

BURLINGTON PUBLIC SCHOOLS

***REPORT ON AGREED-UPON
PROCEDURES***

***FOR THE SCHOOL REVOLVING AND GIFT
FUNDS***



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**Independent Accountant's Report
On Applying Agreed-Upon Procedures**

To the Honorable Members of the School Committee and
Dr. Eric Conti, Superintendent of Schools
Burlington Public Schools
123 Cambridge Street
Burlington, Massachusetts 01803

We have performed the procedures enumerated below, which were agreed to by the Superintendent of the Burlington Public Schools, solely to assist you in analyzing the actual financial activity of the Revolving and Gift Funds currently maintained. We will report to you any deficiencies we identify as part of this engagement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We agreed to perform the procedures established by the Superintendent's Office which is enumerated below.

Executive Summary

Overall Objectives

Historically, the School has maintained many revolving and gift funds for a variety of allowable purposes. Last year we completed an agreed-upon procedures report related to the Music and Performing Arts Revolving Fund that noted several financial deficiencies. Based on these findings, the School established a policy to have each of these accounts reviewed periodically by an independent auditing firm. We have been engaged to review each of these accounts this year regardless of the assessed risk and report our findings. As part of the initial risk assessment we will recommend a timing schedule of when to complete each future review. The main factors used in the assessment includes the size, complexity, number of transactions, type of revenue received and monitoring by the business office.

This report will provide a description of the purpose of each fund, the level of activity and our findings and recommendations for improvements to internal control.

Overall Scope of the Procedures

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1. We met with the Superintendent and interviewed the School Business Office officials along with various staff responsible for the operation of each fund.

2. We obtained the accounting ledgers for each fund and we were provided with copies of documentation to support the activity tested.
3. We obtained and examined numerous documents and analyses of the revolving fund activity.
4. We designed specific tests of transactions based on the program.

Findings

The following sections are categorized by the level of risk we assessed for each fund. There are 21 funds assessed at low risk; 7 funds assessed at medium risk; and 5 funds assessed at high risk.

Low Risk Funds

We assessed these funds as low risk mainly due to the minimal activity and low complexity of the program. Based on the results of our testing and review we would not change the classification of these accounts as low risk. We recommend completing the next detailed review in FY21 unless the level of activity changes.

Dormant Funds to Close

There are four funds that have been dormant for several years with a combined balance of approximately \$20,000. We recommend the school close the Math Wizard Fox Hill Fund, the Cooperative Games Group Fund, the Italian Afterschool Program and the China Pathways Program. The School Committee should vote to repurpose the use of the remaining balance.

Funds with Small Balances and Minor Activity

There are 17 additional funds we determined to be low risk programs due limited activity. The average ending balance was \$12,000 and the average activity was \$8,000. We recommend that limited procedures be performed for FY18 to review the actual expenditures and determine if adequate procedures over revenue exist. If no findings exist, we recommend that the next review occur for FY21. These funds are:

Before and After School Programs – Fox Hill; Summer Elementary Writing Program; Elementary Summer Reading Program; System-wide Lost Books; Elementary After School PG; Corporate Gifts; Memorial After School Program; Science Center Gift Account; Music Gift Account; High School Gift Account; Art Gift Account; MSMS Homework Clinic; Francis Wyman Homework Club; Essential School Health at BHS; Memorial Decimal Fractions and Percent; IPAD Account; and Evening Academy.

Results for Low Risk Accounts

Before and After School Program-Fox Hill - The purpose of this fund is to account for the before and after school program for Fox Hill elementary school grades 1-5. Revenues are student fees. Once a child is accepted into the program, payments are non-refundable.

The fee structure is based on the number of days the student attends the program. The structure is as follows: 5 days @\$450/month; 4 days @ \$380/month; 3 days @ \$300/month; 2 days @ \$210/month. Due to the limited number of students attending the rosters and revenue are tracked by the program secretary on an ongoing basis. There is a google doc sheet that is shared and maintained throughout the year. The revenue and receivable balances are adequately tracked due to the low complexity of the program. We discussed the possibility of moving the revenue process to an on-line system with the School Business Manager and it is her intention to convert the process.

We reviewed the expenditures and payroll and did not have any findings.

Activity level reviewed:

- Payroll - \$8,980
- Expenses - \$80 (reimbursement)
- Revenue - \$11,766

Elementary After School Program – Pine Glenn - The purpose of this fund is to account for the Pine Glenn Elementary school after school program. Revenues are student fees. Once a child is accepted into the program, payments are non-refundable.

The fee structure is based on the number of days the student attends the program. The structure is as follows: 5 days @\$450/month; 4 days @ \$380/month; 3 days @ \$300/month; 2 days @ \$210/month. Due to the limited number of students attending the rosters and revenue are tracked by the program secretary on an ongoing basis. The revenue and receivable balances are adequately tracked due to the low complexity of the program. We discussed the possibility of moving the revenue process to an on-line system with the School Business Manager and it is her intention to convert the process.

We reviewed the expenditures and payroll and did not have any findings.

Activity level reviewed:

- Payroll - \$8,228
- Expenses - \$2,683
- Revenue - \$9,575

After School Program – Memorial - The purpose of this fund is to account for the Memorial Elementary school after school program. Revenues are student fees. Once a child is accepted into the program, payments are non-refundable.

The fee structure is based on the number of days the student attends the program. The structure is as follows: 5 days @\$450/month; 4 days @ \$380/month; 3 days @ \$300/month; 2 days @ \$210/month. Due to the limited number of students attending the rosters and revenue are tracked by the program secretary on an ongoing basis. The revenue and receivable balances are adequately tracked due to the low complexity of the program. We discussed the possibility of moving the revenue process to an on-line system with the School Business Manager and it is her intention to convert the process.

We reviewed the expenditures and payroll and did not have any findings.

Activity level reviewed:

- Payroll - \$6,624
- Expenses - \$1,850
- Revenue - \$10,160

Summer Elementary Writing Program - The purpose of this fund is to operate a summer writing program. The Program is provided to students in grades 2-5. The two-week session is offered twice each summer at a cost of \$300 per session. If a student participates in both sessions the fee is discounted to \$525. In order to hold the student's place a \$25 non-refundable deposit is required which will be applied to tuition if they attend. Records have been maintained by the curriculum office and is also responsible for collecting the funds. The revenue and receivable balances are adequately tracked due to the low complexity of the program. We discussed the possibility of moving the revenue process to an on-line system with the School Business Manager and it is her intention to convert the process.

We reviewed the expenditures and payroll and did not have any findings.

Activity level reviewed:

- Payroll - \$6,828
- Expenses - \$0
- Revenue - \$8,357

Elementary Summer Reading Program - The purpose of this fund is to operate an elementary summer reading program. The Program is provided to students in grades K-4. The two-week session is offered twice each summer at a cost of \$300 per session. If a student participates in both sessions the fee is discounted to \$525. In order to hold the student's place a \$25 non-refundable deposit is required which will be applied to tuition if they attend. Records have been maintained by the curriculum office and is also responsible for collecting the funds. The revenue and receivable balances are adequately tracked due to the low complexity of the program. We discussed the possibility of moving the revenue process to an on-line system with the School Business Manager and it is her intention to convert the process.

We reviewed the expenditures and payroll and did not have any findings.

Activity level reviewed:

- Payroll - \$19,870
- Expenses - \$1,899
- Revenue - \$26,740

System-Wide Lost Books - The purpose of this fund to pay for the cost of replacing lost and/or damaged text books. Revenues are fees assessed to students for lost and/or damaged books or equipment. P&S did not note any expenditures within this fund.

Activity level reviewed:

- Payroll - \$0
- Expenses - \$0
- Revenue - \$6,840

Corporate Gifts - The purpose of this fund is to account for gifts and donations made from businesses to Burlington Public Schools. Funds are to be spent on the direct benefit of the District. The revenue is all donations and were not designated for specific purposes. All revenues flow through the business office, put on a turnover, and sent to the Treasurer.

Since the gift fund revenues did not require any specific expense restrictions, the School has wide latitude on the types of expenses charged to this fund. We noted expenditures tested that could be considered questioned costs.

- Possible questioned costs
 - Food expenses of \$650 and \$788 from Wegmans for volunteers on the Middle School Principal search committee
 - \$1,973 and \$1,248 for food expenses from Tuscan Kitchen related to reaccreditation

We recommend that the School Committee adopt a policy when expenses for food or meals would be considered an allowable expense serving a District purpose.

Activity level reviewed:

- Payroll - \$1,335
- Expenses - \$55,920
- Revenue - \$25,133

Science Center Gift Account - The purpose of this fund is to account for gift and donations made to maintain and improve the Science Center located at the High School. Revenue are gifts and donations. All expenses we tested were directly related to science.

Activity level reviewed:

- Payroll - \$0
- Expenses - \$4,997
- Revenue - \$2,462

Music Gift Account - The purpose of this fund is to maintain gifts and donations made specifically to the Music Department to be expensed for the direct benefit of students. Revenues are donations. All expenses tested were in compliance with the purpose of this fund and were for stage costumes, guitar mounts, and smile portraits.

Activity level reviewed:

- Payroll - \$525
- Expenses - \$1,821
- Revenue - \$3,175

High School Gift Account - The purpose of this fund is to account for gifts and donations made to Burlington High School, and to be for the direct benefit of students. Revenues are gifts and donations. We tested an expenditure of \$452 for food from Roche Brothers for Teacher Appreciation day. This is not for the direct benefit of the students.

We recommend that the School Committee adopt a policy when expenses for food and clothing would be considered an allowable expense serving a District purpose.

Activity level reviewed:

- Payroll - \$0
- Expenses - \$722
- Revenue - \$2,351

Art Gift Account – The purpose of this fund is to account for gifts and donations made to the Art Department, and to be used for the direct benefit of students. Revenue is all donations. There were no expenses for the period under review.

Activity level reviewed:

- Payroll - \$0
- Expenses - \$0
- Revenue - \$2,631

MSMS Homework Clinic - The purpose of this fund to account for student fees associated with homework club. The fee is \$125 per student. There were minimal expenses during the period under review and we noted no issues with the payroll charges.

Activity level reviewed:

- Payroll - \$7,010
- Expenses - \$1,354
- Revenue - \$11,195

Francis Wyman Homework Clinic - The purpose of this fund to account for student fees associated with homework club. The fee is \$125 per student. There were no expenses during the period under review and we noted no issues with the payroll charges.

Activity level reviewed:

- Payroll - \$14,368
- Expenses - \$0
- Revenue - \$13,289

Essential School Health at BHS - The purpose of this fund is to maximize the existing school nursing expertise, leadership and infrastructure and to provide additional consultation to programs. Revenue is a \$3,000 grant from the Town of Wilmington each year. The business office could not locate the grant agreement and therefore we could not determine if any of the payroll and expenses were allowable under the grant agreement.

Activity level reviewed:

- Payroll - \$739
- Expenses - \$2,833
- Revenue - \$3,000

Memorial Decimal Fractions/Percent - The purpose of this fund is to operate various math activities at the elementary schools. Revenues are from student fees. We noted no issues with the expenses and payroll charges.

Activity level reviewed:

- Payroll - \$1,992
- Expenses - \$404
- Revenue - \$1,330

IPAD Account - The purpose of this fund is to account for the purchase and buy-back of district issued student IPADS. Revenues received from the sale of district-owned IPADS, to the Senior class, for purchase at the conclusion for each school year. Revenues also generated from the sale of Senior IPADS that were not purchased by seniors, to a company that buys-back used IPADS. Revenue from the company depends on the condition of IPAD. There were no expenses or payroll charges for the period under review. We were informed that IWatches were purchased in the prior year for some employees. We did not review this expense, but if we had would consider that expense to be unallowable.

Activity level reviewed:

- Payroll - \$0
- Expenses - \$0
- Revenue - \$2,019

Evening Academy - The purpose of this fund is to operate the evening academy program. Revenues are private grants, gifts and donations, as well as fees collected. This revolving account was established late in FY18 and we recommend this account be reviewed in FY19.

Activity level reviewed:

- Payroll - \$0
- Expenses - \$0
- Revenue - \$0

Medium Risk Funds

There are seven funds we determined to be medium risk funds. Each program risk evaluation is explained below.

The School Choice Tuition Reimbursement Fund and International Students Program are not complex but the activity for FY18 exceeded \$100,000 and due to the activity level, we recommend reviewing expenditures charged.

The School Athletics Fund, Camp Bournedale Program, IT Tech Conference, Elementary Robotics Program and Guidance Testing Program all collect fees from students. This can be a higher risk process and therefore we reviewed the actual process used to account, collect and deposit these fees. We did not consider these accounts to be high risk due to level of activity.

Results for Medium Risk Accounts

School Choice Tuition Reimbursement - The purpose of this revolving fund is account for funds raised due to participation in the school choice program. Expenses are for educational purposes. Revenues can be from State & Federal reimbursements along with charitable foundations and private institutions. All the revenues were received from the Commonwealth.

The school committee can expend funds without further appropriation on any school purpose. We found no unallowable charges.

After our review, we would classify this fund as low risk and recommend the next detailed review to occur in FY20.

Activity level reviewed:

- Payroll - \$17,382
- Expenses - \$91,174
- Receipts - \$115,441

Athletic Revolving - The purpose of this fund is for sponsored athletic and extra-curricular programs, awards, equipment, and facilities. Revenues can be from participation fees and program receipts connected with activities of athletic and other organizations. Revenue is primarily the sale of tickets for admission to sporting events. We reviewed the ticket sales process with Sean Hart, Athletic Director. Ticket sales occur at the event and receipts are primarily cash. The receipt of cash will always increase the risk that some funds received may not be turned over to the Town. However, there is no practical way to eliminate the receipt of cash for ticket sales at high school sporting events. The best way to maintain the integrity of the collection process is to have multiple layers of controls throughout the sales, deposit and accounting process. The current process is adequate to reasonably control the process, but we believe some minor changes can enhance the internal controls.

We recommend that a master event log be developed to track all aspects of every event. This type of document can be used analyze each individual event and use data analytics to review and compare all events. A policy should be adopted to authorize when free admission is granted and provide for a manner on how to track the free tickets. Finally, the actual process will need to be documented.

Our testing of payroll and expenses did not find any unallowable charges.

We recommend that this fund continue to be considered a medium risk and that the next detailed review should be completed in FY20.

Activity level reviewed:

- Payroll - \$37,533
- Expenses - \$72,714
- Receipts - \$83,184

Camp Bournedale - The purpose of this program is for 5th grade students (district-wide) to attend Camp Bournedale in Plymouth MA for an overnight field trip. Each student is charged an \$180 fee that is used to cover all payroll and associated expenses. Since this is an overnight trip school staff must be diligent to have accurate rosters and related documentation of all students that are attending the camp. This inherently increases the controls over revenue since the fee is standard and the exact number of students is known. The revenue can be collected in two

fiscal years since the trip is attended in September. All expenses and payroll tested related to the event.

We recommend that this fund continue to be considered a medium risk and that the next detailed review should be completed in FY20.

Activity level reviewed:

- Payroll - \$3,535
- Expenses - \$37,136
- Receipts - \$61,907

IT Tech - The purpose of this fund is to operate conferences for professional development that are IT in nature. Revenues are fees from vendors to participate in an event along with fees charged to non-district attendees of the conferences. The expenses tested related to conference expense and IT equipment.

Due to the unique nature of this program we believe internal controls would be strengthened if a multi-year detailed budget to actual analysis of all revenue sources. It should list the vendors attending and the fees paid along with non-district attendees and the fees paid. The same analysis for expenses would be included. This report should be completed annually and submitted to the school business office for review.

We recommend that this analysis should be completed for FY17, FY18 and FY19 and that a detailed review be conducted for FY19.

Activity level reviewed:

- Payroll - \$0
- Expenses - \$52,149
- Receipts - \$40,141

Elementary Robotics Program - The purpose of this program is to operate the robotics program in the District. Revenues are fees from students to participate in the programs/workshops, gifts and donations. A summer Lego robotics workshop is run each July and the fee is \$300 per student. The payroll and expenses tested related to the robotics program.

We recommend an annual report be completed that summarizes the number of attendees by program, revenue generated, and expenses incurred and submitted to the school business office.

The next detailed review should be conducted in FY20.

Activity level reviewed:

- Payroll - \$13,566
- Expenses - \$9,390
- Revenue - \$23,306

Guidance Testing - The purpose of this fund is to monitor all aspects of college testing and AP exams. Revenues are fees to cover the cost of PSATs, SATs, ACTs and AP exams. This activity was previously operated as a student activity fund and has been converted to a revolving fund. The payroll and expenses we tested were related to the purpose of the fund.

The next detailed review should be conducted in FY19 since it is a newly created revolving fund.

Activity level reviewed:

- Payroll - \$6,225
- Expenses - \$39,134
- Revenue - \$51,293

International Students Program - The purpose of this fund is to operate and maintain the international studies program. The revenues deposited to this fund include tuition payments for nonresident students and as state reimbursements for foster care children. Revenues are State reimbursements, Federal Grants, and other gifts and grants. The School Committee can expend funds without further appropriation related to the education of these students. The interpretation of the types of expenses allowable can include most education expenses. We tested the expenses and found that funds were spent for shades in the administration office and classrooms. There was also a transfer out of \$73,271 to fund café deficit. These costs are allowable expenses for the school district, but we would question whether these types of expenses are allowable for this revolving fund.

Activity level reviewed:

- Payroll - \$3,000
- Expenses - \$119,288
- Revenue - \$20,850

High Risk Funds

We considered the Theatre and Music Revolving Fund to be high risk primarily based on our report on FY17. We reviewed the actual changes made in FY18 to the procedures of collecting and expending funds to determine if the recommended changes were implemented.

The School Lunch Program, Building Rentals, Elementary Before and After School Program and the Sprouts Daycare Center all have significant risks related to revenue collections and the size of the programs.

Results for High Risk Funds

Theatre and Music Revolving Fund – The focus of our review was to determine if the school had implemented the changes recommended as part of previous report. The School Business Office immediately began making changes to the processes after we issued our report. The unauthorized cash fund has been closed; the Tix system is being utilized as intended; the controls and procedures for tickets sales has been changed; and the expenses charged to the fund only theatre and music related expenses. We had recommended that two adjustments be made to move expenses totaling \$75,801 out of this fund to other funds has been completed.

Based on our review the school has made the changes in controls that were recommended in our report. We recommend that this fund be included in the FY19 detailed review since this will be the first full year completed with the new internal controls.

Activity level reviewed:

- Payroll - \$1,369
- Expenses - \$84,439
- Revenue - \$102,290
- Audit adjustments - \$75,801

Before and After School Program - The purpose of this program is to provide child care for before school, after school and summer vacation.

The Before School Program operates in four schools from 7:05 am until the teachers arrive. It is available to students in kindergarten through grade 5. There is a monthly fee which is based on whether the student is enrolled in the 3, 4 or 5 day program. Financial assistance is available to those families that qualify for free or reduced lunch.

The After School Program operates in four schools. The Kindergarten program runs from dismissal until either 3:00 pm or 6:00 pm. The grades 1 – 5 program operates from the afternoon dismissal until 6:00 pm. There is a monthly fee which is based on whether the student is enrolled in the 3, 4 or 5 day program; if the student is attending the 3:00 pm or 6:00 pm dismissal Kindergarten program; or the Grades 1-5 program. There is a discount available for families with multiple children and to those families that qualify for free or reduced lunch.

The Summer Program is available to students entering grades 1 – 6 at one school and the fee is based on the number of weeks attending along with the number of days per week.

Our overall impression of the day-to-day accounting for operations was a positive one. We extensively tested (22% of revenues) the receivable/billing/collection/revenue transaction cycle and found no issues. The program policy requires the staff to only accept checks and money orders and not to accept cash. There was one minor exception related to one family where cash is accepted due to a unique set of circumstances. The outstanding receivable balance of \$10,939 which is comprised of about 10 families. Although the balance is minor in relation to the size of the program the balance needs to be addressed. We recommend the school adopt a policy on what collection procedures are required before deciding to write off any uncollectible amounts.

We did extensive testing (32%) of the payroll transaction cycle and did not find any issues.

We did extensive testing of expenditures (33%) and other charges and found most expenses were allowable. We did find three invoices totaling \$114,970 related to an air conditioning project at the Francis Wyman School charged to this fund which we are questioning the allowability of these charges. The school business manager explained that the after school program utilizes about 20% of the square footage of the school and therefore should pay for a portion of the capital expenses. The school business manager also charged the fund \$118,328 for their allocated share of electricity costs for the year. She calculates the charge based on the square footage occupied by the program. No other overhead expenses are allocated to the program.

It is valid that the operation of the before and after school program should be charged their fair share of overhead related to operating and capital costs, but it should be done as part of an overall cost allocation plan. A process similar to the electricity charge is the type of cost allocation plan that is allowable and auditable. We recommend that the School Business Office develop a comprehensive cost allocation plan to document the basis for any overhead cost pools and the process used to consistently allocate capital and operating expenses each year.

Due to the positive results of the testing and considering size of this revolving fund we recommend that limited tests be performed each year.

Activity level reviewed:

- Payroll - \$1,114,104
- Expenses - \$458,268
- Revenue - \$1,641,844

Sprouts Childcare Program - The purpose of this program is to provide child care and education programs for faculty and staff of the schools and the employees of the Town of Burlington.

The Sprouts Program operates in one school and is offered to staff that enroll their child in the classroom that corresponds to their age. The program runs from 6:45 am to 4:00 pm each day. Classrooms are for infants, toddlers, two-year-old children and pre-K children. There is a \$200 non-refundable registration/supply fee plus a monthly fee based on the classroom enrolled and number of days per week. The fee ranges from \$504 to \$1,260 per month.

Since this 10-month program is limited to Burlington employees most choose to pay by payroll deduction. The director receives a payroll deduction report from the Town for every pay period and enters the amounts withheld for each payroll week on a spreadsheet. Some parents elect to write monthly checks which are handled in an efficient manner. We extensively tested (22%) of revenues and did not find any issues for this period as all amounts were collected. All fees were collected for the current year.

There is an issue related to uncollected fees from fiscal 2017. An error occurred in the last payroll in June 2017 where the deductions were not withheld. This resulted in an \$18,000 receivable and fund deficit. In December 2018 the Director contacted all the employees to inform them of their amounts owed and the options available to them for payment. This appears to be a one-time error. We recommend that the Director evaluate the current collection status and inform the business office of any employees that have not entered into a payment plan or those that have not made the agreed-upon payments.

The program's total expenses were \$481,293 of which \$344,662 (72%) was for payroll, \$122,090 (25%) was for health insurance and \$14,541 (3%) was for other expenses. We extensively tested the payroll and health insurance expenses and found no issues.

Based on the results of our testing, we believe this program can be classified as medium risk and the next detailed testing can occur in FY20.

Activity level reviewed:

- Payroll - \$344,662
- Expenses - \$136,631
- Revenue - \$463,294

School Building Rentals - The purpose of this program is to rent school buildings and to use the revenues for expenses incurred in making the school property available for use.

The rental department uses a software package called School Dude and an excel spreadsheet to track the facility rental, the fee charge and any unpaid amounts. Standard forms are normally used to request a rental. The school has a standard price list for the different facilities available to rent. Having a strong system to track all rentals reduces the possibility facilities will be used and not paid for. This software minimizes that risk.

The staff bills the renter and accepts cash and checks but not credit cards. We have found that accepting credit cards and ACH payments increases the timing of when payments are received and are more secure than cash. We recommend that the School consider accepting credit cards and ach payments that School Dude can process online. The rental rates can be adjusted to cover any additional costs.

The cash and checks received during the week are kept in a desk draw and deposited on Friday. The funds are not placed in a secure safe or at a minimum a locked cabinet. We recommend the department secure any funds received in a locked safe or make daily deposits.

There is approximately \$10,000 in outstanding receivable balances from 5 persons/entities many of which are over 2 years old. The school should either pursue the outstanding amounts or determine if the amounts should be written off.

We conducted extensive testing on rental income and did not find any significant issues.

School Dude is a robust software program designed for facility rentals and if used properly should eliminate the need to maintain a separate spreadsheet. The school should consider eliminating the duplication.

Payroll of \$238,663 is comprised entirely of custodial staff which we tested and did not find any issues. Capital and facility related expenses were \$118,462 which are allowable for this revolving fund. The school recorded a \$31,589 audit adjustment related to a FY17 expense charged to the Theatre and Music Fund in error. The remaining expenses amounted to \$21,596. Of this amount we reviewed a \$5,183 charge for the purchase of a plow and light set up that does not relate to maintaining the actual facility. We recommend that a policy be adopted that clearly identifies the types of expenses that can be charged to this fund.

We recommend that this fund be scheduled for the next detailed review in FY20.

Activity level reviewed:

- Payroll - \$238,663
- Expenses - \$140,058
- Audit adjustment - \$31,589
- Revenue - \$173,681

School Lunch Revolving Fund – The purpose of this program is to provide breakfast and lunch for students and to provide catering services for school events. Food service is provided at the six schools.

The Food Service department is responsible for the operation of this program. The daily menu is planned in advance for all schools and is available to view on the school's website. The cost of the meal is standard, but the students can purchase additional items at set prices. If a student has a deficit balance of \$12 or more the student will only be allowed to purchase a cheese sandwich meal with the normal side and is charged \$1.75 which is the cheapest option.

The student's family can apply to the free or reduced lunch program sponsored by the federal and state governments. The state maintains a list of all families that automatically qualify for the free or reduced lunch program. The food service department downloads that listing and enters into their system all students that qualify. Other families can apply to the school for this program. One month before the school year starts the department sends out letters to all student families, except those that are pre-qualified, informing them of how to apply for free or reduced lunch. For those applications received the staff uses the standard State guidelines to determine if the students qualify. The staff does not require any additional documentation to support the income level stated on the application. The department should consider implementing procedures to verify income levels.

Several years ago, the department implemented an automated software system call PCS, a cloud-based business solution for school nutrition programs. This is a system designed specifically for school meals that provides both the school and families a complete accounting of the system-wide and individual student activity. Each student is assigned a unique account number and pin access code. The student's account number remains the same throughout all grades. The account balance can be replenished online, at the cash register or at the high school at a kiosk. As each student purchases a meal, they enter their pin code and the cashier will see a picture of the student. The cost of the lunch is charged to their account. If the student is paying with cash or check their account balance is increased by that amount and the student does not receive change. Any difference between the cost of the meal and the amount deposited remains in the student's account.

The use of this software has increased the internal controls significantly over the revenue/receivable/cash transaction cycle. Each cash register is linked directly into the computer located at each cafeteria and automatically updates all PCS accounts. At the end of the lunch period the staff will close out each register and then balance their cash drawer with the reports generated through the PCS system. Once all cash and checks are balanced for the day a slip is produced by the manager and assistant manager who are both required to sign the slip. The funds and deposit slip are placed in a bank deposit bag and the food service director will bring the bag to the bank. We tested these transactions extensively and found no issues.

The PCS system produces reports on accounts with deficit balances which are constantly reviewed by the staff. The staff takes a proactive approach to notify the students and parents when there is a deficit. The level of deficit accounts at any point in time is minor when compared to the level of activity. We do not consider this to be a significant issue.

At the end of each month the food service director will use the PCS reports to fill out the Free and Reduced Lunch Reimbursement requests to submit to the State Department of Elementary and Secondary Education. The reimbursements are usually received in about a month. We tested several of these submissions and did not find any issues.

Expenses are mainly comprised of payroll, food purchases and supplies. We designed tests for payroll to recalculate the pay along with tracing the hours paid to the time sheets and supporting documentation. We found no exceptions. Similar tests were performed for expenses with similar results.

Although the internal controls are strong, we still feel that this account would benefit from a limited review each year.

Activity level reviewed:

- Payroll - \$661,974
- Expenses - \$354,298
- Revenue - \$1,075,149

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the operations of the School's revolving and gift funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other 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 School Committee, Superintendent, Selectmen, and Town Officials of the Town of Burlington and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Powers & Sullivan, LLC".

Powers & Sullivan, LLC

August 15, 2019