

TOWN OF MILLIS, MASSACHUSETTS

**Independent Accountant's Report
On Applying Agreed-Upon Procedures
Over Student Activity Funds**

As of June 30, 2013

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES OVER STUDENT ACTIVITY FUNDS

To the Board of Selectmen of the
Town of Millis, Massachusetts

We have performed the procedures detailed below, which were agreed to by the Town of Millis solely to assist you with respect to Student Activity Funds of the School Department of the Town of Millis, Massachusetts, as of June 30, 2013. The Department's management is responsible for the Student Activity Funds. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report identified above. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures included the following:

- We reviewed internal control procedures through interviews with the Principals and the Student Activity Fund bookkeepers along with responses to internal control questionnaires.
- We evaluated the effectiveness of the internal controls and the completeness of records.
- We tested selected receipt and disbursement transactions for reasonableness, adequacy of audit trail, compliance with applicable Massachusetts' statutes, and compliance with internal control procedures.
- We performed analytical procedures to activity accounting records.
- We reviewed bank account reconciliations at June 30, 2013.

- We reviewed reconciliations of account activity balances to cash balances at June 30, 2013.

We were not engaged to, and did not conduct an audit, the objective of which would be to express an opinion on the specified elements, accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, additional matters might have come to our attention that would have been reported.

This report relates only to the accounts and items specified above, and do not extend to any financial statements of the Town of Millis, Massachusetts taken as a whole. This report is intended solely for the information and use of the specified users listed above and is not intended to be, and should not be, used by anyone other than those specified parties.

We are also presenting for your consideration in the accompanying Schedule of Findings, our recommendations regarding the School Department's Student Activity Funds. The recommendations were developed during the course of our performing agreed upon procedures.

Melanson, Heath + Company P.C.
Andover, Massachusetts
June 27, 2014

INTRODUCTION/FINDINGS MATRIX

The following matrix summarizes our findings regarding deficiencies in the accounting procedures and systems of internal accounting control for the School Department's Student Activity Funds on a school-by-school basis. Items that reflect an "X" indicate this finding existed at that school location.

Finding	Millis High School	Millis Middle School	Clyde Brown Elementary
1. Improve Controls Over Disbursements and Receipts			
A. Use of Disbursement Forms	-	X	X
B. Use of Receipt Turnover Forms	-	X	X
C. Verify Account Balances	-	X	X
D. Review Appropriateness of Activities	X	X	X
E. Review Appropriateness of Disbursements	X	X	-
F. Review Old Class Balances	X	-	X
G. Review Inactive Activities	X	-	-
2. Improve Controls over Replenishment Requests	X	X	X
3. Reconcile Account Balances	X	X	-

SCHEDULE OF FINDINGS:

1. Improve Controls over Disbursements and Receipts

During our review of the student activity funds, we noted the following areas where improvements could be made to strengthen the controls over both disbursements and receipts:

- A. A standard request for disbursement form is not being consistently completed by the student activity advisors when requesting payments. When disbursement forms are not consistently used activity expenditures may not be formally approved by either the principal or the activity advisors. The standard form should include the name of the student activity, the vendor name, the amount, the reason for the payment, and the advisor's signature of approval, along with support-

ing documentation (i.e., original invoice, per student field trip fee form, conference form, and reservation confirmation). This will ensure that payments are only made for goods and services actually received and would reduce the risk that multiple payments of the same invoice are made.

- B. A standard receipt turnover form or deposit slip is not being consistently completed by the student activity advisors when deposits are remitted to the student activity bookkeepers. Completion of a receipt turnover form with the deposit amount indicating the breakdown of cash and check, the name of the student activity, and the signed approval by the advisor will help ensure that amounts collected by the student activities are correctly turned over for deposit. Bookkeepers should retain a copy of these forms as part of their turnovers to the Town, as well as provide the student activity advisors a receipt. This will provide a more complete audit trail between advisor records and bookkeeper records.
- C. The availability of sufficient funds for individual activities should be verified prior to disbursements being made. We noted several instances where it appears that sufficient funds were not available when disbursing funds. At the Middle School, beginning activity balances are restated to zero and therefore, there are no funds available for disbursements being made unless a deposit has been turned over. This also leads to reconciliation issues, see comment # 3. At the Elementary School, deposits are being held until all monies are collected. However, disbursements are being made prior to the deposits.
- D. In our review of the student activities, we noted disbursements and receipts that may not be appropriate as student activities based on the account descriptions. Such descriptions included Principal funds, Guidance, Library, Miscellaneous, and Undesignated funds. Student activity funds should be comprised only of funds raised by student activities (clubs, teams, classes, etc.) for the purposes of supporting their ongoing activities. These nonstudent activity related monies should be deposited with the Town Treasurer, and disbursements should be made through the Town warrant process.
- E. We noted disbursements from the High School Principal's account and the Middle School's Miscellaneous account that may not neces-

sarily qualify as allowable student activity expenditures such as reimbursements to individuals or disbursements for food and supplies. MASBO recommends, up fronting of personal monies should be avoided whenever possible and monies shall not be used for any purpose unrelated to student activities or for the benefit of any staff person. In addition, we noted that some disbursements from these funds were requested by and approved by only the School's principal.

- F. We noted that the Elementary School transferred the remaining 4th grade balance to the School's Undesignated account instead of transferring the funds to the Middle School. In addition, we noted that there was still a balance in the Class of 2012's account at the High School. Remaining balances for classes that have either moved up to the next school or have graduated need to stay with those classes. Balances remaining for graduated classes at the High School should be forwarded to a representative of the class or used for purposes designated by the School Committee.
- G. We noted that there are several activities with balances at the High School which are inactive. These monies should be returned to a representative of the activity, to individuals that paid the monies, or used for purposes designated by the School Committee.

We recommend that the School Department address the above noted weaknesses, and provide ongoing training and support to the administrators of the student activity funds. In instances where receipt and disbursement forms are generally used, the consistency of doing so should be improved. This will help to improve the overall controls of disbursements and receipts.

In addition, we recommend that student activity fund receipts and disbursements be monitored by the School Business Manager regularly to ensure that only funds raised by student activities and disbursements made for student activities are processed within the student activity funds. This will help ensure that none of the student activity accounts are supplanting nonstudent related expenditures.

We understand that during fiscal year 2014, some of these recommendations have been implemented.

Town's Response:

The process of using standardized disbursement forms and turnover forms began last year after this point was communicated, and a Student Activity Manual was developed. The manual is being revised to reflect examples of expenditures that benefit students in a variety of ways.

Sufficient funds exist within the student activities accounts in the aggregate, and bookkeeping transfers will be made to reflect the availability of the funds. Of note, minimal checking account balances needed to run student activities are maintained as a further protection to these student agency funds.

The manual is being revised to reflect that funds shall be maintained within the Clyde F. Brown, Middle School and High School to supplement future classes or to pay for field trips, etc. for needy students at the discretion of the principals.

2. Improve Controls over Reimbursement Requests

Student activity fund bookkeepers' checking account reimbursement requests are not based on actual disbursements. Requests from savings accounts to checking accounts should be based on actual disbursements to replenish checking balances to School Committee set limits.

We recommend that all requests for checking account reimbursement include copies of checks written and/or copies of invoices paid to support the amount requested. This will ensure that the checking accounts are only being reimbursed for expenditures paid and to ensure that School Committee limits are met.

We understand that during fiscal 2014, these recommendations were implemented.

Town's Response:

As noted, this procedure is in place.

3. Reconcile Account Balances

During our review of the student activity funds cash balances, we noted the following areas where improvements could be made to strengthen controls over cash:

- The Schools' student activity fund records do not agree to the reconciled balance of both checking and savings account bank statements. In addition, we noted that balances per the Schools' checking and savings registers did not agree to the total of the individual activity balances. Each month, bookkeepers should reconcile their overall records to bank statements and to the Town Treasurer's records. This will reduce the risk that errors and irregularities go undetected.
- Individual activity balances maintained by the Student Activity bookkeepers should be confirmed with the activity advisors at least annually.

We recommend that steps be taken to reconcile checking and savings accounts among school records, Treasurer records, bank statements, and the general ledger, in order to accurately reflect available student activity balances.

Town's Response:

Bookkeepers are reconciling their overall balances to the bank statements and to the Town Treasurer records. The issues that occurred are a result of a minor duplication error at the High School, and a categorization error at the Middle School. Both issues have been corrected.