GROTON BOARD OF EDUCATION
COMMITTEE OF THE WHOLE MEETING MINUTES
JULY 8, 2024 @ 6:00 P.M.
CENTRAL OFFICE, ROOM 11

MEMBERS PRESENT: Jay Weitlauf-Chairperson, Beverly Washington-Vice Chairperson, Andrea Ackerman, Adrian Johnson, Matthew Shulman, Ian Thomas, Jennifer White

MEMBERS ABSENT: Dean Antipas

ALSO PRESENT: Susan Austin, Ray Engle, Sam Kilpatrick

I. CALL TO ORDER - Mr. Jay Weitlauf, Chairperson called the meeting to order at 6:02 p.m.

II. Review May 20, 2024 Meeting Minutes

MOTION: Ackerman, Shulman: To approve the minutes of May 20, 2024.
PASSED – UNANIMOUSLY

III. Review June 10, 2024 Meeting Minutes

MOTION: Ackerman, Thomas: To approve the minutes of June 10, 2024.
PASSED – UNANIMOUSLY

IV. Discussion re: Auditor's Management Letter (Attachment #1) - Mr. Engle gave an overview of the following:

- Vendor master file - the business office has moved forward with some internal controls regarding the creation of the vendor file by having more than one set of eyes on the file and by stopping past practices
- Financial close process - the business office has been modifying some of its processes and will be looking at other procedural processes to be done in the future; will be documenting processes and procedures to be viewed by internal personnel
- Risk analysis assessment

Mr. Engel stated that he was not going to address the rest of the report until he has spoken with the auditors. He sees the audit report as an opportunity for improvement within the business office.

Mrs. White acknowledged the effort that Mr. Engle has put into strengthening our controls.

V. Discussion re: Funding the Nurses - Superintendent Austin reviewed how the funding cut to the nurses occurred. She stated that the Board's attorney provided a written opinion regarding Impact Aid excess revenue funds and how it should be used for educational purposes and that it should not go into the town's general fund; this excess revenue could be used to offset funding the nurses. Mr. Shulman stated that according to the attorney's written opinion, the funds are supposed to go to the LEA (local education agency), and there is some confusion as to who is considered the LEA. He asked to have clarification from the Board's attorney as to the law's interpretation of who is considered the LEA. Superintendent Austin stated that the Board of Education is considered the LEA, but will get written clarification from the attorney. Mr. Thomas requested that the Board share the attorney's opinion and asked to have it included with the minutes of this meeting. Mr. Weitlauf proceeded to read the opinion (Attachment #2).

VI. Update re: Facilities - Mr. Kilpatrick gave the following update:

- CB Roof Project – The architectural firm of Silver Petrucelli has developed the plans and cost estimate of $961,000; they are assembling the forms to go to the state to apply for the grant.
- Summer Projects
  - FHS – Installing replacement water heater
  - FHS – Repairs to Tennis Court
  - The artificial field infill at GMS will be completed next week
  - Today installed swing set at CK
  - All wood gym floors will be refinished in August
  - Wood chips to be installed at the new elementary schools
  - Have placed order for HVAC air filter districtwide
  - Working with contractor to replace vinyl tiles at FHS
  - CB – Concrete was poured for pergola
  - Mr. Kilpatrick went to a seminar on HVAC testing needing to be done
  - Indoor air quality – go back to using Tools for Schools
  - Tools for Schools went to the principals and staff then returned the checklist to our building and grounds department
  - The indoor air quality report (Mystic Air Quality) requires a certified person

VII. ADJOURNMENT

MOTION: Ackerman, White: To adjourn at 7:42 p.m.
PASSED UNANIMOUSLY

CliftonLarsonAllen LLP
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Management
Town of Groton, Connecticut

In planning and performing our audit of the financial statements of Town of Groton, Connecticut as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. We previously provided a written communication dated June 25, 2024, on the entity's internal control. This letter does not affect our report on the financial statements dated June 25, 2024 nor our internal control communication dated June 25, 2024.

Vendor Master File – Board of Education

During our audit we noted that no review of the vendor master file is occurring and access to this file is not limited. Access to master vendor files for purposes of adding new vendors or updating existing data should be extremely limited. Information entered into master vendor files should completed by one person and reviewed by a second. This limits the opportunity to set up a phantom vendor.

Recommendation – We recommend the Board of Education implement procedures to strengthen the controls around its vendor master file, including limiting the access to this file and segregating the duties of performance and review.

Financial Close Process – Board of Education

The financial close process at the Board of Education was delayed months beyond the required timeframe which caused the audit to be filed late with the State of Connecticut. This delay was primarily due to turnover within the Finance Department and various employee absences. As turnover in staff occurs, institutional knowledge can be time consuming to regain and cause further delays. It is important for the Board of Education to create strong internal control procedures and adequate staffing that incorporates an element of cross-training so that timelines can still be met when turnover or other employee circumstances occur.

Recommendation – We recommend that formal year-end procedures be developed to include but not be limited to specific due dates to meet state regulatory deadlines and assignments that are adequately delegated and staffed and include a subsequent reviewer. If the primary person responsible for the task is unavailable, the secondary person who has been cross-trained should complete the task in order for items to be completed within state deadlines.

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General Ledger Maintenance – Board of Education

During our audit procedures, we noted several items that impacted the accuracy and completeness of the general ledger. Such items include:

- It was noted that there was a significant amount of BOE expenditures that were recorded to the incorrect period. Although the identification of these expenditures was ultimately identified by the Town's control environment, the BOE's control environment should have identified and corrected these errors.
- Delay in recording activity in BOE special revenue funds, particularly within the BOE grants fund, DOD fund, and School Lunch fund.
- Grant revenues and receivables should be recorded when earned and available. In the School Lunch fund, there was grant revenue that was received after year-end that was not recorded.

Recommendation – We recommend the policies and procedures of current controls to be reviewed and procedures over general ledger maintenance be updated.

Capital Assets – Construction in Progress

During our audit we noted that there was construction in progress that was expensed which related to projects from a prior year. Under generally accepted accounting principles, these projects should be reviewed on an annual basis for capitalization purposes and expensed in the year in which the expense incurred.

Recommendation – We recommend these projects should be reviewed on an annual basis for capitalization purposes and expensed in the year in which the expense incurred.

Fraud Risk Assessment

According to the *2024 Report to the Nations on Occupational Fraud and Abuse by the Association of Certified Fraud Examiners*, 43% of corruption cases are detected by tip. In contrast, internal audit, the second most common detection method for corruption cases, uncovered 14% of these schemes. External audits and reports from law enforcement accounted for far fewer discoveries of corruptions, just 3% and 2%, respectively, of these schemes. Additionally, of the whistleblower tips that led to the investigation of the cases, 52% of those tips came from an employee, 21% from a customer, and another 15% came from an anonymous source.

During the annual audit, we do obtain an understanding of the Town's internal controls and assess the risk of fraud and whether or not the financial statements would be materially misstated due to these risks; however, an audit is designed to provide reasonable, but not absolute, assurance. Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform an examination of all transactions, there is a risk that material misstatements or noncompliance or fraud may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs.

Recommendation – To address this risk, we recommend that the municipality perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the Town's internal control should include performance of this assessment.

The fraud risk assessment can be formal – performed by an outside accounting or consulting firm; or informal – performed by a management-level individual who has extensive knowledge of the Town that might be used in the assessment. The fraud risk assessment process should consider the Town's vulnerability to misappropriation of assets.

The fraud risk assessment should include a cybersecurity assessment. Cybersecurity is now considered a key business risk by most organizations. Being able to anticipate cybersecurity threats and develop strategies to prevent them is a critical part of a risk management program. Losses and recovery costs from data breaches, phishing attacks, ransomware and other incidents can be substantial. While the Town has implemented certain policies and procedures to reduce the risk of loss to a cybersecurity attack, a more formal approach to assessment and strategy is considered a best practice and should be considered.

An annual vulnerability assessment should be performed that identifies and evaluates exposures that could negatively impact the Town's ability to conduct business. This will identify your protected data, how it is stored, who has access, and other critical information. It is then analyzed for security gaps based on your existing environment, and strategies are developed to mitigate those exposures. Successful strategies also include robust employee training, penetration and compliance testing, and protocols for responding to actual breaches, viruses, and other attacks.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

* * *

This communication is intended solely for the information and use of management, the Town Council, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
June 25, 2024

MEMORANDUM

To: Jay Weitlauf, Chairman

cc: Susan Austin, Superintendent

From: Floyd J. Dugas, Esq., Berchem Moses PC

Re: Impact Aid Payment

Date: June 20, 2024

Question Presented:

You have inquired as to whether it is proper for the Town of Groton to keep Impact Aid payments and not make those funds available for Board of Education use, rather place them in the Town General Fund and use them for whatever purposes the Town sees fit.

Short Answer:

The answer is No; those funds must be made available for Board of Education use as it sees fit to use them.

Analysis:

The Impact Aid Program provides federal financial assistance to local school districts in communities whose budgets are impacted by the presence of military bases (and other situations not relevant to this discussion). It is based on the Elementary and Secondary Education Act of 1965 ("ESEA").

The Impact Aid funds are provided through Title VII of ESEA, and provide payments to "local education agencies" ("LEA") based upon a variety of factors. Importantly, throughout the legislation it refers to the LEA as the recipient of the funds; nowhere does it refer to or otherwise provide payment is to go to the municipality [or county where applicable] in which the LEA is located. Accordingly, based upon the plain meaning of the statute, any Impact Aid monies should be going to the Groton Public Schools and not the Town of Groton.

The inquiry, however, does not necessarily end there. First while Federal law generally will trump state law, there are circumstances where that is not the case. I am not aware of language in the Federal law suggesting state law would take precedent.

Nonetheless, secondly, in Connecticut, the budgets of local Board's of Education are governed by C.G.S. §10-222. Section 10-222 provides in relevant part:

> "Expenditures by the board of education shall not exceed the appropriation made by the municipality with such money as may be received from other sources for school purposes."

The first part of the above sentence is widely regarding as meaning a local board of education may only expend funds received from the municipality (known as the school district C.G.S. 10-240) it is located in, with minor exceptions for school activity accounts, custodian fees and damaged books. That would suggest Impact Aid must go to the Town, which may use it as a revenue source to fund the Board budget (much like is done with state ECS funds) or any other purpose.

However, it is a fundamental principle of statutory construction that the language of a statute cannot be read in a manner that ignores language in the statutes. Accordingly, the underlined words above cannot be ignored. They appear to allow for the receipt of other funds as long as they are intended for school purposes.

The undersigned spoke with the Director of the National Association of Federally Impacted Schools, Kyle Fairbairn. When the situation was explained to Mr. Fairbairn he advised that it was "illegal" for the Town to retain these funds. His opinion, however, does not carry the force of the law. He stated he recalls this issue came up in the past, and Congressman Joe Courtney's office got involved and it was resolved (though he did not recall exactly how).

I also spoke with Amanda Ognibene of the U.S. Department of Education's office on Impact Aid. She stated that she would look into the issue, but her initial reaction was in accordance with Mr. Fairbairn, i.e. that the money had to go to the Board of Education.

Importantly, I understand other Federal grants such as the DOD grant, Title I, Title II, etc. are paid directly to the Board of Education.