

**AUDIT COMMITTEE**

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Suzy Littlefield, Chair
Wellesley School Committee
40 Kingsbury Street
Wellesley, MA 02481

September 15, 2011

Dear Suzy,

The final report by Powers & Sullivan on the Review of the School Business Office and Selected Revenue Programs of the Wellesley Public Schools is enclosed. This review by the Town's independent certified public accountants was performed at the request of the Audit Committee, with the support of the School Committee, and funded by a Reserve Fund Transfer from the Advisory Committee. The review was in response to the billings and collections problems with the food service system. Powers & Sullivan were asked to perform a limited review of the systems and controls related to significant revolving or revenue accounts to assure that the accounts did not have problems similar to those encountered with the food service billings and collections.

The Audit Committee and the School Committee held two joint meetings in April and May to determine the scope and procedures of the review. An Internal Control Questionnaire was circulated to 18 program areas that collect significant fees or revenue and the Audit Committee selected six programs for review. The site visits were done by Powers & Sullivan in June, and on June 29th there was an Audit Committee meeting with members of the School Committee to receive a copy of the preliminary findings. On September 6th members of the Audit and School Committees and Powers & Sullivan met with the Superintendent and the School Business Manager to discuss the findings of the review.

Although the report indicates that within the six programs reviewed there were no major system failures similar to the problems with the food service billings and collections, there are several observations and comments indicating insufficient internal control practices and policies. Specifically, the bullet points at the end of the Powers & Sullivan report give examples where important control procedures are not in place.

At our meeting last week we requested that the School Department address the issues raised in the report, and provide the Audit and School Committees a response describing new internal controls in place and steps to reinforce existing control procedures. The School Department expressed concern about being able to respond in less than two months due to other pressing matters associated with the start of the school year, budget preparation and personal availability. The School Department also indicated that there are plans to convert several of these programs to an online payment and collection system and these new systems would have additional controls. We emphasized the urgency of implementing the essential control procedures as soon as possible even if they serve as interim control procedures until the new systems are installed and operational. We hope that the School Committee concurs with our sense of urgency in this matter.

Also, at Annual Town Meeting the School Committee indicated they intend to undertake a broader study of the School Business Office, not only to ensure the proper controls are in place, but to identify ways to do business more effectively and efficiently. At our meeting last week the School Department indicated that they plan to issue a Request for Proposal for this study this fall. The Audit Committee supports the need for this study, and members of the Audit Committee would be available to provide their expertise in preparing the RFP.

Sincerely,


Rusty Kellogg, Chairman

cc: School Committee
Advisory Committee
Board of Selectmen

TOWN OF WELLESLEY, MASSACHUSETTS

**REVIEW OF THE SCHOOL BUSINESS OFFICE AND
SELECTED REVENUE PROGRAMS OF THE WELLESLEY
PUBLIC SCHOOLS**

SEPTEMBER 6, 2011



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Re: Review of the School Business Office and Selected Revenue Programs of the
Wellesley Public Schools

At our meeting on May 25, 2011, we agreed to perform certain procedures with respect to selected revenue programs operated by the Wellesley Public Schools and to review procedures at the School Business Office relating to these Programs and to address any other matters that might come to our attention during these reviews.

We agreed at the May 25th meeting to provide the Audit Committee with a status report of our findings on June 29, 2011 and to prepare a final report subsequently to be delivered in early August 2011.

The following is a summary of the procedures we performed and our observations and comments.

1. We were initially provided a year-to-date (March '11) revenue summary of all of the School Special Revenue Accounts. From this listing we worked with the Audit Committee and Management to identify which accounts to focus our review on.
2. We designed and sent Internal Control Questionnaires to the Directors of 18 of the Programs selected and received completed questionnaires back from all of the Program Directors. This list included the 3 School Lunch Programs, but they were not included in this review because they were going to be discontinued due to decision to outsource these activities beginning with the new school year.
3. At the May 25th Audit Committee meeting we agreed to conduct site visits to review and document procedures for High School and Middle School Athletics, Performing Arts, Child Lab, High School and Middle School Student Activities, and to review the procedures at the School Business Office for recording Gifts to the Schools. We met with the respective Program Directors over the course of 4 days in June 2011.

The following is a summary of the Programs we reviewed:

High School and Middle School Athletics

The Athletic Department derives its revenues from an Athletic User Fee and from Gate Receipts. These revenues support all of the athletic activities except for staff salaries.

The Athletics User Fee is collected via completion of the "Gold Form" by participating students where \$230 is collected from each student at the High School and \$125 is collected from students at the Middle School. This fee is payable once a student makes the roster and is good for one season/one sport. The form documents all of the School's policies for participating in a sport.

Gate receipts are collected at each game from pre-numbered ticket sales. The Athletic Director (AD) records and reconciles the pre-numbered tickets used for each game. The AD indicated that he tries to attend virtually every game and he can usually estimate what should be collected in Gate Receipts by viewing the crowd at each game.

The AD maintains electronic files for all students participating in a sport and for all games played and the respective gate receipts for each.

Athletics is also supported by Booster Clubs, usually one for each sport, and these monies are collected as gifts directly by the School Business Office.

Observations and comments:

- The Gold Form indicates that checks should be made out to "Wellesley High School Athletics Department". We would recommend this be changed to "Wellesley Public Schools" so that it doesn't indicate that these monies are for deposit to a separate athletic bank account.
- It appears that the AD and his assistant are the only ones that have access to or knowledge of the electronic files supporting these programs. The files are FileMaker Pro programs and are stored on a computer in the Athletic office. The files are backed up to the Central Office server.
- The AD indicated that he does not receive regular reporting back from the Business Office of what has been processed through these revolving accounts. The last report was provided on February 12, 2009 according to the AD's records. Therefore, the activities are not being reconciled with the Business Office.
- Gate receipts are virtually all received in cash and the total amount received for 2010/2011 from 59 games was approximately \$77,000. It does not appear that tickets are sold at every game. The AD is the only one who has access to the

ticket boxes used and the ticket control sheets. Receipts are stored in the High School safe until turned over to the Business Office.

- Refunds/waivers for various reasons are determined either by the AD or by the School Principal.
- The AD commented that he feels that it takes too long for the Game Officials to be paid and that there are lots of calls and complaints about this. The current process is for him to summarize the fees each month and then to submit this for payment to the Business Office which usually happens approximately 3 weeks later. In some cases the Officials are not paid for 7-8 weeks after a game.
- See the separate comments below resulting from our receipts turnover testing.

Performing Arts

The Performing Arts program focuses mainly on Music, Dance, and Drama; lessons and performances. The program is supported by an outside parents group called "Parents of Performing Students or POPS".

Performances are funded with the proceeds of previous events, i.e. budgets for Programs are easily determined because the amount of available funds is determined based on what has already been collected in the past.

For the most part Teachers who run the programs are responsible for collecting monies and keeping track of who participated and paid the fees. There are a number of programs being offered and many of the Teachers receive stipends for this work. Students receive a Registration Packet to sign up for these activities.

Program fees are set by the School Committee. Lesson fees are collected by the instructors, gate receipts are usually collected by parent volunteers, bus money is controlled by teachers who have rosters of who paid for any particular trip. POPS handles all ticket sales for the performances.

Observations and comments:

- It appears that the overall responsibility for each Program rests with the individual Teachers/Instructors. Monies collected from students over a period of time is summarized and sent to the School Business Office. We observed instances where just a summary sheet was prepared and forwarded on with the checks. We noted very little control over these procedures. There doesn't seem to be any way for anyone other than the Teacher/Instructor to verify who participated or paid for these activities.
- The detail of what is being turned over to the Business Office is not always clear or in the same format each time.

- Munis reports from the Business Office are not being provided on a regular basis and therefore, reconciliations are not being done.
- Deposits seem to be turned over regularly by the Performing Arts Department but often times either the students or the teachers hold the checks for awhile.
- Tuition assistance is offered on occasion with the completion of an application and Performing Art approvals. Fees may be waived for field trips if a student is entitled to free lunch; this is handled on a case-by-case basis.
- Program details are maintained on numerous laptop computers that we were told are backed up onto flash drives. Some information is kept on the network PC in the Performing Arts office. The information that we were provided from the network PC was very detailed and not easily understood.
- See the separate comments below resulting from our receipts turnover testing.

Child Lab Program

The Child Lab Program is a curriculum program for Wellesley High School students focusing on early childhood development. The program has room for 18 pre-schoolers and approximately 90 WHS students participate. We were told that there is a constant waiting list for pre-schoolers.

Tuition is \$5,000 per year for the full program and \$4,800 for those wishing a half day on Wednesdays. Tuition is set by the School Committee. Tuition can be paid over time with finals payments due by April 15th. Parents are billed, by letter, from the Child Lab office.

A teacher is responsible for collecting tuition payments and sending them to the School Business Office. We observed these turnovers which simply consisted of a note from the teacher asking the Business Office to “deposit these checks”; no detail was provided with the checks.

We were told there is no process in place to waive any of the fees.

If a student (pre-schooler) withdraws from the Program the tuition is pro-rated between the withdrawing student and the in-coming student.

Observations and comments:

- There is no documented requirement to pay tuition if parents elect to take their child out of the program.
- We could not document the total revenue recorded in Munis as of the report we were provided through March 2011. One would expect 18 x \$5,000 or

approximately \$90,000 of revenue and the March report showed only \$48,130. We inquired about a listing of the 18 available spots but it seemed like there wasn't any type of control sheet being maintained.

Subsequently, we have been informed by the School Business Manager that revenues collected for this Program through the end of July 2011 have amounted to approximately \$88,000.

- The Program Director indicated that reporting from the Business Office only occurs once or twice a year and that she can't get reporting when it is requested. This impedes the reconciliation process.
- See the separate comments below resulting from our receipts turnover testing.

High School and Middle School Student Activity Fees

Middle School

Students pay a fee of \$125 per year to participate in these programs. There is an option to pay a \$30 fee to purchase an introductory pass to attend 5 after school activities. The programs consist of after school clubs for students. The School Principal estimates that approximately 300 out of 1,150 students participate. Day-to-day activities are run by the assistant principal and the office secretary.

Fees can be waived or reduced based on need as determined by guidance and the building principals.

Students receive a numbered Activity Card that allows them to participate in any program. The principal indicated that he has concerns over teachers not checking for these cards as the school year goes on and also about students potentially borrowing cards from others. His concerns were that controls are not strong in this area.

A portion of the fee is used to pay teacher stipends for running the programs.

High School

The program is very similar to the Middle School except that the fee is \$100. Students are informed of the fee in their "back to school packets" and most pay within the first month of the school year.

An excel file is maintained that initially records payments received from students at the start of the school year. Club advisors provide listings of students participating and these lists are verified against the excel file. This occurs only once or twice during the year.

Delinquent notices are sent home and anyone who doesn't pay is prohibited from participating in certain year-end activities. Waivers are provided on a case-by-case basis.

Two individuals are cross-trained in this area and controls seem tighter than at the Middle School. The excel file is maintained on a network server that it backed up by the IT Department.

Observations and comments:

- Middle School - We were informed that Teachers have the responsibility for monitoring payments. We inquired why a listing of Activity Cards issued is not utilized to track student payments and we were told that they are currently training a new person on this and that they plan to revamp this process over the summer. We asked for a listing of the paid students (without name or addresses) and we were told it would be provided but we have not received it.
- There is no process in place to reconcile these fees to what is recorded in Munis or any reporting between the Departments.
- The Middle School turnover deposits to the School Business Office typically consist of just a stack of checks along with a quick note indicating that these are Student Activity fees.

School Gifts

The School Department has well documented policies for accepting School gifts. Once funds are received and accepted the Business Office establishes specific accounts in Munis to track these receipts and the related expenditures. Once the accounts are established in Munis the funds are turned over to the Town Treasurer for deposit into the bank.

We were informed that there are hundreds of specific gift accounts set up in the ledgers that are used to record and track these activities.

Observations and comments

- We were asked to follow up on a \$64,000 gift made by the Wellesley Education Foundation, Inc. (WEF). The check made out to the Wellesley Public Schools was referenced as "Fall 2010 Grants" and was dated November 30, 2010. The check was apparently delivered to the Business Office during the first week of December and it didn't clear the bank until February 10, 2011; some two months later. The response received back from the Business Office as to why it took so long was not clear; it simply indicated that "this process was complex and the person assigned to enter it didn't understand the time sensitivity of getting this in".
- We tested other gifts and found those to have been processed through the system within a two week period.

Overall observations and comments:

- Based on the interviews we conducted during our site visits we have the overall impression that reporting from the Business Office back to the departments is not occurring on any regular basis. Some departments indicated that it's not happening at all. Regular reporting of funds received in the Munis ledgers would be the first step in facilitating the reconciliation process and reconciliations don't appear to be taking place.
- We noted that turnovers from the departments to the School Business office come in a variety of formats and many seem very informal. There doesn't seem to be standardized turnover forms that have been designed to capture necessary information from each department or to document the receipt of fees charged in accordance with School Committee Policies. We also noted that many of the informal turnovers are not dated by the rendering departments.
- Many of respondents to the Internal Control Questionnaires circulated indicated that School policy is to turnover funds on a weekly basis. We noted that this doesn't always occur and it seems that many turnovers occur when the facilitator feels that the collection process is nearly complete.
- The Business Office commented that they have requested departments to provide better documentation for deposits, i.e. rosters, detailed lists of payees, indications of process controls, etc. and they have been unable to effectuate change in this area.
- The Business Office commented that there is a lack of documentation and consistency in applying waivers, reduced fees, and tuition assistance.
- It does not appear overall that there is adequate monitoring or analytical procedures being applied to the management of the various revenue cycles of the Schools. It appears that many of the Programs are run by just one or two individuals. There is not a lot of cross-training or built-in checks and balances that we were able to observe or document.
- Turnovers from the Departments to the Business Office are not date stamped and receipts are not provided back to the Departments.
- While reviewing processed batches of receipts in the Business Office we noted that the batches don't always have copies of everything that was deposited. We were informed that this happens quite frequently and that they simply don't always make a copy of everything.

- We met with the Town Treasurer's office to discuss the batches coming over from the School Department and they commented that they would prefer smaller more frequent turnovers. They indicated that other Town departments process batches on a weekly basis and they walked us through this process. Batches can be started and resumed as monies are received and they would prefer a policy of closing the batches weekly.
- The Treasurer's office also explained the process for a "Non-Munis Turnover". This practice is used to get monies deposited into the bank when the ledger accounts are not known initially. This type of transaction may be considered for processing large gifts when it is known that it may take some time to set up all the necessary accounts.
- In the chart attached we randomly selected 12 batches of receipts to document the timing involved in processing these from start to finish. The process varied significantly between batches.

We have reviewed this report with members of the School Committee, the Audit Committee, and with School Department management. The School Department has indicated that plans are being considered to address the concerns raised in this report and to reinforce existing policies and procedures, along with considering implementing new systems utilizing on-line technologies.



Powers & Sullivan, LLC
September 6, 2011

Town of Wellesley		Wellesley Public Schools - Batch Processing Documentation		Batch		Amount		Turnover to		Date to	
Batch Number	Check Dates and Batch Content	Batch Entry Date	Amount	Departments	Town Treasurer	Bank					
1.) 21034	Various checks and cash for lost books, exam fees, and Gifts for the Before School Program. Activities dated December, January, and February.	02/25/11	1,352.00	Student Activities	3/1/2011	3/1/2011					
2.) 20989	Travel refund dated 2/15/11, \$1,000 Gift check from Scholarship America dated 9/21/10, Activity fee summary sheets with no dates.	02/23/11	6,588.50	Student Activities - HS user fees, Gifts, Student language, Ceramics, Technology, and Jewelry	2/25/2011	2/25/2011					
3.) 20774	Various checks dated December, January, and February. There was no support for \$360 of this deposit for the Before School Program.	02/11/11	1,539.00	Performing Arts District Wide, Before School Program, and HS Student Language	2/14/2011	2/14/2011					
4.) 20689	Transportation reimbursement dated 12/31/10. Thanksgiving Football sharing from 1/18/11, and Athletic Gate receipts not dated.	02/09/11	24,154.85	Athletics/Student Activities/Facilities/Transportation	2/9/2011	2/9/2011					
5.) 20691	Various checks dated December and January for State Auditions and \$167 cash for Grade 8 Musical with no dated indicated.	02/09/11	981.00	Performing Arts - State Auditions and MS Musical, Willy Wonka	2/9/2011	2/9/2011					
6.) 20612	Various checks dated October and November turned over January 19, 2011. The batch included \$2,312.10 of cash with no indication of when it was collected.	02/04/11	2,822.10	Performing Arts - WMS Musical, Fiddler on the Roof, JR.	2/9/2011	2/9/2011					
7.) 20741	Various Athletic Gate receipts dated 1/14/11 to 1/19/11.	02/11/11	3,069.00	Athletics	2/14/2011	2/14/2011					
8.) 20589	Wellesley Education Foundation check dated 11/30/10	02/04/11	63,623.57	WEF Fall 2010 Grants	2/9/2011	2/9/2011					
9.) 18663	Numerous receipts for recorders. Checks received during September and October. Not all of the checks were included in the batch.	10/13/10	1,107.00	Performing Arts - Various	10/26/2010	10/26/2010					
10.) 18674	Numerous receipts for recorders. Checks received during September and October. Not all of the checks were included in the batch.	10/13/10	2,743.71	Performing Arts - Various	10/26/2010	10/26/2010					
11.) 22691	Gift from WHS P.T.S.O. dated 4/13/11.	04/28/11	6,915.40	Gift Account - District Wide	5/3/2011	5/4/2011					
12.) 21288	Various Athletic gate receipts dated 1/25/11 to 2/28/11	03/08/11	6,941.00	High School Athletics	3/1/2011	3/1/2011					