The Special Meeting of the Board of Education as a whole for finance was held in the Blake Building, 25 Ogden Street, West Haven. The meeting was called to order by Jerry Calabritto, Chairman of the Finance Committee at 6:05 p.m. The meeting began with a pledge to the flag.

Jerry Calabritto, Chairman of the Board of Education Finance Committee stated that a meeting was called to basically to receive a report on the Operational Assessment Findings and Recommendations from Blum Shapiro Consulting LLC. He introduced Jeff Ziplow and Dominic Barrone from Blum Shapiro who presented the operational assessment.

Jeff Ziplow, a partner at Blum Shapiro, has been with the firm since 1991. Dominic Barrone has been with Blum Shapiro since January and was with Scully and Wolfe when it became part of Blum Shapiro in January. Scully and Wolfe was a municipal audit and consulting firm in Connecticut that did the audit in West Haven. He handled audit support and consulting and now with the merger he primarily is in the consulting area. They were engaged to perform an operational assessment. They have been doing operational assessments for towns and schools for 10 plus years.

Three areas in the pyramid are PEOPLE, PROCESS AND CONTROLS and TECHNOLOGY. How technology supports people, how technology support processing and controls. Do the processes and controls drive the technology? Does the technology control the processing and controls? Are we using technology? We have a gap in the use
of technology which will be apparent later in the presentation. These are some of the questions which were linked to the above areas in the pyramid.

**PEOPLE**

- Do they have right skill levels
- Do they have the right training
- Do they understand what the processes and controls are
- Do they have the right technology
- Will this technology help us grow or is it detrimental to our progress

Mr. Ziplow then shared some of the observations, findings and recommendations in key areas: Operations/Technology/Special Accounts. He spoke to various people in City departments to come up with these observations: Business Office Director, Human Services Director and the City Finance Director just to name a few.

Executive Summary – Centers around the Business Office Operations

- Key Controls are in place and things are OK

Findings: An area of concern as it relates to segregation of duties and responsibilities in the Payroll Process – Only one person can add or modify a person’s salary.

We want to make sure controls are in place not because of the people there right now but we have some good processes and internal control that will catch issues and situations if they ever were to be brought up.

- Manual Processes have been established

Findings: A multitude of manual paper shuffling goes on as it relates to the business office operation. A number of decentralized technology tools have been created in the form of Access Data Bases and Excel Spread Sheets. These are decentralized – no one has access to them; they are compartmentalized. This is an area of concern and opportunity.

- FMS (MUNIS) A product called MUNIS is in place right now that is being under-utilized.

Findings: People are not using MUNIS or are using it after the fact. It is not being used proactively but mostly reactively. It mostly does after the fact information tracking. Most information is currently tracked by Excel Spread Sheets, kept on paper or with micro soft access.

Howie Horvath asked what MUNIS is capable of and what we should be using it for.

MUNIS is a software product by Tyler Technology that is a fund accounting governmental financial software product. It has a host of software modules that are interconnected: General Ledger, Accounts Payable, Requisition, Purchase Order, Accounts Payable, Project and Grant Management just to name a few.

Toni Paine asked if her department would only be interactive to them and have READ ONLY for the other departments. Yes; that goes to how it is set up and the security used.
Howie Horvath asked what the net benefit would be to use it the way you envision it.

- Better controls in place
- Financial information would be more accurate in less time

Right now everyone is doing their own thing and there is no continuity; this is part of the problem.

George Monahan stated that this problem is identical on the City side. MUNIS is underutilized now and has been. They are using less than half of its capabilities.

Jeff Ziplow stated that MUNIS has a good grasp of the Connecticut market. It is in a multitude of towns and cities in Connecticut. It is a functional system that is being underutilized.

Documentation of Policies & Procedures

Findings: Very limited - there is some it is very old and outdated. We need to find out what it is so we can do a better job of having people follow the design policies and procedures that are put in place. An area of opportunity for this would be Student Activity Accounts.

Budget & Finance Reporting

- All budget preparation done off line using Excel Spreadsheets
- Then entered into MUNIS
- All budget checking done manually
- Information not being put into MUNIS timely
- Principals received one budget status report last year

Findings: A lot of these issues could be remedied by taking advantage of MUNIS and getting rid of the sub-systems. We would have one unified place to get information.

George Monahan asked what the timeframe of the audit was. They began at the end of May and completed the assessment at the end of June. They then put together their reports and made a presentation. This is now the formal presentation.

George asked if the finding were based on the base package of MUNIS that we have. The modules talked about are the modules the City does own.

Howie asked what the principals wish to know on a full time basis that they aren’t given information about. Is there much money involved? Our principals don’t have a lot discretionary money.

Principals like to know where the money sits six to eight months into the year. Example - monies budgeted for supplies. Building administrators need to know how much money is left if they have $15,000 for school supplies. They type purchase orders and have no access to be able to see the amount of money remaining. This is a small piece of the budget where principals have any degree of control. A further discussion ensued.
Financial Review
- Over expended accounts
- Significant budget revisions
- Transaction analysis
- Special Ed accounts

Findings:
- Some City level accounts were over-expended
- Significant budget adjustments and revisions
- Journal entries going into payroll – this doesn’t mean there was anything wrong going on but this is a level in the system you should take a look at
- Current purchasing procedures are not timely
- On-going monitoring of accounts need to occur
- Processes need to change
- This becomes a timing process

Procurement
- Limited documentation (requisition, purchase orders (PO) and accounts payable)
- Board of Ed does follow the City Purchasing Guidelines
- Records are kept manually for what is remaining in various budgets
- No central place to go to and see if there is money remaining in the budget
- People are unclear on procedures and process to be followed
- Superintendent signs all purchase orders regardless of amount
- Duplicate processing – PO requisition is filled out manually or typewritten then we are moving it to a PO and finally putting it into MUNIS as a PO or invoice. This is repetitive.

Toni Paine stated that basically we are just using MUNIS as a diary. At best yes. Howie asked if we were to use MUNIS effectively would take care of a lot of these processing issues. Yes. A further discussion ensued. Jerry Calabritto said if the PO module was in use rather than a stack of PO’s on the Superintendent’s desk there would be a print out. She wouldn’t even be doing it the business manager would be doing it except for exceptionally large purchases which the Superintendent should be aware of and might sign. Most other school districts work with this type of policy.

A further long discussion ensued. Jerry stated that he was under the impression that the Board could implement any of the modules in MUNIS that the City currently has irregardless of whether the city uses it or not. Mr. Ziplow said this is a true statement but you do not cut checks and are not in control of this. George Monahan stated this is where the disconnect takes place. For the system to work correctly the whole system must work together. Toni Paine asked how long we had MUNIS – seven or eight years.

Howie said if we had a system like this in place for us it would give us better accountability and take care of a lot of issues and problems. Have you in this report quantified what it would take financially to implement recommendations? He doesn’t think it is in the report. Howie asked if you have quantified the cost of not doing it.
He can’t quantify it but can say that the risk does increase. Jeff Ziplow stated that we have good people in place right now but the problem is the control gaps. If good controls, policies and procedures and not put into place and if we don’t take advantage of some of the electronic systems out there then the risk of potential fraud or embezzlement just goes sky high. Because of the good people we have in place we have good things happening but it is a risk. Howie feels you may need to sell this by quantifying beyond a catastrophic risk which is a critical one but there must be another way to quantify it on an annual basis. A further discussion ensued regarding purchase orders, policies and procedures. George stated that it was probably a bad time for this to take place because the city has been operating a year with tremendous turmoil in the finance department and you came right in the middle of this. It was probably a bad time to look but at least it gives us good clues that things need to be fixed. Toni Paine stated but the sheer fact is that they had MUNIS for seven or eight years and are not utilizing it. Howie asked if there really is an intent to improve the policies and efficiencies and what is the value for doing so against what the cost is. Howie thought there would be plenty to gain if we took advantage of the system even if the City didn’t do their piece and now he hears that the value will be much less. He questioned this. Jeff Ziplow stated you will have mitigated the control risk by taking advantage of the system. The issue of the timely payment of the invoices by the City still remains but if you can get up to that point you have mitigated a lot of your risks that have previously been identified here.

Accounts Payable
- Too many employees can create new vendors
- One person only should add (others should not)
- Checks are printed and held at City Hall

Human Resources
- MUNIS not utilized
- No formal documented policies for HR Management
- HR should be handling salary not payroll
- HR verbally notified payroll of employees out on Worker’s Comp
- Departments are made aware of new hires, terminations and changes by reviewing Board of Education Minutes
- Duplicate database and information exist

Payroll
- HR notifies payroll of employees out on Worker’s Comp
- Duplicate database and input exist
- Records are stored manually on index cards

Student Activity Accounts
- Everyone is doing their own thing with the record keeping of funds students and parents contribute to fundraisers, cheerleading, band, clubs etc.
- Current management of these accounts vary from school to school
• Our records at the high school are kept impeccably even though ledgers are being used. Again, this is because of the person not because of your processes and we need to change this. We need good policies and procedures put into place.
• Should a particular size check require multiple signatures
• It is suggested reviews be conducted on an on-going basis
• An operational audit or review should be done at the high school because of the amount of money involved.
• The people in the schools need to know they might be subject to a review
• No debit cards should be used
• Business Office Manager should work with the various banks to make sure there are no debit cards used and should do a quarterly review of all accounts
• The high school activity account is managed by the high school and the high school cuts the checks the City does not.
• Who is doing the bank reconciliations? Are they being done?
• At the high school we feel very comfortable because of the meticulous nature of the person keeping records but it is the person not the system.

George stated here is one person in the system that even though he is doing it archaically has a good system. Eric said another point with this gentlemen is that he is very honest. We don’t want to teach everyone to use the same system but we can put practices in place. Dr. Andrees stated that this gentlemen submits a report to her every month.

A discussion ensued on how we were going to implement the findings and what was the next step. Dr. Andrees stated that the next step was talked about and the board can work with her to develop it. She said we didn’t do this until the board heard the findings tonight and could make a decision on how to proceed.

Recommendations
• Implement modules not being utilized that do exist
• Implement accounts payable, purchase requisitions, project accounting (grants), bid management, fixed asset, and HR which we have access to
• Review bid management to see if it should be used because we are paying for it
• Board of Education should notify the City of any modules not being used to take them off of maintenance
• Develop training program for the financial management system
• Analyze the number of MUNIS licenses
• Create a connection so MUNIS can be used by all

Zeff Ziplow believes the whole requisition purchase order process is going to have a big change in the way we operate. This will give us the best financial information. A long discussion on purchase orders ensued.

Disaster Recovery Procedures and Back-up Procedures
• Get adequate disaster recovery plan – none exists
• Data is backed up weekly
• Monthly the back up tape is stored in a fire proof brief case in a car’s trunk
• The Board of Education has no standard backup process for their sub-system (floppy drive etc.)

Eric Murillo asked if with this information are you saying the City does a backup and are you saying anything about the Board of Education? No. Garbled discussion and then Jeff Ziplow said he would suggest the City take the tape and bring it off site. The police department was mentioned. Jerry said the problem is the police department has the data backed up on the City server. Just take it off site it shouldn’t be in a car’s trunk.

Recommendations:
• Review weekly back up policy
• Develop formal document backup policy and procedures
• Centralize backup procedures for all locations
• Test backup tapes
• Develop a formalized Disaster Recovery Program
• Take back-up off site

It was suggested that the Business Office should have a discussion and have a back-up started.

School System Technology Plan
• Primarily covers curriculum of schools
• Technologies needed to support whole operation

Recommendation
• Develop a plan

Grants
• Grants rely on old custom of record keeping
• Written sub-system
• Records tracked on Excel

Recommendation
• Records are orderly

Rink
• PO’s filled out after the goods are received at times
• Track their own information
• Not using MUNIS – Access not available
• Cash receipts for ticket sales for concession stand, portion of rental fee, games and machines

Recommendations
• Get purchase orders into MUNIS
• Provide access to MUNIS
• Eliminate cash collections when possible
• Request payments by check

Ken Strong Stadium
• No MUNIS
• Software used to track accounts receivable
• No MUNIS access

Recommendations
• Use MUNIS for purchase order requisitions
• Use MUNIS to eliminate sub system

Food Service
• Purchase order done after the fact (delivery received)
• No MUNIS access
• Use of Excel Spreadsheet

Recommendations
• Use MUNIS so food service is incorporated into a universal procurement process which will allow the Business Office to access the Food Service account information more quickly. A further discussion ensued.

Howie asked if we did go to this service would they be able to move more quickly. They won’t find themselves caught up in lots of red tape or delays will they? Purchasing has no delays it’s the paying. The cash receipts go to the town to be recorded. A discussion ensued about the purchase of cheese from the state for about 1/3 the cost of retail but the state insists upon a check in a timely manner. A call was made to City Hall for this.

The money collected from the kids for lunch is put in the bank everyday. Except in the beginning of the year when you are creating an inventory to get going there is a positive cash flow. There is absolutely no reason why there should be a question about paying any bill for food service.

A further discussion ensued about purchase orders and the payment of them by the City.

Howie said there was a fine effort made compiling this report and he was quite impressed with the findings of Blum Shapiro.

Jerry would like Dr. Andrees and our business manager to meet with the City on some kind of back up procedure before you go forward. Then, the next step would be to take the recommendations that we have and come before the board with a list of the recommendations with an emphasis on the Purchase Orders and Payroll and come back with a time line. You can’t implement everything all at once there is no way. A timeline with your priorities must be presented to the Board. I would ask the chairman if she
would empower the technology committee and finance committee to take a look at the technology needs of the business office.

Toni Paine stated she mentioned before to Howie Horvath, Chairman of the Technology Committee, that an Ad Hoc Committee should be put together.

George Monahan suggested we ask Blum Shapiro to give us a proposal for the preparation of an operations manual as they have this capability. This would be the baseline and the instruction booklet we would use.

Jerry Calabritto stated that back up should be the number one meeting of the minds that you guys have to come to before we implement anything that we have to do. It is useless for us to do this if something should happen to the backup.

Jeff Ziplow stated another suggestion in your dialogue would be the timeframe to migrate to version 6 of MUNIS. We have to figure out what kind of impact that is going to have on the implementation on the other things we are talking about.

Dr. Andrees stated she will ask Blum Shapiro to put together a proposal. This is something they do all the time. This will be a great baseline. Eric Murillo will be handling an operations policy once this information is received.

As there were no other questions, the Board thanked Jeff Ziplow and Dominic Barrone for this most informative presentation.

George Monahan made a motion to adjourn
Toni Paine seconded the motion
All in favor
The meeting adjourned at 8:15 p.m.

Respectfully submitted,

Marylou Amendola
Board Secretary