

**TOWN OF MILLIS, MASSACHUSETTS**

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

**As of June 30, 2010**

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INDEPENDENT ACCOUNT'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 in the accompanying Schedule of Procedures and Findings, 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, 2010. 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

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Massachusetts' statutes, and compliance with internal control procedures.

- We performed analytical procedures to activity accounting records.
- We reviewed bank account reconciliations at June 30, 2010.
- We reviewed reconciliations of account activity balances to cash balances at June 30, 2010.

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 does 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 20, 2011

## **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. Prepare Student Activity Fund Policy and Procedure Manual	X	X	X
2. Improve Controls Over Disbursements and Receipts			
- Use of Disbursement Forms	-	X	X
- Use of Receipt Turnover Forms	X	X	X
- Per Student Fee Forms	-	X	-
- Reimbursement to Individuals	X	X	-
- Use of Manual Ledgers	-	X	X
- Use of Signature Stamps	-	X	-
3. Reconcile Account Balances	X	X	X
4. Improve Segregation of Duties	X	X	X
5. Eliminate Non-Student Activities	X	X	-

### **SCHEDULE OF FINDINGS:**

#### **1. Prepare Student Activity Fund Policy and Procedure Manual**

The School Department has implemented student activity funds in accordance with Massachusetts General Laws Chapter 71, Section 47; however, there is currently no formal policy and procedure manual to document the day-to-day operations of the funds.

We recommend the School Department formally document the policies and procedures related to student activity fund maintenance. Although the following list is not meant to be all inclusive, we specifically recommend the following issues be addressed in the manual:

- Establish School Committee approved balance limits for checking accounts

- Establish adequate segregation of duties related to receiving cash, check writing and preparing bank reconciliations
- Formalize treatment of accounts of graduated classes
- Close inactive accounts
- Standardize forms for field trips
- Standardize forms for remitting receipts from advisors to student activity bookkeepers, including breakdown of bills, coins and checks
- Standardize advisor disbursement request forms
- Standardize reconciliation procedures with checking and savings bank statements, school activity records, and the Town's general ledger balances
- Establish gifts/donation/scholarship procedures
- Establish policy for handling of interest earned on bank accounts
- Formalize ongoing training and support for advisors and bookkeepers

The implementation of a formal policy and procedure manual will provide the School Department personnel and activity advisors with a documented resource to properly and consistently maintain student activity fund records. We recommend the School Department use the student activity fund policies and procedures template prepared by the Massachusetts Association of School Business Managers (MASBO) as guidance in developing its own policy manual.

## **2. 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 standard request for disbursement form is not being consistently completed by the student activity advisors when requesting payments. This form should include the name of the student activity, the vendor name, the amount, the reason for the payment, the advisor's signature of approval, along with supporting 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.

- 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 deposits amount indicating the breakdown of cash and check, the name of the student activity, and the signed approval by the advisors 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 well as provide the student activity advisors a receipt. This will provide a more complete audit trail between advisor records and bookkeeper records.
- A standard form to calculate per student fees for field trips is not being consistently used by all the schools. Use of this form will ensure that student fees are not more than or less than the actual cost of the field trip.
- There were multiple payments noted for reimbursements to individuals instead of payments made directly to vendors. Payments should be made directly to vendors and reimbursements to employees should be minimal. 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 would be made.
- Student activity fund records are maintained in manual ledgers at two schools. Tracking activity electronically would reduce the risk of accounting errors being made. Additionally, the schools track all disbursements and receipts in one general activity ledger rather than by specific student activity. Keeping records by individual student activity would ensure that disbursements for a specific purpose are properly paid from money received for said purpose and that individual student activities are not operating in a deficit.
- The student activity bookkeeper at one school has access to the Principal's signature stamp and occasionally uses it to sign checks. Eliminating the use of a signature stamp would ensure that the authorized signatory on the bank account is the person signing off on each disbursement made.

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. The manual (discussed in Comment 1) should provide bookkeepers and activity advisors with standards, procedures, and forms to assist them in the daily operations of the student activity funds. This will help to improve the overall controls of disbursements and receipts.

### **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 High School student activity records are not maintained or reviewed in a summary form that tracks the total activity of all accounts. Tracking activity in total would aid in the reconciliation of activity records to checking account bank statements and the savings account maintained by the Town Treasurer.
- None of the student activity fund records reconcile to the total of both checking and savings account bank statements. Each month, bookkeepers should reconcile their overall records. This will reduce the risk that errors and irregularities go unnoticed.
- Student activity fund bookkeepers' requests for transfers from savings to checking accounts are not based on actual disbursements. Transfer requests from savings accounts to checking accounts should be based on recent disbursements from the checking account to replenish balances to School Committee set limits.

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.



#### **4. Improve Segregation of Duties**

We noted instances at the Middle School and Elementary School where the same people are responsible for several or all of the following: writing checks, signing checks, performing bank reconciliations, and maintaining accounting records. These duties are incompatible and increase the risk of errors and irregularities occurring, and going undetected.

In addition, it was noted that the High School principal provides oversight to the student activity bookkeeper and also serves as an advisor for the Principal's Fund. Therefore, occasionally the principal requests funds and also signs the related checks. Having advisors separate from bookkeeping functions decreases the risk of errors and irregularities occurring within the individual activity, and going undetected. The High School may be able to eliminate this risk by eliminating the Principal's Fund, as suggested in finding #5 below.

We recognize adequate segregation of duties can be difficult in a small office; however, we recommend the School Department take the necessary steps to segregate these duties or provide documented oversight when unable to segregate the duties. This will reduce the risk that a single individual could both perpetrate and conceal an irregularity.

#### **5. Eliminate Non-Student Activities**

During our review of the Middle School and High School student activity funds, we noted that donations are occasionally deposited into the student activity 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. Massachusetts General Laws require that donations be reported as special revenue funds, and not as student activity funds.

In our review of the High School student activities, we noted disbursements and receipts for the "Principal's Fund," "Guidance," "Library," and "Athletics." These nonstudent activity related monies should be deposited with the Town Treasurer and disbursements should be made through the Town warrant

process. This will help ensure that none of the student activity accounts are supplanting nonstudent related expenditures.

We recommend that student activity fund receipts and disbursements be monitored regularly to ensure that only funds raised by student activities and disbursements made for student activities are processed within the student activity funds.

Town's Response:

The Millis Public Schools will begin to draft an Activity Fund Manual and work with the Auditors on finalizing a manual and forms to better control student activity money. The findings will be reviewed with each school.