

I. Introduction & Background

In the spring of 2025, Winston-Salem/Forsyth County Schools (WS/FCS) reported a budget deficit of approximately \$46 million for Fiscal Year 2025. A Rapid Response Report from the North Carolina Office of the State Auditor (OSA) identified multiple contributing factors, including:

- Failure to align staffing with declining student enrollment.
- Reliance on temporary COVID-era federal funds to support permanent positions.
- Approval of purchase orders exceeding account budgets without timely adjustments.
- Lack of timely reconciliation of budgeted versus actual revenues and expenditures.
- Continuation of discretionary bonus payments despite limited resources.
- Improper use of suspense accounts.
- Inadequate budgeting for contractual obligations.

The OSA further noted that WS/FCS failed to correct prior audit findings, contributing to persistent weaknesses. The Superintendent and Chief Financial Officer resigned in the aftermath.

WS/FCS continues to undergo its annual independent financial audit. This request for quote seeks a complementary engagement—one that does not duplicate the work of OSA or the independent auditor, but instead evaluates the adequacy and effectiveness of current controls, including any new controls, policies, and procedures implemented since the deficit was uncovered.

This engagement is authorized under N.C. Gen. Stat. § 115C-447 (b). The North Carolina Department of Public Instruction (NCDPI) issues the request for quote and does so on behalf of the State Board of Education (SBE) and Local Government Commission (LGC). NCDPI, acting on behalf of the SBE, will serve as the lead oversight body, providing guidance and direction throughout the review process. WS/FCS is the primary beneficiary of this review, and the review findings will be used to inform future financial management and governance practices.

The following attachments are provided as additional background:

- A. State Auditor Rapid Response Special Report
- B. WS/FCS FY24 Financial Statements
- C. WS/FCS FY23 Financial Statements

II. Purpose of the Engagement

The purpose of this engagement is to:

- A. Independently evaluate whether WS/FCS's current controls, including any newly implemented controls and policies are effective and sustainable.
- B. Ensure that current controls and corrective measures implemented effectively address past deficiencies and prevent recurrence.

III. Scope of Services

The selected firm shall conduct an independent, forward-looking evaluation of the adequacy and effectiveness of the internal controls, policies, and procedures in place at WS/FCS, including those implemented by WS/FCS since discovery of the FY 2025 budget deficit. The purpose of the review is not to re-investigate the causes of the deficit, which have been well documented, but to ensure that corrective actions are comprehensive, effective, and sustainable.

The review must address the following areas within the WS/FCS including the WS/FCS Board of Education:

A. Internal Controls and Fiscal Policies/Procedures

- Review existing fiscal policies for adequacy, clarity, and alignment with state law and best practices.
- Assess internal controls, including those within the district’s enterprise resource planning (ERP) system, designed to prevent recurrence of issues previously identified by the State Auditor or external auditors (potentially including segregation of duties, approval hierarchy, and user access controls).
- Evaluate the process for ensuring prior audit findings are corrected and tracked.

B. Purchasing and Contracting

- Evaluate controls to ensure that purchase orders and contracts are supported by available budget authority prior to commitment.
- Assess whether monitoring processes exist to track contract performance, vendor payments, and adherence to contract terms.

C. Financial Reporting and Transparency

- Assess timeliness, accuracy, and completeness of budgeting and financial reporting to the Board, Superintendent, and other stakeholders.
- Review reporting practices, oversight, and training to ensure key financial risks and variances (including material budget variances) are communicated promptly.
- Identify opportunities to improve the clarity and usefulness of financial reporting for decision-making.

D. Audit Findings and Corrective Actions

- Review the District’s systems for tracking, addressing, and preventing recurrence of audit findings from both the State Auditor and the District’s external auditors.
- Assess whether there is a clear assignment of responsibility, accountability, and timelines for implementing corrective actions.

E. Identification of Needed Internal Controls

- Identify opportunities for WS/FCS to adopt all necessary internal controls and put into practice measures to ensure they are carried out with fidelity, with taking into consideration current resource constraints.
- Provide actionable recommendations for long-term sustainability.

F. Implementation Roadmap

- Provide a prioritized roadmap of recommendations, including short-term corrective measures and longer-term structural improvements.
- Identify responsible parties, estimated resource requirements, and suggested timelines for implementation.

IV. Deliverables

The firm shall provide:

1. A comprehensive report detailing findings, analysis, and recommendations.

2. An Executive Summary tailored for policymakers and the public.
3. A formal presentation of findings to the SBE/NCDPI, the LGC, and the board of the WS/FCS.
4. Corrective Action Roadmap with prioritized recommendations, responsible parties, and implementation timeline.