



City of Malden

Massachusetts



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TO: Carey McDonald, Chair, Finance Committee

FROM: Charles Ranaghan, Chief Financial Officer

DATE: May 12, 2026

RE: School Department End of Year Report – Reporting Error

Preventing Future Reporting Errors

The recent accounting mistake in the School Department's End of Year Report, related to school employee healthcare costs, showed us where our internal processes and communication can be strengthened. While the error did not affect the City's overall financial position, it was a reminder of the need to keep improving how we review and share information.

We are taking the following steps to refine our practices and help prevent similar issues in the future:

1. Strengthening Internal Financial Controls

We are instituting a formal multi-step verification process for all major line items, particularly those involving shared costs such as employee benefits. This includes:

- Cross-departmental reconciliation between the City's Finance Departments, the School Department, and Human Resources
- A required secondary review and sign-off by senior financial leadership before any public release
- Standardized documentation of all assumptions, rate changes, and adjustments

2. Formalizing a "Material Change" Disclosure Protocol

Any significant update—whether it improves or worsens the City's position—will trigger a mandatory disclosure process. This will include:

- Immediate notification to the City Council
- Written explanation of the issue, its impact, and next steps
- Clear timelines for when the information became known and how it was addressed

3. Improving Real-Time Coordination with the School Department

Because shared costs like healthcare sit across City and School budgets, we are establishing:

- Joint financial review meetings
- A unified tracking system for benefits and major expenditures
- A single point of accountability for reconciling interdepartmental figures

4. Clear Accountability

The City's financial challenges remain real and unchanged. But moving forward, there will be greater visibility, earlier information, and stronger assurance that the numbers are accurate and fully vetted.

Thank you,

A handwritten signature in black ink, appearing to read "Charles Ranaghan". The signature is fluid and cursive, with the first name "Charles" written in a more compact, stylized manner and the last name "Ranaghan" written in a more extended, flowing script.

Charles Ranaghan