

Chelmsford Public Schools



FINANCIAL OPERATIONS REVIEW JUNE, 2015

**Massachusetts Association of School
Business Officials**

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***SECTION 1:
REPORT OVERVIEW***

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 Dr. Frank Tiano, Superintendent of Schools, which is located on page 3 in this section. A “General Overview”, which briefly summarizes the community’s demographics especially as related to the school district, is provided on page 5.

The second section delineates “Report Findings” that the MASBO Team discovered during their visit. This section includes topics ranging from “Special Education” on page 10 through “Additional Findings” on page 42. Issues that will require remediation by School District Administration are also described throughout this entire section.

The “Budget Management & Document Analysis” section, from page 48 to page 57, contains extensive recommendations that are not only related to the actual structure of the school district budget, but also to budget development and management procedures, which MASBO developed for the Department of Elementary and Secondary Education and have been adopted as “promising school district practices”.

Finally, several addenda 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

Dr. Frank A. Tiano,
Superintendent of Schools
Chelmsford Public Schools
230 North Rd.
Chelmsford, MA 01824

Dear Dr. Tiano:

On behalf of the MASBO Review Team and the MASBO Board of Directors, I would like to thank the staff, administration and school committee of the Chelmsford Public Schools for affording us the opportunity to conduct this Financial Operations Review. The Review Team recognizes that the two-day site visit was an imposition, and we are certainly appreciative of the hospitality, cordiality and cooperation that was afforded to us during this time period.

During my initial discussions with Frank Antonelli, the School Business Consultant, 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 these 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 appropriate;
- To review the current procedure pertaining to the management of student activity accounts;
- To acknowledge strengths, identify weaknesses, and recommend improvements to the critical financial systems of the school district.

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

The Review Team, during its two day site visit, conducted interviews with individuals responsible for the following: district administration; municipal administration including the Town Manager, Town Accountant, Town Treasurer, Director of Public Works; facilities management; transportation; accounts payable; food services; payroll; human resources; building principals regarding budgeting; staff that oversee high school student activity account, the athletic revolving account and management of gate receipts.

We also reviewed budget planning, development and management processes; financial reporting and procurement processes.

The result of this site visit review and document analysis 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 Leadership Development & Training Coordinator

General Overview

Chelmsford, Massachusetts is a town in Middlesex County, Massachusetts in the Greater Lowell area. As of the 2010 United States Census, the town's population was 33,802. The town is comprises 22.54 square miles. The town uses a Representative Town Meeting (RTM) form of government with a Board of Selectmen (five members) overseeing the operation of the town. The Town of Chelmsford has 162 RTM's and 9 precincts; at Town Meeting, RTM's vote electronically and their votes are displayed on a voting board which the public can see. Selectmen are elected every 3 years. The Town Manager oversees public employees and serves as the Chief Executive Officer responsible for handling the daily affairs of the town.

The School Committee has five members that meet two times a month for regular meetings. School Committee members are elected every three years. The Chairperson of the School Committee is elected by the School Committee members. The School Committee has three sub committees which include: Finance, Policy and Maintenance.

The FY14 School Department Budget was funded at \$49,259,443. The FY15 was funded at \$50,588,751. The FY 16 budget request is \$52,400,000.

In FY 2014, the school department over-expended the general budget by approximately \$850,000. The School Business Administrator had reported to the School Committee, the Superintendent of Schools and the Town that the school department would end the fiscal year in the black. The auditing firm of Melanson Heath was hired to perform an audit of the FY14 school department budget shortfall and the reasons for it. Melanson Heath's findings were noted in the audit report entitled: *"Agreed-Upon Procedures for the Town of Chelmsford"* which identified the following discrepancies which have been stated in their report findings:

"Under the direction of the School Business Manager, the School Department liquated \$573,188 in purchase orders which were on the School Department's accounting system and processed fiscal 2014 bills after the deadline for submitting fiscal 2014 bills resulting in the bills being charged against the School Department's 2015 appropriation. The School Department continued to submit prior year bills to the Town which were held for authorization by Town Meeting vote as required by law." Melanson and Heath also determined that the fiscal 2015 appropriation was inadequate to cover the expected 2015 costs and a shortfall was projected at \$588,750 discounting the roll-over and unpaid bills from 2014."

Melanson Heath further stated: "Our assessment of the cause of the deficits is an escalation of special education costs not anticipated in the development of the budget and the failure of the budgets to address accounts that historically had been under-funded in previous years."

The Superintendent of Schools was appointed on November 2010 and has worked in the school district for five years. The previous Business Manager was appointed in March 2010 and worked for the district for four years and six months. The district now has School Business Consultant who has worked part time for approximately nine months. The school district is experiencing a large turnover in Central Office positions. Positions needing replacement include the Superintendent of Schools, the School Business Administrator, the Director of Student Services and the Director of Food Services. Some of these position vacancies are indirectly the result of the \$850,000 shortfall, while others are the result of individuals moving for personal reasons.

The district enrollment is 3,357 students. Chelmsford High School has a graduation rate of approximately 96.1%; moving on to either four year or two year colleges, 81%; moving on to community college or technical school 12%; 1% going into the work force or entering the military (2014-2015 statistics). The dropout rate for the Class of 2015 was 2.5% over four years.

Each school develops a School Improvement Plan, which is submitted to the Superintendent and reviewed by the School Committee on an annual basis.

A Student Activity Accounts audit was performed by the auditing firm of Powers and Sullivan, LLC of Wakefield, MA 01880 dated August 19, 2014 entitled "Chelmsford Public Schools-Student Activity Funds".

In spite of the recent financial “operational” problems that the school system confronted during this past fiscal year and the derivative negative publicity, the school system has continued to perform at an admirable level in the accomplishment of its primary mission—providing the highest possible quality of educational services to the children of Chelmsford. This is due, in no small part, to the continued efforts and perseverance of both staff and administration.

In regard to this particular matter, we have included herein a description of the Pride Initiative and a summary of districts achievements. Information pertaining to the Pride Initiative was taken from the district’s outstanding magazine document, and the achievements summary is taken from the Superintendent’s Report, which is found in the district’s FY 2016 Preliminary Budget.

THE PRIDE INITIATIVE

“We believe that there are certain personal characteristics that need to be cultivated within children in order for them to reach their potential throughout their formal education and position themselves for a lifetime of success. The Chelmsford Public Schools will provide support for students to grow in these areas as they move through our system Pre-K through Grade 12 in a

consistent and purposeful manner by unifying our successful academic and nonacademic programming that identifies and promotes pro-social and healthy behaviors. Therefore, we have developed our district-wide program, PRIDE.”

- Chelmsford Public Schools Ranked 15th as Best School District for Your Buck in Massachusetts (Fall 2014, Nerd Wallet)
- Chelmsford High School ranked No. 246 nationally (2014, Newsweek)
- National Association of Music Merchants recognized Chelmsford Public Schools as outstanding supporters of music in the schools two years in a row (2013, 2014)
- 17 Elementary and Middle School Singers Selected for the 2015 Massachusetts Music Educators Association (MMEA) All-State Treble Chorus.
- Chelmsford High School Speech and Debate Team member won 1st Place in Prose Reading at the 2014 National Individual Events Tournament of Champions (NIETOC) at Gustavus Adolphus College in, St. Peter Minnesota.
- Chelmsford High School Science Teacher and the Crooked Spring Water Quality Project were recognized with a Secretary's Award for Excellence in Energy and Environmental Education Award
- Chelmsford Public Schools was chosen as 1 of 100 nationwide recognized by the White House as Future Leaders in Technology.
- Chelmsford High School's Fine and Performing Arts Department production of Hairspray was honored with seventeen TAMY nominations.
- Thirteen Chelmsford High School students represented Massachusetts DECA at the 2014 International Career Development Conference held in Atlanta, Georgia in early May. They were a part of the 17,000 high school students across the country competing in business, marketing, finance, and leadership events.
 - Students at Chelmsford High School, Parker Middle School, and McCarthy Middle School earned 32 Gold Key awards, Silver Key awards or Honorable Mentions at the 2014 Boston Globe-Scholastic Art Awards.
- The Chelmsford High School Band will be participating in the Nation's Independence Day Parade in Washington, DC in July 2015.
- The Chelmsford Public Schools All Town Wind Ensemble will be playing the Star Spangled Banner at the Red Sox Game on April 14th, 2015
- Students from Chelmsford High School competed on WGBH's High School Quiz Show.
- Three CHS seniors earned the bronze in the 12th annual Women of Science scholarship competition.
- Chelmsford High School Athletics 2013-2014:
 - o 31 Varsity Programs, 34 Sub Varsity Programs
 - o 1453 Participants
 - o Overall Record of 297-176-21
 - o 5 Teams won League Titles
 - o Girls Swim won the Div. 1 State Title
 - o 65 MVC All Conference, 92 MVC All Stars
 - o 6 MVC Players of the Yr., 5 Coaches of the Year
- Harrington PTO earns honorable mention for 2013-2014 Parent group of the year - PTO Today magazine
- Over 3,000 students participated in the Hour of Code, as a part of Computer Science Education Week.

- The McCarthy Community rose to the "No Rest" challenge once again for its 39th year of Project 300. With great efforts by the entire school community, over 24,000 food items were collected and delivered to the Salvation Army to help area people in need.
- Chelmsford Public Schools was awarded the Extreme Network Award – 1 of 4 districts in North America recognized for personalized learning environment for students.

The District's FY2016 budget is a testament to the support Chelmsford's elected officials and residents have placed on the quality of teaching and learning happening in each one of the Chelmsford Public schools. Thank you for this privilege.

The FY16 budget reflects the community's commitment to improvements in the following areas by continuing to:

- Align all curriculum and instructional practices to the new MA frameworks and standards documents such as the Common Core for Literacy and mathematics, WIDA, and the Next Generation Science Standards.
- Prepare students for demonstrating proficiency on the MCAS and PARCC, as well as increase participation and performance on the SAT, ACT, and AP exams.
- Develop a framework for full-day kindergarten for all.
- Act on the recommendations contained in the 2012 NEASC report.
- Develop a tiered instructional approach MTSS program to meet the needs of all students inclusive of UDL practices and co-teaching.
- Align schedules and allocate resources to meet the needs of all students, in particular accomplished and developing students.
- Harness current and emerging technologies to build partnerships with families and community.
- Implement the statewide educator evaluation framework.

***SECTION 2:
REVIEW FINDINGS***

Special Education

The Office of Special Education has the following positions:

- Director of Student Services
- Administrative Assistant to the Director of Student Services
- Special Education Secretary (.6 FTE)
- Team Chairs (3)
- Out-of-District Coordinator

The Director of Student Services was appointed to the position in July 2012. The Director of Student Services has worked in the district for a total of 3 years. The Director of Student Services has oversight of all SPED personnel, guidance counselors and nurses.

Twenty-five percent of the students in the school district are in Special Education programs. The Special Education budget for FY15 is +/- \$14,000,000 which equates to 27% of the school department budget. Circuit Breaker money for FY15 is \$2,300,000. Medicaid reimbursements are directly deposited to the Town with the schools not receiving any financial benefit.

The total number of students placed on an IEP's within the school district is 850 of which 95 are out of district students who attend programs which are specialized or have low incident populations. The Chelmsford Public Schools SPED Department has been able to bring back some of their out-of- district student population by creating a PDD Middle School program and an Alternate Education Program at the high school.

Chelmsford Public Schools has not gone through a bid process to secure SPED In-Town transportation services (SPED transportation is exempt under Chapter 30B; the Massachusetts Procurement Law) in a number of years. Special Education transportation for FY15 is \$1,700,000. The district does bid SPED Out-of- District transportation services with the Tewksbury and Billerica school departments. The "share the ride" concept is used and encouraged by the district whenever possible.

The Special Education Office does not have a SPED Office Manual which describes duties, procedures and office operations. The Special Education Director meets with the School Business Consultant on a biweekly basis.

Recommendations

We recommend that particular attention be paid to the following areas that can have a major impact on the budget.

- Carefully monitor out-of-district placements concentrating on keeping students within the district or the neighboring collaboratives where possible. Assure that control of placements does not reside with subordinate staff.
- Continue to convene regular meetings (perhaps monthly) with the School Business Administrator in order to review the Special Education budget and project the status of said budget as of June 30, the end of the fiscal year.
- Continue the process of tracking invoices and reconciling them with Accounts Payable, and institute a procedure for the regular and frequent review of open purchase orders.
- Utilize the DESE ride sharing database that has been recently developed for the purpose of reducing transportation costs.
- We have found that Medicaid receipts are not shared with the School Department. While this process is in compliance with state law we note that many municipalities share these receipts (which are reimbursements of school expenditures) with the schools. We recommend negotiating with the municipality to share these receipts with the school district. It is our finding, in other districts, that those districts who receive a portion or all of the Medicaid receipts do a more thorough job of applying for them.
- If it is necessary to contract out evaluations, the evaluators must be carefully monitored by the director.
- Continue to focus on the development of in-district programs, where needed, to cost effectively reduce out-of-district placements. Encourage the local collaboratives to do likewise.
- Carefully attend to data collection and reporting for the Circuit Breaker submission. Develop methods to aggressively capture Circuit Breaker data for in- district high cost placements.
- Where appropriate, current fiscal year Circuit Breaker income should be reserved until the next fiscal year as a reserve for unanticipated placements.
- Carefully monitor and project special needs tuition costs.
- Assure that para-professionals assigned to individual students are properly reassigned when the student leaves the system.

- Scrutinize each special transportation decision to assure that it is only provided where appropriate and in a “least restrictive” manner.

Net School Spending Written Agreement

In discussion with the Town Manager and the School Business Consultant there is a Net School Spending (NSS) agreement between the Town of Chelmsford and the Chelmsford Public Schools. The agreement was reviewed and signed by the Town Manager and the Superintendent of Schools on January 10, 2012. The written agreement is reviewed annually and updated every three years. The agreement addresses the following categories: Indirect Costs, Reporting, Direct Costs and Methods of Calculation. Sub categories include:

Indirect Costs

1. Municipal Administrative Services
 - Accounting
 - Payroll Processing
 - Treasury
 - Auditing
 - Procurement
2. Employee Benefits
 - Worker's Compensation
 - Unemployment Compensation
 - Middlesex Retirement
 - Medicare Withholding Tax
 - Health Insurance - Active Employees
 - Health Insurance - Retirees
3. Other Expenses
 - Property and Liability Insurance - School Buildings
 - Solid Waste Collection/Disposal and Snow and Ice Removal
4. Debt Service
 - Short-Term BANS
 - Long-Term

Reporting

1. Regional School Assessments (Nashoba Valley Regional Technical High School)
2. E-Rate Telecommunications Reimbursement

Direct Costs

1. Health Insurance for Child Care and Food Services employees
2. Accounting and Payroll software support contract

The section of the Memorandum of Agreement (MOA) entitled "Methods of Calculation for the above items" gives a detailed explanation of how the school district charges will be calculated by the Town.

The Town of Chelmsford has traditionally funded the schools over the School Net School Spending funding requirement up to as much as 20%.

Recommendations

The current memorandum of agreement between the municipality and the school district contains appropriate indirect costs that are incurred by the municipality on an annual basis. However, we recommend that this document be reviewed on an annual basis to assure an understanding of its budgetary impact upon both entities. The agreement should be signed by both the superintendent and the town manager.

The school district's review of the memorandum should involve the following procedure. Since employee health insurance is perhaps the largest cost included in the memorandum, the business office should annually request a list of employees receiving group health insurance. It should be reviewed to assure that it is current. Appropriate documentation of the indirect costs should also be obtained so that an understanding relative to the percentage of particular municipal department services can be agreed upon and the reasonableness of these percentages understood. All other costs should be similarly quantified and documented.

Review of Job Descriptions

In discussion with Central Administration and during staff interviews it was evident that some positions have job descriptions. Job descriptions are not all current and many are being reviewed and updated. It was not clear if the job descriptions being reviewed reflect department reorganizations or new duties assigned to employees. Employees are being evaluated annually and in most cases evaluations are done using the DESE evaluation tool.

Recommendations

As mentioned previously in this report, the school district has recently experienced a significant amount of employee turnover. In this regard, it is perhaps an appropriate opportunity to review and update position descriptions. This is an important consideration, especially since many grievance claims are commonly filed, which stipulate a "change in working conditions".

Usually the primary document that is examined in this type of grievance is the employee's job description. Obviously, accurate position descriptions are essential for hiring new employees as well.

All position descriptions should be in accordance with ADA requirements including the level of education and expertise required to perform the role. Each position description should clearly spell out the tasks required to perform the job including knowledge of technology programs such as Excel or Word. Accurate job descriptions ensure that staff members know and are capable of performing all tasks required of them; and consequently, should contain an elucidation of physical requirements. Evaluation Standards should also be stated in the job description.

District Budget Issues

The School Business Consultant is licensed by the Department of Secondary and Elementary Education and also holds the MCPPO certificate issued by the Office of the Inspector General. While interviewing Business Office staff it became apparent that there are duties the staff is performing which are not the duties that were assigned to them by a job description. The payroll clerk has been in her position for one year; this particular position has been an issue for the district because of the turnover in the past several years. There are several School Committee policies which address the budget process and the management of the budget. The Business Office does not have an updated Business Office Manual (SOP) which could prove helpful in identifying and distributing some of the duties within the Business Office. The town and the school district both use the same MUNIS financial software. The Town Accountant and the Town Treasurer review the MUNIS accounts daily and will call the schools if there are any questions or concerns.

The School Committee does have several fiscal policies that address fiscal responsibilities and functions of the school district and administration. The fiscal policies also address the budget process from Budget Planning to Budget Adoption. The School Committee has two policies which address both the Fiscal Management Goals of the School Committee and the Reports and Statements the School Committee expects to receive from the administration so that they may stay informed:

Fiscal Management Goals 4101

"The Chelmsford School Committee is responsible for the control of all funds of the Chelmsford Public Schools including internal funds. The Chelmsford School Committee recognizes that funds and fiscal management are essential for the foundational support of the Chelmsford Public Schools.

To make that support as effective as possible, the Chelmsford School Committee intends:

1. To encourage advance planning through the budget process.
2. To explore all practical sources of income.
3. To guide the expenditure of funds as to extract the greatest educational returns.
4. To expect the highest quality of accounting and reporting procedures. To maintain the level of expenditures needed to provide quality education within the ability of the community to pay as determined by voters.

The Chelmsford School Committee expects the operation and maintenance of the school plants and equipment:

1. To set high standards of safety.
2. To promote the health of pupils and staff.
3. To reflect the moral and cultural aspirations of the community.
4. To support environmental efforts of the staff to provide good education."

Financial Reports and Statements 4106

"The Superintendent or designee shall submit financial statements for the current fiscal year on a monthly basis to the Chelmsford School Committee covering the following:

1. A chart or printout displaying the latest balance in each function account of the current school budget and any encumbrances against the account.
2. Any pertinent and relevant data and financial facts the Chelmsford School Committee should know such as unexpected or emergency expenses , one-time large expenditures, etc.
3. A list of all accounts that are expected to exceed the appropriation; the reasons for the cost overrun; and the under expended account(s) which may be used to pay for the overrun.
4. A list of all accounts that are expected to be less than the appropriation and the reasons for the reduction in spending.

In addition to submitting the information to the Chelmsford School Committee the documents shall be posted on the school district's website and presented at a posted school committee meeting.

It is the responsibility of the Superintendent or designee to alert the Chelmsford School Committee immediately to any circumstances, on a line items basis, that might cause a budget deficit.

If the amount changes on any of the line items of the budget that was approved for presentation to the Spring Town Meeting, the School Business Administrator shall notify the Chelmsford School Committee for their approval and a formal approval vote of such changes on a quarterly basis. There will be a vote by the Chelmsford School Committee to approve any proposed line item changes at the presentation of the monthly report." The School Committee

mentioned they felt that a culture had developed where they were not receiving the financial reports as they should have.

Budget Transfer Authority

There was no evidence of a School Committee Budget Transfer Authority Policy, which defines budgetary line items and addresses the transfer of funds within an approved budget. The School Committee recently reviewed and made the changes to the Budget Financial Reports and Statements Policy, but the policy itself does not address the transfer of funds or provide direction for moving the funds from one account to another. This item will be explained in greater detail in the Budget Management section of this report (Section 3).

Budget Development

The Chelmsford School Committee starts the budget process by reviewing and approving the Budget Calendar and Guidelines. There was no evidence that the School Committee votes on budget goals and objectives. The budget process at one time was described as a “top down” process where principals and department heads were given a budget number to work with. The administrators were told to develop their budget within the financial parameters they had been given. In reviewing the budget process as it is currently configured it is now a zero based, site based budget process which allows administrators to present what they consider what the building financial requirements will be for the next fiscal/school year.

Principals meet with their department heads or appropriate staff members to discuss department of level needs. Principals were aware of the fact that certain district budget lines are imbedded in their budget which they have no control over and as a result their budgets change when money is spent at the district level.

Principals did state that they do have input into staffing levels and they are responsible for 12-15 discretionary budget lines in their building budget. Principals can monitor their school budget on MUNIS. A building budget is developed and later presented to the School Council for informational purposes. The Superintendent, Assistant Superintendent for Curriculum and the School Business Administrator sit with the principals to discuss building and staff needs.

The principals mentioned that the revolving accounts are not available for them to monitor in MUNIS. Some revolving accounts that had previously been commingled, e.g., Gifts and Donations, with other revolving accounts were divided into separate revolving accounts this year. In the past, revolving account statements have been slow getting to the High School.

Recommendations

Please see extended recommendations and commentary regarding the district's budget management, development as well as a review of the budget document requirements. This is found in Section 3 of this Report, entitled "*Budget Management and Document Analysis*".

Municipal/School District Relations

The MASBO Financial Review Team interviewed with Town Manager, Town Accountant, Town Treasurer and the Director of Public Works and on the school side the review team interviewed members of the School Committee, the Superintendent and the School Business Consultant.

The Town Manager is supportive of the school district and realizes the importance of a successful school system. The Town Manager participates in school department negotiations, and explained that sixty percent of the Town budget is allocated to the schools.

There was some discussion about breach in trust since the financial problems were revealed at the school department. The Town Accountant and Town Treasurer mentioned that since the School Business Consultant has come on the job, there has been considerable progress made in addressing some of the ongoing problems that have been mentioned in previous audit reports.

The Town and school system have worked to restructure the school department budget so that it now is aligned with the DESE budget structure. The School Committee members interviewed felt the Town Manager has been supportive of the schools.

Recommendations

Pursuant to the productive and open discussions that the MASBO team engaged in with both municipal and school system officials, we recommend that the School Business Administrator convene regular meetings with the Town Accountant and the Treasurer. We agree that the school district's past financial management problems have damaged its credibility. Furthermore, we feel that the most direct way to begin the process re-establishing this credibility is to become as transparent as possible with regard to financial operations.

Monthly meetings to discuss items such as budgetary projections for the fiscal year, potential issues that may impact the accuracy of said projections, the rationale for particular

purchases that may not be well understood, steps that can be taken to improve efficiency and accuracy in payroll, accounts payable and grants management procedures.

We also recommend that copies of financial reports that are prepared for the school committee be also shared with appropriate stakeholders at the municipal level (i.e. Finance Committee, Town Manager, etc.).

Cash Receipts/Gate Receipts and Admissions

The Chelmsford School Committee policy that addresses the proper handling of cash, gate receipts and admissions is Policy 4401 entitled Cash Receipts, Gate Receipts and Admissions. The policy states that:

"Whenever possible receipts collected for athletic, drama, and other school-related programs should be in check form and /or electronic payments. All payments from school-associated accounts shall be by check only. When it is necessary to handle cash receipts, they shall be counted and turned over to the Principal or the Principal's designee* on the same day as collected for subsequent deposit on that day in the appropriate bank account.

Cash receipts or Petty Cash accumulation, which need to be temporarily held in a school building shall be placed in a locked area accessible only to the Principal or the Principal's designee. Cash should be placed in a safe, if available.

Receipts collected at events held after school hours shall be counted, recorded and deposited in a bank as soon as practically possible. It is strongly recommended that this occurs within 48 hours.

* In this case the Principal's designee may be a student or students.

The Chelmsford School District administers the following student fees for interscholastic athletics:

- \$300.00 for the first student
- \$250.00 for the second student
- \$200.00 for the third student

Each sport requires a fee with no provision for a family cap. Fee and reduced lunch status does apply. The school district does have an online payment system that can accept debit and credit cards.

Gate receipts at an average night football game will show a take of \$5,000 to \$10,000 dollars while a good night football game will show a take between \$10,000 and \$15,000 dollars. Consequently, in order to prepare for the sale of tickets, the Athletic Director will have 4 ticket

sellers working on a normal night and 5 ticket sellers on a good night against a rival team. There will be between 2 and 3 ticket “rippers” at each game and one “overseer”.

Tickets are purchased through the Sports Authority and the ticket is imprinted with Chelmsford Athletic Department and is a 1/2 ticket and 1/2 coupon for the Sports Authority. The price for tickets are: \$5.00 for students and seniors and \$7.00 for adults and the ticket will have either student/senior or adult printed on it. The Booster Club is a 501c3 organization and does do a 50/50 raffle at football games during half time.

The procedure for handling money at sporting events is as follows:

- Tickets are numbered and accounted for at the beginning of the sporting event
- Money is provided for the cash box prior to the selling of tickets
- Tickets are sold and tickets are collected and the coupon half returned to the buyer as proof of purchase
- Once the game is complete money is taken to the Athletic Director's Office where it is counted and reconciled
- There is no safe in the Athletic Director's Office; money is kept overnight in a secure drawer
- A bank deposit slip is made up and a deposit is made
- A receipt is given at the bank

There was no written policy for the Cash/Gate Receipt procedures. There was no written Chain of Custody form to track how money is moved, who moves it and who received it.

Recommendations

The cash management process for sporting events is essentially a good one. However, we do recommend that a safe that can be bolted to the floor be purchased for the purpose of storing cash collections overnight. A “secure” drawer is really not secure enough, particularly with regard for the amount of money that is being collected.

We also recommend that a chain of custody “paper trail” for moving the gate receipts from the ticket seller to the athletic director to the business office and eventually to the bank be established. This procedure would necessitate the activation of a form designed for this purpose and containing space for the signatures of everyone handling the gate receipt cash.

While the Athletic Director has outlined his procedures for us in detail, these procedures need to be put into writing in a document (Procedures Manual) that can be shared with all staff and volunteers that are associated with the gate collection process.

Bonded Employees

The School Committee has a policy that addresses the bonding of employees who handle money on behalf of the school district. The bonding policy is addressed in Fiscal Management and Non-Operations 4000 section of the School Committee Policy Book. The policy is referred to as Bonded Employees and Officials and states the following:

The Superintendent, School Business Administrator, and payroll/ accounting employees shall be bonded up to a loss of \$100,000. In addition, any person who directly handles receipts and disbursements for a school will also be bonded. This will include the Athletic Director and any person designated by the School Business Administrator.

The Town of Chelmsford maintains separate performance bonds, through its insurance provider (MIA) only for the positions of Town Treasurer, Assistant Town Treasurer Town Collector, and Town Clerk as required by statute. All other municipal employees handling cash, including School Department employees, are bonded up to \$100,000.

Recommendations

We are in agreement with this policy, and we encourage the school business administrator to assure that the policy is indeed being followed.

Payroll Processes

All employees are paid on a bi-weekly basis. The district has 850 employees, full, part time, substitutes and coaches. The number of employees paid varies every payroll depending on the number of substitutes who worked during the pay period. Teachers can choose to be paid either in 21 pays or 26 pays. The school district uses X2 and Kronos time cards for tracking employee weekly attendance. Human Resources encourages principals to use language in the teacher contract to question employees that elicit frequent absenteeism.

On a weekly basis an attendance report is sent to payroll so employee attendance can be entered into MUNIS. Kronos software is costing the district \$750.00 per month plus a software maintenance fee. Kronos placed into service in September 2014 to track Paraprofessionals and Resource Aides. It was reported that the number of employees using Kronos is approximately

230. The school district needed a better system to track employees who punched in and out of work. There was some trouble with the time schedules which was fixed by using a 1/2 hour window for punch in/punch out procedures.

The district has no custodians or maintenance employees on the school payroll. Custodians and maintenance personnel are assigned to the Town of Chelmsford Department of Public Works and work for the Director of Public Works where they receive work assignments and oversight. The district posts sick leave accrual and annual leave/vacation time on the employees check stub. Salary projections are forecast by the School Business Administrator using the payroll encumbrance system in Munis. The School Business Administrator and the School Committee are required to sign the payroll in order for it to be processed.

The district payroll is generated in the following manner:

- Generate payroll on Thursday/Friday before the actual pay week.
- Review all Maternity Leaves and other Leaves of Absences for paycheck accuracy and accruals
- Enter any notes or payroll change forms for that payroll
- Enter all timesheets from Food Service
- Update all attendance as X2 attendance forms come in from schools
- Import Community Ed Payroll
- Import/Export all Kronos payroll (hourly paraprofessionals, secretaries, and aides)
- Proof payroll, making sure all hourly employees have been properly entered in system
- Check MUNIS for payroll errors
- Run final proof; print 3 summary pages (payroll warrant) for BM and SC authorizations, send same 3 pages to Town printer.
- Depending on what payroll cycle we are on, send appropriate payables to Town through MUNIS
- Update employee records in payroll
- Wait for town to print check and direct deposits
- Finish payroll with deduction reports and export journal to Town
- Download Retirement reports, review and submit to MTRS and Middlesex,

- Download New Hire report and upload to DOR website
- On last cycle of month, send AP checks and monthly reports to Union Treasurers
- Run encumbrances, check remaining pays, and compare to YTD Budget report for discrepancies
- Once checks are printed at the Town, they are delivered to Payroll Offices to separate by schools and then delivered to each school on payroll date (usually Friday bi-weekly)
- Make copy of signed payroll warrant and send to Town
- File away all paperwork relating to that payroll including returned signed copy of payroll warrant.

The School Committee by policy, Policy 4501 states that: "The Finance Director of the Town holds all funds designated for school department expenditure and is the only authorized disbursing officer for the school system's bills and debts. The School Committee shall authorize three (3) members on a rotation basis throughout the year to sign warrants. A fourth School Committee member will be designated as an alternate signer on a rotation basis throughout the year if one of the three scheduled Chelmsford School Committee members is absent. The School Business Administrator or his/her designee is responsible to notify School Committee members of the schedule for signing warrants."

The Chelmsford School District is the town's largest employer employing 850 full/part time employees and coaches. Payroll is paid every two weeks on a schedule of either as 21 or 26 pays. Currently there is a payroll manual being worked on but at the time of this financial review it was incomplete. New hires are set up in MUNIS by the payroll clerk in the following manner:

- The Human Resources Department fills out the necessary paperwork to begin the intake of the new hire.
- Human Resources provides payroll with an appointment letter that gives the new hires start date and salary/hourly rate.
- Payroll takes the Human Resources information on the new hire and inputs it into the MUNIS system.
- Payroll only interacts with MUNIS .
- Once the new hires information is in MUNIS; Human Resources can then make any changes to the new hires information that they need to do.

Payroll puts salaries/steps etc. for the new budget into MUNIS and the Business Manager checks the accuracy of the input.

Recommendations

We recommend that the school system seriously consider eliminating the Kronos system. It is utilized by approximately 230 employees and we feel the \$750 monthly rate (\$13,000 annually) is exorbitant considering this small rate of usage. The employees that currently use the Kronos system could either be integrated into the present timesheet system that is used by most of the staff or an acceptable alternative system could be established.

Also during our interviews associated with this area, it was stated that additional training was needed. In this regard, we suggest that MASBO's Classified Personnel Training program be considered. A large number of payroll personnel have received training from this program, and an additional benefit for Chelmsford staff would be the relationships and continued sharing of information with payroll employees from other districts that takes place long after the training has been completed.

The relocation of payroll to another more private area is also strongly recommended. The need for confidentiality and minimal interruptions during payroll processing necessitate this relocation.

We also recommend that the school business administrator direct that, periodically throughout the year, a sampling of employee salary calculations be hand computed to assure accuracy and double checked by the school business administrator. The payroll clerk, working in consonance with the school business administrator, should be involved in the projection of all payroll accounts. These projections should be completed on a quarterly basis at a minimum. Please see Section 3, Budget Management for more detail regarding this and other similar responsibility areas.

In order to provide for greater accountability within the payroll area, we recommend the elimination of permissions associated with Human Resource department's ability to change payroll amounts. The current procedure of allowing both departments to perform this function we feel enhances the possibility of error, and impedes the tracking of the cause of the error.

We recognize that the aforementioned additional payroll responsibilities will place an added burden on an already extremely busy employee. However, we believe that these additional functions will provide greater assurance of accuracy in this process that is so critical to

maintaining a balanced budget. We are pleased that one additional full time position was included in the final FY2016 budget. The responsibilities of this position would be half payroll and half accounts payable.

Human Resources

The Human Resources Director has been with the Chelmsford Public Schools for a period of a year and a half. The Human Resources Office has an Administrative Assistant who works closely with the Director, Central Office, principals and payroll personnel.

Open positions are advertised through the Chelmsford Public Schools website and School Spring.com. Positions advertised on School Spring.com include: paraprofessionals, aides, recess and lunch monitors, secretary and clerk positions, teachers, support staff and administrators.

Applicants send the required documentation to School Spring.com. If the applicant meets the requirements outlined in the job description and there is an interest; the applicant is invited to interview with the interview committee.

Interviewing committees have a different composition at each level. Interviewing Committees at the elementary level are made up of the principals, teachers and special education chairperson. Interviewing committees at the middle school level are made up of principals, assistant principals, teachers, special education chairperson and curriculum coordinators. High School interview committees are made up of the principal, deans, teachers, special education chairperson and curriculum coordinators. At the Central Office level interviewing committees are made up of administrators, central office administrative team, support staff, school administrator(s), town employees and school committee members depending on the open position.

The principals send their recommendation "to hire form" to Human Resources where the information is compiled and an "offer letter" is created. The candidate will meet with the Superintendent or Assistant Superintendent where recommendations are reviewed and approved or if changes need to be made by the Superintendent or Assistant Superintendent, they are agreed to at that time. The Superintendent sets the step and salary of the new hire. The Superintendent will walk the candidate down to Human Resources when the interview is complete and Human Resources Department will make any changes to the "offer letter" if needed and then the new hire paperwork is completed. Payroll deductions are done by payroll.

Current town/employee deductions for health benefits are: 75% Town/25% employee for HMO and 63%Town/37% employee for PPO. Dental coverage is available with the full cost paid by the employee. Life insurance is available to employees as follows: Basic Life insurance is \$10,000 (\$5,000 life insurance and \$5,000 for accidental death or dismemberment) with an annual premium of \$12.72 paid by the employee (Town pays 60%, employee pays 40%). Additional term life insurance is available in \$10,000 increments up to a maximum of \$100,000.

Personnel records are kept and maintained in the Human Resources Department file room. The Human Resources Director and the Administrative Assistant maintain and oversee teacher licensure. The Human Resources Director and the Administrative Assistant communicate with the payroll coordinator and vice versa via email to authorize salary changes, approve pay changes and review and approve absences. For all new hires the Administrative Assistant collects the required paperwork and gives it to the payroll coordinator for entry in to MUNIS. Teachers are evaluated every year or every other year depending on the cycle and in compliance with the contract language. Hourly employees are not evaluated in a consistent manner; the responsibility for hourly employee evaluations lies with school administrators.

Grievances are acted upon either at the Principal's or the Superintendent's level depending on the level of the grievance filed. The Human Resources Administrative Assistant is responsible for school district CORI checks. The Human Resources Director sits on the Central Office administrative team and provides budget input as a new fiscal year budget is being developed by the school district.

The school district personnel list should be kept and updated in the Human Resources Department. When necessary, the list can be printed from the Munis software. Absenteeism is overseen at the school level and occasionally monitored by the Human Resources Director or the Administrative Assistant. New teacher orientation is presented by the Superintendent of Schools and the Assistant Superintendent of Schools prior to the first official work day for staff.

Recommendations

During the interview process, it was explained that attendance is currently a payroll responsibility. We recommend that due consideration be given to moving this responsibility to the Human Resource department. Our rationale for this recommendation is related to our concern about the limited staff and high turnover in payroll, which we suspect is due to the

extensive responsibilities of this position. We also feel that oversight of the attendance area is an appropriate role for this department.

Principals should monitor absences through the new software program that is being implemented in FY2016.

Additional Recommendations re Human Resources and Employee Benefits

In conjunction with our previous observations, we make the following recommendations with respect to certain aspects of the District's Human Resources (HR) function, including its interaction with an aspect of employee benefits.

Conducting exit interviews of staff members leaving the employment is an effective tool used by companies (including some school districts). Requiring the scheduling of exit interviews on a centralized basis provides the opportunity to review post-employment options and responsibilities of departing employees. This is an increasingly important aspect, due to continuing proliferation of employment laws and regulations. In addition, soliciting candid feedback from a cross-section of employees – from veteran retirees to less experienced non-retirees – can provide a valuable set of information from which, at least in part, management decisions affecting future employee relations could be based.

In a somewhat less optimistic vein, it must be recognized that, due to the nature of employment contracts typical to public education which allow generous benefits for compensated absences (especially sick pay), there is the possibility for abuse. We, therefore, encourage the continued tracking and analysis of employee attendance with information that is available through the attendance system.

Used in conjunction with cost data available through the Munis accounting system, attendance tracking data should provide sufficient information with which to analyze substitute costs, including historical trends. These analyses would be useful in performing current year budget management (budget versus actual reporting) as well as budget planning and development for subsequent years.

We were not charged with detecting the existence of members improperly remaining on health insurance rolls, and we did not receive any evidence of that having happened. Nevertheless, we are expressing this comment as a reminder, since for a school district any premium payments for unenrolled participants (whether by death, resignation, or authorized change of status of a member) represents lost funds that are no longer available to support

student's education. We recommend that a routine system of analyzing premium invoices (by employee/retiree) be put in place, using a direct system of receiving information regarding terminations and employee changes of status. This process must be kept current within the parameters of retroactive adjustments allowed by contracted health insurance providers.

Purchasing/Accounts Payable

The School Committee's Purchasing/Accounts Payable policy states:

The Chelmsford School Committee declares its intention to purchase competitively, without prejudice, and to seek maximum educational value for every dollar spent. The acquisition of materials, equipment, supplies and services will be centralized in the Superintendent's Office and must be performed in accordance with the Massachusetts Uniform Procurement Act (MGL 30B) and all Town /School Committee procurement policies.

The Chelmsford School Committee shall appoint the Superintendent and the School Business Administrator as Chief Procurement Officers. The basic obligation of the Chief Procurement Officer is to acquire service and materials needed by the Chelmsford Public Schools at the lowest cost at the proper time. The School Business Administrator shall develop and administer the purchasing program for the schools in keeping with legal requirements and with the adopted school budget.

No person shall contract goods or services on behalf of the Chelmsford School Committee unless it has been authorized on the official purchase order form signed by the Chief Procurement Officer. The Chief Procurement Officer is the focal point for the procurement of all supplies, equipment and services.

The Superintendent or designee is authorized to enter into contracts for the procurement of goods and services for terms not to exceed five (5) years, unless a longer term is specifically authorized by a vote of the Town Meeting.

There are no job descriptions for employees working in the Accounts Payable Area. There has been little cross training in the Accounts Payable Area for employees. The Accounts Payable process is as follows:

Requisition flow

1. Department employee with MUNIS access enters a requisition request and a notice of the creation of the requisition is sent electronically to the Department Head or Principal for approval or rejection.
2. If the Department Head approves a requisition, it is then electronically sent, simultaneously to the Assistant Superintendent (so that he/she will be aware of all curriculum purchases) and to the School Business Administrator, (for approval or

rejection.) If the Principal approves a requisition, it is sent to the School Business Administrator for approval or rejection.

3. If the School Business Administrator approves a requisition, a purchase order is created by Accounts Payable.
4. Accounts Payable prints 3 copies of the purchase orders and mails 2 copies (Purchaser & Received copies) through interoffice mail to the originator, who then faxes/emails the Purchase Order to the vendor. The Purchase Order is also emailed to the originator automatically when printed. Accounts Payable keeps one copy of the purchase order to file. The current year and previous year's copies are kept in the Business Office. Older Purchase Orders are boxed and stored.

Invoice payment

1. When material ordered is received, the originator of the purchase order checks the shipment. If something is missing/damaged, they call the vendor for correction. They sign and date the packing slip or received copy of purchase order and send to Accounts Payable.
2. Accounts Payable matches invoices with receiving copy/packing slip for quantities and pricing and processes the invoices in batches, which are entered on the Town warrant for payment.
3. The warrant is signed by the School Business Administrator and three (3) School Committee members and sent to the Town Accounting Office.
4. The Town Accounting Office verifies the batches and totals and notifies Accounts Payable of corrections, if any.
5. Accounts Payable makes corrections, if necessary, and posts batches and sends electronically to Town Accounting Office. The Town Accounting Office processes the checks and mails them to vendors.
6. Accounts Payable files copies of invoices by vendor in the Business Office.

Recommendations

Our interviews with Accounts Payable staff revealed a tendency to use blanket purchase orders, especially for particular utilities and Special Education accounts. However, it was reported to us that these blanket POs are rarely adjusted to reflect changes in the anticipated total spending of the account encumbered by the blanket PO. Obviously failure to make the aforementioned necessary adjustments will impact the budget by either withholding funds that could be released and allocated to other budgetary areas, or by encumbering an insufficient amount of funds, and thus creating a deficit in the account. Consequently, we recommend that

Accounts Payable staff carefully monitor the receipt of invoices that are encumbered with blanket purchase orders and notify responsible originators of the purchase orders they feel that an adjustment is needed.

We also were made aware that the policy requiring that all expenditures be processed with an approved purchase order is not always followed; and on occasion, the unusual practice of preparing POs after goods and services are invoiced has been followed. In this regard, the District should emphasize the importance of pre-authorization of procurements to all responsible officials. As a practical matter, it may be impossible to restrict vendors who, in good faith, deliver goods and services to the District with the expectation of payment. However, there are legal recourse measures that could be employed with respect to improper procurements by District officials; but it should not come to that.

We strongly recommend that a Business Office Procedures manual be developed, which would contain an extensive articulation of accounts payable procedures. This manual could then be disseminated to all cost centers. Sample Business Office Procedures Manuals are available in WORD format on MASBO's website. They can be downloaded and easily customized to accommodate the need of the Chelmsford Public Schools.

At stake is the ability of the District to fund the means by which it educates its students; circumventing the PO approval process (even if in the case of a non-budgetary funding source such as revolving funds) could potentially jeopardize that ability. We believe that appropriate communication of approved A/P procedures is key, full compliance with those procedures is the goal, and a process for exceptions (i.e., emergency procurements) can be established without compromising the underlying internal controls inherent in this sequential process.

Further review of 'contract' approval processes should ensure that school district personnel are not prohibited from making timely decisions that are required of them. At least one school department employee (School Business Administrator) should have the designation of Massachusetts Certified Public Purchasing Official (MCPPO).

School building Principals being able to access their budgets and accounts online enhances the entire financial operation. Throughout our interviews with Business Office personnel, the need for further training, particularly with MUNIS, was mentioned on several occasions. Payroll staff embraced this need and acknowledged that the efficiency in this area

would be enhanced by this instruction. A process including a timeline should be established as soon as possible to address this issue.

Lastly, we believe that the overall effectiveness of the Business Office, and A/P processing in particular, would be improved through the addition of an additional half time clerical position. The addition of a low-level position, thereby assuming the least critical processing duties from existing staff, who are working at capacity, would ripple throughout the department and ultimately allow more senior staff members the opportunity to add value to the district. This undertaking should be considered in conjunction with the previous recommendation for the payroll area for the addition of a half time Payroll position.

Maintenance and Facilities

The Chelmsford Public School District does not have a school facilities department or a Facilities Director. The school facilities are maintained by the Town of Chelmsford's Department of Public Works, the DPW Facilities Director has had the oversight responsibility of maintaining the school since a charter change was made eight years ago. In discussing this relationship with both school and town officials the consensus was that the schools are being looked after. Upon notification of a facility concern, the DPW is responsive and things are attended to in a reasonable time frame. The DPW is responsible for the plowing and sanding of school parking lots and DPW employees assist custodians with the cleaning of the sidewalks.

The schools have been given two emergency phone numbers for emergencies situations to call. The DPW supervisor in the maintenance shop reviews the maintenance requests as they are received and assigns the work to either the DPW or a vendor. The DPW has 11 maintenance employees who handle 70% of the maintenance work for the Town and schools. The district does have two turf fields recently installed and up keep is the responsibility of the DPW.

The DPW and the schools work collaboratively to develop a 15 year Capital Improvement Plan for the Town and the school facilities. The planning for the Capital Plan is very methodical and well thought out. The DPW has a roof track program for all the buildings in the Town. Eight of the schools and the DPW building have solar panels on the roofs. The Town has an energy performance contract with a solar farm at Bolton Orchards.

Recommendations

This cooperative effort between the municipality and the school district appears to be functioning, for the most part, quite effectively. However, one issue was reported to us that will need the attention of the School Business Administrator and the DPW Director. The schools use School Dude work order software for maintenance requests, which are generated at the school level and sent forward with administrative approval. Principals commented that once they enter their maintenance and/or capital requests into School Dude; they often do not hear back as to the status or disposition of the request. We recommend that the work orders be updated electronically so that Principals have constant access to the status or disposition of their request for maintenance.

Facilities Rental

The Chelmsford Public Schools has a well-organized application process, which the public can easily access for rental of facilities. The information can be found on the Chelmsford Public Schools website and is easy for the user to navigate. The School Committee policy on the use of school facilities states the following:

“Fiscal Management and Non-Instructional Operations 4000
Buildings, Grounds and Equipment 4600
Lease and Rental of School Facilities 4610

The lease or rental of facilities will be processed by formal lease (contract) procedures as determined by the School Business Administrator. This includes the use of the Chelmsford Public School facilities by others, as well as, the use of facilities by the Chelmsford Public Schools.

The Chelmsford School Committee shall respond to all or rental contract matters not covered by existing policy and for any full-time occupancy leases.

The Chelmsford School Committee shall annually approve a schedule of fees associated with the use of school facilities including the Performing Arts Center.

The Superintendent or designee shall be responsible for any part-time rentals and leases and for the administration of all rental and leases.

The Chelmsford School Committee has policies covering all facilities in Section 133. These include buildings, grounds PTO use, and the Performing Arts Center."

Recommendations

We recommend that the Rental of Facilities cost schedule be reviewed to assure that all costs incurred by the school system as a result of the rental of facilities to outside groups are fully reimbursed. The rationale for this recommendation is based on the premise that the Chelmsford Public Schools, like all school districts in the Commonwealth, receives state Chapter 70 funds as a supplement to the property taxes that are allocated for the implementation of a comprehensive educational program for school-aged children. The spending of these Chapter 70 funds is, by statute, intended solely for the support of academic programs. Consequently, we feel that all utility, custodial and other costs that relate to facility rental for purposes that are not directly related to Chelmsford's academic programs should be fully reimbursed by outside groups that are renting the facilities.

Transportation

The Chelmsford Public Schools does not have a Transportation Director. However, the Chelmsford School Committee does have a Transportation Policy, which states:

"Fiscal Management and Non-Instructional Operations 4000.
Transportation 4700
Walkers and Riders 4702

It is the policy of the Chelmsford School Committee to provide transportation to those students whose health, distance from school, or safety makes this service essential. In establishing the policy, the Chelmsford School Committee will:

1. As a minimum, provide daily transportation to all students who meet the requirements defined by Massachusetts General Law.
 2. Adjust distances depending upon accessibility of roadway to standard passenger school buses.
 3. Provide buses which shall contain adequate seating accommodations for each passenger transported therein.
 4. Endeavor to provide the safest possible transportation and student walking program.
- The school system will provide transportation in line with these principles.

Walkers

The Chelmsford School Department will work in conjunction with the Town to create a safe walking environment for students.

Student Transportation Services 4701

The Chelmsford School Committee has been given its mandate for providing student transportation by action of the voter's at a special town meeting and by Massachusetts General Laws.

It is the expressed wish of the Town to:

- Operate its school transportation system as efficiently and economically as possible.
- To maintain conditions on the buses that are in the best interests of students from mental, moral, and physical viewpoints, or act in relation thereto.

The school system's regular education transportation services will be contracted with a bus company (or companies) chosen on the basis of competitive bidding conducted by the Chelmsford School Committee in accordance with state law and regulations for student transportation.

The Superintendent or designee, working with the bus contractor and appropriate administrator, will establish schedules, routes, safety and conduct rules, and other procedures relative to student transportation.

The Chelmsford School Committee reserves the right to charge bus fees. Bus fees may be based on the cost of transportation, and participation shall be determined by distance from the student's respective school. The fee process will be recommended to the School Committee by the Superintendent and the School Business Administrator for approval.

The School Business Administrator shall present an annual report concerning the bus transportation fee program to the Chelmsford School Committee. The Chelmsford School Committee may request periodic updates from the School Business Administrator related to the transportation program.

Special Education Transportation contracts are managed according to Massachusetts General Laws Chapter 71: Section 8.

The school district contracts with North Reading Transportation for regular day school transportation. At the time of this writing, Special Education students are also transported by North Reading Transportation, and by the Merrimack Educational Collaborative for this service. There are approximately 133 in-district special education students transported daily and 80 special education students transported out-of-district on a daily basis. The current cost of a bus per day is \$300.00 for regular education buses and \$320.00 for special education vehicles.

The cost to the district for regular education transportation for FY15 is \$1,243,155, and for special education transportation the cost for FY15 is \$1,700,000. The present transportation contract has a fuel adjustment clause and a requirement that the bus company cannot use any bus that is over 8 years old during the life of this contract.

Recommendations

We feel that the policy governing the operation of Chelmsford's student transportation is comprehensive and well written. However, the following recommendations are made based on our concern with regard to the rising transportation costs that we seeing in the bid responses of school districts throughout the Commonwealth.

It is our recommendation that the District consider evaluating the potential savings of moving from an 8 to a 10 year bus lease. The savings from extending the lease may offset any expected maintenance issues. In addition, we feel the current schedule of school bus inspections (six per year) would allow for the identification of any potential maintenance issues.

In regard to transportation contract costs, it is unclear whether the potential savings from contracting transportation is indeed quantifiable when compared to providing or partially providing for the service on an in-house basis. It is our suggestion, therefore, that the district perform an examination of all costs to determine whether there is a cost benefit to operating an in-house or partial in-house student transportation program (in-house transportation for extended day programs, interscholastic programs, etc.).

Food Service Program

The Chelmsford Public Schools operates an "in house" food service program which projects finishing the school year in the black. The food service program secretary left her position on 4/16/15 and the part time Director of School Nutrition is leaving her position 6/30/15. The Chelmsford School District entered into an agreement to share the Director of School Nutrition with the Billerica Public Schools; that agreement expires on June 30, 2015. The district is currently advertising for the Director of School Nutrition position. The former Food Services Director will be available to act as a mentor for the new Director of School Nutrition.

The Food Service program does not have access to MUNIS. Current lunch prices are: elementary lunch: \$2.40; high school/middle school lunch: \$2.85 and breakfast at the high school \$1.25. The school lunch program uses Meal Magic as the Point of Sale (POS) software in all schools. The school lunch program does currently provide some professional development for food service employees.

School lunch participation has increased from 24% in October 2012 to 32.2% in October of 2014. The Food Service Program does participate in the TEC Collaborative bid purchasing

process for USDA Food diversions and DoD Produce. The Food Service Revolving Account pays for cafeteria workers health insurance. Meals are prepared at the Elm School and then delivered by an outside vendor, Preferred Meals System, to the other school sites weekly.

The Food Service Program has 28 employees that are employees of the school district. Monies collected by the school lunch program are collected at the elementary schools daily; at the middle schools 2-3 times a week and at Chelmsford High School the money is collected and deposited into the bank at the high school. There was no evidence of a written policy outlining the procedures for the collection and deposit of the Food Service Program funds. Food Service Program employees are not bonded. The meal per hour rate for food service employees is 14.5 meals/hour. The total number of meals prepared across the district is 406. The food service program does some in district catering but nothing outside the school district.

The Chelmsford School Committee has a policy (#4801) which addresses Food Services Management. The policy states:

"The Chelmsford School Committee intends to make good nutrition available to students as an integral part of the learning process. The school lunch program shall be operated within the guidelines established for participants in the National School Lunch Program, state law, and regulations established by the Massachusetts Commissioner of Education.

The schools will provide food service for students and staff under the direction of the School Business Administrator in association with the Director of School Food Services. By efficient use of worker's time and skills, by careful purchasing of supplies, and by supplementing with government commodities when available, the lunch program will be operated as efficiently as possible, while adhering to the requirements for nutritional standards and food service delivery as referenced below. The rates to be paid by students and employees shall be established annually by the School Committee on the recommendation of the School Business Administrator or designee."

Recommendations

MASBO has worked with April Laskey, the current Food Service Director on a number of projects, and we feel that she is quite competent and effective. It is certainly unfortunate that she will be leaving this position. Consequently, we strongly recommend that a full time Food Service Director be hired to replace Ms. Laskey. The responsibilities of this position are just too onerous to be accomplished by a part time Director. In addition, even with a full time Food Service Director, the oversight of the Food Service program requires the School Business Administrator to devote a great deal of his/her time to this responsibility. We feel the fact that School Business Administrator will also be newly hired will also exacerbate the problem by

increasing the probability of inefficiency; and this in turn, may lead to higher costs for the program in the long run.

The existing Director of the Food Service Program has developed a list of capital improvement suggestions for the food service program. Included on the list is food service equipment repairs, equipment upgrades, and recommendations to either repair or replace aging equipment currently in place; additionally some walk-in coolers have been identified as in need of repair. We recommend that accommodating these programmatic needs be the first priority for the new Food Service Director.

In our discussions with both the Director and the Interim School Business Administrator, it does appear that the School Lunch Program will be self-sustaining in FY15. As noted with our previous recommendations pertaining to revolving accounts, this program should have clearly defined, written cash management procedures. These written procedures should include a ‘chain of custody’ process for cash handling. All personnel responsible for handling cash including the couriers should be bonded.

It is vital that an accurate budget be developed for this program for Fiscal 2016. With the use of school lunch funds for benefits and other related costs over the past few years, the balance in this account appears to be extremely low to continue to cover the Food Services program expenditures. In fact, if the current spending rate continues without change, the entire Food Service budget will go into deficit. It may be necessary to include some of the expenditures from this revolving account in the general operational budget to insure the Food Service budget’s sustainability.

Student Activity Accounts

The School Committee addresses Student Activity Accounts through School Committee Policy 4304 entitled Student Activities Accounts. The policy states:

“The Chelmsford School Committee authorizes the High School and Middle School Principals to receive all student money and deposit such money into an interest bearing bank account, hereafter, referred to as the Student Activity Agency Account, duly established by vote of the Chelmsford School Committee to be used for the express purpose of conducting student activities.”

Interest earned by such Student Activity Agency Account shall be retained by the fund and may be expended the annual audit fee for said account with any remaining interest to be distributed at the Principal's discretion.

In addition to such Student Agency Account, the Chelmsford School Committee hereby authorizes the High School and Middle school Principals to establish a checking account, designated the Student Activity Checking Account, to be operated and controlled by the Principal and from which funds may be expended exclusively for student activity purposes authorized for student activity purposes for student activities authorized by the Chelmsford School Committee. All expenditures from the Student Activity Checking Accounts may be approved only by the Principal, Assistant Principal, or the High School Dean.

Administration and record keeping of said Student Activity Accounts shall be the responsibility of the Superintendent or designee. Unless otherwise directed by the Superintendent, the Principal/Bookkeeper/Secretary/ High School Activities Director shall maintain appropriate records for all student activity transactions. Residual funds from inactive student organizations shall revert to the general student body fund of that particular school unless otherwise designated.

Any expenditure from a student activity account for an amount that exceeds the maximum check amount value will be submitted to the Business Office for payment through the bi-weekly warrant process.

The Student Activity Agency Account is overseen by the Town Treasurer. The required votes to establish the Student Activity Accounts, Agency Accounts, Student Activity checking accounts and maximum amounts the checking accounts are covered under the aforementioned School Committee Policy 4304. The two middle schools and the high school do have Student Activity Checking Accounts.

A comment was made that the replenishment of the Student Activity Account checking account funds was a slow process. The schools have to be cognizant of the fact that the Town pays on a weekly basis and the timely submission of information for the replenishment of funds needs to be sent forward with that in mind. In order for the Student Activity Accounts to be replenished the evidence of expenditures and the request have to be approved and go through the warrant process.

A Student Activity Funds Audit was performed by the firm of Powers and Sullivan, LLC and dated August 19, 2014. Previous to the Powers and Sullivan audit the most recent audit was an internal audit performed by the Chelmsford Public Schools Business Office. Semi-annual audits were mentioned in the Powers and Sullivan report that they were being

conducted according to policy; that comment was mentioned again during the MASBO Financial Team interviews. There was no evidence of written procedures addressing the periodic reconciliation of the student activity checking and saving bank accounts. There was no evidence of the Schools and Town reconciling the student activity accounts to the Town's general ledger.

Reconciliation of the Student Activity Accounts is done by the School Business Administrator.

The Chelmsford High School has a branch of the Workers Credit Union located in the high school which offers operating hours during the regular school day, plus ½ hour after school is dismissed. Deposits are made by the responsible advisor who then makes a copy of the deposit slip and sends it to Student Council Advisor who enters the deposit in Quicken.

Quicken is the financial software used to track and record all financial transactions. Check requests forms are submitted to the high school secretary who holds them for the principal/dean to approve; once the check request is approved, the Student Activities Advisor cuts the check. The primary signature for Student Activity checks is the Principal of the high school, with a Dean as a secondary signature when the Principal is not available. There are no written Student Activity procedures. Graduating Classes annually pay all their outstanding bills and the money left over is deposited in a Chelmsford High School Alumni Fund Association.

The District maintains Student Activity Accounts in accordance with its adoption of the enabling legislation, Chapter 66 of Massachusetts Acts of 1996 (codified in MGL, Chapter 71, Section 47). It is important to recognize that this statute covers *student*, not taxpayer, funds. As such, the District acts as a fiduciary to ensure that funds are securely maintained and accounted for, and expended only for authorized and lawful *student* purposes.

Student Activity Account Recommendation:

New guidelines (in the form of a Compliance Supplement) relating to the oversight of Student Activity Accounts were issued earlier this year by the Massachusetts Department of Elementary and Secondary Education (DESE); we will discuss below the specific impact of the Compliance Supplement to the District. Further, MASBO recommends that the District review its procedures for handling Student Activity Accounts, with reference to MASBO's

Recommended Guidelines (available on the MASBO website at www.masbo.org); an updated release of these Guidelines, reflecting the DESE's Compliance Supplement, is pending at the time of this writing.

We noted the following specific suggestions relating to oversight of Student Activity Accounts:

Need for Independent Audit Firm – The District should engage a compliance review of its Student Activity Accounts by an independent accountant (auditor); per the DESE Compliance Supplement, this independent engagement should take place at least every three years. Note that, in each of the intervening years, the District can, at its option, conduct an internal audit in lieu of an outside firm, or engage a different firm, to conduct a review less in scope than the three-year requirement. MASBO has developed a consulting team which can provide this reduced scope work at a reasonable cost. In any event, these services can be funded from Student Activity Savings Account interest earnings, with School Committee approval.

Overall Processing Suggestions – Consistent with the concept of separation of duties, the Town Treasurer should be the official custodian of the Student Activity Savings Account (which is held separately from the related checking accounts, discussed below). In that capacity, the Treasurer receives monthly bank statements and reconciles transaction activity between the bank balance and corresponding cash balance on the District's books. Performance and documentation of periodic reconciliations would negate the accumulation of large unreconciled variances and provide accountability for the stewardship of the student-owned funds.

In our experience, the Chelmsford Public Schools follows the pattern that many districts employ – namely that Student Activity Accounts transactions are made (at the local level) from the Student Activity Checking Account maintained as authorized by a building principal, as a matter of convenience. There is no requirement that the checking account be used for all student activity fund transactions; we believe that school personnel often do not realize this. Payments originating from Student Activity Checking Accounts are subsequently replenished via the warrant process.

In addition, payment transactions done through the warrant process would typically provide federally-mandated reports (Form 1099s) to certain recipients of

payments during each calendar year. We understand that compliance with this requirement is problematic with respect to payments from student activity funds, because of the large number of payments that emanate from checking accounts. By maximizing the volume of payments that use the regular warrant process, the District can more easily capture relevant Form 1099 data and ensure compliance with the related reporting requirement.

Specific Processing Suggestions – We observed a number of specific suggestions with respect to Student Activity Account management at the building level:

1. All officials (i.e., building principals) with signatory authority over Student Activity Checking Accounts should be bonded. Bond coverage should be updated annually and upon changes in personnel.
2. Training for school principals and clerical support staff who assist with Student Activity Checking Accounts should be pursued and regularly refreshed; such training could be conducted by members of the Business Office staff with sufficient knowledge of this issue.

Additional Observations

The following is a list of other issues that were either discussed during interviews or observed during the two-day site visit. These items are provided for informational purposes. They are not specifically addressed in any of the recommendations made in the report, because we believe they do not negatively impact the district's financial operations.

- The Chelmsford Public Schools does offer School Choice.
- The Chelmsford Public Schools has a five year Capital Improvement Plan, which is collaboratively created for submission to submitted to the Town of Chelmsford annually.
- The School Business Administrator job description is current.
- An external audit is conducted every three years on the Student Activity and Revolving Accounts.
- The School Committee has a clear and concise policy on the bonding of school department employees. It was evident that not all employees who handle money are bonded.

- The Interim School Business Consultant is licensed as a School Business Official by the Massachusetts Department of Elementary and Secondary Education.
- The Interim School Business Consultant is certified by the Office of the Inspector General as MCPPO qualified.
- There was no evidence of cross training in the Business area.
- The school district has a strategic plan.
- There is evidence of a preventative maintenance program in effect for buildings and equipment under the direction of the Director of the Town DPW.
- The District Organizational Chart has been updated and was available for review.
- The district financial software is MUNIS and is integrated with the Town financial system.
- The High School does not have a written Student Activities Account Policy.
- The Town includes all appropriate school assets on the Town GASB 34 listings which meets the requirements of GASB34.
- CORI checks are performed prior to a new employee starting work by the Human Resources Department.
- The Chelmsford School District does not use the PC procurement options at this time.
- Employees do receive notification of their annual leave, sick days etc. on their pay stubs.

Commendations

The following list is similar to the “Additional Observations” listing above in that it represents items that were either mentioned during the interview process or observed during our visit to the Chelmsford Public Schools.

- The School Committee’s fiscal policies are extremely detailed and comprehensive.
- The School Committee policies addressing Student Activity Accounts and Monies in School Buildings provide clear guidance to those involved with the handling of money.
- The Facilities Rental Policy is clear and concise.
- The Student Activity Account external audit is scheduled every three years.

- The policy developed to close out the graduating senior class bank accounts and have them turned over to the Chelmsford High School Alumni Fund Association is a sensible one that appears quite effective.
- The school district's efforts in changing financial procedures and policies to avoid future problems is proactive and appropriate given the circumstances.
- Relations between the municipality and the school district, although strained as a result of the recent financial problems that have been encountered, remain generally supportive.
- The new solar panel farm installed by the Town and the purchase of electricity from the Bolton Orchards Solar Energy Farm is an innovative project that saves money.

Additional Findings

School Committee Policies

As mentioned previously, the School Committee should be commended on the thoroughness and the generally excellent condition of their policies. However, School Committee fiscal policies should again be reviewed to ensure they are addressing the areas of concern which surfaced through the recent financial crisis and any areas that are addressed within this report. The fiscal policies that are currently in place are well written but may need additional language which will provide more focused guidance for the district.

If outside resources are utilized for this purpose, it is important that these policies be tailored to the practices within the Chelmsford Public Schools. There should be a policy pertaining to the Budget Transfer Authority addressing the financial and accounting benchmarks which would require the administration to obtain School Committee approval prior to a budget transfer. This item is explained in greater detail within Section 3 of this report and entitled "Budget Management & Document Analysis".

Revolving Accounts and Cash Collection

There should be a written cash collection policy and procedures for all revolving accounts including but not limited to Athletic (gate receipts), Food Service, Student Activity Accounts and User Fee accounts.

Separation of duties and chain of custody procedures when money is being handled should be clearly stated. All individuals who are responsible for the collection of cash/monies should be bonded under an insurance policy as outlined in School Committee Policy Bonded Employees and Officials found under Fiscal Management and Non-Operations 4000. Larger accounts such as Athletics, Food Service and User Fees should have a periodic external audit by an outside auditing firm at least every other year. These accounts should be monitored by the Business Office and audited on a regular basis. The accounts should be in compliance with recent Student Activity Account guidelines changes issued by the Department of Elementary and Secondary Education (DESE).

Budget Monitoring Process

The School Administration and Building Principals should oversee the individual school budgets following the guidelines established by the School Committee and those contained in Section 3 of this Report. Policies should not be so restrictive as to prohibit an administrator or principal from making a budgetary decision that will positively impact the educational operation to improve student performance within their school program.

It is extremely important that the posting of expenditures to all accounts be done in a timely manner as to adequately reflect the balances in the individual budgets. This 'real time data' will show current fiscal conditions and allow for accurate forecasting.

Principals, during our meeting with them, requested additional training in Munis in order for them to become more proficient in monitoring and preparing their annual budgets. We certainly concur with this request.

Two substantial areas of budget monitoring that need to be strengthened include Special Education costs and Utility services. With regard to Special Education, monthly report submissions should be provided by the Special Education Director to the Business Office that include the current financial conditions particularly as they relate to outside placements. This report should also include a synopsis of pending evaluations and placements that may impact the current budget.

As for the facilities area, it is recommended that a complete review of heating and electricity expenses be provided to the Central Office by the middle of April with projections

through the end of the fiscal year. This will allow for the adjustment of blanket purchase orders in both of these programs.

Procedures Manual

A procedures manual should be developed for the Business Office operations. This manual will provide employees a guideline to follow when they are being cross trained or required to substitute in a position.

A procedures manual will also be useful in the evaluation of job performance of personnel. There is a sample procedures manual on the MASBO website that can be adapted for use by the Chelmsford School District.

As mentioned elsewhere in this report, sample procedures manuals in “word” format can be downloaded from the MASBO website and customized to meet the needs of the Chelmsford Public Schools.

Maximizing School Department Revenue

The School Department appears to have a desire to revisit the policy pertaining to school facility rentals. It is our recommendation that this be completed as soon as possible so that the rental of facility revenues can be utilized as part of the operational budget for maintaining school facilities. Many districts have excellent policies that provide for the maximization of this revenue that Chelmsford could adapt to its’ school system.

Utility Forecasts

The Accounts Payable Department has not been speaking with the utility companies to obtain next fiscal year increase estimates in utility costs. The Accounts Payable Department needs to contact the utilities early in the budget process and include the forecasted increases as part of the new budget process.

Procurement Card Program

Because of its unique and initiative nature, and potential for improving efficiency, generating revenue and saving money, MASBO recommends that consideration be given to adopting a Procurement Card (P-Card) program for implementation in the Chelmsford Public Schools. This program is operational in approximately twenty other states, and MASBO has been awarded a contract with Illinois ASBO (the program's sponsor) for its implementation in municipalities and school districts throughout Massachusetts.

This program should not be adopted, however, until a high level of stability and accuracy is maintained with regard to the school district's financial processes, particularly the accounts payable and receivable functions.

The P-Card program has the potential to generate revenue as well as reduce costs to the District. Revenue results from large rebates that are based on the high volume of purchases, in the aggregate, by entities participating in the program; last year, these total purchases exceeded \$200 million! Cost savings results from the potential of 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

P-Cards, on the other hand, provide many advantages and benefits over cash, check, purchase order and credit card purchasing, such as:

- no implementation or annual fees; no transaction charges
- control over what is purchased and 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 (only internet access)
- fraud protection per transaction

- speeds up obtaining critically needed items
- convenience; no minimum number of cards
- reduces to one check or electronic transfer the payment of many purchases from multiple vendors
- superior purchasing reports – management information systems are free
- rebates on expenditures are provided annually

MASBO can provide more information regarding implementation of this program, if you are interested, including referrals to other Massachusetts districts who have been successfully enjoying its benefits for several years.

SECTION 3:
BUDGET MANAGEMENT & DOCUMENT
ANALYSIS

Budget Management

In developing the following recommendations for this section as well as the other sections concerning budget matters, the team referenced a document entitled “*Promising District Practices Guide*”, which was developed by MASBO for the Department of Elementary and Secondary Education. These practices are a compilation of information obtained from the many financial operations reviews that have been completed over the past eight years that the MASBO Financial Operations Review program has been in operation.

First, the team attempted to determine the extent to which district administrators are able to regularly and accurately track spending and other financial transactions; and whether the district uses forecast mechanisms and control procedures to ensure that spending is within budget limits. The team also determined the extent to which the district has a system in place to ensure that state procurement laws are followed, that staff are qualified to manage their fiscal responsibilities, and that all assets and expenditures are monitored and tracked to attain the most efficient and effective utilization.

Based on the information that was obtained during our interviews and the review of pertinent budget-related documents, we recommend that the following budget management processes be used as guidelines. These guidelines are presented with the understanding that the School Business Consultant has already made significant progress with regard to the implementation of many of them, but that additional work needs to be done in this regard.

- All cost center managers should be able to regularly and accurately track spending and other financial transactions. This means that every school and department can access the financial accounting system and can monitor real time expenditures. It also means that all administrators should be trained to access the budget and expenditure data for their school or department. Principals have requested additional training in this regard.
- **Priority Item:** It is important that all administrators understand line item transfer procedures and how transfers are tracked and reported on financial reports. The recommended transfer procedure is fully explained in an article written by the Massachusetts Association of School Committees (MASC) entitled “*A Review of the School Committee’s Authority to Make Internal Budget Adjustments*”, which appears in the Addenda section of this report. This transfer procedure is based on the structure upon which the budget document is built, and begins with the approval of

the budget. The budget needs to be structured according to either cost centers or DESE function codes. When the school committee votes their approval, they should understand that they are voting, not only to approve the budgets “bottom line”, but they are also voting to approve the cost centers or function codes as budgetary line items. This is important because it is the method by which transfers are implemented throughout the fiscal year. In regard to transfers of funds from one cost center to another—or in the case of when function codes are used, from one function code to another—the school committee must formally vote their approval beforehand.

- The district should use forecasting tools to regularly project expenditures and ensure that spending is within budget limits. More specifically, this process involves projecting remaining salaries and expenditures at least quarterly and compare totals to budgeted amounts. The School Business Administrator should then advise the Superintendent and School Committee when he/she believes expenditures are exceeding appropriations. A procedure should also be in place for department administrators to alert the Superintendent and the School Business Administrator of decisions, actions, or conditions that could impact the budget negatively or positively (e.g., unanticipated out-of-district placements, unanticipated building repairs, etc.).
- The district’s purchasing policies and procedures should be designed to ensure cost-effectiveness by making optimal use of national or state contracts and procurements for goods and services as appropriate. It is also important to take advantage of regional purchasing MASBO’s Regional Roundtables, collaboratives or similar initiatives whenever appropriate, and to use competitive bidding or similar practices when national, state, or regional opportunities are not cost-effective.
- District staff should be encouraged/incentivized to improve operational efficiency and to minimize wasting of resources wherever possible. Reuse and recycling activities should be encouraged and widely evident within the district.
- The School Business Administrator should develop comprehensive, transparent reports on at least a quarterly basis for presentation to the school committee. Copies of reports should be distributed to municipal departments and officials and to the public-at-large.
- These reports should include the following:
 - a) a projection of remaining salaries and expenditures, approved budget and adjusted budget, current (year-to-date) expenditures and encumbrances;
 - b) a discussion and/or footnotes explaining significant variances;
 - c) Financial reports should comply with GAAP and GASB (34, 45, 54)
- A “model” template of a typical financial report can be downloaded from the “members only” section of MASBO website.

- Statutory/mandatory auditing requirements regarding annual audits should be performed for all federal grants exceeding \$500,000 in compliance with OMB Circular A-133. Annual compliance audits of the End-of-Year report should be conducted as required by DESE. Any EOY audit exceptions should be corrected immediately and resulting amendments to the EOY report filed as required.
- Online vendor purchasing should be utilized whenever possible, and district bid specifications should also be made available on-line. Vendors should be able to respond to bids on-line as well. In addition, tools should be in place to allow for on-line bid tabulations to be made automatically. See recommendation pertaining to P card program.
- The following are recommended procedures for cash management involving gate receipts, user fees, etc.:
 - a) Accounts receivable policies and procedures should be clearly articulated and documented in a procedures manual.
 - b) Proper segregation of duties must be in place to ensure that the person handling cash and deposits is not the same person who is recording the transactions in the general ledger.
 - c) Receipts are regularly deposited into the proper account using AD 9 & 10 forms.
 - d) The number of days for cash receipts to be deposited should be minimal, preferably within 48 hours of receipt.
 - e) Receipts should be posted monthly and entered individually as much as possible to allow for better tracking.
 - f) Monthly reconciliations should be performed – bank statements to cashbook and cashbook to general ledger.
- The following are recommended procedures for payroll operations:
 - a) Payroll policies and procedures should be clearly articulated and documented in a procedures manual. This manual can be combined with accounts payable functions and other business office functions to create a “Business Office Manual”.
 - b) The district should document payroll transactions using appropriate forms (time cards, change in status, new hire, termination, LOA, etc.) to ensure transactions are properly authorized and documented prior to execution.
 - c) A history of all salary schedules is maintained, preferably electronically.
 - d) A random audit of a sampling of employees is performed each pay period.
 - e) Weekly coordination with HR on employee changes occurs.
 - f) Payroll changes from period-to-period are researched and explained, and reconciliation of payroll to salary appropriations occur regularly.
- The following is a procedure for effectively utilizing and monitoring tuition and fee revenue that is received:
 - a) Special revenue and revolving funds should be audited internally on a regular basis throughout the year and every other year by external auditor.

- b) Financial reports concerning the utilization of special revenue funds and revolving accounts should be submitted to the superintendent, school committee, and municipal departments responsible for oversight of the budget on a quarterly basis.
- c) The school department should have written procedures in place to ensure that special revenue funds are managed properly.
- d) The district should have policies and procedures in place to ensure that revenues are utilized for the purposes intended and to advance the district's mission, vision and goals.
- e) The district should policies and procedures in place to ensure that no student is denied access to educational or extracurricular opportunities due to inability to pay fees or tuitions.
- f) The school district's annual operating budget should contain anticipated revenue and expenditures from all special revenue and revolving accounts.
- g) All special revenue and revolving funds should be managed in compliance with relevant state statutory requirements.

Budget Development

In addition to the many other operational issues that were reviewed during the MASBO team's two-day site visit to the Chelmsford Public Schools, several interview sessions addressed the budget development process. These interviews which involved principals, the superintendent, other administrative staff and cost center administrators were designed to determine if the district engages in the preparation of a participative, well-documented, and transparent budget process that uses student achievement as a factor in the development of the budget document.

The team also explored the extent to which the district's budget document is clear, comprehensive, complete, current, and understandable. The extent to which the budget provides accurate information on all fund sources, as well as budgetary history and trends was reviewed by the team as well.

Several documents that bore a direct relationship to the development of the district budget were reviewed in regard to the aforementioned matters.

As mentioned previously, the recommendations for this area are also referenced from the "*Promising District Practices Guide*".

- As part of its budget development process, the district should implement a review process to determine the cost-effectiveness of its programs, initiatives, and activities. This process should be based, in part, on student performance data and needs. It is important that school principals have the authority and assistance needed to make appropriate decisions about their schools' expenditures.
- District officials should employ a data driven decision making model to evaluate the district's education programs. This involves using MCAS scores and other assessment data to evaluate the district's educational programs and alignment with the MA curriculum frameworks. It also involves the use of its own trend data to ensure Adequate Yearly Progress. The district and each site/cost center then would conduct an analysis to determine what strategies, programs and activities will best achieve desired results.
- The district should also ensure that adequate funding is available to hire and retain appropriately qualified staff. This can be accomplished by comparing **it's** compensation and benefit packages to other districts of comparable size and socio economic status to ensure that it is competitive. In this regard, class sizes and student/teacher ratio should also be considered.
- The district should also provide sufficient funding to ensure all staff have access to high-quality professional development, and that all new hires receive adequate induction and mentoring.
- **Priority Item: The following is an example of how a typical budget development process is implemented. It is presented here simply to illustrate one effective process. It is acknowledged that many other alternatives can be utilized depending upon the administrative and staff structure of the district.**
 - a) **The budget development process begins in late September or early October. During this period of time, the district business office sends each cost center a budget preparation package/template to be used in the creation of the cost center's budget.**
 - b) **Cost center managers (management staff that control the cost center's operations and spending—i.e. principals, supervisors, directors) work with staff to develop a needs based budget, which is submitted to the business office around the time of the Thanksgiving holiday.**
 - c) **The school business administrator then assembles all of the cost center submissions into a “draft” preliminary, district-wide budget. This document is then utilized between Thanksgiving and the Christmas holiday by the superintendent and school business administrator to interview cost center managers for the purpose of reviewing their requests (other central office staff may also become involved at this stage in the process depending on the type of cost center being interviewed, i.e. curriculum and instruction director, Human Resource Director, etc.).**

- d) **All necessary adjustments to budgetary requests are then made, and by mid-January, a “preliminary” district budget is developed and ready for school committee review.**
 - e) **From mid-January to mid-March or April, several public meetings are usually scheduled between the school committee and district administration for the purpose of thoroughly reviewing and explaining the entire budget to them.**
 - f) **A public hearing is then scheduled and the school committee votes to approve the budget. This is accomplished in consonance with municipal bylaws regarding this matter.**
 - g) **Finally the budget document is submitted to the municipality for finance committee review; and ultimately, integration into the municipality’s budget.**
- A budget calendar should developed, which would articulate important events in the development process. In the case of the above example, items a through g could be included on the calendar. The calendar also needs to be distributed publicly at the start of the school year to all school and municipal officials and posted on the district website.
 - All stakeholders should be involved in the budget development process, including school-site councils, school committee, appropriate municipal officials, and school administration at all levels.
 - It is important to ensure that all statutory requirements are met including:
 - a) Budget should be both program-based (regular, special education, alternative education, vocational education, operation and maintenance) and site-based.
 - b) A public hearing must be held at least fourteen (14) days prior to the adoption of the budget.
 - c) Budget process must meet the local and state mandatory deadlines.
 - d) The district and community must have appropriate written agreements in place detailing the manner for calculating indirect charges levied on the school district budget.
 - An evaluation of progress and effectiveness should be conducted prior to budget development including state and federal initiatives and mandates, the district’s long range plan and other district initiatives, school improvement plans, and most importantly, the school committee and administrative programmatic goals and objectives.
 - Plans, goals, objectives and budget parameters should be developed and discussed with Administrators. This procedure begins with the development of a revenue budget based on state Chapter 70, local property tax allocation projections, and special revenue fund balances. Then initial expense projections are made based on cost center budget submissions. The budget parameters are put into place using initial revenue and

expense projections. These parameters tie budget requests to the goals and priorities approved by the school committee.

- The budget should be based on the following data that is collected from cost centers:
 - a) Enrollment projections
 - b) Class-size projections
 - c) New initiatives and programs
 - d) Performance data / benchmarking
 - e) Programmatic needs
 - f) Facility and capital needs
 - g) Staffing needs

Budget Document Review

This Fiscal 2016 budget document was reviewed from the perspective of the national standards for budget documents that were established approximately fifteen years ago by the Association of School Business Officials (ASBO) International. These national standards represent an extraordinarily difficult achievement for school districts to meet, and consequently, ASBO created a very prestigious award entitled “*The Meritorious Budget Award*” to honor and acknowledge the districts that have met them. Indeed, to date there are less than a dozen school districts that have received this award in the Commonwealth of Massachusetts.

However, your interim School Business Administrator, Frank Antonelli should be commended for the exceptional work he has done in helping the district to prepare an outstanding budget document in the brief period of time that he has been working in the district. ***In our opinion, the Chelmsford budget document meets most of the requirements established in ASBO’s national standards, and we recommend that the district make the necessary adjustments in next year’s budget document (or the following year) and submit the budget document to ASBO for consideration for the Meritorious Budget Award.*** We feel that this would represent a major step forward in regaining credibility that may have been lost as a result of the unfortunate fiscal problems that were encountered during this past fiscal year. The effort, regardless of whether or not the award is achieved, will result in a clear, comprehensive, complete document—a budget that can be used by the school system and its stakeholders as a

financial plan, a policy document, an operations guide and a communication device.

Implementation of the following suggestions, in our opinion, would achieve this results.

In this regard, the following is a summary explanation of the adjustments, which should be used in order to meet ASBO's national standards and qualify for receipt of the Meritorious Budget Award. Please also refer to Addendum B for more extensive guidelines.

- From a clarity perspective, the budget should contain consecutive page numbers throughout that are tied to the Table of Contents. The current format uses a Table of Contents that directly relates to a series of Tabs depicting the district cost centers and other funds.
- From a completeness perspective, the capital improvement plan, technology plan, fee schedules, debt service schedules (if applicable) should all be included at least in summary fashion.
- From a clarity perspective, an Executive Summary section should be prepared according to the following explanation:
An executive summary that can serve as a "stand alone" overview of the budget document. This document should provide summary (not extensive detail) 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".
- From a clarity perspective, the budget needs an explanation of the linkage of funding requests to goals and objectives that have been approved by the school committee.
- From a completeness perspective, accomplishments from prior years should be highlighted in a section entitled "Performance Measures". The superintendent's message does indeed contain a listing of these district-wide achievements so this should be a very minor adjustment.
- From a comprehensiveness perspective, the district's strategic plan with clear and measurable goals and objectives 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.

Summary Comments

As mentioned previously, the budget document should be clear, complete, comprehensive and understandable; and it should provide accurate historical (at least a three year history of

actual expenditures) and current information on all fund sources. The Association of School Business Officials (ASBO) Meritorious Budget guidelines are an excellent reference for the criteria by which the budget can be developed for use as a financial plan, policy document, operational guide and communication device. These guidelines are included in this report as Addendum B.

Budget development is a year-long process. The budget process should begin in the early fall and include the involvement of all stakeholders within the building and externally with the appropriate individual school constituencies, in particular, School Councils.

The budget needs to be site-based and program-based in order to assure accountability at the “cost center” level. Principals and cost center managers should receive a budget packet from the Central Office including a timeline for its completion by each principal or appropriate administrator and submission to Central Office.

The principal’s Goals and Objectives should reflect both those of the School Committee and the Superintendent, and budgetary submissions and considerations should support the attainment of these goals and objectives.

It is critically important that the district adopt a specific policy for handling how the school committee will approve and monitor the annual budget, particularly with regard to the transfer of funds.

The school administration, building principals and other cost center managers should oversee the individual school budgets following the guidelines established by the School Committee. Spending policies should not be so restrictive as to prohibit an administrator or principal from making a budgetary decision that will positively impact the educational operation to improve student performance within their school program.

Pertaining to the monitoring of funds, school building principals and other cost center managers should have real time access to financial reports indicating the status of their budgets. It is extremely important that the posting of expenditures to all accounts be done in a timely manner as to adequately reflect the balances in the individual budgets. This ‘real time data’ will show current fiscal conditions and allow for accurate forecasting.

It is clear that a tremendous amount of work has gone into the production of the budget document. However, incorporating the suggestions noted above will significantly improve the budget document from clarity, completeness and comprehensiveness perspectives.

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. The Springfield Public Schools and Worcester Public Schools budget documents are recommended for your review. I believe it will be extremely helpful to you with regard to implementing the necessary budgetary changes that are alluded to above. The Masconomet Regional School District's budget is also available for review.

It is understood that implementing many of the budgetary formats and informational adjustments takes time, especially when a district is somewhat handicapped with limited staff. Consequently, it is certainly acceptable to make these changes gradually over a number of budget cycles.

Summary Comments

In summary, the MASBO team found a minimal number of issues that will require the attention of the School Committee and Administration. On the other hand, on several occasions we encountered evidence that Central Office was aware of particular problems and was taking action to correct them. The Addenda contained in this report should assist in addressing many of the issues that are noted. Other assistance and information can be obtained by accessing the MASBO Website (sample operations manual, budgets, statutes mentioned above, etc.) or contacting David Verdolino, MASBO Executive Director at 978- 452-7044 or .

It is our opinion that the central office administrative staff at the Chelmsford Public Schools are indeed quite capable of responding in an effective manner to the current challenges and the operational issues elucidated in this report.

SECTION 4: ADDENDA

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):

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

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

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

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 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 "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.

Glenn Koocher, M.P.A., is Executive Director of the Massachusetts Association of School Committees.

Stephen J. Finnegan, J.D., is General Counsel to MASC.

ADDENDUM D

10.04: Financial Accounting and Reporting: Other Municipal Departments

(1) The following expenditures from local revenues by a municipal department other than the school department which result in services to or on behalf of the school district shall be reported to the Department on or before September 30 of each year in accordance with the expenditure categories and cost allocation methods set forth in guidelines published by the Department. The cost of insurance and retirement benefits for non-school district employees shall not be included or reported.

- (a) **Administrative Services.** The cost of municipal accounting, auditing, central data processing, central purchasing, employee benefits administration, financial services provided to the school department.
- (b) **Educational Media and Library Services, Exclusive of Capital Outlay.** The activities of librarians and catalogers, and the costs associated with cataloguing books, pamphlets, periodicals and other materials for use by school district students where there is an agreement between the school district and the library board for specific services to be provided to students.
- (c) **Health Services.** The salaries of health personnel who provide direct services or instruction to public school students or school department employees pursuant to an agreement between the school district and the municipality for the provision of these services and related costs for supplies, materials and other direct expenditures in support of services covered by the agreement; the salaries of public safety officers, on an hourly basis, who provide direct classroom instruction on alcohol and substance abuse and violence prevention to public school students pursuant to an agreement between the school district and the municipality for the provision of these services; the salaries of health personnel who provide direct services which state law requires be provided to non-public students or non-public school employees and who make regularly scheduled visits to non-public schools for this purpose and related costs for supplies, materials and other direct expenditures in support of these and other services provided in accordance with M.G.L. c. 71, § 57.
- (d) **School Security Services.** Salaries and other expenses of security staff or school police who are scheduled solely on school grounds where there is an agreement between the school committee and the municipality for specific services to be provided.
- (e) **Student Transportation Services.** All costs incurred as a result of programs transporting public school students once daily to and from school, and the costs incurred in transporting non-public school students once daily to and from school to the extent required by M.G.L. c. 76 § 1.
- (f) **Operation and Maintenance of School Facilities.** The direct costs of salaries, supplies, materials and contractual expenses for the ordinary and extraordinary maintenance of school buildings, grounds and equipment. School maintenance expenditures shall be reported for services performed within a school building or on school grounds, and shall include other property used by the public schools only where there is an agreement between the municipality and the school district concerning the use and maintenance of that property. Overhead costs for non-school buildings shall not be included or reported.
- (g) **Employee Benefits.** The actual costs of pensions paid to school department retirees or the actual costs of assessments paid to state, county or municipal retirement systems on account of school department employees or retirees, including any special assessments for early retirement incentive programs for school department employees; the direct insurance premiums for active and retired school district employees, after deducting all employee contributions; contributions to self-insurance trust funds from the municipality's general fund; and the indirect costs of administering employee benefit programs.
- (h) **Non-Employee Insurance.** The direct insurance premiums for school buildings, grounds, equipment and liability coverage, contributions to non-employee self-insurance trust funds from the municipality's general fund, and the indirect costs of administering school facilities and liability insurance programs.
- (i) **Rental/Lease of School Buildings and Non-Instructional Equipment.** Expenditures for the lease or rental, at the request of the school district, of buildings and non-instructional

equipment for the public schools, not including any capital lease which provides for the municipality's acquisition of the leased building or equipment at the conclusion of the lease term.

(j) **Interest on Borrowing for School District Purposes.** Actual interest paid in borrowing for Revenue Anticipation Notes to support current year school district operations, interest on bonds and loans used to finance the purchase or construction of schools, textbooks, instructional equipment and technology, non-instructional equipment, and school building maintenance.

(k) **Other Recurrent School-Related Expenditures.** Other items of a recurrent nature for school purposes such as the salaries of crossing guards and the costs of public safety inspections.

(l) **Acquisition, Improvement and Replacement of School Sites, Buildings, Equipment and Student Transportation Vehicles.** Such costs shall be limited to funds expended for school capital construction and major reconstruction projects, maintenance projects which exceed the cost limit for extraordinary maintenance, the actual cost of student transportation vehicles, amortized in accordance with guidelines published by the Department, and other specific appropriated items, including school building planning costs and lease/purchases of buildings or non-instructional equipment, that are intended to acquire a new asset for the school district.

(m) **Programs with Other Public and Private Schools and Educational Collaboratives.** The tuition or assessment paid for instructional programs provided by other school districts or private schools to students resident in the municipality who attend those schools by agreement of the district school committee or as a result of placement by a state agency.

(2) Where the Department's guidelines permit districts to select among two or more permissible methods for allocating the municipal expenditures set forth in 603 CMR 10.04 (1) (a) through (m), one method shall be chosen by the school district and used consistently from year to year. The allocation method used to report expenditures by municipal departments other than the school department may be changed only with the approval of the Commissioner.

(3) When school and municipal officials cannot agree on the correct reporting, allocation and documentation of expenditures by municipal agencies for educational purposes, they shall so notify the Department. The Commissioner shall, upon receipt of such notice, appoint a designee to conduct an informal hearing to encourage the parties to reach an agreement and make a final determination on the issues in dispute if no agreement is reached within a reasonable time period. The Commissioner shall consult with and seek assistance from the Commissioner of Revenue or his designee in attempting to resolve such disputes. last updated: July 2, 2013

Appendix A
Review Team Qualifications

John A. Crafton
35 Rowley Country Club Road
Rowley, MA 01969
(978) 273 3888

PROFILE: *Master of Business Administration and Education; experience as School Business Administrator with extensive expertise in fiscal, property management, food services and transportation. Knowledge of Communicating Education Reform, The Foundation Formula, How Much to Appropriate, DOE Reporting, UMAS/DOE Linkages, Accounting Alternatives and Net School Spending. Ability to analyze issues and plan appropriate and effective strategies. Well organized; detail oriented. Creative. . .self-motivated. . .independent thinker. Computer literate.*

EDUCATION:

- 1981 **BOSTON COLLEGE**, Boston, Massachusetts
 PROGRAM LEADING TO DOE CERTIFICATION AS SCHOOL BUSINESS ADMINISTRATOR
- 1979 **SALEM STATE COLLEGE**, Salem, Massachusetts
 MASTER OF EDUCATION with specialization in Psychology
- 1969 **WESTFIELD STATE COLLEGE**, Westfield, Massachusetts
 BACHELOR OF SCIENCE-EDUCATION

ADDITIONAL TRAINING:

*Massachusetts Certified Public Purchasing Officer
Educator's Certificate: Business Administrator (All),
Principles of Supervision – Worcester State College
Ongoing education includes numerous workshops and seminars
Extensive involvement in the Massachusetts Association of School Business Officials
Professional Support Services*

PROFESSIONAL EXPERIENCE:

- 2005-Present **MASSACHUSETTS ASSOCIATION OF SCHOOL BUSINESS OFFICIALS**,
Chelmsford, Massachusetts
 EXECUTIVE DIRECTOR
- 1993-2005 **METHUEN PUBLIC SCHOOLS**, Methuen, Massachusetts
 ASSISTANT SUPERINTENDENT FOR BUSINESS
 Responsibilities are similar to those cited below.
- 1969-1993 **DRACUT SCHOOL DEPARTMENT**, Dracut, Massachusetts
 DIRECTOR OF PERSONNEL AND BUSINESS SERVICES
 Supervise the financial affairs of the District, including handling all funds, accounting, reporting procedures and long-range planning. Additional duties include: supervising the transportation services, physical plant services, school lunch program, central office activities; attending school committee and other town meetings; planning, organizing and continuing the data processing activities as related to District's operations, instructional operations and programs, research activities and pupil record keeping; maintaining department records; compiling statistical data for the preparation of budgets; preparing and implementing
 budget; supervising purchasing as the Chief Procurement Officer for the School District; supervising the preparation of bidding documents; monitoring and signing purchase orders; recruiting, interviewing, and recommending central office clerical employees; administering personnel policies of the School Committee; assisting in classifying job descriptions; developing and maintaining system for personnel records; preparing and maintaining statistical information on all personnel and submitting necessary report to the

State Department of Education and to the School Committee; maintaining open lines of communications with all community organizations and town departments; preparing financial reports; developing capital improvement programs; monitoring and initialing invoices for payment; monitoring requests for personal days, family sick days, bereavement and unpaid leave of absence.

ACCOMPLISHMENTS:

- *Initially employed as an elementary teacher in Dracut for four years, and then Guidance Counselor*
- *Received MASBO President's Award 2003*
- *Received ASBO's Eagle and Pinnacle Awards*
- *Received ASBO's Meritorious Budget Award*
- *Received MASBO's Lifetime Achievement Award (which was named after me)*

Joel H. Lovering

20 Windsor Road
East Walpole, Massachusetts 02032
(H) 508 668-1445 (C) 508 294-4509
jlovering@comcast.net

Summary of Qualifications:

Superintendent of Schools for a public school District of 6300 pupils. Extensive experience in facilities, fiscal and property management, food service and transportation. President and Finance Chairman of the Southeastern Massachusetts Arts Collaborative (SMARTS), President of the Schools to Career Partnership, Inc (SCP), Voting Member: Bi County Collaborative (BICO) Board of Directors, Past President of the Massachusetts Association of School Business Officials (MASBO), sitting member of the Association of School Business Officials, International (ASBO) Facilities Professional Sub Committee. Knowledgeable in the areas of Educational Reform, School Finance, bidding procedures, DESE reporting, school construction and curriculum. Certified by the State of Massachusetts Inspector General Office in procurement, building design and construction procedures, supplies and services (MCPPO); Registered School Business Official with the Association of School Business Officials International (RSBA). Retired Lieutenant Colonel USAR Aviation

Education:**Bridgewater State College**

Bridgewater, Massachusetts

Master of Education in School Administration 1974

Norwich University

Northfield, Vermont

BA Education, Minor: Science 1968

Johnson and Wales College

Providence, Rhode Island

Associate Degree: Business Administration 1979

Associate Degree: Business Management 1979

Associate Degree: Computer Science 1979

Licenses:

Massachusetts Department of Elementary and Secondary Education: Superintendent of Schools, School Business Official, Principal K-12

Rhode Island Department of Elementary and **Secondary** Education: Superintendent, Principal K-12

Employment:**September 2006 to Present**

Educational Consultant: Massachusetts Association of School Business Officials (School District Financial Review Team)

Program Coordinator: Massachusetts Association of School Business Officials Licensure Program

July 2009 to October 2009

Educational Consultant to Pope John Paul II Catholic Academy

Interim Director of Finance and Administration, Pope John Paul II Catholic Academy

July 2009 to July 2011

Energy Education Inc: Marketing Consultant

July 1, 2007 to June 30, 2009

Executive Director: Rhode Island Association of School Business Officials

July 1, 2003 to June 30, 2006**Superintendent of Schools, Attleboro, MA**

Responsible for 6300 students, 780 employees, 12 school buildings and a \$50m budget. Chief Executive Officer of the school department, working directly with city and elected officials. Created school District personnel office, and realigned business office for better efficiency. Responsible for making a \$1.1m mid-year budget adjustment due to city reducing the school appropriation six months into the fiscal year and ending the fiscal year with a positive balance. Work directly with food service and facilities management companies working within the District. Chief negotiator for all administrative, custodial and maintenance contracts. Chief Procurement Officer for the school District. School District spokesman on school District related affairs. Work directly with the school committee and subcommittees on policy, curriculum, finance and procurement issues. Responsible for cooperative working relations with all school unions and city departments. Responsible for setting educational goals for the school District and ensuring their implementation. Directly involved with curriculum and special education matters in support of all students and student activities.

February 1989 to July 1, 2003**Assistant Superintendent of Schools for Business, Attleboro, MA**

(Director of Funds and Facilities 1989-1992; Business Administrator 1992-1998: (title changes)

Overall responsibility for all business affairs of the school District. Duties include the development, implementation and oversight of the school District budget; monitoring proper control measures for payroll and business accounts; supervising long range financial planning while introducing creative approaches to saving tax dollars. Ensuring that expenditures are properly charged within the budget and kept within appropriation limits; liaison to city government for financial issues. Work directly with the School Committee Finance subcommittee on budget, procurement and facility matters; responsible for the management of transportation, facility maintenance and food service contracts. Chief negotiator for clerical, custodial, maintenance and bus driver contracts; advisory member of the Municipal Building Commission on school building projects.

Accomplishments:

Worked with City Municipal Building Commission and School personnel to plan, construct/renovate and build six school building projects.

Collaboratively worked with seven communities to develop an energy consortium that has saved the Attleboro School District over \$125,000 in utility cost annually.

Worked with City Officials to successfully change school District budget from pencil ledger to computerized budget format.

Co-authored the MASBO Strategic Plan as President of the Massachusetts Association of School Business officials.

Successfully bid and contracted with facilities maintenance, food service company and transportation companies over a period of 18 years.

Teaching Experience:

Attleboro Public Schools

Attleboro, Massachusetts

September, 1972-February 1989

Brennan Middle School: Grades 6-8

Classroom teacher in the areas of Science, Government, Social Studies and Reading

Achievements: Successful teaching experience; Vice Chairman of Brennan Middle School Improvement Council; Horace Mann Grant recipient; Co-Chairman NELMS Evaluation Committee; Harvard University Educational Technology recipient; New England Secondary Schools and Colleges Science Sub-committee Chairman visiting accreditation team; South Eastern Massachusetts host classroom for Governor Dukakis' Drug Alliance Program.

September, 1968-June, 1969

Thacher Middle School: Grades 5-8

Classroom teacher in the areas of Science and Reading

Military Experience:

Lieutenant Colonel USAR (ret)

United States Army: June, 1968-February 1972

Armor Officer, Fort Knox, Kentucky; UH-1 Helicopter Pilot, Fort Wolters, Texas; Fort Rucker, Alabama, Company Commander/Aircraft Commander, Republic of Viet Nam 1971-1972

Massachusetts Army National Guard: March, 1972-December, 1991

Company Commander, G3 Division Airspace Management Officer, UH-1/OH 6 Helicopter Pilot,

Division Rear Project Officer

United States Army Reserve: June, 1991-August 1996

Instructor: Combined Arms Services Staff School

Past/Present Professional Memberships and Awards:

Massachusetts Association of School Superintendents

Association of School Business Officials, International: Member; Management Techniques Committee 2002-2004, Facilities Management Committee 2004-present

Massachusetts Association of School Business Officials: Board of Directors 1997-2000; Vice President 2000-2001; President Elect 2001-2002; President 2002-2003; Past President 2003-2004

Recipient: Massachusetts Association of School Business Officials President's Award; May 2006

Rotary Club of Attleboro

American Association of School Administrators

Appendix B
Self-Assessment

MASSACHUSETTS ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
SCHOOL DISTRICT FINANCIAL OPERATIONS REVIEW
SELF-ASSESSMENT SURVEY

The preliminary and essential component of the review process involves the completion of this self-assessment survey. The completed survey is to be returned to MASBO along with the requested documents on page 7 and 8. A MASBO Review Team will be assigned and the date of the review scheduled after the receipt of the survey and requested documents.

Name of District Chelmsford Date 03.17.15
 Address 230 North Road City/Town Chelmsford
 Contact Person Frank Antarelli Telephone 978 788 6913 email antarelli@chelmsford.ma.us

Please estimate the district's effectiveness relative to the following items by circling the number that best reflects your knowledge and perception.

A. Budget Planning and Development

1. Procedures are in place for involving all pertinent staff in the development of the annual school district budget.
 Very Effective 5 4 Moderately Effective 3 2 Not Effective 1
2. The district utilizes a budgetary format that is site-based (by school) and program-based (Operations and Maintenance, Special Education, Language Acquisition, etc.).
 Very Effective 5 4 Moderately Effective 3 2 Not Effective 1
3. Budgetary account codes provide for expenditure identification by Massachusetts Department of Education fund, function, object, program, and location.
 Very Effective 5 4 Moderately Effective 3 2 Not Effective 1
4. District priorities and goals are correlated with individual school priorities and goals and are articulated within the budget.
 Very Effective 5 4 Moderately Effective 3 2 Not Effective 1
5. The budget provides an adequate account history (three years of actual expenditures, one year of approved budgetary expenditures, and one year of requested budgetary expenditures).
 Very Effective 5 4 Moderately Effective 3 2 Not Effective 1
6. The allocation of resources to accomplish targeted initiatives and priorities at the district and school levels is clearly represented in the budget.
 Very Effective 5 4 Moderately Effective 3 2 Not Effective 1

1512
ma-
us

7. The district analyzes the cost effectiveness of expenditures to improve student performance on an ongoing basis.

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

8. The approved budget document is made available to all stakeholders:

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

9. The budget building process includes the coordination of budget goals and priorities with strategic planning goals, district improvement short and long-term goals, and school improvement plans.

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

10. The process is in place to budget appropriate resources to serve the needs of students with diverse academic, social, economic and racial backgrounds.

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

11. Ongoing programs and new initiatives are evaluated for their programmatic and cost effectiveness as part of the budget development process.

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

12. The budget document includes information on revenues and expenditures in the athletic and food service revolving funds, grants, and fee-generated revenues and expenditures

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

13. Student performance information impacts budgetary decision-making during budget development as well as when making budget transfers during the year.

Strong impacts *Moderately Impacts* *Does not Impact*
 5 _____ 4 _____ 3 _____ 2 _____ 1

B. . . Financial Processes, Reporting and Management

1. The school district budget accurately reflects the allocations reported on Schedule 19 of the End of Year Report.

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

2. Clear procedures have been established and followed regarding the transfer of funds.

Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

3. The business office provides the school committee and the public with regular financial reports.

Monthly *Bi-Monthly* *Quarterly* *Annually* *Not Provided*
 5 _____ 4 _____ 3 _____ 2 _____ 1

4. Budgetary expenditures are reconciled with municipal financial records on a regular basis.
Monthly *Bi-Monthly* *Quarterly* *Annually* *Not Provided*
 5 _____ 4 _____ 3 _____ 2 _____ 1
5. The district's accounting technology effectively integrates district level financial information with the financial information of each school and allows financial managers and principals to accurately track spending against their budgets on a regular basis. *(need training)*
Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1
6. Estimate the degree to which your accounting technology facilitates the reconciliation of budgetary expenditures with municipal financial records.
Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1
7. A system is in place that effectively provides spending projections in the major account areas (professional salaries, classified salaries, Special Education tuitions, utilities, etc.) so that the end-of-year status of these accounts can be estimated.
Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1
8. Variances between Schedule 1 on the End of Year Report and the school budget are documented by school committee approved budgetary transfers.
Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1
9. Municipal expenditures for education reported on the End of Year Report adhere to the provisions of the Massachusetts Department of Education *Guidelines for Student and Financial Reporting Section VI, Reporting by Municipal Agencies*.
Consistent Adherence *No Adherence*
 5 _____ 4 _____ 3 _____ 2 _____ 1
10. Municipal expenditures for education reported on the End of Year Report are documented.
Consistently documented *Not documented*
 5 _____ 4 _____ 3 _____ 2 _____ 1
11. A written agreement between school and municipal officials describes how to allocate, report and document municipal expenditures on behalf of the school department.
Signed agreement exists and Follows DOE guidelines *Agreement does not exist and DOE guidelines are not followed*
 5 _____ 4 _____ 3 _____ 2 _____ 1
12. School Committee policies and/or administrative procedures for handling student activity funds are consistent with the law and DOE guidelines.
Appropriate written procedures are being followed *Procedures followed are not consistent with the law & DOE*
 5 _____ 4 _____ 3 _____ 2 _____ 1
13. All student activity accounts and related accounts are periodically audited.
Professional audit performed *Internal audit performed* *No audit performed*
 5 _____ 4 _____ 3 _____ 2 _____ 1

14. Grants processing and management functions. . .
Are articulated, clear and consistently followed 5 _____ 4 _____ 3 _____ *Are unclear and inconsistently applied* 2 _____ 1 _____ *reports*
15. Revolving account financial statements are prepared and reviewed.
Annually 5 _____ *Bi-Annually* 4 _____ 3 _____ *More than 2 years between reports* 2 _____ 1 _____
16. Student performance information is used to assist in the formulation of financial decisions.
Very Effective 5 _____ *Moderately Effective* 4 _____ 3 _____ *Not Effective* 2 _____ 1 _____
17. The school business official licensure status.
Professional License Or provisional license 5 _____ 4 _____ 3 _____ *Not Licensed* 2 _____ 1 _____
18. Spending is monitored utilizing control procedures and a reliable forecast instrument.
Very Effective 5 _____ *Moderately Effective* 4 _____ 3 _____ *Not Effective* 2 _____ 1 _____

C. Purchasing Processes and Procedures (Complete the attached flow chart)

1. The process used for purchasing meets the needs of the schools and school district.
Very Effective 5 _____ *Moderately Effective* 4 _____ 3 _____ *Not Effective* 2 _____ 1 _____
2. The school business official is very familiar with the Massachusetts Public Procurement Law.
The business official is MCPPO certified 5 _____ *Somewhat familiar* 4 _____ 3 _____ *Is not familiar* 2 _____ 1 _____
3. The district adheres to the provisions of the Public Procurement Law.
Consistently adheres 5 _____ *Somewhat adheres* 4 _____ 3 _____ *Does not adhere* 2 _____ 1 _____
4. Purchase orders required for goods and services. *some do not follow procedures*
Always required 5 _____ *Sometimes not required* 4 _____ 3 _____ *Not required* 2 _____ 1 _____
5. Normal turn around time from requisition to purchase order.
1-2 days 5 _____ *3-5 days* 4 _____ 3 _____ *More than 5 days* 2 _____ 1 _____
6. Purchases are efficiently received, recorded and processed in a timely manner.
Very Efficiently 5 _____ *Somewhat efficiently* 4 _____ 3 _____ *Not Efficiently* 2 _____ 1 _____

7. Invoices, once checked against the purchase orders, are paid.
 Within 20 days 21-45 days More than 45 days *z/b*
 5 _____ 4 _____ 3 _____ 2 _____ 1 _____
8. Instructional assets, such as computer equipment, texts, furniture and materials are tracked and inventoried.
 Very Effectively Moderately Effectively Not Effectively
 5 _____ 4 _____ 3 _____ 2 _____ 1 _____
9. A preventive maintenance program is in effect for buildings and equipment.
 Very Effective Moderately Effective Not Effective
 5 _____ 4 _____ 3 _____ 2 _____ 1 _____
10. School district assets are tracked in accordance with GASB No. 34.
 Very Effective Moderately Effective Not Effective
 5 _____ 4 _____ 3 _____ 2 _____ 1 _____
11. A facilities and capital improvement plan is in place and regularly updated.
 Very Effective Moderately Effective Not Effective
5 _____ 4 _____ 3 _____ 2 _____ 1 _____

Purchasing Flow Chart

1. Requisition initiated by teacher or other staff member
2. Approval of requisition by principal or director
3. Describe how the approved requisition becomes a purchase order:
electronically approved by principal/director,
business office accounts payable staff
and business manager.
-
4. Who approves school department purchase orders? Business Manager
5. Are school department purchase orders, once approved at the school department level, sent to a municipal official for her/his approval? NO If so, please indicate the title of the municipal official involved in the approval process. _____ Is this next level of approval required for a valid purchase order? _____
6. Who is responsible for sending the approved purchase order to the vendor? originator
7. How much time elapses between the initiation of the requisition and the sending out of the approved purchase order? 7-5 days
8. Describe the process by which the accounts payable staff are notified that ordered items have been received and that the vendor's invoice can be paid?

The originator signs packing slip or receiving copy of PO and sends it to Accounts Payable. The originator may also send an email to indicate that the goods/services were received.

9. What is the average amount of time it takes to complete the process described in #8 above and when a check is actually sent out? 36 days

D. Payroll Processes

1. Payroll processing is consolidated into one payroll office or person regardless of funding source.

<i>Consolidated</i>	<i>One or two offices or people</i>	<i>More than 2 offices or people</i>
<u>5</u>	<u>4</u>	<u>3</u>
		<u>2</u>
		<u>1</u>

2. Hourly employee adjustments, stipends and reimbursements are handled.

<i>Very Efficiently</i>	<i>Somewhat Efficiently</i>	<i>Inefficiently</i>
<u>5</u>	<u>4</u>	<u>3</u>
		<u>2</u>
		<u>1</u>

3. Employee's payroll-related pre-retirement questions and issues are handled.

<i>Very Efficiently</i>	<i>Somewhat Efficiently</i>	<i>Inefficiently</i>
<u>5</u>	<u>4</u>	<u>3</u>
		<u>2</u>
		<u>1</u>

retirement reports are not current

4. Employee's sick leave, personal leave, vacation leave and attendance data are handled

<i>Very Efficiently</i>	<i>Somewhat Efficiently</i>	<i>Inefficiently</i>
<u>5</u>	<u>4</u>	<u>3</u>
		<u>2</u>
		<u>1</u>

COPY OF DOCUMENTS TO BE SUBMITTED WITH COMPLETED SURVEY

1. Most recent End-of Year Pupil and Financial Report.
2. The compliance audit letter for the most recent EOY Pupil and Financial Report. *fy 13*
3. Most recent published budget document, including the proposed and adopted budget, narrative and superintendent's transmittal letter.
4. Minutes of School Committee budget sessions for the most recently adopted budget.
5. Facilities/Capital improvement plan (short and long range).
6. School Committee policies related to expenditures and transfers.
7. A description of the expenditure and encumbrance process.
8. Inventory of school facilities.
9. Central office organizational chart.
10. Three sample copies of periodic financial report submitted to the school committee.