

ARLINGTON PUBLIC SCHOOLS



Financial Operations Review

OCTOBER 2010

Massachusetts Association of School Business Officials

84 Brick Kiln Road
Chelmsford, MA 01824
(978) 452-7044
Fax: (978) 452-7114
www.masbo.org

TABLE OF CONTENTS

SECTION 1: REPORT OVERVIEW

<i>Introductory Commentary</i>	4
--------------------------------------	---

SECTION 2: EXISTING CONDITIONS

<i>General Overview</i>	6
<i>Existing Conditions in Specific Cost Centers/Programs</i>	8
<i>Payroll Procedures</i>	16
<i>Hiring Process</i>	19
<i>Purchasing/Accounts Payable</i>	20
<i>Transportation</i>	22
<i>Food Service Program</i>	22
<i>Grants</i>	22
<i>Additional Observations</i>	22
<i>Accomplishments, Strengths, and Recognitions</i>	25

SECTION 3: BUDGET DOCUMENT ANALYSIS

<i>Budget Document Review</i>	30
-------------------------------------	----

SECTION 4 : RECOMMENDATIONS

<i>Financial Processes, Reporting & Management</i>	35
--	----

SECTION 5: ADDITIONAL COMMENTARY

<i>Questions Pertaining to the FY10 Deficit</i>	52
---	----

SECTION 6: ADDENDA

<i>Addendum A: Payroll Projections/Best Practice Procedure</i> ...	58
<i>Addendum B: Budget Development Guide</i>	59

Addendum C: School Committee Budget Authority..... 62

Addendum D: Financial Reporting Principles and Guidelines.. 65

Appendix A: Proposed Scope of Work

Appendix B: Self Assessment

Appendix C: Review Team Qualifications

SECTION 1: REPORT OVERVIEW



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

Arlington Public Schools
869 Massachusetts Ave.
Arlington, MA 02476

Dear Dr. Bodie:

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

We used the “Scope of Work” (included as Appendix A) that was provided to us in accomplishing the primary objectives of the review, which were:

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

In accomplishing these aforementioned objectives, we also were able to address the eleven questions listed in the Scope of Work.

This entire process involved the completion of a Self Assessment, and a copy of this document is enclosed as Appendix B. The Review Team then, during its two day site visit, conducted interviews with individuals responsible for the following: facilities management, transportation, accounts payable, food services, payroll, special education services, high school principal regarding budgeting and the student activity account, the athletic director regarding the athletic revolving account and management of gate receipts, assistant town manager regarding student activity account management and

education-related municipal expenditures, Title I services, budget planning and development processes; financial reporting and management processes; and procurement processes. In addition, the overall organizational structure of the Business Office and the district cost centers that interact with this office was reviewed.

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

Very truly yours,

John A. Crafton,
MASBO Executive Director

INTRODUCTORY COMMENTARY

This report is prepared based upon findings and observations from a two-day site visit to the district. The first part of the report delineates “*Existing Conditions*” that the MASBO Team discovered during their visit. This section includes topics ranging from “*General Overview*” on page 6 through “*Accomplishments, Strengths, and Recognitions*” on page 25. Issues that will require remediation by School District Administration have been underlined throughout this entire section. Most of these issues have been explained, in much greater detail, within the “*Recommendations*” portion of the report. This section covers pages 35 through 50.

The “*Budget Document Review*” section (from page 30 to page 34) contains an extensive recommendation specifically related to the actual structure of the school district budget.

The “*Additional Commentary Pertaining to the Fiscal 2010 Budget Deficit*” represents MASBO’s responses to the questions posed in the Arlington Public Schools Scope of Work. These responses are found on pages 52 through 57.

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

SECTION 2: EXISTING CONDITIONS

GENERAL OVERVIEW

Arlington Massachusetts is a town comprised of 5.5 square miles located six miles northwest of Boston and serves a population of approximately 40,069 residents. The Town of Arlington's executive branch consists of an elected five-member Board of Selectmen. The Board of Selectmen hires a Town Manager who is responsible for the day-to-day management of the Town. There are 252 Town Meeting Members, elected from 21 precincts. The FY 10 school department budget was funded at \$45,179,902 of which \$7,043,540 (15.6%) was Chapter 70 funding. The FY 11 school department budget was funded at \$44,222,832 of which \$7,158,590 (16.2%) was Chapter 70 funding.

The Arlington School Committee is comprised of seven elected members who meet bimonthly. The School Committee has six standing subcommittees: Budget Subcommittee; Policies and Procedures Subcommittee; District Accountability/Curriculum; Community Relations Subcommittee; Executive Committee Subcommittee and the Legal Services Review Subcommittee and thirty Committee Liaison Assignments. The Superintendent of Schools was appointed in August of 2008 as Interim Superintendent; in March, 2010 as Superintendent. The Chief Financial Officer was appointed in September 2009. The Superintendent of Schools has been with the school district for numerous years serving as the Assistant Superintendent and Director of Mathematics K-12 prior to her appointment as Superintendent. The Chief Financial Officer is new to the district.

The school district has a multi-year Strategic Plan, which has numerous components that include technology and capital building renovation/ replacements. The umbrella district goals provide a multi-year blueprint for the district for student achievement, communication and infrastructure. The implementation period of Action Plans (objectives) for each goal vary over several years.

Each school has developed or is in the last stage of developing School Improvement Plans. The Superintendent has received plans from the Ottoson, Hardy and Bishops schools, which are under review. The other schools will submit their plans to the Superintendent in the near future. The School Committee Chair is working on a schedule with the Superintendent to have plans presented to the School Committee sometime in December 2010. The School District Improvement Plan was not voted on by the School

Committee in 2010. The School Committee will vote on 2010-2011 District Goals in October. There is an approved strategic plan for the Arlington Public Schools.

The Arlington Public Schools closed the 2010 Fiscal Year with a budgetary deficit of \$1,525,021. A primary reason for the deficit is an overestimation of revenue that was anticipated to emanate from the following areas: Special Education Circuit Breaker program; Special Education projected savings in out-of-district expenditures; grant revenue; attrition and school system fee collections. The estimation of revenue corresponded to revenue received in FY09. No corresponding spending reductions were implemented because a system for tracking/monitoring revenue receipts was not in place. This is normally a financial reporting function.

Arlington is experiencing a shortfall in revenue for FY10 and has approached the town in an effort for seeking relief.

Central Office Administration currently has the following staff configuration:

- Superintendent of Schools
- Assistant Superintendent of Schools for Curriculum
- Chief Financial Officer
- Director of Special Education
- Budget Analyst
- Grants Writer/Coordinator
- Fees Clerk
- Accounts Payable (There is only one full-time AP clerk at present)
- Purchasing Clerk
- Director of Payroll
- Payroll Clerks (2.5 FTE school-side as well as 1.0 on the town-side paid by the school department)
- Secretaries to the aforementioned administrators

During interviews with the Superintendent of Schools, Assistant Superintendent, Chief Financial Officer, the Director of Special Education and other administrators and members of the staff the following existing conditions were noted:

EXISTING CONDITIONS IN SPECIFIC COST CENTERS/PROGRAMS

- **Special Education.**

The Special Education population is 17% of the total district's enrollment. Thirty percent of the school district budget is Special Education. There are approximately 861 Individual Education Plans utilized in support of the Special Education population. Out-of-District Special Education placements have been reduced from 106 in FY 10 to 86 in FY 11. The average residential placement for Out-of-District students is \$113,651.00 per student based on eleven students. The average day placement tuition in FY 11 is \$52,544 based on seventy five students.

Out-of-District SPED transportation costs have been reduced due to the use of collaborative transportation. The district does take advantage of some cost share opportunities with different districts and state agencies. There has been an effort to bring special education students back into the district by creating in - district programs. The district received approximately \$400,000.00 less in circuit breaker reimbursements than the previous fiscal year.

- **The school district is the largest employer in the Town.**

The Arlington School District employs approximately 935 people, including substitutes, making it the largest town department and largest employer in the town.

- **The school district is comprised of nine buildings.**

The school district has nine buildings, which comprise 7 elementary schools, a middle school and a high school. There exists a capital improvement plan for maintenance of buildings that ties into a town's capital improvement plan. The Town and school district are moving forward with a feasibility study for the Stratton School renovation project and will have estimates after October 6, 2010. Currently Arlington does not have a commitment from the MSBA, but the Town will present their building proposal at the MSBA's January 2011 meeting for consideration.

- **Net School Spending Written Agreement.**

In discussion with the Superintendent and the Assistant Town Manager it is evident that there is no signed Net School Spending agreement between the school system and the town, which is required by state regulation. There was limited evidence to support the Net School Spending charges from the Town. Currently the Town and the schools have an understanding which allows for a 45% charge back to the schools by the town within the district's foundation budget. Active and retired employee health claims are used in determining NSS health costs.

There appears to be a general understanding by both the Town and School System that a Net School Spending Written Agreement needs to be in place. The current arrangements in which town employees that are paid by the school department should be addressed as part of the Net School Spending Written Agreement.

- **Review of Job Descriptions.**

In discussion with central office employees it was evident that current job descriptions do not reflect the actual duties employees are performing. In many cases outdated job descriptions exist or there were no job descriptions at all. It is apparent that by reviewing the existing job descriptions or creating new ones employees will be reporting to and being evaluated by the appropriate supervisor based upon the actual duties performed. New job descriptions should reflect any reorganization of the Business Office.

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

- **Review of Current Budget Process**

The Arlington School Department Budget process begins in September and ends in May. There is evidence of a budget development calendar, which highlights budget events, dates and when budget materials are due for review by the central office and school committee. The budget calendar does not represent a school "site base" budget process. The budget calendar indicates a "top down"

budget process. The following outlines the processes discussed with administration concerning the development of the Arlington School Department budget for FY 11:

- September 16, 2009: Budget Subcommittee meeting to define Working Deficit using two scenarios: “pessimistic and optimistic”
- September 22, 2009: Vote on proposed budget timeline
- October 13, 2009: Superintendent present School Committee with the following: Brief overview of FY 2011 budget development; Historical Review of major reductions over past few years
- October 27, 2009: Presentation of 5 year projection
- November 2, 2009: Superintendent and Administrative Team Retreat; attended by School Committee
- November 2009: Public Visioning Session
- November 24, 2009: Superintendent provides ASC with FY 11 budget overview and scenarios for FY 2011, including potential areas for revenue and cost reduction
- December 2009-January 2010: School Committee votes bottom line FY 11 operating budget
- February 2010: Administration presents draft of FY 11 budget
- February 2010: Committee provides feedback and guidance revisions and alternatives
- March 2010: Public hearing on proposed FY 11 budget, per MGL 71:38N (at regular SC meeting)
- March 2010: Superintendent and School Committee review the Administration’s revised FY 11 budget proposal(s)
- March 2010: School Committee finalizes and adopts FY 11 budget
- March 2010: Budget presented to the town Finance Committee
- April 2010: Report to Town Meeting presented to School Committee for review and approval
- April 2010: State of Schools address and information session for Town meeting Members and the public

- May: 2010: Budget presented at Town Meeting
- Principals do not receive a budget packet from Central Office at the beginning of the budget process.
- Central Administration and Principals met as a Leadership Team to discuss needs and priorities.
- The budget is developed based on the projected available funding.
- School Improvement Councils are not consistently included in budget conversations in the district.
- The budget document is based on cost centers, which include departments and schools.
- The School Committee votes a bottom line budget amount.
- School Committee does not approve the budget by cost centers or function codes.
- The Chart of Accounts is being redesigned to align with MUNIS org and object codes and will meet DESE function codes for easier End-Of-Year Reporting. (EOYR)
- Principals do not start the budget process at the building level with staff involvement.
- The proposed budget document does not include an adequate budget history, which should include three years of actual expenditures, one year of current expenditures and one year of proposed expenditures
- The MASBO team did not receive a budget containing School Committee approved goals and objectives. These documents, however, were included in the budget book sent to Town Meeting members.
- School Committee is very involved with identifying areas that will be funded, areas where cuts will be made and new programs which will be introduced as part of the curriculum.
- There is no definitive line of transition between the Principal's budget, Superintendent's budget and the School Committee's budget.
- The proposed budget is available for review by the public at the public library, Superintendents Office, Schools and the Town Hall.

- The budget document includes: Criteria for Reductions, Historical Perspective, Budget Summary and Special Education
- A Glossary of Terms is a part of the budget package.
- **Financial Reports to the School Committee.**

The School Committee has only recently begun receiving monthly financial reports which are reviewed by the Finance Subcommittee. The school district is currently changing the Chart of Accounts, which will align the Arlington Public Schools budget with the DESE Chart of Accounts. The necessity for staff to adjust to the changes in the chart has caused some confusion.

The Budget Analyst is responsible for entering all Federal and State funds into the computer as well as set up the budget for the next fiscal year. The Budget Analyst is also responsible for the End-Of-Year report (with the exception of Schedule 19), posts checks, provides ARRA reporting, and provides budget analysis through reviews of the budget and expenditures. This is a pivotal position in the business office, however, no one is capable of providing backup in the event of illness.

Salaries are grouped by function and payroll projections are broken out by 21 or 26 payments. Throughout the day the Budget Analyst experiences numerous interruptions in the areas of work she is responsible for. The Chief Financial Officer has introduced a more timely reporting system to the School Committee.

The Town utilizes MUNIS software as the town's financial software, which incorporates the schools. Training on this software package has, however, been insufficient. The MUNIS software is capable of providing Principals with "live" up-to-date budget information. If the appropriate MUNIS module is available the principal, by going into the MUNIS program at the building level, would have access to monitor his/her budget. This would result in greater accountability for expenditures at this level. The purchase of an additional MUNIS module for this purpose may be necessary if it is not available.

- **Budget Policy**

In discussing budget policy with the administration, it was noted that the School Committee has a standing Finance Subcommittee and that there are

written fiscal policies found in the School Committee Policy Book. However, these policies, for the most part, are generic and were derived from the MASCS developed Policy Manual. The policies need to be reviewed and customized to accommodate to the needs of the Arlington Public Schools.

The Committee's approach to controlling line item transfers is not governed by written policy. The School Committee does not provide omnibus transfer authority to the administration for the purpose of balancing accounts prior to the end of the fiscal year. The School Committee, by following its fiscal policies found in the "Arlington School Committee Policy Book", will provide the legal foundation for any challenges regarding the way the Committee conducts its financial business.

- **Health benefits are handled by the Town for school department employees.**

The Town of Arlington handles all health insurance and pension programs. The Town of Arlington is self-insured. Payments made by the Town on behalf of the school department are charged back to the schools through Net School Spending.

There was no evidence of a method for reconciliation between the Town and the Schools as to the number of employees enrolled in the health insurance programs and how school department retirees were monitored as part of the health benefits program. No documentation was available to the school department which could verify current, retired or deceased school department employees enrolled in health insurance programs.

The current split for health insurance costs are 75% town and 25% new employees or 85% town and 15% employees who have been grandfathered by their years of service. CORI checks are initiated when new employees sign up for benefits at town hall.

- **Budget Process and Management**

Budgets are not managed at the building level. Principals are not accountable for managing specific line items within their budget. Principals do not receive a monthly budget update from the Central Office. MUNIS is not available to Building Principals to monitor their budgets or expenditures. Utility

needs are not forecast on a monthly basis. Salary requirements are not forecast once salaries have been entered into MUNIS. There is no tracking capability to identify dollar requirements for employees leaving or joining the system.

- **Budget Management with Town Officials**

Currently the Chief Financial Officer does not meet with the Town Comptroller to reconcile the school department budget on a monthly basis. Such meetings are important in order for the Comptroller to fulfill her oversight responsibility pertaining to school district spending.

The Comptroller reviews bills and the Budget Analyst is responsible for putting the bills into the computer. The Comptroller is responsible for posting school department bills.

During discussions with the Central Office personnel, the following additional conditions were noted:

- **Revolving Accounts**

- Currently revolving accounts are under the oversight of the Chief Financial Officer.
- External audits are conducted by an outside auditor on an annual basis;
- There is no provision for internal audits by the school department
- The Building Use/Cafeteria Revolving Accounts can be used for the payment of utilities, repairs or services performed on the facilities.

- **Student Activity Accounts**

There was no evidence that the School Committee has voted to establish Student Activity Account checking accounts, and also, to determine the maximum balance for each of these accounts as required by statute. Student Activity Account expenses are paid through the use of the Student Activity “Checking” Account and these expenditures are then replenished through the use of the Student Activity “Agency” Account. The High School Student Activity Account maximum account balance appears to be too low for the type of expenses incurred at the building level. The high school does not use the warrant system when paying larger bills.

The high school does have a Student Activity Accounts manager who is responsible for depositing money, obtaining deposit receipts and forwarding copies of the deposit receipts to the Town and Chief Financial Officer. Student Activity Accounts are audited externally once a year.

- **Cash Collection**

There are no written policies with regard to the collection and deposit of gate receipt money. Individuals handling this money are not bonded. The Arlington Athletic Department does have a Ticket Manager who has been in this position for numerous years. The games in which gate receipts are collected include: home football games, Thanksgiving Day football game (tickets are sold), game day soccer, ice hockey, and basketball games. Prices are set at Student/Senior; \$5.00, Adults \$7.00. The following reflects current procedures for ticket sales and gate receipt collections:

- Prior to a sporting event where tickets will be sold, cash boxes with a draw containing \$150.00 to be used for change purposes, is given to the ticket seller by the Ticket Manager.
- Actual tickets are not used when a ticket is sold (with the exception of the Thanksgiving Day football game) but in their place is a stamp system is used where a stamp is placed on the individual's hand for entry into the sporting event.
- There is no system (i.e. starting and ending number of tickets) for tracking the number of tickets sold. There does not appear a method in place to reconcile tickets sold with monies collected.
- At half-time, money collected is taken to the Athletic Director's Office where it is counted by the Ticket Manager and the Athletic Director. Both individuals sign a receipt attesting to the amount of money being placed in the safe.
- Money is placed in a safe in the Athletic Director's Office until it can be made ready for deposit
- No night drop is available
- Money is deposited with Town Hall and a receipt is obtained.

- The deposit slip is copied and sent to the Principal.
- There is no evidence of a “chain of custody” as money is transferred from one entity to another.
- The only document that verifies or tracks a money transaction is the bank deposit slip.
- Athletic Revolving Account is audited annually.
- Athletic fees are collected by the Athletic Director’s Secretary and the Business Office.
- Information about the student/family, number of players or the amount of money received in fees is not shared or reconciled between the Athletic Director’s Office and the Business Office. In FY10, athletic fees were set at \$270 per student with a maximum of \$370 per family. Athletic fees for FY11 range from \$408 to \$720 depending on sport, and there is no annual family cap.
- Transportation fees, All-day Kindergarten and music fees are collected as part of the Accounts Payable function.
- The Business Office does not accept cash. Check or credit card is the only form of payment accepted.
- Gate receipts collected by the Athletic Department are deposited in the Athletic Revolving Account.
- The Athletic Department uses purchase orders for all purchases
- The Principal and Athletic Director do not receive copies of receipts or budget printouts (a suggestion was made that Google Doc might be an effective way to address this concern)
- The Athletic Director requested to be trained on MUNIS.

Payroll Procedures

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

Payment of staff by one department for services provided to another department is contrary to generally accepted accounting principles.

The Arlington Payroll Department staff configuration is as follows: **1.5 School payroll/personnel clerks** work **on** the school payroll; **1 School payroll/personnel clerk** works **on** the Custodial, Maintenance, Food Service and Transportation departments payroll; and 1 Payroll/Personnel clerk works primarily on the Town payroll

- School district employees are paid bi-weekly
- The teacher contract allows for teachers to select either 21 or 26 bi-weekly payments
- Payroll staff generate and sets up payroll through the use of MUNIS software
- Payroll receives all letters of new hires (with grade and step) from the Superintendent, changes of FTE, degree changes, stipends, resignation or LOA or MLOA
- Payroll verifies grade and step, budget number and enters all Personnel and Payroll information into system
- Time sheets are generated from the payroll office and electronically sent to schools to be filled out by secretaries with absence, reason for absence and who the sub was for the day
- Payroll receives all green sheets (exception pay authorizations) from the Superintendent's Office or appropriate source. These green sheets are generated by the employee, and signed by the supervisor and Superintendent.
- Payroll clerks audit all green sheets to be sure they are in compliance with contracts, verify budget number, the appropriate cost as well as determine if the funds are pension or non pension.
- Payroll proves all new direct deposits
- Payroll clerks enter all transactions on an exception basis. (estimated payroll is 1.2mil/biweekly and approximately \$45,000.00 to \$60,000.00 in exceptions)
- Each payroll is proofed by location and has to balance to the penny.
- Payroll clerks proof all deductions
- Payroll is responsible for preparing payroll warrants; obtaining Superintendent and School Committee signatures and sending this material (with the Payroll generated Journal Distribution) to Head Bookkeeper and Comptroller's Office and it is then sent to the Town Manager.

- Reports that are generated are sent to the appropriate offices to balance with Credit Union, Retirement, MTRB, Union Dues and Annuities. Accumulator reports are run to balance with Warrant book of all payrolls throughout the month/quarter/year.
- All back-up reports are kept with the payroll ledger
- Payroll generates the Check and Direct Deposit files in MUNIS and does a wire transfer to Citizens Bank as well as a wire file to ING.
- Printed checks are electronically signed, sealed, sorted and made ready for distribution.
- Checks and Direct Deposit Advises are distributed to each school by the Food Service/ Mail department the Friday morning of payroll.

Additional Duties performed by Payroll:

- Wage assignments / Tax Liens
- Enroll teachers in Section 125 (Flex Plan)
- Calculate health, life, dental and disability insurance
- Set up and track annuities
- Enroll staff in MTRB
- Produces Longevity and Clothing allowances, proofs and creates separate payroll for these.
- Enters and monitors Grade and Step of all employees and does calculations in July, January and September.
- Stop payments on check and issue manual checks along with notification of the bank
- Payroll orientation of new teachers
- Maintain all Salary cards with work history as well as financial history
- Does all buy back research and forms for Seasonal and substitute work
- Enters and tracks: Cori, Acceptable Use Policy, Teacher Certifications, Massachusetts Health Reform and Ethic Survey.
- Employment Verifications for mortgages as well as all withdrawal on employees Deferred Comp (ING) plan if warranted.

- Creates all accruals for Town and School Employees and generates credits and monitors and makes any corrections/adjustments necessary.
- Entire Retirement Process (MTRB) and paperwork for all teachers as well as benefits, Sick Leave Buy out
- Type all Retirement end checks for Town Retirement Department
- A.P. checks for town – match invoice to check, stuff and ready for mail.
- 941 report
- 945 report
- Generate, Proof, Print and distribute W-2's for all Town/School Employees.
- Quarterly Tax Reports for Town
- Book and track all school building's available halls, classrooms, get approval, etc. Notify custodial staff of booking. Track all custodians workings these details and charge OT to appropriate client/school account. Bill and collect from client.
- Grey Bill other town departments when Maintenance personnel are used by town.

Hiring Process

The Arlington Public Schools does not have a Human Resources Department or a Director of Human Resources. The lack of a Human Resources position has created inconsistencies with the hiring practice and no true point-of-contact for hiring needs.

It is important to note that the Chief Financial Officer has introduced a Position Control System which requires all positions to be numbered, a name or vacancy attached to the position and a dollar amount which is funded in the budget for the position. All positions (even those that have been newly created) are listed in this database system. This procedure will alleviate the problem of new hires being employed without checking whether funding was available to support the appointment. Google Docs are used by the administration to identify a vacancy or new position request. The district is currently transitioning from the past practice to Google Docs. It was noted that payroll in the past did not receive a staff listing of positions and vacancies.

Current hiring practices are as follows:

- An interview team is convened to interview candidates

- A recommendation is sent to the Assistant Superintendent who checks the candidates credentials
- A position control number is assigned to the recommendation
- Paperwork is forwarded to the Superintendent's secretary who develops a contract and creates the appointment letter for Superintendent's signature.
- In a new employee's appointment letter, they are directed to the on-line website in order to complete the necessary Payroll/Personnel paperwork (i.e. taxes, retirement, health, Section 125, pay plans)
- Superintendent interviews (if required) and signs off on appointment

Purchasing/Accounts Payable

The following reflects the current purchasing procedures of the Arlington Public Schools:

The Chief Financial Officer has created a 16 page Purchasing Procedures memo, which outlines the steps to creating a purchase order. ***This document should be converted into a manual with copies made available to all staff involved in creating purchase orders.*** It was noted that Accounts Payable and Purchasing were not networked or computerized. Items have been purchased in the past without a purchase order; all expenditures must be run through the financial system.

In discussing this issue with the Chief Financial Officer and Accounts Payable employees, the following purchasing procedures were identified:

- A school or department determines the products or service required, and then determines whether they have the funding to move forward with the purchase.
- Filing out the purchase order must be done correctly following the instruction found within the purchasing memo. Purchase orders are hand written and no electronic process is involved until they reach the Business Office. This necessitates re-typing the information into the Munis system, and consequently, increases the possibility of error. Purchase orders must be signed by the correct signatory. The correct signatory will be someone who has budget responsibility within the school department budget: i.e. Principals, Department Heads, Facilities Managers, Chief Technology Officer, Director of Special Education.

- Purchase orders are sent to the Business Office with one copy to be retained by the originator of the purchase order.
- The Business Office will submit the purchase order to the Chief Financial Officer for review and signature.
- The signature of the CFO is required on all purchase orders.
- The Business Office will place the order with the vendor; schools and department heads are not allowed to place orders with vendors directly
- After the order is placed, the Business Office will send a copy of the purchase order back to its originator.
- Upon receipt of the goods or service the requestor must verify all items are received or the service has been performed.
- The receiving copy of the purchase order must be signed, dated and returned to the Business Office. Partial orders received must be noted and the verification of what was received sent to the Business Office for partial payment.
- Warrants are created bi weekly and require the Superintendent or Chief Financial Officer's signature as well as four School Committee signatures
- The Purchasing Procedures memo does include a procedure for the reimbursement of pre approved goods and services
- The Purchasing Procedures memo includes procedures for new vendors and for office and classroom supplies
- The Purchasing Procedures memo also includes procedures for filling out purchase order forms, reimbursement forms, a section with Frequently Asked Questions, Town and school contacts for purchasing, a flow chart and examples of what the forms should look like when filled out
- The Chief Financial Officer and the Director of Special Education both sign all SPED purchase orders
- Capital bidding is done through the Town Purchasing Agent

Transportation

The Arlington Public Schools has a fleet of 10 vehicles and six drivers who are licensed as both school bus drivers and mechanics. The use of collaborative

transportation for out-of-district students was reported to save approximately \$200,000.00. Currently \$145,000.00 has been billed to other districts for transportation services (group homes), but the district has had difficulty in collecting the payments. Schools can use school department vehicles for field trips at no cost to the user.

Food Service Program

Although the Food Service Director was interviewed during this process it was very apparent in discussing the program with other administrators and staff that it is successful, provides a high quality service and has enjoyed being in the black for many years.

On average the food service program makes around \$20,000 to \$30,000 that can be carried into the next fiscal year. While this is not an exorbitant amount of carry-over money, it speaks well for the efficiency and type of product being furnished to students on a daily basis.

Grants

The Assistant Superintendent handles all professional development grants and writes professional development grants in concert with the Superintendent and Chief Financial Officer. One of the two Assistant Directors of Special Education oversees and manages the Title I grant and the Budget Analyst is responsible for grant oversight of for the district.

Additional Observations

- The Arlington Public Schools does not offer School Choice.
- The Arlington Public Schools does have a five year Capital Improvement Plan that is incorporated with the town plan. The district is currently working on a Facilities Policy
- The Business Office does not have a Business Office Procedures manual (the Purchasing Procedures Memo could be incorporated into this manual).
- An annual audit is conducted on the Student Activity Accounts.
- The Town receives approximately \$200,000.00 in Medicaid reimbursements.
- All Medicaid reimbursement money is kept by the Town.

- The schools are responsible for collecting data necessary for Medicaid reimbursement.
- There is no evidence that all employees who handle money are bonded.
- The current purchase order system is not electronic or networked at the building level.
- The Chief Financial Officer is licensed as a School Business Administrator.
- There was no evidence of cross training in the Business area, particularly for the Budget Analyst position.
- The CFO is MCPPO certified.
- The budget document provides a limited budget history of actual expenditures. (less than three years)
- The school district does have a strategic plan.
- Budget does not show all aspects of spending.
- The budget document provides limited information in areas of ongoing programs and new initiatives as to their cost effectiveness as part of the budget development process.
- ***It is important to note that there have been numerous changes in the administration positions at the central office level. Since 2005, the following positions have experienced turnover: Superintendent (twice); Special Education Director (twice and one interim); Assistant Superintendent (three times); Chief Financial Officer (three times); Administrative Assistant to the Superintendent; Assistant Special Education Director (twice); and five coordinators. Special Education Coordinators (5 turnovers). The school system has also changed the chart of accounts twice.***
- The budget document provides little information on revenues and expenditures in the athletic and food service revolving funds, grants and fee generated revenues and expenditures.
- There was no evidence in the budget documents that student performance was part of the budget development decision making process, other than specific line items for math and reading intervention at the middle school.

- Under the current conditions, there does not appear to be a real method available for town and school budget reconciliation.
- There is evidence of a preventative maintenance program in effect for buildings and equipment as demonstrated through the Capital Improvement Plan.
- There was no evidence school district assets were being tracked in accordance with GASB 34.
- .The transition to the new chart of accounts is a slow process in that accounts have to be set up in the General Ledger by the Budget Analyst.
- The time normally needed for the Accounts Clerk to enter purchase orders into MUNIS has increased due to General Ledger Accounts not yet set up in MUNIS under the new chart of accounts.
- The Organizational Chart is currently being reviewed with a focus in the Business area, which has recently reorganized.
- There is no evidence of back up for any Business Office positions with exception of Payroll Personnel who have been trained to back-up each others position.
- Blanket Purchase Orders are utilized by the Arlington Public Schools and are closely supervised
- The School Committee appears to be involved in many of the school department areas operations
- District projects currently being worked on: Analysis of the Free and Reduced Lunch Program; Possible purchase of an electronic Point of Sale system for the school lunch program and the collection of rental fees for the Pierce Field.
- Special Education does not appear to have written internal controls manual.
- Financial overrides have been used in MUNIS to process purchase orders when funds have been inadequate to cover the expense.
- Monthly salary projections use excel spreadsheets and include each employee

Accomplishments, Strengths, and Recognitions

HIGH ACADEMIC ACHIEVEMENT:

- 1. Stratton Elementary School awarded Blue Ribbon designation by the US Department of Education--**The Blue Ribbons Schools Program, which began in 1982, “honors public and private elementary, middle and high schools whose students achieve at very high levels or have made significant progress and helped close gaps in achievement, especially among disadvantaged and minority students. The program is part of a larger Department of Education effort to identify and disseminate knowledge about best school leadership and teaching practices.” (U.S. Dept. of Education)

In Massachusetts, eight schools received the award. Among the eight schools, the four other public elementary schools were located in Andover, Winchester, Lexington, and Wellesley.

- 2. Arlington High School recognized as one of top 50 public high schools in Massachusetts--**In the September edition of Boston Magazine, Arlington High School was recognized as one of the top 50 public high schools in the state. It is noteworthy that 35 of the 50 high schools had a larger per pupil cost than Arlington. The average cost for the 34 schools that ranked ahead of Arlington High School was \$14,223. Weston, which was ranked number one on the list, has a per pupil cost of \$18,023. Arlington’s per pupil cost is \$11,813.
- 3. Arlington High School received Silver Medal from US New and World Report’s Awards for Best Public High Schools** in 2010 in recognition of high student achievement and college readiness.
- 4. The Rennie Center For Educational Research and Policy**, a premier national educational research institute, recognized Arlington High School in 2008 as a “school making significant progress serving students with disabilities”. In 2009, the Rennie Center selected AHS as one of four high schools in Massachusetts to participate in their study of best practices for incorporating 21st century skills into core subject matter classes.
- 5. High Elementary MCAS Scores--**The Boston Globe (September 15) identified the schools that were the highest performers on MCAS in Reading, English, Mathematics, and Science for grades 3-8 and 10. In September 2010, because of these results, the Governor and the MA Department of Elementary and Secondary Education identified Arlington High School and three elementary schools, Brackett, Peirce and Stratton, as Commendation Schools for High Growth in Student Achievement.
- 6. High Scoring Annual Measurable Achievement Objectives (AMAOs) for ELL** “The Massachusetts Department of Elementary and Secondary Education (DESE) is required by Title III of the NCLB to establish AMOAs for the English language

acquisition and academic achievement of Limited English Proficient (LE60%P) students. AMAOs are established for students in grades K-12 in three categories: (1) progress toward acquiring English language proficiency; (2) attainment of English language proficiency; and (3) Adequate Yearly Progress of the LEP subgroup in both English language arts and mathematics.” (DESE report)

7 Music Program Recognized for Excellence – Middle School Orchestra invited to Perform at Music Educators Conference--The middle school orchestra under the direction Jeng-Huey Win performed at the Massachusetts Music Educators Conference at the Boston Seaport Hotel on Friday, March 19. The invitation to perform at the conference, which is a coveted honor, is only extended to school musical groups considered to be excellent by the Association. **The orchestra performed an original piece composed by Pasquale Tassone, Director of Performing Arts K-12.**

8. Commendable Advanced Placement Scores

- 26 students were AP scholars. This designation is granted to students who receive scores of 3 or higher (highest score is 5) on 3 or more AP exams.
- 12 students were AP Scholars with Honors. This designation is granted to students who received an average of score of at least 3.25 on all AP exams taken and scores of 3 or higher on 4 or more of these exams.
- 26 students were AP Scholars with Distinction. This designation is granted to students who received an average grade of at least 3.5 on all AP exams and grades of 3 or higher on 5 or more of these exams.
- 1 student was a National AP scholar. This designation is granted to students in the US who receive an average grade of at least 4 on all AP exams and grades of 4 or higher on 8 or more of these exams.

BUILDING PROJECTS

1. Arlington has made the financial commitment to rebuild or renovate all of its seven elementary schools. To date, five of the seven elementary schools have been rebuilt. Presently, the district is engaged in a feasibility study for Thompson Elementary School with the MSBA. Since the remaining elementary school (Stratton) may not undergo extensive renovation for 5-8 years, a multi-year capital plan to replace the roof, windows, and infrastructure systems was developed and implemented this year.

COMMUNITY SUPPORT

1. In the face of a \$3.9 million FY11 budget reduction, the community raised nearly \$600,000 in private funds to offset the deficit (Bridge The Gap Fund) in just two months (May and June).
2. In 2005, Arlington passed a \$6 million operating override to provide funding stability for five years.
3. Booster Clubs support athletic teams and the music and art programs.

4. The Arlington Education Foundation raises money annually to support initiatives in the school district.

This year's AEF grant, which totaled \$52,200, includes funding for the third and final year of supporting *Enriching Elementary Education* as well as for the District to start planning for its key goal of improving math differentiation and support while integrating the sciences and technology into the elementary and middle school curriculum. Several teachers and administrators attended the Gateway Institute at the Museum of Science and met for several days afterwards to work on a plan to link the elementary, middle and high school technology and engineering efforts. AEF funds also allowed the purchase of key math curriculum materials for all the elementary schools.

In addition, in spring 2010, AEF approved an additional \$14,000 in smaller "Innovation Grants" to support teachers and schools in projects that ranged from supporting the introduction of online learning at the High School to mindfulness and yoga at an elementary school. Smaller grants such as these are approved in the spring and the fall each year.

5. Anonymous Arlington donors have provided funds to create a \$75,000 scholarship fund for the instrumental program and \$15,000 to start offering Mandarin Chinese in the high school in fall 2010.

INFRASTRUCTURE/ PERSONNEL POSITIVES:

1. The Food Service Department is district run at a small profit each year. The service and food served is excellent.
2. The Special Education/Transportation Department initiative to use collaborative transportation for transporting out of district students.
3. There is a defined budget line item for technology for both town and schools. While small in comparison to the need, this consistent funding has allowed the schools to replace computers on a regular schedule, equalize capacity in the district, and develop a common platform.
4. New budget tracking systems have been developed, including a position control database. A new purchasing procedures manual has been created and new guidelines have been instituted.
5. The Administrative Team (Superintendent's Cabinet) is a highly collaborative, dedicated, and effective team.
6. Arlington has been the recipient of a number of competitive grants that have and will improve teaching and learning and emergency preparedness. Recent grants include:

- **REMS**, \$99,000, 18 month federal grant for emergency planning.
- **Teaching American History**, nearly \$1 million, 3-year grant, that provides professional development for teachers K-12 and classroom materials for students in grades 3-12. Arlington was the leader of a collaborative of seven districts sharing in the grant.
- **Focus on Math**, a 7-year NSF grant, which provides math professional development for teachers in grades 5-12.
- **Verizon Think Ahead Grant** that provides professional development in science and engineering for teachers K-12 and funding for a robotics and engineering club in the high school.

7. Position Control System established.
8. Teacher pay stubs track attendance and annual leave.
9. Schools and payroll are electronically connected.
10. The Chief Financial Officers Purchasing Procedure memo is well defined and easy to follow.
11. The Chief Financial Officers revision of the Chart of Accounts to reflect the DESE Chart of Accounts.
12. Efforts by the Payroll Department to incorporate school and town common functions.
13. Payroll has created a Departmental website with all personnel forms (i.e. employment, taxes, health insurance, name change etc.) at a significant time and cost savings. This site is still being enhanced with personnel policies (i.e. MLOA, FMLA).

SECTION 3: BUDGET DOCUMENT ANALYSIS

Budget Document Review

The FY 2011 Arlington Public School budget was reviewed from the perspective of national standards that were established approximately twelve years ago by the Association of School Business Officials (ASBO) International. The national standards are provided for your consideration in developing future School District Budget documents. The following is a summary of this analysis.

Comments on the Current Budget Document

Effective budget documents address three conceptual standards: clarity, completeness; comprehensiveness. The Arlington budget document begins with a three page description of particular “views” or formats in which budget information is provided. This approach allows for the analysis of budgetary figures from the following different perspectives: revenue projections; expenses by funding source; salary and non salary anticipated expenditures; program; and object category. This represents one way of addressing the “clarity” standard.

The document addresses the completeness standard by including all revenue and expenditure sources, including grants; fees; state, federal and local revenue sources. Revolving account information is not presented, however. In addition, salary rates are provided by position, and most importantly, each position contains a Position Control Number. This Position Control Number will be valuable, when information is required for financial reporting purposes.

Suggestions for Improving the Budget Document.

The Arlington Budget is lacking in the following areas:

- 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”.
- The Introductory section should include a table of contents, general information about the district such as enrollment and staffing data, MCAS scores, a list of

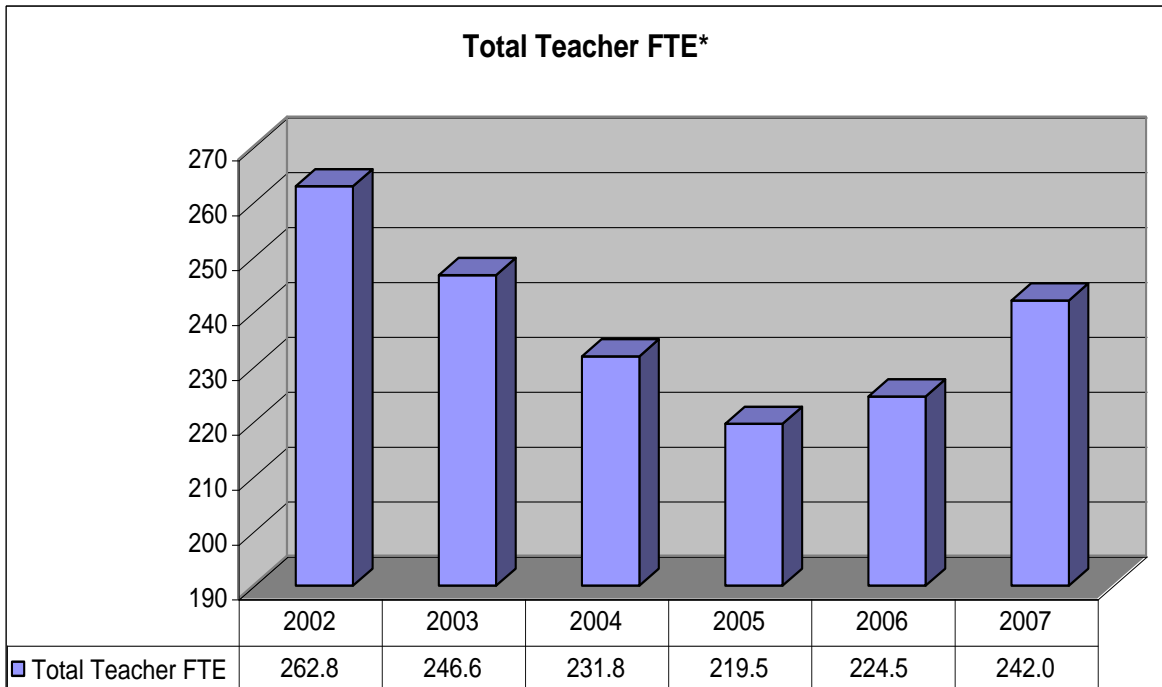
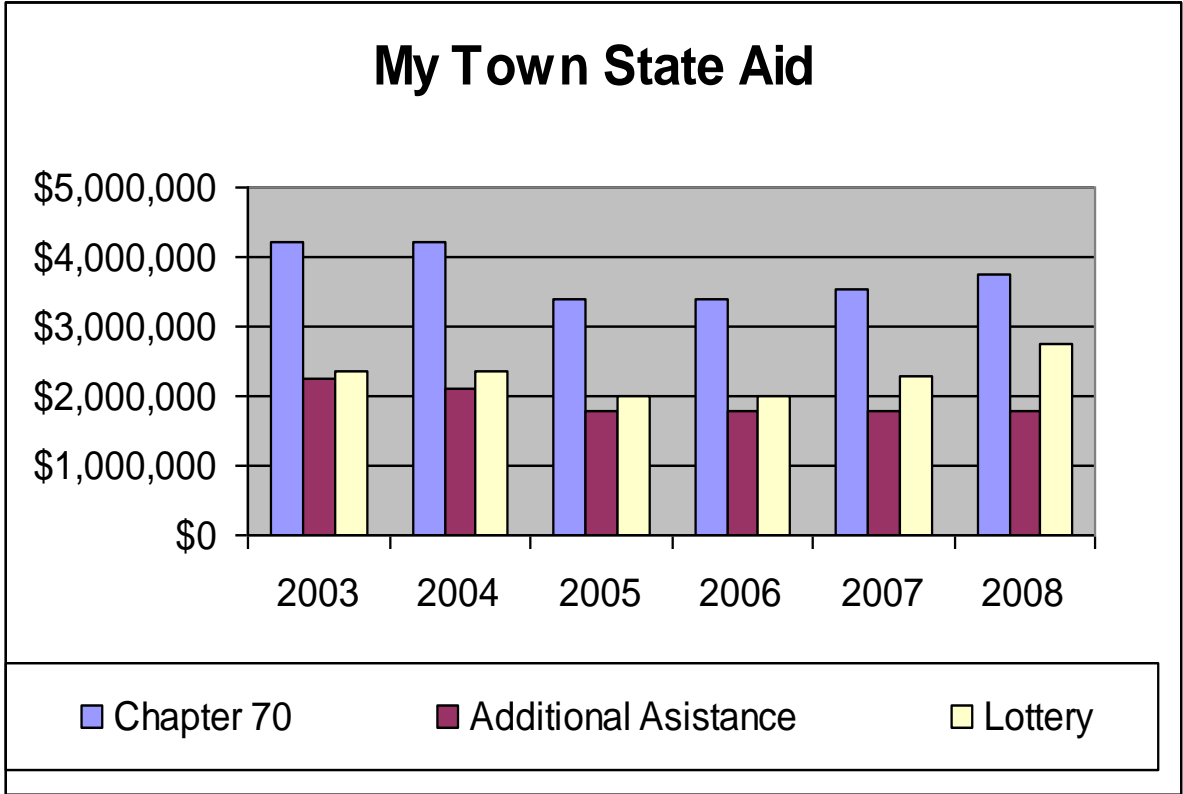
school committee members and key district administrators, the mission statement, the district strategic goals, and budget assumptions.

- A budget calendar and an overview of the budget process, informing the public of when and how the budget is put together should also be included.
- The budget should contain information in narrative form that provide a clear explanation of what the school district is trying to accomplish with its budget request, and this information should tie requests to the goals of the district's strategic plan. It should also discuss enrollment, political or other trends that will have an impact on attaining those goals.
- According to ASBO guidelines, three years of actual budget history as well as the current and proposed budget years should be shown. This information is critical to both the reader and the presenter to highlight spending and revenue trends for future planning purposes.
- The revenue, expenses and staffing for special revenue funds (grant, revolving and gift, etc.) should appear in a separate section.
- There are no graphs, tables or narrative explanations of expenditures. Information should be provided in a variety of formats (narrative, mathematical and graphical), to enable all readers to grasp and digest the information provided. Charts and graphs should be incorporated into the budget document and used to clarify information and bring areas of interest or concern to the reader's attention.

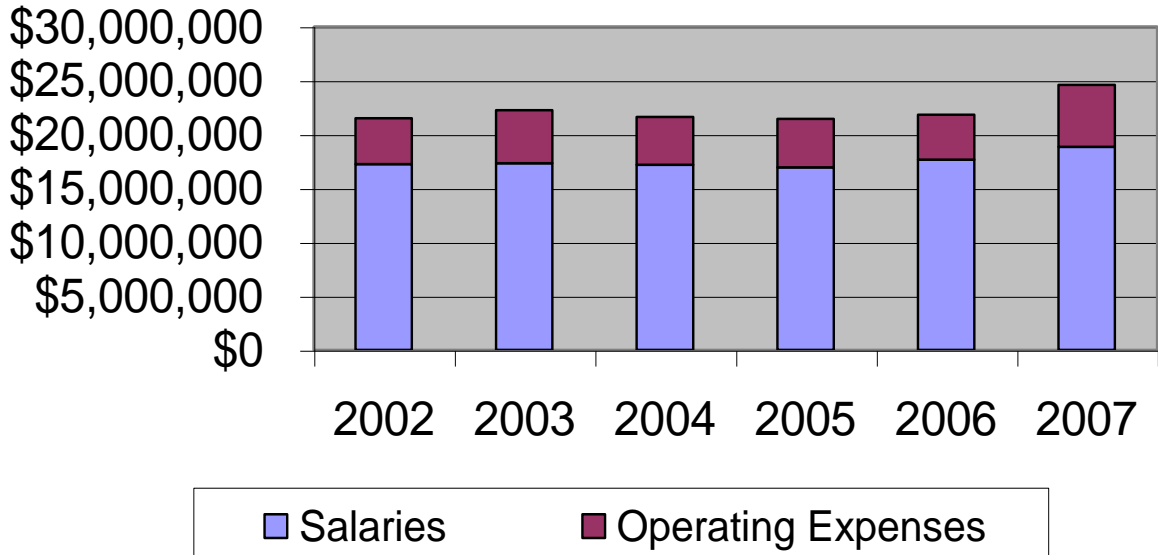
Some examples of charts and graphs are shown below as samples of what might be incorporated in future budget documents.

A “Budget Development Guide” has been included as Addendum B in this report. It is strongly recommended that this Guide be used as reference in the development of future budgets.

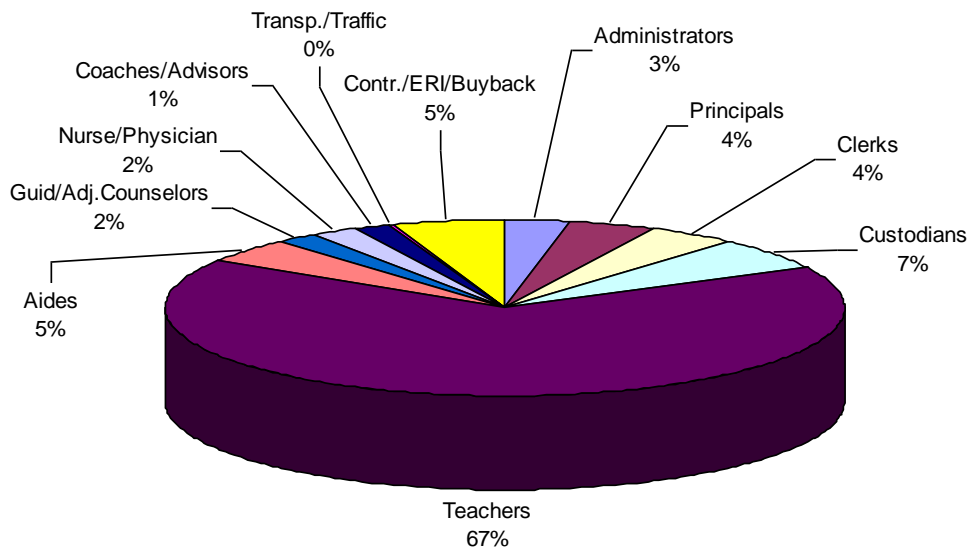
SAMPLE GRAPHS AND CHARTS



Budget Comparison



2009 Salaries



SECTION 4 : RECOMMENDATIONS

RECOMMENDATIONS: FINANCIAL PROCESSES, REPORTING AND MANAGEMENT

School Committee Policies

All school committee policies should be reviewed particularly the policy related to Budget Transfer Authority. It is important that these policies be tailored to accommodate the needs of the Arlington Public Schools. There should be a very clear policy established pertaining to the Budget Transfer Authority. This policy should establish the financial and accounting conditions, which would require the administration to request that the School Committee approve a transfer of funds in the existing budget.

Addendum C should help in the development of this policy. It is an article written by Glenn Koocher, MASC Executive Director and Atty. Steven J. Finnegan, MASC's General Counsel. The second half of this article is set in bold. It specifically addresses the matter of school committee authority pertaining to budgetary transfers, and suggests a method to simplify and facilitate this function.

See "*School Department Budget Process, Calendar and Monitoring*" recommendation and Addendum C, which explains how the budget process establishes the appropriate financial conditions for the implementation of an effective and efficient Budget Transfer process.

Written Agreement with the Municipality

The School Committee and municipality does appear to be aware that a written agreement for calculating indirect charges levied by the city to the school department needs to be created according to state regulation 603 CMR 10.04. This agreement must be reauthorized each year by the School Superintendent and the Town Manager.

Regulation 603 CMR 10.04 "Financial Accounting and Reporting, Other Municipal Departments", requires a school district to report to the Department of Education each year the financial amount of municipal services expended on behalf of the school district in accordance with the expenditure categories and cost allocation methods set forth in guidelines detailed in that regulation. This information is reported as part of the school district's End-of-Year Pupil and Financial Report.

School district personnel should annually review the document and the assessed costs from the municipality each year. It is important that proper documentation be maintained in the event of an audit. The school department also needs to review the documentation, which lists employees assessed for insurance and retirement costs.

Student Activity Accounts

The School Committee should consider re-visiting the matter of formally adopting the recommended guidelines for the operation and oversight of Student Activity Funds, which were developed by the Massachusetts Association of School Business Officials (MASBO). This is being recommended because we are unsure whether the existing procedure is in complete compliance with the current state statute. The process includes a School Committee vote that authorizes the establishment of a High School Student Activity checking account and a specified dollar amount limit for this account. We feel that the current level is too low for efficient operation of this function. The High School should maintain control of this checking account, under the jurisdiction of the Principal, including writing checks and record keeping for the individual sub accounts within the Student Activity Account.

In addition the School Department should work with the Town to establish mutually agreeable written procedures for requesting reimbursement from the Town-controlled agency fund into the schools' checking accounts. Any movement of funds, either through payments for supplies/services or replenishing checking account balances, must be processed through the utilization of the warrant procedure.

It is also important that the guidelines be followed pertaining to 'past' class accounts at the high school. These should be liquidated following the graduation of each class in accordance with student activity regulations and an established written policy approved by the School Committee.

These accounts should be monitored by the Central Office and audited on a regular basis. The larger accounts should have an outside audit conducted on a regular basis (if not annually, then every other year).

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 change of custody requirements should be clearly stated. All individuals who are responsible for the collection of cash/monies should be bonded under the Town of Arlington's insurance policy. Larger accounts such as Athletics, Food Service and User Fees should have a regular annual external audit by a qualified auditing firm. Internal audits of all revolving accounts should occur annually and be completed by the business office.

Job Descriptions for Business Office Personnel

All job descriptions need to be reviewed and updated. They 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.

School Department Budget Process, Calendar and Monitoring

The budget process should be clearly defined, in writing, with timelines (budget calendar) and the responsibilities of all participants. The process must utilize student achievement data as a primary factor in making budget decisions.

The School Committee should vote on the Goals and Objectives of the System at the beginning of the budget cycle.

The completed document should be clear, comprehensive, and concise; and it should provide accurate historical (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 this purpose and are included in this report as Addendum B. Also see the *Budget Document Review* section of this report.

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-base in order to assure accountability at the “cost center” level. Principals 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.

The budget should include all areas of spending including revolving accounts, food service fund, and grant funds.

It is critically important that the district adopt a specific policy for handling how the school committee will approve and monitor the annual budget. This is particularly important with regard to the issue of budget transfers. It is, therefore, recommended that the School Committee vote either a ‘cost center’ budget or a ‘function code’ budget.

Explanatory Note: As a point of clarification, it should be understood that Mass. General Law requires that school district budgets be both site based and program based. The establishment of line items for budget monitoring purposes can be accomplished either on a cost center or a function code basis.

Addendum C contains a detailed explanation of this process in an article authored by the Department of Revenue and taken from the “City and Town” newsletter. Information from this article can be utilized in the development of the aforesaid policy.

The school administration and building principals 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 should receive monthly 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.

Two substantial areas of budget monitoring that need to be strengthened include special education costs and utility services. With regard to special education, monthly submissions by the special education director to the central office that include the current financial conditions, particularly as they relate to outside placements, should be provided. 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.

Procedures Manual

A Business Office 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 web site that can be adapted for use by the Arlington School District.*

School District Organizational Chart

The School System organizational chart should be reviewed and revised to clearly delineate staff relationships in regards to authority, supervision and evaluation.

School District Automation of Financial, Purchasing, Payroll, Personnel (Attendance and EPIMS), Maintenance and Building Rental Software

In our discussions with Arlington School District staff, it was clear that decentralizing purchasing and "cost center" budget monitoring was an area of great need. There were significant areas of overlap and duplication of effort regarding these functions. With the elimination of the duplication of effort in certain areas such as the preparation of purchase orders, the risk of error could be reduced and staff time could be reallocated to handle the data entry responsibilities of this automation.

An electronic purchase order process should be established. This involves school building staff inputting purchase requests, which are electronically sent to the central

office for review, approval and disposition will eliminate paperwork and the manual operations at both the building and central office levels.

Excessive signatory requirements for the approval of purchase orders should be avoided. The policies and procedures adopted by the School Committee or established by the Town should be reviewed to ensure that this process is not so restrictive as to impact the delivery of supplies to the schools or the services to students.

Furthermore, review of bidding and contract approval processes should ensure that school district personnel are not prohibited from making timely decisions that are required of them. The CFO is currently MCPPO certified, and efforts are planned to have the Purchasing Clerk receive the same certification. This would certainly be a step in the right direction.

School building principals having the ability to access their budgets and accounts online will enhance the entire system financial operation. This capability involves the networking of school and other cost center computers to the Munis software system.

Staff Training

In order to manage finances in this era of declining revenues, administrators should assure that their staff is appropriately trained to perform their job responsibilities. The financial software applications must be used to their most efficient capabilities. Purchasing and payment procedures must be designed to provide accurate, transparent and accountable results. Business office equipment should also be adequate for effective and efficient operations. The goal of the business department should be to keep the School Committee and Superintendent informed so they may properly inform the community about the current financial needs of the school system and the long range financial capital plans of the Committee.

The need for further training, particularly in regard to Munis, was mentioned on numerous occasions during our interviews with business office personnel. A process including a timeline should be established as soon as possible to address this issue.

Food Service Program

In our discussions with Central Office Administration it does appear that the School Lunch program has been a consistently self-sustaining enterprise. 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.

Maximizing School Department Revenue

The School Department should investigate maximizing revenue derivative from school facility rentals. It is our recommendation that this be completed as soon as possible so the rental of facility revenues can be utilized as part of the operational budget for maintaining school facilities. The utilization of facility rental revenue to offset utility, building maintenance and custodial costs can result in significant savings within the district budget. Many districts have excellent policies that provide for the maximization of this revenue.

Chapter 70 revenues intended to support the school system's education and education support functions, including facility use. These funds are not provided for use by private non-education related organizations that rental school facilities. In order to assure that the Chapter 70 spending requirement is adhered to, it is important that the school district recoup, from both public and private groups, the costs necessary for maintaining the facilities that these groups are using.

Medicaid Revenues

Many municipalities have agreements with their school departments to refund all or a portion of these funds to the school department as they are generated by the school system. It is recommended that the school district engage in discussions relative to this matter with appropriate Town officials.

Inventory Control

It is recommended that a written inventory control procedure be developed and that this inventory be maintained for all items including those related to the food service program. This could be accomplished utilizing the existing district inventory software or perhaps Munis has this type of module.

The school district should ensure its' compliance with GASB 34 and maintain an inventory of all items as required.

Electricity Procurement

The School District/Town should review any opportunities for reducing electricity costs through competitive procurement options. (It was unclear whether this was explored). This could substantially reduce these utility costs.

Review of Statutes

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

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

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

Access to Financial Data

In order to improve accuracy by eliminating the duplication of particular financial operations, and to maximize the ability of building principals and other cost centers to monitor their budgets, it is strongly recommended that school and other cost center computers be networked to the Munis financial system.

Purchasing Process

MASBO has reviewed a number of purchasing process systems in school districts and recommends that the district consider the following goal for its purchasing process. A terminal on the desk of each principal or principal's secretary that is connected to the central office and the town comptroller's office is necessary. This will enable the following procedure to be established:

- The principal or secretary prepares a requisition electronically on the computer.
- The requisition is digitally signed by the principal and forwarded to central purchasing.
- When the requisition is received in central purchasing it is forwarded to the business official and superintendent for review and electronic approval.
- When approved, it then becomes a purchase order with a distinct number and emailed to the supplier or downloaded and mailed.
- The principal immediately has his/her budget adjusted through the software program and he/she can instantly review the status of their budget at the computer screen on their desk.

At present, the school secretary prepares a requisition, which is in fact just a form on a sheet of paper. The principal signs the form and forwards it to the central office purchasing office and does not know the current status of his/her budget. As stated above, this process will allow the principal or department head to immediately know if there are funds available in the line item of their budget.

It was learned by the MASBO team that, at present, when a requisition places an account in the negative, the purchase has still been made if, for example, required by special education or a needed repair. This correction would help to address the School Committee's concern relative to initiating measures to; "manage risk to the district's bottom line."

The MUNIS software program has the capability to process purchase orders electronically from remote locations in the district and it is currently being used in a number of school districts. MASBO recommends that the district contact MUNIS and inquire about necessary implementation and training.

Forecasting Tools for Budget Line Items, Especially Salary Accounts

District personnel described to MASBO representatives their process for monitoring salary expenditures during the budget year. Salaries are not encumbered at present; however, in the wake of the FY10 budget shortfall, the Comptroller has encumbered the estimated summer salary amount for FY11. During the budget year the salary budget is not adjusted for employees leaving or joining the system. Step raises and any buy-backs are not entered into the original budget or during the budget period. A budget report that only includes the original salary budget is not an accurate tool to analyze anticipated budget balances. Since salaries comprise approximately 80 per cent of the budget it is critical that an effective salary projection model be developed. This model can be developed on an EXCEL spreadsheet using a combination of budgeted funds, actual expenditures to date, and previous year's budget history. MASBO also has a model financial report that can be downloaded from its website for this purpose.

A forecast should begin when 3 or 4 actual teacher salary payrolls have been experienced and then the forecast should be reviewed again after each subsequent teacher payroll. There should be a least four or five categories in addition to the teacher's payroll included in the projection such as clerical, central administration, custodial and maintenance personnel, aides and other non professional salaries. Substitute salaries, stipends, longevity, and other contractual obligations should also be included in the projections. It is possible to download entries from the MUNIS financial software program into a district developed EXCEL spreadsheet and from a district developed EXCEL program into MUNIS.

The district should consider developing a forecasting tool for three other budget categories that can experience significant budget variances: special education, retirement program obligations, and energy. MASBO believes that well-developed forecasting tools are the key to managing a current operating budget.

See Addendum A of this report for further guidance in this area.

Consideration of Human Resources Position

There is no Human Resource position, in the district. The School Committee should consider establishing this position. The Superintendent, in particular, spends a

large portion of time handling personnel matters such as labor grievances and attending hearings. The preliminary reviews of applications, verification of CORI, early stage grievances and reference checking could be included in that position.

The development of a Position Control system by the Chief Finance Officer should alleviate a number of problems such as personnel being hired without a budget slot and without the knowledge of payroll. This was certainly a contributing factor, though small, to the FY10 budget deficit. However, someone has to manage that system and keep it current. The lack of a Human Resource position makes the hiring process difficult to manage.

Financial Reports

School committee policy should require that the superintendent, or her designee, submit financial reports on a monthly basis during the budget year. The Committee should review their policy to assure that the information they now require in that policy is satisfactory. We recommend that the reports include all school district fund sources, such as grants and revolving accounts, in addition to the local appropriation budget. Copies of these reports should also be made available to the Town Comptroller.

The Chief Finance Officer should meet with the Special Education Director on a regular basis to review that budget and the School Committee should be informed of any current or possible prospective additions to that budget. The Chief Finance Officer and the Special Education Director should develop an EXCEL spreadsheet both as preparation for the annual budget and ongoing activity during the budget year

As mentioned previously, see Addendum D for more information and the MASBO website for a "model" financial report that can be adopted for use by the district.

School Budget Expenditures Reconciled with Town Finance Personnel

Transactions such as budget transfers and receipts need to be examined to verify that the school and municipality have made the same budget or journal entries. Monthly verifications will assure that the end-of-fiscal year reconciliation is a timely, uncomplicated and accurate process.

MASBO representatives also learned that general communication between municipal and school officials does not take place on a scheduled basis. Since school and municipal officials both use the MUNIS software it should be easy to reconcile any

differences and officials should meet on a frequent basis to address any issues that need to be resolved.

School and municipal officials should discuss and agree of the level of detail in line items that the municipal officials need to review each month to be satisfied that there is sufficient reconciliation. MUNIS can provide a number of valuable reports. The district and municipality should assure that its personnel who use this software are properly trained to take advantage of every program this software offers.

This is another reason why a network should be established between the school district financial office and the office of the town comptroller. If the school budget is reconciled with the town on a monthly basis, then the budget issues that occurred in FY10 can be addressed early and the requisite adjustments can be made at that point of time and not after the fiscal year ends.

School Committee Budget

Another area of this report addressed the School Committee budget document. However, a review of the time lines and the schedule of meetings indicates that it is essentially a “top down” budget process. We recommend that it should be a “decentralized” process. Budget preparation sheets should be sent to the Principals and they should meet with their teachers and other staff. They should also meet with their Parent Council. Their budget requests should reflect their School Improvement Plan.

The district has had a number of changes in the accounting structure in the past few years. Each change in structure has required significant reprogramming of the MUNIS software. The Business Administrator has developed an accounting structure that is more in line with DESE requirements and it will facilitate transferring data to the End-of-the-Year Pupil and Financial Report. This change plus the Position Control system and more intensive forecasting should lead to more effective budget control.

Use of Student Assessment Data to Develop the Budget

MASBO representatives reviewed the district’s process of budget development. We learned that the basis for budget development was a percentage increase or decrease from the current year, which is not a process that is data driven or involves student assessment data to inform decision-making. It was explained that student data has been the basis for deciding which programs are extended, initiated, reduced or eliminated

within the parameters of the budget percent increase or decrease, but the final budget does not address all of the identified needs.

We recommend that notes be kept of administrative budget meetings, particularly when the discussions involve use of student assessment data in budget development, and application of school and district improvement goals in the budget process. Minutes of these meetings should be kept, as they will provide effective supportive evidence when explaining budget requests to the school committee and other stakeholders.

The budget process should contain all stakeholders including the parent councils, teachers, principals, district wide and central office personnel, and municipal officials. The school committee budget should be widely distributed within the community in a summary form that can be understood by resident.

Implement an Evaluation Based Review Process to Determine Effectiveness of Budget

The development and implementation of a program-based budget will facilitate this evaluation process. This process is implemented during budget meetings between the principals and other cost center administrators that are responsible for the implementation of particular program. A portion of these meetings is usually devoted to providing a justification of the cost of the program based upon the value of its outcomes. Comparative data from similar districts is often used to assist in this highly judgmental process.

Payroll and Budget Analyst

MASBO representatives observed that there are a number of interruptions to the Payroll Bookkeeper and Budget Analyst. This position should have a minimum of interruptions. Some of these interruptions appear to be questions that are more properly handled by a human resource person that should be considered for addition to the existing table of organization, or by the town personnel or insurance employees. MASBO learned during the interview process that overtime was not a budgeted item. Also, it was determined that special education summer school salaries were not in the budget.

Cross Training and Backup for Business Office Personnel

It is important that there is cross training to cover illnesses and vacations. In interviews with these support personnel, it was learned that employees believed they have the experience to back up other personnel in some tasks. Cross training should be done

on a periodic basis and not just when there is an absence in a particular position. The requirement for an employee to be cross-trained should be included in their job description. Also the individual who is cross trained in a position should perform the functions of that position at least every few months so that the skills learned during his/her training are retained. This is a current practice, but only in the Payroll Department.

Summary Comments

In summary, the MASBO team found a moderate 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 four Addenda contained in this report should assist in addressing many of the issues that are cited. Other assistance and information can be obtained by accessing the MASBO Website (sample operations manual, statutes mentioned above, etc.) or contacting John A. Crafton, MASBO Executive Director at 978- 452-7044 or masboexec@mec.edu .

Frequent changes in leadership always result in loss of direction and vision within an organization. *It is our opinion the central office administrative staff in the Arlington Public Schools are indeed quite capable of responding in an effective manner to the current fiscal crisis and the operational issues elucidated in this report.* With this in mind, and given the past history of turnover in critical administrative areas, *we strongly recommend that one of the school committee's primary goals be to foster a culture of trust and support that will enhance continuity and stability throughout the central office administration.* This can be accomplished by consistently operating at the policy level, which is the statutory role of a school committee, and by minimizing involvement in administrative functions.

It is recognized and understood that after a serious fiscal crisis, such as the one that the Arlington Public Schools is currently grappling with, it is difficult to refrain from imposing particular control mechanisms. However, such controls tend to add a layer of bureaucracy that inhibits efficient operation.

We believe that accountability and transparency can be achieved through implementing the recommendations in this document, especially the ones pertaining to

the budget document, budget development and financial reporting. Furthermore, we advise aggressive corrective action pertaining to the following matters, which are very critical to the efficient and effective operation of the school district:

- submission of monthly comprehensive financial reports that clearly delineate the projected end-of-year status of the school district's budget (the report should include an explanation of the variables that would have either a positive or negative impact on this projection);
- development of a formal written agreement delineating municipal educational expenditures as well as the method for determining the level of each expenditure;
- preparation of a clear, concise and comprehensive district budget that is both program and site based;
- implementation of appropriate budgetary monitoring through the projection of salary, utilities, and other expenditure accounts;
- monitoring district cash management through the establishment of formal written procedures;
- automation of budget purchasing and personnel functions.

Effective School District Financial Operations require the establishment of an environment which incorporates the adoption of the national "generally accepted accounting principles" (GAAP). Separation of duties, transparency, and the use of a "check and balance" process are particularly important.

School district operations within the frame of reference of this separation of duties concept will provide for regularly scheduled reconciliation of expenditures with the municipality. Other areas and activities that should employ the separation of duties concept are: implementation of line item transfers; the purchasing process (receipt of goods/services, authorization of invoices, etc.); limitation of authorization relative to particular features within the general ledger; and cash management (collection of fees, gate receipts, etc.).

Transparency becomes prevalent in the following operational procedures: regular consistent financial reports; the written agreement between the district and the municipality where municipal charges to the district are clearly explained and agreed upon; the installation of financial software and equipment that will permit each cost

center to view it's budget; regular special education reports that delineate service changes or student roster changes that would impact the budget; and the inclusion of revenue and expenditure information regarding all funds in the annual budget.

Finally, checks and balance processes can be established by conducting regularly scheduled internal and external audits, convening monthly "reconciliation" meetings with the municipality; and establishing "chain of custody" procedures in the cash management process.

**SECTION 5: ADDITIONAL
COMMENTARY PERTAINING TO THE
FISCAL 2010 BUDGET DEFICIT**

The methodical process employed in the development of this report resulted in providing a plethora of information that can be used in the formulation of responses to the inquiries listed by the school committee within its “Scope of Work” document. Consequently, in this section, particular aspects of the report’s findings will be applied to each of these inquiries. Each specific inquiry has been re-worded as a sub-topic and they appear in bold and are underlined.

Cause of FY 2010 Budget Deficit

Serious budget deficits in school districts are almost never attributed to one sole cause and the Arlington Public Schools deficit is certainly no exception in this regard. A number of factors, all of which have been addressed in the “*Recommendations*” section of this report, contributed to the occurrence of this deficit.

The frequent changes in administrative staffing since 2005 is a major factor, because multiple leadership changes create a domino effect resulting in concomitant changes in operational procedures, particularly those associated with budgeting (chart of account issues) and reporting. *These changes affect the culture of the entire school district, and it is in this culture where the atmosphere of accountability and transparency reside.*

The fact that Arlington’s Chief Financial Officer began her employment after the fiscal 2010 budget had already been developed and three months into the fiscal year certainly exacerbated the impact of this factor. Not knowing the pattern by which revenues are received in the district put her at a distinct disadvantage. The failure to recognize that revenues would not reach their projected levels can be attributed, at least partially, to her lack of experience relative to the historic trends which impact the gradual accumulation of funds within particular budgetary line items, revolving accounts, fee collections, etc. in the district.

An indirect factor was the lack of municipal oversight, which is necessary for the implementation of a “check and balance” mechanism regarding the school district’s budget. There is more commentary in the body of this report regarding this matter. However, the “hands-off” approach of the municipality is easy to understand, since Arlington has never before encountered a budgetary crisis of this magnitude in the public school system.

Other factors that will be commented on, in greater detail, in the other areas within this section are lack of financial reports, problems implementing the new chart of accounts, lack of effective hiring procedures, and the lack of a site-based budgeting process which would impose greater accountability on “cost center” managers.

Management of the District’s Bottom Line

Measures such as the development of a position control system and the submission of regular financial reports were implemented during 2010. These measures were implemented too late in the fiscal year, however, to have an impact relative to managing the risk to the district’s bottom line. Of course, the reason for the lateness of implementation is directly related to the late hiring of the Chief Financial Officer. It obviously takes some time, at least several months, to identify particular weaknesses in a financial system and then implement procedures to address these weaknesses. These measures do, however, constitute significant assurance that this fiscal crisis will not re-occur.

Monthly Financial Reports

Perhaps the new Chief Financial Officer could have used the financial report document that was prepared by the previous CFO, but she stated that she did not have faith in the report. Another reason for not preparing financial reports and submitting them to the school committee earlier in the fiscal year pertain to her only recently being hired to this position.

We ascertained through discussion with the CFO that she needed some extended time after being hired to become acclimated to the financial systems that were in place in Arlington. We, consequently, feel that the Chief Financial Officer’s unfamiliarity with the fiscal 2010 budget and general confusion over the implementation of the new chart of accounts were definitely factors that would delay the reporting function.

Magnitude of the Fiscal 2010 Budget

The magnitude of the approximately \$1.5 million fiscal shortfall, in our opinion, was not identified earlier because many of the items causing the shortfall developed as the year progressed. For example, the August 2010 “Adopted Revenue Detail Projections” show that a “Sped Tuition In/Group Home” account anticipated \$525,000 but, as of the date of the report, only \$13,084 was received. This type of account requires

frequent re-billing throughout the year. The “LABBB distribution & tuition credit” account, which shows a \$450,000 shortfall, and the “Lunch Program offset”, which show a \$150,000 deficit are similar. It should be noted that the present CFO was hired after the revenue projections for FY 2010 had been developed.

New Chart of Accounts and Position Control System

As mentioned within other areas of this report, we strongly support the establishment of the “position control system”. This system, if used properly, will assure that staff salaries are kept up-to-date and the hiring process is within budgetary limitations. It will also facilitate the completion of salary projections. It is important that the “position control system” take into account the summer salaries of teachers that opt for the issuance of 26 pay checks.

The new chart of accounts, with the exception of the object codes, complies with state regulation. In this regard, it should facilitate the process of accurately completing end-of-year reports. The object codes tie to the municipal object codes, which should make it easier to reconcile expenditures with the municipality if/when monthly meetings are scheduled for this purpose.

School Committee Oversight

The school committee’s oversight should include assuring that a viable budget adoption process is in place. This is explained further in the “*Recommendations*” section of the report and in Addendum C. Cost Center line items should be established as part of this process. The utilization of this approach will also result in a more meaningful and effective transfer policy. The Budget Adoption Procedures (DBG) and Budget Transfer Authority (DBJ) are two policies, which should be modified to accommodate the aforementioned new budget adoption process. The budget categories listed in policy (DBJ) should be established as cost centers and specifically included in all financial reports.

The school committee should also take measures to assure that the annual budget is both site and program as required under state statute. It is important to note that MASBO has a model budget template that can be downloaded, customized and used by the Arlington Public Schools.

The present method of using a finance sub committee appears to work well. However, many school committees employ a method of meeting twice a month, with one public business meeting and one work meeting. The work meeting is usually more informal and has only one agenda item (i.e. Budget review, MCAS Review, etc.). No votes are taken.

Financial reports should be submitted on a monthly basis according to current policy. It is important to insure that revenue projections are realistic by requesting a three year history of each revenue account be provided. Any anomaly would require extensive justification. Financial reporting is also covered more extensively in the body of this report.

The school committee should take immediate measures to assure that a written agreement between the municipality and the school district regarding municipal net school spending “charge backs” is in place. This agreement must specifically define how charge backs for each education-related service is calculated. Whenever possible, the agreement should provide for documentation that is auditable. Finally, the agreement must be signed by both the superintendent and town manager.

Role of Other Town Officials

The “appropriate” involvement of the municipality is critical in the budget oversight process. As mentioned previously, the municipality can play an important “check and balance” function throughout the fiscal year. It represents another set of eyes regarding determining whether; for example, revenues are realistic, expenditures do not exceed budgetary line items and projections are completed properly and are on target.

A recommendation has been made to convene meetings on a monthly basis in order to reconcile expenditures and discuss any fiscal matters that require clarification.

The municipality also maintains the student activity agency account, which is a control account of the school checking sub-accounts. The municipality’s role is to assure that school checking account balances do not exceed those approved by school committee vote and that all money is for appropriate purposes.

School Committee Reports

It has been mentioned frequently throughout this report that the school committee should receive monthly reports throughout the fiscal year. The type of report is also

described. However, it should be mentioned that MASBO has a model financial report that can be downloaded from our website and customized to accommodate Arlington's needs.

Budget Transfer Authority

This matter has been addressed in several areas throughout this report, including the "*Recommendations*" section and the previous section entitled "*School Committee Oversight*", and in Addendum C. Please refer to those sections.

Arlington Public Schools Business Office

During our two day site visit, the MASBO review team interviewed the entire business office staff (the Director of Payroll was interviewed and represented the other payroll clerks in this process). We also had frequent opportunities to observe the manner in which work is conducted in the district's business office. For the most part, we feel that the utilization of cubicles is perhaps the best option for providing at least some degree of privacy for employees. Furthermore, we feel that the location of payroll in a private office is a positive feature.

However, we do feel that, in recognition of the very detailed nature of their work assignments and in order to minimize error, interruptions in the work flow of the Budget Analyst, Director of Payroll and payroll clerks should be kept to a minimum. For example, particular periods of time should be chosen when these individuals would be relieved from the responsibility of answering the telephone.

While it is recognized and understood that funds are extremely tight, serious consideration should be given to adding a Human Resource person to the table of organization.

SECTION 6: 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 transfer authority of school committees based in part on *Leonard v. School Committee of Springfield*, 241 Mass 325 (1922). Subsequently, two laws further reinforced the line item and transfer authority of school committees. (St. 1981, c. 471 and 782.)

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

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

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

School committees make dozens of difficult decisions during the budget process that includes at least one mandatory public hearing (M.G.L. Ch.

71, Section 38N) but in fact, usually involves more. The board must act, often with passionate special interests seated before them, to vote affirmatively or negatively on individual programs and line items recommended by the superintendent of schools. Someone usually goes home disappointed with virtually every decision.

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

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

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

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

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

Both Massachusetts Association of School Committees (MASC) counsel and the Department of Revenue, Division of Local Services, have opined that, based upon M.G.L. Ch. 71, Sections 34 and 37, the authority to

transfer among accounts is vested solely in the school committee, and therefore may not be delegated to the superintendent or other officer.

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

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

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

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

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

Financial Reporting Principles and Guidelines

Financial Reporting Principles

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

Key Elements of the Financial Report

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

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

- a. Budgeted Revenue
 - b. Revenue Adjustments
 - c. Year-to-date receipts
 - d. Projected ending revenue
2. The report should include not only the status of the general fund but also grant funds, revolving funds, and capital funds.
3. Any significant surpluses or deficits should include an explanatory note
4. The report should have a header that contains the name of the entity, the budget year, and the date-ending for which information is presented.

5. The pages of the report should be numbered consecutively and pages should include a date stamp.
6. The report should include a narrative to discuss, at a minimum, significant changes from prior reports, and concerns or issues for the remainder of the year.
7. All assumptions upon which projections are based should be thoroughly documented in the report.

Other Guidelines and Recommendations

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

APPENDIX A

Proposed Scope of Work

Consultant to assist the Arlington School Committee's investigation of the FY '10 Budget Deficit and to evaluate proposed steps to improve reporting and oversight

Massachusetts General Laws Chapter 71, Section 37 reserves to School Committees the exclusive authority to "review and approve budgets for public education in the district." In FY '10, the School Department ran a \$1.525 million budget deficit. The full extent of the deficit was not known until mid-August, ten weeks after the close of the fiscal year.

During FY '10, the school department's Chief Financial Officer informed the Committee that until the reporting processes in her office were revised, she could not fulfill School Committee Policy DI, which mandates the filing of monthly reports to the Committee that include "a presentation of income, expenditure, encumbrances and unexpended balances for the general fund budget and all special revenue fund budgets, i.e., grants." Furthermore, she reported that both the budgeting format she inherited and the new format proposed for FY '11 did not match the requirements of Policy DBJ, which requires the School Committee to approve transfers of funds between accounts, a process designed in part to check the district's spending.

On August 26, 2010, the School Committee voted unanimously to direct the Budget Subcommittee to "undertake an examination of the factors and processes that led to the shortfall in the Arlington Public Schools Fiscal Year 2010 budget." The motion further directed the subcommittee to "seek the services of an outside auditor" to assist with the investigation. The Massachusetts Association of School Committees (MASC) recommends that the Budget Subcommittee perform its investigation with the assistance of a consultant with experience as a financial officer of a school district. A member of the Arlington Finance Committee who attended the August 31, 2010 Budget Subcommittee concurred that practical recommendations from a school business officer could be useful.

Therefore, the Arlington School Committee is seeking a consultant who can investigate what happened in FY '10, evaluate proposals to improve fiscal control in FY '11, and provide any other appropriate guidance to the School Committee and school administration. The specific questions the district would like the consultant to address in a report are:

1. What caused the FY '10 budget deficit?
2. What measures were taken to manage risk to the district's bottom line, why did they fall short, and what could have been done differently?
3. Why was the business office unable to provide monthly reports on spending v. the approved budget per APS Policy DI?
4. Why was the magnitude of the FY '10 budget deficit not detected or more broadly communicated earlier?
5. Will the proposed new chart of accounts and position control system enable the district to forecast accurately whether the district is operating within the budget approved by the School Committee?

6. Please identify any lapses in oversight of the FY '10 budget on the part of the School Committee and make recommendations on specific ways the School Committee can better monitor spending in the future.

7. Based on the consultant's experience and knowledge of best practices in other communities and a review of town bylaws, what role, if any, should other town officials play in monitoring and reporting the spending of the school district?

8. What information should the School Committee receive and how often should the Committee receive it in order to ensure that the district is operating within the approved budget?

9. How should the Budget Transfer Authority (Policy DBJ) process work in our school district?

10. Is there an alternative way to organize the Business Office of the Arlington Public Schools? Please make recommendations to restructure the office so that it can properly serve the Arlington Public Schools.

11. Please provide the School Committee with any other relevant observations or recommendations.

A final report is due to the School Committee by no later than Friday, October 29, 2010. The School Committee and school district will cooperate with other reviews of the FY '10 school department deficit, including a potential investigation by the District Attorney's Office, work being done by the auditing firm of Powers and Sullivan, and any other evaluation that takes place by a local or state authority.

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 Arlington Date 9/16/10
 Address 869 Mass Ave. City/Town Arlington 02476
 Contact Person Diane Johnson Telephone 81-316-3511 email: djohnson@arlington.k12.ma.us
C 617-480-1038

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

- Procedures are in place for involving all pertinent staff in the development of the annual school district budget.

Very Effective		Moderately Effective		Not Effective
5	4	3	2	1

Handwritten: Procedures are in place
- 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		Moderately Effective		Not Effective
5	4	3	2	1

Handwritten: FY11 not FY10
- Budgetary account codes provide for expenditure identification by Massachusetts Department of Education fund, function, object, program, and location.

Very Effective		Moderately Effective		Not Effective
5	4	3	2	1
- District priorities and goals are correlated with individual school priorities and goals and are articulated within the budget.

Very Effective		Moderately Effective		Not Effective
5	4	3	2	1

Handwritten: Just the district priorities

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 _____ 3 _____ 2 _____ 1
 Moderately Effective

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 _____ 3 _____ 2 _____ 1
 Moderately Effective

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

Very Effective 5 _____ 4 _____ 3 _____ 2 _____ 1
 Moderately Effective

8. The approved budget document is distributed to:

All stakeholders 5 _____ 4 _____ 3 _____ 2 _____ 1
 Some Stakeholders Not Distributed

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 5 _____ 4 _____ 3 _____ 2 _____ ~~1~~
 Moderately Effective Not Effective

important

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

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

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

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

13. Student performance information impacts budgetary decision-making during budget development as well as when making budget transfers during the year.
- | | | | |
|-------------------------|---|---------------------------|------------------------|
| <i>Strongly Impacts</i> | | <i>Moderately Impacts</i> | <i>Does not Impact</i> |
| 5 | 4 | 3 | 2 <u>1</u> |

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.

<i>Very Effective</i>		<i>Moderately Effective</i>	<i>Not Effective</i>
5	4	3	2 <u>1</u>

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

<i>Very Effective</i>		<i>Moderately Effective</i>	<i>Not Effective</i>
5	4	3	2 <u>1</u>

Transfer approved

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

in FY11 only

<i>Monthly</i>	<i>Bi-monthly</i>	<i>Quarterly</i>	<i>Annually</i>	<i>Not Provided</i>
<u>5</u>	4	3	2	1

4. Budgetary expenditures are reconciled with municipal financial records on a regular basis.

Some system

<i>Monthly</i>	<i>Bi-monthly</i>	<i>Quarterly</i>	<i>Annually</i>	<i>Not Reconciled</i>
5	4	3	<u>2</u>	1

not enough how reconciled

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.

<i>Very Effective</i>		<i>Moderately Effective</i>	<i>Not Effective</i>
5	4	3	2 <u>1</u>

Does not track spending

6. Estimate the degree to which your accounting technology facilitates the reconciliation of budgetary expenditures with municipal financial records.

<i>Very Effective</i>		<i>Moderately Effective</i>	<i>Not Effective</i>
5	4	<u>3</u>	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 5 _____ 4 _____ 3 _____ 2 _____ 1 (1) *Not Effective*

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 5 _____ 4 _____ 3 _____ 2 _____ 1 (1) *Not Effective*

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 5 _____ 4 _____ 3 _____ 2 _____ 1 (1) *No Adherence*

10. Municipal expenditures for education reported on the End of Year Report are documented

Consistently documented 5 (5) _____ 4 _____ 3 _____ 2 _____ 1 *Not documented*

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 5 _____ 4 _____ 3 _____ 2 _____ 1 (1) *Agreement does not exist and DOE guidelines are not followed*

12. School Committee policies and/or administrative procedures for handling student activity funds, consistent with the law and DOE guidelines, are operational

Appropriate written procedures are being followed 5 _____ 4 _____ 3 (3) _____ 2 _____ 1 *Procedures followed are not consistent with the law & DOE*

13. All student activity accounts and related accounts are periodically audited

Professional audit performed 5 (5) _____ 4 _____ 3 _____ 2 _____ 1 *Internal audit performed No audit performed*

First-time in FY09

14. Grants processing and management functions

Are articulated, clear and consistently followed 5 _____ 4 (4) _____ 3 _____ 2 _____ 1 *Are unclear and inconsistently applied*

15. Revolving account financial statements are prepared and reviewed.
Annually *Bi-annually* *More than 2 years*
 5 _____ 4 _____ 3 _____ 2 _____ 1
Between reports

*Reviewed
 Monthly*

16. Student performance information is used to assist in the formulation of financial decisions.
Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 2 _____ 1

17. The school business official licensure status
Professional License *Not Licensed*
Or provisional license
5 _____ 4 _____ 3 _____ 2 _____ 1

18. Spending is monitored utilizing control procedures and a reliable forecast instrument
Very Effective *Moderately Effective* *Not Effective*
 5 _____ 4 _____ 3 _____ 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 effectively *Somewhat Effectively* *Not effectively*
 5 _____ 4 _____ 3 _____ 2 _____ 1

2. The school business official is very familiar with the Massachusetts Public Procurement Law
The business official is MCPPO-certified *Somewhat familiar* *Is not familiar*
5 _____ 4 _____ 3 _____ 2 _____ 1

3. The district adheres to the provisions of the Public Procurement Law
Consistently adheres *Somewhat adheres* *Does not adhere*
 5 _____ 4 _____ 3 _____ 2 _____ 1

4. Purchase orders required for goods and services
Always required *Sometimes not required* *Not required*
5 _____ 4 _____ 3 _____ 2 _____ 1

5. Normal turn around time from requisition to purchase order
1 to 2 days *3 to 5 days* *More than 5 days*
 5 _____ 4 _____ 3 _____ 2 _____ 1

- 6. Purchases are efficiently received, recorded and processed in a timely manner.
Very efficiently *Somewhat efficiently* *Not efficiently*
 5 _____ 4 _____ 3 _____ 2 _____ 1
- 7. Invoices, once checked against the purchase orders, are paid
Within 20 days *21 to 45 days* *more than 45 days*
 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

Spit 54

Purchasing Flow Chart

- 1. Requisition initiated by teacher
- 2. Approval of requisition by principal
- 3. Describe how the approved requisition becomes a purchase order:
approved by CFO, entered into Munis by Business Office
Order placed by B.O. → Goldenrod copy returned to Principal
with final pricing → Item received by teacher OK'd by
Principal → Goldenrod returned to A/P → bill paid
- 4. Who approves school department purchase orders? budget controlling administrator
+ CFO or Super
- 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?
Purchasing Clerk

7. How much time elapses between the initiation of the requisition and the sending out of the approved purchase order? ideally < 3 days from receipt in B.O.

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?
see above

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? 30 days or less in beginning of year, slower as year progresses,

D. Payroll Processes

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

<i>Consolidated</i>	<i>one to two offices</i>	<i>More than 2 offices</i>
	<i>Or people</i>	<i>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>

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
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

Appendix C
Review Team Qualifications



Massachusetts Association of
School Business Officials, Inc.

Affiliated with the
ASSOCIATION OF SCHOOL BUSINESS OFFICIALS INTERNATIONAL

John A. Crafton
MASBO Inc.
84 Brick Kiln Road
Chelmsford, MA 01824

Email: masboexec@mec.edu
Phone: (978) 452-7044
Cell: (978) 273-3888

Areas of Expertise:

Current Massachusetts ASBO Executive Director

I have functioned in this capacity since January 5, 2004. During this period of time, I have implemented for following new programs and procedures for the organization: School District Financial Operations Review, Salary/Benefits Analysis, Administrative Apprenticeship/Internship Program for the attainment of Professional Licensure, Code of Conduct, Chapter 70 State Funding Review Committee, Standing Committee for Regional Districts.

In addition, during my tenure the organization's governance activities have been enhanced through a self assessment survey that is completed by the entire membership and the executive director's evaluation.

MASBO's retained earnings have also increased by approximately 30%.

Assistant Superintendent for Finance and Operations from 1981 to 2004

Teacher, Guidance Counselor, Coordinator of Occupational/Career Education from 1969 to 1981

Participated on several curriculum development committees and also taught several courses at the college level.

Demographic Information:

MASBO has recently joined twenty-one other states along the eastern portion of the country. These states include New York, New Jersey, Pennsylvania, Maryland, New Hampshire, Vermont, Maine, Massachusetts, and the states that comprise Southeast ASBO.

Leadership and Volunteer Experience:

Received the following awards: ASBO Eagle Award, ASBO Pinnacle Award, ASBO Meritorious Budget Award, Methuen's

Man-of-the-Year Award. Served for approximately ten years as Vice Chair and Chair of ASBO's Legislative Committee. Serve on my local parish church's Finance and School Committees.

Specific Areas of Expertise:

I have a Master's Degree in Psychology, which entails a basic knowledge of standardized testing. Massachusetts requires that School Business Administrators be licensed, and as mentioned, I was involved in the development of a program designed to provide training leading to the attainment of the requisite license. I also serve on the Education Commissioner's Panel Review Commission. This Commission reviews the qualifications and experience of individuals seeking to attain licensure based upon their present level of experience and educational background.

Joel H. Lovering

20 Windsor Road
East Walpole, Massachusetts 02032
(H) 508 668-1445 (C) 508 294-4509

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, DOE 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

Certification:

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

Rhode Island Department of Education: Superintendent, Principal K-12

July 1, 2003 to June 30, 2006

Superintendent of Schools

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.

February 1989 to July 1, 2003

Assistant Superintendent of Schools for Business

(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, foodservice 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 the 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

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

JOHN D. SHEEHAN
65 Neck Street
North Weymouth, MA 02191
Phone 781-337-9221
John.sheehan12@verizon.net

PROFESSIONAL EXPERIENCE:

John Sheehan has over 30 years experience as a School Business Administrator and educational consultant for public school systems. His school business management experience as Assistant Superintendent of Schools included responsibility for all the business functions of the district. He also has extensive experience with the entire process of building and renovating schools from initial studies through contract completion. His present engagements include consultant agreements with public sector and private firm clients.

Present Clients:

Massachusetts Office of Quality and Accountability

Consultant examiner for this state agency whose mission is to review and evaluate the effectiveness of public school districts in promoting student achievement in the Commonwealth of Massachusetts. Through the monitoring of a school district's educational performance, particularly low performing systems, findings and reports are prepared for policy makers.

Habeeb & Associates Architects, Inc., Norwell, Massachusetts

Responsible for the contractual procedures and compliance regulations for the construction or renovation of school buildings, liaison with requisite agencies, and coordination of study, design and construction projects. Other responsibilities include analysis of school districts projected enrollments and development of educational specifications.

Massachusetts School Building Authority

Member of audit advisory council for this new authority recently established by the Massachusetts Legislature. The Council is presently developing audit and contract assistance procedures for communities that have constructed or are planning to construct or renovate new school buildings.

Previous Experience:

Milton Public Schools, Assistant Superintendent of Schools for Business

John Sheehan was the Chief Financial Officer of a public school system with an annual operating budget exceeding \$25 Million. Responsibilities included management of all business functions. Additional responsibilities included development of the capital needs, long range planning programs and enrollment projections for the district. During his tenure the district embarked on a \$130 Million building program which addressed the needs of all schools.

Weymouth Public Schools, Business Assistant

General Dynamics Corporation, Senior Contract Administrator

EDUCATION:

Bridgewater State College - Masters Degree in Education; Major: School Administration

Boston University - Masters Degree in Urban Affairs

Northeastern University - Bachelor of Science, Major; Industrial Management

Wentworth Institute - Associate in Engineering, Major; Architectural Engineering

PROFESSIONAL SOCIETIES AND AFFILIATIONS:

Massachusetts Association of School Superintendents; Massachusetts Association of School Business Administrators; American Association of School Business Administrators.

PROFESSIONAL REGISTRATION:

Massachusetts School Business Administrator, Certification Number 239413 .

CIVIC ACTIVITIES:

Member Town of Weymouth, MA Finance Committee, six years.