

Minutes April 7, 2013  
Town of Wayland  
Audit Committee

Date: April 7, 2013

Start Time of Meeting: 12:15 PM

Place of Meeting: Wayland High School Field House

Members Present: Tony Boschetto, Chris Cullen, Ben Downs, Gordon Cliff,

Call to order – 12:17

- Committee voted 4-0 for Ben Downs to act as acting Chair for the meeting
- Gordon Cliff agreed to be the minute taker
- Public comment- None
- Chris Cullen provided a summary of the reference checks he had done on Powers & Sullivan. Chris was able to talk to at least one person from 4 of the 5 Towns that were cited as references. The feedback on Powers & Sullivan was all very positive. Chris felt the people who were providing the references were well qualified to do so based on their background and specific experience being a client of P&S. P&S was viewed as being very responsive and doing a good job in executing high quality work on specific engagements. The P&S people were viewed as being well qualified. Jim Powers was directly involved in most of these assignments and was a concurring partner on others. He was viewed as being appropriately immersed in the details and that the assignments had a lot of his involvement. At least one of the assignments involved allegations of fraud. Consideration of criminal prosecution in that case is ongoing, and, according to some, expected to move forward in the near future. The references were all happy with the results they had gotten from Powers & Sullivan and recommend them on that basis.
- Committee voted 4-0 that the results of the reference check were satisfactory and that we should communicate to the School Committee that we ranked Powers & Sullivan first, and StoneTurn as second.
- Motion to adjourn – Committee voted 4-0 to adjourn at 12:32

Attachment – notes from Chris Cullen's reference checks on Powers & Sullivan



**STONETURN  
GROUP**

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March 14, 2013

Chris Riley  
Chair, Wayland Audit Committee  
Wayland Public Schools  
41 Cochituate Road  
Wayland, MA 01778

Dear Mr. Riley:

StoneTurn Group LLP (“StoneTurn”) is pleased to present this proposal in response to the Wayland School Committee’s (the “School Committee”) request for proposals (“RFP”) regarding a forensic review of the Wayland Public Schools’ (the “Schools”) financial activity for fiscal years 2007 through 2012. Based upon our understanding of the issues, we believe we are strongly qualified to provide our services to the School Committee.

#### **OUR UNDERSTANDING OF YOUR NEEDS**

We understand that the School Committee is seeking a financial review of particular transactional and procedural activities of the Schools, during the period fiscal year 2007 through fiscal year 2012 (“Scope Period”). We also understand that this review is being conducted in response to the findings and recommendations of initial reviews by Powers & Sullivan and The Abrahams Group (the “Initial Review”) that indicated the need for greater and more specific testing of a large number of the Schools’ financial accounts.

Specifically, the School Committee requires determinations of whether certain financial accounts were appropriately and accurately recorded, and whether the Schools’ procedures were maintained and performed in compliance with applicable laws, regulations and industry standards.

## WHY STONETURN

### 1. Our Experience

StoneTurn is an independent dispute consulting firm providing financial, economic, and accounting analyses, expert witness and forensic technology services to clients in private and public sectors, including not-for-profit organizations, municipalities and educational institutions.

StoneTurn's Forensic Accounting practice includes former Big Four and large consulting firm professionals, as well as seasoned investigators with extensive experience in forensic accounting and audit investigations, and internal controls. We provide our clients with assistance in the investigation and analysis of potential fraudulent financial reporting or misappropriation of assets, including investigations performed on behalf of Audit or Special Committees, investigation of defalcations, improper or unauthorized expenditures and self-dealing, and performance of internal control and fraud risk assessments, including assisting corporations to develop and implement appropriate remedial measures.

We have performed sensitive internal accounting reviews and have worked with corporate, public and not-for-profit clients in responding to similar issues faced by the Schools, including the investigation and identification of potential malfeasance and the development of internal controls to mitigate the risk of future issues occurring.

Additionally, StoneTurn professionals have significant experience assisting public sector and not-for-profit clients in a variety of matters, including matters for municipalities and educational facilities. The following are summaries of a selection of StoneTurn's experience in these areas over the past two years.

- StoneTurn was engaged by a Massachusetts educational collaborative to perform a forensic review in response to a memorandum of understanding entered into with the Massachusetts Department of Elementary and Secondary Education. Our work has involved the review of payments and business dealings with a third party administrator in order to determine the validity of funds spent on the Collaborative's behalf and whether any funds should be reclaimed by the collaborative related to these prior dealings. This work was led by proposed engagement partner, Tony Jordan.
- StoneTurn was appointed by the Massachusetts Attorney General's Office to be a Confidential Trustee for a Top 15 insurance company to oversee several million dollars of funds to be paid to certain policy holders under a settlement. StoneTurn had responsibility for establishing custody and trustee accounts and executing controls and protocols over investment and disbursement of funds. This work was led by proposed engagement partner, Tony Jordan.
- StoneTurn was engaged by a private entity that manages property for the State of Massachusetts to perform an investigation of funds misappropriated by an employee. Our work involved performing a forensic review to identify any schemes perpetrated by the individual and to

summarize the funds stolen for a calculation of reimbursement to the state. At the conclusion of our engagement we presented our findings to representatives of the Massachusetts Division of Capital Asset Management and Maintenance and the Massachusetts Attorney General's Office. This work was led by proposed engagement partner, Tony Jordan.

- StoneTurn was engaged to serve as an "Independent Consultant" pursuant to a cease-and-desist order issued to a company by the SEC. StoneTurn reviewed and evaluated the Company's accounting policies and procedures relating to revenue recognition and prepared a report outlining the internal controls in place, an assessment of the design of those controls, and recommendations for improvements or additions to existing controls. Proposed engagement partner, Tony Jordan, was designated as the Independent Consultant in this matter.
- StoneTurn was engaged by a Massachusetts municipality to assist in its response to a claim that it allegedly caused damages and lost profits to an owner of a landscaping and mulch business by revoking permitting. StoneTurn reviewed thousands of pages of business plans, pro forma financial statements and other financial documentation and prepared a rebuttal report on behalf of the Town and its representatives. This work was led and performed by proposed team members, Tony Jordan and Kyla Curley.
- StoneTurn professionals worked with counsel in investigating an asset misappropriation and tax evasion scheme perpetrated by the overseas accountant of a study-abroad program for a small private United States university. Our professionals conducted interviews with University employees to determine the pervasiveness of the alleged fraud and made control recommendations to the Executive and Audit Committees. This work was performed by proposed team member, Toby Ralston.
- StoneTurn professionals assisted in-house counsel with the investigation of a large false-billing scheme by a university employee of a small public university. Our professionals teamed with University counsel to present findings to the U.S. Attorney's office and uncovered multiple avenues under which the subject funneled assets away from University control. This work was performed by proposed team member, Toby Ralston.
- StoneTurn professionals assisted in the investigation of an employee embezzlement scheme for a small private college, whereby the subject falsified expense reimbursements and circumvented controls over the College's cash disbursement processes. Our professionals discretely investigated faculty members suspected of participating in the asset misappropriation scheme and implemented new control procedures over the college's accounting office in conjunction with internal audit members and the Audit Committee. This work was performed by proposed team member, Toby Ralston.
- StoneTurn was engaged by the Vermont State Auditor's Office to assist with the review of payroll transactions, processes and procedures relating to the reporting of overtime the subject

department. Specifically, StoneTurn assessed the existing processes and controls relating to overtime pay, designed and executed forensic data analytics to identify indicators of possible fraudulent, abusive or wasteful activities, and provided recommendations to the State for improvements to payroll processes and controls. Our formal report was published by the State.

- StoneTurn's Managing Partner, Simon Platt, is a current member of the Town of Carlisle, Massachusetts' Audit Committee and a former member of the Town of Carlisle's Finance Committee. In these roles, Simon has experience reviewing municipal plans and budgets, overseeing the Town's outside audit firm and making recommendations regarding the town's operations and finances. As highlighted in our proposal, Simon would be the concurring partner should we be engaged to assist in this matter.
- StoneTurn was engaged by counsel for a large non-profit institution to assist in the response to allegations of False Claims Act violations made by the Department of Justice and the Inspectors General of various federal agencies. Work included extensive discussions with personnel, review and testing of more than 50,000 transactions totaling more than \$40 million, and analysis of reports and request for reimbursement filed with federal agencies. StoneTurn also reviewed the Company's accounting procedures and controls related to the recording and reporting of expenditures that were reimbursed by the government, and assisted the Company in the development, implementation and testing of additional controls and procedures.

In addition to the experience above, StoneTurn has been engaged in a number of matters to investigate suspected embezzlement of funds by employees of companies in various industries. Recent examples include:

- Investigation and quantification of over \$50 million dollars of funds by an investment advisor over a period of 20 years.
- Investigation of over \$200,000 misappropriated by the Controller of a real estate management company to fund personal expenses. Schemes identified included payments made to vendors for the individual's personal benefit, adjustments to payroll and manipulation of tax withholding amounts.
- Investigation of over \$100,000 in funds stolen by the Controller of a private company to pay for various personnel expenses. Schemes identified included payments made to vendors for the individual's personal benefit as well as submission of fraudulent expense submissions.
- Investigation of two individuals at a corporation who colluded to orchestrate a scheme involving payment to false vendors in exchange for kickbacks.

## 2. Our Proposed Team

In order to meet the Committee's needs, our team will include individuals with experience performing forensic accounting investigations and internal control assessments, including matters examining non-compliance with policies and procedures, conflicts of interest, fraudulent disbursements, and questionable business practices. Our team would be led by StoneTurn Partner Tony Jordan, consulting with Simon Platt, based on his municipal committee experience. It is also anticipated that Kyla Curley, a Managing Director, and/or Toby Ralston, a Manager, under Tony's ultimate direction, would lead the day-to-day of the engagement and be supported by at least one or two Senior Consultants and/or Consultants. If, based on the results of our findings, we determine that additional skillsets are required to meet the School Committee's needs, we may seek the assistance of additional StoneTurn personnel.

We have included a brief description of Tony's, Kyla's and Toby's background below. We are happy to provide full curriculum vitae for the team members upon request.

### **Tony Jordan, CPA, CFF**

Tony is a Partner in the Boston office with more than 17 years combined experience in forensic accounting, litigation consulting and auditing. He specializes in forensic accounting investigations, issues surrounding Generally Accepted Accounting Principles ("GAAP"), and general business related disputes. He has been involved in a variety of investigations working on behalf of Special Committees formed by the Board of Directors, officers and/or senior management. These investigations have included analysis of numerous employee improprieties and/ or defalcations and various Securities and Exchange Commission ("SEC") reporting matters including revenue recognition matters, accounting for promotional marketing allowances, accounting for derivative transactions, accounting for stock options, the adequacy of various reserves, inventory manipulations, and various other issues revolving around the interpretation and application of GAAP.

Tony has been engaged by companies to perform reviews of internal accounting controls or specific processes as required by Federal and State regulators. In conjunction with these engagements, Tony has provided reports to the companies and regulators involved detailing remedial actions required to strengthen the controls in question.

Prior to joining StoneTurn, Tony worked at the SEC where he was the Boston District Office Accounting Branch Chief overseeing all accounting-related investigations; he was at the SEC from 2003 through 2006.

Education: B.B.A., Accounting, University of Massachusetts – Amherst

**Kyla Curley, CPA, CFF**

Kyla is a Managing Director in the Boston office of StoneTurn Group, with over 12 years of experience. Kyla has experience with a variety of investigatory and litigation matters, including class action securities claims, financial statement restatements, loss claims and economic damages, business interruption claims, royalty audits, general business litigation and other special audits and investigations. Specifically, Kyla has participated in several engagements involving improper revenue recognition and other issues related to the interpretation of GAAP, including accounting for stock-based compensation, inventory and other reserves, employee and executive fraud and defalcation, billing and pricing disputes, partnership equity allocation, illegal use of public funds and accounting record reconstruction.

Prior to joining StoneTurn, Kyla's relevant dispute consulting and forensic accounting experience includes four years with Deloitte in their Financial Advisory Services Group in Boston.

Education: B.A., Business-Mathematics, Skidmore College

**Toby Ralston, CPA, CFE**

Toby Ralston is a Manager with StoneTurn with over five years of experience assisting clients and counsel in complex business litigation, forensic accounting, boards of director investigations and intellectual property matters. He has assisted clients in these areas by providing a wide-range of economic analyses, including lost profits, asset misappropriation, cost/benefit evaluation, audit malpractice and business valuation. Toby has extensive experience in the area of dispute resolution including pre-litigation consulting, preparation of expert reports and other communications and expert trial preparation.

Toby's expertise focuses on the calculation of financial and economic damages through the analysis of financial, accounting, economic and market data. Toby has worked with clients in a variety of industries, including finance, telecom, retail, e-commerce, non-profit and insurance.

Prior to joining StoneTurn, Toby worked as a consultant in the public sector where his projects included multi-million dollar revenue maximization opportunities for school districts in the Northeastern United States.

Education: B.A., Economics, Colgate University  
M.S., Accounting, Northeastern University  
M.B.A., Northeastern University

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We would anticipate that Simon Platt, StoneTurn's Managing Partner, would be the quality control partner for this engagement. In addition to his over 20 years of experience as an auditor and consultant at Deloitte LLP, Simon has specific relevant experience through his current and former roles as a member of the Town of Carlisle, Massachusetts' Audit Committee and Finance Committee.

### 3. Our Approach

Based on the Agreed upon Procedures and detailed information regarding the Schools and account activity, StoneTurn has prepared a proposed detailed work plan to meet the scope of services, as provided in the RFP. The work plan has been prepared based on information known to date. Based on our experience, a forensic review requires a flexible approach that fully considers the information gathered and findings identified at each stage of the review. Accordingly, if after initial review and analysis of documentation StoneTurn believes or anticipates that adjustments should be made to the work plan, we will work closely with the School Committee to adjust our procedures accordingly. StoneTurn's work plan covers procedures and other analysis for certain financial activity of the Schools for the Scope Period, or Fiscal Year 2007 through Fiscal Year 2012.

#### **Agreed Upon Procedures**

We have reviewed the Agreed upon Procedures for the accounts/programs to be reviewed and have broken them into four categories:

##### A. Information Gathering and Documenting Procedures

- Identify and document the purpose of the account, including whether any restrictions are placed on the accounts
- Interview relevant personnel
- Distribute a related party questionnaire to relevant personnel
- Document the financial controls over the account

##### B. Detailed Testing Procedures

- Examine sufficient number of deposits, including 100% of all deposits from grants, gifts and scholarships
- Examine sufficient number of vendor expenditures
- Examine sufficient number of payroll and payroll-type transactions, such as stipends
- Examine method in which overhead is allocated to each account
- Examine 100% of ATM withdrawals, payments made by debit and credit card, payments made out to cash and reimbursement to employees responsible for the signing of checks, the accounting or maintenance of the account
- Examine 100% of payments made from the Schools to any account maintained outside of MUNIS and 100% of journal between funds greater than \$10,000

##### C. Fee-Based-Specific Procedures

- Document process for establishing fee charged
- Document the billing, collection and abatement process
- Document process for waiving fees
- Test a sufficient number of abatements and waived fees, based on the population of transactions
- Compare expected revenue to recorded revenue

##### D. Reporting Procedures

- Document procedures performed and report on findings of each procedure
- Report all observed instances of noncompliance with applicable laws and regulations



- Report all observed instances of noncompliance with program purpose or policies
- Report all observed instances of noncompliance with School policies and procedures
- Report all observed instances of questioned costs, improper or incorrect accounting transactions and insufficiently supported transactions
- Report any findings that place School resources at risk
- Make suggestions for improving the current systems of internal controls

### **Estimated Timeline and Milestones of Agreed upon Procedures**

#### General Accounts

*For Student Activity, Gifts, Transportation, Building Use, High School Parking, School Cable, METCO and Lost Books (includes consideration of activity within Principals' Discretionary Accounts):*

<b>Agreed Upon Procedure Category</b>	<b>Estimated Hours to Complete</b>	<b>Estimated Milestone Date (from date of contract execution)*</b>
Information Gathering / Documenting	20 to 30 hours	Weeks 1 and 2
Detailed Testing Procedures	70 to 90 hours	Weeks 9 and 10
Fee-Based-Specific Procedures	n/a	n/a
Reporting Procedures	50 to 60 hours	Weeks 11 and 12

Special consideration given to the following information provided by the School Committee:

- Scope Period relates to all accounts, except:
  - Transportation – activity began in June 2009
  - Lost Book – activity began in fiscal year 2011
- Claypit Hill School and Loker Elementary School have not maintained comprehensive student activity and discretionary spending
  - Additional procedures required to assist in the compilation and organization of documentation related to activity;
- Activity outside of MUNIS (higher-risk activity):
  - Discretionary spending in Student Activity Accounts
  - Gift funds within Gift Accounts (through discretionary account)
  - Bill and collection activity in the Transportation, Building Use and High School Parking Accounts
  - METCO discretionary account
- METCO Program review does not include comprehensive review of the State Grant Fund (with the exception of any transfers of funds between the State Grant Fund and the METCO revolving and discretionary accounts)

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\* Weeks noted indicate expected completion of procedure category based on a three month project period. Additionally, we would expect to provide weekly updates of our progress to the School Committee.

Revolving Accounts

*Athletic, Professional Development, Curriculum, Gossell Academic, Erate, Wayland Public School Foundation and Other Revolving Funds:*

<b>Agreed Upon Procedure Category</b>	<b>Estimated Hours to Complete</b>	<b>Estimated Milestone Date (from date of contract execution)*</b>
Information Gathering / Documenting	20 to 30 hours	Weeks 1 and 2
Detailed Testing Procedures	60 to 80 hours	Weeks 9 and 10
Fee-Based-Specific Procedures	n/a	n/a
Reporting Procedures	40 to 50 hours	Week 11 and 12

Special consideration given to the following information provided by the School Committee:

- Scope Period relates to all accounts, except:
  - Professional Development – activity began in fiscal year 2009
  - Curriculum – activity began in fiscal year 2010
- Activity outside of MUNIS (higher-risk activity):
  - Possible activity of Wayland Public School Foundation Revolving Account
  - Procedures include determining the relationship between the Foundation and grants provided to the Town (may account for any activity maintained outside of MUNIS)
- No procedures required in the Other Revolving Funds, including The Francis Smith Dignitas Award and the High School Student Computer Maintenance Account

Fee-Based Accounts

*BASE, PEGASUS, Children's Way/Space Launch, Kindergarten, Other (Global Language, Tutoring, Enrichment and Instruments):*

<b>Agreed Upon Procedure Category</b>	<b>Estimated Hours to Complete</b>	<b>Estimated Milestone Date (from date of contract execution)*</b>
Information Gathering / Documenting	10 to 15 hours	Weeks 1 and 2
Detailed Testing Procedures	30 to 40 hours	Weeks 7 and 8
Fee-Based-Specific Procedures	10 to 15 hours	Weeks 9 and 10
Reporting Procedures	20 to 30 hours	Week 11 and 12

Special consideration given to the following information provided by the School Committee:

- Scope Period relates to all accounts, except:
  - Full Day Kindergarten – activity began in fiscal year 2011
- Activity outside of MUNIS (higher-risk activity):
  - Discretionary spending in combined BASE and PEGAGUS accounts
  - Discretionary spending in two Children's Way/Space Launch accounts
- Procedures will include determining whether the Space Launch Foundation was appropriately dissolved

\* Weeks noted indicate expected completion of procedure category based on a three month project period. Additionally, we would expect to provide weekly updates of our progress to the School Committee.

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In summary, we believe we are strongly qualified to assist you with your needs and we would be very happy to meet with you in person at your convenience to discuss this matter and any aspect of the proposal in further depth. Please do not hesitate to contact me at 617.570.3770 or [tjordan@stoneturn.com](mailto:tjordan@stoneturn.com) if I can be of assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tony Jordan', with a long horizontal flourish extending to the right.

Tony Jordan, CPA, CFF

Partner

StoneTurn Group LLP



**STONETURN**  
GROUP

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Listing of Five (5) References for Work Performed by StoneTurn, Pursuant to the Requirements of the Request for Proposals by the Wayland School Committee

1. Thomas E. Lent, Esq.  
Lurie & Krupp, LLP  
One McKinley Square  
Boston, MA 02109  
Phone: (617) 367-1970 x104
  
2. Thomas F. Reilly, Esq.  
Cooley Manion Jones  
21 Custom House Street  
Boston, MA 02110  
Phone: (617) 670-8509
  
3. Michael D. Ricciuti, Esq.  
K&L Gates LLP  
State Street Financial Center, One Lincoln Street  
Boston, MA 02111  
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4. Thomas J. Doherty, Esq.  
Skadden, Arps, Slate, Meagher & Flom LLP  
One Beacon Street  
Boston, MA 02108  
Phone: (617) 573-4820
  
5. Steve Vantine  
State of Vermont, Office of the State Auditor  
Office of the State Auditor  
132 State Street  
Montpelier, VT 05633  
Phone: (802) 828-2284

Item 5  
Price Proposal

Price Proposed: \$ 125,000

  
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Signature of individual submitting proposal

StoneTurn Group LP

Name of Business

3/14/13

Date