

Masconomet Regional School District

**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, 2022

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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 School Committee
Masconomet Regional School District

We have performed the procedures enumerated below, which were agreed to by the School Committee and management of the Masconomet Regional School District (the District), 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. The District's 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*", for the Student Activity Fund records maintained by the District for the fiscal year ended June 30, 2022 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 District 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.

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June 6, 2023

AGREED UPON PROCEDURE/ AUDIT GUIDELINE AND FINDINGS

I. Administration

Procedure A.1.

Inquire and obtain evidence suggesting that policies have been adopted by the School Committee. Evidence should be included in School Committee minutes through a School Committee vote.

Procedure A.2.

Review formal policies and procedures and determine if they are effective; consider the following:

- a. Policies must require adequate internal control to ensure protection of student monies.
- b. Policies must be complete and satisfy MGL.
- c. Policies must only govern student activity money and not money that is governed under other MGL.
- d. Procedures should be developed that support policy and provide for segregation of duties.
- e. Policies and procedures must be updated when applicable.

Result:

No finding reported.

Procedure B. 1.

Obtain a listing of each active student activity and inquire if each student activity has been approved annually by the School Committee or if new, was approved during the year. Evidence should be included in the School Committee minutes through a School Committee vote.

Result:

No finding reported.

Procedure C.1.

Obtain a listing of each active student activity. From this list, determine source of funding and objective of each student activity. Evaluate if funds have been properly deposited into the student activity account or if funds are more appropriately classified as revolving, gift, grant or other type of fund.

Result:

No finding reported.

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Procedure D. 1.

Through inquiry and observation, verify that the accounting system used for the student activity funds will facilitate the following:

- a. Accurate recording and reporting of cash receipts and disbursements by each student activity fund in the school student activity ledgers;
- b. Recording of a general cash and/or investment account that can be reconciled with the bank checking account for student activity maintained by the Principal, combined with the agency savings account maintained by the City/Town/District Treasurer; and
- c. General cash and/or investment accounts in aggregate can be reconciled to the aggregate detailed fund accounts within the student activity fund recorded for and held by each student activity.

Result:

No finding reported.

Procedure E. 1.

Through inquiry, determine if all individuals who process, record, and report student activity transactions possess the skills necessary to perform the duties in an adequate manner.

Result:

No finding reported.

Procedure E.2.

Through inquiry, determine if there is an ongoing process of training in place.

Result:

No finding reported.

II. Stewardship and Custodial Responsibility

Procedure A.1.

Determine if the School Committee has accepted the provisions of Section 47 of Chapter 71 of MGL; evidence should be included in School Committee minutes through a School Committee vote or obtain certification of vote.

Procedure A.2.

Determine that all student activity deposits are made to an agency account maintained by City/Town/District Treasurer.

Procedure A.3.

Determine if the School Principal has properly made requests for replenishment of funds to the imprest checking account including submission of original invoices or equivalent supporting documentation.

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Procedure A.4.

Review selected checking account bank statements to determine if checking account balances ever exceed amounts established by the School Committee.

Result:

Finding:

During our review of the Middle School and High School Student Activity checking account balances, we found that the actual checking account balances exceeded the School Committee approved account balance amounts, by small amounts, during fiscal year 2022.

Recommendations:

We recommend that these Student Activity checking account balances be monitored each month and that transfers be made from these checking accounts to the Student Activity Agency accounts, so that the approved account balances are not exceeded. An alternative to this approach would be to request the School Committee to increase the maximum allowed Student Activity checking account balance amounts.

Procedure A.5.

Determine if the School Principal and/or their designee (if applicable) have given bond to the City/Town/District Treasurer for faithful performance, and that all designees have been properly authorized by the School Committee.

Result:

No finding reported.

Procedure A.6.

Determine if the annual audits have been performed, either by an outside independent audit firm or as is permissible, internally. Evidence of this may be obtained from reports developed as a result of the process.

Finding:

The ESE “Audit Guidelines for Student Activity Funds” requires annual audits to be performed for the District’s Student Activity Funds. These annual audits should be conducted in accordance with the procedures agreed upon between the School Committee and the person performing the audit procedures and based upon guidelines issued by ESE.

During our review of the District’s Student Activity internal accounting control procedures relating to recording, reporting and reconciliation work, we found that a very good system has been implemented by the District relating to these matters. The District Accountant does a very good job relating to review and reconciliation of Student Activity transactions and balances, however there are some annual audit procedures that are required by the ESE guidelines that are not performed.

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Recommendation:

We recommend that the ESE “Agreed Upon Procedures and Audit Guidelines: Student Activity Funds”, relating to annual audits be reviewed. Once these guidelines have been reviewed, written annual audit procedures should then be formally developed. These procedures should then be reviewed with and approved by the School Committee.

We have provided the District with a copy of the “Agreed Upon Procedures and Audit Guidelines: Student Activity Funds” document, that is in a “**WORD**” format. This document can be easily used as a checklist **with yes and no answers**, when the annual audit is performed.

In addition, “Appendix C” in this guide includes a sample report that can be used upon completion of the annual audit to report the results of the audit.

III. General Operating Procedures

Procedure A.1.

Through inquiry, observations, and review of sample bank reconciliations, determine if bank reconciliations are prepared at least quarterly and sent to the appropriate parties for review; and that sign-offs by both preparer and reviewer are included in the process.

Result:

No finding reported.

Procedure A.2

While gaining an understanding of the internal control processes in place, determine if standard forms for deposits and disbursements are used.

Result:

No finding reported.

Procedure A.3.

Through inquiry and analysis, determine if a requirement for the preparation and periodic submission to the School Committee, School Business Office, Town Accountant, Treasurer and the student activity class/club officers of financial reports exists; and if such policy is adhered with.

Result:

No finding reported.

Procedure A.4.

Through inquiry and analysis, determine if subsidiary student activity account detail is maintained and if the aggregate of the subsidiary accounts are reconciled to the control account on a monthly basis.

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Result:

No finding reported.

IV. Revenue, Receipts and Deposits

Procedure A.1.

Through inquiry of the School Principal or their designee, document the process by which receipts are administered in order to gain an understanding of the internal control process in place. In addition, while conducting the inquiry, determine if the following have been addressed or developed:

- a. Determine if pre-numbered receipts, tickets, and attendance logs are used;
- b. Determine if any pre-numbered receipts or tickets were skipped and investigate why;
- c. Determine if a reconciliation process is performed between pre-numbered receipts, tickets, and attendance logs and the funds being turned over;
- d. Determine that in situations when pre-numbered receipts, tickets and attendance logs are not practical, that two responsible people have each counted the cash received;
- e. Determine if funds collected for student activities are turned over to the School Principal's Office within twenty-four hours;
- f. Determine if funds not immediately turned over are stored in a secure location;
- g. Determine if the School Principal is turning funds over to the City/Town/District Treasurer agency account weekly (at a minimum);
- h. Determine if an interest earned policy exists and is documented;
- i. Determine if a commission or revenue sharing policy exists and is documented;
- j. Determine if a policy for undesignated earnings exists and is documented; and
- k. Determine if a philosophy exists through ongoing training that monies are to be handled with care, in an accurate manner.

Procedure A.2.

Make a sample selection of receipts to test. This sample population should be a representative sample of receipts that are made from the school deposit slips. If possible, the sample should be made from the population of duplicate deposit slips maintained by the class advisor.

Procedure A.3.

Upon determination of the samples to be tested, perform the following procedures on each sample:

- a. Is the receipt amount included on the deposit slip?
- b. Is the deposit included in the bank statement?
- c. Does the deposit amount agree with the accounting system's records?
- d. Is the receipt for a proper student activity account?
- e. Is the receipt recorded to the proper subsidiary activity in the student activities' ledger?
- f. Was a pre-numbered receipt used?
- g. Were the funds remitted within twenty-four hours or within the next business day (if a weekend day) to the principal's office?

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- h. Were the funds remitted by the principal's office to the City/Town/District Treasurer's agency account within one week?
- i. Is the receipt accompanied by a school deposit slip?
- j. Is there written evidence of receipt of the deposit from the City/Town/District Treasurer?
- k. Is a duplicate of the school deposit slip maintained by the advisor and signed by the advisor?

Result Procedure A:

Finding:

During our review of the District's Student Activity internal accounting control procedures relating to recording, reporting and reconciliation work for Revenue, Receipts and Deposits, we found that a very good system has been implemented by the District relating to these matters. The District has created a Student Activities Policies and Procedures Guidelines document that specifically identifies the proper procedures that must be followed relating to Revenues, Receipts and Deposits. This system includes the use of several standard forms such as a "Schedule of Departmental Receipts" (Form A D 9 and 10), a "Deposit Counting Sheet", a "Student Activity Fund Voucher Form" along with several other standard forms. These standard forms have sections that require several authorization and approval signatures for the Principal, Advisor, Student Treasurer and others, that are an important part of the accounting controls that have been implemented.

During our review of the specific Revenue and Receipt transactions, we found that a good job was performed relating to the items reviewed, however we found one instance where a deposit was posted to an incorrect Student Activity account (this item has been subsequently corrected). Also, one receipt tested was not turned over to the Principal's office until several days after the money was collected (the District's "Student Activities Guideline" states that "money should be turned over to the principal or the principal's designee within 24 hours of the receipt"). During our review we also found that Pre-numbered receipts are not used.

Recommendation:

We recommend that personnel be sure that Student Activity money that has been collected be turned over to the principal or the principal's designee within 24 hours of the receipt and be careful to post transactions to the correct Student Activity account. We also recommend that the High School consider using pre-numbered tickets for big events, such as the Prom.

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V. Purchasing and Disbursements

Procedure A.1.

Through inquiry of the School Principal or their designee, document the process by which disbursements are administered in order to gain an understanding of the internal control process in place. In addition, while conducting the inquiry, determine if the following have been addressed or developed:

- a. Determine if disbursement policies are established by the School Committee.
- b. Determine if all disbursements require the Principal's (or his designee's) approval.
- c. Determine if all disbursements require supporting documentation.
- d. Determine if cash advances are prohibited.
- e. Determine if standard requests for disbursements are prepared.
- f. Determine if student activity funds are used on student activities.
- g. Assure that steps are in place to prohibit advisors or other individuals involved with purchasing to personally benefit in any way.
- h. Determine if all purchases are recorded and check records are maintained.
- i. Determine if all void or missing checks are accounted for.
- j. Determine who the authorized signers on the account are. Consider contacting the bank to confirm.
- k. Determine if a competitive process for purchasing is encouraged.
- l. Determine if disbursements may only be charged against the accounts for which funds have been designated.
- m. Determine if segregation of duties exists between the check writer and the individual who reconciles the bank statements. If not, determine if there are mitigating controls in place to limit risks.

Procedure A.2.

Make a selection of disbursements to test. This sample population should be a representative sample of disbursements selected from the school check register.

Procedure A.3.

Upon determination of the samples to be tested, perform the following procedures on each sample:

- a. Is the disbursement accompanied by a standard request form for disbursement signed by the advisor or student treasurer?
- b. Is the disbursement accompanied by adequate supporting documentation (i.e., vendor invoice or receipt)?
- c. Was the disbursement approved by the Principal? How was the Principal's approval evidenced?
- d. Does the disbursement agree to the amount in the accounting system?
- e. Does the disbursement agree to the amount debited on the bank statement?
- f. Is the disbursement agreed to and supported by a cancelled check?
- g. Is the cancelled check properly endorsed by an authorized signer?
- h. Is the disbursement an appropriate use of student activities monies?
- i. Is the disbursement charged against the proper student activity account?

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- j. Although not legally required, as a best practice, was the purchase procured competitively?
- k. Has anyone other than the students benefited from the disbursement?
- l. If the disbursement is made to an individual and the disbursement causes that individual to equal or exceed \$600 in total disbursements, has a Form 1099-MISC been issued to the individual?
- m. Does the disbursement properly exclude any payments for sales tax?

Result:

No finding reported.

VI. Class, Inactive Accounts and Deficits

Procedure A.1.

Through review of School Committee policies, determine the policy for disposition of class accounts.

Result:

No finding reported.

Procedure A.2.

Obtain listing of all individual student activity accounts and scan the listing for class accounts for students who have already graduated.

Result:

No finding, there is a list for each school.

Procedure A.3.

Determine if disposition is in accordance with School Committee policies.

Result:

Finding:

During our review we found that there are still Student Activity account balances for the class of 2020 and for the class of 2021.

Recommendations:

We recommend that the Class of 2020 and 2021 funds be disposed of in accordance with School Committee policies.

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Procedure B.1.

Through review of School Committee policies, determine the policy for disposition of inactive accounts and its reasonableness.

Result:

No finding reported.

Procedure B.2.

Obtain listing of all individually listed student activity accounts. Scan listing for accounts that do not have any activity and review prior years' activity for those accounts to determine if they are inactive.

Result:

No finding reported.

Procedure B.3.

Determine if disposition is in accordance with School Committee policies.

Result:

No finding reported.

Procedure C.1.

Through review of School Committee policies, determine the policy for the remediation of individual student activity deficit balances and its reasonableness.

Result:

No finding reported.

Procedure C.2.

Obtain listing of all individually listed student activity accounts. Scan listing for accounts and determine if any have deficit balances.

Result:

No finding reported.

Procedure C.3.

Determine if disposition of deficit balances is in accordance with School Committee policies.

Result:

No finding reported.

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VII. Student Travel

Procedure A.1.

Through a review of the School Committee policies, determine if the policy for student travel is adequate.

Result:

No finding reported.

Procedure A.2.

Test a sample of travel expenditures and determine that the travel is properly authorized, that there is a final accountability for all travel and there is documentation supporting all disbursements.

Results:

No finding reported.

Procedure A.3.

Determine that travel expenditures are in accordance with School Committee policies.

Result:

No finding reported.