

## Additional Backup for Funding an Audit, Review or other procedures for a Report of the Burlington School Department Financial Accounts

There are a variety of investigations and tests that an auditor does when performing audit services. The Warrant Article is broadly worded to give us flexibility as we learn more about what is needed. The intention is to provide an assessment of business controls with the goal of process improvement and which is not redundant with current legally-required audit procedures.

Agreed Upon Procedures (“AUP”) is a term that describes the specific services to be performed by an accounting firm. We are requesting that this service, which is described in the Warrant Article as “other procedures”, be performed. The AUP service involves procedures that test business and operational controls. The specific procedures will be agreed to by the accounting firm and Ways and Means who will be the supervising authority. The services will result in a report of findings and recommendations.

The following are examples of possible requested information:

1. How did the current business/operational processes allow a deficit to occur unnoticed?
2. What is different this year from prior years?
3. When was the deficit discovered?
4. What are the current purchasing policies and when were they last updated?
5. Are purchase requests in compliance with current purchasing policies?
6. What transactions are manually performed but which, using best practices, are typically done electronically?
7. What corrective actions are required and in what order of importance?
8. How would corrective procedures/policies impact accounting information (reports)?
9. How would corrective procedures/policies impact operations?
10. What are the structural challenges of providing an accurate salary budget?
11. How is the FY '19 budget impacted by any deficiencies identified?

While the specific auditing procedures will be determined by the accounting firm and Ways and Means should the article pass, the following are some examples of procedures of an AUP engagement that are relevant to this situation:

1. Look at expenses in detail either randomly or at a specified materiality/risk level
2. Check if expenses are processed in the correct year
3. Check if expenses are properly categorized
4. Check how expenses are requested and approved
5. Analytical procedures applied to expense categories or other data

A final report will be issued addressing the procedural work as determined by Ways and Means and the accounting firm. In addition to learning the facts of how this undetected deficit occurred, the report will have specific recommendations regarding current internal control weaknesses. Additionally, it will help restore credibility and facilitate better communication by the School Department and School Committee.

Currently, there is a lack of confidence in the Schools' business and operational processes. Ignoring the value of the benefits from conducting this service will perpetuate this lack of confidence and mistrust. If our priority is to understand the facts, improve internal controls, have confidence in our FY '19 budget and related forecasts, show accountability and fiduciary responsibility, and build public trust, then you should support this article.