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Dr. Adam C. Blaisdell
School Business Administrator
Plymouth Public Schools
11 Lincoln Street
Plymouth, MA 02360

Dear Dr. Blaisdell:

CliftonLarsonAllen LLP ("CLA" or "we") was engaged to perform consulting services Plymouth Public Schools ("you," "your,", "Schools", or "District"). These services included in the statement of work CLA will provide an Internal Controls Assessment of the Plymouth Public School's Food Service Program, to include but not limited to the following: (1) Analyze the food service organizational structure, responsibilities, policies, and procedures; (2) Document the flow of transactions within the major transaction areas (e.g., cash receipts, cash disbursements/AP and purchasing, payroll, inventory, etc.); (3) Evaluate internal controls associated with the major transaction areas; and (4) Provide a report summarizing findings and recommendations.

Executive Summary:

We met with appropriate representatives from the School Food Service Department and others which interacted directly or indirectly with the afore-mentioned department. Indirect personnel included the Town's procurement, Treasurer, Internal Auditor, and Applications Manager. The topics discussed encompassed all the steps involved in the weekly payroll processes, cash reconciliation, procurement and more. Additionally, a more detailed review covering the accounts payable process was reviewed which included need for purchases, vendor selection, requisition, and purchase order processing, invoice processing, and payment disbursements. We also noted general oversite controls as they pertained to the review topics described.

The School Food Service Department effectively operated as a siloed department with significant independence comparative to other school locations, also referred to as "cost centers". Independence included the payroll process for hiring, recording employee salary costs, access to employee information, expenditure approvals, and asset controls. The siloed nature of the school cafeteria program has been greatly reduced in recent months; however, additional steps should be taken to standardize general oversight through the District.

Although the initial concern for the District centered around purchasing and asset control, interviews with employees indicated a more significant risk to the District revolved around payroll controls. CLA did not conduct an audit of all aspects of payroll process, but the information indicated additional review of menu access and roles/permissions across the entity is warranted to ensure employees are given access only to information as needed.

The asset control procedures and documentation have become more comprehensive compared to the previous fiscal year, reflecting notable enhancements to asset recording systems and oversight. All equipment within the food service program is now monitored within one application. Input of equipment is being extended to the all-district cost centers and will become a strong tracking software, so long as the information is maintained through systematic review. Similar actions to ensure strong equipment replacement tracking should be applied to perishable inventory systems.

Lastly, communication and continual attestation of training should be instituted across the district. The Food Service personnel were also unaware of the business operations manual, which led to inconsistent applications of processes. Continual training and communication would ensure a common understanding of information and expectations across the District.

Training results would be best achieved through a consistent and cyclical approach. The centralization of it should be avoided and can be achieved through the removal of barriers between different, though relevant, functions. This barrier removal process would yield the best results if done in conjunction with the Town. Additionally, barrier removal has the potential to identify potential conflicts and process issues before they rise to a material level.

Recommendations:

High Priority

"High Priority" items listed below reflect operational oversight which are currently generating the greatest risk for inaccuracy, efficiency loss, or other unforeseen risks. The items listed pose a high risk to the organization if left unaddressed in the short term and planning to address the items should begin.

1. **Decentralized Payroll Management**

   Observation: The District is required to run a payroll bi-weekly. Interview with the Assistant Food Service Director (AFSD) indicated the cost center is responsible for tracking attendance in ASPEN and then migrate payroll to MUNIS through an import function. Any missing or one-time changes are adjusted during this process at the District level prior to batch completion. The ASFD was responsible for making all needed adjustments, such as stipends, shift differential, overtime, dock pays, deductions, and other one-time pay in MUNIS payroll. After completion of the Cafeteria's batch and central office's district payroll, the school payroll warrant could be sent for required signatures and funding.

   Conversely, all other District cost centers would only approve/review information in ASPEN and have no other involvement in the Payroll process. The central office clerks prepare the District's payroll warrant from the ASPEN export into MUNIS Payroll and complete for final signatures and funding.

   The Food Service program relied on manual entry and tracking primarily using notes and calendar books. Attendance would be communicated in an informal manner (email or verbally) to the AFSD which would annotate and then manually enter attendance into both systems. If a concern on a pay or leave balance occurred, the AFSD would reference the physical notes as the source information.

Without strong controls for time and attendance collection, decentralized payroll processing could lead to errors or other discrepancies which would result in individuals being paid incorrectly. This decentralized approach also means that employee data is managed and stored in multiple locations resulting in greater risk to employee data privacy.

Recommendation: The District should examine a more consolidated approach to payroll processing. A strong payroll system allows for a limited number of employees to adjust employee pay, absences, and deductions. The department/location level is then tasked to report compiled attendance and absences for the payroll, for payroll to be complete. This process consolidates ownership in the event errors occur in any pay and absence rather than allowing multiple employees to make adjustments through the payroll process. Departments should report time worked and absences to payroll, in a timely manner, with a cost center submission to payroll.

2. Payroll Approval Workflow

Observation: Multiple active payroll roles exist for the School district, for example, PRS-All, PRS-CAF, PRS-CENTRAL, PR-SCHOOL are listed as attributable roles. Employees with the role level “PR - School” have the access to open a payroll batch, add employees to a payroll, and adjust all pays and deductions to an employee’s pay. In the case of the Cafeteria, the access level was not limited to the Department but extended to all employees districtwide. Initial review indicated twenty-one (21) users with “Maintain job / pay GL” included payroll school access with seventeen (17) having ability edit rates/amounts. The “PRS-Schools” access level is considered “high access”. Allowance for wide-reaching access in payroll adds significant risks to duplicated payments and other forms of incorrect payroll processing errors without careful inspection by school principals, cost center clerks, and central payroll. Access to these permissions could be greatly reduced in practice by not attaching roles or limiting access through menu settings, which may be in actual practice but not deeply investigated.

Controls in ASPEN were not deeply discussed; however, instances arose in which employees could earn additional pay through differentials or other premium pay. ASPEN time differentials are provided to the clerk to add without any formal request of approval generating additional liability without approval. School administration is currently creating a procedure in which employees are required to get approval for items such as overtime or differential prior to working the allotted time or position. Clerks should have access to compile reports to validate information and make adjustments with supervisor approval in any systems.

Recommendation: In conjunction with recommendation #1, we recommend the District consider a stronger approach to payroll approvals as a more centralized process is examined. Approvals of time should be at the supervisor’s level. Once approved, information should require limited adjustments through the payroll process. At minimum, restrict access of the current employees to the cost center in which the employee is located until a more centralized process is instituted.

If a decentralized system is maintained, adjustment to hours should be allowable to the cost centers with supervisor approvals prior to incurrence.

Payroll approval should follow a direct and consistent process. Positions responsible for payroll entry should only have access to the department in which they are charged with entering payroll data. Cross departmental permission creates process weaknesses, approval confusion, and are a considerable vulnerability that hinders efficiency. Permission to enter or approve payroll should be directly tied to the position and not follow the individual employee as they change positions.

3. Roles attributes review

Observation: AFSD stated their position allowed newly hired personnel to be entered and added. The AFSD also stated she did the initial onboard documentation, conducted onboard training, and acted as the conduit for new hire information to the Human Resources and Employee Benefits staff. The ASFD stated the primary objective of their position was managing everything associated with the payroll function, including the new hire, termination, employee relations concerns, and pay. Upon inspection of user roles/attributes in the system, the Food Service Director (FSD) and the AFSD appeared to have a special access level granted outside of the normal user roles/permissions which gave access cost various District cost centers. The level of access provided is highly uncommon for these positions.

The District's roles/permissions are typically set to the position in which it is required to complete the job functions. Example: "PRS-WE" would indicate a standard role specifically for Payroll - School - West Elementary School. Data access structure would confine views and responsibilities to only that specific location and personnel. The FSD and the AFSD granted a special role using a generic term "private role" to indicate a separate non-standard access for certain users which allowed for a broader reach in access greater than complimentary positions in the District. Highly specialized positions may require this subset setting; however, it would be very uncommon for the high access level set for the FSD and the AFSD.

As noted previously, "PR – School" is considered to provide high access levels to any employee with the role attributes. The access could be restricted based on menu access and data access; however, the detailed audit is out of scope to this review.

Recommendation: There should be clearly defined central ownership of employee data and payroll. Generally, Human Resources Management is responsible for adding and maintaining employee data, including salary, benefits, position control, and deduction information. Human resources process of hiring, termination, adding employees, etc. to be managed solely by Human Resources personnel. Payroll access should be provided to positions in which the employees are responsible for processing. The deviation in user roles/permissions appear to be concentrated in the food service department; however, it is recommended that a full review of roles/permissions be conducted district wide to ensure standardization of access based on position and not personnel.

Non-uniformed payroll adjustments, such as garnishments, should be managed exclusively through a combined Human Resources and Payroll function. This information should not be accessible or visible to payroll clerks or other roles whose primary responsibility is attendance and time reporting.

It is also considered best practice to avoid sharing personal information of this nature with any position that does not require access, including the employee’s direct supervisor.

4. Accurate Recording of Time, Absences, and Leave Balances

Observation: At the time of conducting interviews with the Food Service Department, it was observed the primary method of tracking time and absences was in a physical calendar to be entered manually into the electronic tracking software systems, ASPEN and MUNIS, by the AFSD. Further review of the Business Procedural Manual indicated employees are to input the time into ASPEN, which allows for supervisor approvals. Information from ASPEN is then exported for an import into MUNIS. Time and absence requests by the employee in ASPEN allows for supervisor approval and review prior to the import in MUNIS. Upon further interviews, adjustments to attendance occurred consistently to school employee accrual balances between the systems.

Our review did not audit other department processing; however, the process by the AFSD would be indicative to any staff that did not input information into ASPEN. It is understood that paraprofessionals and part-time staff may not be inputting information into ASPEN which would force a clerk to rely on the physical and informal tracking methods. Employees generating physical timesheets, and/or requiring other staff members to input information into two separate systems, is a process with inherent risk, such as transposition errors and sensitive information loss.

Recommendation: Time entry should be performed by the employee (electronically if possible), reviewed by a processor, further approved by a department head/manager, and then consolidated by a central payroll. The liability and payment should then be approved at the highest level by the superintendent (or approved person in absence) and the Committee. All steps in this process should be as automated as possible to remove risk of errors through the process.

5. Inventory Tracking

<u>Non-Perishable and Equipment</u>

Observation: The District maintained a listing of capitalizable items and, as part of the budgetary process, facilities reported property and equipment replacement on an annual basis. However, no records regarding property and equipment could be reviewed for the cafeteria program prior to fiscal year 2026. The District initiated a full inventory audit and recording of the cafeteria program beginning in fiscal year 2026. The information is now entered into Follet Destiny Manager, an electronic asset tracking system, in which each tagged item receives a number location, room location, and description, including other descriptive information. The newly added information was made readily available by the Food Services department upon request. The system is being instituted across the District to ensure standardized recording process. Moving forward, the inventory system should serve as the definitive record of capitalized assets across the District, including the Food Service Department.

No records existed for any liquidated items prior to fiscal year 2026. The current process for decommissioning or liquidating an asset is a vendor will remove the old equipment when installing replacement equipment.

Recommendation: Inventory should be reviewed and shared with the School and Town Leadership to ensure all property and equipment is correctly captured and accounted for in all required financial reports. Documentation to decommission equipment should exist in some format. A contract with a vendor stating the removal of old equipment or an inventory tracking sheet indicating liquidation action should be considered.

Perishables and Non-Equipment

Observation: No formal tracking system for perishable items existed in the cafeteria program. Determination of inventory needs is done through visual inspection and determination of future meal plans. Cafeteria workers would review the number of items on the shelves, review the following week's meals, and then order accordingly. Missing perishable items were noted on the delivery slip, communicated to the clerk, and immediately addressed with the delivery vendor. This format of delivery and review of order is standard practice in the food industry. In addition, it was stated that Food Services does not maintain a budget for this perishable inventory. This creates risk, as there is no baseline of expected purchases to compare actual purchases against, making the detection of irregularities difficult.

No software or inventory tracking system is in place to track smaller items like canned goods, meats, utensils, etc. (CLA recognizes not all small items like utensils can/should be tracked).

In addition, it was stated that Food Services does not maintain a budget for this perishable inventory. This creates risk, as there is no baseline of expected purchases to compare actual purchases against, making the detection of irregularities difficult.

Recommendation: We recommend the District seek a software solution to track the intermediary goods used in the production of meals. The software solution should be able to calculate the utilization of inventory purchased. Such software should also be capable of using this information to forecast future required purchases and preemptively budget for them. By maintaining an ongoing inventory and budget for perishables, variances from expected purchases should be an effective metric to determine irregularities.

Medium Priority

Although identified here as "Medium Priority," the following items are not less important, but may only be practical to address over the longer term. The items listed pose a risk to the organization if left unaddressed in the long-run and planning to address the items should commence in the near term.

6. **Review of Chart of Accounts**

   Observation: It was observed the expense codes for the school lunch program is not detailed enough to effectively determine the location for the food expenses. Currently, a summed account is used for all purchasing, missing indicators as which location the use of funds is associated with the School Lunch Program are funneled through one expense account compared to the District standard accounting structure. Particularly, the expense codes for the school lunch program personnel are channeled through one personnel account and are also coded as full-time teacher categories although most, if not all, personnel associated with the school lunch program are coded clerical salaries and other salaries

   In terms of revenues, the accounting structure needs to be reviewed to ensure the structure accurately reports on all-encompassing revenue streams.

   Recommendation: We recommend that the Schools perform a thorough evaluation of the functionality and configuration of the accounting codes associated with the School Lunch program in order to effectively determine the expense location. This will allow for greater analysis by type of expense and location usage of supplies, materials, goods, etc.

7. **General Policy Adjustments/Additions**

   Observation: The general policy and procedures owned by the School are relatively robust; however, the policy and procedures are missing some portions that may be beneficial to the District and general reader. The documentation, although updated in 2022, seems to have antiquated reference pictures and documents, specifically to those referencing payroll.

   Recommendation: We recommend that the District perform a thorough evaluation of the policy and procedures. The review should include discretionary general updates, but the District should consider including the following:

   a) Whistle-Blower - The current policy does include a Whistle-Bower section; however, the information does not speak to the process in which the actions should be carried out. Based on our observations, it appears that some employees may be reluctant to report concerns, mainly due to lack of knowledge. To foster a more inclusive and responsive reporting culture, we recommend incorporating a provision into the whistleblower policy that mandates regular anonymous surveys. These surveys would serve as a proactive tool to surface issues that might otherwise go unreported and gauge employee sentiment around ethics, compliance, and workplace culture.

b) Physical Inventory Review – Per the *Business Office Procedural Manual* a full physical inventory of fixed assets biannually. Typically, this is a process conducted on an annual basis to ensure security of assets.

c) Procurement from OSD – Although current appendix grant guidance is robust, a small addition stating all invoices must have the contract number, when purchasing from the State's OSD contract, should be included in the policy. This should also be addressed in the general procedural portion of the manual rather solely in an appendix.

d) Bid Splitting - According to insights gathered from our interviews, instances of employees splitting purchases in prior years to avoid exceeding Chapter 30B thresholds did exist. It should be clearly defined in the procedural manual that these types of activities are not allowed, rather solely stated in the grant section in the appendix. Staff should be refreshed annually on Chapter 30B thresholds and proper procurement practices.

e) Web Based Vendors – A section on specific review process and approval to web based vendors should be clearly defined. The current process is lax and susceptible to purchases prior to department authorization. The policy should include the use of large vendors for informational purposes and informal quotes.

f) Annual Core Policy Attestation – In conjunction with recommendation #10, an annual attestation of policy understanding, training, or review should be conducted for District determined "core policies" such as those provided to all new hired employees. New hires are required to attest acknowledgement of Harassment Policies, On-line Ethics Testing, Conflict of Interest Laws, Internet Acceptable Use Policy, and Email Use Policy. The business procedural manual may be included in the requirement for employee groups deemed necessary by the District leadership.

g) Capital Plan Submission – Submissions by all cost centers to administration should include the schedule of new capital items, retiring capital (as applicable) and the funding source.

h) Procurement Reviews – Additional information as noted in recommendation #9, indicated a lack of detail on the liquidation of assets and the reporting of assets. A formal process to review all capital on the District should be effectively communicated with the Town to ensure correct reporting of assets.

i) Minor Asset Liquidation – A more detailed information regarding the liquidation process for both major and minor assets should be included

    a. Minor Assets - Minor equipment, such as refrigerators, ovens, riding lawnmowers, are less visible but should have a defined process for liquidation in which is verifiable. Annotating the vendor's invoice or contract should annotate removal of old/replacement equipment.

8. Online Supplier Process

Observation: The business rule settings within large supplier online accounts, were inconsistently applied to different cost centers. Purchases were allowed to be procured online prior to supervisor approval and then approved within the accounts payable process. Although all cost centers approval centers were reviewed, these actions can lead to misuse of resources either purposefully or through inadvertent actions.

We were also informed of one approval process for purchases made online required orders to be approved by the cost center's subordinate. The hierarchal nature of this dynamic pose significant risk of approval of improper purchases.

Recommendation: We recommend a review of online business rule settings across all cost centers to ensure any purchase on the online platform includes the appropriate supervisory level prior to incurring the invoice. In addition to the policy addition as noted previously, the process for approvals in the large supplier websites or documentation should show the supervisor approves the purchase prior to the time of purchase if the purchase is done through an account or done through a card. Subordinates should not approve a supervisor's purchase and actions.

9. Procurement Review Process

Observation: It was observed that procurement activities from the School and Town did not consider total supplies of goods and services from vendors across entire Plymouth entity. Massachusetts General Law Chapter 30B (M.G.L. 30B) imposes certain thresholds regarding vendors depending upon the supplies purchased at the entity level, across all subdepartments. Purchasing without a holistic view creates risk to the organization breaching thresholds set under M.G.L. 30B, even when the entity is attempting to be in compliance.

Recommendation: Communication of purchasing activities should be increased between the District and the Town procurement. M.G.L. 30B is in relation to the Town as a whole. The purchasing activities of the School are significant and should be considered by the Town to ensure compliance with the regulation. This communication can be formalized by way of regular reporting from the School to the Town Procurement Officer detailing total amounts spent by vendor, as well as total remaining amounts on any outstanding purchase orders. This will allow districtwide totals to be kept up to date for threshold monitoring, while also serving as an extra layer of review, improving the likelihood of noticing vendor irregularities. These changes should be formalized in the policies and procedures.

Procurement approval processes should be reviewed and revised to transfer the duty of approving purchases to either an independent party or a superior. This will mitigate conflicts of interest between the purchaser and approver, serving as an effective layer of control against improper purchases.

10. Retraining of Staff

Observation: It was stated that training occurred at the onset of an employee's hire, but no information regarding the reoccurring training of policy and procedures was presented. It was explained that these initial training sessions were performed internally within the Food Service Department. Employees in the Food Service Department were unaware of the overarching School policy and procedural information although interviewees had worked for the School Department for more than 10 years. No knowledge of recurring or required training was present. Additionally, no information regarding a policy requiring employees to attest to knowledge of policies on a recurring basis was present.

Recommendation: We recommend that the orientation process for new employees be conducted by a member of the School's Human Resources Department. This should include a standardized review of key policies and procedures across all departments, as well as the provision of the full policy handbook and contact information should said employees have any questions. This would help to break down departmental isolation not only by ensuring that knowledge of important School policies is shared throughout the school but also by supporting a more cohesive structure by providing opportunities for interdepartmental communication.

Further, the School should consider providing regular training on policies and procedures to ensure consistent adherence to these rules and help mitigate the risks associated with the lack of communication of human forgetfulness. Courses on particularly important policies should be required annually and should conclude documented attestation from each participating employee.

11. Physical Security

Observation: At the point of sale (POS) in the cafeterias, students input their ID number which is validated by the cashier. In most circumstances, no physical money is exchanged; however, instances exist in which cash is transferred at the POS, such as teachers purchasing lunch or students purchasing a second meal. It was noted that no security cameras exist at the POS terminals.

Cash is typically counted daily during the school year due to volume of transactions. The systems is "real time" so the food service clerk can review a register drawer total. At the end of day, the drawer is counted and communicated to the clerk which verifies the cash drawer in the system. If the count is incorrect, the clerk requires a recount of the drawer. Cash is deposited at the bank, and turnover sheets, copies of bank deposit slips, and system reports are all provided as backup information. The cash reconciliation process appears to be strong for cash related transactions.

Recommendation: It is recommended the District consider installing security cameras at the POS to safeguard against unforeseen actions at the terminals. Although, the concern for nefarious actions revolving cash is small, the security cameras will safeguard employees and students alike for any unforeseen actions.

Lower Priority

The Schools should consider the final priority as a recurring managerial item through the entire process and therefore this does not rise to a higher priority. These items should be a continual process and be adjusted over time.

12. **Document Retention**

    Observation: Files retained at the department level are held for an extended time period and in various formats. Due to the paper heavy payroll process, a significant amount of paper documents exists for the Schools. The risk of loss of required information exists due to emergencies or unforeseen events, as well as increased costs of storage. It is difficult to determine if documents are being retained for the appropriate time period, adequately secured, and in compliance with Massachusetts General Law Chapters 7A, 66, and 66A.

    Recommendation: We recommend formulating a Document Retention Policy to ensure the Schools is in compliance with all applicable laws, and that information is appropriately protected. The Document Retention Policy should be clearly communicated to all, and processes should be put in place to ensure all documents are retained and stored securely and appropriately accessible for the required duration period. Additionally, many documents are currently hard copy only which may increase risk of loss or inaccessibility. For electronically stored documents it is important to ensure access is appropriately restricted and adequate measures are in place to protect the Schools form Cybersecurity threats. The Schools could consider contacting the Records Management Unit at the State of Massachusetts for additional training and potential onsite guidance.

13. **Deposit Employee Insurance Coverage**

    Observation: It was noted deposits by the school Cafeteria Managers or Cafeteria Leads are creating deposits on a daily basis during the school-year, and less often during the non-school year. Best practice is to have any employee who makes bank deposits be bonded. Employees making deposits should be covered by insurance. Although not audited for accuracy, time and personal mileage associated with these duties should be considered part of employment for time period submissions and mileage would be considered reimbursable.

    Recommendation: Only employees which are bonded employees should be making deposits on behalf of the Town in the event any negative activity occurs to the employee enroute to the bank. If employees are not insured for these transitionary practices, the employees which are covered should be making deposits instead. Of note, management should review whether employees making deposits are receiving a car allowance or filing for reimbursement. If an employee is requesting travel reimbursement for making a deposit, approvers should first verify that the employee is not already receiving a car allowance.

Conclusion

We believe a more centralized and less manual payroll process will greatly reduce the need for payroll adjustments for employees' pay on an ongoing basis. Additional resources associated with the absence balances would also be addressed. We believe that creating a separate Payroll Management role or function, appropriately resourced, and implementing well planned, integrated systems, together with a continued focus on policy, communication and training could significantly reduce the risk of non-compliance.

We recommend that the Schools perform a full review of the roles/attributes/data access/menu access for all positions associated with the payroll process to ensure the level of access is set correctly

The School Department should conduct a holistic review of payroll management. This should begin with a permissions audit for all MUNIS users who interact with payroll. Coordination between the School Department and the Town Human Resources Department is essential to ensure that payroll deductions are accurate and that sensitive deductions are not unnecessarily exposed.

The payroll approval process should be linear and consistent across all approvers, and time reporting documentation must be mandatory. Additionally, implementing capital asset and inventory management systems is necessary to address current vulnerabilities in the Food Service Department.

Timely reporting, proper data access, improved systems, and staff training can fundamentally resolve the issues identified in this report.

We would like to thank the Schools for the opportunity to perform this review, and we appreciate the cooperation from all those we interviewed.

Engagement Limitations

The scope of our work is limited, and does not include an audit, examination, review, or compilation of financial statements as those terms are defined in standards promulgated by the AICPA, and accordingly we express no such opinion on the financial information or other information we received in the course of our work.

Additional information may become available to us. In addition, we may be asked to consider additional information and comment on that information relating to this matter. Consequently, we reserve the right to revise our report after consideration of any such additional information.

The report is prepared in connection with the aforementioned matter and should not be used for any other purpose.

Respectfully submitted,

CLA, LLP