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March 8, 2021

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, 2020, 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 will receive \$750,000 in Federal Funds, during the fiscal year ended June 30, 2021, the requirements relating to the Single Audit Act will be in effect for the fiscal year ended June 30, 2021. 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.

We recommend that the District review the requirements relating to the Uniform Guidance to be sure to be in compliance with the rules.

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 to compile this data so that an error or omission in the Schedule of Expenditures of Federal Awards does not occur. We will be available to help the District in preparing this schedule.

Cyber Security Policy

In recent years, several Massachusetts municipalities have had cyber-attacks on their computer systems. The attacks have ranged from annoying intrusions to an attempt to transfer millions of dollars out of a Municipality's bank account. As a result, it has become increasingly important to keep District employees keenly aware of the constant threat of cyber-attacks.

In addition to the risk of financial loss, the District must be concerned with confidential/sensitive personal information that is on its computer systems including social security numbers, employee benefit and retirement information and tax records.

The District already has certain procedures that are in place, relating to cyber security, however, we felt that it is important to provide the following general recommendations, that may be helpful to the District. We recommend that the District have “ongoing” discussions on how to mitigate the risk of cyber-attacks. Topics for the discussions should include:

- Policies – There should be documented rules for various situations.
 - Be cautious about opening attachments or downloading files from emails
 - Don’t click on, or reply to email or pop-up messages that ask for personal or financial information
 - Don’t email personal or financial information
 - Require strong passwords that **must** be changed periodically
- Training – The level of training could vary based on perceived need.
- Technical Controls – Do we have the right technology in place (i.e., current anti-virus software and malware remover)?

It appears that the threat of cyber-attacks is a way of life in our age of technology. As the perpetrators of the attacks continue to grow more sophisticated, it is important that the District remain vigilant in its efforts to protect the District’s assets and the confidential personal information maintained by the District.

Implementation of New GASB Pronouncements

During fiscal year 2020, the District was not required to implement any new GASB pronouncements.

The following GASB pronouncements will be implemented in future fiscal years:

- Statement No. 87, Leases which is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period which is effective for reporting periods beginning after December 16, 2020.
- Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61 which is effective for reporting periods beginning after December 15, 2019.
- Statement No. 91, Conduit Debt Obligations which is effective for reporting periods beginning after December 15, 2021.
- Statement No. 92 Omnibus 2020, paragraphs 6 and 7 - fiscal years beginning after June 15, 2021; paragraphs 8, 9, and 12 - reporting periods beginning after June 15, 2021 and paragraph 10 - government acquisitions occurring in reporting periods beginning after June 15, 2021.
- Statement No. 93 Replacement of Interbank Offered Rates the requirements, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.
- Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

- Statement No. 96 Subscription-Based Information Technology Arrangements which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Management is currently assessing the impact that the implementation of these pronouncements will have on the basic financial statements.

Student Activity Accounts

Because of the restrictions in place, relating to the COVID-19 pandemic, the activity relating to the Student Activity accounts was very limited (or there was no activity at all for certain Student Activity Funds) during the past twelve months. Because of the significant challenges being faced by the District, relating to the pandemic, the District was not able to perform an annual audit for the 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).

When the activity level relating to the Student Activity accounts returns to normal, procedures should be implemented to perform annual audits and also an outside independent audit should be performed.

The District has informed us that they intend to engage our Firm in FY22 to perform an independent audit of the District's Student Activity funds for the year ending June 30, 2021.

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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,

Giusti, Hingston and Company

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