

SWAMPSCOTT PUBLIC SCHOOL
Office of the Superintendent of Schools

Report on Recommendations from the Financial Operations Review of May 2007
August 2007

Background:

As a result of concerns with our financial / business operations, I contacted MASBO for the purpose of contracting with them to perform an operational review AKA "audit" of our financial / business operations. Said operations review was conducted in April of 2007, culminating in the submission of a report in May 2007. This report was vetted internally and externally through the school committee, the town accountant, and the town manager.

There have been two three positive outcomes from our budget concerns of the 07-08 school year. First, we were able to build from the bottom up, an accurate line item budget that correlates with our personnel system. Second, we were able to build a stronger relationship with the town's financial systems and personnel and truly begin discussion on collaboration, teamwork, and increased operational efficiency. Finally, we were able to attract and hire a Budget / Business Director who has assumed the leadership role in leading our financial and business operations.

Recommendations:

The Chairperson of the School Committee asked that we respond to the recommendations of the financial review which begin on page 21 of said review. As such, what follows is our response to the MASBO recommendations.

1. **Budget Planning**

We agree that the budget development process needs to be more clearly defined, but I do not agree with the process suggested. We would like to have the business office put together a baseline budget first, using historical spending data (which currently is not accurate, so additional investigation time will be necessary when building the FY09 budget), input from the leadership staff, and projected revenue streams including the recommended town and anticipated state contributions. From that point, the Superintendent will make necessary adjustments to reflect the educational needs and goals of the district.

Our plan for the budget document that we will present to the school committee will include all school spending and the source of the money used to fund that spending. For example, rather than showing the Circuit Breaker money as a one line negative expense in the budget, we will show exactly which salaries and expenses are offset by the Circuit Breaker revenue. The effect of this change will show an increase in the gross spending level of the school system, but the net spending will still be the same. This will result in the school budget being much more transparent to both the school committee and the citizens of Swampscott.

2. **Upgrade school department accounting and budgeting software**

The current software being used by the school is a tie-in to the town's accounting software system (MUNIS). This is a very powerful system that is more than capable of handling all the needs of the school department. However, because this system belongs to the town of Swampscott, the ability of the school business office to access all the functions available in MUNIS is limited by the town. For example, the town will not allow the school payroll department to enter data directly into the system. Our payroll is currently done by hand with records stored on index cards. A large data sheet is filled in each week by the school payroll department and sent to the town treasurer who then enters that same data into the MUNIS system. This method is not only "open to errors", but results in errors on a regular basis.

The town is going to allow the schools to start to enter purchase orders directly into the MUNIS system in September, but they still refuse to grant authority for the business office to make journal entries. If we currently need a journal entry to be made, we must fill out a form and send it to the town accountant to make the entries for us. There is a history of having to wait days for entries to be made into the system.

A procedures manual would be helpful, but not until the new procedures currently being put in place are fine-tuned and proven to accomplish the intended task with the available personnel.

3. **Monthly reconciliation of accounts with the town**

We agree that the school business office needs to do more to ensure it has accurate records of the revenue and expenses in all the school revolving funds and accounts. New policies and procedures have already been put into place to accomplish that goal with the arrival of our new budget / business director.

The town and school department have the same accounting system and the town and school business office already see the same data on a daily basis. It would be helpful for the school business office if the town would update deposits made into school revolving accounts and grant accounts on a more expedited basis, but it is, and should be, the responsibility of the school business office to always know the balances of its revolving accounts and grant accounts.

The payroll issue was discussed in #2 above.

4. **Formal written agreement with town regarding net school spending**

If a formal agreement is legally required then the town should come up with a document to start the discussions, because it is their contribution.

If a formal agreement is not legally required we see no reason to put limits on the flexibility and cooperation that have recently developed between the school and the town.

5. **Job descriptions for business office personnel**

We will not make any attempts to define the roles of the staff until the exact needs of the business office have been determined by the new Budget Director. This is precisely the process at the current time.

6. **Cross training of business office staff**

See #5 above.

7. **Improvement in record keeping**

We agree that this should be done. We believe the MUNIS personnel module that the school system is currently not allowed access to by the town would accomplish this task. We are currently working with the town to enhance cooperation and transparency in this area.

A simple Excel sheet is not simple if the staff is not trained in Excel. Staff Professional Development money will have to be allocated to the FY09 budget to accomplish this.

8. **Use of student assessment data to develop the budget**

At the present time, MCAS results are the single quantitative summative indicator of student achievement used in the SPS. As we continue to develop our skills district-wide in the use of student data and data analysis, we will begin to include student achievement results in the budget process. This will also include the use of formative assessments as we also increase our capacity to use this tool and cull data from said tool to inform instructional practice – what drives our budgets.

9. **Distribution of financial reports to the school committee**

We do not believe that quarterly reports are enough. A new document is being created that will have the capability of providing an easy to read, up to the minute status report of the financial condition of the school district. It will be provided to the school committee at each meeting and be available to any member at any time on a half hour notice.

See accompanying documents.

10. **Revolving Accounts policies**

Addressed in #3 above.

11. **Transfer of funds**

We believe the new document mentioned in #9 above will help the School Committee in developing a more comprehensive transfer policy. New procedures have already been put into place in the business office that will eliminate the possibility that any budgeted line item will ever go into a negative balance.

12. **Other items w/ response**

a. General conditions (page 5)

The school department audit will be returned to Sullivan, Rogers and Company, the accounting firm that performs the town audit.

There is no evidence that the school revolving accounts have ever been audited internally.

b. Payroll Procedures (page 6)

The current payroll clerk will be retiring at the end of the FY08 school year. The position must be redesigned with direct access to the MUNIS system, if the town provides us with the access and authority to operate the payroll module of the MUNIS system.

c. Purchasing Procedures (page8)

We have begun this work and we will continue to improve it as we migrate to direct entry into the MUNIS system this coming fall, acting upon the recommendation of the town accountant.

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