



Trumbull BOE Continuing Education Funds

BOARD OF EDUCATION, TRUMBULL, CT

April 27, 2016
Therese Keegan
Town of Trumbull, Financial/Accounting Controls Analyst

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tkeegan@trumbull-ct.gov

Phone: (203) 452-5072

April 27, 2016

Mr. Sean O'Keefe, Business Manager
Trumbull Board of Education
6254 Main Street
Trumbull, CT 06611

Dear Mr. O'Keefe,

I respectfully submit the attached report entitled BOE Continuing Education Program Review. The objectives of the review were to ensure:

- operational and accounting adherence to BOE Continuing Education Policies and Procedures
- the accuracy of transactional postings and fund balances
- internal controls are appropriate
- State and Federal regulatory compliance
- liability coverage adequately protects BOE and the Town of Trumbull

I would like to thank the Board of Education for this opportunity to be of service. I would also like to thank the Continuing Education team and Sean O'Keefe's staff for their assistance in providing requested information and for responding to questions in a complete and timely manner.

Respectfully submitted,

Therese Keegan
Town of Trumbull Financial/Accounting Controls Analyst

Executive Summary

This report represents a limited scope review encompassing the Continuing Education program which includes Driver's Education, Summer Exploration and Adult Education. The review was requested to ensure processes were properly documented, transactions were appropriate, and controls were adequate. Each of the programs were reviewed to determine:

- operational and accounting adherence to BOE Continuing Education Policies and Procedures
- the accuracy of transactional postings and fund balances
- the strength of internal controls
- procedures and filings are compliant with State and Federal guidelines
- whether the Town of Trumbull and the BOE are adequately covered by liability insurance should an injury occur

Continuing Education Programs

1. Summer Exploration:

Open to all school children, the program offers three areas of focus: accelerating academic progress, providing enrichment camps and offering a wide variety of sport opportunities. Annual offerings are determined, publicized and staffed by the Director of Continuing Education.

Registration can be accomplished online, by mail, walk in or via fax. Class fees vary; waivers are available, if needed, but only for academic program. Payment by credit card or check is collected with registration form. Deposit slips are prepared by Continuing Education personnel. Business Office personnel collect weekly and take to bank. Validated deposit slips are used as backup to the reconciliation of a single Continuing Education account.

2. Adult Education:

Course schedule is determined and staffed by the Director of Continuing Education. Schedule is published bi-annually. Program promotes the concept that learning is a lifelong process so course offerings vary; some classes come and go, others remain as staples, depending on student interest.

- GED and ESL (English as a Second Language) classes are subsidized by the State of Connecticut. Classes are scheduled bi-annually and free of charge to Trumbull residents. Cost to non-Trumbull residents is \$25.
- Cost of all other programs and instructor fees are negotiated by Director of Continuing Education. Program must financially incentivize instructor yet remain affordable and competitively priced. If enrollment does not allow class to at least break even, class will be cancelled and fees returned. Usually three class participants are enough to cover the cost of the class.

Payment by credit card or check is collected with registration form. Deposit slips are prepared by Continuing Education personnel. Once checks are deposited, bank validation is sent to Business Office as backup to the reconciliation of a single Continuing Education account.

3. Driver's Education:

The program is administered by the Driver's Education Coordinator who schedules and staffs, ensures the program complies with state requirements, collects and deposits fees, all of which are paid by check. All students must be at least 16 years of age. The program offers the following options:

- 30 hours classroom instruction and 8 hours of driving instruction \$550.00
- 8 hours classroom instruction and 8 hours of driving instruction \$350.00
- 30 hours of classroom instruction \$225.00
- 8 hour course on safe driving practices \$150.00
- DMV License Road Test \$ 75.00

Program Accounting

Board of Education utilizes MUNIS ledger system. Balances and transaction information was obtained for each of the three Continuing Education programs and the data was analyzed for accuracy and consistency. Activity records via postings from:

1. cash receipts
 2. payroll
 3. accounts payable
 4. manual journal entries
1. Regardless of payment method or program, cash receipts are deposited into a single account. Activity is reconciled by Accounts Receivable Manager and reviewed by Business Manager.
 2. Payroll entries are generated by the Payroll & Insurance Department. Entries are in conformity with federal and state requirements, as well as union guidelines, when applicable. Any new employees are set up and paid once employment forms are completed and direction is provided by Human Resources. Class instructor payroll data is then input from timesheets approved by the Director of Continuing Education or Driver's Education Coordinator; timesheets include hours worked and rate of pay.
 3. Accounts payable entries are upon receipt of approved documentation forwarded by Director of Continuing Education or by Driver's Education Coordinator. Expenses paid through accounts payable include student refunds, professional services, transportation, printing and program supplies. For Driver's Education, auto maintenance is included in the program supply account.
 4. Manual journal entries are posted by Accounting Manager. Journal entries compliment or correct the cash receipts, payroll and accounts payable postings. The postings reviewed affected prepaid or deferred balances in an effort to match revenue and expenses to a fiscal year of operations; these entries allocated payroll, benefits and insurance among the various programs.

Findings & Recommendations

Finding #1: There are no written Policy & Procedures, which would include:

- Description and purpose of each program, timing of activities
- Receipt processing
- Disbursement authorization and process
- Roles, responsibilities and instructions for data compilation, review and reconciliation of the funds
- Tax treatment of instructors; i.e. distinction between employee and contractor

Recommendation: Program Policy & Procedures should be written to include all of the above criteria. The Policy should then be communicated to Continuing Education program personnel and associated finance employees. A detailed policy and procedures manual will provide guidance and confirm authorization responsibilities. The manual can also be used for training of new employees.

Management Response: Agreed. A written Program Policy & Procedures manual will commence upon the appointment of the new Director of Continuing Education in concert with the Business Office.

Finding #2: Transactional review identified multiple posting errors to incorrect account or to incorrect program.

Date	Program	Amount	Payee	Account	Object	Account Description
5/31/2015	Continuing Ed	934.43	Credit card fees	2051650	58900	Should be Summer Explorations
6/30/2015	Continuing Ed	1,248.65	Credit card fees	2051650	58900	Should be Summer Explorations
2/20/2015	Drivers Education	550.00	Refund	2051100	56112	Supplies
3/13/2015	Drivers Education	550.00	Refund	2051100	56112	Supplies
5/8/2015	Drivers Education	275.00	Refund	2051100	51110	Teachers-classroom
6/30/2015	Drivers Education	550.00	Refund	2051100	56112	Supplies
6/30/2015	Drivers Education	275.00	Refund	2051100	56112	Supplies
8/14/2015	Drivers Education	200.00	Refund	2051100	56112	Supplies
9/4/2015	Drivers Education	325.00	Refund	2051100	56112	Supplies
9/4/2015	Drivers Education	125.00	Refund	2051100	56112	Supplies
9/11/2015	Drivers Education	200.00	Curtis Ryan Honda	2051100	51110	Teachers-classroom
10/2/2015	Drivers Education	200.00	Refund	2051100	56112	Supplies

Recommendation: Monthly or quarterly reconciliation process should include signature of preparer and signature of reviewer. Preparer should provide reviewer with YTD transaction file so as to enable reviewer to make an informed decision as to the accuracy of the fund.

Management Response: Regarding the credit card fees misclassification of \$934.43 and \$1,248.65; the books have been closed for 14-15 and no reclass entry will be made. Actions have been taken to prevent this error from occurring and procedures are now in place so that the appropriate Accounts Receivable and the Continuing Ed staff communicate on a monthly basis as to what program the credit card receipts and expenses belong to.

The Driver's Ed Refunds were errors made when the account was coded by the Driver's Ed department on the invoice. The Accounting Manager discussed with the Drivers Ed Coordinator that future coding will be made to: Revenue account 2051100-40400 when any Revenue refund is issued. In addition, Accounting Manager has discussed with Accounts Payable the correct account number to input into Munis.

Regarding all 15-16 entries made in error, a reclassification entry has been made; the Curtis Ryan invoice for auto-related expense has been reclassified to the Classroom Supplies account and the Refund payments have been reclassified to Revenue.

Finding #3:

The programs lack consistency in postings of transactions. Again, a detailed policy and procedures manual will provide guidance and confirm authorization for policy changes and postings. Reconciliation requirements will provide awareness to accounting change implications and will bring missing or incorrect entries to light.

- A. Continuing Education recorded the following credit card fees, sometimes in the Dues and Fees account, sometimes as an offset to revenue:

Date	Amount	Charge for:	Account	Object	Account Description
10/31/2014	262.40	Credit card fees	2051650	58900	Dues and Fees
10/31/2014	(262.40)	Credit card fees	2051650	40400	Revenue
11/30/2014	126.92	Credit card fees	2051650	40400	Revenue
11/30/2014	(126.92)	Credit card fees	2051650	58900	Dues and Fees
12/31/2014	67.95	Credit card fees	2051650	58900	Dues and Fees
1/31/2015	162.90	Credit card fees	2051650	58900	Dues and Fees
2/28/2015	414.88	Credit card fees	2051650	58900	Dues and Fees
3/31/2015	127.50	Credit card fees	2051650	58900	Dues and Fees
4/30/2015	none	Credit card fees			
5/31/2015	none	Credit card fees			
6/10/2015	(625.00)	Credit card fees	2051650	40400	Revenue

Management Response: Related to 2015-16 entries, the applicable staff in Accounts Receivable and Continuing Ed will communicate on a monthly basis what program the credit card receipts and expenses belong to. No action will be taken for prior year items as the books have been closed out to the fund balance for the year.

- B. Changes in Policy and Procedures distort financial results by program. Examples follow:

Program	Account Description	2014	2015	YTD 2016	Comments
Drivers Education	Admin Salary	-	12,956.00	4,892.00	Admin & Secretary salaries reclassified from Cont. Ed. To Drivers Ed. in 2015; then allocated in 2016.
Drivers Education	Secretary Salary	-	8,637.00	3,261.00	
Summer Explorations	Employee Insurance	3,180.00	-	-	
Continuing Education	Employee Insurance	3,180.00	-	-	

Management Response: Management will continue to allocate on a semi-annual basis the Continuing Ed Director and Secretary salaries to the Drivers Ed, Continuing Ed and Summer School Programs, (analysis is based on revenue derived from the 3 programs).

Allocation will be made for employee insurance paid by TBOE in July 2016 and on a monthly basis thereafter.

- C. Use of prepaid expense account and the deferred income account matches revenue and expense to appropriate year of program. If income is received prior to start of program it is posted to deferred revenue. If expenses are incurred prior to start of program, they are recorded as prepaid. Per the following example, the Summer Explorations program, which usually starts in July, started in June of 2015 and instructor payroll expense was incurred. The June posting distorts annual summer program financial statements. The alternative is to utilize special revenue funds, which do not close to general fund.

The third entry below was an error and was discussed with Accounting Manager.

Program	Account Description	2014	2015	YTD 2016	Comments
Summer Explorations	Teacher Salaries	117,842.52	135,311.50	108,748.78	\$18k of salaries posted 6/30/15 pertain to FY 2016
Summer Explorations	Instructional Aides	41,688.27	30,410.21	20,545.99	\$3.5k of salaries posted 6/30/15 pertain to FY 2017
Summer Explorations	Postage/printing	1,390.00	-	1,424.00	2016 first year prepaid account utilized

Management Response: Salaries will continue to be paid as earned and as a result there may be a timing difference for Summer School expense analysis which will be highlighted in the yearend analysis.

Related to postage and printing, the Accounting Manager has discussed with the Continuing Ed staff so that the issue does not recur.

- D. In 2014 \$10,000 was moved from Driver's Education to Summer Explorations. The Driver's Education program recorded the \$10,000 as an expense and the Summer Explorations recorded as income. Transactions such as these should be recorded as transfers, not as income or expense of operations.

Management Response: Agreed – All Trumbull BOE transfers are booked to 205xxxx-40401 which is BOE Operating Transfers account.

Finding #4: It is the responsibility of the Director of Continuing Education to determine whether a class instructor is to be treated as an employee or as a contractor. In conversation with the Director, we did not receive assurance that the Director is aware of Internal Revenue Service guidance related to the classification of workers as either employees or as contractors. If an employee is classified as a contractor without reasonable basis, the Town could be held liable for employment taxes. Alternatively, if a contractor is improperly classified an employee, the Town could be paying taxes and incurring other unnecessary expenses.

Per IRS, in determining whether a person providing service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered. Facts that provide evidence fall into three categories:

1. Behavioral – does BOE control or have the right to control what the instructor teaches and how the instructor teaches?
2. Financial – Are the business aspects of the instructor’s job controlled by BOE? This category includes questions as to whether expenses are reimbursed and who provides tools or supplies.
3. Type of Relationship – Are there written contracts or employee type benefits for class instructors?

Recommendation: BOE must review the terms of program participation for all class instructors. Once the employee/contractor determination is made, BOE must ensure ongoing treatment consistent with that classification.

Management Response: Agreed. Discussion will ensue with the new Director of Continuing Ed when hired.

Finding #5: Each of the Continuing Education programs poses some potential risk of injury to instructors, class participants and to the general public. Several options are available to reduce BOE and Town of Trumbull exposure, including requiring certificates of insurance for all contractors, or obtaining written waivers from participants.

Recommendation: Upon advice from the Town insurance carrier, BOE should add waiver to registration form, similar to that of the Town Recreation Department, which includes authorization to transport and treat, should no parent or guardian be present or should they be incapable of consent:

Waiver of Participant by parent or self: *In consideration of your accepting my or my child’s registration and entry, I hereby for myself, my child, my heirs, executors and administrators, waive and release any and all rights and claims for damages I or my child may have against the Town of Trumbull or the **Trumbull Board of Education** and its representatives, successors, and assigns, for any and all injuries suffered by myself or my child at the activity sponsored by these groups. I*

understand there is inherent risk associated with the(se) activity(ies) and authorize emergency medical treatment and transportation in my absence.

Management Response: Agreed. Discussion will ensue with the new Director of Continuing Ed when hired.