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**TOWN COUNCIL EDUCATION COMMITTEE & BOARD OF EDUCATION
MINUTES
JANUARY 25, 2021**

CALL TO ORDER: The Education Committee Chair called the meeting to order at 7:33 p.m.
All present joined in the Pledge of Allegiance.

TOWN COUNCIL EDUCATION COMMITTEE

PRESENT: Thomas Whitmoyer, Chairman, Joanne Glasser-Orenstein, Vice-Chairman, Kevin Shively, Lori Rosasco-Schwartz, Michael Miller Alternate, Carl Massaro, Alternate

ABSENT: Donna Seidell, Lisa Valenti

BOARD OF EDUCATION FINANCE COMMITTEE:

PRESENT: Lucinda Timpanelli, Jackie Norcel, Scott Kerr

ALSO

PRESENT: First Selectman Vicki A. Tesoro, Chief Administrative Officers Cynthia Katske and Kathleen McGannon, , Town Council Chairman Dawn Cantafio, Town Council members, Ashley Gaudiano, Jason Marsh, Carl Massaro, Eric Paulson, Mary Isaac, Michael Miller, Tony Scinto Superintendent of Schools Martin Semmel, Town Attorney Daniel Schopick, Director of Finance Maria Pires, BOF Chairman Lanie McHugh, BOE members Michael Ward Allison Squicciarro, Marie Pettiti, Tom Gallo, Joseph Centofani of PKF O'Connor Davies

The Chair welcomed all present and.

BOE Chairman Lucinda Timpanelli extended her gratitude to the Town Council for this first opportunity to speak with Mr. Centofani. The BOE is a complex organization with many components that are fluid based on the needs and demands of the students. Budgeting processes

for all general and special education are different from the realities that unfold during the school year. They serve and employ human beings, thus are subject to the vicissitudes that come along with human dynamics. As the report is digested and analyzed, they are committed to making sure appropriate controls are in place. When they are informed, they always act. This review brought to light areas of concern. Presently our Superintendent and Business Director are in the process of addressing the issues, some they have already addressed and will continue to implement recommendations in a prioritized order. They understand the value and importance to follow accepted accounting procedures and principles as already noted and intend to embrace the recommendations. In retrospect, they would have hoped that if the Town auditors recognized any concerns that they would identify them for them so they could have been able to address them. Their focus will be on moving forward to ensure controls and lucidity in the financial systems. She extended their gratitude for letting them speak to Mr. Centofani. They had sent in questions and look forward to hearing from him.

The Chair explained this meeting is an opportunity for the school administration and the BOE to hear a presentation of the Executive Summary of the Operational Review by PKF O'Connor Davies.

The Chair welcomed Mr. Joseph Centofani. After Mr. Centofani's presentation the Chair will ask the questions sent by the BOE. The Chair respectfully asked all remember they were meeting to discuss the findings of the report. The report is an operational review and not an audit in the truest sense of the word. Audits can come in different forms. This report finds operational and financial policies and procedures as practiced in the Trumbull Public Schools along with recommendations for improvements in financial responsibility, transparency and best practices.

The Committee is present with the intent to work together with the BOE and school administration to correct some of the issues concerning the past finances of the Trumbull Public schools. As all are aware a little more than a year ago, the interim superintendent noted the budget was overspent by more than \$1 million. The pandemic that we are living with today provided the school system an opportunity to save funding while the schools were closed in the spring and the budget was somewhat rectified by the end of the fiscal year. They have stated repeatedly in their meetings and the media that there is no evidence of malfeasance or criminality. This committee is not here to point blame or responsibility for any of these findings. The committee believes there is a need for communication in a budget process that requests two thirds of our total annual Town budget.

This report is long overdue and commended the Town Council for taking the initiative to call for the review. As the Chair of the committee, he asked they not feel defensive over the report but to embrace it and to join them in the study of best practices and make suitable decisions in the months moving forward. He is pleased to hear that Dr. Semmel and Mr. Hendrickson have already put several of these recommendations from the operational review in place. He enthusiastically encouraged more collaboration to discuss additional recommendations that would be fitting to keep the Trumbull Public Schools System fiscally strong and transparent in the future.

The Chair introduced Mr. Centofani an auditor with PKF O'Connor Davies to present an overview of the Executive Summary.

Mr. Centofani explained the following:

- Review and procedures are based on the scope developed by the Town.
- The process started with a request of documents, financial and non-financial. There were discussions with management, to get an understanding of things mentioned with the budget being in a deficit.
- Interviews conducted with over ten employees - HR, Payroll, Superintendent, Business Manager, Assistant Business Manager and all the functional areas.
- Based on the scope they did detailed transaction testing to get an understanding the flow.
- A follow-up was done to confirm their understanding based upon the interviews and testing.

Mr. Centofani reviewed the Executive Summary, (starting on page 3 of the report) as follows:

- Budget Development - Looked at the budget and support to understand how it was developed and where improvements could be made. Available support was looked at, and in some cases requested information wasn't available.
- Budget Methodology - Looked at on how it was developed, use of credits, employee contributions, and expected retirements.
- Transfers & Budget History Over a Three-Year Period – Looked at to see if appropriate.
- General Ledger Accounting – Looked at the energy performance contract and the loans from Banc of America. That led to accounting recommendations and properly recording in a CAP Project Fund, issues around issuing debt, best practices and statutes related.
- Special Revenue Funds - Looked at activity. It was recommended monitoring for over expenditures to make sure monies were not spent in excess of the fund balance. Recommendation was to look at some of the funds that are in deficit and how to solve. Some have been resolved in 2020 but there are still some to be addressed.
- Financial Software (MUNIS) - Recommendation to review to make sure employees only had maximum rights they needed to complete their assigned duties.
- Revision of Chart of Accounts - Recommendation to align with the accounting and what was being done such as payments for debt service for the loans and various other areas v. being segregated.
- Payroll Position - Should have a backup if necessary.
- Purchasing - Some transaction testing done, along with the bidding process and how it is documented.
- Cash Receipts and Billing - Certain cases revenues recorded on the amount received v. being recorded as when received and make sure what was collected is followed, this is a critical control. They should have an expectation of what should be hitting the bank v. what recording of cash receipts that did hit the bank.
- Compliance Areas/Budget transfers & Purchasing - Recommendations for putting in procedures and monitoring, to be in compliance with state statute and getting involved in the approval process.

The Four Most Significant Areas to be Addressed:

1. Internal Control Recommendations – The lack of segregation in payroll and cash receiving. These are the two most critical areas to address first to have the right controls in place.
2. Special Revenue Fund Overspending – What is the plan to fund those deficits?
3. Budget Support – Looked at a budget that was two finance structures ago. The evaluation was based on what he received for FY 18-19 & 20. These were observations based upon the information he had. Position control and looking at some of those records for budget management. The BOE is a very dynamic operation especially as one that is as large as Trumbull, things change all the time. There should be a system to manage that process and know what has already been committed. Some accounts need to be budgeted in accordance with the standard chart of accounts, debt service would be clearly budgeted as opposed to being part of other equipment accounts.
4. Compliance/Purchasing – Value from an efficiency standpoint, transfers and that process.

The Chair extended his gratitude to Mr. Centofani. Mrs. Timpanelli had sent questions, some were redundant from what has been heard and seen in previous meetings. One concern was about several typos and errors in the report, the Chair had asked Mr. Centofani to send the report back to have a second proof and revised with the corrected report drafted and sent back to the Town Council.

The Chair reviewed the BOE questions:

- Q. It was asked if Mr. Centofani had uncovered any evidence of malfeasance for the years covered by this review.
- A. Mr. Centofani noted nothing like that like that was in the report, testing or any of the other work they had done.

The significant distinctions between an operational review report v. an audit is as follows:

- From an auditor's point of view there is normally an opinion at the end.
- The Operational Review's focus is on internal controls, policies, procedures and operations and in some cases efficiencies. The review generates recommendations rather than whether specific numbers are okay.
- The Chair noted there were several recommendations on tracking hires, termination, and salaries.

Q. How was the district counting its full-time employees, (FTE's)?

- A. Mr. Centofani indicated he did not look at FTE's. The process he looked at was the new hires and terminations and trying to identify the process. He did not look at FTE's from that standpoint he looked at what the system looked like to manage the salary lines. Whether there was enough data to say they hired certain people and how they would be funded. They looked at position control and management of the salaries v. the actual number of people.

The Chair opened the floor to questions:

Mr. Centofani explained he looked at salaries in total and what records HR had showing best practice of managing. Managing salaries is one of the main objects in the budget. The records

were not complete, not every person had their salary filled in as a new hire or if terminated. In some cases, the positions were listed on the spreadsheet but the salary amount was not filled in.

Pages 64 & 65, Allocations of Cost to the Lunch Program - Allocations are less common now. More costs were allocated 20-25 years ago. Outside employee benefits, telephone and financial support is not common in his experience.

Page 83, Recommendation for Budgeting Vested Sick Time – Mr. Centofani stated many district's unions require one year notice which allows time to budget. At least budgeting something would be better.

Lunch Program – An area of concern for many – Mr. Centofani explained the lunch program is allowable under state statute. State statute says it has to relate to the program, there was not a calculation that supported the charge. It is more of a support issue. There was \$80,000 that he could not find back up for and the more concerning one was approximately \$200,000 in one year. The numbers were not supported from a technical standpoint. Cafeteria sales and grants only can be used for cafeteria operations and if not supported it raises the questions. He did not evaluate whether it was supported, it was noted he was not provided the support. What has happened over the past twenty years, because costs have gone up and the different types of state mandates that change what the students order, what he has seen are less direct costs, employee benefits is the biggest one, are not charged to the cafeteria program but are absorbed in the budget because cafeteria operations can't afford it. In theory if you do accumulate some resources and have a good program, it is used towards capital replacement. Most of the cafeteria programs he sees are lean, this is pre-COVID and now it is totally different. Anything that relates to the operations can be charged, but the trend has been less can be covered by the operations than years ago. The fact that they were still charging employee benefits show they were doing better than many other communities were.

Special Revenue Funds – Mr. Centofani confirmed it would be ok to have a plan to close the deficit and that is normally what he recommends. Once the plan is identified, it does take some time to react. The most immediate for 2021 is to make sure none of those funds for the current year are overspent and are positive or at least at break even, then the plan to address would be next. The recommendation was to look at some of the programs to see if they need a fee increase or if it needs to be part of the budget. A multi-year plan is fine while making sure current operations do not end up in a deficit.

Dr. Semmel noted in terms of current year special revenue accounts they will have to pay attention because there were not funds put into that budget to ensure there would not be decrease. They will manage their budget very tightly this year to make sure there are no issues. There are a couple that tend to be in deficit, but in the FY 22 budget, they have budgeted to eliminate additional deficit spending, but have not budgeted to fill the current hole. That would need either a special appropriation or to add additional funds to the budget. This was a situation created over years and certainly needs to be a priority. If they find savings this year due to COVID this would be an area they would want to address. The food service account is over \$1 million projected in the hole this year given the issues of not being able to sell ala carte. There are a lot of reductions

and are facing a serious issue in that area. Savings this year may have to go towards the food service program and not towards other areas.

Segregation of Duties – Dr. Semmel explained technically they do not have an open payroll position to fill, it is not posted and not currently in the budget. It is suggested there is a high degree of need to segregate those duties and questioned how that could be done with the current population.

Mr. Centofani explained it is an operational issue should that person not be available payroll would be difficult, cross training someone is important to have the necessary back up.

The Chair questioned if there were two payroll positions where would show where the position was dropped. Was the person transferred? Maybe it would be better suited to bring the person back to payroll so there is not an addition to the budget. He believes it is worth looking into. Dr. Semmel agreed. There have been additional reductions in positions and workloads have increased due to the reductions. It might be difficult to find someone who is already within the organization to do this, but will have additional conversations. They put the position into the budget because from their perspective it was a recommendation from the report.

Mr. Centofani clarified he sees internal control weakness in payroll, the operational perspective speaks to the other position and segregation of duties and the fact that the workload for one person is quite a bit and there is a back-up issue. The recommendation is to have a plan.

Mr. Hendrickson noted the payroll person pays 1,000 people every two weeks and 400 weekly. A qualified trained back up is required, which is why they included it in their budget. Page 18 refers to an open position, it would not be a full-time position it would be there to augment other positions in the segregation of duties. They have 5.75 people in the department including himself. During this time of COVID the equivalent of one FTE is required to track all the COVID related spending and application to the state for CRF funds at the same time of creating a budget. There had not been anyone added since he joined the district in mid-September. He was told the payroll person does sit down with HR and goes through the payroll in detail to make sure they both agree with numbers, the number of people on payroll and the amount they are getting paid. It is a controlled deficiency that they should be tracking that. In his previous district at the start of each year they would go through the payroll to make sure the salary and the person matched up and on a spot check basis every payroll take out a random number of people to check to see if there were deficiencies. He intends to use the same procedure this year.

Special Revenue Accounts – Mr. Centofani explained the special revenue accounts are separate from the budget. If the total budget had money left over, and it did in 2020, there were some monies transferred to address the deficits. Page 74 of the report shows the transfers in. The transfer was recorded as of June of 2020 but he did not know when it was physically moved. The issue is not overspending; some of these special revenue accounts do not have enough revenue to cover all the costs. The recommendation is not to spend more than the revenue unless there is equity available.

Mr. Kerr noted Bands and Strings is an example where the revenue is not enough, they may have to include some of those costs in the budget. Mr. Hendrickson explained that is how the FY 2022 budget was constructed and the board will have further discussions on how they will treat the

special revenue funds especially Strings and Inter-District. Dr. Semmel noted each of those expenses can go up each year. They used three years' worth of actuals to make determinations of what the correct amount for the operational budget and to keep it at zero, not to cover the deficits.

Ms. McHugh noted that on the town side there are police special duty accounts charged back for the use of the cars, there is an anticipated amount each year, with some wiggle room whether it would be one or two vehicles based on the use of the account. At one point, the Town neglected to draw from the account and there was a surplus, they made a one-time decision to take a larger sum out to make up for some of the revenue that had not been there. Historically the lunch program funds were to replace equipment as needed, it was not understood what was happening until they went to buy a freezer and parents had to fund raise because the money was not there. What is important is these discussions take place in public at the board level and believes that is part of what has been missing. With regard to Payroll and HR, this may be a good time to explore shared services between the Town and BOE, to see if there is a more efficient way for oversight rather than adding staff and questioned if this is a time to look at those efficiencies. This is an opportunity to work together, to make sure these situations do not arise in the future and that we are looking for efficiencies we have talked about for years.

First Selectman Tesoro explained they had shared services discussions last year and are still engaged with similar discussions with the BOE. She did not want anyone to think it had disappeared. It is a complex issue, and believes it is one that needs to be explored. She testified last year in Hartford about regionalization of school systems and spoke against that for a district like Trumbull, but did say the state legislature needs to have discussions about regionalization within our towns between BOE and town government to make an easier path for shared services.

DISCUSSION ITEM:

- Discussion- Gibson Report (2012)
- Status of Recommendations from Operational Review
- Plan and Timeline moving forward to address findings

The Chair noted on page 2 of the Gibson Report the recommendations and the BOE's responses were prioritized. The Chair asked the administration if they had their own list of priorities.

Dr. Semmel stated they have started the work, wanted to hear from Mr. Centofani at this meeting and have been listening in as this committee has been meeting. They have Mr. Centofani's response to their question tonight. They have identified a few things on their own before they saw the report. They have already taken care of using three year's actuals to develop the budget. It is good practice, they also saw that credit cards were being used in the district, he does not like what he has heard from other districts using credit cards, and controls always have to be in place, so they had already met to discuss controls. Mr. Hendrickson noted they had reduced the number of cards from 5-2, one of which is maintained in his office under lock and key. Dr. Semmel noted they were happy to know their account person was doing an excellent job keeping track of

the bills, but at the same time, things can happen so they have significantly reduced that. The special revenue funds were something they had heard about and were paying attention to before they even started their first day on the job. They looked at the amount of money to cover the expected cost.

Mr. Hendrickson was surprised that the BOE had been taking out loans. He went to Mr. Centofani and asked if they way it had been done in Trumbull was correct and was told no. They are currently working on a loan that would list the Town as the obligator and have an MOU between the BOE and the Town with the BOE making payments. They also reflected the debt service in the budget statements as recommended by Mr. Centofani, are having on-going conversations with the Town's Purchasing Department to make sure they understand those policies completely and will make a template for all of BOE employees, a "Purchasing for Dummies" template. Transfers will start next month, he likes 6-7 months before making transfers because he doesn't want to make a lot of transfers each month because it makes it cloudy.

Dr. Semmel explained they agree that one of the recommendations was to make sure the finance and operations of the BOE was seeing the grant and special revenue funds. Mr. Hendrickson noted his predecessor was doing it, but there was a gap, posting to the Town has also been done so everyone has visibility.

Dr. Semmel stated they would be going back and providing information on each of the recommendations and now can go back after this meeting to shore up the list and schedule out when they anticipate accomplishing them. They will report each month.

The Chair on behalf of the committee appreciated the administration's candidness, taking the initiative before seeing the report. The Chair suggested another meeting March or April for an update. Dr. Semmel agreed, April would be better because there is a lot of work to be done. He agreed they need to work together this is taxpayers' money. There should be confidence around taxpayer money. The BOE had not been overfunded if anything they have had to do some with the special revenue accounts because they were trying to keep the programs that parents appreciate. It probably was not the right way they probably had to make some hard decisions and cuts, it shows the BOE is not overfunded, it is underfunded based on what they are trying to accomplish for the students. He hears all the time how people appreciate or have moved to Trumbull for the education system.

First Selectman Tesoro stated she didn't want to get into discussions about underfunding or overfunding budgets and believes that is a blanket statement not to made at a meeting. It was discovered by this report that there were budgets overspent and not managed properly, there was not malfeasance but there was not proper management. Statements should not be made at this meeting about budgets that were underfunded and is not sure we have that information is in front of them. She could pull up all of the BOE funding and wanted to make clear there underfunding was before her administration.

RESOLUTION

1. RESOLUTION TC28-147: Moved by Glasser-Orenstein, seconded by Shively
BE IT RESOLVED, That the Town of Trumbull Education Department Operational
Review for the FY 2018, FY 2019 and FY 2020 is hereby accepted.

Mr. Kerr noted the Report needed typos and corrections.

Moved by Shively, seconded by Rosasco-Schwartz, seconded by to pass without
recommendation.

VOTE: Motion CARRIED by unanimous consent.

The Chair extended his gratitude to all. This was a tremendous meeting with special
thanks to Dr. Semmel, Mr. Hendrickson and the BOE. The questions at this meeting
brought a lot of discussion to the table and thanked Mr. Centofani for directing them
through the report and giving fantastic answers.

ADJOURNMENT: There being no further business to discuss and upon motion made by
Rosasco-Schwartz, seconded by Glasser-Orenstein the meeting adjourned at 8:46 p.m. by
unanimous consent.

Respectfully Submitted,

Margaret D. Mastroni
Town Council Clerk