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**BlumShapiro**  
**Consulting**  
a division of Blum, Shapiro & Co., PC

# Town and School District of Brookfield

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Financial Operational Controls Review

Executive Summary

February 2016

## **Brookfield Financial Operational Controls Review – Executive Summary**

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### **Project Overview:**

The goals and objectives of the Financial Operational Controls Review included the following:

- Reviewed the current operational processes, management systems, and controls of key operational areas within Brookfield’s Finance Department and School District Business Office.
- Identified control weaknesses within these areas and developed control improvements.
- Assessed the roles and responsibilities of Finance Department and Business Office staff.
- Documented the accounting policies and procedures in support of staff roles and responsibilities.
- Assessed the current workflow practices and controls of the key financial operational areas.
- Reviewed the current technologies used to process the aforementioned information.
- Documented findings and gaps observed as part of the review.
- Created an Accounting Policies and Procedures Manual.
- Provided constructive and practical recommendations for re-engineering processes, enhancing internal controls and achieving potential change.

### **Current Processes and Controls Evaluation:**

The following financial operational areas were reviewed in detailed:

- Purchasing/Accounts Payable
- Grants Management
- Accounts Receivable
- Revenue
- Cash Management
- Financial Reporting
- Closing Procedures
- Benefits Administration
- System Interfaces/Technology
- Contract Administration
- Bank Reconciliations
- General Ledger
- Payroll
- Capital Assets
- Budget
- General Reconciliations
- Accrued Expenses
- Credit Cards/P Cards
- Student Activity Funds
- Food Service

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BlumShapiro evaluated and summarized each area and sub-process according to the following criteria:

1. **General Findings/Observations** – Process and control gaps, inefficiencies and risks observed by BlumShapiro.
2. **Current Controls** – The control processes and procedures currently in place between the Town and School District.
3. **Recommendations and Future Controls** - BlumShapiro has identified recommendations for re-engineering processes and implementing new controls in order to increase operational efficiencies and secure the accuracy of financial information

### Risk Assessment:

According to the current processes and controls in place, each area was assessed according to their risk to operational efficiency and accuracy of financial information. One of the following risk classifications were applied to each area:

Risk Classification	Description
<b>High</b>	Several key control processes are lacking and a new set of procedures needs to be implemented and enforced.
<b>Medium</b>	Some control processes are lacking and would benefit from supplementary procedures.
<b>Low</b>	The financial and operational area is relatively effective and may benefit from limited changes to procedures.

The results of BlumShapiro’s risk assessment are as follow:

Risk Classification	Financial Operational Areas	
<b>High</b>	<ul style="list-style-type: none"> <li>• Purchasing/AP/Credit Cards</li> <li>• Payroll</li> <li>• Benefits Administration</li> <li>• Student Activity Funds</li> </ul>	<ul style="list-style-type: none"> <li>• Inventory</li> <li>• Other Expenses</li> <li>• Closing Procedures</li> <li>• Grants Management</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>• Miscellaneous Revenue/AR</li> <li>• Cash Management</li> <li>• Capital Assets/Projects</li> <li>• Reconciliations (Bank and General)</li> </ul>	<ul style="list-style-type: none"> <li>• Budget</li> <li>• General Ledger/Chart of Accounts</li> <li>• Contract Administration</li> <li>• Financial Reporting</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>• System Interfaces/Technology</li> </ul>	<ul style="list-style-type: none"> <li>• Food Services</li> </ul>

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### Current Processes and Controls Evaluation – Findings and Recommendations:

Based on interviews with Brookfield staff and an analysis of the Town and School District’s current financial operations, BlumShapiro has identified findings and recommendations for new control procedures for all financial operational areas reviewed. This information can be found in detail in the official Findings and Recommendation Report.

High Risk Financial Operational Areas	General Findings/Observations	Recommendations and Future Controls
<b>Purchasing/AP/Credit Cards</b>	<ol style="list-style-type: none"> <li>1. Invoices are received before POs are approved (Town &amp; Schools)</li> <li>2. Personal credit cards are used for making Brookfield purchases (Town &amp; Schools)</li> <li>3. Uniform bid procedures are not standard practices (Town &amp; Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Restrict Schools and Departments from receiving invoices before a PO is approved</li> <li>2. Eliminate the use of personal credit cards for Brookfield purchases</li> <li>3. Provide P-Cards to select employees</li> <li>4. Enforce a uniform bid procedure for non-consumable purchases</li> <li>5. Hire a shared Purchasing Agent</li> </ol>
<b>Payroll</b>	<ol style="list-style-type: none"> <li>1. The manual timesheet system is burdensome, lacks sufficient sign-off and is prone to error (Schools)</li> <li>2. The practice of “annualizing” hourly School District pay has created complications (Schools)</li> <li>3. Stipend pay lacks control</li> <li>4. Payroll personnel are not fully versed with union contracts (Schools)</li> <li>5. Payroll and HR lack communication (Town &amp; Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Utilize MUNIS for a completely electronic payroll process</li> <li>2. Discontinue the practice of “annualizing” School District hourly pay</li> <li>3. Institute “direct supervisor” sign-off on all timesheets</li> <li>4. Implement a vetting system for all stipend-related pay</li> <li>5. Create new job descriptions for Payroll and HR personnel</li> </ol>
<b>Benefits Administration</b>	<ol style="list-style-type: none"> <li>1. There are no known and documented procedures for managing School District employee benefits – including onboarding and removing beneficiaries (Schools)</li> <li>2. Multiple Business Office employees “own” the benefits process (Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop formal HR policies to administer benefits</li> <li>2. Hire a full-time Benefits Coordinator</li> <li>3. Implement an internal benefits audit</li> </ol>

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High Risk Financial Operational Areas	General Findings/Observations	Recommendations and Future Controls
<b>Student Activity Funds (Schools Only)</b>	<ol style="list-style-type: none"> <li>1. There is confusion in spending monies between the Student Activity budget and the Actual Athletics budget</li> <li>2. Orders are placed before disbursement forms are reviewed and approved</li> <li>3. Receiving of revenues needs more control</li> <li>4. Referee pay is not reconciled regularly</li> </ol>	<ol style="list-style-type: none"> <li>1. Document guidelines that differentiate between the Student Activity budget and Actual Athletics budget</li> <li>2. Reject any orders that do not have an approved disbursement form prior to the purchase</li> <li>3. Require additional reconciliations for referee pay and before bank deposits</li> </ol>
<b>Inventory</b>	<ol style="list-style-type: none"> <li>1. Inventory is not tracked in a centralized system (Town &amp; Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Utilize the MUNIS inventory tracking module</li> <li>2. Assign an Inventory Manager to manage all Brookfield inventory</li> </ol>
<b>Other Expenses</b>	<ol style="list-style-type: none"> <li>1. Expenses eligible for reimbursement are not defined/documented (Town &amp; Schools)</li> <li>2. A Purchasing Agent is not in place to review service contracts and find new vendors (Town &amp; Schools)</li> <li>3. Departmental use of gasoline is not reviewed for appropriateness (Town &amp; Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop documented policies for expense reimbursement</li> <li>2. Hire a shared Purchasing Agent (previously mentioned)</li> <li>3. Utilize the fleet software to perform a quarterly review of each Department's gasoline usage</li> </ol>
<b>Closing Procedures</b>	<ol style="list-style-type: none"> <li>1. Documented procedures for monthly, quarterly and year-end closes do not exist (Town &amp; Schools)</li> <li>2. The Controller is the only employee in the Finance Department with the skill set to perform closing procedures (Town)</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop documented procedures for monthly, quarterly and year-end closes – identify personnel responsibilities</li> <li>2. Provide training to other staff members on closing procedures</li> </ol>
<b>Grants Management</b>	<ol style="list-style-type: none"> <li>1. Grant funds are pooled in a single account which causes difficulty for tracking purposes (Town)</li> <li>2. Special Education lacks effective tracking procedures for IDEA and Excess Cost grant funding (Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Utilize the Project Accounting module in MUNIS to track grants, and their transactions, individually</li> <li>2. Document grant management procedures</li> <li>3. Implement an excess cost tracking procedure that requires Special Education Department Head involvement</li> </ol>

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<b>Medium Risk Financial Operational Areas</b>	<b>General Findings/Observations</b>	<b>Recommendations and Future Controls</b>
<b>Miscellaneous Revenues/AR</b>	<ol style="list-style-type: none"> <li>1. There are no approval procedures for High School fundraising activities (Schools)</li> <li>2. The Business Office lacks an Accounts Receivable module (Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Implement a formal approval process for hosting fundraisers</li> <li>2. Train Business Office staff on the MUNIS Accounts Receivable module</li> </ol>
<b>Budget</b>	<ol style="list-style-type: none"> <li>1. Departments are unsure of what their budgeted line items represent (Schools)</li> <li>2. The current financial management software configuration allows Schools to overspend their budgets (Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide additional budget training to Department Heads</li> <li>2. Configure MUNIS so Schools cannot overspend their budgets</li> </ol>
<b>Cash Management</b>	<ol style="list-style-type: none"> <li>1. A standard process for managing petty cash accounts does not exist (Town &amp; Schools)</li> <li>2. Automated Do-To and Do-From is not utilized in MUNIS (Town)</li> </ol>	<ol style="list-style-type: none"> <li>1. Document formal petty cash policies and procedures</li> <li>2. Consider using pooled cash for select accounts</li> <li>3. Implement the automated Do-To – Do-From function in MUNIS</li> </ol>
<b>General Ledger/Chart of Accounts</b>	<ol style="list-style-type: none"> <li>1. The current Chart of Account structure does not accommodate reporting needs (Town &amp; Schools)</li> <li>2. The current Chart of Accounts does not meet the State’s Uniform Chart of Account structure (Town &amp; Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Develop a Uniform Chart of Accounts implementation strategy that integrates Town and School District reporting requirements with the State’s UCOA</li> </ol>
<b>Capital Assets/Projects</b>	<ol style="list-style-type: none"> <li>1. Capital projects are not budgeted over multiple years (Town)</li> <li>2. Departments do not know what qualifies as a fixed asset (Town &amp; Schools)</li> <li>3. There is no official policy for buying or selling fixed assets (Town &amp; Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Utilize the Project Accounting module in MUNIS to budget projects over multiple years</li> <li>2. Document a formal fixed asset policy</li> <li>3. Utilize the fixed assets module in MUNIS</li> <li>4. Require all Departments to track their fixed assets in MUNIS</li> </ol>

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Medium Risk Financial Operational Areas	General Findings/Observations	Recommendations and Future Controls
<b>Contract Administration</b>	<ol style="list-style-type: none"> <li>1. There is no process in place to reconcile true employee compensation against their employment contracts (Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Revise the Payroll Coordinator’s job description – make reading/understanding contracts a requirement</li> <li>2. Institute a bi-annual contract review to validate employee contracts against true compensation</li> </ol>
<b>Reconciliations (Bank and General)</b>	<ol style="list-style-type: none"> <li>1. Documented policies and procedures for completing reconciliations across Departments and Schools do not exist (Town &amp; Schools)</li> <li>2. Adjusting journal entries are manually intensive and sometimes inaccurate (Town)</li> </ol>	<ol style="list-style-type: none"> <li>1. Document reconciliation procedures for each department and school</li> <li>2. Require finance staff to use bank software for completing reconciliations efficiently</li> </ol>
<b>Financial Reporting</b>	<ol style="list-style-type: none"> <li>1. The Town would benefit from the MUNIS CAFR Builder (Town)</li> <li>2. Human Resources cannot run an employee report that shows date of hire and annualized salary (Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Implement the MUNIS CAFR module</li> <li>2. Discontinue the practice of annualizing hourly employees and ensure HR is properly trained to run reports in MUNIS</li> </ol>
Low Risk Financial Operational Areas	General Findings/Observations	Recommendations and Future Controls
<b>System Interfaces/Technology</b>	<ol style="list-style-type: none"> <li>1. MUNIS training materials are not utilized</li> <li>2. MUNIS position control, Employee Self Service (ESS) and Personnel Action Forms (PAFs) are not utilized (Town)</li> <li>3. User access change procedures are not standardized (Town &amp; Schools)</li> <li>4. The IT Department lacks a true Technology Director to lead strategic initiatives (Schools)</li> </ol>	<ol style="list-style-type: none"> <li>1. Require financial staff to utilize MUNIS training materials regularly</li> <li>2. Utilize MUNIS position control, ESS and PAFs</li> <li>3. Develop standard change control procedures for managing user access changes, including new hire and terminations</li> <li>4. Consider hiring a School District Technology Director</li> </ol>
<b>Food Services (Schools Only)</b>	<ol style="list-style-type: none"> <li>1. Deposits are not processed daily</li> <li>2. Deposit slips are not provided to Food Services administrators for reconciliations</li> </ol>	<ol style="list-style-type: none"> <li>1. Utilize the daily courier to allow Food Services to deposit their receipts daily</li> <li>2. Grant Food Services staff access to deposit slips</li> </ol>

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### **MUNIS Database:**

Currently the Town and School District operate on completely separate financial management applications.

1. Town – MUNIS
2. School District – New World

BlumShapiro is aware that the School District will be migrating to the MUNIS application in the near future. With this migration comes the question whether or not the Town and School District should manage their financial operations using a single MUNIS database or completely separate databases.

**Recommendation:** BlumShapiro recommends that the Town and School District utilize a single MUNIS database. The use of a shared database will come with many benefits to both Town and School District financial operations, including:

1. Increased transparency between Town and School District operations
2. Easier management reporting
3. Efficient reconciliations between Town and School District data
4. MUNIS knowledge sharing between Town and School District employees
5. Role backup between Town and School District employees
6. Single set of operating policies and procedures
7. UCOA accommodation

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### **BlumShapiro Continued Involvement:**

BlumShapiro was engaged by the Town and School District of Brookfield to complete a three (3) phase project. The Financial Operational Controls Review was Phase I of BlumShapiro’s engagement. The remainder of BlumShapiro partnership and services with Brookfield include the following:

#### **Phase I – Perform a Financial Operations Controls Review (Completed)**

BlumShapiro will work with both the Town and School District to develop an implementation plan and migration strategy for a new Chart of Accounts that incorporates the State of Connecticut’s new UCOA standards. This includes:

1. Review the current operational processes, management systems, and controls of key operational areas within the Brookfield’s Business Office and Town Controller’s Office.
2. Identify control weaknesses within these areas and develop control improvements.
3. Assess the roles and responsibilities of Business Office and Town Controller’s Office staff.
4. Assess the current workflow practices and controls of the key financial operational areas.
5. Document findings and gaps observed as part of the review.
6. Update the accounting policies and procedures manual.
7. Provide constructive and practical recommendations for re-engineering processes, enhancing internal controls and achieving potential change.

#### **Phase II – Uniform Chart of Accounts Implementation Plan (In-Process)**

BlumShapiro will work with both the Town and School District to develop an implementation plan and migration strategy for a new Chart of Accounts that incorporates the State of Connecticut’s new UCOA standards. This includes:

1. Developing the Chart of Accounts for all funds and accounts (assets, liabilities, fund balances, revenues, and expenditures)
2. Incorporate the chart of account needs of the Town and School District into the new system from a reporting and security perspective
3. Developing the “map” from the old system structures to the new system structure
4. Assisting with the creation of upload files
5. Obtaining management sign-off from both organizations

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### **Phase III – New World to MUNIS Financial System Implementation Plan (TBD)**

BlumShapiro will develop an implementation plan to migrate and integrate into the new financial management system. This framework will guide the development of a detailed project plan and budget that takes into account new operational processes and procedures. This will include:

1. Develop and monitor a detailed project plan and budget
2. Coordinate activities with the Tyler Technologies implementation team
3. Identify general technical and data conversion requirements
4. Oversee the training approach and program