

WELLESLEY SCHOOL COMMITTEE



40 Kingsbury Street, Wellesley, MA 02481

January 2012

Today the Massachusetts Association of School Business Officials (MASBO) released its Financial Operations Review of the Wellesley Public Schools. Last spring, the Wellesley School Committee directed the Superintendent to perform a review of the School Business Office following the problems with collection of Food Service accounts, as well other issues. School Committee requested a report to obtain a broader and more complete understanding and evaluation of the School Business Office. Additionally, School Committee sought recommendations for structural changes in the Business Office to better meet the changing needs of the Wellesley Public Schools.

The Superintendent used the Massachusetts Association of School Business Officials to conduct the review during the fall. A team from MASBO visited the WPS over a two-day period in early November 2011. The attached report was released two months later, in January 2012.

The MASBO report is consistent with Powers and Sullivan reviews conducted by the Wellesley Audit Committee. It addresses known concerns that the School Committee has been actively dealing with since the spring of 2011. School Committee will discuss the MASBO report in public session and review the recommendations for School Committee policy changes. Additionally, School Committee is working on structural changes in the School Business Office and considering the recommendation of the Audit Committee to hire a Chief Financial Officer for the Schools. School Committee is committed to making necessary changes and adopting new policies to improve the function of the School Business Office to better meet the needs of the Wellesley Public Schools.

A handwritten signature in blue ink, reading "Suzanne G. Littlefield".

Suzanne G. Littlefield
Chair

WELLESLEY PUBLIC SCHOOLS



Financial Operations Review December 2011

Massachusetts Association of School Business Officials

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Appendix A: Review Team Qualifications

INTRODUCTORY COMMENTARY

This report is prepared based upon findings and observations from a two-day site visit to the district. The overall goals of the report are articulated in the correspondence to Superintendent Wong, which is located *on pages 1 and 2*. The second section delineates “*Existing Conditions*” that the MASBO Team discovered during their visit. This section includes topics ranging from “*Special Education*” on page 3 through “*Commendations*” on page 18. Issues that will require remediation by School District Administration are described throughout this entire section. Most of these issues have been explained, in much greater detail, within the “*Recommendations*” portion of the report. This section covers pages 23 through 31.

The “*Budget Document Analysis*” section, from page 20 to page 22, contains an extensive recommendation specifically related to the actual structure of the school district budget.

Finally, several addendums and appendices add support to our conclusions and recommendations.



Massachusetts Association of
School Business Officials, Inc.
Affiliated with the
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

Wellesley Public Schools
40 Kingsbury Street
Wellesley, MA 02481

Dear Dr. Bella Wong:

On behalf of the MASBO Review Team and the MASBO Board of Directors, I would like to thank you for affording us the opportunity to conduct a Financial Operations Review for the Wellesley School District. The Review Team recognizes that the two-day site visit was an imposition on you and your staff, and we are certainly appreciative of the hospitality, cordiality and cooperation that you afforded us during this time period.

During our initial meeting with you, we were able to establish the primary objectives of the review, which were:

- To review current business office practices for the purpose of determining their alignment with the statutory requirements of the Commonwealth that pertain to finance procedures;
- To assess the effectiveness of the district's processes associated with budget planning and development, financial reporting, payroll and accounts payable, and cash management and determine whether current staffing level is sufficient;
- To review the current procedure pertaining to the management of student activity accounts;
- To review the written agreement between the school system and the municipality regarding expenditures incurred by the municipality for educational purposes;
- To acknowledge strengths, identify weaknesses, and recommend improvements to the critical financial systems of the school district.

This entire process involved the completion of a Self-Assessment, and a copy of this document is enclosed as Appendix B.

The Review Team then, during its two day site visit, conducted interviews with individuals responsible for the following: facilities management, transportation, accounts payable, food services, payroll, special education services, high school principal regarding budgeting and the student activity account, the athletic director regarding the athletic revolving account and management of gate receipts, performing arts director, director of student services, director of curriculum and instruction, human resources director and two school committee members.

We also reviewed the management of education-related municipal expenditures, Title I services, budget planning and development processes; financial reporting and management processes; and procurement processes.

The result of this review is compiled in the enclosed report. I sincerely hope that you find the information contained herein beneficial for your purposes. Please contact me if you require any additional clarification regarding any aspect of this report.

Very truly yours,

John A. Crafton,
MASBO Executive Director

OVERALL EXISTING CONDITIONS

General Overview

Wellesley Massachusetts is located in eastern Massachusetts and is bordered on the east by the town of Newton, on the north by the town Weston, on the south by the towns of Needham and Dover and on the west by the town of Natick. The town of Wellesley, Massachusetts is located in Norfolk County and is part of Greater Boston. The population of Wellesley is 26,614. It is noted in Wikipedia Encyclopedia that the public education system is very well regarded especially Wellesley High School which was ranked 70th best high school in the nation by U.S. News & World Report, earning a gold medal. The town has a total area of 10.49 square miles.

Town government has been run by town meetings since it was founded. The town meeting format consists of Representative Town Meeting (RTM) members (240) from eight precincts. The town has just redistricted to add an eighth precinct effective November, 2011. The town has an elected Board of Selectmen.

The Wellesley Public Schools consists of seven elementary schools; one middle school and one high school. The school district has a Pre-K program entitled PAWS which stands for "Preschool at Wellesley Schools". Total enrollment for the PAWS program is 106; total enrollment for the elementary schools is 2352; total enrollment for the middle school is 1176 and total enrollment for the high school is 1355 students.

The Wellesley Public Schools does not have School Choice. The Wellesley Public Schools FY11 school district budget was funded at \$55,031,413 million dollars. The Wellesley Public Schools FY12 school department budget was funded at \$59,723,892 million dollars which is an overall aggregate increase of 4.1% over the FY11 approved school department budget.

The Wellesley School Committee is made up of five elected members who are elected with staggered terms. The next School Committee election will be held in 2012 with two seats up for re-election; in 2013 one seat is up for re-election and in 2014 two seats will be up for re-election.

The Wellesley School Committee meets twice a month for regular meetings. Members of the School Committee are assigned to Budget Subcommittees where members are specifically assigned to work with a designated school budget; additional subcommittees include: Projects Subcommittees and liaison assignments. Liaison assignments include: Committee 21, METCO,

WEF, PFTF, AdHoc Facilities Committee, Facilities Committee, EDCO, Fuller Brook, Thrive Wellesley, Sustainable Energy Committee and School Green Council.

The Superintendent of Schools was appointed in 2007 and has worked in the school district for 10+ years. The Business Administrator was appointed in 1986 and has worked for the district for 26 years. The school district does not have a Strategic Plan; however, the district has an annual program for developing goals and a five year fiscal plan. Each school has a School Improvement Plan which is reviewed and approved by the School Committee. The school district has a Net School Spending written agreement, which was updated in the fall of 2011.

The district is currently working with the town's Permanent Building Committee on a new high school building project and a middle school renovation to increase number of classrooms. The district belongs to the EDCO collaborative for professional development training. While some job descriptions have been reviewed and updated in 2010 this was not the case for all employees. Job evaluations are usually performed annually or according to the employee's contract language.

The financial software used by both the town and the school district is MUNIS. The town and the school financial package are compatible. It was not clear if MUNIS was being used to its potential. In conversation with interviewees there appeared to be additional opportunities where MUNIS applications could be utilized. Non business data such as personnel information uses another software system.

Employees working in the Wellesley School District pay 20% of their insurance cost with the town paying 80% of the cost. The cost can vary some according to the individual choice of insurer and the provider.

The district's last financial audit was conducted by the firm of Powers and Sullivan dated September 6, 2011. The FY10 DESE End-of-Year report was completed within the required time frame.

Central Office Administration currently has the following staff configuration:

- Superintendent of Schools
- Assistant Superintendent
- Director of Student Services
- Director of Curriculum and Instruction
- Director of Facilities and Grounds
- Business Administrator
- METCO Director

- Administrative Assistant to the Superintendent
- Administrative Assistant to the Assistant Superintendent
- Administrative Assistant to the Director of Curriculum and Instruction
- Personnel Office Assistant
- Out of District Coordinator

The school district's Organizational Chart was not current at the time of the Financial Review.

In interviewing the Superintendent of Schools, School Business Administrator, other administrators and members of the district support staff the following existing conditions were noted:

Special Education

The Director of Student Services was appointed in July of 2009 and has worked in the school district for 2.25 years. The School Business Administrator and the Director of Student Services meet monthly to discuss the SPED budget and spending trends. The Director of Student Services Office includes the following:

- Director of Student Services,
- Administrative Assistant
- Department Head for each level (PK-HS)
- Secretary for each Department Head
- Out of District Coordinator

There is evidence of cross training of personnel in the Student Services Office in the areas of IEP software and purchase order requisitions. The total percentage of Special Education students is 16.9%. The total number of out-of-district placements is as follows: 63 students were placed by the school district; 14 students were placed as a result of settlement agreements. The total number of students placed on an IEP within the district is 862. The district does not receive any Medicaid reimbursement.

A new program for students 18-22 years old will be proposed for next year by the School Administration as well as a new therapeutic program for middle school students. During the budget building process, the Director of Student Services attempts to focus on two budget strategies: 1) what does the Special Education program already know will be repetitive cost in the next fiscal year? And 2) what can the Special Education program reasonably expect as new costs that were not part of the current fiscal year?

Four students returned to the school district from outside programs during this fiscal year. The Out-of-District students and their programs are reviewed weekly by this program's Coordinator and the Director of Student Services. The Special Education budget is reviewed monthly with the School Business Administrator. The Wellesley School Department owns its own SPED vans.

Net School Spending Written Agreement

In discussion with the Superintendent and the School Business Administrator it is evident that there is an agreement for Net School Spending between the school district and the town, however, without signatures. The Financial Review Team was able to review the document, which, except for the lack of appropriate signatures, appears to be in compliance with the DESE requirement.

In the End-of-Year audit conducted by Powers and Sullivan dated February 16, 2011; finding #3 states "the agreement was in draft form at the time of the preparation of the EOYR". In reviewing the document submitted to the Financial Review Team there were no signatures from either the town or the school. The NSS agreement signature space indicated that the School Business Administrator was signing for the school department when in fact it is the Superintendent of Schools who is required to sign for the school department. The DESE requires as part of the Compliance Supplement (Schedule 1) which states: "11. For Municipal expenditures that result in services directly related to the School Committee:

- a.) Obtain a copy of a written agreement between the School Committee and the Municipal officials documenting agreed upon methodologies to be used when allocating, distributing or assigning Municipal expenditures to the District.*
- b.) Test the amounts reported using the documented methodology. These amounts should agree."*

Review of Job Descriptions

Our findings suggest that not all positions have current job descriptions. In interviewing staff several comments indicated that some job descriptions were out of date or did not reflect actual or current duties being performed. Not all employees are being evaluated annually. The districts' job descriptions for support staff are generally old and need refinement in order to match what the employee is doing on a daily basis. In the recently settled contract with School Department Secretaries, a job reclassification was added to the agreement whereby both the

union and management agreed to form a committee which would make modifications to the job descriptions as needed and then follow up with recommendations to the Superintendent. The Director of Student Services is reviewing job descriptions for teacher assistants and paraprofessionals. By reviewing existing job descriptions, updating or creating new ones, employees will know who they are reporting to and who they are being evaluated by.

Business Office

The Business Office environment constitutes a very crowded work area. During the interview process it was mentioned several times by a number of staffing personnel that the Business area/operation has a “cluttered” and “bottleneck” feel to it. Also mentioned was a sense that there was some redundancy in the work effort (submission of paper requisitions that are then typed into Munis by Business Office personnel), which might be rectified by introducing additional MUNIS modules/licenses that could provide additional electronic capabilities.

The district does have an Assistant School Business Administrator who oversees the following:

- the purchase order process;
- has oversight for the bid process;
- is the liaison with the food service company;
- verifies the payroll for the payroll clerk and represents the school department at the weekly Building Committee meetings.

The Business Administrator is not licensed by the Massachusetts Department of Elementary and Secondary Education. She does have the Association of School Business Officials International (ASBO) School Finance Officer national certification, however.

The Business Office does have a draft of a Business Office Procedures Manual, which has been distributed to Business Office personnel. The Financial Review Team was unable to obtain a copy of the manual to review. The Business Office staff is cross trained in other areas and performs those back-up functions 2-3 times during the fiscal year. The School Business Administrator is certified by the Office of the Inspector General as being MCPPO qualified. The following positions comprise the Business Office:

- School Business Administrator
- Assistant School Business Administrator
- Accounting Coordinator
- Financial Transaction Secretary

- Payroll Accountant
- Administrative Assistant to the Business Administrator
- Business Office Secretary (part time during the school year)
- Part-time college interns (summer and school year)

In discussion with Central Office Administration, the following budget process was explained as currently being the established procedure in the Wellesley Public Schools.

Budget Policy

In discussing budget policy with the administration it was noted that the School Committee does not appear to have a standing Policy Subcommittee. In reviewing the fiscal policies that were presented to the Financial Review Team there was a written School Committee policy on budget transfers entitled “Annual Operating Budget Transfers”. The Committee’s approach to controlling line item transfers is not governed by written policy. The School Committee does not provide omnibus transfer authority to the administration for the purpose of balancing accounts prior to the end of the fiscal year.

The School Committee, by following its fiscal policies will provide the legal foundation for any challenges regarding the way the Committee conducts its financial business.

Budget Process

The Wellesley Public Schools budget process utilizes a level service budget model. In interviewing administration it was often implied that the budget process is a top down module. The Wellesley Operating and STTI Budget Guidelines for FY 2013 are as follows:

- Develop a budget with the goal of offering appropriate regular and special education program and services.
- Support our core values of academic excellence, cooperative and caring relationships, respect for human differences and commitment to community.
- Support the successful achievement of our system goals.
- Support maintaining class size guidelines and quality of learning experiences in order to meet enrollment needs.
- Support the recruitment, hiring and retention of quality professional and other instructional and administrative staff.
- Meet legal mandates.

- Provide funds to maintain the facilities so that they are safe and supportive of learning, and work towards the Standards of *Building Maintenance and Care* voted by the School Committee in September 2005.
- Provide adequate classroom supplies, equipment and professional development opportunities to support the educational program.
- Achieve all the foregoing objectives in the most efficient and cost effective manner.
- Develop a budget that (1) meets the guideline as defined by the Board of Selectmen; (2) sustain a level program and (3) presents a prioritized list of improvements to advance the program.
- Identify costs that relate to the high school project.

Voted by the School Committee; August 30, 2011

The School Committee Budget Calendar is as follows:

- August 30 School Committee votes Wellesley Public Schools Operating and STTI Budget Guidelines
- October 6 Budget Prep Sheets distributed to Department Heads
- December 20 Presentation of FY 12 Budget Recommendations by Superintendent
- January 17 School Committee votes budget

The budget is developed around the GAP list which shows where the financial shortfalls are district wide. The GAP list is discussed and input is taken; however, the Superintendent makes the final decision on determining what budget will be proposed to the School Committee for its consideration and what the proposed gap list will be.

Revolving Accounts

In discussion with the School Business Administrator and support staff the following conditions were noted:

- Currently revolving accounts are under the oversight of the Program Leader, the School Business Administrator, the Assistant School Business Administrator, the Accounting Coordinator and the Administrative Assistant

- Specific external audits are not conducted by an outside auditor on an annual basis; audit requirements are handled through the single audit performed for the entire town on an annual basis
- The Building Use/Cafeteria Revolving Accounts are used for equipment repairs.
- There is no formal process for auditing revolving accounts other than reviewing the purchase order request

Student Activity Accounts

- School Committee has not voted to establish Student Activity Accounts or Agency Accounts for Student Activity checking accounts.
- The MASBO questionnaire asks to identify maximum checking account balances for each grade level and asks for documentation of the School Committee vote establishing Student Activity Agency Accounts. In both cases the response was separate checking accounts are not established at this time making it difficult to follow how checks are drawn to pay Student Activity bills
- There is no provision for internal audits by the school department.
- Student Activity Account purchase orders are reviewed as they are submitted.
- Student Activity Accounts are audited with the single audit performed for the entire town.

Cash Management

The Business Office does not have a documented procedure for the cash collection. The following procedure was verbally explained to us. Transmittal forms have been distributed to all individuals responsible for collecting fees. Deposit procedures require that all cash be submitted to the business office on a daily basis and checks be submitted weekly.

Several programs in the district deal with the cash management process. The Performing Arts Department, the Athletic Department and Student Activities all handle money in some fashion. Monies for The Performing Arts Programs (checks only) are deposited into a revolving account which has been established for each teacher having a program. Checks are put into the high school safe and can stay there up to three weeks before being deposited.

The Performing Arts Program uses an online ticket purchase vendor called Ticket Stage. Reports from Ticket Stage are sent directing to the Business Office for oversight and

reconciliation. Custodial services for an event are paid for out of the revolving account. There are usually 45 balcony seats which are held out and are available for cash sales. The tickets sold have no sequential numbering system for ticket accountability. Money received is deposited into The Performing Arts revolving account.

The Athletic Revolving Account takes in user fees and deposits the money into the Athletic Revolving Account for athletic related expenses. A concern of the revolving account managers was the inconsistent timeliness of receiving account reports. There was a sense that having access to MUNIS would make the management of the revolving accounts easier and timelier.

The High School Athletic Department does not have a written cash management policy. The football field is unusual in that it is not located on the high school property. The ticket seller's cash box usually starts with cash between \$250.00 and \$400.00 depending on the anticipated crowd. The money for the cash boxes is drawn on account from the Business Office. Ticket sellers and takers are usually coaches from other sports or school secretaries. There are no ticket booths and tickets are sold at tables which have been set up for that purpose. The cost of a police detail is \$200.00, however, if the game does not warrant a police detail an overseer is appointed to watch the crowd. The tickets are sold as student, adult and senior tickets with starting and ending numbers. Tickets are printed with Wellesley Athletic Department logo and several different colored tickets are used so that each event can be unique. Ticket sales stop at half-time at which time the money is collected and if a police detail is present the money is taken to the high school and placed in the high school safe. If no police detail is available, the Athletic Director places the money in the trunk of his car and takes it to the high school to be placed in the safe. The Athletic Director has the combination to the safe. The money is counted on the next business day and taken to the Business Office for deposit. No deposit slip is received by the Athletic Director from the Business Office. The money is taken to Town Hall where it is deposited. The money is transported by the Athletic Director in a burlap bag and has to be deposited in the main office high school safe in that there is no safe located in the Athletic Directors Office. The sports where cash is taken in are: football, basketball, wrestling, volley ball, field hockey and ice hockey.

Payroll Procedures

The following reflects the current payroll procedures of the Wellesley Public Schools:

In interviewing the payroll personnel and the School Business Administrator the following procedures were identified as the payroll process:

- Payroll is processed and paid on a weekly basis.
- Pay options are 21, 26 with a lump sum or 26 with summer checks.
- Attendance is tracked on Excel spreadsheets; support staff are entered from timecards and all other staff are posted from teacher absence/substitute time sheet reports.
- There are 32 regular full time custodial staff and approximately 15 additional summer helpers. In addition there are also 260 instructional support staff, 45 secretary/clerical staff and 100 substitutes which require calculations and data entry time cards. This does not include signed stipend payments processed one time per month and other payments which are processed as required.
- There are four maintenance staff on the Wellesley Public Schools payroll
- Employee salary requirements are forecast by the School Business Administrator
- There is a payroll manual in draft form.
- The payroll department feels that one of its Best Practices is the departments' ability to follow the multiple versions contract language.
- The Assistant Superintendent assigns salary steps for new teachers all school staff.
- Payroll works with new teachers and retirements in setting up MTRB accounts and retirement verification as required.
- School payroll is reconciled weekly.
- Custodial and maintenance staff report to the Director of Facilities.

Human Resources

The Assistant Superintendent for Personnel has been with the district for two years.

The current hiring practice for the Wellesley Public Schools is as follows:

- Department Heads, K-12 Directors and Principals begin assessing hiring needs due to anticipated changes (leaves, retirements, resignations, non-hires, terminations, enrollment changes) in January.
- A hiring committee is established and criteria are determined for screening applicants.
- First round of interviews are set up.
- Based on the results of the first interview; the finalist round interviews are set up.
- A demonstration lesson is set up and reference checks are made.
- A candidate is recommended based on the Assistant Superintendent and Superintendent's approval.

- Human Resources determines salary, start date and notifies payroll

Employee records are kept at the Central Office. The Assistant Superintendent is responsible for maintaining and overseeing teacher licensure. The Assistant Superintendent handles all grievances, legal issues and contract negotiations.

Accounts Payable

The following reflects the current purchasing procedures of the Wellesley Public

Schools:

- Purchase order requisitions are filled out by the program leader, school secretary, or principal
- An account code is assigned and signature is needed from the principal or the department head
- Requisitions are sent to the business office, date stamped and given to the assistant business administrator for approval, checked for accurate coding, available funds, and appropriateness of purchase
- Business office staff enter the requisitions into the MUNIS system
- Edit List of requisitions is printed and checked
- Purchase orders are printed with 4 copies, Central Office, Department copy, receiving copy, and vendor copy
- Depending on what is indicated on the requisition, the vendor copy is mailed, faxed, or returned to the person who signed the purchase order requisition and they will process their end
- When the product is received or the service has been rendered the receiving copy and packing list is sent to the business office
- The invoice is received and can be processed for payment if the receiving copy has been returned. If that has not happened, a copy of the invoice is sent for "approval to pay"
- If the price is more than what has been encumbered, investigation is needed
- After the invoice has been processed for payment, the edit list is printed and checked by another Business Office staff member
- The batch is signed and approved by the business administrator and this information is then sent to the town hall

- The originator of the requisition can be a teacher, secretary, department head, or principal
- The program leader or principal is authorized to sign the requisition
- After the assistant business administrator approves the requisition to be entered into MUNIS and prints the hard copy of the purchase order- then it becomes a “purchase order”
- Within 5 days of approval to pay, the invoice is processed in the business office and the Edit List is checked by another business office staff member, then signed and approved by the business administrator and sent to town hall
- The Treasurer’s office cuts the checks
- Warrants are done on a weekly basis
- The Town Account approves the warrants
- Bills are paid only when the goods are received or the services have been rendered
- Receiving copy of the purchase order and packing list are sometimes forwarded to the Business Office, in the event it is not, a copy of the invoice is sent to that department and individual that placed the order. The invoice is then approved and returned for payment processing.
- Bills are normally paid within 2-3 weeks
- Checks are run on Thursday and cut on Friday
- The school district does not have electronic requisitions or purchase orders
- The Superintendent does not sign off on any purchase orders
- The school district does have a credit card

Transportation

On a daily basis 1100 regular education students are transported throughout the district. On a daily basis 77 Special Education students are transported in district and 53 Special Education students are transported out of district. The school district owns their fleet Special Education vans and contracts with Eastern Bus for regular bus transportation.

The current price for contracted buses per day is \$265.00 for eight of the buses and \$235.00 for two other vehicles. The total annual cost for transportation is \$ 991,430.00 with a

\$341,065.00 offset from collected transportation user fees; this requires budget appropriation of \$650,365.00 to make up the difference.

The user fee for transportation is \$512 per student with a maximum family cap of \$1112.00. Invoicing for user fees is done by the Transportation Department. The transportation department maintains the Special Education vans, the food service delivery truck and the maintenance vehicles. The Transportation Director's Office is located in the Business Office area. In addition to the transportation of students the Transportation Department responsibilities include:

- Delivery of elementary school lunches
- Delivery of all Production Center materials
- Delivery of all inter- town mail
- Delivery of all School Committee and Advisory Committee meeting information
- District wide parking lots: to include striping, signage, assigning spots etc.
- Monthly ADA reports
- Town Wide sidewalk plowing as pertains to schools and bus stops
- Part of the new High School keying system team
- System wide single stream recycling program

Food Service Program

The Wellesley Public Schools Food Service Program was recently put out to bid and awarded to Chartwells School Dining Services beginning July 1, 2011. Positions were offered to all employees working for the school food service program prior to July 1, 2001 of which three employees opted to work with Chartwells.

Meal cost for the school lunch program is as follows: breakfast (HS only) \$1.50, elementary lunch \$3.10 and secondary \$3.35 with a premium meal offered at \$4.00. The Chartwells employee averages 30 hours per week with benefits. The middle school prepares all meals for the elementary schools, which is between 800-900 meals per day. At the Fisk Elementary School a breakfast program has been established to serve the district's METCO student population daily.

A recent school district food service audit uncovered reported uncollected debt which had risen to about \$169,000 last winter due to a combination of delay in mailing out timely invoices and lack of accountability for non-payment of outstanding debt. The audit referred to weak bookkeeping practices, but no misappropriation of funds. The outstanding balance has

become a focal point of both the town and school district. Chartwells introduced a new Point of Sale (POS) school lunch software program entitled Nutri Kids.

Nutri Kids is capable of tracking lunch payments and meals purchased by students. The software program has a cash counter which tracks cash in and out of the POS system. Nutri Kids replaced the previous school lunch software entitled "ODIN". The Business Office handles all lunch money deposits. Chartwells collects only cash; most parents utilize the "online" option for payment for their child's lunch. The "online" option allows parents to pay in advance for meals and when the account reaches a designated balance an email is sent out to the parent alerting them to the remaining amount left in their child's account.

The Free and Reduced lunch percentage for the district is 5%. Chartwells also does some in-house catering when requested. Equipment purchase or repair is paid for by the district.

The food service program employs 22 full time employees with an additional 5 substitute employees. Chartwells carries the health insurance and benefit packages for the food service employees.

The food service program has one driver and one assistant driver for the delivery of meals. The driver and the assistant driver report to the Director of Transportation.

The food service program serves approximately 1600 meals a day. As of 10/28/11, cash is no longer accepted from students for lunch.

Grants Management

The Assistant Business Administrator is responsible for grant oversight. Each grant is assigned a unique account number which identifies the grant and its funding source. The School Business Administrator monitors the grants throughout the fiscal year. The district does not have a grant writer position.

Facilities Management

The Director of Facilities and Grounds is new to the school district. The town is considering the consolidation of some of the maintenance operations by combining school and town resources. The school maintenance operations are run using School Dude facilities management software which allows for electronic work orders and programmed preventative

maintenance schedules for buildings and equipment. A new high school is being planned, which will provide 280,000 square feet.

The Facilities Department consists of: the Facilities Director, an Administrative Assistant, 4 maintenance workers (plumber, HVAC, electrician and a general maintenance worker). The Director of Facilities suggested that the requisition process tends to be paper bound.

The Rental Revolving Account is not under the control of the Director of Facilities. The Facilities Department does have access to open purchase orders but the number of open purchase orders is limited. There is no policy which limits the dollar amount that a purchase order can be limited to.

Facility Rentals

The rental of buildings is overseen by the Business Office Administrative Assistant. The School Committee sets the building use rate schedule and the rental of buildings is maintained on a File Maker Pro software system. Almost every night the gyms are scheduled for use. The weekend rate is \$20.00 per hour plus custodial time. The rental form is found on line and priority is given to in town and non-profit groups. Billing is sent out within 30 days of the rental. All payments must be made by check and deposits are made through MUNIS. The Building Rental Revolving Account has sub accounts for each building. The town Recreation Department uses some of the school buildings during the summer months.

School Committee

In interviewing the School Committee the following comments were noted:

- The School Committee is interested in seeing monthly financial reports.
- The School Committee showed an interest in revisiting the current transfer policy language in an effort to strengthen current language which would provide additional flexibility for regular and end of the year transfers.
- The School Committee has a sense that the Revolving Accounts are incomplete as they are reported in the budget.
- The School Committee would like to see the budget broken out by levels.
- The School Committee recognizes the fact that the current budget is not a site based budget and would like to see that happen in the future.

- The School Committee does vote System Goals, Budget Guidelines and Capital Goals at the beginning of the Budget Process.
- The School Committee feels the time frame between the Superintendent's Budget and the School Committee's Budget is too tight a time frame.
- The School Committee reviews the GAP list and remains in the decision making process as the budget develops.

Additional Observations

- On several occasions throughout the interview process, staff indicated that interaction with the business office was difficult.
- The Assistant Business Administrator has oversight of the Revolving Accounts.
- There was no evidence of an external auditing cycle being conducted on the Revolving Accounts.
- There was no evidence of an external auditing cycle being conducted on the Student Activity Accounts.
- The Assistant Business Administrator has oversight of the Student Activity Accounts.
- The School Business Administrator and the Director of Student Services meet monthly to review Special Education expenditures.
- Data is used appropriately and effectively in making budget decisions.
- Administrators would like to see more open communication with the Business Office.
- Administrators would like to see more guidelines and procedures from the Business Office.
- The End-of-Year report is completed by the School Business Administrator with the assistance of the Accounting Coordinator.
- Several comments were made about the fact that MUNIS is not being used to its full capability.
- Budgets are not electronically available at the building level to provide real-time budget information.
- Electronic purchase orders are not utilized by the school district.
- Payroll receives numerous phone calls during the day.
- The Superintendent does not sign purchase orders.
- Bills are paid on an average of two to four weeks.
- Open purchase orders are used for local facilities purchases.

- The School Business Administrator is not licensed by the Massachusetts DESE.
- The district does not use the “P” card for purchasing. See Recommendations section for further explanation.
- The School Business Administrator is MCPPO certified.
- The school district does have a five year capital improvement plan.
- There was no evidence of a School Committee Transfer Policy provided for this review.
- The district does not have an attendance software program.
- A district wide substitute caller takes teacher phone calls and gets substitute teachers as needed.
- The attendance reports that the district uses does not provide Principals or Assistant Superintendent the capability to track excessive absenteeism electronically.
- The School Committee does not sign warrants.
- The town provides limited back up information for NSS charge backs.
- Budget transfers are done by the Business Office only once at the end of the school year with School Committee approval.
- There appears to be curriculum purchases without the involvement of the Director of Curriculum and Instruction undermining programmatic oversight of the total program.
- The district has a ten year curriculum formal review process.

Commendations

- The community and the schools taking on the high school construction project.
- The School Committee votes the budget goals and the capital budget goals.
- Chartwells introducing the Nutri Kids school lunch software for the tracking of meals and money.
- The community support of the schools through the gift account donations.
- The Performing Art opportunities available to students.
- The review of SPED financials by the School Business Administrator and the Director of Student Services on a weekly basis.
- The district’s ten year curriculum plan.

BUDGET DOCUMENT REVIEW

All of the budget or budget-related documents that were located on the Wellesley Public Schools website were reviewed. The Fiscal 2011 budget was, however, the only complete budget document that was located on the website. Nevertheless, this document was reviewed from the perspective of national standards that were established approximately fifteen years ago by the Association of School Business Officials (ASBO) International. The following is a summary of this analysis.

Comments on the Current Budget Document

From the perspective of comprehensiveness, the budget provides a great deal of detailed information, and obviously, reflects the extensive time and effort expended by the Superintendent, Business Administrator, Principals and other cost center managers. There are abundant graphs and tables, which provide information in a very effective manner concerning most district revenues and expenditures. For example, revolving accounts, and performing arts, athletics, and transportation user fees are summarized along with the operating budget. There are also several comparisons of the FY 10 budget and the FY 11 budget, which are especially meaningful.

From a clarity perspective, overall pagination is effective. A great deal of narrative explanation that is enhanced by the employment of tables and graphs is also certainly a positive aspect of this document. Additional graphs can be obtained on the MASBO website. These graphs can be downloaded and populated with the district's relevant account totals and used in the district's budget document.

However, employing a "portrait" format instead of the "landscape" format would make the document easier to read and follow.

Suggestions for Improving the Budget Document.

Although many areas of the budget document are very effective, implementation of the following suggestions, in our opinion, would significantly enhance its effectiveness as the primary fiscal plan for the region.

Effective budget documents address three conceptual standards: clarity, completeness; comprehensiveness. The budget documents is lacking in the following areas:

- The utilization of a “portrait” format will make the document easier to follow the flow of information throughout the document. This will also enhance its clarity. This presents a challenge because of the detail that is provided. However, one measure that can be taken in this regard would be to eliminate the “budgeted” amounts in the account history. These amounts only detract from the FY 11 budget’s clarity, because once a fiscal year has been completed, the only relevant amounts are actual expenditures.
- The document should be both site-based and program based.
- The document should provide summary information, including an overview of significant budgetary issues, trends, and resource choices. This Summary Information should be presented within the budget document either in a separate section (*e.g., executive summary*) or integrated within the transmittal letter or other overview sections, or as a separate “budget-in-brief”. The excellent information contained within the Superintendent’s budget presentation (also located on the website) should also be incorporated into the Executive Summary. This Executive Summary should be a complete overview of budget revenues and expenditures. It can then “detached” from the document’s main body and distributed to stakeholders.
- A budget calendar and an overview of the budget process, informing the public of when and how the budget is put together should also be included.
- The budget should contain information in narrative form that provide a clear explanation of what the school district is trying to accomplish with its budget request, and this information should tie requests to the goals of the district’s strategic plan. It should also discuss enrollment, political or other trends that will have an impact on attaining those goals.
- According to ASBO guidelines, three years of actual budget history as well as the current and proposed budget years should be shown. This information is critical to both the reader and the presenter to highlight spending and revenue trends for future planning purposes. Currently only two years are provided.
- The revenue, expenses and staffing for special revenue funds (grant, revolving and gift, etc.) should appear in a separate section.
- A pyramid approach should be used where summaries are followed by more detailed information. Please see Addendum B for more information regarding this area.
- If the district does not have one, it should develop a 3-5 year strategic plan with clear and measurable goals and objectives. These should be incorporated into the budget

document with ties to specific budget areas. This can be a powerful tool in the development and marketing of a school district budget.

- The budget document contains historical information on enrollment, staffing trends, MCAS scores, numbers of students qualifying for free and reduced lunch and any other data that will inform the reader and explain where the district has been and where it is going.

Final Comments

It is clear that a tremendous amount of work has gone into the production of the budget and that it is very comprehensive. Incorporating the suggestions noted above will make this a truly outstanding budget document.

Addendum B in this report contains an abbreviated Budget Development Guide, which outlines the concepts that need to be incorporated in school district budgets. This should be helpful to you in your efforts to increase the effectiveness of the Wellesley Public Schools budget document. The MASBO website also contains sample budgets that utilize the concepts articulated in the Budget Development Guide. These sample budgets are capable of being downloaded and used as a template by the district.

Recommendations: Financial Processes, Reporting and Management

Decentralization of MUNIS financial software

MUNI was purchased in 2003 to handle the district's financial software. It is integrated with the Town's financial software. Between the Town and the School departments, only 45 licenses were purchased. Although the Business Office staff remember that there was some discussion in 2003 of decentralizing MUNIS to the schools and other administrators, this was never implemented. As a result, only the Business Office has access to MUNIS. Since the Director of Facilities' office is adjacent to the Business Office, this office also has MUNIS access.

We strongly recommend that an effort be made to decentralize MUNIS to all buildings, so that principals, other administrators and their secretaries have access to their own accounts through MUNIS. This should be done even if it means purchasing additional site licenses.

At present, all requisitions are hand typed at the building level and a hard copy is sent to the Business Office. The hardcopy requisition is then checked by the Assistant Business Administrator for review of account balances. If approved for good funds, the requisition is then entered into MUNIS by an accounting clerk. Problems with this process are:

- it is a duplication of time and effort by having the requisition typed at the building level and then entered into MUNIS at the Business Office;
- unless they are keeping their own separate records, the building administrators do not know if their account balances will be sufficient to cover the requisitions being typed, thus requiring the Assistant Business Administrator to do so;
- it places an unnecessary burden upon the Business Office staff and creates delays.

To know the status of their accounts, building administrators have to depend upon printouts that are sent out periodically from the Business Office. Even if the printouts are sent out on a regular basis, building administrators do not have real-time access to their account balances. Also, some building administrators say that the printouts are not sent out on a regular basis due to workload issues at the Business Office. If MUNIS was decentralized, then building administrators would have real time access to their account balances. This would also relieve the Business Office staff of one additional duty.

Once decentralized, MUNIS could be set up with multiple levels of approvals, all done electronically. This would increase efficiency while still maintaining accounting control.

Student Activity Accounts

Five years ago, there was an issue with the High School checking account having a balance in excess of \$300,000. No controls from the Business Office were in effect at that time, since the School Committee had not adopted the requirements of M.G.L. Chapter 71, Section 47, as amended in 1996 regarding Student Activity Accounts. All building-based checking accounts were then closed out, with all student activity funds coming to the Business Office. In effect, the Agency Accounts required by M.G.L. Ch.71, S47 were established with the Business Office establishing revolving accounts for student activity funds for each school. However, to the best of our understanding, no School Committee vote was ever taken establishing this portion of the State law.

The School Committee should consider re-visiting the matter of formally adopting the recommended guidelines for the operation and oversight of Student Activity Funds, which were developed by the Massachusetts Association of School Business Officials (MASBO). M.G.L. Ch.71, S47 describes the requirements of handling Student Activity Funds. Specifically, this requirement governs funds raised by students to be used “for the express purpose of conducting student activities”. The School Committee is called upon to be the caretakers of these student funds.

The legal requirement includes a School Committee vote to authorize the establishment of a Student Activity Agency Fund to be monitored by the School Department Business Office, with all funds deposited with the Town Treasurer and all expenditures via the normal warrant process. This portion of the law is in effect, without an apparent School Committee vote. However, the law further allows that:

“the school committee may authorize (*emphasis added*) the municipal . . . treasurer to establish a checking account, herein referred to as the Student Activity Checking Account, to be operated and controlled by a school principal and from which funds may be expended exclusively for student activity purposes for the student activities authorized by the school committee. Such account shall be used for expenditures only and funds received for student activities may not be deposited directly into such account.

The school committee shall vote to set the maximum balance that may be on deposit in such Student Activity Checking Account. . . . To the extent that the funds are available in such Student Activity Agency Account, funds up to the maximum balance set by the school committee shall be transferred from the Student Activity Agency Account through the warrant process to initially fund such Student Activity Checking Account.

Periodically, to the extent that funds are available in such Student Activity Agency Account, the municipal . . . treasurer shall reimburse such Student Activity Checking Account, through the warrant process, to restore the limit set by the school committee. The principal shall adhere to such administrative procedures as the municipal . . . treasurer or accountant may prescribe. There shall be an annual audit of the student activity funds which shall be conducted in accordance with the procedures as agreed upon the school committee and the auditor based upon guidelines issued by the department of education.”

We recommend that checking accounts in accordance with the State law be re-established at least for the High School and Middle School. Whether or not Checking Accounts for each of the elementary schools are needed is left to be determined by the School Committee upon the recommendation of the Superintendent.

The High School and Middle School should maintain control of these checking accounts, under the jurisdiction of the Principal, including writing checks and record keeping for the individual sub accounts within their respective schools’ Student Activity Account.

In addition the School Department should work with the Town to establish mutually agreeable written procedures for requesting reimbursement from the Town-controlled agency fund to the schools’ checking accounts. It is suggested that the MASBO guidelines for the operation and oversight of Student Activity Funds be used as a starting point for these written procedures. Key elements, among others, of these guidelines are:

- every check should require a dual signature, including the principal and one other building administrator,
- no checks shall be made payable to any individual,
- no checks shall be made payable to “cash”, and
- all checks should require receipts which are then compiled and submitted when the checking accounts need to be replenished from the Agency Account.

Any movement of funds, for replenishing checking account balances, must be processed through the utilization of the warrant process.

It is also important that the guidelines be followed pertaining to ‘past’ class accounts at the high school. These should be liquidated following the graduation of each class in accordance with student activity regulations and an established written policy approved by the School Committee, with control of remaining funds turned over to the Class Treasurer and Class President.

These checking accounts should be monitored by the Central Office and audited on an annual basis. The larger accounts should have an outside audit conducted on an annual basis. The principals and all persons who handle money should be bonded, as per another requirement of MGL Ch71, S47:

“The principal designated to operate and control such Student Activity Checking Account shall give bond to the municipality or district in such amount as the treasurer shall determine to secure the principal’s faithful performance of his (*sic*) duties in connection with such account.”

The re-establishment of the building-based checking accounts, under the auspices of the State law and MASBO Guidelines would increase the efficacies with which these accounts are handled without compromising accounting control. At the moment, all purchases for student activities must come through the Business Office via the purchase order process. This is cumbersome, reduces flexibility for principals and club advisors and causes delays. It also adds to the duties of an overburdened Business Office staff.

Athletics

We have several recommendations regarding the handling of gate receipts by the Athletic Director:

- the Athletic Director needs to be bonded to protect himself and the school district;
- there needs to be a written policy on handling cash gate receipts, and we suggest contacting other school districts who have such a policy;
- to establish a “chain of custody”, ticket sellers should be required to count the cash when closing their gate and fill out a reconciliation sheet indicating the total cash and the number of tickets sold, with their signature on the reconciliation sheet;

- cash for off-site ice hockey games on a Saturday should not be taken to the Athletic Director's home for the weekend; if access to the office in the High School is not possible after school hours, then an alternative method for safeguarding receipts should be explored such as leaving it at a safe in the Town Police Station or via a drop box at a local bank.
- a small safe should be purchased for the Athletic Director's office and then bolted to the floor, which can then be used for holding overnight cash;
- the Athletic Director should receive a receipt from the Business Office when he turns over the gate receipts to them on Mondays;
- all transfer of cash gate receipts and the reconciliation sheets should be made in secure money bags.

Additionally, we recommend that the Athletic Director have access to MUNIS to keep track of accounts within the School Budget and also the Athletic Revolving Account.

Director of Facilities

We have several recommendations regarding the Director of Facilities:

- the scheduling of building rental permits should be initially handled by the Director of Facilities Office and not by the Business Office Administrative Assistant; the Director of Facilities has a closer understanding of the use of the buildings and the capability of the custodial staff to handle rentals; the Business Office Administrative Assistant should still retain responsibility for the billing and collection of fees from the rental groups;
- the Director of Facilities should have access on his MUNIS permissions to see the building rental revolving account, to allow his input into how those funds might be spent;
- as noted in the Existing Conditions section of this report, since the Business Office currently has a very crowded work area, alternative or additional work spaces should be sought for the purpose of insuring an environment conducive to minimal interruptions and maximum productivity.
- contract cleaning should be investigated as a possible budget savings at the larger schools, the High School and the Junior High School; it would still require at least two or more school district custodians at each school to supervise the work of the contractors and to secure the building; while likely producing significant budget savings, the

transition to contract cleaning is not without its difficulties, since the custodians union would strongly resist the effort as it would result in a loss of existing jobs.

Human Resources

In addition to the observations in the Existing Conditions section of this report, the only other recommendation that we have for the Assistant Superintendent's Office is that a personnel software package be purchased to allow this office to track absentee patterns, as well as the status of teacher and administrative licensures, among other functions. This office should also have access to MUNIS.

School Committee issues

Recommendations involving the School Committee are:

- financial reports on the status of the current year budget from the Superintendent and Business Administrator should be required on a quarterly basis;
- instead of approving current year budget transfers once a year in June, approvals should be done on a quarterly basis; these approvals should be between function codes (such as 2000 for instruction) and not individual line account;
- representatives of the School Committee should sign approval of the Accounts Payable Edit List (also called the Accounts Payable Warrant in other school districts) before it is sent to the Town Hall for inclusion with the Board of Selectmen's Warrant.

Procurement Card Program

In lieu of using separate credit cards for activities like debate trips, it is recommended that careful consideration be given to adopting a Procurement Card program for implementation in the school district. This program is operational in approximately twenty other states, and MASBO has recently awarded a contract to Illinois ASBO for the implementation of this program in municipalities and school districts throughout the Commonwealth.

This program has the potential to generate revenue as well as reduce costs to the district. Revenue in the form of rebates is maximized because Massachusetts, as a result of the previously mentioned MASBO contract, has joined in a collaboration of seventeen other states that have partnered with Illinois ASBO to implement the program. As a result, participating school

districts and municipalities can benefit from large rebates that are based on high volume purchases which are anticipated to exceed \$190,000,000 this year.

The P Card program also has the potential for saving school districts money by making purchases more efficient. The Traditional Purchase Order Process can be Inefficient in the following ways:

- labor intensive
- large amounts of paperwork
- many people and steps involved
- same process regardless of transaction value
- expensive – high average transaction cost
- not cost effective for small dollar value purchases
- time consuming
- too often creates significant shipping and handling charges
- usually results in a small payment check being written

P-Cards, on the other hand, provide many advantages and benefits over Cash, Check,

Purchase Order and Credit Card Purchasing:

- no revolving line of credit
- no annual fees
- control over what is purchased
- control over where purchases can be made
- limit the dollar value of each purchase
- individual card limits/parameters can be established
- prevents budget overspending
- requires no special software
- requires only internet access
- fraud protection per transaction
- speeds up obtaining critically needed items
- convenient
- no minimum number of cards
- reduces to one check or e transfer the payment of many purchases from multiple stores
- no transaction charges
- no implementation fees
- all cards provided free
- superior purchasing reports – management information systems free
- rebates on expenditures are provided annually

Review of Statutes

The following statutes should be reviewed thoroughly by all administrators that are responsible for the implementation of financial operations in the district:

- Chapter 41 Sec 58: Spending in excess of an appropriation
- Chapter 44 Sec 31: Liabilities in Excess of Appropriations Forbidden
- Chapter 44 Sec 53: Receipt and Appropriation
- Chapter 44 Section 64: Payment of bills in excess of appropriations
- Chapter 71 Sec 16A: Segregation of Duties
- Chapter 71 Sec 16B: Budgets/Apportionment
- Chapter 71 Sec 16B1/2: 5% Rule Districts
- Chapter 71 Sec 16D1/2: Nonresident Tuition
- Chapter 71 Sec 16G1/2: Stabilization Fund
- Chapter 71 Sec 17A: Culinary Arts
- Chapter 71 Sec 20A: Instructional Materials
- Chapter 71 Sec 34: Money in Excess of Appropriations
- Chapter 71 Sec 37M: Consolidation
- Chapter 71 Sec 47: Athletic Programs
- Chapter 71 Sec 71C: Community Programs
- Chapter 71 Sec 71E: Adult programs
- Chapter 71 71F Nonresident Tuition
- Chapter 71B Sec 5A Circuit Breaker

These statutes outline the basics upon which school district financial operations are built. Complete copies of each of these statutes are available by going to the Members Only section of the MASBO website.

Update Job Descriptions

Not all positions have updated job descriptions or annual evaluations. Job descriptions for support staff in particular are old and do not match existing duties. While the Director of Student Services is in the process of updating job descriptions for teacher assistants and paraprofessionals in her department, the Assistant Superintendent should undertake a process to review and update all other job descriptions.

Annual Written Agreement Authorization

There does exist a Written Agreement between the School and Town Departments regarding town expenses in support of education with regard to Net School Spending, as required by the DESE. However, that Agreement is not signed by either School or Town officials. As per DESE regulations, the Agreement needs to be reviewed annually for accuracy, and signed

by the Superintendent on behalf of the School Department and the Town official responsible for allocating the Town expenditures in support of the schools.

Monitoring the Flow of Curriculum Purchases

In reviewing the existing flow of curriculum purchases, it was noted that the Director of Curriculum was often bypassed in these purchases of books and other educational materials. This undermines the goal of having a unified curriculum as established by the Director.

We recommend that the Director of Curriculum have the ability to review all purchases of curriculum materials before being finalized. If MUNIS was decentralized as per our earlier recommendation, then the Director could be a final approver in the Purchase Order process to insure that nothing gets past her.

Outsourcing of Food Service Program

The process of contracting out of the Food Service program to Chartwells is currently in its first year of operation. Chartwells has instituted a software program called *Nutrikids* which tracks lunch payments and purchases of meals. However, the Business Office still handles all lunch money deposits.

We recommend that the School Administration investigate the possibility of Chartwells taking over the collection and tracking of all lunch payments. *Nutrikids* is a widely established Food Service software program and is superior to the previous software ODIN, which had contributed to the shortfall in collection of Food Service revenue. Since this is only its first year of operation, Chartwells should be given the opportunity to extend their contract to see if the Food Service program can be run more efficiently than it had been in the past

ADDENDUM A

PAYROLL PROJECTIONS/BEST PRACTICE PROCEDURES

The following is a formula that will allow you to accurately project salary accounts, compare budget to actual expenditures and Monitor positions usage (FTE):

$$\begin{aligned} &\text{Total Amount Expended to Date} \\ &+ \\ &\text{Total Payroll Amount for your current Payroll} \\ &\text{+/- Non-Recurring Charges or Adjustments} \\ &= \text{Net Payroll for "Run-out"} \\ &X \\ &\text{Number of pays remaining} \end{aligned}$$

Adjustments that must be factored in so that remaining pays can be estimated accurately:

$$\begin{aligned} &\text{Step / Increments Due} \\ &\text{Cost of Living Adjustments Due} \\ &\text{Degree Change Adjustments} \\ &\text{End of Year Payments (Stipends, Sick Leave Buy Backs, etc.)} \\ &\text{+/- Adjustments for Vacancies / Leaves / Position Growth} \\ &\text{- Expected Funding Offsets & Reimbursements} \end{aligned}$$

The following are recommendations for accurately monitoring payroll on a continual basis:

- Maintain Salary Book (history of salary agreements)
- Randomly audit a sampling of employee pays each period
- Explain payroll changes period-to-period
- Maintain a payroll procedures manual.
- Weekly coordination with HR on employee changes (no-pays, new hires, retirements, etc.)

ADDENDUM B

BUDGET DEVELOPMENT GUIDE

The Budget as a Policy Document (PD)

PD1. **Mandatory:** The document should include a coherent statement of entity-wide long-term financial policies.

PD2. The document should include a coherent statement of entity-wide, non-financial goals and objectives that address long-term concerns and issues.

PD4. **Mandatory:** The document shall include a budget message that articulates priorities and issues for the budget for the new year. The message should describe significant changes in priorities from the current year and explain the factors that led to those changes. The message may take one of several forms (*e.g., transmittal letter, budget summary section*).

PD5. The document should include clearly stated goals and objectives of organizational units (*e.g., departments, divisions, offices or programs*).

The Budget as a Financial Plan (FP)

FP1. The document should include and describe all funds that are subject to appropriation.

FP2. **Mandatory:** The document shall present a summary of major revenues and expenditures, as well as other financing sources and uses, to provide an overview of the total resources budgeted by the organization.

FP3. **Mandatory:** The document shall include summaries of revenues and other financing sources, and of expenditures and other financing uses for the prior year actual, the current year budget and/or estimated current year actual, and proposed budget year.

FP4. **Mandatory:** The document shall describe major revenue sources, explain the underlying assumptions for the revenue estimates, and discuss significant revenue trends.

FP5. **Mandatory:** The document shall include projected changes in fund balances, as defined by the entity in the document, for appropriated governmental funds included in the budget presentation (fund equity if no governmental funds are included in the document).

FP6. **Mandatory:** The document should include budgeted capital expenditures, whether authorized in the operating budget or in a separate capital budget.

FP7. The document should describe if and to what extent significant non-routine capital expenditures will affect the entity's current and future operating budget and the services that the entity provides.

FP8. **Mandatory:** The document shall include financial data on current debt obligations, describe the relationship between current debt levels and legal debt limits, and explain the effects of existing debt levels on current and future operations.

FP9. The document shall explain the basis of budgeting for all funds, whether cash, modified accrual, or some other statutory basis.

The Budget as an Operations Guide (OG)

OG1. **Mandatory:** The document shall describe activities, services or functions carried out by organizational units.

OG2. The document should provide objective measures of progress toward accomplishing the government's mission as well as goals and objectives for specific units and programs.

OG3. **Mandatory:** The document shall include an organization chart(s) for the entire organization.

OG4. **Mandatory:** A schedule or summary table of personnel or position counts for prior, current and budgeted years shall be provided.

The Budget as a Communications Device (CD)

CD1. The document should provide summary information, including an overview of significant budgetary issues, trends, and resource choices. Summary information should be presented within the budget document either in a separate section (*e.g., executive summary*) or integrated within the transmittal letter or other overview sections, or as a separate budget-in-brief.

CD2. The document should explain the effect, if any, of other planning processes (*e.g., strategic plans, long-range financial plans, and capital improvement plans*) upon the budget and budget process.

CD3. **Mandatory:** The document shall describe the process for preparing, reviewing and adopting the budget for the coming fiscal year. It also should describe the procedures for amending the budget after adoption.

CD4. **Mandatory:** Charts and graphs should be used, where appropriate, to highlight financial and statistical information. Narrative interpretation should be provided when the messages conveyed by the graphs are not self-evident.

CD5. The document should provide narrative, tables, schedules, or matrices to show the relationship between functional units, major funds, and non major funds in the aggregate.

CD6. **Mandatory:** The document shall include a table of contents to make it easy to locate information in the document

CD7. A glossary should be included for any terminology (including abbreviations and acronyms) that is not readily understandable to a reasonably informed lay reader.

CD8. The document should include statistical and supplemental data that describe the organization, its community, and population. It should also furnish other pertinent background information related to the services provided.

CD9. The document should be produced and formatted in such a way as to enhance its understanding by the average reader. It should be attractive, consistent, and oriented to the reader's needs.

ADDENDUM C

A Review of the School Committee's Authority to Make Internal Budget Adjustments

by Glenn S. Koocher, M.P.A. and
Stephen J. Finnegan, J.D.

An area of increasing controversy and some contention among municipal officials is the authority of the school committee over the budget for the local or regional school district. Prior to the passage of Proposition 2 1/2, school committees enjoyed fiscal autonomy, whereby the legislative bodies of the cities and towns were required to appropriate the funds requested by the school committee for school purposes. Proposition 2 1/2 repealed school fiscal autonomy and vested bottom line budget approval with the municipal budget authority.

After the passage of Proposition 2 1/2, the Commissioners of Education and Revenue issued a joint memorandum underscoring the line item and transfer authority of school committees based in part on *Leonard v. School Committee of Springfield*, 241 Mass 325 (1922). Subsequently, two laws further reinforced the line item and transfer authority of school committees. (St. 1981, c. 471 and 782.)

The Massachusetts Education Reform Act of 1993 (MERA) made some significant changes to the law governing public education. However, setting the district budget and determining district policy remains firmly with the school committee, (M.G.L. Ch. 71, Sections 34 and 37) and the fiscal authority of the board changed little under MERA. Indeed, one of the changes to school budget authority added the minimum required local contributions and net school spending mandates to Chapter 70.

The final promulgated school budget, of course, is subject to the legal requirements of net school spending but is also subject to review by the mayor or city manager and city council in cities, and the review of a town finance committee and decision of the town meeting.

Regional school district budgets must receive the approval of two-thirds of the school committee and two-thirds of the member municipalities pursuant to M.G.L. Ch. 71, Section 16B, but are otherwise subject to "all the powers and duties conferred by law upon school committees." (M.G.L. Ch. 71, Section 16.) These municipal reviews impact only the final school department budget, and "shall not allocate appropriations among accounts or place any restrictions on such appropriations." (M.G.L. Ch. 71, Section 34.)

School committees make dozens of difficult decisions during the budget process that includes at least one mandatory public hearing (M.G.L. Ch. 71, Section 38N) but in fact, usually involves more. The board must act, often with passionate special interests seated before them, to vote affirmatively or negatively on individual programs and line items recommended by the superintendent of schools. Someone usually goes home disappointed with virtually every decision.

It is no surprise that when municipal budgets are tight special interests lobby with added vigor for their priorities. It is not unusual for school advocates to take their case to the municipal officials, often hoping to reverse a controversial decision of the school committee. More frequently, town meetings, boards of selectmen, or city councils will promulgate the municipal budget, including the final level of school spending, with a strong recommendation to the school committee.

Although this may sound like a mandate to the average citizen, it is really only a strongly worded recommendation that is not binding. M.G.L. Chapter 71, Section 37 is clear that the school committee shall "... review and approve budgets for public education in the district."

Moreover, Section 34 adds that "the vote of the legislative body of a city or town shall establish the total appropriation for support of the public schools, but may not limit the authority of the school committee to determine expenditures within the total appropriation." Furthermore, Section 34 states that "the city or town appropriating body may make nonbinding monetary recommendations to increase or decrease certain line items allocating such appropriations."

For example, if a school committee approves a budget of \$10 million for a district where required net school spending is \$9.75 million, the town meeting or city council may approve the lower figure, but only the school committee is empowered legally to make the subsequent internal budget adjustments to cut the \$250,000 trimmed by the municipal legislative body. Anticipating the potential for a contentious debate and public scrutiny, and in the hope that municipalities will fund at the higher rather than minimally required levels, school districts often present more detailed budget requests with ample documentation and program explanations.

A second major area of budget contention arising since MERA adjusted the dynamics between superintendents and school committees, concerns the authority to transfer among accounts. Various school committees have adopted policies or rules that allow a superintendent to transfer up to a certain amount, usually five thousand dollars, from one line item to another without the approval of the board.

Both Massachusetts Association of School Committees (MASC) counsel and the Department of Revenue, Division of Local Services, have opined that, based upon M.G.L. Ch. 71, Sections 34 and 37, the authority to transfer among accounts is vested solely in the school committee, and therefore may not be delegated to the superintendent or other officer.

While a school committee may not delegate the statutory authority to transfer among accounts to the superintendent, **they may grant authority to transfer within an account by following the guidance offered in 1994 by the Division of Local Services:** "The school committee could grant the superintendent more discretion by limiting the number of allocations to fewer, more general categories in its budget vote and by labeling subcategories as information only.

For example, despite education reform, the school committee could budget general teacher salaries as a cost center with information items for each school. The superintendent could then use amounts shown for one school in another school without the necessity of a formal transfer vote. Conversely, the committee could give principals

more authority by voting to allocate actual budget items to each school, requiring a formal committee vote to transfer from one school to another.”

School committees that want to scrutinize the annual operating budget more closely might have many “cost centers” identified in their promulgated budget; others that want to allow the superintendent more discretion could have fewer such accounts.✂

Editor’s Note: This article represents the opinions and conclusions of the authors and not those of the Department of Revenue.

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ADDENDUM D

Financial Reporting Principles and Guidelines

Financial Reporting Principles

1. The District Financial Report provides a snapshot of the financial condition of the district at a specified point in time.
2. The District Financial Report provides a comparison of budgeted to actual expenditures and a forecast of remaining expenditures for the purpose of determining any anticipated deficit or surplus.
3. The District Financial Report is the key method by which the school business manager fulfills his/her primary function of the school business manager to monitor expenditures and to advise the superintendent.
4. The District Financial Report should be produced and provided to the School Committee regularly but in no case less than once per quarter.
5. The District Financial Report is a critical means of ensuring internal control.
6. The District Financial Report allows for proactive rather than reactive management and maintains public confidence in government and the district.

Key Elements of the Financial Report

1. At a minimum, the District Financial Report shall include the following columns of data:
 - a. Original Budget
 - b. Transfers & Adjustments
 - c. Revised Budget Amount
 - d. Year-to-date expended
 - e. Encumbrances
 - f. Available Budget
 - g. Project Expenses
 - h. Projected Ending Balance

For regional school districts, a section should also be dedicated to revenues and should include the following columns of data:

- a. Budgeted Revenue
 - b. Revenue Adjustments
 - c. Year-to-date receipts
 - d. Projected ending revenue
2. The report should include not only the status of the general fund but also grant funds, revolving funds, and capital funds.
3. Any significant surpluses or deficits should include an explanatory note
4. The report should have a header that contains the name of the entity, the budget year, and the date-ending for which information is presented.
5. The pages of the report should be numbered consecutively and pages should include a date stamp.
6. The report should include a narrative to discuss, at a minimum, significant changes from prior reports, and concerns or issues for the remainder of the year.

7. All assumptions upon which projections are based should be thoroughly documented in the report.

Other Guidelines and Recommendations

1. The level of detail of the report is dictated by the accepted practices of the district as well as any approved school committee policies.
2. The report should be easy to read and the data easily interpreted by non-financial constituents.
3. It is recommended that the report be made available electronically via the district's website.
4. Expenditure forecasts should be based on reliable historical data or known or accurately predictable variables. For example, forecast of energy expenditures should be based on historical monthly consumption multiplied by established contract prices.
5. A minimum of 3-5 years of historical data is recommended as the basis of any projections.
6. All figures in the financial report should be thoroughly checked by at least one additional person and reconciled to reports generated from the district's financial system.

Appendix A
Review Team Qualifications

Appendix B
Self Assessment

