August 27, 2012

To the Members of Board of Selectmen, Finance Committee and School Committee:

Enclosed are the insights of the Operations Review Committee ("ORC") on ***The Abrahams Group Restatement of Wayland Public Schools FY 11 General Fund Expenditures and FY 11 Revolving Funds***. The intent of this document is to provide the aforementioned committees with the ORC's views and inputs on the Abrahams Group's recommendations. Some findings and recommendations from this report are similar to those reviewed in Part 2 of The Abrahams Group report as reviewed by the ORC in October of 2011. These views are based on discussions with the members of the Abrahams Group (upon their presentation to the ORC) as well as the respective process owners of the Schools. They reflect the collective thoughts of the ORC based on these discussions.

We look forward to sharing this with you and responding to any of your questions or concerns.

Regards,

The Operational Review Committee

John Bladon

Rebecca Chasen (member ex-officio)

Barbara Fletcher

Paul Grasso (Chair)

Shawn Kinney

III.A FINDINGS AND RECOMMENDATIONS – GENERAL FUND
Personal Service Salary and Wage Restatement
Finding:
The ORC agrees with the recommendations made by TAG in this section. The GL charge code for personnel expenses should be consistent with the Staff Deployment Report (SDR); the Personnel Action Form (PAF) policy should be implemented; the EPIMS human resource software system should be reconciled to the SDR; and that miscellaneous reconciling entries should be made to FY 11 GL records to be consistent with these recommendations. It should be noted that at the time of this review, the recommendation to reclass $865,571 was indeed made within FY 11 and the DESE report was resubmitted. Further, the recommendation to implement the Personnel Action Form (PAF) was made, EPIMS was reconciled to the SDR, and that the

process of decentralizing MUNIS to local administrator control to better control the accuracy of recording invoices to the proper expense account all was agreed to and undertaken in FY 11 by the Business Manager.

III.B FINDINGS AND RECOMMENDATIONS – SPECIAL REVENUE FUNDS

1. **Acceptance of Statutes Authorizing Revolving Funds**
2. **Votes of School Committee with respect to Revolving Fund Fees and Charges**

Regarding Item 1, the ORC agrees with this recommendation. The School Committee also agrees and will vote the specific statute for each revolving account that is newly established..

For Item 2, the ORC agrees with this recommendation in its intent but recognizes that a thorough investigation into historical records resulted in a finding that not all records, votes, and other authorization details were able to be located. The ORC supports the action taken by the SC to revote and formally reestablish these funds. The School Committee separately voted the fees as part of its FY13 budget process.

Further, the ORC supports the action that individual Student Activity Account (SAA) *activities* should be agreed to, not just account balances.
For FY12, the SC voted that additional athletic, transportation, and music expenses be applied to their respective revolving accounts, thereby resulting in a significant reduction in the excess balances and a larger free cash return to the Town.

3. **Cash Receipts/Revenues Recorded on the General Ledger for School Special Revenue Funds**
    - **A. School Grants Revenues as recorded on the General Ledger**
    - **B. Cash Receipts of School Revolving Funds as Recorded on the General Ledger**

For Item 3A, no action is required.

For Item 3B and consistent with its view in Part 2 (refer to excerpt from Part 2 below), the ORC does not agree with the TAG recommendation to take the Business Office out of the review process.

"While the ORC understands the concept behind the recommendation for fees to be turned over directly to the Treasurer, the ORC disagrees with the recommendation because it ultimately eliminates the business administrator from the process. Currently the process is inconsistent as to whether money is received by the Business Administrator or sent directly to the treasurer. The ORC believes that the Business Administrator should be copied on all deposits either via the deposits going to the Business Administrator and then going to the Treasurer or with copies made by the Treasurer for all deposits sent directly to the Treasurer. This would achieve the goal of ensuring that everything that should have been deposited was deposited and then reconciled. This would uphold the spirit of the Abrahams Group recommendation. Additionally, the ORC recommends that schools develop guidelines for the frequency of remittance of funds to the Treasurer based on the nature of the collections."

4. **Personal Service (wage) charges to the Revolving Funds**
5. **Fringe Benefit Charges to the Revolving Funds**
6. **Utility Allocations/"Costs" charged to Fee Based Programs**

The ORC agrees with the recommendation to more accurately charge personnel, fringe benefit/pension, and utility expenses to the proper individual Revolving Funds. We also support the SC's action to formalize the expense allocation policy. Attached is an allocation methodology proposal made to the SC in early June.

Allocation_Report_SC 6-4-12.pdf

7. First Student Invoices for BASE Program charged to Full Day Kindergarten Program

The ORC agrees with the recommendation regarding the reclass of expenses between Full Day Kindergarten and BASE, and further agrees that First Student should and will bill directly (though with SBA oversight), thus limiting the need for reclassification.

8. BASE Program and Full Day Kindergarten Program Subsidy (Donation) to the METCO Program

The ORC agrees with the recommended regarding the reclass of expenses between Full Day Kindergarten and METCO (which was made and applied to FY 11), and more importantly that the accounting controls and procedures related to journal entries with proper supporting documentation and approvals (which was similarly addressed in the separate Part 1-2 review undertaken by TAG in 2010) be implemented immediately. In regards to this specific issue and the broader context of accounting controls, please see the attached summary of work done and planned to meet the accounting controls and procedures as recommended by The Abrahams Group.

Fiscal Operations Goal #5, 5-1-12.pdf

9. Revenues of the Fee Based Programs Not Stated Correctly on the General Ledger

The ORC agrees with the intent of this recommendation (in that a refund related to a fee-based program is not exactly an "expense"), but we disagree that refunds/returns should be charged to the same revenue account. Doing this would limit visibility to what was revenue and what was returned. We feel that the SBA should look into a 'contra account' or similar whereby revenues and returns can be isolated for proper documentation, review, and analysis.

10.a Pay Outs without Invoices or Documentation

The ORC disagrees with the specific recommendation that petty cash accounts be used for expense reimbursements because: 1) all such expenditures should go through the AP warrant process, and 2) the accounts sampled in this section have been closed. In general, though, the ORC agrees that the accounting procedures and controls noted should be improved in the AP and expense accounting practices.

10.b Payout of $3,500 from the Athletic Fund without documentation

Again, the ORC agrees with the recommendation regarding accounting controls. The ORC recommends that an audit be done of these accounts; the time periods of the audit have been determined by the SC. The scope will be recommended by the auditing firm, and the Audit Committee will be involved in the process as per the vote by the Board of Selectmen on August 27, 2012.

11. Athletic Program and Fees

The ORC agrees with this recommendation only if there are MUNIS accounts already set up. Otherwise it seems that this is a very specific recommendation that would cause more effort to implement than the value it would generate. In general and in total, athletic fees at each level should be analyzed to see if they match expenses.

12. Balances in the Revolving Funds (5 Year History)

The ORC agrees with the recommendations put forth here regarding revolving fund programs like BASE and Pegasus, specifically that the fee/tuition be commensurate to the expenses so as not to incur growing balances as has been experienced in the five years reviewed. This recommendation has been incorporated by the SC for FY 13. For fee-supported programs like athletics and transportation, the ORC also agrees with the recommendation that the operating expenses should be charged directly to the appropriate revolving accounts. In FY12, the SC voted that additional athletic, transportation, and music expenses be applied to their respective revolving accounts, thereby resulting in a significant reduction in the excess balances and a larger free cash return to the Town. It was also agreed that a yearly analysis of funds would be completed to ensure that all fees were properly applied to the operating expenses.

13. The School Committee Voted “Offsets” to the FY 11 Budget and Recording on the General Ledger

The ORC agrees with the recommendations here (noting that they are similar to those expressed in finding III.B.13 (direct application fees against expenses), and findings III.B.4-6 (proper allocation of indirect expenses to revolving fund programs). These recommendations were put into place for FY 12 accounting, where possible, and in the FY 13 budget. As in III.B.10B, the SC should decide whether the proposed audit should include prior year restatement of revolving fund balances based on an updated allocation methodology.

14. The Cost Basis of a Fee Charged in the Commonwealth

The ORC agrees with this recommendation as does the SC. The ORC recommends that the proposed audit should include a review of revolving fund balances inclusive of FY 12 and earlier.

15. Consistency in Budgetary Reporting of the Revolving Funds and Use of "Deferral" Accounting for Fees to Match Respective Fiscal Year (and Impacts)

The ORC agrees with this recommendation.

16. The Role of the School Committee with respect to the Special Revenue Funds

The ORC agrees with this recommendation.

17. Balance retained at June 30, 2011 in the Building Use Fund

The ORC disagrees with this recommendation as it is based on the wrong MGL statute. TAG was notified of this error.

18. High School Parking Fund

The ORC disagrees with this recommendation based on an analysis undertaken by the High School Building Committee (HSBC). Resulting from this analysis, unanticipated expenses incurred to establish a student parking lot as part of the high school project will be charged against the appropriate revolving account, thereby significantly reducing the account balance.

19. Instrumental Music Fee

The ORC agrees with this recommendation. Both the FY 12 actual accounting and the FY 13 budget reflect this accounting methodology.

20. Lost Books Revolving Funds

The ORC agrees with this recommendation in concept, noting that there should be a carry-forward representative balance (for each school) at the end of each fiscal year. The 'fine' is usually recognized at the end of the school year. ORC feels that a decision as to the appropriate action to take to address the account balance should wait until the audit as mentioned above can be conducted.

21. Grant Expenditures

The ORC agrees with this recommendation.