XI.A.

Connecticut State Board of Education
Hartford

To: State Board of Education

From: Charlene M. Russell-Tucker, Commissioner of Education

Date: September 3, 2025

Subject: Update on Bridgeport Public Schools Action to Address District Needs: CliftonLarsonAllen LLP Forensic Audit of Bridgeport Public School District

On January 22, 2025, pursuant to Section 10-223e(e)(2) of the Connecticut General Statutes, the State Board of Education directed the Commissioner of Education to take the necessary action to address the stability of operations of the Bridgeport Public Schools (BPS), improve student performance, and address other needs of the school district.

On March 28, 2025, the Connecticut State Department of Education (CSDE) requested quotes from vendors listed on the Department of Administrative Services (DAS) master service agreement #23PSX0146 dated March 11, 2024, to conduct a forensic audit of BPS to:

1. Determine if expenditures align with budgeted allocations and, where they do not, identify the basis for and nature of such misalignment;
2. Assess the existence and efficacy of the established BPS fiscal controls and how such fiscal controls relate to any misalignment in expenditures relative to operational budgets; and
3. Develop a report of findings of the forensic audit and the assessment of fiscal controls.

The CSDE assembled a team to establish proposal evaluation criteria and then use those criteria to evaluate applicants' proposals. CliftonLarsonAllen LLP (CLA) received the highest evaluation score by the team. On May 9, 2025, the CSDE finalized a statement of work with CLA under the master services agreement, and CLA began the forensic audit.

On July 11, 2025, CLA concluded its work on the forensic audit, and on July 22, 2025, published the *Forensic Audit of Bridgeport Public School District* which is attached for your review. CLA's report outlines their scope of work, method for data collection and analysis, results of the forensic audit, and provides 34 recommendations for BPS and the Bridgeport Board of Education.

CLA presented the forensic audit results and recommendations to the Bridgeport Board of Education on August 4, 2025; the Chairpersons and Ranking Members of the Appropriations and Education Committees of the Connecticut General Assembly on August 13, 2025; and the Bridgeport Legislative Delegation and Bridgeport municipal representatives on August 14, 2025.

Prepared by:
Dr. Charles E. Hewes, Deputy Commissioner

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Connecticut State Department of Education

Forensic Audit Summary: Bridgeport Public School District

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Scope & Purpose

CLA was engaged by the Connecticut State Department of Education to conduct a forensic audit of Bridgeport Public Schools (BPS) for FY24 and FY25 (July 1, 2023 – June 30, 2025). The audit focused on:

- Operational budget expenditures
- Fiscal controls
- Misalignment between budgeted and actual expenditures

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Primary Focus Areas

- **Operational Budget Expenditures**
  - CLA assessed whether expenditures during FY24 and FY25 (July 1, 2023 – June 30, 2025) aligned with budgeted allocations.
  - Where misalignments occurred, CLA aimed to identify their basis and nature.
- **Fiscal Controls**
  - CLA evaluated the existence and effectiveness of the District's fiscal controls.
  - CLA examined how these controls contributed to or failed to prevent misalignments in expenditures.

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What Was Not the Focus

- **Audit, Compilation, or Review**
  - This was **not** a financial audit, compilation, or review under AICPA standards.
  - No opinion was expressed on specific financial elements, accounts, or items.
- **Full Budget-to-Actual Analysis for Special Revenue Fund**
  - Although the Special Revenue Fund (028) was reviewed, detailed testing of its budget transfers was **not performed**, as the scope was limited to the operational budget (General Fund 018).

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Work Performed

- **Initial Conference**
  - Virtual kickoff meeting with state officials to establish expectations and communication cadence.
- **Document Requests**
  - Financial data and supporting documentation were requested from the State and District.
- **Interviews**
  - Conducted with key personnel from the District, State, and Board of Education to understand financial processes.

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Work Performed cont.

- **Process and Procedure Analysis**
  - Reviewed budgeting, procurement, grants, facilities, operations, and financial reporting practices.
- **Data Collection and Analysis**
  - Accessed MUNIS ERP system to extract and analyze financial data using advanced analytics.
- **Detail Testing**
  - Selected and reviewed 60 high-risk transactions for legitimacy and proper classification.

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Work Performed cont.

- **Email Review**
  - Performed a targeted search across 97,981 emails from the former CFO's email account for budget-related concerns and procurement practices.
- **Board Minute Review**
  - Examined meeting minutes to identify financial discussions and selected board members for follow-up interviews.

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Work Performed cont.

- **Year-over-Year Budget Analysis**
  - Compared original, revised, and actual budgets for General and Special Revenue Funds to identify trends and anomalies.
- **Employee Listing Review**
  - Checked for duplicate entries and potential ghost employees in the District's master employee list.

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Key Findings

No Fraud Detected

- No evidence of fraud or misappropriation of assets was found.
- However, **misclassifications** and **budget manipulation** were identified, often without board oversight.

Budget Misalignment

- Budget transfers were used to artificially align actual expenses with revised budgets.
- This practice obscured financial transparency and accountability.
- Example: $16M transferred from retiree funds to active payroll accounts.

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Definition of Fraud

- The AICPA defines fraud primarily in the context of financial statement audits and forensic services. According to its Statement on Auditing Standards (SAS 99/AU 316) and Statement on Standards for Forensic Services No. 1 (SSFS No. 1):
  - ***Fraud is an intentional act involving the use of deception to obtain an unjust or illegal advantage.*** It typically involves either:
    - Fraudulent financial reporting, or
    - Misappropriation of assets
- According to the ACFE:
  - ***Fraud is any activity that relies on deception to achieve a gain.*** It becomes a crime when it involves a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to their detriment.

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Key Findings cont.

Expense Misclassification

- 7 transactions were misclassified under “Other Services” instead of specific accounts like maintenance or medical services.
- These included large payments to contractors and service providers.

Email Review

- No fraud concerns were communicated via email.
- One email showed a former CFO advising a purchase split to avoid bidding thresholds, violating city procurement policy.

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Key Findings cont.

Budgeting Process

- Budgeting was siloed in the CFO's office with limited input from other departments.
- Lack of transparency and collaboration led to overspending and reactive budget adjustments.

Procurement & Operations

- Procurement lacked visibility and training.
- Student activity funds were tracked in Excel, not MUNIS.
- Facilities department maintained capital project schedules but lacked cross-departmental transparency.

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Key Findings cont.

Financial Reporting

- Inconsistent training on systems and policies.
- Journal entry procedures were not always followed (e.g., same person creating and posting entries).

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Recommendations

CLA provided 34 recommendations across five categories:

Board Oversight

- Increase transparency and accountability.
- Stop retroactive budget alignment.
- Include broader factors in school allocations.

Budgeting

- Involve departments in budget creation.
- Separate operating and grant budgets.
- Limit and document budget adjustments.

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Recommendations cont.

Accounting Practices

- Avoid vague account classifications.
- Grant read-only MUNIS access to department heads.
- Centralize purchasing and approval in MUNIS.

Transparency & Communication

- Track all student activity funds in MUNIS.
- Share capital project schedules across departments.

Policies & Training

- Annual training on systems, policies, and fraud awareness.
- Formalize inventory procedures and employee record reviews.

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