

**TOWN OF MILLIS, MASSACHUSETTS**

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

**As of June 30, 2012**

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MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

INDEPENDENT ACCOUNTANT'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 below, 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, 2012. 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 Massachusetts' statutes, and compliance with internal control procedures.
- We performed analytical procedures to activity accounting records.
- We reviewed bank account reconciliations at June 30, 2012.

- We reviewed reconciliations of account activity balances to cash balances at June 30, 2012.

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

September 20, 2013

**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
- Verify Account Balances	-	X	X
- Review Appropriateness of Student Activity Accounts	X	X	X
3. Improve Controls over Replenishment Requests	X	X	X
4. Reconcile Account Balances	X	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, no formal policy and procedure manual to document the day-to-day operations of the funds exists.

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.

We understand that during fiscal year 2013, the School Department created a formal policy and procedure manual and will start training and implementation during fiscal year 2014.

Town's Response:

The Student Activity Manual was prepared during FY13 and is being implemented in FY14. A copy of the Manual was provided to Melanson Heath & Company.

## **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. Therefore, neither the principal nor the activity advisors are formally approving activity expenditures. The standard form should include the name of the student activity, the vendor name, the amount, the reason for the payment, and 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 deposit amount indicating the breakdown of cash and check, the name of the student activity, and the signed approval by the advisor 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 part of their turnovers to the Town, as well as provide the student activity advisors a receipt. This will provide a more complete audit trail between advisor records and bookkeeper records.
- The availability of sufficient funds for individual activities should be verified prior to disbursements being made. We noted several instances where it appears that sufficient funds were not available when disbursing funds.
- In our review of the student activities, we noted disbursements and receipts for activities that might not be appropriate as student activities. 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. These nonstudent activity related

monies should be deposited with the Town Treasurer, and disbursements should be made through the Town warrant process. In addition, we noted disbursements from activities that do not necessarily qualify as allowable student activity expenditures (classroom supplies and stipends).

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. In instances where receipt and disbursement forms are generally used, the consistency of doing so should be improved. This will help to improve the overall controls of disbursements and receipts.

In addition, we recommend that student activity fund receipts and disbursements be monitored by the School Business Manager regularly to ensure that only funds raised by student activities and disbursements made for student activities are processed within the student activity funds. This will help ensure that none of the student activity accounts are supplanting nonstudent related expenditures.

Town's Response:

The use of standardized disbursement forms and turnover forms are being implemented with the rollout of the Student Activity Manual. Additional communication and monitoring with the business office took place in FY13 and continues into FY14.

**3. Improve Controls over Reimbursement Requests**

Student activity fund bookkeepers' checking account reimbursement requests are not based on actual disbursements. Requests from savings accounts to checking accounts should be based on actual disbursements to replenish checking balances to School Committee set limits.

We recommend that all requests for checking account reimbursement include copies of checks written and/or copies of invoices paid to support the amount requested. This will ensure that the checking accounts are only being reimbursed for expenditures paid and to ensure that School Committee limits are met.

Town's Response:

Supporting documentation will be provided when requesting reimbursements starting in FY14.

**4. 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 student activity fund accounting records at two schools did not reflect the actual disbursements and receipts. Instead, it appears that only activity reported on the bank statements were being recorded into the accounting records. As a result, the School records were incomplete.
- School student activity fund records did not consistently reflect interest earned on the checking and savings accounts. As a result, the activity records did not agree to the reconciled bank statements.
- Individual activity balances maintained by the Student Activity bookkeepers are not reconciled with the activity advisors, nor is any verification of activity performed with the activity advisors.
- The student activity fund records do not reconcile to the total of both checking and savings account bank statements because outstanding checks and deposits in transit are not being taken into consideration as part of the reconciliation process. Each month, bookkeepers should reconcile their overall records to bank statements and to the Town Treasurer's records. This will reduce the risk that errors and irregularities go unnoticed. Proper account reconciliations should consist of reconciling the bank statement balance, net of outstanding checks and deposits in transit, to activity records.

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.

Town's Response:

Treasurer's records have balanced monthly with the Student Activity accounts. In addition, all of the receipts and disbursements were recorded during the year, and the consistency of recording correct dates for activity will be implemented going forward. Further, reconciliations with advisors will be implemented in FY14.