

TOWN OF MILLIS, MASSACHUSETTS

Independent Accountants' Report on Applying
Agreed-Upon Procedures in Accordance
with the Massachusetts Department of
Elementary and Secondary Education Agreed
Upon Procedures and Audit Guidelines:
Student Activity Funds

June 30, 2014

TABLE OF CONTENTS

PAGE

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES IN ACCORDANCE
WITH THE MASSACHUSETTS DEPARTMENT OF
ELEMENTARY AND SECONDARY EDUCATION AGREED
UPON PROCEDURES AND AUDIT GUIDELINES:
STUDENT ACTIVITY FUNDS

1

SCHEDULE OF FINDINGS

3

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES IN ACCORDANCE WITH THE
MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND SECONDARY
EDUCATION AGREED-UPON PROCEDURES AND AUDIT GUIDELINES:
STUDENT ACTIVITY FUNDS

To the Superintendent and School Committee
Millis, Massachusetts

We have performed the procedures enumerated below, which were agreed to by the Town of Millis, solely to assist the School Committee in evaluating the School's assertion that it has complied with the requirements set forth in the Massachusetts Department of Elementary and Secondary Education's (ESE) Agreed-Upon Procedures and Audit Guidelines: Student Activity Funds. Millis Public Schools management is responsible for compliance with these guidelines. 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 those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose.

We performed the procedures specified in the Massachusetts Department of Elementary and Secondary Education's Agreed-Upon Procedures and Audit Guidelines: Student Activity Funds to the Student Activity Fund records maintained at Millis Public Schools for the 2013-2014 school year. We have listed noncompliance of the agreed-upon procedures in the accompanying Schedule of Findings.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Student Activity Fund financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the School Committee and management of the Millis Public Schools and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Melanson Heath

June 5, 2015

SCHEDULE OF FINDINGS

<u>Finding Number</u>	<u>Applicable DESE Guideline Step(s)</u>	<u>Finding</u>
1.	1A, 1B, 5A	<p><u>Amend School Committee Policies and Procedures for Student Activity Funds</u></p> <p>The Student Activity Fund policies and procedures adopted by the School Committee do not address the following:</p> <ul style="list-style-type: none">A. Approval of new and existing student activity funds (best practice recommendation by DESE).B. How to handle interest earned on savings and checking accounts.C. How to use and apply the “undesignated earnings” accounts.D. Disposition of graduated class accounts and remediation of deficit accounts.E. Establishment of periodic submissions of reports to School Committee, School Business Office and Town.F. Final accountability summary for student travel. <p><u>Recommendation</u></p> <p>We recommend that the School Committee adopt Student Activity Fund policies and procedures in accordance with DESE’s guidelines.</p> <p><u>School’s Response</u></p> <p>We noted that the DESE guidelines were published near the end of FY14. The student activities manual will be updated to include recent DESE changes and will be presented to the School Committee for adoption.</p>
2.	2.A, 5.A	<p><u>Restructure Checking Account Limits and Replenishment Process</u></p> <p>Currently, requests to replenish the checking accounts are based on cancelled checks and not on actual checks written and invoices paid. Per DESE guidelines, requests to replenish checking accounts should be based on invoices or other</p>

support for disbursements previously made from the checking account in order to reconcile the checking accounts to the School Committee approved limits each month. However, the School Committee has approved checking account balances for each school at \$50,000, which seems disproportionate due to the amount of activity occurring at each school.

Recommendation

We recommend that the School Committee lower the checking account limits to better coincide with activity, that funds be transferred from the school savings accounts to the checking accounts to the established limits, that future requests to replenish be accompanied by invoices and other support for disbursements previously made, and that support be maintained for replenishment requests by the schools' bookkeepers. Additionally, checking accounts should be reconciled to the School Committee set limits monthly.

School's Response

We concur that the appropriate amount of funds should be transferred from the school savings accounts to the established checking account limits. This will enable the bookkeepers to have sufficient funds to pay for student activities throughout the year.

The checking account limits will be reviewed and the School Committee will take this recommendation under advisement. All requests for replenishments have been accompanied by invoices and other support for disbursements and this support has been maintained by the bookkeepers.

3. 3.A Improve Student Activity Fund Reconciliation Procedures

Monthly, the bookkeepers complete "master summary of all accounts" reconciliations that include each activity's balance, as well as, the total checking and saving amounts maintained within the bookkeepers' systems. These balances are reconciled to the checking account bank statements and the savings account balances in the Town's general ledger with minor variances. However, the Town Treasurer's reconciled bank balances do not always agree with the general ledger balances due to timings of replenishment transfers to the main depository bank account.

These monthly reconciliations are not formally signed by either the preparer or the reviewer.

In addition, individual activity balances maintained by advisors are not reconciled back to bookkeeper records and no written verification is obtained from the advisors.

Recommendation

We recommend that reconciliation be performed between the savings account general ledger balances and the savings bank statements held by the Treasurer.

In addition, any variances noted in the “master summary of all accounts” reconciliations to individual activity balances or to the bank statement reconciliations be researched and if necessary, corrected. Also, we recommend that the monthly “master summary of all accounts” reconciliation be provided to the School Business Administrator, School Committee, and the Town Treasurer and be formally signed by both preparer and reviewer.

We further recommend that the schools reconcile individual activity balances maintained by advisors to bookkeeper records and maintain formal written verifications from the advisors.

School's Response

Reconciliations are performed monthly. Additional signed copies will be made available for all stakeholders.

4. 1.E Provide Adequate Training

The bookkeepers at the various schools possess varying levels of excel, recordkeeping and reconciliations skills.

Recommendation

We recommend that all individuals involved in student activity functions be provided with training to ensure a consistent level of skills.

School's Response

Bookkeepers have been provided support and training and we will examine the feasibility of paying for additional training through workshops presented by outside consultants.

5. 3.A, 4.A Improve Controls over Receipts

During testing of receipts we noted the following exceptions:

- A. Funds collected by advisors/teachers are not being turned over to the bookkeeper within 24 hours of collection (best practice recommendation by DESE).
- B. Deposits are not consistently being turned over to the Town Treasurer on a timely basis.
- C. Pre-numbered receipts, tickets, or attendance logs are not consistently used.
- D. Support was not retained for transfers made between the undesignated fund and the individual activities.
- E. Advisors are not maintaining adequate records over receipts.
- F. The standard student activity fund turnover forms are not being consistently utilized or signed at the Middle School.

Recommendation

We recommend the following:

- A. Advisors / teachers turn over funds to the bookkeeper within 24 hours of collection (Best practice recommendation by DESE).
- B. The School Principal or the Principal's designee should deposit in the agency account all monies received from student activity organizations at a minimum on a weekly basis.
- C. Utilize pre-numbered receipts, tickets, or attendance logs.
- D. Retain support for transfers made between the undesignated fund and the individual activities.
- E. Advisors should maintain adequate records over all receipts.
- F. Consistently utilize and sign the standard student activity fund turnover form.

School's Response

We will continue to improve processes to ensure the adequacy of the receipts documentation.

6. 3.A, 5.A Improve Controls over Disbursements

During disbursement testing we noted the following exceptions:

- A. One instance where sales tax was included as part of the disbursement amount.
- B. Disbursements were charged against the Principal's Account instead of transferring funds to the applicable student activity account and then paying the vendors.
- C. Occasionally, principals are requesting disbursements, approving the disbursement, and signing the check, resulting in no segregation of oversight and duties.

Recommendation

We recommend the following:

- A. Sales tax not be paid or reimbursed by student activity funds.
- B. Charge disbursements to the individual student activity accounts, instead of the Principal's Account
- C. Only advisors complete disbursement request forms. Further, Principals should not be advisors in order to ensure proper segregation of duties.

School's Response

We will continue to improve processes to ensure the adequacy of the disbursements documentation.

7. 1.C Maintain Allowable Student Activity Accounts

During testing of the student activity accounts it was noted that all activities may not be raised by the students and expended by those students for their benefit and therefore may not qualify as a student activity funds under DESE guidelines. Two specific accounts in question are the Library and Guidance accounts at the High School. These accounts should be analyzed to determine if they are more appropriately classified as another fund such as, revolving, gift, etc.

Recommendation

We recommend that the School Business Manager work with the Advisors to determine if the accounts are more

appropriately classified elsewhere. If so, we recommend the funds be moved to the custody of the Town.

School's Response

We will continue to analyze accounts to determine the appropriate classification of the funds.