

# **James J. Giusti, CPA, P.C.**

*Certified Public Accountant*

36 Jackman Street, Unit 1

Georgetown, MA 01833

Phone: (978) 352-7470

Fax: (978) 352-8812

JimGiustiCPA@gmail.com

March 31, 2022

School Committee  
Masconomet Regional School District  
20 Endicott Road  
Boxford, Massachusetts 01921

In planning and performing our audit of the financial statements of the Masconomet Regional School District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Masconomet Regional School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Masconomet Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Masconomet Regional School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We do not consider the following matters to be significant deficiencies or material weaknesses. However, they are matters we want to communicate to you.

## **Single Audit Act and Uniform Guidance**

Because the District may receive \$750,000 in Federal Funds, during the fiscal year ended June 30, 2022, the requirements relating to the Single Audit Act may be in effect for the fiscal year ended June 30, 2022. The Single Audit Act states that if an entity expends more than \$750,000 during a fiscal year, an audit needs to be performed in accordance with the Single Audit Act requirements.

Several years ago, the OMB published its comprehensive overhaul of federal grant administrative, cost accounting, and audit policies in the Federal Register. This final guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), supersedes and combines the requirements of eight existing OMB Circulars (A-21, A-50, A-87, A-89, A-102, A-110, A-122 and A-133). The Uniform Guidance significantly reformed federal grant making to focus resources on improving performance and outcomes with the intent to reduce administrative burdens for grant applicants and recipients and reduce the risk of waste, fraud, and abuse.

The Uniform Guidance is a substantial document that addresses (among many other topics) cost principles, internal controls, procurement requirements and audit requirements.

In regard to procurement, it should be noted that the Uniform Guidance and the State's requirements under MGL Chapter 30B, have some differences. For example, Chapter 30B does not require quotes until the \$10,000 threshold is met and Bids/Request for Proposal must be obtained for purchases of \$50,000 or more. The Uniform Guidance rules should be read to determine what the differences are. The Uniform Guidance requirements pertain only to purchases made with federal funds.

Another important area that the Uniform Guidance addresses, relates to the requirement that the internal control policies and procedures relating to federal funds must be documented and it must be in writing. During the fiscal year ended June 30, 2021, the District did prepare a comprehensive Internal Control Document relating to the federal grant policies and procedures that has been prepared in compliance with the Uniform Guidance requirements. It is important to review this document each year to make any changes that may be needed to comply with the Uniform Guidance.

We recommend that the District review the requirements relating to the Uniform Guidance each year to be sure the guidelines are being followed.

### **Preparation of the Schedule of Expenditures of Federal Award Programs**

During a fiscal year when the District expends more than \$750,000 in federal funds, it is subject to Single Audit requirements established by the Office of Management and Budget (OMB) and it must be in compliance with Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). As part of those requirements, the District is required to prepare a Schedule of Expenditures of Federal Award Programs (SEFA). To meet this reporting requirement, the following information is necessary:

- Detailed information on all Federal Awards received. This includes Federal Awards received that have been passed through the State or other governing bodies.
- The Agency in which the funds were received from.
- The Catalog of Federal Domestic Assistance number (CFDA #) for each grant.
- The amount of funds expended in the fiscal year under audit.
- The pass-through entity identifying number and the grant year in which the federal expenditures relate, if the funds were passed through another governing body and not directly received from the Federal government.
- The amount passed through to any sub-recipients, if applicable.

It is important that the District have procedures in place each year to compile this data so that an error or omission in the Schedule of Expenditures of Federal Awards does not occur. For the fiscal year ended June 30, 2021, the District did have procedures in place so that this report could be properly prepared.

### **Implementation of New GASB Pronouncements**

Over the past several years, the Governmental Accounting Standards Board (GASB) has been continuously creating new GASB pronouncements that have required a significant effort on the part of the District to stay in compliance with the requirements. We have provided below a list of the new GASB Statements, that will take affect in future years. The District should review these Statements to determine if any changes are needed to be in

compliance with the new requirements.

In June 2017, the GASB issued GASB Statement No. 87, Leases. This Statement redefines the manner in which long-term leases are accounted and reported. As amended, the provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, Conduit Debt Obligations. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. As amended, the provisions of this Statement are effective for financial reporting periods beginning after December 15, 2021 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2020, the GASB issued GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issued related to public-private and public-public partnership arrangements. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The objective of this Statement is to address accounting for subscription-based information technology arrangements to government end users based on the standards established in Statement No. 87, as amended. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2022 (fiscal year 2023). The District is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2020, the GASB issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2021 (fiscal year 2022). The District is currently evaluating whether adoption will have a material impact on the financial statements.

**Student Activity Accounts**

Student Activity audits are required to be performed for the District’s Student Activity funds, in accordance with the “Agreed Upon Procedures and Audit Guidelines for Student Activity Funds”, promulgated by the Massachusetts Department of Elementary and Secondary Education (ESE).

The District has informed us that they intend to engage our Firm during fiscal year 2022 to perform an independent audit of the District’s Student Activity funds for the year ending June 30, 2021. During this audit, we will also look at the procedures that are currently in place in fiscal year 2022.

\* \* \* \* \*

This communication is intended solely for the information and use of management, and those charged with governance, and others within the organization, and is not intended to be and should not be used by anyone other than those specified parties.

After you have had an opportunity to consider our comments and recommendations, we shall be pleased to discuss them further with you. We would like to thank you for the cooperation and courtesy extended to us during the course of the engagement.

Very Truly Yours,

*James J. Giusti*

James J. Giusti  
Certified Public Accountant