

September 10, 2024

Mayor Robert F. Sullivan
Chair
Brockton School Committee
43 Crescent Street
Brockton, MA 02301

Ms. Sarah C. Spatafore
Partner
Murphy Hesse Toomey & Lehane LLP
300 Crown Colony Drive, Suite 410
Quincy, MA 02169-9126
As counsel for the Brockton School Committee

Re: FY23 School Budget Overage

Dear Mayor Sullivan and Attorney Spatafore:

RSM US LLP ("RSM" or "we" or "us", or "our") was engaged to assist the Brockton School Committee ("Client" or "Brockton") analyze the Brockton Public Schools' FY23 school budget overage pursuant to and identified within our engagement letter dated February 13, 2024. Our work was performed with the direction of Murphy Hesse Toomey & Lehane, LLP as an agent of the Client.

The following report contains a summary of our observations based upon the procedures we conducted from February 13, 2024 through the issuance of this report. Our observations are based primarily on discussions with key personnel and documents and information provided by the Client.

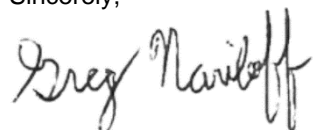
The procedures performed did not constitute an audit, review or compilation of the Client's financial statements or any part thereof, nor the external examination of management's assertions concerning the effectiveness of the Company's internal control systems or an examination of compliance with laws, regulations or other matters. Accordingly, our performance of the procedures does not result in the expression of an opinion or any other form of assurance on the Client's financial statements or any part thereof, nor an external opinion or any other form of assurance of the Client's internal control systems or its compliance with laws, regulations or other matters.

While third-party information was obtained and the reasonableness of key inputs was assessed where possible, RSM did not test the veracity of information provided to us from management or any third parties. Moreover, if additional information or documents were to become available to us, our observations may change based on any new information included in such documents.

We make no representation regarding the sufficiency of these services for your purposes. This report may be amended and/or supplemented based on additional information received. We have no responsibility to update this memo for events or circumstances occurring after the date of this memo.

This report is intended solely for the use of the Brockton School Committee and Murphy Hesse Toomey & Lehane, LLP and is not to be used or relied upon by others.

Sincerely,



Greg Naviloff
Partner

RSM'S FINDINGS AND OBSERVATIONS RELATED TO THE FY2023 BUDGET DEFICIT

BROCKTON SCHOOL COMMITTEE

September 10, 2024



I. Background

In August 2023, the Brockton School Committee (“BSC”) learned that for the fiscal year ending June 30, 2023 (“FY 2023”), covering the 2022-2023 academic year, the Brockton Public Schools overspent its budget by \$14 million resulting in a budget deficit. In September 2023, individuals including the CFO, and the deputy CFO were placed on administrative leave pending an inquiry into the deficit’s causes.¹ In February 2024, Open Architects released a report detailing their financial review of the Brockton Public Schools. In this report, they indicate that the total budget deficit was \$18,253,853.² In February 2024, RSM was engaged to perform an analysis of the \$14 million budget overage in FY2023.

II. Executive Summary

Our procedures, described in detail below, did not identify any instances of misappropriation or misuse of funds. Instead, based on discussions we held with relevant personnel and our analysis of financial records and email correspondence, overspending resulted from a combination of overstaffing and unforeseen circumstances (e.g., increases in special education transportation and tuition costs) that led to unplanned increases in expenditures in budget areas including teacher salaries, transportation and special education tuition that were not adequately tracked or reported to BSC.

We observed that the FY2023 budget was originally entered into MUNIS (the City of Brockton’s accounting and budgeting system) incorrectly and lacked consistency with prior years’ budgetary efforts, resulting in 80% of the budget being placed into one line item. Amounts were subsequently allocated to other line items, however, in several instances, the amounts allocated to certain line items were significantly less than what was allocated in the prior fiscal year (including Teachers and Special Education Tuition) and lacked analysis or clear justification for any year-over-year changes. The FY2023 budget was overall approximately \$10M higher than the prior year’s budget.³

Individuals we spoke with indicated that internal email communications and budget presentations to the Finance Subcommittee raised concerns that the school district was going to overspend their allocated budget early into FY2023, and that such concerns were not addressed timely. We observed various emails corroborating these representations. However, the early identification of the potential budget shortfall by the CFO, deputy CFO, and Superintendent (“Leadership”) may not have been reported timely to those charged with oversight, the Finance Committee or the BSC. Additionally, decisions were made by Mr. Mike Thomas, Superintendent, to expend resources related to the closure of an in-district therapeutic day school,⁴ and out of concern for Brockton student safety and wellbeing (e.g., staffing related to the community mentor program in FY2023 was discussed), without

¹ The Superintendent was on medical leave from August 2023 through the end of February 2024, when he was placed on administrative leave.

² Based on discussions with Open Architects, RSM understands that the difference between the \$14 million deficit analyzed by RSM and the \$18 million deficit reported by Open Architects relates to a circuit breaker fund that was not included in RSM’s analysis.

³ Based on Superintendent’s recommended budget dated May 27, 2021 found at <https://resources.finalsite.net/images/v1622637078/brockton/ugg5lkgdrfo806adyo4u/proposedFY2022SCHOOLBUDGET.pdf>.

⁴ Per our discussion with Mr. Michael Thomas, Superintendent, his decision to close the Huntington Day School was because the school was “dysfunctional”. He acknowledged that the closure of this day school resulted in additional students requiring transportation out of district and placement at out of district schools. Based upon a review of BSC meeting minutes, RSM did not identify discussions indicating that BSC was involved in this decision.

proper analysis or thorough consideration of the potential increase in expenses associated with such decisions.

See below for detailed descriptions of procedures performed, individuals with whom we spoke, and our observations and findings.

III. Engagement Objectives

RSM was engaged by BSC to collect and analyze information provided by Brockton Public Schools to assist BSC in its efforts to identify and quantify areas which contributed to the budget deficit and perform detailed testing to evaluate spending at higher risk of fraud, waste and abuse. As specified within our executed engagement letter with BSC, RSM was engaged to perform the following procedures:

- 1) *“Perform information gathering meetings with those knowledgeable of the various areas of spend.*
- 2) *Perform budget to actual analysis by comparing each area of budgeted spend to actual spend to identify areas which contributed to the budget deficit.*
- 3) *Verify higher-risk spending by obtaining supporting documentation including receipts, contracts, etc. to evaluate whether spending was appropriate.*
- 4) *Develop report summarizing procedures performed, observations, and findings and if requested, translate that report into Spanish, Portuguese and French.”*

IV. Procedures Performed

RSM's procedures included the collection and analysis of documents and data, information gathering meetings, budget to actual analysis, forensic analysis of spending and a forensic review of certain emails as described in detail below.

a. Data collection

RSM obtained and analyzed various schedules, statements, and other source documents throughout the course of the engagement, including but not limited to the following:

- FY2023 Budget approved by the Brockton School Committee
- FY2024 Budget approved by the Brockton School Committee
- Open Architects final report issued in February 2024
- All email communications for Michael Thomas, Superintendent (“Mr. Thomas”) Aldo Petronio, Chief Financial Officer (the “CFO”, or “Mr. Petronio”), and Chris Correia, Deputy CFO (“Mr. Correia”), from January 1, 2022 through present.⁵

Additionally, RSM was granted access to MUNIS, Brockton Public School's accounting system (“MUNIS”). From MUNIS, RSM was able to obtain and analyze additional documentation, including but not limited to the following:

- General ledger (“GL”) detail for FY2023
- Budget to actual report for FY2022 and FY2023
- FY2023 trial balance

⁵ Mr. Petronio and Mr. Correia were placed on administrative leave in September 2023. Mr. Thomas was on medical leave from August 2023 through the end of February 2024, when he was placed on administrative leave.

- Listing of vendor invoices for FY2022 and FY2023⁶
- FY2023 year-to-date budget report illustrating budget to actual activity for FY2023 (i.e., July 1, 2022 through June 30, 2023)

RSM also reviewed recordings of School Committee meetings and Finance sub-committee meetings during and immediately after FY2023.

b. Preliminary Information Gathering Meetings

RSM held information gathering meetings with the following individuals:

- Patricia Boyer, Interim School Business Administrator (“Ms. Boyer”)
- Irene Giannopoulos, City Auditor (“Ms. Giannopoulos”)
- TJ Plante, Open Architects (“Mr. Plante”)
- James Labillois, Assistant Superintendent of Unified Student Services (“Mr. Labillois”)
- Jennifer Perez, Transportation Director (“Ms. Perez”)
- Pam Wood, Consultant for Brockton Public Schools (“Ms. Wood”)

During these meetings, RSM sought to understand the budget creation process and how budgets were tracked and maintained throughout the school year. Further, RSM sought to understand differences between the budget approved by the BSC (“Approved Budget”) and the budget amounts entered into the MUNIS system, and the cause for any differences. Inquiries were made to analyze accounts contributing to the FY2023 budget deficit. RSM sought to understand the process for comparing the Approved Budget to the various budget line items within MUNIS to analyze differences between these two budgets.

c. Budget to Actual Analysis

RSM performed various analyses of the budget to actual reports for FY2022 and FY2023 to identify areas which contributed to the budget deficit in FY2023. Analyses performed included:

- Comparison of budget amounts in FY2023 to the budget in FY2022 to identify and quantify differences in line-item budget amounts year over year
- Analysis of line items with the largest decreases in budget from FY2022 to FY2023
- Analysis of line items with the largest increases in actuals from FY2022 to FY2023
- Analysis of the line items with the largest budget overages in FY2023
- Grouping and further analysis of budget line items based on account descriptions to evaluate aggregate spending.

d. Analysis of Spending

RSM subjected Brockton Public Schools’ FY2023 vendor invoice listing to forensic data analytics to identify transactions with a potentially higher risk of fraud, waste and abuse.

RSM made a judgmental sample of 30 higher risk transactions from the FY2023 invoice listing including invoices expensed to select expense accounts including special education tuition accounts and certain transportation and utility accounts. For each selection, RSM obtained the approved purchase order, invoice and payment details. RSM performed testing to evaluate the procure-to-pay

⁶ RSM exported the “Invoice History by Fund” from MUNIS for both FY2022 and FY2023. This report includes information such as vendor name, GL account description, purchase order number, invoice amount, invoice number, invoice date and check number.

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process including the issuance of purchase orders, receipt of invoices, and matching of purchase orders with invoices prior to payments as well as assessing whether any step in the process changed once the account was over budget.

e. Final Information Gathering Meetings

After our information gathering and financial analytic procedures, RSM held meetings with Mr. Petronio, Mr. Thomas and Mr. Correia.

During these meetings, RSM sought to gain an understanding of how and when budget overages were identified, any additional approvals that needed to be obtained for spending once the overage was identified, and the nature of any communications related to the budget deficits.

Topics discussed included the process for developing the budget, the process for approving expenditures, the main drivers of the FY2023 budget overage, the timing of communications with the BSC, and the purpose of a non-descript budget line item titled the "199 account,"⁷ which served as an apparent "catch-all" budget account in FY2023, discussed further in Section V(a) below.

f. Forensic Review of Email

Based on our discussions with various relevant personnel, and in an effort to create a timeline of when individuals became aware of the FY2023 budget deficit, RSM obtained communications for Mr. Thomas, Mr. Petronio, and Mr. Correia from January 1, 2022 through present. This resulted in the collection of approximately 200,000 emails and attachments.

We then performed targeted searches on this population to identify communications discussing the FY2023 budget overage. The key search terms that we utilized included but was not limited to "deficit", "budget", "overage", etc.

Based on relevant emails identified, RSM created a timeline of communications related to the FY2023 budget deficit.

V. Observations and Findings

a. Preliminary Information Gathering Meetings

Based on our information gathering meetings, during and prior to FY2023, those persons that we spoke with generally expressed that there was a lack of collaboration between department heads and the finance team during the creation of the budget. Individuals further indicated that consideration wasn't given to rising prices, such as transportation costs and special education tuition, or all expected expenditures when determining budget amounts.

Additionally, those we spoke with indicated that the process used to track expenditures and remaining budget amounts was lacking, bordering on non-existent. RSM also understands that during this time, any individual with access to MUNIS was able to override any line-item budget limits (i.e., enter expenditures even though there was no remaining budget for that line item) due to a lack of internal IT controls. Furthermore, we were told that there was limited, if any, communication to departments quantifying how much budget they had remaining throughout the year. Individuals indicated that department heads were instructed by Mr. Thomas and/or Mr. Petronio to conduct their business and the accounting would be performed by finance.

⁷ The 199 account refers to general ledger account "Undistributed P/S" .

Individuals we spoke with also explained that a large portion of the Brockton Public Schools' FY23 budget was placed into an account (also referred to as budget line items) titled the "199 account". According to those we spoke with, this account was intended to be used, and had historically been used, as a reserve for employee overtime expense and other variable or unpredictable expenditures. However, in FY2023, most of the FY2023 budget was placed in this account and reallocated to other budget line items as it was needed, without any formal review process.

Individuals with whom we spoke indicated that one possible cause for why budget amounts entered into MUNIS do not agree to the Approved Budget, which contained incongruent line-item details, is that proper allocations of the Approved Budget were not originally mapped to / recorded within MUNIS. The majority of budgeted spending funded a single account, the "199 account," not individual accounts or allocations based on the approved budgeted amounts.

None of the individuals we spoke with were aware of a process by which we could align the Approved Budget with the various line items within MUNIS. As such, our analysis of areas contributing to the budget overage and calculation of budget to actual amounts was performed with the assumption that the FY2023 revised budget figures within MUNIS correspond and agree to the approved budget.

When we asked individuals about the drivers of the FY2023 budget deficit, we were informed that staffing levels in certain areas were in excess of what the budget could support, and therefore, a key contributor. Individuals also indicated that at the end of FY2023, lay-offs of both professional and administrative personnel occurred, however such efforts did not curtail the budget deficit. Individuals indicated that another contributor to the budget deficit was "community mentors" who were hired to support students. Individuals with whom we spoke indicated that this program was not adequately tracked, there was not a comprehensive list of all the mentors, and part of FY2024 involved gaining an understanding of who was employed as a "community mentor."

Finally, transportation and special education were also reported to be significant drivers of the budget deficit.

As it relates to transportation, concerns were raised that the transportation budget for FY2023 was not sufficiently increased to account for rising costs. The budget increased approximately 6% from the prior year (\$10,600,489 compared to \$9,960,340 in FY2022),⁸ while costs were expected to continue to increase at a greater rate, and as a result, transportation was over-budget (this was reported to be a continual budgetary problem).

As it relates to special education, we were informed that effective July 1, 2022, tuition at approved special education schools increased 14% in Massachusetts, after a freeze on tuition prices during the pandemic.⁹ This led to an increase in special education costs that was not fully considered in the budget by Mr. Petronio.

In general, the MUNIS budget did not consistently agree with each department's understanding of what their costs were going to be for the upcoming year. Additionally, spending occurred without proper controls in place to ensure that spending agreed with the budget.

⁸ MUNIS budget to actual report for FY2022 and FY2023 - includes accounts beginning with the code "TRN"

⁹ <https://www.wbur.org/news/2023/03/28/expiring-aid-special-education-budgets>

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b. Budget to Actual Analysis

RSM observed that the FY23 budget to actual report from MUNIS contained the following three columns related to FY2023 activity as follows:

- **“2023 Original Budget”**: This column contained 21 expense line items (totaling \$218,462,709) with 80% of the total budget amount included on one expense line item titled “Undistributed P/S”, which RSM understands is the “199 account” mentioned above.
- **“2023 Revised Budget”**: This column contained 626 expense line items (totaling \$219,618,150). RSM understands this column distributes / allocates the Original Budget to relevant detailed expense line items. However, as mentioned above, RSM was unable to adequately compare the budget in MUNIS to the budget as approved by Brockton.
- **“2023 Actuals”**: This column represents the actual expenditures for each budget line item and contained a total that was approximately \$14 million greater than the 2023 Revised Budget.

RSM analyzed which accounts increased in budget and which accounts decreased in budget from FY2022 to FY2023. We observed a net increase of \$1,490,668, or 0.7%, to the budget from FY2022 to FY2023¹⁰ as follows:

- Increased budgets: 412-line items had increased budgets from FY2022 to FY2023, for a total increase of \$37,580,889
- Decreased budgets: 239-line items had decreased budgets from FY2022 to FY2023, for a total decrease of \$36,090,221

RSM observed that the following expense line items contributed to most of the budget deficit:

- “BHS 2305R Teachers” - \$12,582,922 over budget
- “TRN 3300R BUS DRIVERS” – \$2,159,868 over budget
- “TUI 9300S Tuition SPED Private” – \$1,311,082 over budget
- “UTL 4130U Electricity” – \$1,267,993 over budget
- “TUI 9300S Tuition SPED Residen” - \$805,828 over budget.

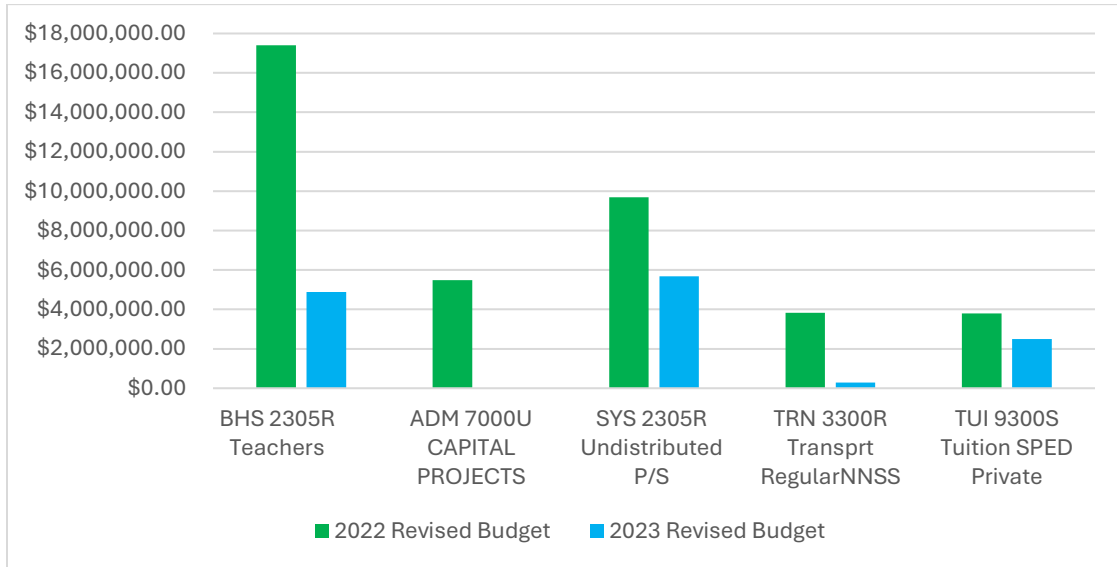
Three of the five accounts contributing most to the budget deficit¹¹ experienced significant budget decreases from FY2022 to FY2023. For example, the “BHS 2305R Teachers” account had a budget of approximately \$17.4M in FY2022 and a budget of approximately \$4.9M in FY2023. While actual reported spending in this account decreased from FY2022 to FY2023 (from approximately \$17.6M to \$17.5M), it was nothing near the magnitude of the decrease in budget from FY2022 to FY2023.

¹⁰ For purposes of this analysis, RSM utilized the 2023 Revised Budget and 2022 Revised Budget columns in MUNIS budget to actual reporting. However, RSM observed that the 2022 Original Budget was \$208,627,523 compared to a revised budget of \$218,127,482. RSM has assumed for purposes of this analysis that the revised budget column reflects additional funding received. However, compared to the original budget, the FY2023 budget increased by approximately \$10 million.

¹¹ “BHS 2305R Teachers”, “TUI 9300S Tuition SPED Private”, and “TUI 9300S Tuition SPED Residen” This report is intended solely for the use of the Brockton School Committee and Murphy Hesse Toomey & Lehane, LLP and is not to be used or relied upon by others.

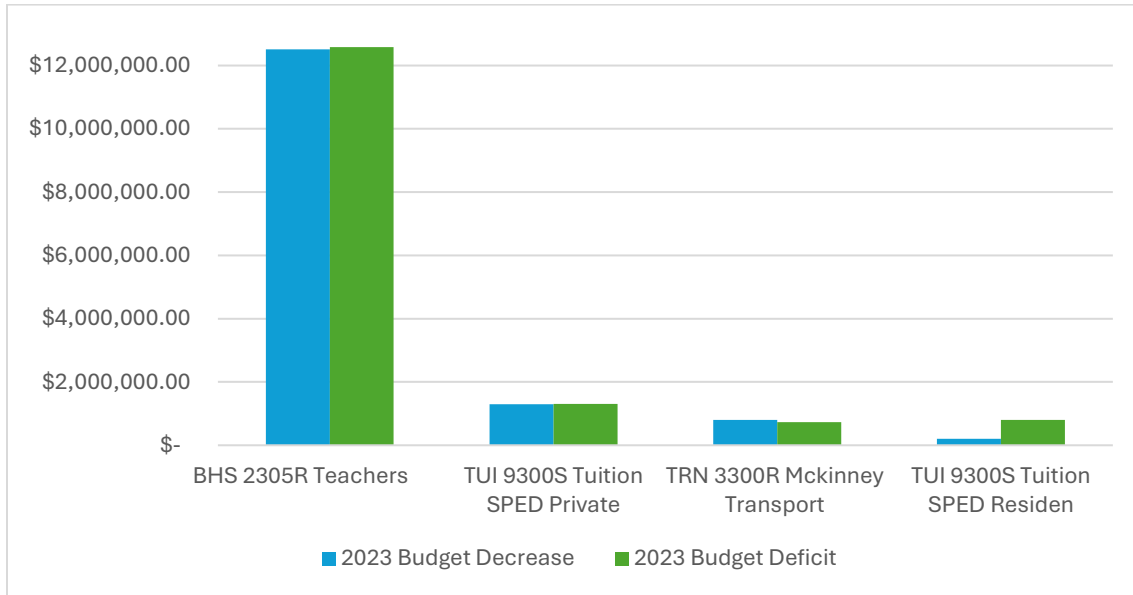
Table 1 below illustrates the five accounts with the largest decreases in budget from FY2022 to FY2023.

Table 1 – Top Five Accounts with Budget Decreases from FY2022 to FY2023



RSM's analyzed the top twenty budget accounts that experienced reductions from fiscal year 2022 to 2023 and observed that four of the accounts exhibited substantial budget deficits in FY2023. Table 2 highlights that these four accounts exceeded their budget by an amount roughly equivalent to their respective annual budget cuts. This suggests a correlation between the decrease in budget allocation and the deficits experienced. In other words, Brockton Public Schools spent as though the budget had not changed year-over-year, without regard for the reductions in budget allocations in MUNIS.

Table 2 – Accounts with Large Budget Decreases and Large Budget Deficits



Separately, in an attempt to remove the impact of the year-over-year fluctuations of budget allocations within MUNIS, RSM compared actual FY2023 spend to the FY2022 budget. Line items contributing most to the budget deficit in this scenario include the following:

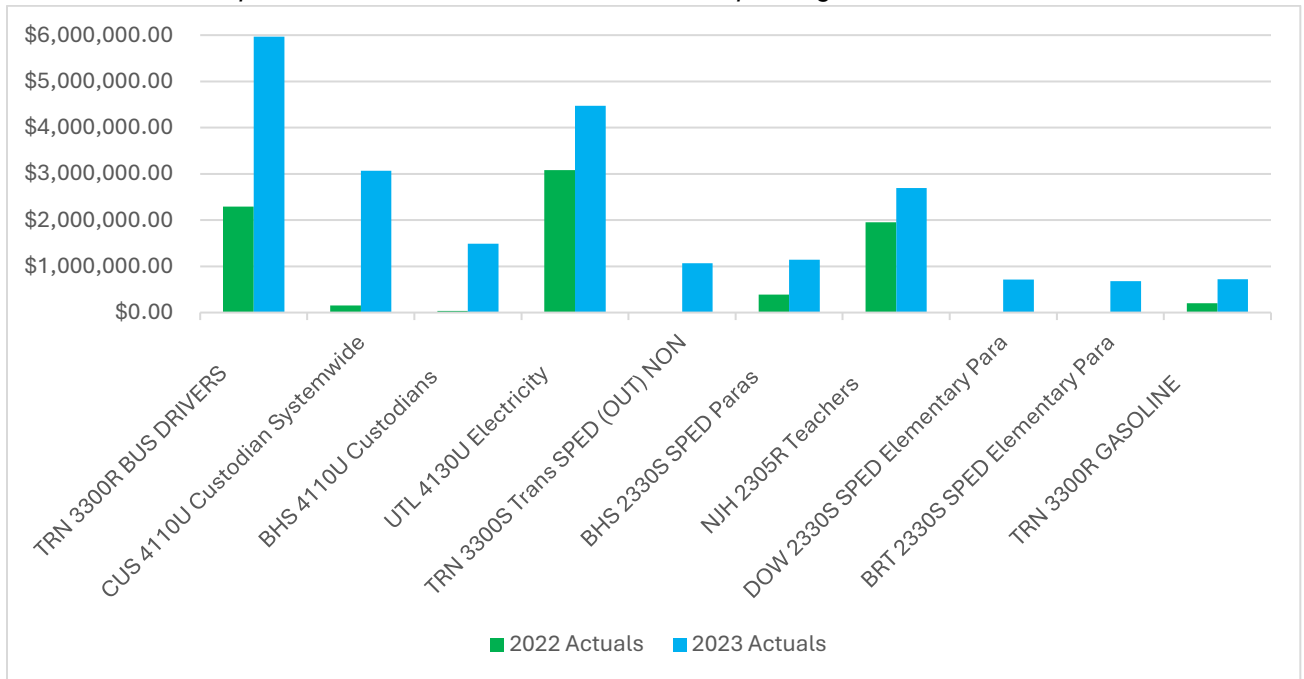
- “TRN 3300R BUS DRIVERS”
- “UTL 4130U Electricity”
- “BUS 4130U Contract Services”
- “NJH 2305R Teachers”
- “TRN 3300S Trans SPED (OUT) NON”

Of these five accounts, both the “TRN 3300R BUS DRIVERS” and “UTL 4130U Electricity” accounts are significant contributors to budget overages when comparing actual spend to FY2022 and FY2023 budgets. The “TRN 3300R BUS DRIVERS” account saw an increase in actual spending from FY2022 to FY2023 or approximately \$3.7M while the “UTL 4130U Electricity” account saw an increase in actual spending of approximately \$1.4M.

RSM identified accounts with the largest increases in actual spending from FY2022 to FY2023. RSM observed that increases in actual spending from FY2022 to FY2023 in these ten accounts represent a total increase in year-over-year spending of \$13,921,275.

Table 3 below illustrates the ten accounts with the largest increases in actual year-over-year spending.

Table 3 – Top Ten Accounts with Increases in Actual Spending from FY2022 to FY2023



To stratify our analysis at a higher level, RSM aggregated accounts based on the codes at the beginning of each account (e.g., “2305R”) and identified increases/decreases in budget, FY2023 actual spending, and calculated FY2023 budget to actual spending for the grouped accounts. Table 4 below illustrates the top ten account groupings with the largest budget deficits in FY2023.

Table 4 – Top Ten Account Groupings with Largest Budget Deficits

Account	2023 Actuals	2023 Budget Increase / (Decrease)	2023 Actuals Increase / (Decrease)	2023 Budget Deficit
2305R Teachers	32,686,579	(10,241,410)	433,755	11,921,694
3300R BUS DRIVERS	5,967,727	1,885,859	3,678,599	2,159,868
9300S Tuition SPED Private	3,811,082	(1,300,320)	(370,441)	1,311,082
4130U Electricity	4,475,061	2,771,554	1,393,435	1,267,993
9300S Tuition SPED Residen	2,427,439	(202,505)	(4,030)	805,828
3300R Mckinney Transport	1,725,983	(803,057)	(275,662)	729,105
4110U Custodians	4,891,145	11,962	3,455,474	580,537
2305R Teacher Systemwide	794,917	24,030	509,998	553,534
2320S Occ/Ph/Sp/Vis Ther	1,633,048	89,943	493,570	533,344
3600U Security Guards	619,470	(1,854)	425,770	471,324

c. Forensic Analysis of Spend

As discussed previously, RSM performed data analytics and selected 30 disbursements for further forensic review. RSM tested each of the 30 judgmental selections and found that each selection was supported by an invoice and an approved purchase order associated with it. However, RSM found that every purchase order was dated after the invoice had been received. This indicates that spending was occurring prior to approval. If departments are making purchases prior to having the spending approved, this increases the risk of expenditures exceeding budgeted amounts.

RSM observed that all 30 purchase orders were approved by either the Deputy CFO or CFO. RSM observed that all expenditures were coded to expense accounts that appeared appropriate based on the nature of the expense and were for a legitimate business purpose.

We understand that once an account is overbudget, an “override” is required in MUNIS to continue to record expenditures to that account. Based on discussions with relevant personnel, it is our understanding that there was little, if any, restriction on which employees could process budget overrides.

d. Final Information Gathering Meetings

The following summarizes our understanding of the budget setting process, based on our discussions with Mr. Petronio, Mr. Correia, and Mr. Thomas. The budget setting process for each fiscal year begins in November of the prior year (e.g., the budgeting for FY2026, which runs from July 2025 to June 2026, would begin in November 2024 and run through final presentation and approval in May/June 2025). Generally, union workers (teachers, custodians, etc.) receive annual agreed upon salary increases that are factored into budget estimates and a general budget factor was utilized to account for increases in costs from the prior year. Additionally, input is requested from the principals and heads of schools to understand additional anticipated expenditures. The draft budget typically goes through many iterations prior to the approval of the final budget. After an initial budget is created, it must be approved several times prior to final approval. During this process, typically,

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budget cuts need to be made. Any layoffs of teachers must be done prior to the start of the school year.

We observed that the FY2023 budget setting process was consistent with Brockton Public Schools' general approach to budget setting but the way the budget was entered into MUNIS deviated from prior years. RSM understands that while the "199 account" is intended to hold funds to pay overtime costs as discussed above, in FY2023, it was used as a place holder with approximately 80% of the total budget placed into this one account. The individual responsible for entering budget line items into MUNIS retired prior to the start of FY2023 and with this individual gone, the budget was mostly entered into the "199 account".

Additionally, we observed that the BPS' CFO, Mr. Petronio was on leave from January 2022 through June 2022, a critical time period when the FY2023 budget was being finalized. Upon Mr. Petronio's return, he indicated that he identified over 100 positions which would need to be cut to keep spending in line with budgetary expectations. Mr. Petronio indicated that based on his recollection, he presented to the Finance Sub-Committee in November 2022, January 2023, and April 2023 and gave a high-level presentation illustrating the various budget categories and a comparison to the prior year. Finally, in April 2023, individuals we spoke with indicated that the anticipated budget deficit was presented to Mayor Sullivan (the "Mayor").¹² RSM reviewed online recordings of Finance Sub-Committee meetings and we were unable to identify any Finance Sub-Committee meeting recordings in FY2023 prior to the meeting held on March 21, 2023.

RSM reviewed recordings of the Finance Sub-Committee meetings during this time period. RSM identified that Mr. Petronio attended Finance Sub-Committee meetings on March 21, 2023, April 4, 2023, and May 2, 2023 and that Mr. Correia attended the Finance Sub-Committee meeting on April 25, 2023. During the April 25, 2023 meeting, costs related to staffing were discussed. During the meeting, Mr. Thomas indicated that in the prior year, Mr. Petronio and Mr. Correia suggested that about 100 positions be cut, but he chose not to cut those positions because he was hopeful that student enrollment would increase. Also during this meeting, the Mayor indicates that the Massachusetts Department of Elementary and Secondary Education ("DESE") recommended they bring on additional staff which accounts for the recent increases in staffing.

While, based on our discussions and review of relevant emails, it was clear as early as January 2023 that a budget shortfall would exist, we were unable to identify any emails related to plans to inform the Mayor or the City CFO of the issue prior to April 2023.

Our discussions with key personnel were also to gain an understanding of the drivers of the increased spending in FY2023. Based on our discussions, we have summarized our understanding of the drivers of increased spending in FY2023 below.

¹² We identified contradictory statements between the Mayor, Mr. Thomas, and Mr. Correia. Based on emails reviewed between Mr. Petronio, Mr. Correia, and Mr. Thomas, there were plans to inform the Mayor and City CFO of the anticipated FY2023 budget deficit in April 2023. However, RSM was not able to confirm, based on the data available to us, whether such a meeting took place. Based on a complaint filed by Mr. Correia, he asserts that meetings occurred on April 5, 2023 and April 24, 2023 with the City CFO and Mayor, where the FY2023 budget deficit was discussed. Mr. Thomas has stated that on April 24, 2023, himself, the Mayor, City CFO, Aldo Petronio, and Chris Correia discussed that they were facing between an \$8-9 million deficit for FY2023. However, based on review of the February 27, 2024 School Committee meeting, the Mayor stated that he "was not made aware of a fiscal 23 deficit until the date of August 8th."

Special Education

During FY2023, we were informed that one of the therapeutic day schools in the district was shut down due to safety concerns, among other reasons. As a result, these students needed to be enrolled at private placement schools. This led to an increase in tuition costs, driven by price increases and more students attending these private schools.

Transportation

We were informed that the increased number of students requiring placement at private schools resulted in an increase in special education transportation costs.

In addition, we were informed that in September 2022, the moratorium on evictions was lifted which increased the number of homeless students. These students require special transportation and as a result, transportation costs increased in FY2023.

Teachers

Finally, we were informed that costs of teachers were greater than anticipated. Based on our discussions, Brockton Public Schools expected to receive additional funding for mental health support to cover some of these costs. Additionally, we discussed the increased need for substitute teachers during FY2023, which also resulted in unexpected increases in spending.

In our final discussions, we were informed that the budget deficit for FY2023 was affected due to the district's lack of surplus funds, previously provided by Elementary and Secondary School Emergency Relief ("ESSER") funding, which had been used in prior years to balance the recurring budget excesses. For example, RSM observed in FY2022, the original budget was approximately \$209 million and actual spending was approximately \$216 million, indicating overspending of approximately \$7 million. This overspending was able to be covered with excess funding. The lack of additional funds in FY2023 had a significant impact on the financial planning for the district.

RSM further observed that ESSER funding, part of the American Rescue Plan Act of 2021, was allocated to support schools in response to the COVID-19 pandemic. The funds were intended to aid in the safe reopening and ongoing operations of schools, addressing academic, social, emotional, and mental health needs arising from the pandemic.

In Massachusetts, the "ESSER III" program was set to run through September 30, 2024. This means that the funds were expected to be available until that date unless they were exhausted prior to it. As of the latest updates, there has been no official announcement or indication that the ESSER funding in Massachusetts has run out before this projected end date. It is important for stakeholders, such as educators, parents, and students, to be aware of the timeline and to participate in discussions about the allocation and utilization of these funds to ensure they are being used effectively and equitably.

As for the Brockton Public Schools, the specific amount expected to be received from ESSER III for the 2022 - 2023 school year has not been determined by RSM. However, the Brockton Public Schools website outlined information related to their ESSER III Implementation Plan.¹³ Typically, the allocation of ESSER funds is based on the Title I, Part A formula, which considers factors such as the number of low-income students and other district-specific needs. It is recommended to review the

¹³ RSM observed information posted on May 26, 2023 for addressed to the BPS Community titled "A Refresher on ESSER Funds" located at <https://www.bpsma.org/about/bps-news/latest-news/~board/latest-news/post/refresher-esser-funds>

district's official documentation or contact the Brockton Public Schools administration for the most accurate and updated financial figures regarding the ESSER III funding for the specified school year.

For the most current information regarding the status of ESSER funding in Massachusetts, interested parties are encouraged to consult the Massachusetts Department of Elementary and Secondary Education or the official communication channels of their local school districts. These sources can provide updates on the expenditure of ESSER funds and any significant changes to the program's status: [Massachusetts Department of Elementary and Secondary Education ESSER III Fund] (<https://www.doe.mass.edu/federalgrants/esser/esser3.html>).

e. E-Discovery Analysis

As a result of the searches performed, RSM was able to create a timeline summarizing relevant communications related to the FY2023 budget deficit.

Date and Items Discussed	Details
7.22.2022 – Discussion of potential budget shortfall in FY2023	Mr. Correia writes to Mr. Petronio that “Given the District's budget shortfall for FY23, we need to implement conservative spending policies in order to avoid major cuts and layoffs.”
9.17.2022 – Discussion related to staffing level concerns	Mr. Correia indicates to Mr. Petronio that they need to "get a handle on staffing levels" because the "math no longer makes sense.”
9.28.2022 – 10.19.2022 – Discussion of the increase in out of district placements	Discussion between individuals related to the increased need for students to be placed out of district because of the closure of the Huntington school. Estimated increase in out of district placements of over \$2 million. Mr. Correia writes to Mr. Petronio that “the FY23 budget cannot support an additional \$2M in out of district tuitions.” Mr. Petronio replies to the larger group that the “new costs [are] very troubling” and explains that they "don't have this kind of padding in the school budget for this year.”
10.29.2022 – Discussion that FY2022 was overspent and FY2023 will be also	Mr. Correia informs Mr. Petronio that he has “reconciled the Non-Net School Spending Budget and it was overspent by \$4,735,730.” He continues by saying “luckily I had 2 years of Circuit Breaker and ESSER III funding to reduce the impact to the local budget.” Mr. Correia continues by indicating that if they do not "get a handle on this transportation budget and address the management issues in that department, we are headed for a very serious budget shortfall for Fiscal Year 2023.”
3.20.2023 – 4.3.2023 – Discussion where Mr. Correia continues to raise concerns about the FY2023 budget	Mr. Correia writes to Mr. Thomas and Mr. Petronio related to the FY2023 budget. He reiterates that “both last Fiscal Year and this Fiscal Year, the amount of non-budgeted spending that’s been occurring would eventually

	<p>place the District in a precarious situation...and the District is now facing a budget crisis.”</p> <p>Mr. Correia lists several factors contributing to the problem including, “the sudden closure of the Huntington School forced the District to tuition out a substantial number of SPED students...rising transportation costs...and what seems to be the largest impact to the current budget, is the number of staff members who have been added to our payrolls.”</p> <p>Mr. Petronio and Mr. Correia hold an emergency budget meeting with Mr. Thomas on 3/20/2023. Mr. Correia is projecting a budget deficit of \$13 million.</p> <p>Mr. Correia indicates his belief that “the Mayor and School Committee need to be notified and made aware of the situation immediately.”</p> <p>Mr. Petronio requests a meeting with Mr. Thomas and Mr. Correia on April 3 to discuss “the multi-million dollar budget shortfall” and review “all of the areas that are causing the problems”. Mr. Petronio adds that they “have some very strong recommendations and need to act on them immediately in order to try and reduce this deficit before year end.”</p>
<p>4.4.2023 – 4.10.2023 – Discussion between Mr. Correia and Mr. Petronio of their plan to brief the City CFO and Mayor</p>	<p>Mr. Correia follows up with Mr. Thomas after their budget meeting and mentions that “Aldo & I will meet with Troy Clarkson, City CFO on Wednesday morning (4/5/23) to brief him on the current situation and we’ll all plan to brief the Mayor on Monday (4/10/23) at our scheduled budget meeting.”</p>
<p>7.13.2023 – Discussion of the best way to clear the budget overage</p>	<p>Mr. Correia and Mr. Petronio discuss “in hopes of balancing the FY23 Local Budget, it’s been suggested that a separate OOD Account be created to absorb those additional tuition expenditures that were not budgeted for. This account would act somewhat like a “Revolving Account” and we’d be carrying that OOD Tuition deficit into Fiscal Year 2024, with the expectation that we’d be able to clear it with Free Cash Revenues.”</p> <p>Mr. Petronio mentions that they “should be able to clear these deficits in FY24 as long as the Superintendent stays within the budget that the School Committee has set.”</p>
<p>8.6.2023 – 8.7.2023 – Discussion where Mr. Correia urges Mr. Petronio to inform the School Committee</p>	<p>Mr. Correia emails Mr. Petronio saying that he has “attempted to offer suggestions and develop procedures to help curtail the deficit, but have been met with resistance by the Superintendent.”</p> <p>Mr. Correia writes Mr. Petronio that “as the District’s CFO, you have an obligation to inform</p>

	<p>School Committee of any financial misconduct and/or improprieties...I urge you, for the final time, please schedule an emergency meeting with the School Committee tomorrow morning to brief them on the shortfall. If you fail to do so, I will be forced to contact the Committee.”</p>
	<p>Mr. Petronio replies that he has “broached the subject with the Superintendent, City CFO, and the Mayor in the past few months” – specifically, Mr. Petronio mentions he “reviewed that we had issued with being overstaffed, SPED cost increases and that we were underfunded for transportation costs in FY23.”</p>
	<p>Mr. Petronio also writes that he is “requesting a meeting with the Superintendent today and for a meeting with the City CFO and hopefully Mayor tomorrow to present [Mr. Correia’s] findings on how large the shortfall is for FY23... [and that] it is up to the Mayor to call a special meeting of the School Committee if he deems necessary after being advised by us and the City CFO.”</p>
8.8.2023 – Mayor states he learned of budget deficit.	This is the date the Mayor has indicated he learned of an FY2023 budget deficit. ¹⁴
8.15.2023 – School Committee meeting	Mr. Petronio reports that “with the closing of the budget in June, he and Deputy CFO Correia discovered several accounts that are out-of-balance.” ¹⁵
8.31.2023 – School Committee meeting	Brockton School Committee meets in executive session. The Mayor announces the deficit following the meeting. ¹⁶

Based on the timeline illustrated above, budget deficit related communications occurred throughout FY2023. However, there was also a lack of communication between Leadership and the BSC which led to the full extent of the budget deficit not surfacing until August 2023.

¹⁴ Based on online recording of February 27, 2024 BSC meeting.

¹⁵ August 15, 2023 Brockton School Committee meeting minutes.

¹⁶ <https://www.wcvb.com/article/brockton-public-schools-14-million-deficit/44969508>

VI. Limitations

This report contains a summary of our observations based upon the procedures we conducted from February 13, 2024 through the issuance of this report. Our observations are based primarily on discussions with key personnel and documents and information provided by the Client.

The procedures performed did not constitute an audit, review or compilation of the Client's financial statements or any part thereof, nor the external examination of management's assertions concerning the effectiveness of the Client's internal control systems or an examination of compliance with laws, regulations or other matters. Accordingly, our performance of the procedures does not result in the expression of an opinion or any other form of assurance on the Client's financial statements or any part thereof, nor an external opinion or any other form of assurance of the Client's internal control systems or its compliance with laws, regulations or other matters.

While third-party information was obtained and the reasonableness of key inputs was assessed where possible, RSM did not test the veracity of information provided to us from management or any third parties. Moreover, if additional information or documents were to become available to us, our observations may change based on any new information included in such documents.

We make no representation regarding the sufficiency of these services for your purposes. This report may be amended and/or supplemented based on additional information received. We have no responsibility to update this memo for events or circumstances occurring after the date of this memo.

RSM did not investigate differences between the MUNIS budget deficit of approximately \$14 million and Open Architects calculation of budget deficit of \$18,253,853 reported in February of 2024.

RSM was not asked to determine with individual specificity the positions, roles, and responsibilities attributed to overstaffing, that led to the increase in actual spending when compared to budgeting spending for staff, for FY23.

While RSM analyzed certain high-risk transactions, our testing did not extend to specific daily operational activities regarding transportation (i.e., bus driver attendance) or other completion of required performance activities for other roles. While individuals we interviewed indicated that the costs associated with the community mentor program lacked adequate tracking, concerns related to fraud, waste or abuse were not expressed during these interviews. Subsequently, Mr. Correia filed a complaint dated 8/23/2024 with the Commonwealth of Massachusetts Superior Court Department, in which he alleges that the Superintendent "had been circumventing the standard operating practice of screening job applicants [...and that] individuals known to be friends and associates of [the Superintendent...] were being compensated for work that...had not actually been completed." RSM has not reviewed amounts paid related to the community mentor program or whether individuals hired as mentors completed required performance activities or underwent appropriate background checks.

Further, we have not discussed with the persons named or referred to in this report our findings based on discussions with them or other relevant individuals. Where those findings may be critical in nature, we have not given such persons the opportunity to respond to those findings. We do not consider it advisable to do so given the nature of the report but wish for this to be clear to any reader of this report.

This report is intended solely for the use of the Brockton School Committee and Murphy Hesse Toomey & Lehane, LLP and is not to be used or relied upon by others.

VII. Conclusion

Based on discussions with relevant personnel and procedures performed, the main drivers of the budget deficit in FY2023 include staffing costs in certain areas that were not fully budgeted for, increased special education tuition costs, and an increase in transportation expenses. Based on our discussions, budgets were monitored throughout the fiscal year by Mr. Petronio and Mr. Correia and these items were discussed internally (between Mr. Petronio, Mr. Correia, and Mr. Thomas) prior to when the budget deficit was publicized. There appears to have been an expectation that additional funds would be received to cover this overspending (as had occurred in prior years); however, such funds were ultimately not received. The likelihood of such prospects additional funds would be received by Brockton Public Schools were not evaluated as part of the scope of RSM's report. RSM did however observe that the shortfall was characterized within email communications as being a "crisis" and yet was not communicated to those charged with oversight. We received contradictory information related to when the Mayor was made aware of the FY2023 budget deficit, however, periodic reporting to the BSC was lacking with respect to the tracking of budget versus actual costs.

Additionally, certain decisions during the school year were made based on concerns for student safety and wellbeing and analysis into the anticipated financial effect of such decisions was not conducted.

Our procedures did not identify any misappropriation or misuse of funds. Instead, there was a breakdown in understanding between Leadership and the Brockton School Committee. In addition, key personnel involved in the budgeting process were on leave and/or retiring¹⁷ during the finalization of the budget in late FY2022 which decreased communication, a contributing factor to the ultimate budget deficit.

We recommend that the BSC review and assess the financial reporting and budget to actual processes to ensure that accurate reporting to the BSC occurs on a timely basis.

RSM US LLP

¹⁷ Mr. Petronio was on leave from January 2022 through June 2022 and the individual responsible for entering budget line items into MUNIS retired prior to the start of FY2023.

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