

**CITY OF WORCESTER SCHOOL DEPARTMENT**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

CITY OF WORCESTER SCHOOL DEPARTMENT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES	1
 <u>SPECIAL REPORT:</u>	
INTRODUCTION AND BACKGROUND	2
ACCOUNTING SYSTEM SUMMARY	2
SCOPE AND OBJECTIVES	3 - 4
GENERAL COMPLIANCE REQUIREMENTS	4
SUMMARY OF PROCEDURES AND FINDINGS	4 -10

ANTHONY J. ALARIO 1941-1989  
ROBERT C. ALARIO, CPA/ MBA/ CSEP  
KAREN J. SPINELLI, CPA  
NANCY F. WASHINGTON, CPA, MST



## Robert C. Alario

Certified Public Accountants, PC

75 North Main Street, Leominster, MA 01453

292 Park Avenue, Worcester, MA 01609

P.O. Box 354, Harvard, MA 01451

[www.robentalario.com](http://www.robentalario.com)

TELEPHONE  
978-534-1999  
508-755-7575  
978-772-0066

FAX  
978-534-0499  
508-755-7599  
978-772-3462

### INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Superintendent of Schools  
City of Worcester  
Worcester, MA

We have performed the procedures enumerated in the accompanying Summary of Procedures and Findings section of the Special Report that follows and is incorporated by reference herein, which were agreed to by the City of Worcester School Department (the District), on evaluating if the District completely and thoroughly prepared and filed the Department of Secondary and Elementary Education annual End of Year Pupil and Financial Report for the year ended June 30, 2017. The City of Worcester's (the City) management is responsible for their accounting records. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the accompanying Summary of Procedures and Findings section that follows either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on any of the account totals included in the District's annual report or any other records of the City that may be referenced in our procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Worcester School Department and governmental users of the End of Year Report, and is not intended to be and should not be used by anyone other than these specified parties.

*Robert C. Alario, Certified Public Accountants, P.C.*

Worcester, MA  
March 6, 2018

**CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**INTRODUCTION AND BACKGROUND**

In accordance with a contract with the City of Worcester School Department (the District), Robert C. Alario CPA, P.C. has performed the procedures enumerated in the Summary of Procedures and Findings section, which follows, with respect to the District's compliance with the Massachusetts Department of Elementary and Secondary Education (DESE) End of Year Pupil and Financial Report (EOYR). Public school districts in Massachusetts are required to report financial and non-financial data annually to the DESE in the EOYR, in accordance with DESE Regulations on School Finance and Accountability (603 CMR 10.00). We have performed the procedures detailed in DESE's *Compliance Supplement for Massachusetts School Districts Agreed Upon Engagements: (Updated December 2016)*, which was issued in accordance with 603 CMR 10.00, in order to determine fiscal compliance with the DESE and filing of the EOYR. The procedures performed and the associated findings are described in the section which follows.

Our field work was conducted at the District's administrative offices located on Irving Street in Worcester, Massachusetts. Our contacts at the District were Brian E. Allen, Chief Financial Officer, Sara Consalvo, Budget Director, and Mohammed Siddiqui, Senior Financial Analyst.

The City of Worcester (the City) has a population of approximately 185,000. During the 2016-2017 school year, the Worcester Public Schools had approximately 25,000 full-time equivalent pupils, including approximately 11,200 elementary, 7,100 middle school and 7,100 senior high. The school department's general fund budget for fiscal 2016-2017 was \$322,965,803. Instructional staff includes approximately 1,800 full time teachers.

**ACCOUNTING SYSTEM SUMMARY**

End of Year Report information comes primarily from Excel based worksheets prepared by the budget office of the City of Worcester School Department. These worksheets translate information received from the City's Hera accounting system into the format required for state reporting. Separate worksheets exist for each of the various DESE functions reported on the EOYR. This is needed because of significant differences in the City's chart of accounts and DESE's reporting requirements.

Typically each amount reported on the EOYR for a given function is a combination of accounts from the City's system. In some cases, numerous accounts from the City's system had to be combined to determine the amount reported for a single DESE function.

DESE programs, within each function, were determined either by assignment of directly related costs, allocation of costs, or otherwise distributed costs, depending on the nature of the function, as explained in the detailed procedures that follow. The City's Hera system is maintained by the City Auditor's office. The District submits documentation supporting its expenditures to the City Auditor's office, which in turn reviews the information and posts transactions to the system. District personnel have the ability to query the system to generate basic reports, but do not post transactions.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**SCOPE AND OBJECTIVES**

The scope of the agreed-upon procedures was to determine whether:

- Financial data reported on all EOYR schedules are traceable to the detail contained in the municipal or district accounting ledgers or records or to a documented methodology.
- Non-financial data reported on all EOYR schedules are traceable to the district's records or to a documented methodology.
- There are documented methodologies supporting the financial and other reported information contained in these schedules, whether these methodologies were followed, and whether the methodologies are reasonable.
- Internal controls exist to provide reasonable assurance that the revenues, expenditures and other data are accounted for consistent with Department regulations and guidelines.

The objective of the agreed-upon procedures was to review the City of Worcester School Department's records to determine whether required reports for Massachusetts School Districts include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with State requirements.

For all EOYR schedules containing information we:

- Ascertained if the financial information was prepared in accordance with the budgetary basis of accounting.
- Verified that amounts reported to accounting and other records that support the audited financial statements and verified agreement or performed alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.
- Verified that the non-financial data agreed to the supporting records that accumulate and summarize the data.
- Performed tests of the underlying data to verify that the data was accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the schedules. For Schedule 7, tested eligibility criteria for reimbursable riders.
- When intervening computations or calculations were required between the records and the schedules, traced reported data elements to supporting worksheets or other documentation that linked the schedules to the data.
- Determined if the District used an accounting system that provides for the reporting of all instructional costs by school location.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**SCOPE AND OBJECTIVES (Continued)**

- Determined if the accounting system was supported by up-to-date written policies and procedures and that the policies and procedures were followed on a uniform and consistent basis.
- Determined if the district maintained written policies and procedures related to the classification of salaries and expenses by program, function and object and that the policies and procedures were followed on a uniform and consistent basis.
- Obtained a written representation from management that the reports provided to us were true copies of the EOYR submitted or electronically transmitted to the Department of Elementary and Secondary Education.

**GENERAL COMPLIANCE REQUIREMENTS**

Districts must use the standard financial reporting schedules contained in the End of Year Report. These schedules include financial and non-financial data. The financial information must be traceable to the accounting ledgers of the district or of the municipality or to a documented methodology. If a "crosswalk" exists between the municipal and district ledgers, this crosswalk should be documented. The non-financial information must be traceable to records or to a documented methodology that demonstrates the information was compiled from existing records. Each district must report income on the modified accrual basis and expenditures on the modified accrual plus encumbrance basis.

Each district must use an accounting system that provides for the reporting of all instructional costs by school location and is supported by up to date written policies and procedures. The policies and procedures are to be followed on a uniform and consistent basis.

**Finding:** The City has uniform and consistent procedures in place surrounding their accounting system; however, they are not always documented as up-to-date.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1**

**Procedure 1:**

We traced revenue from Local Sources reported on Schedule 1 to the City's accounting ledgers and the District's records. We also traced the revenue reported on the District's records to revenue reported on Schedule 1.

**Finding 1:**

Amounts reported on Schedule 1, block A, appear to be supported by the City's accounting ledgers, Hera reports and the District's records.

**Procedure 2:**

We traced the revenue from state aid, federal grants, state grants, and revolving and special funds to the detail in the District's records. We also traced the revenue reported on the District's records to revenue reported on Schedule 1.

CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)

**Finding 2:**

Revenue amounts reported for state aid, federal grants, state grants, state aid, and revolving and special funds appear to agree to the detail in the District's records.

**Procedure 3:**

We traced the amounts reported for general fund education expenditures from Schedule 1 line 1850 to the municipal accounting ledgers and to the District accounting ledgers. We also traced the expenditures reported on the District's records to expenditures reported on Schedule 1.

**Finding 3:**

General fund education expenditure totals as reported on Schedule 1 line 1850 were supported by the District's records.

**Procedure 4:**

We traced the amounts reported for a sample of DESE functions, State Objects, and DESE programs in Schedule 1 to the detail in the accounting ledgers, or to the crosswalk, if applicable.

**Finding 4:**

The amounts reported on the EOYR that were selected for testing were supported by the District's records and the City's accounting ledgers. The DESE functions that were sampled were also traced to District account details.

**Procedure 5:**

We tested Extraordinary Maintenance expenditures for the following: Verify that expenditures did not include salaries; verify that the expenditures included applicable principal portions of a loan or the cost of a lease/purchase agreement; verify that expenditures classified as Extraordinary Maintenance (4300) did not exceed the per project dollar limit for extraordinary maintenance (\$150,000); and trace the expenditures to the detail in the accounting ledgers.

**Finding 5:**

Extraordinary maintenance expenditures (4300) as reported by the Worcester Public Schools appear to be in compliance with DESE requirements.

**Procedure 6:**

We determined how expenditures for fringe benefits were assigned or allocated to Schedule 1 Employee Benefits and Insurance (5100, 5200). We traced the reported cost to the detail in the District's records using the methodology indicated. We determined if the District reported insurance for Retired Employees (5260) separately and appropriately.

**Finding 6:**

It appears that the District is properly reporting the fringe benefits and properly segregating those benefits paid to retired employees per the compliance requirements.

**CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)**

**Procedure 7:**

We verified that expenditures charged to Lines 1683 and 2060 – Short-term Interest (5400) related exclusively to Revenue Anticipation Notes (RAN's).

**Finding 7:**

The EOYR does not include any amounts for debt services charged to Line(s) 1683 and 2060 - Short-term Interest (5400) relate exclusively to Revenue Anticipation Notes (RAN's).

**Procedure 8:**

We verified that expenditures charged to Lines 1684 and 2065 – Short-term Interest – BAN's (5450) related exclusively to Bond Anticipation Notes (BAN's).

**Finding 8:**

The EOYR does not include any amounts on Line 1684 - Short-term Interest – BAN's (5450). Expenditures charged to Line 2065 – Short-term Interest – BAN's (5450) as reported by the Worcester Public Schools relate exclusively to Bond Anticipation Notes (BAN's).

**Procedure 9:**

We identified expenditures reported as long-term School Construction debt for principal (8100) and interest (8200) and verified that bond anticipation notes were not included in these functions. We traced the reported costs to the Treasurer's debt schedule. We traced the reported amount to the detail in the accounting ledgers. Note: If the District received a lump sum wait list or progress payment from Massachusetts School Building Authority, we verified that the revenue was reported on line 130 and that expenses were reported for pay down of principal (8100), or Purchase of Land and Buildings (7100, 7200), if applicable.

**Finding 9:**

The EOYR expenditures reported as long-term School Construction debt for principal (8100) and interest (8200), and Massachusetts School Building Authority contract revenue and related expenses agreed to the City's accounting ledgers, were supported by the District's records and appear to be in compliance with DESE requirements.

**Procedure 10:**

We traced the expenditures for tuition payments: to other school districts in state (9100), to out of state schools (9200), to non-public schools (9300), to member collaboratives (9400), and assessments to member regional school districts (9500), to the detail in the accounting ledgers.

**Finding 10:**

Reported expenditures for tuition payments tested agreed to the City's accounting ledgers and were supported by the District's records. We also verified that the District did not have any prepaid tuition.



**CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 1 (Continued)**

**Procedure 11:**

For municipal expenditures that resulted in services directly related to the school committee we obtained a copy of a written agreement between the School Committee and Municipal officials documenting agreed upon methodologies to be used when allocating, distributing or assigning Municipal expenditures to the District. We tested the amounts reported using the documented methodology.

**Finding 11:**

Methodology was reviewed during the testing of Schedules 1 and 19. It appears that the City has properly allocated municipal expenditures in accordance with the agreement between the School Committee and Municipal officials.

**Procedure 12:**

We traced the expenditures from Federal Grants, State Grants and Special Funds and determined amounts reported in column 1 by expenditure classification agreed with filed Final Grant Expenditure reports and traced amounts claimed as Circuit Breaker expenses on line 3080, column 7 to the accounting ledgers or journals.

**Finding 12:**

The compliance supplement calls for reviewing column 1, however the EOYR uses columns 1 through 5. We were able to agree the amounts reported on line 3080, column 1 through 5, to the City's accounting records and District records, as well as the Final Grant Expenditure Report. Circuit Breaker expenses on line 3080, column 7 agreed to the City's accounting ledgers and District records.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3**

**Procedure 13:**

We traced the amounts reported by school location on the linked file to the accounting ledgers. We determined if the District maintained a payroll system or spreadsheet to document the assignment of staff salaries by school location. We determined the allocation was supported by a documented methodology. We determined the District maintained a documented methodology for consistency in application and the allocations are acceptable.

**Finding 13:**

The expenditures reported on Schedule 3 agree to the DESE functions detailed on Schedule 1 for all items tested and the expenditures agreed to the City's accounting ledgers and were supported by the District's account details. The District maintains a payroll system that breaks items down by pay code and assigns the staff salaries by school location.

*Supervisory Costs:*

These assignments are based on the duties performed per position and payroll reports. Other expenditures represent assignment of direct costs for special education consultants. The stated methodologies appeared to be applied appropriately and consistently.

CITY OF WORCESTER SCHOOL DEPARTMENT  
 SPECIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2017

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 3 (Continued)**

*Teaching Costs:*

These costs are determined by teachers' individual disciplines within the school, which is most often determined by their area of certification. This information is obtained from bi-weekly payroll reports which have cost center codes for both teaching level and discipline. Other expenditures represent direct costs to teaching as reported by the individual schools, the District's records and the City's accounting ledgers.

*Guidance and Psychological Costs:*

These costs consist entirely of salary expenditures. The Special Education Director, Manager of Student Support Services/Alternative Programs and Bilingual Director work out percentages that form the basis for allocating these costs. For the year under review, the percentages were as follows:

	<u>Guidance</u>	<u>Psychological</u>
Regular	60%	60%
Special Education	40%	40%

Percentages were confirmed by recalculating selected Schedule 1 and Schedule 3 amounts. The stated methodologies appeared to be applied appropriately and consistently.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 4**

**Procedure 14:**

We ascertained the methodology used to allocate, distribute or assign Special Education (SPED) costs to the placement on Schedule 4 and reviewed the propriety of the methodology. We tested the amounts reported on Schedule 4 using this methodology.

**Finding 14:**

Instructional services were allocated based on percentages supplied by the Special Education Director using professional judgment. Payments were allocated based on tuition expenditures furnished by the Special Education Director. Based on our tests, it appears that the allocation of Special Education costs to prototypes agreed to the percentages determined by the Special Education Director. We determined that amounts tested agreed to the City's accounting ledgers and were supported by the District records.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7**

**Procedure 15:**

We traced the transportation expenditures reported on Schedule 7 to the transportation expenditures reported on Schedule 1. We determined the methodology used to allocate transportation expenditures on Schedule 7 and verified the accuracy of the allocations.

CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 7 (Continued)**

**Finding 15:**

Transportation expenditures were allocated based on pupil headcounts. The amounts tested on Schedule 7 were supported by District records and agreed to the City's accounting ledgers. All numbers were traced to the EOYR without exception.

**Procedure 16:**

We traced the pupils reported on Schedule 7 to the detailed transportation records and verified that the amounts reported on Schedule 7 are accurate and consistent with the detailed records.

**Finding 16:**

The amounts reported on Schedule 7 agreed to the detailed transportation records and were supported by the City's accounting ledgers and the District's records.

**Procedure 17:**

We determined that the District's records separate costs in order to facilitate reporting as outlined in Schedule 7 (In or Out of District, Pre-School, Non-Public, School Choice and Charter School). We also determined reimbursable expenditures reported on Line 4283 (Homeless From Outside the District) and Line 4285 (Homeless To Outside the District) were supported by adequate documentation. We reviewed the propriety of the cost allocation plan and tested the expenditures reported.

**Finding 17:**

Based on our testing of the EOYR, we determined that the accounting system separately accounts for each of the school locations and they can be easily separated out based on the type of cost. We were able to agree the amounts reported on Lines 4283 and 4285 to the City's accounting ledgers and District's records.

**SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19**

**Procedure 18:**

We determined if the School District has reported all changes to Schedule 19 Part A.1 – Appropriation by School Committee to the DESE. We compared the final School Committee Appropriation to Schedule 19 Part A.1 as filed/amended and determined if all changes were reported.

**Finding 18:**

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District reported all changes to Schedule 19, Part A.1, and that it reflects the final amended School Committee Appropriation. It appears that no further changes are necessary to Schedule 19, Part A.1.

**Procedure 19:**

We determined the amounts budgeted in Schedule 19 Part A.2 are consistent with methodologies outlined in the agreement noted in procedure II A.4.a (Procedure 4).

CITY OF WORCESTER SCHOOL DEPARTMENT  
SPECIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

SUMMARY OF PROCEDURES AND FINDINGS FOR SCHEDULE 19 (Continued)

**Finding 19:**

Based on an evaluation of the final School Committee Appropriation and Schedule 19, we determined that the District reported all changes to Schedule 19, Part A.2, and that it properly reflects the final amended School Committee Appropriation.

**Procedure 20:**

We determined that retiree health insurance (5250) is reported separately.

**Finding 20:**

We were able to agree the amounts reported for retiree health insurance (5250) to the City's accounting ledgers and District records and noted that it is reported separately.