



## *Massachusetts Department of Elementary and Secondary Education*

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July 1, 2016

Joseph Sawyer  
Superintendent  
Shrewsbury Public Schools  
100 Maple Avenue,  
Shrewsbury, MA 01545

Dear Superintendent Sawyer:

On June 9 and 10, 2016 your School District took part in the Massachusetts Department of Elementary and Secondary Education (ESE) Fiscal Review. We also conducted a review of the financial compliance for the Title IIA: Teacher Quality and Title III: English Language Acquisition grant for the Shrewsbury Public School District.

Enclosed, please find the final executive summary generated as a result of the fiscal review performed. The summary details the Shrewsbury Public Schools employees interviewed and a list of the documentation we retained in the final review file. In addition, we highlighted fiscal observations made during the review.

The Department of Elementary and Secondary Education (ESE) would like to thank you and your staff for your cooperation and participation in our fiscal review program. Should you have any questions, please call me at 781-338-6541 or email me at [pkabare@doe.mass.edu](mailto:pkabare@doe.mass.edu).

Sincerely,

*pkabare*  
Priya Kabare, C.A.  
Senior Auditor

Copy: Patrick Collins, Assistant Superintendent for Operations and Finance  
Elizabeth Callahan, Executive Assistant of Business and Finance

## LEA Executive Summary

The Audit and Compliance Unit of the Massachusetts Department of Elementary and Secondary Education performed a fiscal review of the Shrewsbury Public Schools in conjunction with the Department of Elementary and Secondary Education, Program Quality Assurance Unit's Coordinated Program Review. The fiscal review was conducted on June 9 and 10, 2016.

We have performed the procedures enumerated below primarily to gain a knowledge and understanding of the Shrewsbury Public School fiscal policies and procedures, per the Single Audit (A133) direct fiscal sub recipient monitoring requirement. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been prepared or for any other purpose.

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated observations:

- A. Interviewed and documented conversations with various school business office fiscal staff. Interviews were conducted to gain an understanding of the policies and procedures in place. Areas documented included, but were not limited to Accounts Payable, Accounts Receivable, Payroll, and General Ledger Accounting. The following are the individuals the Audit and Compliance Unit met with:
- Patrick Collins, Assistant Superintendent for Operations and Finance
  - Elizabeth Callahan, Executive Assistant Of Business and Finance
- B. Obtained and retained examples of the policies and procedures in place to corroborate the assertions made by the above individuals, but were not tested for accuracy or effectiveness. Items obtained for the review's work papers included but are not limited to:
- Organization Chart
  - Budget Process
  - Employee Certifications
  - Time and Attendance Reports
  - Signed Warrant Cover Pages
  - Purchasing Policies and Procedures
  - Sample Purchase Order
  - State Ethics Certification Form
  - Budget to Actual YTD Report
  - Stipend Listing

Based on the individual interviews and the corroborating evidence provided, we feel comfortable that there are policies and procedures in place.

## **Observations**

The Shrewsbury Public Schools District has done well in maintaining a number of good business practices in the Business Office and also follows City's policies and procedures. The best practices not covered under a written policy include, but are not limited to: policy for petty cash.

As the District has not set up their Chart of Accounts to reflect the Department of Elementary and Secondary Education's expenditure classifications, the District has been provided us a crosswalk to meet reporting requirements more efficiently.

The District has maintained semi-annual certifications for 100% federal funded employees' monthly certifications for split funded employees as required in accordance with OMB circular A-87.

We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion on the internal control structure as a whole. Accordingly, we do not express such an opinion. Had we been required to perform additional procedures, matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Massachusetts Department of Elementary and Secondary Education and the Shrewsbury Public Schools and should not be used for any other purpose.

## **Title III Executive Summary**

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The Department of Elementary and Secondary Education's Audit and Compliance Unit conducted a review of the financial compliance for the Fiscal Year 2015 Title III: English Language Acquisition and Academic Achievement Program for Limited English Proficient Students grant for Shrewsbury Public Schools.

As part of receiving Title III: English Language Acquisition and Academic Achievement Program for Limited English Proficient Students grant from the Department of Elementary & Secondary Education (ESE), the Organization is required to expend funds in accordance with the program guidelines and at the conclusion of grant activities, must submit a final financial report to the department for their expenditure of the funds received.

To ensure that the grant funds were expended in compliance with grant requirements and were used for their intended purposes, we performed a random test of the financial transactions to evaluate if the funds were expended according to grant requirements and in compliance with accounting principles generally accepted in the United States of America (GAAP).

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated observations:

- Trace Final Report (FR1) information to the grantee's accounting records.
- Sample and test Final Report expenditures.

### **Trace Final Report Information to Grantee Accounting Records:**

The information reported to the Department on their Final Financial Report (FR1) was reviewed. The expended line item amounts disclosed on the FR1 were traced to the District's detailed general ledgers. Specific line items were verified to ensure that expenditure of funds for each line item corresponds to the description budgeted for that line item.

### **Observations:**

Line item amounts and account descriptions for expenditures submitted on the FR1 accurately reflected the School District's detailed general ledger amounts and account descriptions.

### **Sample of Final Report (FR1) Expenditures**

We reviewed and selected a judgmental sample of general ledger expenditures to verify the propriety and allowability of these transactions, testing consisted of reviewing the expenditures to verify all expenditures were reasonable, allowable under federal and state guidelines, adequately supported,

authorized and during the period of availability. The final expenditures on Districts General Ledger were examined to determine that Title III: English Language Acquisition and Academic Achievement Program for Limited English Proficient Students grant funds were used to supplement, not supplant, other School funds.

Observations:

Our review of the selected general ledger expenditures determined that the expenditures tested were in compliance with grant requirements. It appears that these funds were used to supplement, not supplant, regular funds. Based on the types of expenditures incurred and the segregation of these funds from the operating budget, it appears that these items would not be funded if grant funds were not received.

## **Title IIA Executive Summary**

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The Department of Elementary and Secondary Education's Audit and Compliance Unit conducted a review of the financial compliance for the Fiscal Year 2015 Title IIA, Teacher Quality grant for the Shrewsbury Public School District.

As part of receiving Title IIA, Teacher Quality grant from the Department of Elementary & Secondary Education (ESE), the District is required to expend funds in accordance with the program guidelines and at the conclusion of grant activities, must submit a final financial report to the department for their expenditure of the funds received.

To ensure that the grant funds were expended in compliance with grant requirements and were used for their intended purposes, we performed a random test of the financial transactions to evaluate if the funds were expended according to grant requirements and in compliance with accounting principles generally accepted in the United States of America (GAAP).

Specifically, for purposes of this report, we have performed the following procedures and noted the indicated observations:

- Trace Fiscal Year 2015 Title IIA Approved Budget information to the grantee's accounting records.
- Sample and test Shrewsbury Public School District Title IIA Detail General Ledger expenditures.

### **Trace Final Report Information to Grantee Accounting Records:**

The information reported to the Department on their Final financial Report (FR-1) was reviewed. The expended line item amounts disclosed on the FR-1 were traced to the District's general ledger and expenditure report. Specific line items were verified to ensure that expenditure of funds for each line item correspondence to the description budgeted for that line item.

### **Observations:**

The line item amounts and account descriptions for expenditures submitted on the FR-1 accurately reflected the school district's general ledger and expenditure report with the following exceptions noted:

- \$2,150 misreported in the FR-1 to the line item 'Contractual Services' which is actually spent for the line item 'Travel'. Thus, FR-1 does not agree with the detail general ledger.

### **Sample of Final Report (FR1) Expenditures**

We reviewed and selected a judgmental sample of general ledger expenditures to verify the propriety and allowability of these transactions, testing consisted of reviewing the expenditures to verify all expenditures were reasonable, allowable under federal and state guidelines, adequately supported, authorized and during the period of availability. The final expenditures on Districts General Ledger were examined to determine that Title IIA, Teacher Quality funds were used to supplement, not supplant, other School funds.

Observations:

Our review of the selected general ledger expenditures determined that the expenditures tested were in compliance with grant requirements. It appears that these funds were used to supplement, not supplant, regular funds. Based on the types of expenditures incurred and the segregation of these funds from the operating budget, it appears that these items would not be funded if grant funds were not received.

**Conclusions:**

We were not engaged to, and did not perform an audit or examination, the objective of which would be the expression of an opinion on the internal control structure as a whole. Accordingly, we do not express such an opinion. Had we been required to perform additional procedures, matters might have come to our attention that would have been reported to you.

However, in the course of our review we identified issues of concern relative to the Title II-A grant. We observed that the FR-1 does not agree with the general ledger. The District should make sure that FR-1 (each line item) should be agreed with the detail general ledger for the grant activity. As the expenditure made in compliance with the grant requirements there is no questionable cost involved for the title II-A grant.

This report is intended solely for the information and use of the Massachusetts Department of Elementary and Secondary Education and Shrewsbury Public Schools. This should not be used for any other purpose.

Copy: Shrewsbury Public School District

**Department of Elementary and Secondary Education  
Audit & Compliance Unit  
Financial Review Interview Questionnaire**

School District: \_\_\_\_\_

Audit Staff Name: \_\_\_\_\_ Interview Date: \_\_\_\_\_

Interviewee Name: \_\_\_\_\_ Interviewee Title: \_\_\_\_\_

Interviewee Name: \_\_\_\_\_ Interviewee Title: \_\_\_\_\_

This interview is being conducted to address the increased emphasis that federal funding agencies are requiring that pass-through entities, such as the Massachusetts Department of Elementary and Secondary Education, perform direct fiscal monitoring of their sub recipients as required by the Single Audit Act. These federal funding agencies include, but are not limited to, the US Department of Education and the US Department of Agriculture. Since the annual Single Audit encompasses the entire city or town's operations, there is a limited, direct review of the school district's fiscal structure, which is a concern of the grantor agencies.

*Pre review list of requested items – either mailed or to have on hand*

*Written Policies & Procedures*

*Licensing Information (not mailed—on hand)*

*Budget vs. Actual*

*List of Stipends*

*Org Chart*

*Bonds - Individuals and Amounts*

*Semi-Annual Certifications and Monthly Certifications (federal time and effort documentation) (not mailed—on hand)*

*Previously Set Vendor Contracts (Such as a Collaborative)*

**A General Accounting & Information:**

1. Is there an organization chart showing the relationships between the Superintendent – School Administration and Fiscal Staff? *If so, can I get a copy?*
  
2. Does the District have a fiscal handbook that outlines daily procedures pertaining to cash management payables, receivables and other associated practices? *(Get copy if in electronic format)*
  
3. Is the accounting system computerized? If yes, what software is being used and how are the records safeguarded?
  
4. Is this the District's software or the City/Town's? If it is the school's software what administrative access does, the city /Town have over the school's books or vice versa?
  
5. Does the accounting system provide adequate information to permit grantees to meet financial reporting requirements?
  
6. Do fiscal reports compare actual expenditures to budget and show the available balance? Can I get a copy?
  
7. Is there a separate account or fund for each program funded by the Department of Elementary and Secondary Education?
  
8. Are all grants kept separate in your accounting system? Does the District have a crosswalk (if necessary) of their expenditure classifications to the Department of Elementary and Secondary Education classifications?
  
9. Who prepares the Budget? Briefly describe the process.

10. Is the process included in your written policies and procedures manual? If yes does everyone involved have a copy of it?

11. Does the District have a "Student Activity Agency Account" (student funds on deposit with the district through the Business Manager)?

12. If yes, is there an annual audit done? By whom?

13. Is there an external audit performed at least every three years? Can I have a copy?

**B Cash and Cash Management:**

1. What are the types and sources of cash revenues received by the District? (These can include items such as food service, athletics, grants, theater & arts, privately held accounts, childcare, facility rentals, etc.)

2. Are the checks and cash deposited on a daily basis? By whom?

3. Are checks restrictively endorsed (stamped for deposit only)? If yes, who endorses the checks for deposit?

4. Are all receipts posted to a cash journal? Who prepares and posts the receipts? Are they reviewed? If yes by whom?

5. Are all persons having access to cash or checks bonded? If yes, can I get copies of whom the individuals are and amount of the bond?

6. Can you walk me through your reconciliation process on all bank accounts and ledger accounts? How often are these accounts balanced?
  
7. Are monthly bank statements being reconciled and reviewed by someone different than the person making the deposits or withdrawals?
  
8. Does the district maintain written policies and procedures related to the receipt, processing, recording and reporting of all the revenue received by the district?
  
9. Does the district have an administrative petty cash fund? If no, skip to #17
  
10. Where is it kept (who has access) and what is the limit(s)?
  
11. Can you walk me through the process for petty cash usage?
  
12. How do you prevent duplicate payments?
  
13. How often is it replenished? (weekly, bi-weekly, monthly)
  
14. Are there written policies and procedures for the fund?
  
15. Are there credit cards or charge cards (i.e. Home Depot, Lowes etc) issued under the district's name? *If no skip to section C*
  
16. What are the credit limits on the cards?

17. Who are the cards issued to? Is there a listing?
18. Are there adequate controls over the card(s) themselves?
19. Are credit card expenses verified for appropriate/proper usage? If so, how?
20. Are there written policies and procedures governing the use of credit cards?

**C Purchase Orders:**

1. What purchases require a PO? For those that do not, what indicates the invoice is authorized to be paid?
2. Does the District require a minimum number of quotes on goods/services? If so, what is the dollar threshold requiring those quotes? *Is this written policy?*
3. Does the District refer to a "Suspended and Disbarred list prior to making purchases?
4. Are PO requisitions done online or in hard copy form? What is the process for approvals?
5. Does your computer system encumber the funds once a PO has been approved and generated? If no, how do you ensure the amount in the budget is reflective of all PO that have been approved, but not sent?

6. In the event of partial or full payments on a PO, how are the PO closed? Does the system automatically close full payments on a PO? What happens on a partially paid out PO?
7. How often do you review open PO's to determine if a PO needs to be closed? Who performs this function?
8. Does your accounting system allow you to generate PO with anticipated delivery dates in the following fiscal year? How do you ensure PO are not generated for goods/services that will not be received until the following fiscal year?

**D Disbursements:**

1. What documentation (including signatures) is needed in the Warrant Package to enable authorization for payment? Are those authorizations in place before checks for payments are processed?
2. If you have a new vendor to be paid, who can set up a new vendor in the accounting system? What is needed to set up a new vendor?
3. Does your accounting software notify the person entering the invoice if the invoice number has already been entered / paid? If not, do you mark your invoices and vouchers paid or with the check number after payment to prevent duplication?
4. Are checks issued by the city/town or by the school district? *If by the city/town, skip to section E*
5. Where are the blank checks kept, and how are they safe guarded?
6. Are checks payable to authorized check signers, signed by another signatory?

7. Do checks to the School Administration or Superintendent need an authorized, different signature?
8. How are spoiled or incorrect checks handled? Do you maintain a log? Can I see it?
9. Is there a policy regarding unclaimed payments or other un-cashed checks to vendors?

**E Payroll:**

1. Where are the payroll records for individual employees kept? And how are they safeguarded?
2. What type of information is kept on file for the employees?
3. Is payroll prepared and paid in house (ie through the city/town payroll) or does the district use a third party vendor? If so, which vendor?
4. How do you handle compensated absences for non-bargaining employees?
5. Is there a policy regarding unclaimed wages or other unclaimed payments to individuals?
6. Are time and attendance records of all employees signed by the employee and approved by a supervisor?
7. Do you maintain the semiannual certifications for 100% federal grant employees as required in OMB Circular A-87, on file? *Can I see an example of one?*

8. Do you maintain monthly certifications / time records for split funded grant employees as required in OMB Circular A-87, on file? *Can I see an example of one?*
9. What is your payroll allocation methodology for split funded employees? If budgeted, are you performing reconciliations to actual hours worked at least quarterly?
10. Are controls adequate to prevent the continuance of pay for an employee no longer working? Can you please explain the process?
11. Does the District have procedures when an employee leaves service to ensure that computers, keys and other secure items are returned to the district?
12. Do you have written procedures for payroll? Are they part of your overall internal control policies and procedure manual?

**F Independent Consultants:**

1. Do you have individual independent consultants working in the School District?
2. Are these consultants paid through the payroll process or are you invoiced by the consultant through an Accounts Payable Process? *If paid through AP, skip to Section G.*
3. Are taxes and any fringe benefits processed on the consultants pay?
4. Are W-2s issued for the consultant at the end of the year?
5. Are W-9s for the consultants kept on file?

**G Federal Grants & General Compliance:**

1. Are there approved written policies for the following:
  - a. Prohibiting partisan political activity during working hours?
  - b. Drug free workplace?
  - c. Whistleblower policy? *If yes and electronic, can I get a copy?*
  
2. Does the district do any internal reviews of its programs that are designed to prevent, detect or respond to fraud, waste or abuse? If yes, is this done by district staff or is it contracted out? May I have a copy?
  
3. If there are any direct federal grants received (not thru ESE or other state departments) are their reports filed in a timely and correct manner?

**H Travel:**

1. Are travel plans approved in advance?
  
2. Are travel and expense reports properly documented and authorized?
  
3. What is needed in that documentation?

**I Grants received from ESE:**

1. Where do you maintain your files for Grants received from ESE?
  
2. What documentation do you retain in them?

3. Who is responsible for ensuring the financial requirements of the Grant are met?
4. Who prepares and files the final grant reports (FR1)?
5. Have past reports been filed in a timely manner? *Later verify a small sample using the Grants System.*
6. If there are unexpended funds how are they returned to ESE?

**J Certifications other than teachers:**

1. Who is responsible for ensuring that certifications are obtained in a timely manner?
2. Is there a list kept of certifications detailing the position, name, certification number and certification expiration date?
3. Does the district help/aide the employee in obtaining/staying compliant w/recertification requirements? If so, how?
4. Verify that the district has a certification on file for each of the following staff in these positions:

Superintendent  
School Business Manager  
School Nurse

*The work papers should list documents with the following information:*

*Name*  
*Cert Number*  
*Expiration Date*  
*Any valid exception or waivers on the individual*

*Any individuals not in compliance should be mentioned in the questionnaire as an exception to the regulations. If none just write "No exceptions noted"*

**K Privately Held Accounts:**

1. Does the district have any accounts that are **not** on the official books and records of the District? These could include scholarship funds, 501-C3, Club Accounts, PTO Accounts (in control of District Personnel) if not on the Districts official books
2. Who or what group has control over the accounts, checkbooks and bookkeeping records?
3. If it is a school employee, is that person bonded?
4. Do you know how many accounts are there?
5. Does someone from the District periodically check with local banks to determine if other organizations are using the Districts TIN Number?

**L Stipends:**

1. What types of positions are paid via stipends? Do you have a master list or individual list by school of those receiving stipend awards and a description of the position or the services to be provided?
2. Are stipend amounts included on the employee's W-2 or on a 1099?
3. Does the district maintain written policies and procedures relative to the awarding of stipends? Do these policies and procedures detail the process of determining the need for the services and the selection of the individuals designated to fill these positions?

**M Fixed Assets - Inventory**

1. Does the District have fixed assets?

2. Do you maintain a detailed physical inventory listing?
3. Who is responsible for maintaining this listing / records?
4. How often is a reconciliation made to the District's records?
5. Are any of these assets residing outside of school property? (for more than just an occasional overnight)
6. Is damaged or lost property properly treated on the inventory records?
7. Is there a written policy regarding the disposal of obsolete fixed assets? Does it include the sale of items to the public or employees?
8. Are these items ever traded in for a new purchase?

**N A-133 Audits**

Prior to the visit ascertain the following:

Is the district "Single Audit eligible"?

What is the latest year on file? *If overdue attempt to collect copy on site.*

*Discuss current status of any applicable Corrective Action Plans (CAPS) identified in the audits. The district is aware of the findings and has a corrective action plan for the last audited year.*

**Are there any other items or topics that you would like to discuss with us?**

Please keep copies of following documents for our retention:

- 1) Organization Chart
- 2) Finance Policies & Procedures
- 3) Budget Preparation Policies & copy of the approved budget
- 4) Independent auditors report on the Student Activity Account Agreed Upon Procedures
- 5) Bank Reconciliation Statement (any one period)
- 6) Sample Purchase order
- 7) List of Vendor
- 8) Policies prohibiting political activity
- 9) Drug Free Policies
- 10) Whistleblower Policies
- 11) Listing of License Holders & Their Info.
- 12) Listing of Fixed Assets
- 13) Single audit report (A-133 Report)
- 14) Sample signed warrant