

**Connecticut State Board of Education  
Hartford**

**To:** State Board of Education  
**From:** Charlene M. Russell-Tucker, Commissioner of Education  
**Date:** October 7, 2026  
**Subject:** Update on Hartford Public Schools Fiscal Operations

***Executive Summary***

On April 17, 2026, the Connecticut State Department of Education (CSDE) entered into agreement with CliftonLarsonAllen LLP (CLA), pursuant to the Department of Administrative Services (DAS) master services agreement #23PSX0146, to conduct a compilation of forecasted statement of revenues and expenditures (phase I) followed by a forensic audit of Hartford Public School's (HPS) Fiscal Year (FY) 2024, FY 2025, and FY 2026 budgets (phase II). On September 28, 2026, CLA published its report on the process and findings from the forensic audit of HPS's FY2024 and FY2025 budgets. CLA will begin the forensic audit of FY2026 soon.

CLA's report is attached, and members of CLA will present the findings and recommendations of the FY2024 and FY2025 forensic audit to the State Board of Education.

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



# Connecticut State Department of Education

## Forensic Audit of Hartford Public School District

September 28, 2026

Prepared by: Emilie Deveraux, CFE

CliftonLarsonAllen LLP

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September 28, 2026

Charlene Russell-Tucker  
Commissioner  
Connecticut State Department of Education  
450 Columbus Road  
Hartford, CT 06103

RE: Hartford Public School District Forensic Audit

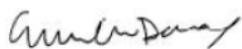
Dear Ms. Russell-Tucker:

CliftonLarsonAllen LLP was retained by the Connecticut State Department of Education (“the State”) to perform a forensic audit of the Hartford Public School District (“the District” or HPS) and its operational budget, transactions and processes during the periods of FY2024 through FY2026, July 1, 2023, through June 30, 2026. The purpose of this report is to summarize the results of our work.

We performed our engagement in accordance with the Statement on Standards for Forensic Services No. 1 (“SSFS No. 1”) of the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion. The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibit Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

Fraud and irregularities by their very nature are most often hidden, and no absolute assurance can be given that all such matters have been detected. Our engagement cannot be relied on to disclose all irregularities or illegal acts, including fraud that may exist. However, to the extent such matters have come to our attention, we have included them in this report.

Respectfully submitted,



CliftonLarsonAllen LLP  
Emilie Deveraux, CFE  
Signing Director

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## 1. Executive Summary

CliftonLarsonAllen LLP (CLA) was retained by the Connecticut State Department of Education to perform a forensic audit of the Hartford Public School District's operational budgets for FY2024 through FY2026 and to evaluate whether actual and projected revenues and expenditures aligned with approved budget allocations. CLA was unable to complete a full forensic audit of the entire scope period because the records and information necessary to fully reconstruct and validate the District's financial activity were incomplete, unavailable, or insufficiently reliable. Significant turnover among District leadership and finance personnel resulted in the loss of institutional knowledge regarding historical budgeting and accounting decisions; frequent budget transfers, expenditure reclassifications, and inconsistent account coding obscured original budgetary intent and limited reliable account-level analysis; requested email records were provided late and appeared incomplete; a complete history of vendor master file changes was unavailable; and FY2026 financial information was not final when CLA completed its analysis. Consequently, CLA could not fully reconstruct certain FY2024 and FY2025 financial activities, definitively identify and quantify the specific accounts and operational factors driving reported deficits, or reach conclusions regarding final FY2026 results.

Based on the procedures completed using the records and information available, CLA did not identify evidence of fraud, misappropriation of District assets, improper payments, or unsupported, duplicate, or unauthorized adjusting journal entries. However, CLA identified deficiencies in budgeting, financial reporting, documentation retention, governance, and oversight that reduced financial transparency and limited the ability of District management and the Board of Education to effectively assess the District's financial position and the causes of its recurring budget deficits.

### Background

CliftonLarsonAllen LLP (CLA) was retained by the Connecticut State Department of Education to perform a comprehensive forensic audit of the District's operational budgets ending June 30, 2024, June 30, 2025, and June 30, 2026, to evaluate whether actual and projected revenues and expenditures align with approved budget allocations. The forensic audit was requested by the State following the announcement that a State-ordered review found the District's budget deficit to be an estimated \$29 million. District officials have reported that costs associated with special education services, out-of-District tuition placements, and student transportation have increased significantly in recent years, while state and local revenue sources have not kept pace with these growing obligations.

The forensic audit did not reveal any evidence of fraud or misappropriation of District assets. However, CLA identified several deficiencies related to board oversight, management communication, and financial transparency, which led to certain procedures not being followed and the inaccurate or inconsistent presentation of financial information.

Connecticut General Statutes Chapter 170 §10-220 describes the duties of boards of education, which include providing adequate education, equitable allocation of resources, proper

maintenance of facilities, and a safe school setting, among other duties.<sup>1</sup> Further, pursuant to Chapter 170 §10-222 of the Connecticut General Statutes, the board of education is responsible for preparing and submitting an itemized estimate of the cost of maintaining the public schools to the municipality's appropriating authority and for administering appropriated school funds in accordance with statutory requirements. The statute further governs budget transfers, limits expenditures to amounts appropriated and otherwise received for school purposes, and requires the board to obtain supplemental appropriations before incurring expenditures in excess of available funding.<sup>2</sup> Finally, Chapter 172 §10-262j establishes the Minimum Budget Requirement (MBR), which governs the minimum municipal appropriation for education and sets forth the circumstances under which a municipality may reduce its education appropriation.<sup>3</sup> The board of education serves as the governing body responsible for overseeing the District's educational operations and stewardship of educational resources.

This report outlines the scope of our engagement, the procedures performed, the findings identified, and our recommendations for improving financial transparency, operational efficiency, and board governance within the District.

### Scope of Work

The scope of work requested by the State was to conduct a comprehensive forensic audit of the District's operational budgets ending June 30, 2024, June 30, 2025, and June 30, 2026, to evaluate whether actual and projected revenues and expenditures were consistent with approved budget allocations, identifying significant budgetary variances, and analyzing the underlying causes of any material misalignments identified.

### Summary of Work Performed

CLA undertook the following procedures to complete the forensic audit of the District and assess the concerns raised by the State:

1. Initial conference;
2. Document request;
3. Interviews of relevant individuals in the District and on the board of education;
4. Analysis of processes and procedures;
5. Data collection and analysis;
6. Detail testing;
7. Board minutes review;
8. State-provided budget-to-actual budget analysis;

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<sup>1</sup> [https://www.cga.ct.gov/2019/pub/chap\\_170.htm#sec\\_10-220](https://www.cga.ct.gov/2019/pub/chap_170.htm#sec_10-220)

<sup>2</sup> [https://www.cga.ct.gov/2019/pub/chap\\_170.htm#sec\\_10-222](https://www.cga.ct.gov/2019/pub/chap_170.htm#sec_10-222)

<sup>3</sup> [https://www.cga.ct.gov/2021/pub/chap\\_172.htm#sec\\_10-262j](https://www.cga.ct.gov/2021/pub/chap_172.htm#sec_10-262j)

9. Year-over-year budget and actual analysis; and
10. Review of employee and vendor listings for duplicate information.

### Results of Forensic Audit

Based on the procedures performed, CLA did not identify evidence of fraud, misappropriation of District assets, improper payments, or unsupported or unauthorized adjusting journal entries. Expense transactions selected for detailed testing generally appeared to serve legitimate business purposes and were supported by available documentation and approvals. However, the forensic audit identified weaknesses in budgeting, financial reporting, documentation retention, governance, and oversight that reduced financial transparency and limited the ability of management and the Board of Education to fully evaluate the District's financial position and the factors contributing to recurring budget deficits.

The ability to evaluate FY2026 results was limited because fiscal year-end closeout procedures had not been completed and final adjustments had not been recorded. Consequently, FY2026 information was not sufficiently final to support definitive findings regarding the District's financial condition or budget performance. Accordingly, the conclusions presented in this report are based primarily on FY2024 and FY2025 financial information. Following the District's year-end closeout process and the release of final FY2026 financial data, CLA, under the direction of the State, will conduct additional forensic audit procedures related to FY2026 activity.

The forensic audit was also impacted by significant turnover among District leadership and finance personnel during and following FY2024 and FY2025. As a result, CLA was unable to fully reconstruct certain budgeting, accounting, and financial reporting decisions or determine how specific accounts were developed, monitored, and adjusted throughout the period under review. In several instances, individuals who played key roles in the budgeting and financial management processes were no longer employed by the District, limiting the availability of institutional knowledge and explanations supporting budget assumptions, expenditure classifications, and budget transfers.

While CLA performed extensive analyses using available financial records, system data, supporting documentation, and interviews, CLA was not able to complete a full forensic reconstruction of all financial activity occurring during FY2024 and FY2025. Significant turnover among District leadership and finance personnel, limitations in the availability and consistency of historical records, incomplete email productions, and other documentation gaps prevented CLA from fully validating certain historical transactions and budgetary decisions or definitively determining the precise causes and magnitude of certain financial variances and deficits. As a result, some financial activities, decisions, and budgetary actions occurring during the period under review could not be fully reconstructed or independently verified. Accordingly, the findings and conclusions presented in this report should be considered within the context of the information and documentation available to CLA at the time of the engagement.

Key observations identified during the forensic audit include:

### **Budgeting and Financial Reporting**

- Budgeting and accounting practices did not consistently provide clear visibility into the causes and magnitude of budget shortfalls.
- Budget transfers and expenditure reclassifications were frequently used to address account-level deficits, reducing transparency regarding the underlying operational drivers of budget variances. Consistent with Governmental Accounting Standards Board (GASB) emphasis on accountability in governmental financial reporting and Government Finance Officers Association (GFOA) budget monitoring practices, stakeholders rely on budget-to-actual comparisons to evaluate financial performance against approved budgets. The District's budgeting practices reduced visibility into original budget variances and limited the effectiveness of budget-to-actual reporting for financial oversight.
- The frequent use of budget transfers also reduced visibility into available budget resources at the departmental level. Interviews and document review indicated that expenditures in certain budget line items exceeded available appropriations, requiring subsequent budget transfers to address funding shortfalls. This practice further limited transparency regarding spending patterns and the underlying operational factors contributing to budget deficits.
- Certain expenditures were recorded in accounts that did not accurately reflect the nature of the related costs.
- Public budget materials, MUNIS data, and other financial reports did not consistently present comparable information or clearly identify the expenditure accounts and operational factors contributing to reported deficits.
- These conditions limited the reliability of account-level budget-to-actual analyses and complicated efforts to determine the precise causes of the District's financial challenges.

### **Governance and Oversight**

- Opportunities exist to strengthen board and departmental oversight of budgeting and financial management activities.
- While Board members generally understood their responsibility for approving the annual budget and monitoring District finances, understanding of budget transfer requirements, finance committee responsibilities, and related financial policies was not consistent. As the board ultimately holds oversight responsibility for the District,

a consistent understanding of these statutory duties is important to effective governance and financial oversight.

- Department leaders reported limited involvement in final budget decisions and limited access to current budget information.
- Financial reports provided to the board reflected revised budget amounts after transfers rather than clearly displaying performance against the originally approved budget.

#### **Internal Controls and Monitoring**

- Opportunities exist to strengthen controls related to grants management, procurement documentation, and employee and vendor master data.
- Grant-funded programs were not always clearly distinguished from operating activities or formally reassessed when grant funding expired.
- Supporting procurement documentation was not always readily available at the transaction level.
- Duplicate contact information was identified within employee and vendor records, and matches were identified between active employees and vendors that received payments during the review period.
- While these matches do not, by themselves, indicate fraud or improper relationships, they warrant documented review to determine whether legitimate relationships existed, required disclosures were made, and applicable conflict-of-interest and procurement requirements were followed.

## 2. Limitation on Investigation

Throughout the investigation, CLA encountered obstacles that presented limitations on the extent to which the data could be analyzed. The following limitations affected the engagement:

- a. Due to employee turnover and the resulting loss of institutional knowledge, CLA was unable to fully determine how certain accounts were developed, budgeted, and monitored during FY2024 and FY2025. In some instances, personnel involved in the budgeting process were no longer employed by the District, limiting CLA's ability to obtain explanations for budget assumptions and budget transfers. As a result, CLA's analysis of these accounts was limited to the documentation and information available during the investigation.
- b. During the analysis of certain accounts, CLA noted that budget transfers were made based on the availability of funds within other accounts. While such transfers may be part of the District's budget management practices, these reallocations made it difficult to determine the original budgetary intent of certain accounts and to identify the underlying operational areas contributing to budget deficits. Consequently, CLA's ability to assess the District's true budget shortfall and the fund or program driving those deficits was limited.
- c. During the engagement, CLA identified instances in which expenditures were allocated to account codes that did not accurately reflect the underlying activity. For example, certain transportation-related invoices associated with magnet school transportation costs were recorded within general transportation accounts rather than the accounts designated for magnet school transportation. See Section **5.b.i Budgeting Process** for additional information. As a result, actual expenditures recorded within individual accounts may not accurately reflect the nature of the underlying costs incurred. Consequently, CLA could not rely on year-to-date (YTD) expenditure data at the account level when performing budget-to-actual analyses. This limitation hindered CLA's ability to assess spending patterns, identify budget variances, and determine the operational areas contributing to the District's budgetary deficit.
- d. CLA's analysis focused on two out of the three funds managed by HPS, specifically Funds 1003 – General Fund and 2007 – Special Fund. The third fund, Fund 2011 – Great Path Academy Fund, was excluded from analysis and testing based on discussions with District personnel, who indicated that Fund 2011 is used for Great Path Academy (GPA).<sup>4</sup> It was noted that a separate set of financial records was maintained for this school in Fund 2011. However, during interviews and discussions with District personnel, CLA was informed that GPA procurement activities are processed through the same HPS purchasing department responsible for

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<sup>4</sup> Great Path Academy is a magnet school that HPS operates with both in-District and out-of-District students.

administering transactions within Funds 1003 and 2007. CLA met with individuals who noted these funds could have been commingled in prior years. As a result, CLA could not independently verify that all GPA-related expenditures were consistently recorded within Fund 2011. If expenditures associated with GPA were charged to Funds 1003 or 2007, the analyses performed as part of this engagement may be impacted and may not fully reflect activity attributable solely to those funds.

- e. FY2026 was closed subsequent to the completion of CLA's analysis. Accordingly, CLA was unable to reach definitive conclusions based on FY2026 year-to-date financial information, as fiscal year-end closeout adjustments and final account activity had not been fully reflected. As a result, FY2026 financial information was not relied upon as a basis for definitive findings or conclusions.
- f. CLA's review of the historical communications of former employees directly involved with prior years' budgeting processes was also constrained by the timing and apparent completeness of the email records provided by the District. Although mailbox archives for former finance and budgeting personnel were requested on June 6, 2026, the requested data was not received until late in the engagement, limiting CLA's ability to use those communications. In addition, the mailbox productions for certain key individuals contained relatively few email communications and limited sent correspondence, making it difficult to establish the full context surrounding budget development, financial management decisions, budget transfers, and other matters within the scope of the review.

Because of these circumstances, CLA could not obtain sufficient assurance that a complete universe of relevant communications had been preserved and produced. As a result, certain analyses were necessarily performed using available records without the benefit of potentially relevant contemporaneous communications that may have provided additional context regarding the decisions, discussions, and actions that occurred during the period under review.

- g. CLA requested an audit trail of changes made to vendor information to test the changes to determine whether changes were being made by appropriate parties and with appropriate approvals. While the District provided CLA with access to vendor information maintained within MUNIS, District personnel advised that vendor change-set information could not be downloaded and that the related changes were not recorded within the system audit file. As a result, CLA was unable to obtain a complete history of vendor master file changes and, therefore, could not independently test the changes made to vendor information.

### 3. Background

The Hartford Public School District is located in the City of Hartford, CT (“the City”). Per the District Profile and Performance Report for School Year 2024-25, the District had approximately 16,434 students in grades pre-kindergarten through 12. The District serves 65 schools and programs with an average per pupil spend of \$23,095.<sup>5</sup> The report also indicates that in FY2025, 1,532 students with disabilities were placed outside of the District, in either other public school districts, private schools, or other educational settings.

The FY2025-26 publicly available budget totaled \$452,110,104, representing a 3.0% decrease from the FY2025 budget of \$466,277,472. CLA notes that FY2025 budget included a \$36 million mitigation strategy, whereas comparable mitigation measures were not included in the FY2025-26 budget presentation. The FY2024-25 budget totaled \$466,277,472, an increase of 5.8% from the FY2023-24 budget of \$440,696,416.<sup>6</sup> Over the same period, District enrollment decreased 2.4% from 16,839 students in FY2024 to 16,434 students in FY2025 and further declined in FY2026 to 15,563 students, resulting in a cumulative decrease of approximately 7.6% from FY2024 through FY2026.<sup>7</sup> Although the District's budget increased between FY2024 and FY2025, student enrollment declined throughout the period reviewed. District personnel indicated that a growing number of students were attending schools outside the District through programs such as Open Choice, contributing to the decline in District enrollment.<sup>8,9</sup>

For the 2025-26 school year, the District faced a budget deficit of approximately \$36 million, partially due to the expiration of COVID-19 pandemic-related funds. Additionally, although a balanced budget had been approved by the board for the scope period, interviews and document review indicated that District personnel anticipated that actual expenditures would exceed budgeted amounts in certain areas, resulting in projected operating deficits during the fiscal year.

The District recently underwent several leadership changes. The current superintendent, Dr. Andraé Townsel (Dr. Townsel), assumed the role on July 1, 2025. Prior to Dr. Townsel's appointment, the role was held by Dr. Leslie Torres-Rodriguez (Dr. Rodriguez), since 2017. The District also experienced a transition in financial leadership when Caitlin Richard (Ms. Richard) assumed the role of CFO in December 2024; however, Ms. Richard resigned in August 2026. A new CFO has not been named as of the date of this report.

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<sup>5</sup> Expenditure data reflects the 2023-24 school year.

<sup>6</sup> This amount excludes SIG and COVID Relief (ESSER) Funds.

<sup>7</sup> This only represents District enrollment.

<sup>8</sup> <https://public-edsight.ct.gov/>

<sup>9</sup> The Open Choice program is a State-wide public school program that offers Connecticut residents living in participating urban cities the choice to attend public schools in nearby suburban towns and offers suburban students the option to attend a public school in a nearby urban city.

#### 4. Summary of Work Performed

To complete the agreed-upon scope of work, CLA performed the following procedures in connection with its forensic audit of the District.

##### a. Initial Conference

CLA held an initial meeting with the State virtually via Microsoft Teams on June 5, 2026. The meeting included Dr. Charles Hewes, Deputy Commissioner of Academics & Innovation, Dr. Townsel, and Ms. Richard. The purpose of this initial meeting was to make introductions and discuss timing, expectations, and agree on the cadence of communication between the State and CLA. Additionally, systems used by the City and District for financial and procurement purposes were discussed, and access was subsequently granted to CLA.

##### b. Document Request

On June 6, 2026, an initial document request was provided to the District to obtain financial data and documents needed to perform the forensic audit. Subsequent document requests were sent to the District or State as needed throughout the engagement.

##### c. Interviews of Relevant Individuals at the State, District, and Board of Education

Interviews of State and District staff along with select board of education members were conducted virtually over Microsoft Teams throughout the course of the engagement. The purpose of these interviews was to gather detailed information on the processes occurring as they relate to financial transactions and budgeting.

**Table 1: Listing of Interviews Conducted**

| No. | Date       | Name                                      | Title                                                                             |
|-----|------------|-------------------------------------------|-----------------------------------------------------------------------------------|
| 1.  | 06/22/2026 | Cristina Santiago                         | Board Liaison                                                                     |
| 2.  | 06/22/2026 | Tranh-Tra Phan                            | Executive Director of Finance                                                     |
| 3.  | 06/25/2026 | Jose Colon                                | Chief Operating Officer                                                           |
| 4.  | 06/30/2026 | Jennifer Torres                           | Budget Director                                                                   |
| 5.  | 07/01/2026 | Caitlin Richard                           | CFO                                                                               |
| 6.  | 07/06/2026 | Dr. Andraé Townsel                        | Superintendent                                                                    |
| 7.  | 08/13/2026 | Francoise Leger                           | Board Member                                                                      |
| 8.  | 08/19/2026 | William Mason                             | Director of Transportation                                                        |
| 9.  | 08/20/2026 | Elaine Gaglioti and Christopher Scoppetta | Senior Director, Food & Child Nutrition Services and Director of School Nutrition |
| 10. | 08/21/2026 | Shonta Browdy                             | Board Chair                                                                       |
| 11. | 09/02/2026 | Terri Bouley                              | Tuition Analyst                                                                   |
| 12. | 09/08/2026 | Steven Tatum                              | Board Member                                                                      |
| 13. | 09/09/2026 | Kory Mills                                | Board Member                                                                      |

**d. Analysis of Processes and Procedures**

Based on the interviews conducted and review of samples of documentation provided by several of the interviewees, CLA assessed the completeness and effectiveness of the processes and procedures in place for various aspects of the District's financial and accounting functions. The areas covered in this analysis include budgeting, procurement, grants, facilities and operations, and financial reporting. Within each area, several individual processes were reviewed and analyzed. CLA noted conflicting information between some employees' understanding of the processes and the written documentation related to those processes. Additionally, CLA identified inefficiencies and opportunities for improvement in several areas.

**e. Data Collection and Analysis**

CLA was granted read-only access to the MUNIS enterprise resource planning system, which allowed CLA to view the various reports and modules without modifying any of the data within the system. To supplement the various reports provided to CLA during the document request process, CLA downloaded additional financial data directly from MUNIS.

When the volume, complexity, or structure of the data warranted more advanced processing, the data was uploaded onto a data analysis software platform where it was indexed, summarized, and analyzed. CLA's review of financial data extracted from MUNIS, together with documentation obtained through the request process, enabled the performance of preliminary analytical procedures that informed the selection of transactions and populations for detailed testing.

**f. Email Review**

On June 6, 2026, CLA submitted a document request list to the District that included a request for former finance and budgeting personnel email archives in Personal Storage Table (PST) format. PST files are electronic mailbox archives that retain email messages, attachments, calendar entries, and related metadata. CLA requested these records to facilitate the review of historical communications and supporting documentation relevant to budget planning, financial management, budget monitoring, and other activities within the scope period, including communications associated with individuals who were no longer employed by the District at the time of the engagement.

On August 25, 2026, CLA received the mailbox files of Marc Williams (Mr. Williams), former director of financial planning and grants management, and Paul Foster (Mr. Foster), former deputy superintendent. Upon review, only 569 files were included in the Marc Williams upload. Of the 569 files, only 79 of those files were email communications, and all 79 communications

were emails received by Mr. Williams.<sup>10</sup> The upload provided to CLA did not contain any emails originating from Mr. Williams. On August 27, 2026, CLA again requested the PST mailbox files of Mr. Williams. CLA was subsequently provided with an additional upload of 2,937 files belonging to Mr. Williams. Of those 2,937 files, only 251 files were email communications, and only 3 of those communications were emails sent by Mr. Williams.<sup>11</sup>

The mailbox data was uploaded to a third-party document review platform, Logikcull, for review and analysis.<sup>12</sup> The total production of mailbox data is summarized in **Table 2** below.

**Table 2: Mailbox Data Received from Hartford Public School District**

| Mailbox Owner   | Count of Documents |
|-----------------|--------------------|
| Paul Foster     | 812                |
| Paul Foster     | 58,494             |
| Marc Williams   | 569                |
| Marc Williams   | 2,937              |
| Caitlin Richard | 24,172             |

#### **g. Detail Testing**

A sample of individual transactions was selected based on the data analysis completed and included several expense accounts, dates, and transaction types. Transactions were selected using a risk-based approach, focusing on general ledger entries within accounts that CLA identified as high-risk during our analysis. These high-risk accounts included those with significant balances or substantial year-over-year changes during the scope period.

Detailed testing was performed on the sample of transactions selected, which included a review of all applicable documentation associated with each transaction. Depending on the type of transaction, documentation included invoices, purchase orders, email communications, spreadsheets, detailed journal entries, contracts, quotes, or some combination thereof.

#### **h. Board Minute Review**

As part of the document request process, all regular board of education meeting, committee meeting, and special meeting agendas and minutes were requested of the District and

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<sup>10</sup> Data obtained from a PST mailbox export generally consists of email communications as well as any files attached to those communications, including, but not limited to, PDF documents, spreadsheets, word processing documents, presentations, images, and other file types.

<sup>11</sup> The District's initial production for Paul Foster consisted of 58,494 files, which did not raise any concerns during the review process. At the time the District submitted the second Marc Williams production, it also provided an additional 812 files associated with Paul Foster for analysis.

<sup>12</sup> Logikcull is a cloud-based eDiscovery software used by CLA to conduct digital evidence review.

subsequently provided to CLA. A review of the minutes was performed to identify discussions and concerns regarding the budget and finances of the District. Based on this review, four board of education members were selected for informational interviews.

**i. Compare Budgets to those provided to the State**

For purposes of understanding the District's budgeting process and identifying potential variances, CLA conducted interviews with District personnel and reviewed budget-related documentation. Based on discussions with District personnel, original budgets are not submitted directly to the State. However, the State has the ability to review board-approved budgets and budget presentations that are publicly available on the District website. To assess the accuracy and consistency of budget information, CLA compared the board-approved budgets and budget presentations to the budget data maintained within MUNIS and reviewed related board meeting minutes to identify discrepancies, budget revisions, and variances between approved and recorded budget information.

**j. Year-Over-Year Budget-to-Actual Analysis**

The District has experienced recurring operating deficits over multiple fiscal years, requiring supplemental funding from both the City of Hartford and the State of Connecticut to support ongoing operations. These persistent budgetary challenges raised concerns regarding the District's budgeting process, the accuracy of expense allocations, and the effectiveness of its monitoring of revenues and expenditures.

To assess these concerns, CLA reviewed budget and year-to-date financial information from MUNIS for fiscal years 2024 through 2026<sup>13</sup>. CLA analyzed year-to-date actual expenditures and compared actual results to approved budget amounts, while also evaluating significant year-over-year changes in budgeted appropriations and expenditure patterns across fiscal years. For a more detailed analysis, CLA focused on Funds 1003 and 2007, including original budget appropriations, and budget transfers. This analysis was performed to gain insight into the composition of the District's budgets, understand the movement of funds throughout the fiscal year, and assess the effectiveness of the District's budget monitoring and oversight practices.

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<sup>13</sup> As of the date this report was drafted, fiscal year 2026 had not yet concluded. Accordingly, CLA's analysis of FY2026 was based on budget information and year-to-date actual financial data available at the time of review and does not reflect final year-end results.

#### **k. Review of Employee Listing for Duplicate Information**

CLA obtained the employee master listing from personnel at the District and reviewed for duplicate information in the address, email address, or phone number fields to identify indicators of potentially fictitious or unauthorized employees within the population. Additional research was conducted as needed to determine the legitimacy of duplicate information.

#### **l. Vendor Management and Conflicts of Interest**

Board Policy 9720: Conflicts of Interest states "No member of the board of education, or officer, or employee shall have an interest in any contract with the school system with which the member, officer or employee is affiliated unless such interest is specifically permitted by statute." CLA obtained the vendor master list for the District to determine whether any potential associations or conflicts of interest between vendors and District employees exist. The vendor listing was compared to the District employee listing and reviewed for duplicate information in the address, email address, or phone number fields.

### **5. Results of Forensic Audit**

#### **a. Board Member Interviews**

The Hartford Public Schools board of education consists of four elected members and five members appointed by the Mayor of Hartford. The board is responsible for governing and overseeing the District in accordance with Connecticut General Statutes, including responsibilities related to the provision of public education, equitable allocation of resources, maintenance of school facilities, and fiscal oversight. Specifically, Connecticut General Statutes §§ 10-220 and 10-222 assign the board responsibility for overseeing educational operations and preparing and approving the District's annual budget, while Connecticut General Statutes § 10-262j establishes minimum budget requirements for educational appropriations. As the governing body ultimately responsible for the District's financial oversight and stewardship of public resources, the board plays a critical role in budget development, monitoring financial performance, and ensuring compliance with applicable laws and policies. To gain an understanding of the board's involvement in these responsibilities, CLA interviewed four board members regarding the District's budgeting process, financial oversight practices, and related governance policies and procedures. The interview results are summarized below.

#### **i. Training and Onboarding of Board Members**

Interviews indicate that board members generally believed onboarding and training for new board members was limited and inconsistent. Several members stated that new members receive training on board bylaws, legal responsibilities, and governance requirements, but reported receiving little formal training on District financial policies, budget oversight responsibilities, budget transfer approval requirements, or the District's

budgeting process. Multiple board members described board onboarding as a weakness and indicated that a lack of recurring training contributed to varying levels of understanding regarding financial governance and board responsibilities.

Board members expressed a desire for more frequent and comprehensive training, particularly related to financial oversight, District policies, and governance practices. Some members noted that training generally occurs when a new member joins the board and is not routinely refreshed thereafter. As a result, several board members indicated that their understanding of specific financial policies and procedures was developed primarily through board service and participation in board activities rather than through formal onboarding or continuing education programs.

## **ii. Budget Process**

The board generally understood its role as providing oversight of the District's finances, establishing budget priorities, reviewing financial information provided by administration, and approving the annual budget. Board members described participating in budget workshops, retreats, and finance committee meetings where the CFO and District administration presented budget assumptions, financial forecasts, and proposed spending plans.

Board members generally understood that the budgeting process is developed by District administration, with input from schools and departments, before being presented to the board for review and approval. The board identified special education costs, transportation expenses, tuition payments for students attending schools outside the District, declining enrollment, and personnel costs as the primary financial challenges affecting the District's budget and contributing to recurring deficits.

Interviews indicate that board members generally believed they were approving a balanced budget each year, while also recognizing that the District faced recurring deficits and ongoing financial pressures. Several members described approving budgets that incorporated assumptions such as vacancy savings, anticipated revenues, or expected external funding, with the understanding that actual expenditures could exceed budgeted amounts during the fiscal year. Although board members consistently acknowledged that deficits were discussed throughout the budget process and monitored through finance committee meetings and budget presentations, their understanding of how those deficits were reflected in the approved budget varied. Some viewed the approved budget as technically balanced despite known financial challenges, while others understood that certain expenditure pressures were likely to create future shortfalls requiring additional funding or deficit mitigation efforts. Overall, interviews suggest the board believed it was formally approving a balanced budget but was aware that the District's structural financial challenges frequently resulted in actual operating deficits during the fiscal year.

### iii. Budget Transfers

There was not a consistent understanding among board members regarding when budget transfers required full board approval versus when they could be approved administratively, and several members appeared uncertain about the applicable policy threshold. CLA reviewed Board Policy 3140: Transfer of Funds Between Categories-Amendments which requires board approval for any transfers between major object codes in excess of \$50,000 prior to the transfer being made. One board member raised a concern regarding transfers that may have been solely approved by the board chair; however, Policy 3140 allows for such approval if it is “impracticable to wait until the next regularly scheduled meeting.”

### iv. Finance Committee

Board members generally understood the finance committee to be the primary forum for reviewing the District's financial condition, budget development, projected deficits, expenditure trends, and significant financial matters before they were presented to the full board. Members indicated that the committee regularly received financial presentations from the Chief Financial Officer and discussed topics such as budget-to-actual results, expenditures, and drivers of the District's recurring deficits.

Board members consistently stated that the finance committee serves in an advisory and oversight capacity rather than an approval role. Contracts, budget issues, and other financial matters are typically reviewed by the committee and then forwarded to the full board for action when required. However, interviews revealed varying levels of understanding regarding the committee's membership, authority, and involvement in budget transfers and other financial decisions, with several members relying on information presented by administration rather than possessing a detailed understanding of the committee's governing policies or procedures.

Overall, the board demonstrated a general understanding of its governance role in the District's budgeting process, including establishing priorities, reviewing financial information, monitoring budget performance, and approving the annual budget. Consistent with its responsibilities under Connecticut General Statutes §§ 10-220 and 10-222, the board is charged with overseeing the provision of educational services, the equitable allocation of resources, the maintenance of facilities, and the preparation and approval of the District's budget. Board members were generally aware of the District's significant financial challenges; however, interviews revealed varying levels of understanding regarding the specific drivers of budget shortfalls, the assumptions incorporated into balanced budgets, budget-to-actual reporting, budget transfer requirements, and the role of the finance committee in financial oversight. Several members cited limited onboarding and financial training, resulting in reliance on District administration and the Chief Financial Officer for technical budget expertise and interpretation of financial matters when

evaluating budgetary issues. While board members generally understood the District's fiscal challenges and participated in discussions related to budget development and oversight, the interviews suggest that knowledge of specific policies, procedures, and governance responsibilities was not consistent across the board and was often developed through experience rather than formal training. As the board ultimately holds oversight responsibility for the District, a consistent understanding of these statutory duties is important to effective governance and financial oversight.

## **b. Budget**

### **i. Budgeting Process**

Based on interviews conducted, document review, and analysis of budget information, CLA understands that the District's budgeting process generally begins with the development of departmental and program-level budget requests, which are compiled and incorporated into a proposed District-wide budget. The proposed budget is then presented to District leadership. District leadership may modify the proposed budget without the departmental and program-level input and presents the budget to the board of education for review and approval before being publicly presented and adopted. Following adoption, the budget is loaded into MUNIS and serves as the basis for financial operations during the fiscal year. As the fiscal year progresses, actual expenditures and revenues are recorded against the approved budget, and District personnel are responsible for monitoring financial performance, identifying variances, and implementing corrective actions as necessary. However, during the course of the engagement, CLA noted that publicly available budget information frequently focused on balancing the budget through funding sources, transfers, reserve usage, vacancy savings, and other mitigation strategies, with the understanding of the board and District personnel that a deficit would occur rather than clearly identifying the specific expenditure accounts and specific operational drivers contributing to budget deficits. Correspondence reviewed by CLA further indicates that significant discussions occurred mid-year in both FY2024 and FY2025 regarding how identified deficits would be funded, including the use of transfers, reserve funds, and other funding mechanisms.

Throughout correspondence reviewed, CLA observed discussions regarding the accounting treatment of such funding, including concerns about the potential impact on Connecticut's Minimum Budget Requirement (MBR), established by Connecticut General Statutes § 10-262j. The statute provides that a municipality's budgeted appropriation for education cannot be less than the prior year's appropriation, subject to certain statutory exceptions. This is particularly important for HPS as it is an Alliance District, and Alliance

Districts have fewer opportunities to reduce education appropriations under MBR as they are not eligible for any of the exceptions.<sup>14</sup> **See Exhibit 1.**

While consideration of MBR implications is an appropriate aspect of financial management when receiving additional educational funding, from an appropriate budgeting process perspective it is generally more important that management first understand the clear nature, amount, and source of the deficit being addressed. In several instances, District personnel were unable to identify the specific expenditure accounts driving reported deficits, and CLA observed differences between deficit amounts reflected in various financial records, budget presentations, and other financial reporting. As a result, the budget development process appeared to place greater emphasis on identifying methods to close projected funding gaps after they had been identified rather than providing transparent, account-level visibility into the underlying causes of those deficits throughout the budget cycle. This limited the ability of the State and the public to fully understand the financial implications of budgetary decisions, evaluate emerging budget pressures in real time, and assess whether deficits were attributable to specific spending patterns, revenue shortfalls, improper spending, or structural imbalances within the District's operations.

CLA concludes that the District's budgeting process would benefit from significant enhancements to improve reliability of the approved budget, transparency, accountability, and financial oversight. The following sections address some of these concerns in further detail.

## ii. Budgets Prepared by District to Those Provided to the State

CLA's review of board-approved budgets, budget presentations, and related budget documentation identified changes in the level of detail and transparency provided regarding the District's financial position over the period reviewed. For FY2024, the budget was presented as balanced through mitigation strategies only after projecting a \$24 million budget deficit. This deficit was communicated in a message from Superintendent Dr. Rodriguez but was not transparently presented in the detailed budget data. CLA further noted that the budget contained disclosures indicating that certain revenue sources, including ESSER and SIG funding, were not included in the budget presentation, but estimates or actuals of these revenue sources were not provided. As a result, individuals relying solely on the publicly available budget materials may not have been able to clearly identify the District's projected budget shortfall, the funding sources

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<sup>14</sup> An alliance district is the lowest performing schools in the state.

excluded from the presentation, or the extent to which the District's financial position depended on mitigation measures and other nonrecurring funding sources.

In FY2025, the District publicly disclosed the existence of a budget deficit and presented a separate schedule describing the mitigation strategy to address the funding gap. However, the information presented primarily identified the sources of funding expected to offset the deficit, including items such as the use of the non-lapsing fund, anticipated vacancy savings, and other funding sources. Through interviews with District personnel, CLA was unable to determine the specific expenditure accounts or operational areas driving the deficit, and such information was not detailed within the publicly available budget materials reviewed. Additionally, most of the funds being used to address the deficit are revenues that are restricted and can only be used for certain expenses as well as assumptions such as the vacancy assumption which could change at any time if a position is filled. As a result, while the State and public were provided information regarding how the deficit was expected to be funded, the related expenditure pressures and account-level impacts were not readily identifiable, and present assumptions that the State and public may not be aware of. CLA was made aware that in FY2026 the vacancy assumption was tested when more vacant positions were filled than originally anticipated. As a result, this contributed to an even larger deficit than predicted in FY2026.

CLA notes that the FY2024 and FY2025 budgets referenced in this section were prepared and presented under the administration of Dr. Rodriguez. As discussed previously in this report, significant turnover occurred among District leadership and finance personnel following the period under review. As a result, certain individuals involved in the development and oversight of the budgets during the scope period were no longer employed by the District at the time of this engagement. Accordingly, CLA's analysis is based primarily on budget documents, Board materials, meeting minutes, and information that was publicly available during the period reviewed.

Additionally, it was further observed that during FY2025 and FY2026, the existence of budget deficits and related mitigation strategies were communicated with greater transparency than in prior years. However, publicly available budget information continued to provide limited details regarding the specific expenditure accounts and budgetary drivers contributing to the reported deficits, making it difficult for the State and the public to independently assess the full financial impact and underlying causes of the District's budget challenges. See the recommendations section for recommendations regarding the budgeting process.

### **iii. Year Over Year Budget-to-Actual**

As noted in the Limitations on Investigation section above, this analysis included limitations in accuracy of the data. The two principal limitations are:

- The budget data maintained within MUNIS differs from the budget information presented in publicly available budget books and budget presentations. Specifically, MUNIS includes all grant funding, including ESSER and SIG grants, whereas the publicly available budget documents exclude these funding sources. In addition, the publicly available budget information does not always reflect additional revenues received during the fiscal year and incorporated into deficit mitigation strategies, such as transfers from the non-lapsing fund and other State or City funding received after the original budget was adopted. As a result, comparisons between MUNIS budget data and publicly available budget documents may not be directly comparable and should be interpreted within this context; and
- The reliability of year-to-date financial information at the individual account level is limited. During the course of the engagement, CLA identified instances in which expenditures were charged to general ledger accounts that did not accurately reflect the nature of the underlying costs, while remaining within the same object code classification. As a result, although expenditures at the object code level may be reasonably stated, activity recorded within specific accounts may not accurately reflect the true nature of the underlying expenses. This practice limits the ability to identify spending trends, determine the root causes of budget variances and deficits, and perform reliable budget-to-actual analyses at the account level. **Exhibit 2** provides an example of this issue. During the review of FY2024 activity within MUNIS, CLA noted that the "Student Transportation In-City Magnet" account had an original budget of \$1,455,635, a budget transfer out of \$1,243,171.58, leaving a budget balance of \$212,463.42. Furthermore, FY2024 actual expenditures totaled the amount left in the budget after the transfer of \$212,463.42. Based on the nature of the account, the reported actual expenditure appeared unusually low, which was subsequently confirmed by the director of transportation William Mason (Mr. Mason). In comparison, FY2025 expenditures totaled approximately \$1.6 million, an amount more consistent with expectations. Further discussions revealed that the budget transfers consisted primarily of a transfer to regular transportation and another transfer to special education transportation. CLA was informed that transportation-related invoices may have been charged to incorrect transportation accounts and that budget transfers were subsequently used to move available funding to accounts experiencing shortfalls. As a result, the budget-to-actual information reflected within individual accounts may not accurately represent the actual nature and location of expenditures, reducing the reliability of account-level financial analysis. The District was unable to identify or provide specific invoices that may have been recorded to transportation accounts other than those designated for the related activity. As a result, CLA was unable to determine the extent of the misclassifications or quantify its impact on other individual accounts. This

limitation diminishes the reliability of year-to-date financial information at the account level.

CLA's analysis of the General Fund (1003) identified the following budget-to-actual expenditure results:

**Table 3: General Fund (1003) Expense Budgets to Actual**

| Fund | Fiscal Year | Adopted Original Appropriation | YTD Actual        | Difference        |
|------|-------------|--------------------------------|-------------------|-------------------|
| 1003 | FY2024      | \$ 285,468,680.71              | \$ 287,253,698.41 | \$ (1,785,017.70) |
| 1003 | FY2025      | 285,896,556.48                 | 285,130,343.45    | 766,213.03        |

This reflects the budget-to-actual results for the General Fund (1003) for FY2024 and FY2025. In FY2024, total actual expenditures of \$287.3 million exceeded the adopted original appropriation of \$285.5 million by approximately \$1.8 million. Conversely, in FY2025, total actual expenditures of \$285.1 million were approximately \$766,000 below the adopted original appropriation of \$285.9 million. While the overall variance in each year represented less than one percent of the total budget, the results demonstrate that actual expenditures did not consistently align with the District's originally adopted spending plan. As discussed elsewhere in this report, comparisons between budget and actual results should be considered in conjunction with the District's budgeting practices, deficit mitigation strategies, budget transfers, and additional revenues received after budget adoption.

CLA's analysis of Special Funds (2007) identified the following budget-to-actual expenditure results:

**Table 4: Special Fund (2007) Expense Budgets to Actual**

| Fund | Fiscal Year | Adopted Original Appropriation | YTD Actual        | Difference         |
|------|-------------|--------------------------------|-------------------|--------------------|
| 2007 | FY2024      | \$ 144,729,944.23              | \$ 212,006,631.77 | \$ (67,276,687.54) |
| 2007 | FY2025      | 143,514,346.53                 | 177,081,231.60    | (33,566,885.07)    |

The table above reflects the budget-to-actual results for Special Funds (2007) spanning FY2024 and FY2025 and notes significant variances between the adopted original appropriations and actual expenditures. In FY2024, actual expenditures totaled approximately \$212.0 million compared to an adopted original appropriation of \$144.7 million, resulting in expenditures exceeding the original budget by approximately \$67.3 million. Similarly, in FY2025, actual expenditures totaled approximately \$177.1 million compared to an adopted original appropriation of \$143.5 million, resulting in expenditures exceeding the original budget by approximately \$33.6 million. Based on discussions with District personnel and review of supporting documentation, these variances are largely attributable to the nature of Special Funds, which include grant-funded programs and other restricted funding sources that may be awarded, amended, or adjusted after the original budget is adopted. CLA further noted that the budget information maintained within MUNIS includes grant activity and funding sources that

may not be consistently reflected within publicly available budget documents. While certain expenditures exceeding the original budget were attributable to mandatory costs and obligations that the District was required to incur, discussions with District personnel indicated that other expenditures related to programs, initiatives, and contractual commitments that were continued or implemented despite funding sources not being available or sustainable.<sup>15</sup> As a result, the significant variances between adopted appropriations and actual expenditures within the Special Funds reflect both the impact of funding and budget transfers made throughout the fiscal year, as well as spending decisions that contributed to expenditures exceeding originally budgeted amounts.

Due to inconsistencies in the available records, as well as limitations related to the reliability of year-to-date data at the individual account level, CLA was unable to definitively determine the specific drivers of the deficits during the scope period. As discussed previously, expenditures were at times recorded to incorrect general ledger accounts within the same object code, limiting the reliability of detailed account-level analyses. Accordingly, while CLA was able to identify broad areas contributing to budget variances and deficits, the exact impact of specific accounts or transactions could not be determined with a sufficient degree of certainty.

Additionally, CLA notes that transfers were being made to different budget accounts to cover certain actual expenses, and therefore the revised budget in some accounts was closer to the actual spend, even though there were still instances of large variances. This approach is not a generally accepted method for managing or reporting budget activity.

Both budgeting and accounting practices within the 1003 and 2007 funds undermine the integrity of the financial reports, as they obscure true variances and limit the ability to assess financial performance against original assumptions. According to Governmental Accounting Standards Board (GASB) Statement No. 34 and Government Finance Officers Association (GFOA) best practices, the purpose of budget-to-actual reporting is to provide transparency and accountability by showing how actual results compare to both the original and final budgets. Adjusting the budgeted amount to move the money where it is needed, thereby eliminating some variances, is not a generally accepted method for managing or reporting budget activity. Instead, variances should be reported and explained, and budget amendments should be limited, documented, and subject to appropriate approval.<sup>16</sup>

The results of the analysis described above suggest that a consistent understanding of budgeting processes and financial management practices was not present across all levels

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<sup>15</sup> Some of the mandatory costs are tuition for school choice, special education, and transportation.

<sup>16</sup> GASB Statement No. 34, Paragraphs 130-131

of the District during the scope period. As a result, budget development, monitoring, and financial decision-making may not have been applied uniformly throughout the organization, increasing the risk that budgetary issues were not identified or addressed in a timely manner.

#### **iv. Detail Testing**

##### Sample Selection

Using the insights gained from the year over year budget-to-actual analysis, CLA obtained general ledger reports from MUNIS detailing actual expenses for FY2024 and FY2025. CLA used data analytic techniques to identify and select a sample of expense transactions for testing. CLA selected a sample of 22 expense transactions totaling approximately \$5.48 million for detailed testing. The sample was designed to assess compliance with key procurement and payment controls throughout the procurement lifecycle, including requisition timing, adequacy of supporting documentation, competitive sourcing requirements, purchase order approval and fiscal-year validity, account coding, and compliance with requirements governing non-purchase order payments. Testing was performed to evaluate whether transactions were appropriately authorized, supported, procured, recorded, and paid in accordance with applicable District and City procurement procedures and to identify any indicators of control weaknesses, process deviations, or improper expenditures. The sample was selected for the limited purpose of evaluating specific transactions and related controls and was not intended to identify all instances of expenditure misclassification, accounting errors, noncompliance, fraud, waste, abuse, or other irregularities that may have existed within the population. CLA utilized MUNIS to examine supporting documentation and made inquiries of District personnel as necessary to obtain additional explanations and supporting information.

##### Analysis and Results of Detail Testing

Based on analysis and detail testing performed, CLA did not find evidence that the expenditures tested were improper or lacked a legitimate District purpose. However, documentation was not always readily available within MUNIS and explanations for approvals or denials were not available within MUNIS. CLA did reach out to District personnel regarding the additional questions and District personnel were able to provide explanations and supporting documentation. Based on this testing, CLA identified certain process, documentation, and reporting matters that required additional inquiry or presented opportunities for improvement. These matters included the following:

- Use of payment vouchers. Specifically, CLA identified two non-purchase order (PO) payments exceeding the established threshold that were processed through payment vouchers. District personnel attributed the use of payment vouchers to operational circumstances, including vendor payment requirements and year-

end procurement deadlines. City procurement guidelines require that all procurements of goods or services exceeding \$10,000 be processed through a purchase order, with no exceptions permitted under the policy.<sup>17</sup> Testing identified two instances in which exceptions were granted despite this requirement, resulting in noncompliance with established procurement procedures.

- Timing of contract and purchase order execution. CLA identified one instance in which a contract and corresponding PO were executed later in the fiscal year, resulting in multiple invoices being processed together. Although the expenditure appeared to serve a legitimate business purpose, the contract and purchase order were executed after services had begun, limiting the available documentation demonstrating that procurement and approval requirements were satisfied in advance.
- Availability of transaction-level procurement documentation. Supporting documentation was not consistently maintained or readily accessible at the individual transaction level. While procurement activities were supported by City procurement requirements and District procedures, transaction-level documentation demonstrating competitive sourcing or applicable exemptions was not always readily available.
- Clarity of accounting and transaction descriptions. Certain transactions required additional documentation or explanations from District personnel because the information contained in MUNIS reports was not sufficient, by itself, to clearly identify the nature, purpose, account classification, or funding source of the expenditure. The additional information obtained generally resolved CLA's questions for the transactions tested.

In conclusion, the results of testing suggest opportunities to strengthen documentation retention, formalize criteria for payment voucher usage, improve the retention of procurement support, and enhance transaction-level reporting. Certain transactions required additional inquiry or supporting documentation to verify procurement, approval, and accounting treatment; however, the expenditures tested generally appeared to serve legitimate District purposes and were supported by available documentation. Based on the procedures performed, CLA did not identify

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<sup>17</sup> HPS follows the City of Hartford procurement policy, for the testing, CLA utilized the procurement services training guide provided by the School District.

evidence of improper payments, unsupported expenditures, or material noncompliance with the intent of established procurement and payment processes.

### **c. Email Review**

On June 6, 2026, CLA submitted a document request list to the District which included the request for the mailbox files in PST format for any individuals who were involved in finance and budgeting during the scope period that are no longer with the District. The emails were reviewed to gain context and an understanding of the budgeting process.

#### **i. Budget Deficit Concerns**

Email communications reviewed indicate that District personnel were aware of actual and anticipated deficits across multiple fiscal years. The FY2024 budget initially included a projected \$2 million gap, while later internal estimates identified a deficit as high as \$15.6 million before mitigation. The FY2024 shortfall was attributed primarily to rising special education and tuition costs, unrealized revenue assumptions, unbudgeted expenditures, transportation, and staffing costs. Communications also referenced an anticipated FY2026 deficit of approximately \$30 million due to flat revenue and increasing expenditures.

The FY2024 and FY2025 budgets reflected balanced revenues and expenditures, but that balance depended on several mitigation measures. These measures included using remaining ESSER funds, sweeping unused General Fund accounts, implementing a hiring freeze, realizing vacancy savings, liquidating open purchase orders, reversing a FY2023 tuition charge recorded in FY2024, using health care and Other Post-Employment Benefits reserves, and potentially using the non-lapsing fund. Some resources included in the FY2025 budget had been exhausted by the end of FY2024 or were needed to address the FY2024 deficit, reducing their availability for FY2025.

Although email correspondence frequently referenced the importance of presenting a balanced budget, the communications reviewed reflect ongoing concerns regarding the District's ability to support recurring expenditures through recurring revenue sources and the continued reliance on one-time funding solutions to address structural budget challenges.

#### **ii. Deficit Corrective Actions**

As mentioned above, in response to the FY2024 deficit, the District developed and implemented several corrective actions to reduce expenditures and identify available funding. This demonstrates that District personnel responded to the FY2024 deficit by identifying and implementing available mitigation measures. However, the effectiveness of these measures was limited because certain projected savings and funding sources

were not fully realized, and the use of reserves reduced resources available for FY2025. District personnel continued to discuss budget cuts and other planning efforts during FY2025 in preparation for FY2026, indicating that corrective actions remained necessary as budget pressures continued.

### **iii. Communications to the Board**

The materials reviewed indicate that deficit projections and mitigation plans were discussed internally. Additionally, quarterly memoranda summarizing financial results and documenting ongoing budget concerns were generally provided to the Municipal Accountability Review Board (MARB).

However, the available emails do not establish whether the HPS board consistently received complete and timely information regarding expected deficits, risks associated with budget assumptions, or the extent to which submitted balanced budgets depended on temporary funding, reserves, and future corrective actions.

### **iv. Fraud and Misappropriation**

The files were reviewed for any concerns regarding claims of fraud or misappropriation of funds. No communications were identified regarding concerns of fraud or misappropriation. However, the absence of these communications does not indicate that concerns were not communicated to others within the District or to the City.

Based on the email communications reviewed, the District's approach to addressing budgetary challenges appeared largely reactive rather than proactive. Correspondence frequently focused on identifying mitigation strategies after budget shortfalls had emerged or were projected, including the use of one-time funding sources, vacancy savings, reserve funds, budget sweeps, and other corrective measures to close existing gaps. While these actions may have assisted the District in presenting balanced budgets and addressing immediate financial pressures, the communications reviewed contained limited discussion regarding long-term structural solutions designed to align recurring revenues with recurring expenditures. Instead, discussions often centered on addressing deficits as they developed, suggesting that budgetary challenges were managed through year-end mitigation efforts rather than being resolved through comprehensive planning and expenditure adjustments during the budget development process. This reactive approach may increase the risk of recurring fiscal pressures and reduce the District's ability to effectively address underlying financial conditions over the long term.

## **d. Fiscal Controls**

CLA conducted interviews with several individuals at the District to understand the processes and procedures within their respective areas of responsibility. The information obtained through interviews is described in each subsection below.

## i. Budgeting

Based on interviews conducted and documents reviewed during the investigation, CLA observed that although responsibility for budget preparation and adherence ultimately resides with the board of education, the budget development process was primarily managed by the CFO during periods when that position was filled. During periods in which the District did not have a CFO, budget development responsibilities were reportedly assumed primarily by the Deputy Superintendent and Budget Director. Interviewees consistently indicated that the budget process was concentrated within a small group of administrators and that other departments, as well as the board, had limited involvement in the preparation of the budget and limited visibility into the assumptions and considerations used in developing budget requests during the scope period. CLA notes that many of the individuals who held key budget development and oversight responsibilities during FY2024 and FY2025 are no longer employed by the District. As a result, CLA was unable to interview certain personnel directly involved in the preparation, review, and approval of budgets during the scope period. Consequently, CLA's understanding of historical budgeting practices is based on available documentation and information provided by current and former District personnel who were available to participate in the forensic audit.

Based on discussions with District personnel, certain departments, such as Transportation, provide proposed budget allocations and anticipated funding needs as part of the budget development process. However, multiple interviewees informed CLA that departmental budget requests were frequently modified by District administration prior to submission to the board of education for approval. Specifically, interviewees reported that requested funding amounts were, in some instances, significantly reduced or reallocated to other budget areas before the proposed budget was presented to the board. As a result, some department leaders indicated that the budget approved by the board did not fully reflect the funding levels they believed were necessary to support anticipated operational needs. Although administrative modification of departmental budget requests is a common component of the budget development process, this observation is noteworthy because several departments that experienced significant budget variances and funding shortfalls reported that their original funding requests had been substantially reduced prior to board approval.

CLA notes that the board of education approves a balanced budget prior to the beginning of each fiscal year. However, based on interviews, document review, and board meeting minutes reviewed during the engagement, amended budgets are not prepared or approved by the board during the fiscal year. Although budget transfers may be subject to board approval under District policy when transfers between major object codes exceed \$50,000, board members interviewed by CLA indicated they could recall few instances in which budget transfers were formally presented to the finance committee or

board for review and approval. Instead, available funds including reserve balances were routinely reallocated throughout the fiscal year through budget transfers processed administratively by the CFO and, during periods of administrative transition, the budget director and the Superintendent's office.<sup>18</sup> According to District personnel, many of these transfers remained within the same major object code and therefore did not require board approval under existing policy. As a result, the board may not have been aware of a significant number of budget reallocations occurring throughout the fiscal year.

District personnel indicated that budget-to-actual information was presented to the board on a monthly basis. However, those reports reflected budget amounts after the processing of budget transfers. Consequently, board members reviewing the reports may not have had visibility into the original budget allocations approved at the beginning of the fiscal year or the extent to which funds had been reallocated between budget line items during the year.

Several concerns were raised to CLA regarding the transparency of the District's budgeting process and the availability of budget information throughout the fiscal year. Interviewees consistently indicated that there has historically been limited visibility into how budgets are developed and monitored. In addition, it has been a longstanding practice to transfer funds between accounts within the same object code without board approval when necessary to cover expenditures.<sup>19</sup> As a result, department leaders often lacked visibility into the current status of their budgets when making purchasing decisions. According to interviewees, this contributed to overspending in certain budget line items, which subsequently required budget adjustments or transfers to address funding shortfalls.

CLA's review of budget transactions identified numerous instances in which expenditures were reclassified among budget line items to address anticipated or actual budget shortfalls. As a result, budget-to-actual comparisons may not have fully reflected the original nature of expenditures or the magnitude of budget variances within specific accounts. The frequent use of budget transfers and expenditure reclassifications reduced transparency into departmental spending trends and may have limited the board's ability

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<sup>18</sup> The District's only identified reserve resource during the period reviewed was the non-lapsing fund. The remaining balance was fully allocated to District operations during FY2025 and was exhausted by fiscal year-end.

<sup>19</sup> Board Policy 3140, Transfers of Funds Between Categories-Amendments, requires board approval for transfers between major object codes in excess of \$50,000. Accordingly, transfers occurring within the same major object code may be processed administratively without board approval.

to effectively monitor budget performance against the original budget approved at the start of the fiscal year.

With respect to grant-funded programs, CLA's review indicated that grant budgets were historically relied upon to support mandatory expenses and certain programs rather than serving as supplemental funding. When grant funding expired or was no longer available, the related programs, positions, or expenditures were not consistently reduced or discontinued. Additionally, grant supervision and coordination leadership positions have not been consistent. Prior to Jennifer Torres (Ms. Torres) there was a period when the grant director position was vacant. Additionally, multiple interviewees indicated that the grants team was small and that the District had limited dedicated resources available to support grant administration and compliance activities. There are programmatic owners and employees that help write grants, but when it comes to compliance and fiscal administration, the grant director is solely responsible for this function. Therefore, certain special funds are administered by individuals at HPS, but individual schools are required to run their own grant programs if they are interested in applying for other grants. CLA notes a large driver of the deficit from the grant revenue side is ESSER funding expiring.<sup>20</sup> Certain grant-funded expenditures, including those supported by ESSER, appeared to be supporting ongoing operations. As the related grant funding expired, the District continued to incur many of these costs, requiring alternative funding sources to support the associated programs and activities. CLA notes there does not appear to be a clear distinction between grant-funded and operating expenditures. CLA identified opportunities to strengthen grant administration controls and enhance training provided to school-level personnel involved in grant management.

Based on information obtained through interviews and document review regarding the District's budgeting process, CLA conducted additional analysis of select departments and performed follow-up interviews with relevant personnel. As a result of this work, CLA identified several opportunities to strengthen budgeting, financial reporting, and oversight practices. CLA's recommendations for process improvements are presented in the Recommendations section below.

#### 1. Tuition

During interviews with District personnel, tuition expenditures associated with students attending schools outside the District, including costs related to the Open Choice Program, were consistently identified as a significant contributor to the District's

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<sup>20</sup> ESSER funds were fully expended at the end of FY2024.

recurring budget deficits.<sup>21</sup> Accordingly, CLA performed additional analysis and conducted interviews related to the tuition revenue and expenditure category.

Based on discussions with District personnel and CLA's review of the program and supporting data, when a Hartford student elects to attend school in another participating district through Open Choice, the District receives approximately 50% of the revenue it would otherwise receive if the student attended a Hartford school. Although this results in a decrease in revenue, the District does not incur tuition costs for the students' enrollment in the receiving district. However, the District remains responsible for certain special education services required by participating students, which are billed to the District by the receiving school districts. Open Choice payments are made to the receiving school districts and are intended to offset costs associated with participating students. However, based on CLA's review of data provided by the District's tuition analyst, these payments did not cover even 50% of the costs incurred for many Open Choice students requiring special education services, with the average cost per student being around \$18,000 to \$20,000 and increasing each year. Consequently, the District experiences a major shortfall between the funding received for these students and the amounts paid for their required special education services.

According to the tuition analyst, this account is particularly difficult to budget because student enrollment may change after the annual budget has been prepared. In addition, special education costs are initially projected at the beginning of the fiscal year but may be revised throughout the year based on students' actual needs or the addition of required services. The tuition analyst further noted that receiving school districts bill HPS for special education services based on the costs incurred by the receiving district. As a result, the District has limited ability to control or predict these costs, and the amounts billed are not subject to a predetermined cap.

When preparing the subsequent year's budget, the District generally increases the prior year's budgeted amount by approximately 9% to 10%. However, beyond this general increase, specific anticipated enrollment changes, tuition rate increases, and special education service requirements are not separately incorporated into the budget. As a result, the budget does not fully reflect the District's actual financial obligations

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<sup>21</sup> The Open Choice Program is an interdistrict school choice program that allows students from urban districts to attend participating public schools in nearby suburban districts while also allowing students from suburban and rural communities to attend public schools in participating urban districts. This program is intended to improve academic achievement, reduce racial, ethnic, and economic isolation and provide families with additional public school enrollment options.

associated with the Open Choice Program, increasing the likelihood of budget-to-actual variances and resulting major deficits within this account year after year.

## 2. Transportation

Transportation costs represent another significant driver of the District's budget deficits as many transportation-related costs are mandatory in nature and subject to factors largely outside the District's direct control. Due to this, CLA completed additional interviews with the director of transportation, Mr. Mason, and performed additional analysis within this area. Mr. Mason described ongoing challenges related to the budgeting and funding of transportation services. Specifically, it was indicated that original budget requests submitted by the transportation department were not always reflected in the final approved budget and were decreased significantly despite known and mandated cost drivers, such as the living wage requirement, contractual obligations, increasing transportation demands, and special education transportation requirements. Transportation personnel stated that reductions made during the budget development process were not always clearly communicated, limiting the department's understanding of how final budget allocations were determined. As a result, the department experienced budgetary constraints during the fiscal year and relied on budget transfers to address funding shortfalls and deficit spending. Transportation personnel further noted that the timing and availability of budget information made it difficult to monitor spending against available appropriations and effectively plan for operational needs throughout the year.

## 3. Food Service

CLA made inquiries of District personnel regarding food services procurement and financial operations. Based on discussions with food service personnel at the District, the food services department operates independently from the District for financial management purposes and maintains its own financial records.<sup>22</sup> Procurement activities are split between the department and the City. Routine purchases such as food, paper goods, and facility repairs are funded and managed through the food services department's budget, through competitive bidding, and the RFP process, while the department utilizes existing District and City contracts for certain large equipment purchases. Major capital and renovation projects, including the construction of new facilities, are funded by the City.

CLA further notes that payroll is the only food service expenditure processed through the District, and this is fully reimbursed to the District from the food services department.

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<sup>22</sup> Food Services Financials are kept through QuickBooks.

According to food service personnel, the food services department is funded entirely through U.S. Department of Agriculture ("USDA") programs and has not required supplemental funding for more than 20 years. In the event additional funding is needed, such funding would be provided by the board of education. CLA reviewed the financials for the food service department and confirmed that the department operated without requiring additional financial support from the District during the scope period.

## **ii. Employee Data Management**

CLA obtained the employee master listing from personnel at the District and reviewed for duplicate information in the address, email address, or phone number fields to identify potential indicators of fictitious, duplicate, or otherwise anomalous employee records. Additional research was conducted as needed to determine the legitimacy of duplicate information. Several duplicates were noted. However, many duplicate addresses are due to the address likely being a multi-unit building or due to the individuals being roommates or cohabitating family members.

Two instances were identified in which active employees shared the same phone number. While this observation is not indicative of a ghost employee scheme, it represents an anomaly that warrants consideration in the context of payroll and employee master data controls. Shared contact information may occur for legitimate reasons, such as employees residing in the same household or using a common family phone plan. However, such instances can also increase the risk that unauthorized or fictitious employee records may go undetected. Based on the procedures performed, CLA did not identify additional indicators suggesting that either employee was fictitious. Nevertheless, the District should periodically review employee records for duplicate contact information and investigate any unusual relationships or patterns to help mitigate the risk of payroll fraud.

## **iii. Vendor Management**

Board Policy 9720: Conflicts of Interest states "No member of the board of education, or officer, or employee shall have an interest in any contract with the school system with which the member, officer or employee is affiliated unless such interest is specifically permitted by statute." CLA obtained the vendor master list for the District to determine whether any potential associations or conflicts of interest between vendors and District employees exist. The vendor listing was compared to the District employee listing and reviewed for duplicate information in the address, email address, or phone number fields.

In reviewing the master vendor file, CLA identified several instances in which an employee name appears on both the vendor list and the employee master list. The District informed CLA that an individual may appear in both the employee and vendor master files for legitimate business purposes. Examples include employees providing services outside of

their normal job duties, former employees providing contracted services to the District, and certain individuals who, due to legal or administrative circumstances, receive payments through the vendor payment process rather than through payroll.

CLA identified ten instances in which a District employee shared an address and/or phone number with a vendor that received payments during the scope period. These instances were limited to vendors operating under business names and excluded situations in which an employee was established as a vendor using their own name. Of the ten identified matches, nine involved vendor payments occurring during the same fiscal year in which the employee associated with the matching information was listed as active. While the existence of shared contact information does not, by itself, indicate fraud, an improper relationship, or a violation of Board Policy 9720, it may represent a potential conflict of interest or related-party relationship that warrants further review. The District should evaluate these relationships to determine whether appropriate disclosures were made, whether any conflicts of interest exist, and whether procurement and approval processes were followed in accordance with District policies and applicable requirements.<sup>23</sup> See *Table 5* below.

**Table 5: Active Employees and Vendors with Duplicate Information**

| V/E      | Number | Vendor Name                 | 2024      | 2025      | 2026      | Total     | Match Type                                         |
|----------|--------|-----------------------------|-----------|-----------|-----------|-----------|----------------------------------------------------|
| Employee | 917309 |                             |           |           |           |           | Employee and vendor share address AND phone number |
| Vendor   | 68107  | Eboni Clark Productions LLC | \$ -      | \$ -      | \$ 250.00 | \$ 250.00 |                                                    |
| Employee | 14127  |                             |           |           |           |           | Employee and vendor share address AND phone number |
| Vendor   | 65655  | Happiness is Handmade       | 2,191.03  | 11,950    | -         | 14,141.03 |                                                    |
| Vendor   | 68103  | HAPPINESS IS HANDMAD        | -         | -         | 4,688.93  | 4,688.93  |                                                    |
| Employee | 14065  |                             |           |           |           |           | Employee and vendor share an address               |
| Vendor   | 64171  | Bites & Delights LLC        | 8,500.00  | 27,000.00 | 40,570.00 | 76,070.00 |                                                    |
| Employee | 13341  |                             |           |           |           |           | Employee and vendor share an address               |
| Vendor   | 68402  | Vivid Impressions           | -         | -         | 2,665.00  | 2,665.00  |                                                    |
| Employee | 14624  |                             |           |           |           |           | Employee and vendor share an address               |
| Vendor   | 67684  | Made for this Art, LLC      | -         | -         | 10,100.00 | 10,100.00 |                                                    |
| Employee | 13742  |                             |           |           |           |           | Employee and vendor share an address               |
| Vendor   | 66507  | Wallen4Youth LLC            | 5,700.00  | 7,325.00  | -         | 13,025.00 |                                                    |
| Employee | 7396   |                             |           |           |           |           | Employee and vendor share an address               |
| Vendor   | 64838  | New Vision CT               | 16,500.00 | 15,500.00 | -         | 32,000.00 |                                                    |
| Employee | 14474  |                             |           |           |           |           | Employee and vendor share an address               |
| Vendor   | 67831  | SPORTS 2 REALITY            | -         | -         | 5,000.00  | 5,000.00  |                                                    |
| Employee | 13231  |                             |           |           |           |           | Employee and vendor share an address               |
| Vendor   | 66662  | ROSES ON THE CEILING        | -         | 700.00    | -         | 700.00    |                                                    |

<sup>23</sup> Employee names have been excluded from the report.

The District informed CLA that if a social security number is entered in both the master employee file and the master vendor file, MUNIS will flag the entries for further review to determine whether the employee is active or inactive. In **Table 5** above, all payments were made in the same fiscal year that the employee with matching information was employed. CLA was unable to determine whether any review was conducted on these employee or vendor files to determine whether a conflict of interest existed prior to payment. Please see the Recommendations section of this report for recommendations on strengthening the vendor and employee data maintenance process.

#### iv. Grants

CLA interviewed the director of financial planning and grants management, Jennifer Torres (Ms. Torres), to gain an understanding of the processes and procedures surrounding grant budgets, required external reporting, and internal reporting. Based on discussions with Ms. Torres, the grants department serves as the primary fiscal administrator for the District's grants and is responsible for developing grant budgets, reviewing grant-funded expenditures for compliance, monitoring grant balances, processing grant budget revisions, and assisting schools with the budgeting of grant resources. The department works directly with school administrators during the annual budget development process to review school allocations, discuss allowable grant expenditures, and ensure budgets are aligned with grant requirements. The grants department also conducts periodic training for principals and executive assistants regarding grant compliance and allowable uses of grant funds. Ms. Torres noted that the District's grant management processes have evolved significantly in recent years through the implementation of new systems, enhanced grant oversight procedures, and expanded budget monitoring efforts. However, the department continues to encounter challenges related to budget amendments, last-minute spending requests, and school-level understanding of grant requirements. According to Ms. Torres, schools frequently request budget revisions near grant deadlines or seek to purchase items that are not allowable under specific funding sources, requiring the grants department to identify alternative funding sources or process budget transfers. In addition, the grants department routinely reviews budgets throughout the year to ensure expenditures remain within grant allocations and to address instances where schools may be overspending available resources or attempting to charge costs to inappropriate funding sources.

CLA also notes that grant administration within the District relies heavily on a limited number of individuals who possess significant institutional knowledge regarding grant compliance, grant budgeting, and funding requirements. As previously mentioned, there have been periods when key grant management positions, such as the director of grants, were vacant and that the department continues to play a central role in managing grant compliance activities across the District. Given the volume and complexity of federal,

state, and private grants administered by HPS, continued investment in grant management resources, training, and collaboration between school personnel, finance staff, and the grants department may further strengthen oversight, improve compliance, and reduce the frequency of budget amendments and funding reallocations. Related recommendations are included in the Recommendations section of this report.

## **v. Facilities and Operations**

Responsibility for facilities and property expenditures is shared between the District and the City of Hartford, with budgeting, approval, and oversight processes differing based on the nature of the expenditure. District personnel generally identified, prioritized, and budgeted for operational and maintenance needs, while major capital projects and building ownership remained under the City's control. Capital improvements, building construction, major renovations, and long-term facility projects were managed and funded through the City, while the District was responsible for many day-to-day maintenance and operational facility costs.

Facilities-related operating expenditures are incorporated into the District's annual budget and follow the standard procurement and approval process. Department leaders estimate anticipated costs based on prior year spending, known maintenance needs, and planned projects. Requisitions are entered into MUNIS, reviewed through multiple approval levels, and routed through budget and finance personnel before receiving final approval from the City. Emergency repairs, aging facilities, and deferred maintenance can create unanticipated costs, which may require budget transfers or amendments during the year.

Several individuals interviewed by CLA identified deferred maintenance and aging buildings as ongoing challenges resulting from years of budget constraints. District leaders reported that preventive maintenance projects were often postponed due to funding pressures, increasing future repair and replacement costs. Overall, the process relies on coordination between District administration and City officials to prioritize, fund, and address facility-related needs.

## **vi. Journal Entries**

CLA made inquiries regarding the District's adjusting journal entry process. Journal entries are prepared by District accountants and generally fall into two primary categories: grant funding allocations and year-end closeout entries, and recurring fringe benefit allocations. Grant funding allocation entries are typically recorded when actual grant funding differs from expectations, grant eligibility requirements change, or expenditures are reviewed and assigned to ensure compliance with grant restrictions. These entries help ensure that costs are charged to the appropriate grant or funding source and that financial records accurately reflect allowable grant activity. Separately, the District

records recurring fringe benefit adjustments. Because the District uses estimated fringe rates during the year and operates self-insured benefit programs, periodic adjusting entries are necessary to reconcile estimated allocations to actual benefit costs.

Journal entries are prepared by an accountant and submitted through the established approval workflow. MUNIS maintains segregation of duties by preventing the same individual from both preparing and approving a journal entry. Approvals are documented electronically within MUNIS, and supporting documentation is attached when applicable. Entries are reviewed and approved by the District Executive Director of Finance and final approval is given by the City Finance team. Entries greater than \$1,000,000 are escalated to the District CFO and City CFO for additional review. Management performs periodic reviews of journal entry activity, and system controls are designed to prevent duplicate, unauthorized, or unsupported journal entries.

CLA obtained and analyzed all adjusting journal entries identified by general ledger source code "GNI" for fiscal years 2024 through 2026.<sup>24</sup> The population consisted of 41,237 adjusting journal entries, of which approximately 94% related to recurring fringe benefit allocations. Trend analysis indicated that journal entry activity remained relatively consistent throughout each fiscal year, with expected increases occurring during June fiscal year-end close processes. Description and account analyses further supported management's explanation that the majority of entries represented routine fringe allocations, grant-related funding allocations, accrual activities, and periodic accounting corrections. Based on the results of the journal entry analysis, the District's adjusting journal entries appear to be consistent with management's description of the accounting process.

CLA selected a judgmental sample of entries to perform further testing of the journal entry process. The entries reviewed primarily consisted of accrual activities, transportation and tuition cost reclassifications, and corrections of known accounting errors. CLA examined supporting documentation maintained within MUNIS, including approved journal vouchers, supporting schedules, management requests and email approvals, payroll records, accrual schedules, expenditure reclassification schedules, and other relevant documentation to evaluate the purpose, support, and approval associated with each journal entry selected for testing. Testing indicated that the journal entries selected for review were appropriately supported and were consistent with the nature of adjustments commonly recorded by school districts. For each sample tested, CLA verified that the recorded amounts agreed to supporting schedules and underlying documentation, and evidence of management review and approval was maintained.

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<sup>24</sup> The GNI general ledger code is not used for budget transfers.

Overall, based on the population analysis and testing performed, CLA did not identify evidence of unsupported, duplicate, or unauthorized adjusting journal entries within the scope period. The journal entries selected for testing were supported by appropriate documentation, reflected a reasonable business purpose, and were consistent with management's description of the adjusting journal entry process. Additionally, the timing, account classifications, and recorded descriptions of the adjusting journal entries were generally aligned with the District's operational and financial reporting activities.

## 6. Recommendations

Based on the analysis performed, including interviews conducted throughout the investigation, CLA makes the following recommendations to the District:

### District Budgeting Process

1. Budgets should originate within each department, or at minimum, department heads should be consulted on the budget creation for their department. The department heads should be given the opportunity to consider their needs and prepare a requested budget based on their knowledge of their area of responsibility, while also understanding that adjustments will most likely be made to their original request. Any adjustments should be communicated transparently to the affected departments, including the rationale for the changes and an opportunity for departmental input regarding the operational impact of the proposed adjustments. Further, the departments should be involved in the budgeting process throughout the year so that priorities within departments and for the District as a whole can be communicated and considered openly.
2. Budgets should be developed at the account level based on projected expenditures. If, during the fiscal year, actual spending in a particular account exceeds its budgeted amount, the overage should be reported transparently as a budget variance. Budget transfers should not be used to retroactively align budgeted amounts with actual expenditures.
3. In preparing the District budget, consider additional factors for determining school allocations, such as test scores, facility needs, program needs, student demographics (special needs instruction, special transportation requirements, IEPs, etc.) that may impact the funds needed to operate and serve the students.
4. Continue to consider the use of a budgeted discretionary amount per school. However, also consider the grants these schools are receiving and if the schools' expenses align and are compliant with those grants. Other factors should be considered such as student population with IEPs, special instruction needs, or additional programming needs based on test scores.
5. If significant changes to the budget arise throughout the year, consider formal budget amendments so that all parties are informed of the needs for those changes and the board of education has an opportunity to approve those changes before they are implemented.
6. Budget-to-actual reports presented to management and the board should include original budget, revised budget, actual expenditures, budget transfers, encumbrances, and explanations for significant variances. Providing both original and revised budget information would improve transparency regarding the impact of budget transfers, enable more effective monitoring of financial performance, and assist the board in assessing whether spending trends are consistent with the assumptions underlying the budget approved at the beginning of the fiscal year.

7. Strengthen the District's grant administration function by increasing staffing and institutional knowledge within the grant department. During the scope period, there were periods when the District operated without a grant director, and at the time of this report, there was no grant manager. As a result, individual schools seeking external grant opportunities may be required to identify, apply for, and manage grants with limited centralized support. Additionally, increasing grant administration and compliance expertise at the District level would help improve oversight of grant requirements, reduce the need for subsequent budget transfers and corrections, and support more effective management of grant-funded programs.
8. The District should enhance its monitoring of grant expiration dates and proactively evaluate programs funded by grant revenue. Based on discussions with District personnel, CLA was informed that programs funded through grant awards have, at times, been continued after the underlying grants expired. When replacement funding sources are not identified, the continuation of these programs may contribute to budgetary shortfalls and operating deficits as the related grant revenues are no longer available. The District should implement a process to regularly assess expiring grants, evaluate the sustainability of grant-funded programs, and develop transition plans for programs that cannot be supported through alternative funding sources.
9. Prior to approving new grant-funded programs or positions, management should prepare a sustainability assessment identifying whether the activity will be discontinued, reduced, or transitioned to another funding source if grant funding expires.
10. The budgeting process should separate operating revenues and related expenses from grant revenues and related expenses, so it is clear which revenue sources are to be used for which purposes within the District's budget.
11. Additional funding received from the State, City, or other external sources be strategically allocated and tracked within the specific expenditure categories and accounts for which the funding is intended. Allocating these funds directly to the associated budget line items would provide greater transparency into how the funding is utilized, identify areas where budget appropriations may be insufficient, and assist the District in evaluating long-term funding needs. This approach would also support deficit mitigation efforts by enabling management and the board to more clearly assess which programs and accounts require additional resources and which areas may benefit from budget adjustments in future fiscal years.
12. The District should implement a formal deficit-monitoring process requiring periodic identification of projected deficits by specific account, department, and operational area, together with documented explanations of the underlying causes, estimated year-end impact, and proposed corrective actions. These schedules should be incorporated into MUNIS and aligned with internally prepared budgets and publicly available budget documents to ensure consistency across all reporting sources. If planned deficits or vacancies are used as part of the budget strategy, the District should maintain a separate reconciliatory schedule so that budget presentations, accounting records, and approved budgets agree and remain appropriately balanced.

13. The District should prepare comprehensive amended budgets throughout the fiscal year and require formal board of education approval of those amended budgets. While the board approves the original annual budget, significant changes to revenues, expenditures, funding sources, and operations occur during the fiscal year. Preparing and approving amended budgets would provide greater transparency into the District's current financial position, ensure that budgetary assumptions remain aligned with actual operations, and enable the board to exercise appropriate oversight over material changes in revenues and expenditures. This practice would also support more effective financial planning and help identify potential budget shortfalls before they become significant deficits.
14. Develop and maintain a standardized format for budget books, budget presentations, and other budgetary information made publicly available. During the course of the engagement, publicly available budget documents were not presented in a consistent manner from year to year, making meaningful comparisons difficult. Establishing a uniform structure and level of detail across all budget publications would improve transparency, facilitate year-over-year analysis, and enhance the District's ability to communicate financial information consistently particularly during periods of leadership transition.

#### Accounting Practices

15. The District should establish formal procedures for documenting key budgeting, grant administration, financial reporting, reconciliation, and budget monitoring processes. Maintaining comprehensive process documentation would reduce reliance on individual employees, improve consistency in the application of financial procedures, and help preserve institutional knowledge during periods of employee turnover or leadership transition.
16. To ensure financial transparency and support effective budget planning, the District should avoid categorizing expenses under broad or vague accounts like "Misc Purchased Svcs" and instead allocate them accurately to specific operational areas. Misclassification of current-year expenses distorts the financial picture, which is critical for informed decision-making. This can lead to misinformed future budgets, potentially resulting in underfunding key services. Accurate categorization not only enhances fiscal responsibility but also ensures that historical spending patterns reflect true operational costs, enabling better resource allocation and strategic planning.
17. The District should strengthen its chart of accounts structure and ensure that expenditures are consistently recorded to the appropriate account codes. During the engagement, CLA observed instances where accounts with similar purposes were distinguished only by variations in the account description rather than by clearly separate account numbers. For example, multiple transportation-related accounts existed for different transportation services, such as regular transportation and in-District magnet transportation, yet expenses were not always recorded to the appropriate account. As a result, financial reporting, budget-to-actual analyses, and budget monitoring efforts were impacted by inaccurate account classifications. The District should establish clear account coding requirements, maintain distinct account numbers for separate programs and services, and

periodically review account coding practices to ensure expenditures are charged to the appropriate accounts.

18. Departmental budgets should be actively monitored throughout the fiscal year by the department heads responsible for the related operations. Department heads should be provided with access to their budget-to-actual information, including real-time expenditure and encumbrance data, to enable informed decision-making and effective management of departmental resources. During the engagement, CLA observed instances where expenditures exceeded budgeted amounts, indicating a need for stronger budget monitoring and accountability at the departmental level. Providing department heads with timely financial information and clearly defining their responsibility for budget oversight would help improve spending controls, facilitate more accurate forecasting, and support proactive identification of potential budget overruns before they become significant financial concerns.
19. The District should fully utilize the capabilities of the MUNIS financial management system to support budgeting, financial reporting, and decision-making. During the engagement, CLA noted that revenue activity was not imported into MUNIS during the scope period. As a result, users relying on MUNIS for budget-to-actual reporting may not have access to complete financial information.
20. Consider involving the grants director in the review process for state grant reports, even if their approval is not required. This will increase transparency in the reporting process for these grants.
21. Consider evaluating the staffing levels and organizational structure of the District's grants management function. Increasing grant department capacity with personnel who possess strong grant administration and compliance expertise can help strengthen institutional knowledge, improve oversight of grant-funded programs, and enhance compliance with federal, state, and grant-specific requirements. Additional staffing resources could also support training for school and program personnel responsible for grant administration, improve monitoring of grant expenditures, and provide greater capacity to identify and pursue new funding opportunities. Strengthening the District's grants management function may help maximize available funding sources, reduce reliance on the general fund, and support the long-term financial stability of the District.

#### Transparency and Communication

22. The District and City of Hartford should formalize a coordination process for facilities-related expenditures and capital projects by establishing written procedures defining roles, responsibilities, approval requirements, and communication protocols.
23. When presenting to the board, management should enhance budget presentations and supporting materials to clearly distinguish between a legally balanced budget and underlying structural financial challenges that may result in future deficits. Budget documents should transparently identify key assumptions, anticipated expenditure pressures, and potential funding gaps to ensure board

members have a consistent understanding of the District's financial position when approving the annual budget.

#### Policies and Procedures

24. A routine review of the employee master listing should be performed to search for duplicate information in the address, phone number, District email address, and other email address fields. Any duplicates identified should be researched and corrected as necessary.
25. A formal process should be established to periodically compare employee and vendor master files to identify shared addresses, phone numbers, email addresses, or other common identifiers. Potential matches should be reviewed and documented by management to determine whether a legitimate business or personal relationship exists and whether additional mitigation measures or disclosures are required.
26. Create a centralized governance resource that summarizes key board policies, financial approval thresholds, committee responsibilities, budget procedures, and governance expectations. Providing board members with a readily accessible reference guide would support consistency in decision-making and reduce uncertainty regarding board policies and procedures.

#### Training

27. Provide regular training on grant management and grant compliance to school administrators, program managers, and other personnel responsible for administering grant-funded programs. Training should be conducted periodically to ensure that employees understand their responsibilities for managing grant funds and maintaining compliance with federal, state, and local grant requirements, and which expenses are allowable for certain grants so that when the schools are budgeting their expenses within their individual school funding allotment, they can be sure which expenses are allowable under grant funding.
28. District-wide training on all systems used should be held at least annually and as part of the new employee onboarding process to ensure employees are aware of the various systems, how they are used for their job duties, and where to find resources for any questions they have.
29. District-wide training on District policies and procedures should be held annually to ensure all employees are aware of the policies and procedures and know where to look for guidance. This should include fraud awareness training and how to escalate risks or concerns identified. The training should be documented, and this documentation for each employee should reside in their employment file. This can assist with performance issues that may come up in the future and will also protect the District from allegations of lack of training or transparency in certain policies.

## Procurement

30. Reinforce approval before commitment and supporting document expectations. Since the District follows the City of Hartford's procurement policies and procedures, annual procurement training materials are provided. To build on this framework, the District should continue emphasizing that departments should obtain an approved requisition, executed contract, and PO before goods or services are ordered.
31. Formalize payment voucher criteria and strengthen PO monitoring. Payment vouchers may be used when a PO or credit card payment is not practical, but there is not a current policy that references this. The District should formalize the criteria for voucher use, approval requirements for higher-dollar vouchers, and related monitoring procedures. This should be coordinated with monitoring of PO balances, budget availability, change-order timing, and year-end deadlines for known commitments to help reduce alternate payment methods caused by timing or funding constraints.
32. Monitor timing differences and maintain fiscal-year cutoff support. Certain timing differences identified during the testing were attributable to late vendor invoicing, year-end processing, PO closures, funding limitations, or other operational circumstances, and also noted that expenditures are recorded based on GAAP in the period services are rendered. To support this approach, generate periodic reports identifying invoices or service dates that precede requisition, contract, or PO approval, and retain the related explanation with receiving, invoice, service-period, accrual, or supervisory review documentation for late invoices or cross-year activity.
33. Store requisition correction history. Rejected requisitions may be corrected and re-released through the approval workflow, but CLA noticed that the reason for the rejection is missing from the notes within MUNIS.

In addition to the recommendations for the District, CLA makes the following recommendations for the HPS board of education:

## Board Oversight of Budget Process

1. To fulfill its statutory responsibilities under Connecticut General Statutes Chapter 170 §§10-220, 10-222, and Chapter 172 §10-262j, CLA recommends that the board should adopt a proactive and transparent approach to financial governance. This includes developing a detailed, itemized annual budget in collaboration with District leadership and the community, ensuring that expenditures remain within appropriated limits, and maintaining clear, accessible financial records. The board must also ensure compliance with the MBR by maintaining or justifying any changes to the education budget based on enrollment trends or changes in state aid, using the specific criteria outlined in the law. Regular financial reviews, internal controls, and public reporting will help reinforce accountability.

2. The board should formally define the role of the finance committee as the primary forum for the discussion of budgetary and financial matters prior to their presentation to the full board. Given this role, the board should consider establishing minimum training requirements for finance committee members and providing specialized financial oversight training upon appointment. Committee members should possess or obtain sufficient knowledge of public-sector budgeting, financial reporting, budget transfers, financial policies, and significant fiscal risks to effectively review, discuss, and provide oversight of financial matters presented by District administration.

#### Board Policies and Procedures

3. Require all budget transfers in excess of \$50,000 to receive board of education approval, including transfers between accounts within the same object code. Each budget transfer should be supported by a documented explanation identifying the account experiencing the shortfall, the operational reason for the variance, the source account providing funding, and the anticipated impact on both programs. This control would increase transparency over significant budget reallocations, provide greater board oversight of budgetary changes occurring throughout the fiscal year, and help ensure that substantial spending shifts are reviewed and documented prior to implementation.
4. The board should establish or update a formal finance committee charter that clearly defines the committee's purpose, responsibilities, authority, membership requirements, and reporting obligations. The charter should be reviewed periodically with board members to ensure a consistent understanding of the committee's role in reviewing financial matters and supporting the board's oversight responsibilities.
5. The board should conduct an annual review of key governance policies, including budget transfer policies, financial approval thresholds, finance committee responsibilities, and statutory oversight obligations. Board members should acknowledge completion of this review to promote consistent understanding of governance requirements.

#### Training

6. The board should periodically receive independent training or briefings regarding financial oversight, budget monitoring, and statutory responsibilities from sources other than District administration. Independent training would help strengthen the board's ability to critically evaluate financial information and exercise informed oversight.
7. A comprehensive board onboarding and continuing education program should be established for all new board members that includes training on the District's budgeting process, financial policies, governance responsibilities, budget transfer approval requirements, and the roles of the board and finance committee. In addition, periodic refresher training should be provided to all board members to ensure continued understanding of key financial and governance responsibilities and to reduce reliance on institutional knowledge gained solely through experience.

8. Periodic training and written guidance regarding Board Policy 3140 and other financial approval requirements should be provided. Training should specifically address circumstances requiring full board approval, administrative approval authority, emergency approvals, and documentation requirements.



## 7. Conclusion

CLA was engaged to perform a comprehensive forensic audit of the District's operational budgets ending June 30, 2024, June 30, 2025, and June 30, 2026, to evaluate whether actual and projected revenues and expenditures align with approved budget allocations. The forensic audit was requested by the State following the announcement that a State-ordered review found the District's budget deficit to be an estimated \$29 million. District officials have reported that costs associated with special education services, out-of-District tuition placements, and student transportation have increased significantly in recent years, while State and local revenue sources have not kept pace with these growing obligations. CLA's review of budget information, financial records, and interviews with District personnel identified these expenditures as significant sources of budgetary pressure during the period examined.

The work performed did not identify evidence of fraud, misappropriation of District assets, improper payments, or unsupported, duplicate, or unauthorized adjusting journal entries based on the procedures performed. Expense transactions selected for detailed testing appeared to serve legitimate business purposes and were generally supported and approved. However, the engagement identified deficiencies in budgeting, financial reporting, governance, and oversight that reduced transparency and limited the ability of District management and the board of education to effectively evaluate and monitor the District's financial condition.

The District faces significant financial pressures, including rising special education, tuition, transportation, and personnel costs, as well as the impact of expiring grant funding. While these factors contributed to recurring budget deficits, CLA observed that frequent budget transfers, expenditure reclassifications, inconsistent account coding, and varying financial reporting practices made it difficult to identify the specific drivers of budget shortfalls and assess financial performance against the originally approved budget. Due to significant turnover among District leadership and finance personnel, CLA was also unable to fully reconstruct certain budgeting, accounting, and financial reporting decisions made during FY2024 and FY2025. In several instances, individuals involved in developing, monitoring, and revising budgets were no longer employed by the District, limiting the availability of institutional knowledge necessary to explain budget assumptions, account activity, and budget transfers. As a result, CLA's analysis of certain historical financial activities was necessarily limited to the documentation and information available at the time of the engagement. In addition, board member interviews and document review indicated opportunities to strengthen financial oversight, improve transparency in budget development and monitoring, enhance board training, and increase consistency in the application of financial policies and procedures.

CLA also identified opportunities to strengthen grant management, procurement documentation, budget monitoring, employee and vendor master data oversight, and communication between District administration and the board. While employee and vendor data matches identified during the engagement do not, by themselves, indicate fraud or improper activity, they warrant additional review to determine whether appropriate disclosures were made and whether any conflicts of interest exist. CLA's review of historical communications was also limited by the timing and apparent completeness of email

records provided by the District. Mailbox archives requested for former finance and budgeting personnel were received late in the engagement and, in certain instances, contained relatively few email communications and limited sent correspondence. As a result, CLA could not obtain sufficient assurance that a complete universe of relevant communications had been preserved and produced and was therefore unable to fully corroborate certain budgeting and financial management decisions through contemporaneous communications.

Implementation of the recommendations contained in this report would improve transparency, accountability, and financial stewardship throughout the District. Strengthening budgeting practices, enhancing the reliability of financial reporting, increasing board oversight, and improving monitoring of spending and funding sources would better position the District to identify emerging financial risks, support informed decision-making, and address recurring budget challenges. The conclusions in this report should be considered in conjunction with the limitations described herein, including employee turnover, incomplete institutional knowledge, limitations in historical communications, unavailable historical data, and accounting and reporting limitations that affected the ability to determine the precise causes and magnitude of certain budget variances.

## **8. Professional Standards Followed by CliftonLarsonAllen LLP**

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Forensic Services No. 1 (“SSFS No. 1”) of the American Institute of Certified Public Accountants (AICPA) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion.

Because of the unique nature of fraud, and because our engagement was limited to the matters described in the engagement letter, fraud and/or financial irregularities may exist within the organization that we may not have identified during the performance of our procedures. However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the State.

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. Therefore, CLA does not render such opinions.



## 9. List of Exhibits

| Exhibit # | Exhibit Description                       |
|-----------|-------------------------------------------|
| 1         | Email Regarding Non-Lapsing Fund Transfer |
| 2         | Example of Budget Transfer                |



# Exhibit 1

**From:** Foster, Paul <Paul.Foster@hartfordschools.org>

**Sent:** Monday, November 06, 2023 8:55 AM EST

**To:** Colman, Maureen <MColman@hartfordschools.org>; Williams, Marc <MWilliams@hartfordschools.org>; Penn, Phillip <Phillip.Penn@hartfordschools.org>

**Subject:** Non-lapsing and additional transfer from City

**Attachment(s):** "BALANCE SHEET FOR 2023 13.pdf"

I talked to Leigh Ann and Julian this morning about the means of accounting for the non-lapsing fund and the additional transfer of funds to cover our deficit. Because of concerns about the transfers adding to the MBR (and the language of the Council resolution made it sound like an appropriation) they are proposing the following:

- Use the \$5.6 million to pay our pension obligation for 22-23, so we would get a \$5.6 million refund on the pension obligation that we would need to attribute to the costs we were going to cover with the \$5.6 million.
- Move the \$1.4 million additional transfer (to cover our remaining 22-23 deficit) into the Health reserve fund and then we pay the additional \$1.4 million in costs from that fund.
- As of now, they are only planning to transfers \$1.4 million because that is what they are showing as our remaining deficit on the balance sheet (attached). Their balance sheet does not match our year-to-date reporting. Any idea why their balance sheet is showing the \$7 million deficit (to be covered by the \$5.6 and \$1.4).

Their big question was whether booking the added revenue as they propose above will impact our EFS filing? I believe we have a post-audit revision of EFS, can this change be addressed with that? They are looking for an answer on the above by the end of the day. Thanks!

Paul

**Paul Foster** | (he/him: [learn more](#))

Deputy Superintendent

[Hartford Public Schools](#)

330 Wethersfield Avenue

Hartford, CT 06114

860-695-8404

[paul.foster@hartfordschools.org](mailto:paul.foster@hartfordschools.org)

# Exhibit 2

Exhibit 2

| Projection Year | IND  | IC/RESP | INC   | /CENTER | ORG      | OBJ    | ACCOUNT                                 | ACCOUNT DESCRIPTION       | ACCOUNT DESCRIPTION (NORMALIZED) | TYPE | ORIGINAL APPROP | TRANFRS/ADJSMTS | REVISED BUDGE | YTD ACTUAL   |
|-----------------|------|---------|-------|---------|----------|--------|-----------------------------------------|---------------------------|----------------------------------|------|-----------------|-----------------|---------------|--------------|
| 2024            | 1003 | 940     | 00270 | 90430   | 34302708 | 555100 | 1003-940-90430-002708-000-00-00-555100- | STUDENT TRANS-IN CITY MAG | STUDENT TRANS-IN CITY MAGNET     | E    | 1,455,635.00    | (1,243,171.58)  | 212,463.42    | 212,463.42   |
| 2025            | 1003 | 940     | 00270 | 90430   | 34302708 | 555100 | 1003-940-90430-002708-000-00-00-555100- | STUDENT TRANS-IN CITY MAG | STUDENT TRANS-IN CITY MAGNET     | E    | 1,601,198.50    | -               | 1,601,198.50  | 2,557,169.16 |