIENCY

Criteria: The Board should not exceed the positional or months allotted to them by the North Carolina Department of Instruction.

Condition: The Board exceeded the Career Technical Education Months of Employment Category by approximately 14.27 months.

Effect: Monies were spent in excess of what was allotted.

Cause: The Board was not appropriately monitoring the Months Allocated vs. Months Used in FY 2024 report which resulted in an overuse of allotted months.

Recommendation: Proper procedures should be followed to prevent an overuse of months. The Board should also refund all allotment overdrafts during the fiscal year 2024 back to the North Carolina Department of Instruction.

Views of responsible officials and planned corrective actions: Management agrees with this finding. Please refer to Schedule 15 for the Corrective Action Plan.

Question costs: \$72,106. This amount was calculated using estimated monthly salary and benefit rates for the respective positional category, multiplied by the number of overused months.

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WS/FCS Response to Audit Findings:



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**Winston-Salem/Forsyth County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2024**

**Schedule 15
(Page 1 of 2)**

Finding 2024-001

Name of Contact Person: Thomas Kränz, Chief Financial Officer

Corrective Action: Management agrees with this finding. The deficit in the Special Revenue Fund of \$1,966,671 is a continuation from the prior year. In FY2023 the deficit was \$2,016,121. The initial deficit was the result of the district not recording all applicable journal entries in a timely manner. Contributing to this situation was the loss of staff. Finance is working diligently in the hiring of personnel to address these vacancies. The primary vacant positions were the Director of Finance and two purchasing positions.

Proposed Completion Date: June 30, 2025

Finding 2024-002

Name of Contact Person: Thomas Kranz, Chief Financial Officer

Corrective Action: Management agrees that monies were expended during FY2024, which had not been properly appropriated. As a result of this action Finance spent funds that were not correctly appropriated in the General Fund, the Special Revenue Fund, the Federal Grants Fund, and the School Nutrition Fund.

Management concurs with the audit findings. Per State Statute, funds cannot be spent unless properly appropriated by the School Board. Management attempted to close out FY2024 to record journal entries reflecting revenues and expenses for year-end related transactions. Due to the staffing shortfall, as mentioned above, journal entries and the reconciliation of accounts were not performed in a timely manner. This oversight led to the expenditure of funds before being properly appropriated.

Another contributing factor in making all of the applicable journal entries, was the limited number of journal entries that could be processed at one time on the DPI system.

To ensure that this situation does not arise in the future, Finance recommends that all amendments and transfers are presented to the School Board as soon as all paperwork is complete. Finance has requested from the Superintendent and School Board for there to be a Finance Section at every regular School Board meeting for the primary purpose of presenting budget amendments and transfers to the Superintendent and School Board in a timely manner.

Proposed Completion Date: June 30, 2025

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Finding 2024-003

Name of Contact Person: Thomas Kranz, Chief Financial Officer

Corrective Action: Management agrees with this finding. Delays in the reconciliation of accounts were primarily due to the staffing shortages discussed previously. To ensure that this matter is properly addressed in the future, all reconciliations will be performed and reviewed monthly. All adjusting journal entries will be recorded in the following month.

At year end all entries will be prepared and entered in the accounting system within 45 days of year end. This timeline is expected to result in the audit being completed by the deadline of October 31st.

Proposed Completion Date: June 30, 2025

Finding 2024-004

Name of Contact Person: Thomas Kranz, Chief Financial Officer

Corrective Action: The overallotment of the CTE position, which resulted in a 1.427 overallotment, was encountered as management at year end attempted to ensure that all allotments were utilized. To ensure that this situation does not arise in the future, management will close out the allotment process review at year end no later than 30 days prior to the actual year end.

Proposed Completion Date: June 30, 2025

Prior Year Corrective Action Status- External Auditor Comment:

**Winston-Salem/Forsyth County Board of Education
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2024**

Schedule 16

Finding 2023-001

Status: See Finding 2024-001.

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FY 2023 Audit:

Finding 2023-001

Deficit in Fund Balance for the Special Revenue Fund

MATERIAL WEAKNESS

Criteria: Adequate resources must be available for fund operations.

Condition: The Special Revenue Fund has a deficit in fund balance of \$2,016,121 at June 30, 2023.

Effect: The Special Revenue Fund does not have sufficient assets to pay their liabilities at June 30, 2023.

Cause: Continued increases in costs that have exceeded appropriations in the Special Revenue Fund.

Recommendation: We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Special Revenue Fund in order to reduce the deficit.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

WSFCS Response to Audit Findings:



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**Winston-Salem/Forsyth County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2023**

Schedule 15

Finding 2023-001

Name of Contact Person: Thomas Kranz, Chief Financial Officer

Corrective Action: Management agrees with this finding. The deficit in the Special Revenue Fund Balance was the direct result of the over-appropriation in Fund Balance, from purchase orders carried over from the prior year. At June 30, 2023, cash and investments totaled \$27,936,772; which was sufficient to pay the accounts payable and accrued expenses which totaled \$3,043,115 as of year-end. Management will monitor the Special Revenue Fund Budget daily as part of the Pre-Audit Process for Purchases and Contracts, to ensure that no approval of an expenditure will have a negative impact on the Special Revenue Fund Balance. In the event that a proposed transaction could have a negative impact on the fund balance, steps will be taken in accordance with applicable policies to move the expenditures to the appropriately funded fund.

Proposed Completion Date: June 30, 2024

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**Winston-Salem/Forsyth County Board of Education
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2023**

Schedule 16

Finding 2022-001

Corrected

Finding 2022-002

Corrected

FY 2022 Audit:

Finding 2022-001

Over-Appropriation of Fund Balance for the Special Revenue Fund

MATERIAL WEAKNESS

Criteria: In accordance with State law [G.S. 115C-425], appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year preceding the budget year.

Condition: The Board appropriated \$7,513,699 of fund balance in the Special Revenue Fund but only had a total fund balance of \$2,930,290 as of the close of the preceding fiscal year.

Effect: The Board over-appropriated fund balance which is in violation of State law [G.S. 115C-425].

Cause: Continued increases in education costs that have exceeded appropriations in the Special Revenue Fund.

Recommendation: We recommend management appropriately monitor the budget to identify means to reduce expenditures in the Special Revenue Fund. Continued over appropriation of fund balance can lead to the Special Revenue Fund recognizing a deficit in fund balance.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

Finding 2022-002

Expenditures in excess of budget for the Special Revenue Fund

MATERIAL WEAKNESS

Criteria: General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

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Condition: For the Special Revenue Fund, the Board expended \$7,280,981 more for school-based support than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Cause: The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

WSFCS Response to Audit Findings:



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**Winston-Salem/Forsyth County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2022**

Schedule 15

Finding 2022-001

MATERIAL WEAKNESS

Name of contact person: Thomas Kranz, Chief Financial Officer

Corrective action: Management agrees with this finding. The appropriate amount of fund balance was approved, but it was recorded in the Special Revenue Fund instead of the General Fund. Management will monitor the Special Revenue Fund Budget daily as part of the Pre-Audit Process for Purchases and Contracts, to ensure that no approval of an expenditure will have a negative impact on the Special Revenue Fund Balance. In the event that a proposed transaction could have a negative impact on the fund balance, steps will be taken in accordance with applicable policies to move the expenditures to the appropriately funded fund.

Proposed completion date: June 30, 2023

Finding 2022-002

MATERIAL WEAKNESS

Name of contact person: Thomas Kranz, Chief Financial Officer

Corrective action: Management agrees with this finding. This relates to the Emergency Connectivity Fund. The revenues and expenses associated with purchases were made directly by the grantor for the benefit of the Board. Management will institute a process to ensure that no new revenues during the year are spent without all applicable budget adjustments approved prior to the actual expenditure of the revenues.

Proposed completion date: June 30, 2023

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Prior Year Corrective Action Status- External Auditor Comment:

**Winston-Salem/Forsyth County Board of Education
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2022**

Schedule 16

There were no findings or questioned costs related to our audit of federal and state awards for the fiscal year ended June 30, 2021.

Fiscal Year 2021: No Audit Findings.

Prior Year Corrective Action Status- External Auditor Comment:

**Winston-Salem/Forsyth County Board of Education
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2021**

Schedule 16

Finding 2020-001

Corrected

Finding 2020-002

Corrected

Finding 2020-003

Corrected

FY 2020 Audit:

Finding 2020-001

Expenditures in excess of budget for General Fund

SIGNIFICANT DEFICIENCY

Criteria: General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: For the General Fund, the Board expended \$16,135, and \$450,401 more for leadership, and public relations and nonprogrammed charges, respectively, than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-003.

Cause: The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

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Finding 2020-002

Deficit in Fund Balance for the Capital Outlay Fund and Deficit in Net Position for the Day Care Fund

SIGNIFICANT DEFICIENCY

Criteria: Adequate resources must be available for fund operations.

Condition: The Capital Outlay Fund has a deficit in fund balance of \$845,498 and the Day Care Fund has a deficit in net position of \$798,028 June 30, 2020, respectively.

Effect: The Capital Outlay Fund and Day Care Fund do not have sufficient assets to pay their liabilities at June 30, 2020.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-004.

Cause: Continued increases in costs that have exceeded appropriations in the Capital Outlay Fund and exceeded revenues in the Day Care Fund.

Recommendation: We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Capital Outlay Fund and the Day Care Fund in order to reduce the deficits.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

Finding 2020-003

Timely Filing of the Data Collection Form and Reporting Package

MATERIAL WEAKNESS

Criteria: 2 CFR section 200.512(a) requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditors or nine months after the end of the audit period. The Federal Audit Clearinghouse considers the submission complete when it has received the electronic submission of both the data collection form and the reporting package.

Condition: The June 30, 2019 reporting package and data collection form were not received by the Federal Audit Clearinghouse until May 7, 2020.

Effect: The June 30, 2019 reporting package and data collection form were not filed timely in accordance with 2 CFR section 200.512(a).

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2019-005.

Cause: The June 30, 2019 audit was not completed until April 20, 2020 due to significant delays in preparing the financial information required to perform an audit.

Recommendation: We recommend management continue monitor its procedures and internal controls to ensure they are appropriately implemented to provide for a timely filing of the reporting package and data collection form.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

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WSFCS Response to Audit Findings:



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**Winston-Salem/Forsyth County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2020**

Schedule 15

Finding 2020-001

Name of Contact Person: Andrea D. Gillus

Corrective Action: There were a few accruals that should have been accounted for before year end that were not realized until after the June 30th. We will continue to monitor accruals and continue to ensure that transfers are approved to appropriate budget in alignment with expenditures.

Proposed Completion Date: June 30, 2021

Finding 2020-002

Name of Contact Person: Andrea D. Gillus

Corrective Action: The deficit in capital outlay fund balance is related to the finding from the prior year. The deficit has been reduced significantly from the prior year. The deficit in the day care fund balance is due to the lack of revenue from the closure of school related to the COVID-19 pandemic. The district will continue to monitor expenditures and ensure that funds are received before expended.

Proposed Completion Date: June 30, 2021

Finding 2020-003

Name of Contact Person: Andrea D. Gillus

Corrective Action: This finding was due to employee turnover on the Finance team. The Finance team implemented reporting processes including a period close checklist which will be prepared to ensure all processes are completed timely, every period. Because of these new processes, we believe that the data collection form will be filed timely for the June 30, 2020 audit.

Proposed Completion Date: March 31, 2021

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**Winston-Salem/Forsyth County Board of Education
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2020**

Schedule 16

Finding 2019-001

Corrected

Finding 2019-002

Corrected

Finding 2019-003

Repeat, see finding 2020-001

Finding 2019-004

Repeat, see finding 2020-002

Finding 2019-005

Repeat, see finding 2020-003

Finding 2019-006

Corrected

FY 2019 Audit

Finding 2019-001

Internal Controls Over Financial Reporting

MATERIAL WEAKNESS

Criteria: Internal control over financial reporting are the control activities designed by the Board of Education to provide reasonable assurance regarding the reliability of financial reporting in accordance with the appropriate accounting standards. These control activities over financial reporting should be selected and developed so that they contribute to the mitigation of risks for the achievement of objectives to acceptable levels.

Condition: Account reconciliations were not being performed accurately or timely and detective review controls were not occurring which resulted in erroneous balances at June 30, 2019.

Effect: Numerous audit adjustments were required. Cash and other accounts may be misstated.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-001.

Cause: The control activities over financial reporting have not been implemented to appropriately prevent and/or detect misstatements.

Recommendation: We recommend that the Board reviews its procedures over financial reporting to determine if the procedures are appropriately designed and if the individuals are in place with the necessary skills and knowledge to implement them.

Views of Responsible Officials and Planned Corrective Actions: The Board of Education agrees with this finding.

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Finding 2019-002

Manual Journal Entries

MATERIAL WEAKNESS

Criteria: There should be a system of control in place to ensure that those responsible for reviewing and approving journal entries do not have access to prepare journal entries.

Condition: Our review of journal entries revealed that many entries lacked proper approval by a responsible employee and in some cases, adequate documentation to explain why the journal entry was prepared.

Effect: Without a system of control, there remains a risk that the financial statements could be intentionally or inadvertently misstated and that fraud could be perpetrated without being detected.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-002.

Cause: The Board has a policy in place, whereby all journal entries should be approved by the finance officer or other designated members of management, however, it does not appear that policy was always followed.

Recommendation: We recommend that the Board monitors its policy for approval of journal entries and that all journal entries be accompanied by fully explanations and by reference to adequate supporting data.

Views of responsible officials and planned corrective actions: The Board of Education agrees with this finding.

Finding 2019-003

Expenditures in excess of budget for General Fund, State Public School Fund, Capital Outlay Fund, and Child Nutrition Fund

MATERIAL WEAKNESS

Criteria: General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: For the General Fund, the Board expended \$3,777,779, \$20,923, \$380,728, \$298,006, \$256,813, \$1,002 and \$71,333 more for regular instructional, special populations, alternative programs, school leadership, school-based support, alternative programs and services support and development, and ancillary services, respectively, than appropriated in the annual budget ordinance. For the State Public School Fund, the Board expended \$1,216,389 more for special populations than appropriated in the annual budget ordinance. For the Capital Outlay Fund, the Board expended \$1,271,511 more for buses and motor vehicles than appropriated in the annual budget ordinance. For the Child Nutrition Fund, the Board spend \$51,913 for operating expenditures than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-003.

Cause: The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

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Finding 2019-004

Deficit in Fund Balance and Over-Appropriation of Fund Balance for the Capital Outlay Fund

MATERIAL WEAKNESS

Criteria: Adequate resources must be available for fund operations.

Condition: The Capital Outlay Fund has a deficit in fund balance of \$1,409,068 at June 30, 2019 and the Board over-appropriated fund balance which is in violation of State law [G.S. 115C-425].

Effect: The Capital Outlay Fund did not have sufficient assets to pay its liabilities at June 30, 2019.

Cause: Continued increases in construction costs that have exceeded appropriations in the Capital Outlay Fund.

Recommendation: We recommend management appropriately monitor the budget and identify means to reduce expenditures in the Capital Outlay Fund in order to reduce the deficit.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

Finding 2019-005

Timely Filing of the Data Collection Form and Reporting Package

MATERIAL WEAKNESS

Criteria: 2 CFR section 200.512(a) requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditors or nine months after the end of the audit period. The Federal Audit Clearinghouse considers the submission complete when it has received the electronic submission of both the data collection form and the reporting package.

Condition: The June 30, 2018 reporting package and data collection form were not received by the Federal Audit Clearinghouse until July 17, 2019.

Effect: The June 30, 2018 reporting package and data collection form were not filed timely in accordance with 2 CFR section 200.512(a).

Cause: The June 30, 2018 audit was not completed until May 28, 2019 due to significant delays in preparing the financial information required to perform an audit.

Recommendation: We recommend management continue monitor its procedures and internal controls to ensure they are appropriately implemented to provide for a timely filing of the reporting package and data collection form.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

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Finding 2019-006

Noncompliance: Activities Allowed or Unallowed

SIGNIFICANT DEFICIENCY

Criteria: Only those individuals in positions allotted by the State Board of Education (SBE) and, if applicable, professionally certified by DPI can be paid with State Public Schools Funds. The Department of Public Instruction determines and fixes the salary for each grade and type of certificate, which it authorizes. Certified & Non-Certified Employees paid with State Public Schools Funds are to be paid in accordance with the state salary schedules. (G.S. 115C-272, 115C-284 and 285, 115C-296 and 302.1, 115C-316 and 115C-416).

Condition: School personnel were paid with State Public Schools Funds not in accordance with the State salary schedule.

Effect: The NC Department of Public Instruction was overcharged salaries and benefits.

Cause: The appropriate policies and procedures were not in place to ensure that the salary exception list was being periodically monitored and personnel were appropriately licensed for the positions they held.

Questioned costs: \$30,683. This is the amount of salaries and benefits which were listed on the NC Department of Public Instruction exception list as overpaid.

Recommendation: We recommend that management implement procedures to ensure proper monitoring of the NC Department of Instruction exception list. Furthermore, we recommend management implement proper procedures to ensure that personnel are not placed in positions for which they have not obtained the appropriate license. Any exceptions, including the unallowed amount of \$30,683 detailed above, should be settled with the NC Department of Public Instruction. We recommend that underpaid individuals on the salary exception list have payment made to adjust their salary as a prior year adjustment.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

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P.O. Box 2513 ■ Winston-Salem, NC 27102-2513

**Winston-Salem/Forsyth County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2019**

**Schedule 15
(Page 1 of 2)**

Finding 2019-001

Name of Contact Person: Andrea D. Gillus

Corrective Action: Financial Services staff members monitored bank account reconciliations each month on a timely basis and investigated differences attempting to discover patterns that would reveal necessary process improvements to eliminate the differences. Previous corrective action was not fully implemented due to employee turnover. We will train staff to perform reconciliations and will continue to monitor bank account reconciliations promptly each month and investigate and clear up miscellaneous differences in a timely fashion.

Proposed Completion Date: June 30, 2020

Finding 2019-002

Name of Contact Person: Andrea D. Gillus

Corrective Action: The Finance Department has reviewed and implemented a multi-tiered system of approval of Journal Entries. Previous corrective action was not fully implemented due to employee turnover. All manual journal entries will be prepared by a staff employee and reviewed and approved by a manager or above to ensure accuracy and proper supporting documentation prior to posting.

Proposed Completion Date: June 30, 2020

Finding 2019-003

Name of Contact Person: Andrea D. Gillus

Corrective Action: There was significant high-level of turnover in the district including the finance department. For that reason, many year-end budget amendments and budget transfers were not prepared in order to ensure that funds were expended were being appropriated. We have since implemented a monthly report of revenue and expenses to board by function in order to ensure that expenses do not exceed the budget. We will ensure that transfers are approved to appropriate budget in alignment with expenditures. In addition, we'll make sure all revenue that is expended is appropriated.

Proposed Completion Date: June 30, 2020

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Finding 2019-004

Name of Contact Person: Andrea D. Gillus

Corrective Action: This finding is due to employee turnover and skill sets in the Finance team. The Finance team is currently documenting processes to determine best practices and implement as soon as possible. We will continue to monitor expenditures and ensure that funds are received before expended.

Proposed Completion Date: June 30, 2020

Finding 2019-005

Name of Contact Person: Andrea D. Gillus

Corrective Action: This finding is due to employee turnover and skill sets in the Finance team. The Finance team is currently documenting processes to determine best practices and implement as soon as possible. A period close checklist will be prepared to ensure all processes are completed timely, every period. We will start the June 30, 2020 audit earlier and will make every effort to complete the audit and submit by the required date.

Proposed Completion Date: June 30, 2020

Finding 2019-006

Name of Contact Person: Andrea D. Gillus

Corrective Action: This finding is due to employee turnover and skill sets in the Finance team. The Finance team is currently documenting processes to determine best practices and implement as soon as possible. We have hired an experienced Payroll Specialist to monitor the exception list and take appropriate action, as well as, coordinate appropriate licensure for new hires with Human Resources. We will ensure that all overpayments are corrected during the fiscal year.

Proposed Completion Date: June 30, 2020

Prior Year Corrective Action Status- External Auditor Comment:

**Winston-Salem/Forsyth County Board of Education
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2019**

Schedule 16

Finding 2018-001

Repeat, see finding 2019-001

Finding 2018-002

Repeat, see finding 2019-002

Finding 2018-003

Repeat, see finding 2019-003

Finding 2018-004

Corrected

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FY 2018 Audit:

Finding 2018-001

Internal Controls Over Financial Reporting

MATERIAL WEAKNESS

Criteria: Internal control over financial reporting are the control activities designed by the Board of Education to provide reasonable assurance regarding the reliability of financial reporting in accordance with the appropriate accounting standards. These control activities over financial reporting should be selected and developed so that they contribute to the mitigation of risks for the achievement of objectives to acceptable levels.

Condition: Account reconciliations were not being performed accurately or timely and detective review controls were not occurring which resulted in erroneous balances at June 30, 2018.

Effect: Numerous audit adjustments were required. Cash and other accounts may be misstated.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-001.

Cause: The control activities over financial reporting have not been implemented to appropriately prevent and/or detect misstatements.

Recommendation: We recommend that the Board reviews its procedures over financial reporting to determine if the procedures are appropriately designed and if the individuals are in place with the necessary skills and knowledge to implement them.

Views of Responsible Officials and Planned Corrective Actions: The Board of Education agrees with this finding.

Finding 2018-002

Manual Journal Entries

MATERIAL WEAKNESS

Criteria: There should be a system of control in place to ensure that those responsible for reviewing and approving journal entries do not have access to prepare journal entries.

Condition: Our review of journal entries revealed that many entries lacked proper approval by a responsible employee and in some cases, adequate documentation to explain why the journal entry was prepared.

Effect: Without a system of control, there remains a risk that the financial statements could be intentionally or inadvertently misstated and that fraud could be perpetrated without being detected.

Cause: The Board has a policy in place, whereby all journal entries should be approved by the finance officer or other designated members of management, however, it does not appear that policy was always followed.

Recommendation: We recommend that the Board monitors its policy for approval of journal entries and that all journal entries be accompanied by fully explanations and by reference to adequate supporting data.

Views of responsible officials and planned corrective actions: The Board of Education agrees with this finding.

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Finding 2018-003

Expenditures in excess of budget for General Fund, State Public School Fund, and Capital Outlay Fund

SIGNIFICANT DEFICIENCY

Criteria: General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: For the General Fund, the Board expended \$133,017, 283,145, and \$176,011 more for regular instructional, special populations, and non-programmed charges, respectively, than appropriated in the annual budget ordinance. For the State Public School Fund, the Board expended \$713,311 more for special populations, than appropriated in the annual budget ordinance. For the Capital Outlay Fund, the Board expended \$462,838 more for buses and motor vehicles than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2017-003.

Cause: The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

Finding 2018-004

Noncompliance: Activities Allowed or Unallowed – Allotment Overdraft

SIGNIFICANT DEFICIENCY

Criteria: The Board should not incur expenditures in excess of the dollar amounts allotted for the State Public School Fund.

Condition: The Board incurred expenditures in excess of allotments by \$26,597 for the Transportation of Pupils Program.

Effect: Monies were spent in excess of what was allotted.

Cause: The Board did not have proper procedures in place to ensure that expenditures did not exceed the dollar amounts allotted.

Recommendation: Proper procedures should be put in place to ensure that expenditures do not exceed the dollar amounts allotted. The board should also refund all allotment overdrafts in during fiscal year 2018 back to the North Carolina Department of Public Instruction.

Views of responsible officials and planned corrective actions: Management agrees with this finding.

Questioned costs: \$26,597. This is the amount that State Public School Fund expenditures were made in excess of allotments for the State Public School Fund.

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**Winston-Salem/Forsyth County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017**

Schedule 15

Finding 2018-001

Name of Contact Person: Kim Slusher

Corrective Action: Financial Services staff members monitored bank account reconciliations each month on a timely basis and investigated differences attempting to discover patterns that would reveal necessary process improvements to eliminate the differences. Due to unique outsourcing processes on certain payables expenditures and payroll error correction processes, these investigations took an excessive amount of time and effort. We will continue to monitor bank account reconciliations promptly each month and investigate and clear up miscellaneous differences. Bank reconciliations are currently up to date. We have worked with our IT Department and continue to do so to ensure that all balances are rolling forward. The OPEB report will continually be monitored for inaccuracies and matched against the dental file. We have made changes to the finance departments to have a new person take over Capital Assets.

Proposed Completion Date: Complete

Finding 2017-002

Name of Contact Person: Kim Slusher

Corrective Action: The Finance Department has reviewed and implemented a multi-tiered system of approval of Journal Entries. As we try to improve upon the process the finance department is limited in staff.

Proposed Completion Date: Complete

Finding 2017-003

Name of Contact Person: Kim Slusher

Corrective Action: We will continue to monitor all purpose codes to make sure that we do not over spend. We have also implemented new procedures to help ensure that we have all funds encumbered. Also do to timing of audit we are unable to do budget amendments and transfers.

Proposed Completion Date: 06/30/19

Finding 2017-004

Name of Contact Person: Kim Slusher

Corrective Action: We will continue to monitor allotments vs. expenditures. To ensure that we do not over spend and that we are at a zero balance at year end. We have also implemented the all items must have purchase orders so that we can see that funds are encumbered. We are also now working very closely with the COO of Operations.

Proposed Completion Date: Complete

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**Winston-Salem/Forsyth County Board of Education
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2017**

Schedule 16

Finding 2017-001

Repeat, see finding 2018-001

Finding 2017-02

Corrected

Finding 2017-03

Repeat, see finding 2018-003

FY 2017 Audit:

Finding 2017-001

Bank reconciliations not performed in a timely manner

MATERIAL WEAKNESS

Criteria: Bank reconciliations should be performed timely and miscellaneous differences should be resolved.

Condition: The Board did not complete bank reconciliations for various cash accounts timely and did not resolve miscellaneous differences.

Effect: Cash and other accounts may be misstated.

Cause: Management did not perform reconciliations timely and did not resolve miscellaneous differences.

Recommendation: We recommend management complete bank reconciliations on a monthly basis and resolve any miscellaneous differences.

Views of Responsible Officials and Planned Corrective Actions: The Board of Education agrees with this finding.

Finding 2017-002

Deficit in Fund Balance of Day Care Fund

SIGNIFICANT DEFICIENCY

Criteria: Adequate resources must be available for fund operations.

Condition: The Day Care Fund has a deficit in fund balance of \$11,959

Effect: The Day Care Fund did not have sufficient assets to pay its liabilities at June 30, 2017.

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Cause: As a result of the Board recognizing their proportionate share of the pension liability, the Day Care Fund recognized an additional \$12,488 in expenses.

Recommendation: We recommend that management identify means to reduce expenditures in the Day Care Fund in order to reduce the deficit.

Views of Responsible Officials and Planned Corrective Actions: The Board of Education agrees with this finding.

Finding 2017-003

Expenditures in excess of budget for General Fund and Local Special Expense Fund

SIGNIFICANT DEFICIENCY

Criteria: General statutes state that all monies received and expended by a local government or public authority should be included in the budget ordinance.

Condition: For the General Fund, the Board expended \$175,157 more for Alternative Programs than appropriated in the annual budget ordinance. For the Local Special Expense Fund, the Board expended \$563,314 more for Special Populations than appropriated in the annual budget ordinance.

Effect: Monies were spent that had not been appropriated.

Cause: The Board received and expended appropriations that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation: Budget amendments should be adopted when it is known that funds are going to be expended in a different budgetary control level than what was originally adopted prior to expending the funds.

Views of Responsible Officials and Planned Corrective Actions: The Board of Education agrees with this finding.

Finding 2017-004

SIGNIFICANT DEFICIENCY

Activities Allowed or Unallowed

Criteria: DPI allocates to LEAs funding for operations and a specific number of months of employment for classroom teachers, school building administration, instructional support, vocational education, family support nurses and literacy coaches.

Condition: Winston-Salem/Forsyth County Schools exceeded the months of employment in classroom teachers, school building administration, instructional support and vocational education.

Effect and Questioned Cost: Winston-Salem/Forsyth County Schools refunded \$314,215 from the General Fund to the state.

Cause: The number of employees paid from the State Fund exceeded the allowable.

Recommendation: We recommend management develop processes to ensure compliance with state allotment requirements.

Views of Responsible Officials and Planned Corrective Actions: The Board of Education agrees with this finding.

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**Winston-Salem/Forsyth County Board of Education
Corrective Action Plan
For the Fiscal Year Ended June 30, 2017**

Schedule 10

Finding 2017-001

Name of Contact Person: Kerry Crutchfield

Corrective Action: Financial Services staff members monitored bank account reconciliations each month on a timely basis and investigated differences attempting to discover patterns that would reveal necessary process improvements to eliminate the differences. Due to unique outsourcing processes on certain payables expenditures and payroll error correction processes, these investigations took an excessive amount of time and effort. We will continue to monitor bank account reconciliations promptly each month and investigate and clear up miscellaneous differences.

Proposed Completion Date: 01/01/2018

Finding 2017-002

Name of Contact Person: Kerry Crutchfield

Corrective Action: The Day Care Fund deficit was caused by an unexpected sizable increase in allocated pension liabilities, an amount unknown and unknowable to WS/FCS before the end of the fiscal year. We will attempt to increase revenues and/or decrease expenditures to eliminate this deficit, but the GAAP requirement to accrue pension liability numbers that are outside of our control makes this a moving target that is difficult to predict.

Proposed Completion Date: 01/01/2018

Finding 2017-003

Name of Contact Person: Kerry Crutchfield

Corrective Action: Sizable payables that were unknown to us before the end of the fiscal year caused these budgetary over-expenditures. We will attempt to do a better job of anticipating these types of payables in time to process budget amendments and/or transfers to prevent these exceptions.

Proposed Completion Date: 05/31/2018

Finding 2017-004

Name of Contact Person: Kerry Crutchfield

Corrective Action: Overuse of state allotments continues to decline in dollar value and we continue to accrue and make the refunds on a timely basis. In a district the size of WS/FCS, we will never be able to balance our state position allotments to -0- due to the impacts of payrolls occurring in late June beyond the available time to submit adjustments to NCDPI. We will continue to try to get as close to -0- balances as possible.

Proposed Completion Date: 06/30/2018

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