

Lincoln Public Schools & Hanscom Financial Audit Process and Scope

1. Process
 - a. Vote to begin a process to get proposals for a financial audit (assign Mary Ellen or others) [DONE]
 - b. Confirm scope: {Below}
 - c. Vote to approve based on assumed costs - \$_____

The Hanscom Schools located on Hanscom Air Force Base operates through Lincoln Public Schools, of the Town of Lincoln, MA a comprehensive education and early intervention services, for students living at Hanscom AFB. The PreK to grade 8 students are served at the base's elementary and middle schools, which are owned by the Government. Grades 9-12 resident students of active military service are served at Bedford High School, Town of Bedford, MA. Grade 9-12 resident students of non-active military are served by the school system's high school. The school district has been serving students from Hanscom AFB for over 50 years.

The Lincoln School Committee is responsible for preschool to grade 8 educational programs at the Lincoln School which serves approximately 600 students. Lincoln School is one of the initial member schools in the METCO Program, a voluntary desegregation program that provides an opportunity for students from Boston to enroll in suburban school districts. Approximately 90 students from Boston attend the Lincoln School each year. The Lincoln School also enrolls approximately sixteen (16) children of employees of the Town of Lincoln.

The goal of the Lincoln School Committee is to

1. validate the effectiveness of our current controls, and identify and rectify any areas of weakness (focus on identified issue with pensions) ; and
2. provide a road map for the incoming superintendent (as well as the future successor to the Administrator for Business and Finance down the road) to help understand the financial processes of the district.

The Scope of the Review of the Hanscom Contract and its impact on the Lincoln Public Schools budget and the Town of Lincoln is as follows:

Q: What is the financial health of the Hanscom Contract and the Reserve Fund?

1. Are the current Audits giving enough of a financial picture for the School Committee to know and understand the financial impact, obligations, and liabilities?
 - a. Review of Annual Town of Lincoln Audit FY21 and FY22 completed by Roselli & Clark -
 - i. Does the Annual Town Audit need an additional Addendum regarding full Financial Statements, P&L, and Balance Sheet for the Hanscom Contract?

- ii. Does a Fixed Asset Valuation and Inventory need to be maintained and reported through the Town's Annual Financial Audit?
- 2. Hanscom Reserve - Audit for strength in meeting known liabilities
 - a. Capital Planning Funds for Building and Technology related expenses
 - b. Retirement Obligations
 - i. Middlesex County Retirement Charges -
 - 1. Middlesex County Retirement - When and how to fully fund?
 - 2. What is the appropriate assessment of retirement contributions?
 - 3. Town Portion -Annual Assessment - should we be asking Middlesex County to split out the Hanscom employee liability for an apportionment to the Hanscom Contract annually? Is there another way to calculate the Hanscom portion of the Town's annual assessment from how it is currently being done?
 - ii. Massachusetts Teachers Retirement System - currently paid by the state as the Hanscom Contract is not a grant. It is seen as a revolving fund under earlier determinations and as such is handled like all other rules for Revolving Funds.
 - c. Unfunded Liabilities
 - i. OPEB/Health Insurance - When and how to fully fund?
 - ii. Workers Compensation
 - iii. Unemployment Cost Projection - what should the process and the frequency be of this liability? If there is no closure vs. if there is a closure (contract not renewed)
 - iv. Other?
 - d. Other Costs related to closure of the base or the contract not renewed?
 - i. Funds needed in the event of closure
 - 1. Move, storage, sale of interior furniture and fixtures
 - 2. Employment transition costs for consideration and methodology for implementation (eg. Union bumping rights, unemployment, retirement incentive, etc)

Q: Are the standard and best practice process and procedures being followed in accordance with Massachusetts Municipal Finance law and the Hanscom Contract requirements. Compliance Audit?

- 1. Internal Controls Review
 - a. Analyze financial management practices as they relate to the Hanscom contract and the Lincoln Public Schools with the assumption that Hanscom is a 100% cost recovery contract.
 - b. Procedure audit/process review. The Town and School Department follows policy, best practice, and approval processes set by School Committee Policy, Town Policy and by-law, Municipal Finance Law, and Hanscom Contract requirements

- c. The Town practice and process for making payments on behalf of and assessments against the Hanscom Contract.
- e. Modification and documentation for process and procedures between the School Department and the Town Finance Department going forward to ensure that the Hanscom Contract is funding its obligations and liabilities in full;

Key Review Areas as agreed by the School Committee, Superintendent, and Administrator for Business and Finance (see below).

Q: What key areas require a revision in process, procedure, or calculation methodology?

- 1. Hanscom contract
 - a. Administrative Overhead - Negotiate how and what to charge for administrative overhead to the Hanscom Contract for Town Departments.
 - b. Operational Costs -
 - i. What operational methodology for assessing School Department costs to the Hanscom Contract?

Q: What are the areas that require assessment and review to ensure that the next contract proposal which is likely to be a 10 year contract are complete and thorough to ensure financial solvency of the contract?

- 1. Staff Tasks:
 - a. Estimated salary costs by bargaining unit
 - b. Estimated student population and adjustment for increase or decrease for every 50-100 students
 - c. Building related Capital Projects that are both under and over \$50,000. DoDEA must pay for over \$50,000 project value. For example, we may need a roof in the next 10 years.
 - d. Special Ed Cost Analysis: Out of District costs (tuition and transportation). Fluctuation of these costs over time

- 1. Third Party Consultant:
 - a. Actuarial projection for Middlesex County, OPEB, and Active Employee Benefits.
 - e. Recommendations for Internal Controls, Cash Management policies and procedures vs. actual practices
 - i. Hanscom Reserve Investment Policy
 - ii. Hanscom Contract Financial Reporting and Audits

Resources: