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Accountant's Agreed-Upon Procedures Report

December 2, 2013

Wayland School Committee
Town Hall Building
41 Cochituate Road
Wayland, MA 01778

To the Honorable School Committee:

An Addendum to the Report Dated August 27, 2013

We have performed the procedures enumerated below, which were agreed to by the Wayland Public School Committee, solely to assist the District with an evaluation of the past performance, systems of internal controls and compliance with the Massachusetts General Laws and regulations as related to the METCO discretionary account for the period July 1, 2006 through June 30, 2012. The School's management is responsible for the administration and system of internal controls surrounding these funds and accounts. 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 the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The agreed-upon-procedures applied, as part of this addendum, are to review any additional documentation provided by the METCO Director as it relates to the operations of the METCO discretionary account not available as of August 27, 2013.

Our Agreed-Upon Procedures Engagement for the Wayland Public School's Financial Activity for Fiscal Years 2007 through Fiscal 2012, dated August 27, 2013, described our findings related to the procedures performed. After we met with the School Committee to discuss the draft report, the committee specifically requested that we complete an addendum when the METCO Director provided her personal credit card statements to the school for us to review. In addition, Barbara Fletcher, Wayland School Committee Chairperson, sent us an email requesting that we clarify our process of reviewing the activity of the METCO and Principal's discretionary accounts. We responded to that request in a letter to the Chairperson dated October 25, 2013.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the special revenue funds, student activity accounts and discretionary bank accounts. 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 must be read in conjunction with our original agreed-upon procedures report dated August 27, 2013. This report is intended solely for the information and use of Wayland Public Schools and is not intended to be and should not be used by anyone other than this specified party.

A handwritten signature in black ink that reads "Powers & Sullivan, LLC". The signature is written in a cursive, flowing style.

Powers & Sullivan, LLC

Findings and Recommendations

In November we received a package of documents from the METCO Director. The Director did not provide us with copies of her personal credit card statements to support the 25 payments totaling \$20,440 from the discretionary METCO bank account to pay down the credit card account. This addendum will summarize any changes to our August 27, 2013 report based on the new documents using the same agreed-upon procedures described in the August 27, 2013 report.

The following is a description of the documents we received in November 20113 and any related additional findings and recommendations:

- A memo from the Director dated 11/8/2013 to the Wayland School Committee and our firm. The memo contains an opening narrative statement along with an explanation of 14 separate items.
- The programs for the annual Dr. Martin Luther King, Jr. celebrations from 2007 through 2013.
- A copy of an October 21, 2013 40 page fax from BJ's Wholesale Club to the Director which contains the purchase history report of the Director's account from January 1, 2008 through October 21, 2013. Many items are redacted and the copy we received did not include pages 1, 5, 16, 19, 22, 28, 33, 35, 37, 38, 39 and 40. We assume that the redactions and missing pages represent personal purchases not related to a METCO expense. The expenses listed included food, snacks, drinks, cups, paper plates, plastic kitchen supplies, batteries, baby gear, coffee, flowers and similar small value items. Most of the individual expenses were under \$15 per item. The total dollar value of the purchases listed was approximately \$3,500, however only \$1,200 was purchased during the period when the Director was paying down her personal credit card with METCO funds. In the Director's letter she stated in item 4 that "BJ's was also the location where snacks or other food items were bought on a regular basis". The BJ's report does not list how the payments on the account were made.

We believe this was included to help support the amounts charged to the Director's personal credit card. If this was the case the maximum amount that could have been charged on her personal credit card subject to METCO reimbursement was \$1,200. Based on our knowledge of how the METCO program has operated over the past several years we agree that these types of expenses would be considered allowable for the revolving fund. However this does not change our original finding related to lack of documentation to support the expense.

- Copies of various personal bank statements or cancelled checks of 13 payments made to her personal credit card between September 14, 2006 and October 7, 2008, no personal payments between October 8, 2008 and January 14, 2010 were provided and two payments between January 15, 2010 and February 17, 2010.

As stated earlier, we have not been provided with the credit card statements or a detailed analysis of actual expenses incurred on the credit cards that would reconcile with any of the 25 payments from METCO to pay down the credit card. Therefore we have a scope limitation that will not allow us to substantially change our initial findings.

Our original report stated that the Director informed us that each month she would analyze her credit card bill and write one check from METCO to pay for those charges and then write a personal check for her charges. We noted the following pattern of METCO and personal payments made during the period from July 5, 2006 through February 17, 2010.

- There were six instances that two payments were made in the month.
- One time the personal payment was for \$1,067.60 and the METCO payment was \$719.66.
- The other five times two checks were issued. The METCO payments were for odd amounts and the personal payments were \$100, \$100, \$100, \$137 and \$200.
- Every METCO payment was for an uneven amount and based on the amount would appear to be higher than the standard minimum payment on a credit card.
- No personal payments were made between October 8, 2008 and January 14, 2010
- Since the METCO payments were made in an amount higher than the expected minimum the Director would not be required by the credit card company to make a personal payment.

Item 4 of the Director's memo stated that our report finding was speculation. We disagree with her statement. It is a fact that there were 25 payments for a total of \$20,440 made from the METCO discretionary bank account to pay down her personal credit cards. It is a fact that the Director has not provided us with expense reports that tie into any one of the 25 payments. It is a fact that we were not provided with any of the personal credit card statements to assist her in trying to analyze the charges. In her letter she also stated that "I discarded credit card and other files that I was holding on to for about fifteen years due to the clutter". It is a fact that she informed me during our June 2013 discussion of the 25 payments that she consolidated her credit card debt several years ago and was so relieved that she discarded the credit card statements. After I finished this conversation I left her office and immediately went to the Superintendent and informed him of these facts.

We did not speculate in our initial report related to this issue and we are not speculating now. We were not provided with enough evidence to make any findings and we have just made factual statements.

- There were memos explaining the METCO expenses from Mark Liddell the METCO High School Coordinator; Maribel Valdes the METCO Middle School Coordinator; Latisha Dukes-Pearson the METCO Elementary School Coordinator; and Rena Santillo the METCO Administrative Assistant. These memos addressed many program related activities that we did not question in our original report. However the memos did confirm

that cash was used to pay bus monitors, that gift certificates were given to staff for appreciation of their work, that program revenues were used to pay for staff appreciation lunches, that program revenues were used for staff birthday cakes and small tokens which were the type of expenses we did question.

- A notarized statement from David Fuller, the leader of the WHO DAT BAND, confirming that he was paid \$600 for the February 4, 2011 performance at the annual Dr. Martin Luther King, Jr. celebration. A notarized receipt from James Miller that stated he was paid \$100 in cash by the METCO Director on February 4, 2011. Our original report questioned the \$1,000 check made out to cash for this event and we were not provided with any support. We did not question the cost related to hiring a band and stage help but these payments should be made by checks instead of cash. Item 9 of the Director's memo stated that the additional \$300 was used for an event cash bank which was deposited later. The February 2011 bank statement listed \$2,184 in deposits however we have not been provided with any detail on the deposits.
- A notarized statement from a citizen stated she helped host the Bertice Berry Wayland/Weston event on April 1, 2007 and fronted a portion of the speaking fee. She confirmed that she was reimbursed \$4,810.45 from Wayland METCO.

The documents also included an invoice and contract with Bertice Berry Productions, Inc. for the keynote address. The contract terms required a speaker honorarium of \$12,000 with 50% payable on December 11, 2006 and the remaining \$6,000 on April 1, 2007; one round trip first class airline ticket; one non-smoking king suite; and meals are to be provided.

Our report did not question the April 1, 2007 \$6,000 payment by bank check to Bertice Berry but we stated that instead of writing a check to Cash on March 30, 2007 from the discretionary account that in these circumstances the checks should be processed through the normal warrant process and posted to the METCO revolving fund.

Our report questioned the \$4,810.45 discretionary check made out to cash and exchanged for a bank check made out to the citizen for their incurred expenses because there was no supporting documentation. The additional documentation supports the fact the citizen was reimbursed but we still were not provided with the expenses that made up the total. It may have been the airline, hotel and partial payment of the \$6,000 deposit but we cannot verify the amounts.

- We questioned the \$57 charge on 7/13/2010 at a restaurant in Stoughton since there was no supporting documentation and the expense was after the school year. We received a signed memo from Jesenia Castro and David Fuller stating they had a METCO Director's meeting on that date and the METCO Director paid the bill. We would still question the expense because a business meeting can be held outside a restaurant.

- There was a notarized statement from a parent that her daughter “received two cakes from the Konditor Meister December 2010-2011 through the Straight A Program”. We did not question the Straight A Program cake awards a part of our report. We did question a \$37 purchase from the Konditor Meister Braintree bakery on December 26, 2009 since this was school vacation week. The letter states that cakes were received in December 2010 and 2011 while the purchase we questioned was in December 2009.
- A copy of framed picture of the Dr. Martin Luther King, Jr. National Memorial Founding Sponsor was received. Item 12 of the Director’s memo notes that the flyers for the Florence Adler Walk/Run stated that a donation would be made to the MLK memorial. We were aware of this when we wrote our original report; however, once funds are deposited with the Town there are municipal finance laws that control how the funds are spent. On page 11 of our original report discussing student activity funds, we noted that charitable contributions in most instances are not allowed. We noted this again for the METCO program. The Commonwealth of Massachusetts Department of Revenue establishes the finance rules related to cities and towns. They have issued an opinion that refers directly to the Massachusetts Constitution’s Anti-Aid Amendment that prohibits public funds from being given to charitable organizations no matter how worthy. Our finding is mainly informational to make sure that the school remains in compliance with finance laws.
- We received several other documents that we are not sure why they were included.
 - A \$1,500 donation letter from TJX dated April 8, 2011.
 - A TJ-Maxx Merchandise Inventory Form that allowed organizations to borrow clothes for no cost if they are returned in the same condition. The form acknowledged that the merchandise was returned and METCO was not charged for the use.
 - A receipt for check number 1048 on 6/02/10 for \$575 made out to Showcase Cinema that we did not question in our original report.
 - A memo from Rick Acker from C&S Candy stating that “Steve no longer works for Candy World and has been gone for more than a year and we have no way of getting in contact with him”.
 - A Project Butterfly Workshop and a 4th and 5th Grade Boys Workshop permission forms that may have been included because participation required the students to take a later bus.
 - The June 13, 2007 Wayland METCO Advisory Board Agenda.
 - A May 17, 2013 letter from the Director informing a student they were awarded a \$400 book award.
 - Four ATM withdrawal receipts in 2011 with notations for bus monitors.
 - On March 10, 2009, two PayPal receipts from the Director’s account documenting that three \$30 concert tickets for the Morehouse College Glee Club and one \$85 ticket to the 2009 MoreJazz Gala Ticket would be charged on your credit card. The merchant was the Greater Boston Morehouse College Alumni Association. We are aware that the Association sponsors these events in Boston but we did not question this expense since we do not have the credit card details.

- There were two online confirmations of credit card bill payments we already have support for.

Although we did not receive any documentation for the matters discussed below, the Director's memo did bring up some additional items that were not addressed above.

Items 3, 8 and 10 of the Director's memo addressed our findings related to \$14,036 of checks made out to cash and \$4,330 of ATM withdrawals. Again the Director said our findings were speculation and again we disagree with that statement. A memo from the Director explaining that the METCO program actions were supported over a long period of time and that the operation was unique is not sufficient evidence to support the cash withdrawals. The discretionary bank account was closed in January 2012. This unique operation did not require the payment of expenses by cash without documentation as evidenced by the fact the METCO program has continued to operate for the last two years without the need for these types of cash withdrawals. Our original finding remains unchanged.

We had a finding that we were not able to determine the source of the funds deposited into the discretionary account since there were no records available to review. We were told that the deposits were from the Florence Adler Walk/Run and from other donations. We stated that there could have been funds that were received from staff for sunshine funds or funds donated specifically for scholarships. Item 2 of the Director's memo states that, this is speculative at best but is not factual. We agree that the word could is speculative and was meant to be. However as part of the new documentation we received a copy of a letter from TJX that states that they were including a check for \$1,500 for the purchase of a technology package for the Awards Night Celebration. We would consider this a scholarship since the student would receive the computer and it is not a grant for the school to purchase technology. We made a recommendation that the school adopt a policy on how to administer scholarships.

Item 6 in the Director's memo stated our findings on scholarship and award winners were speculation and assumption. Again we disagree with that statement. Our finding stated that we found support that listed the award winners that matched most of the monetary scholarships and other awards. The Director was responsible for gathering all of the documentation to support the payments from the discretionary account for our review. The documentation provided for "most" of the awards and scholarships were available for us to review. However, like most of the other expenses, the documentation was not complete. Accounting records need to be complete and filed in one place and cannot be considered sufficient if the records are spread out in various locations.

Our report had a finding related to a scholarship award in one year made from the discretionary account that was significantly higher than any other year under review. Our original finding was as follows. "However, most scholarships were for \$1,000 while in one year the award to one student was \$5,000. In addition the same memo stated the student received a lap top. We also noted that a check for \$2,000 was issued for her to attend an after school program and was also compensated as a bus monitor. The Director stated that this student was special and helped raise a considerable amount of funds in the discretionary account which was a primary reason the awards were high. We were informed the Florence Adler Run does raise program funds along with scholarship funds and therefore these payments may have a legitimate source, even though scholarship funds should have been deposited with the Treasurer's scholarship funds.

When the Treasurer is the custodian and a scholarship committee approves the awards, it minimizes the possibility that the funds are awarded on a basis other than merit, such as the child of an employee, relative or friend. This does not mean that these students cannot receive an award; it just helps minimize any perception problem. In addition, program funds are not meant to financially benefit an individual and therefore should not be used to pay for the attendance at an after school program.”

Item 6 of the Director’s memo states “The scholarships are not set at a specific amount, rather the committee of the staff determines the awards are based on the accomplishments of the student. The \$5,000 is a four year award. The lap top is given annually to the student with the highest GPA. This student was also willing to serve as a bus monitor and did an excellent job. This student was chosen by METROWEST as student of the year”.

When we reviewed the Dr. Martin Luther King, Jr. annual celebration program provided in November, we noticed that the METCO staff was listed and one member of the staff had the same last name as the student awarded the \$5,000, the lap top and the \$2,000 award for attending summer camp. We confirmed with school administration that the student is the child of the METCO staff member. We highlighted our recommendation above in our initial report that deals with this exact circumstance.

Item 9 of the Director’s memo explains the Inauguration trip but does not provide any supporting documentation for the cash expenses which was our finding.

Item 13 of the Director’s memo states that the Director does not retain the ability to spend the \$5,000 check written on December 27, 2011 to the Boston Parents Council. Our issue in the original report was that previous checks to the Boston Parents Council were never that large and we found it unusual that the largest check to this outside organization was made a week or so before the school administration was forcing the Director to close the discretionary account and deposit any remaining funds in the METCO revolving fund.

The Director’s memo makes reference to a “closing statement” which is the last paragraph of our original report in the METCO section on page 32. The Director states that she feels the paragraph is misplaced and is directed at METCO even though the comment relates to all of the discretionary accounts. She feels it is inflammatory at best. The paragraph from the original report reads as follows.

“As stated many times before in this report, the school should never have allowed any of these discretionary accounts to exist and therefore all transactions are in violation with laws and regulation. Since these accounts were not monitored by the school business office the lack of support by the school’s accounting professionals can lead to serious breaches in financial controls.”

We may have used a little different wording for the every other program that maintained a discretionary bank account but we believe the substance is the same. Below are excerpts from our original reports.

Page 12 Principal Discretionary Accounts

“All of these accounts were not in compliance with laws and regulations and were used by the Principals without any oversight. The lack of any permanent accounting system with organized supporting documentation of most of the transactions is a serious breach of financial controls.”

Page 21 BASE and Pegasus Joint Discretionary Account

“The use of discretionary accounts is a violation of finance laws and regulations and never should have been allowed. School management allowed over \$30,000 of checks processed through warrants to reimburse the discretionary accounts. The lack of any permanent accounting system with organized supporting documentation of most of the transactions is a serious breach of financial controls.”

Page 23 The Children's Way Discretionary Bank Accounts

“The use of discretionary accounts is a violation of finance laws and regulations and never should have been allowed. School management allowed over \$20,000 of checks processed through warrants to reimburse the discretionary accounts. The lack of any permanent accounting system with organized supporting documentation of most of the transactions was a serious breach of financial controls.”

We made some minor changes in the language used for the METCO section mainly due to the number of checks written to cash and the pay down of the Director's personal credit card directly with METCO funds.