



BRISTOL PUBLIC SCHOOLS

Committed to Success

City of Bristol/Bristol Public Schools

Operational/Controls Assessment

Executive Summary

January 2017

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BlumShapiro
Consulting
a division of Blum, Shapiro & Co., PC

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I. **Project Overview**

A. **Background**

The City of Bristol (hereinafter also referred to as “Bristol”) engaged BlumShapiro Consulting to review and assess the processes and operational practices within the City and Board of Education in regards to budgetary/spending practices. BlumShapiro focused on fiscal years 2015-2016, 2016-2017 as part of this project. Our project approach included the following objectives:

- Perform applicable forensic accounting procedures to identify unusual financial activity relating to Bristol Board of Education financial operations for 2015-2016 and 2016-2017.
- Review the current operational processes, controls and budgetary/spending practices within Bristol’s Board of Education.
- Review and compare 3-5 years of budget to actual line item information in order to look for trends in overages.
- Perform a risk assessment of management’s ability to override budgets, spending, and operational controls.
- Review internal control procedures and identify control weaknesses within these areas and develop control improvements.
- Provide constructive and practical recommendations for enhancing internal controls and minimizing the risk of fraud.

BlumShapiro interviewed management and personnel from the City of Bristol and Bristol Public Schools including the then Mayor of Bristol and board members from the Bristol Board of Finance and Board of Education. In addition, BlumShapiro interviewed former financial management staff from the City and School District from years 2015 and 2016. In total, BlumShapiro interviewed 30 people from the City and School District operations.

BlumShapiro also obtained and reviewed the following information:

- BOE Meeting Minutes
- BOE Meeting Financial Packets
- Budget Transfer for the past 5 years
- Grant information for the past 5 years
- General fund financial information for the past 5 years
- SPED Budgets for the past two years
- 2017 Fiscal year SPED and transportation purchase orders
- 2015-2016 Budget Information located on Bristol’s internal network (O: drive)
- 2016-2017 Budget Information located on Bristol’s internal network (O: drive)
- Emails from two Business Office Managers

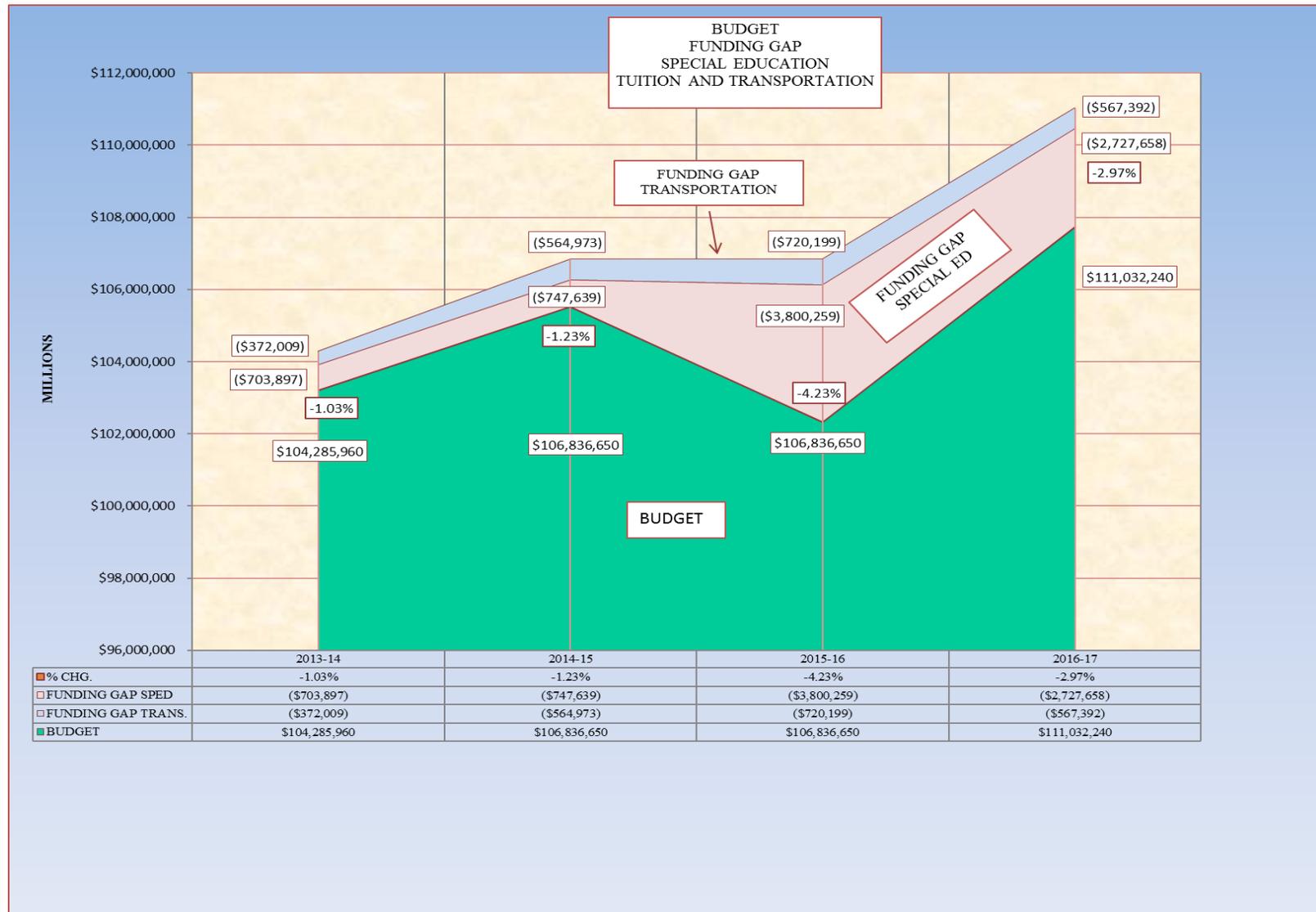
II. School District & Project Background Information

A. The Board of Education (BOE) has experienced year-end deficits for the past three years

1. 2014-2015 fiscal year
 - a. BOE had a deficit of \$575,539; a carryover surplus of \$110,786 was used to fill the deficit along with \$464,753 in excess cost monies
2. 2015-2016 fiscal year
 - a. BOE had a deficit of \$3,116,767; a carryover surplus of \$916,073 was used to fill the deficit along with a \$963,701 Medicaid reimbursement and \$1,236,993 in excess cost monies
3. 2016-2017 fiscal year
 - a. Two negative budget line items were included in the 2017 budget
 - i. These negative amounts were intended to serve as excess cost placeholders until detail budget adjustments were made
 - ii. -\$940,000 in Teacher Salary-Instruction-Reading
 - iii. -\$2,704,373 in Teacher Salary-Instruction-Physical Education
 - b. The intent of these negative line items was to bring the School District budget to the agreed upon budget amount
 - i. The Business Office Manager had planned to re-allocate funds and alter the budget appropriately at a later time but ended up leaving the District before doing so

B. Fiscal Year 17 Budget Information - 2016-2017

1. During our review and analysis of various financial documents on the network, the then Business Office Manager (GF), identified a funding gap within the Special Education tuition and Transportation areas of \$3,295,050



C. Business Office Manager’s (SN) February 28, 2017 Memorandum to Board of Education Regarding Financial Deficit Concerns

1. In this memorandum to the Board of Education, the Business Manager identified several items in regards to the Year to Date (YTD) Fiscal Year (FY) 2017 budget. Significant items are noted below:
 - a. Instructional salary lines indicated a projected year end deficit of approximately \$800,000
 - b. Reading Teacher Salaries, a firm deficit of \$940,000, with an offset appropriation of \$599,000, leaving a deficit of \$341,000
 - c. Physical Education Teacher Salaries was carrying an expanding deficit of \$1,375,777. It was noted that this deficit would continue to grow as payrolls were charged to the line. The Business Manager estimated a final total deficit in this line of \$2,704,313
 - d. The Substitute Teachers line seemed to be under-budgeted by \$250,000
 - e. It was noted that Parochial/Private school Transportation was not budgeted with an expected deficit of \$614,014
 - f. It was also noted that Special Education Transportation (as previously discussed) had a deficit of \$1,057,657

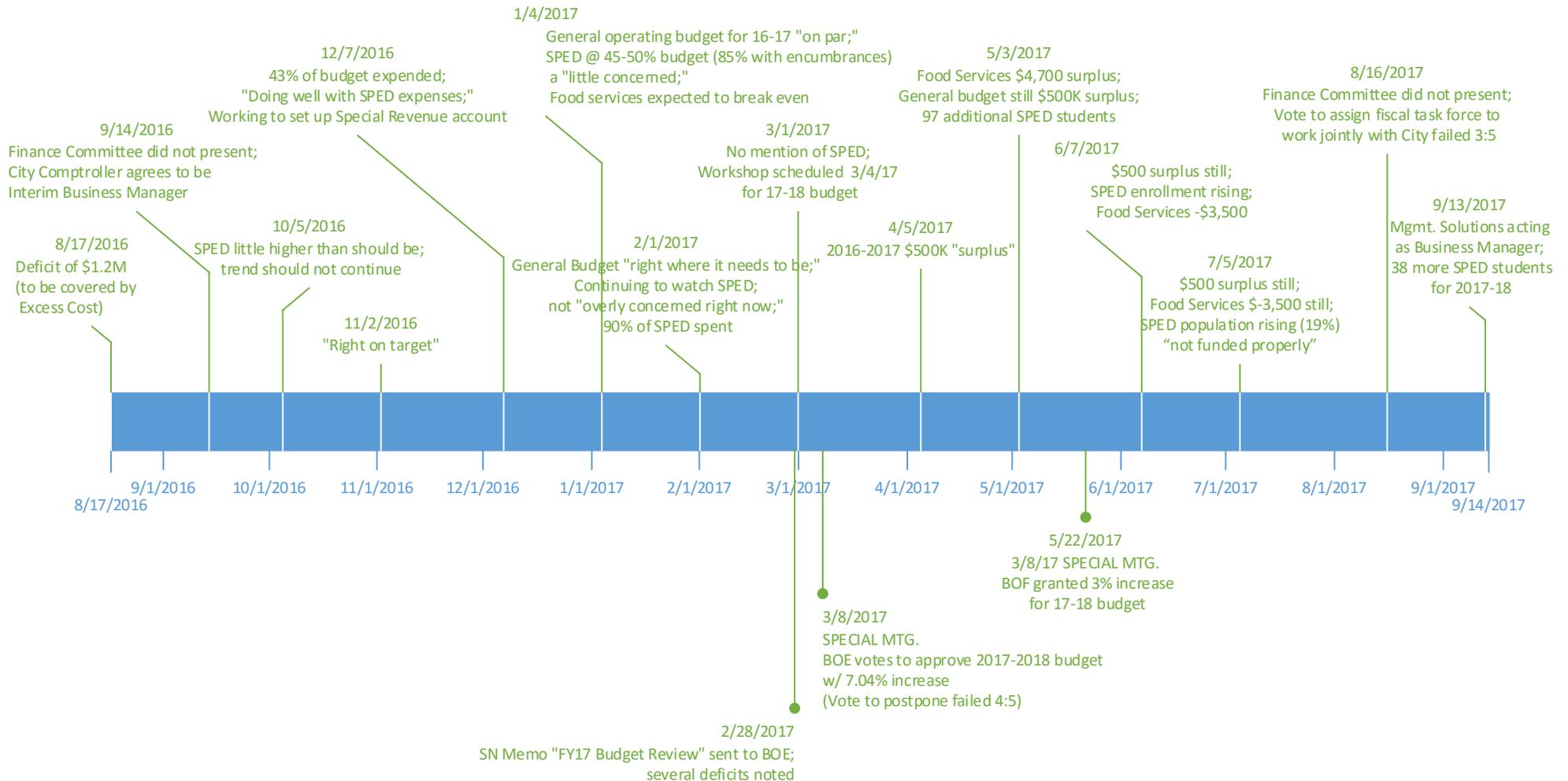
D. Budget Transfer Summary For the Past Five Years

1. The School District currently performs a high volume of budget transfers. BlumShapiro reviewed 5 years of historical budget transfer information
2. Currently the BOE does not review and/or approval any budget transfers
3. BlumShapiro’s review identified the following:
 - a. A significant number of transfers are made at year end
 - b. For fiscal year 17, there was \$9,619,003 of budget monies transferred in the last period of the fiscal year

E. Board of Education Meeting Minutes Overview (For Fiscal Year 17 - July 2016 to June 2017)

1. BlumShapiro reviewed the BOE meeting minutes and Board financial packages from July 2016 - September 2017
2. A visual timeline is presented on the next page that provides a summation and overview of Finance Committee discussions and other pertinent budget items during Board of Education meetings from August 2017 - September 2017:

II. City of Bristol/Bristol Public Schools – Operational/Controls Assessment – School District & Project Background Information



F. A Number of Factors Created the BOE Deficit Situation in Fiscal Year 2017

1. After reviewing a number of financial spreadsheets, emails, and other miscellaneous documents, the Project Team identified the following factors that contributed to the BOE deficit:
 - a. One of the goals for the BOE budget was to maintain a similar Maintenance of Effort dollar amount in SPED
 - b. Another budgetary goal was to maintain the Minimum Budget Requirement (MBR) amount that the City provided to the BOE
 - c. Payroll was not encumbered
 - d. Purchase requisitions were not processed in a timely fashion to encumber monies
 - e. Budget deficit warning signs were not aggressively evaluated
 - f. Limited ongoing communications existed between the BOE, Superintendent, Business Office Manager and Department Heads/Managers regarding concerns about budget issues

III. Findings and Recommendations

A. It Appears that the BOE and Finance Committee Leadership Lacked Action on Deficit Warning Signs

1. Based on the review of BOE meeting minutes and the respective BOE monthly financial packages, it appears that the BOE Finance Committee did not elicit additional information requests from the Business Office to validate the School District's financial position
 - a. In March of 2017, the current Business Office Manager outlined significant deficit concerns
 - b. It is unclear how in April 2017 the BOE Finance Committee reported a potential \$500,000 surplus
 - c. In May 2017, the Finance Committee reported an additional 97 Special Education students
2. The monthly BOE financial package did not typically include the Department Director's/Manager's documented overview of their department's respective financial position and/or current budget status

B. Board of Education Training

1. It was noted that comprehensive training is limited for members of the Board of Education
2. Valuable training and education for the following areas are in need:
 - a. Budget (Development and Monitoring)
 - b. Salaries and Payroll
 - c. Special Education (including Special Education transportation)
 - i. Excess Cost

Recommendation – Make Training Available to Board of Education Members to Better Understand Financial Reports and Operations

- A. Bristol is fortunate to have a dedicated, interested, and engaged Board of Education. It is recommended that the Board be provided with fundamental training on the areas identified in the finding above in order ask more meaningful questions of the District, to better understand the operations and expenses of the School District, and to be able to detect trends/forecast from year to year
- B. A training/workshop should be provided for all current Board Members as well as for any new Board Members elected from year to year

III. City of Bristol/Bristol Public Schools – Operational/Controls Assessment – Findings & Recommendations

Recommendation – Have Department Directors/Managers Provide Formal Memorandums for the Board Packages

- A. Key Department Directors/Managers should formally document and provide the BOE and BOE Finance Committee with a summary of their results on key goals, objectives and most importantly budgets
 - 1. At a minimum, this should include the Business Office Manager, Director of Special Services and Transportation

C. Department Leadership Involvement in Board of Education/Finance Meetings

- 1. Bristol Department Directors/Managers have not regularly presented at Board of Education/Board of Finance meetings
 - a. Information pertaining to significant operational areas such as Special Education, Transportation, and Personnel have generally been presented (at a summary level) by either the School Superintendent, Business Manager, or Assistant Superintendent

Recommendation – Have Department Directors Present their Operational Areas at Board/Finance Meetings

- A. Department's Director/Manager should provide financial and operational updates to Board members directly
- B. Operational/financial updates should be provided regularly by leadership in the following areas:
 - 1. Special Education, Transportation, Personnel, Building Project Management
- C. It was noted that leaders in these areas have a thorough knowledge and understanding of their operations and expenses and expressed an interest in the ability to share/present their knowledge and information directly to Board members
 - 1. Since the start of this engagement, the Bristol School District has begun to hold Board Meetings with presentations from the Director of Special Services which have been well received

D. School District Budget Transfers

- 1. Currently, the School District is not required to receive Board of Education approval for budgetary line transfers
- 2. As such, transparency is lost as well as clear indications of where line items/Departments may be running a deficit

Recommendation – Require Board of Education Approval for Specific Budget Transfers

- A. The Board of Education has been considering requiring Board approvals for transfers over particular dollar thresholds; it is recommended that the Board of Education proceed with this approval process formalization

III. City of Bristol/Bristol Public Schools – Operational/Controls Assessment – Findings & Recommendations

1. This will increase transparency between the Business Office and members of the Board of Education. It will also help highlight some line items that may have been initially underfunded or improperly funded as transfers are required throughout the year
 - i. The BOE has been proactive in discussions around policy change to require Board approval of transfers.
 - ii. The BOE is in the process of determining an appropriate dollar threshold for the approval requirement.

E. Payroll Encumbrance

1. Currently, the School District of Bristol is not encumbering payroll
 - a. As a result, funds are not “set aside” or reserved to cover the full cost of payroll including “summer payroll” for teachers for the entire fiscal year
 - b. Shortfalls or inadequate funds to cover payroll costs can go unnoticed for a majority of the year
 - c. Not encumbering payroll allows for budgetary transfers out of the payroll line items which can result in insufficient payroll funds as the year progresses

Recommendation – Encumber School District Payroll

- A. The Bristol School District should encumber payroll (through MUNIS) at the beginning of each fiscal year
- B. Encumbering payroll will also allow the School District clearer insight throughout the year and help to eliminate the ability for a “false reading” or the appearance of having more dollars available than in actuality

F. Position Control and Human Resources

1. The School District is not fully utilizing MUNIS Position Control
2. Position Control can assist with the budgeting process and easily identify open positions throughout the school year
3. Without using Position Control, the District cannot easily report on, or answer, “How many vacancies do we currently have?” and/or “How much money are we saving through these vacancies?”

Recommendation – Implement Position Control under the Leadership of Human Resources

- A. Position Control is a component/function of the MUNIS Human Resource Management module
 1. This function provides consistent position control from the time of budget development and projections through the adding of employees to the payroll files

III. City of Bristol/Bristol Public Schools – Operational/Controls Assessment – Findings & Recommendations

2. Position Control can be used to project employee salaries and benefits to reflect scheduled step raises (as of a certain date), contract changes, and benefit changes
3. Position Control will also allow the District to better manage vacancies and job openings across all

G. Personnel Action Forms

1. Currently Personnel Action Forms (PAF) are completed on physical paper
2. The manual PAF is completed by the Human Resources Department and then the Payroll Department is notified of a new hire and given the physical PAF in order to set up the new employee in the system

Recommendation – Implement the Electronic Personnel Action Forms via MUNIS

- A. The School District should implement electronic PAFs using the MUNIS system
- B. When HR staff input a new hire and complete the electronic PAF, information will auto-populate for the Payroll staff who need to set up the employee for pay rates, deductions, garnishments, etc.
- C. This will also serve as an electronic repository for centralized personnel management

H. Contracts for Special Education Students

1. The District does not have a formalized contract of services to be provided by vendors for every Special Education student
2. BlumShapiro performed a test sample of Bristol Special Education students and observed that only half of these Special Education students had contracts in place for the 2017 school year
3. Without an agreed upon contract, the School District has no documented terms in regards to invoice regularity (rates/fees) and timing (i.e. must be billed within 30 days of service) and therefore, is subject to the vendor's discretion
4. Without a signed contract by both the District and vendor, the School District cannot easily validate services and costs on each incoming invoice to agreed upon terms, rates, etc.

Recommendation – Ensure Contracts for All Special Education Students

- A. Every Special Education student should have an associated contract(s) for services they are provided; contracts should be completed as soon as the student is placed (following the intake Planning and Placement Team Meeting (PPT))
- B. Contracts should be signed and dated by the outplacement facility/vendor and Bristol Director of Special Services

III. City of Bristol/Bristol Public Schools – Operational/Controls Assessment – Findings & Recommendations

- C. Having a formal contract will be useful for the Special Services Supervisors when invoices come in; they can validate costs, charges, and services on the invoice against agreed upon services/fees as documented in the formal contract

I. Evaluation and Analysis of Special Education Invoices

1. Currently, there is no single, dedicated District employee that reviews, in close detail, Special Education invoices
2. At this time, Special Services Supervisors perform a high-level review and sign-off of Special Education invoices
3. BlumShapiro performed a sample analysis of Special Education students and those student's associated invoices for the 2016-2017 year and identified a number of discrepancies
 - a. For majority of the invoices and purchase orders tested, the requisition/purchase order was entered into MUNIS after the invoice was received

Recommendation – Improve the Special Education Purchasing Process

- A. It is recommended that the Special Services Department perform closer analysis of each incoming invoice for student services and items purchases
- B. The best business practice for managing purchases is as follows:
 1. Once a student has been placed at a facility, the Special Services Department should enter a purchase requisition into MUNIS
 2. When an invoice is received it can be matched (along with any packing slips for goods) to the MUNIS purchase order for accuracy using MUNIS' three-way-match function
 3. The same process should be utilized for ancillary Special Education items being purchased

Recommendation – Hire a Special Education Accountant

- A. Given the current staff size of the Special Services Department and the immense volume of Special Education students, it is recommended that the District hire a Special Education Accountant in order to better track this information
 1. In summary, the Special Education Accountant would be primarily responsible for:
 - a. Special Education Student contracts
 - b. Ensuring services and costs align with contracts and student enrollment (attendance)
 - c. Special Education costs (tuition, transportation, ancillary item purchases)

- B. The School District posted this vacancy and has hired a person. The intended start date for this hire is February 2018

J. Transparency and Communications Between Special Education and the Business Office

1. It was noted via the BlumShapiro interviews that increased communication would be beneficial for the Special Education Department and Business Office
2. Regular meetings to review and compare Special Education costs and their budget were not occurring
3. With high turnover in the Business Office Manager position over the recent years, the relationship and communication between the Special Education Department and Business Office has likely changed repeatedly

Recommendation – Institute Regular Monthly Meetings between Special Education and the Business Office

- A. With the recent hiring of a new Business Manager, it is the opportune time to implement operational meetings between the Special Education Department and Business Office to establish a successful business partnership
 1. We recommend that the meetings include the Director of Special Services, Business Office Manager, and Accounting Supervisor
- B. Meetings should be held monthly as a means to share expenditures, enrollment changes, and to jointly monitor the budget against MTD/YTD expenditures

K. MUNIS Capabilities Are Not Being Fully Utilized - Tyler Content Manager

1. At this time, the School District is not using Tyler Content Manager (TCM) as part of the MUNIS system
 - a. Purchase orders and invoices are all managed in colored paper copies with duplicates in the Business Office and Special Services Department. As such, the Departments copy, print, file, and store a tremendous amount of physical paper
2. TCM would allow the Bristol BOE to store all hard copy documents electronically resulting in immediate access to all documents (security permitted)

Recommendation – Implement Tyler Content Manager

- A. It is recommended that Bristol (both City and School District) move forward with the implementation of Tyler Content Manager
 1. This will greatly decrease the amount of physical paper shared and stored by Departments
 2. It was also allow for easier document searching and the electronic matching of scanned invoices to MUNIS purchase orders

L. MUNIS training for staff

1. It was evident in our interviews that a lack of MUNIS training exists
2. Staff felt a desire to better understand the system and its capabilities
3. When asked, many interviewees were unaware of the Tyler Technologies “Tyler Community” and knowledgebase
 - a. This free, online sourcing/collaboration tool provides quick access to information, product support, experience, and system insights posted by other MUNIS users, Tyler Technologies clients and staff

Recommendation – Implement MUNIS Refresher Training

- A. MUNIS should be contacted for onsite user refresh training and the School District should solicit employees for which areas within the system they would benefit from deeper training (i.e. Payroll/Human Resources)
 1. The School District should invite the City employees to partake in training as well
- B. An additional option for the School District is to also implement (and train users on) the Employee Self Service (ESS) module
 1. This would allow employees to view and reprint W-2s, run “what if” scenarios regarding their deductions, edit basic demographic information (with Department approval)

M. Email Archiving and Electronic Discovery (eDiscovery) Information Compliance Policy has not been documented

1. BlumShapiro reviewed emails created and received by the Business Office Manager(s). Unfortunately, it is unclear if the Business Managers deleted any emails, since the City/BOE do not have an email archiving system
2. The current email retention policy is based on a user making a determination if an email needs to be stored for an extended period of time; no other formal retention rules exists within the City/BOE

Recommendation – Implement an Email Archiving Solution and Develop/Document an eDiscovery Plan

- A. BlumShapiro recommends that the City/BOE select and implement an email archival solution that will retain email for an approved period of time. This will help ensure that emails are properly stored and available when necessary. It will also help to adopt a more formal email retention policy
 1. Since the start of this engagement, the City/BOE has budgeted for an email archiving solution