#### CHELMSFORD PUBLIC SCHOOL DISTRICT

# REPORT ON APPLYING AGREED-UPON PROCEDURES IN RELATION TO THE CHELMSFORD HIGH SCHOOL STUDENT ACTIVITY FUNDS

YEAR ENDED DECEMBER 31, 2017

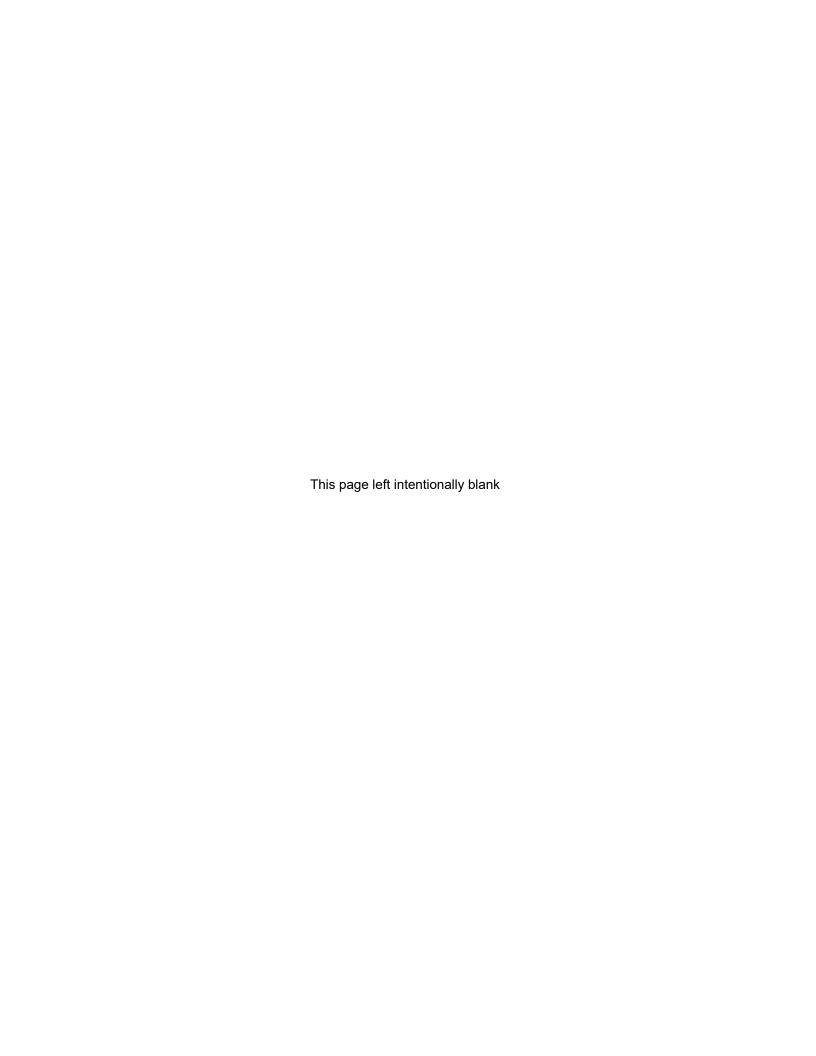
#### CHELMSFORD PUBLIC SCHOOL DISTRICT

## REPORT ON APPLYING AGREED-UPON PROCEDURES IN RELATION TO THE CHELMSFORD HIGH SCHOOL STUDENT ACTIVITY FUNDS

#### **DECEMBER 31, 2017**

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### INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES IN RELATION TO THE CHELMSFORD HIGH SCHOOL STUDENT ACTIVITY FUNDS

To the Honorable School Committee and Management of the Chelmsford Public School District Chelmsford, Massachusetts

We have performed the procedures enumerated in the Massachusetts Department of Elementary and Secondary Education's (DESE) "Agreed-Upon Procedures and Audit Guidelines: Student Activity Funds", which were agreed to by the Chelmsford Public School District (District), solely to assist the District with an evaluation of the systems of internal controls and compliance with the Massachusetts Student Activity Law (Massachusetts General Law [MGL] Chapter 71, Section 47) as related to the Chelmsford High School student activity funds for the period January 1, 2017, through December 31, 2017. The District is responsible for the administration and system of internal controls surrounding 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 those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Massachusetts Department of Elementary and Secondary Education's "Agreed-Upon Procedures and Audit Guidelines: Student Activity Funds" either for the purpose for which this report has been requested or for any other purpose.

We have listed our comments and the corresponding agreed-upon procedures in the accompanying Schedule of Comments.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on cash and student activity balances. 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 use of the Chelmsford Public School District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

June 19, 2018

Powers & Sulli LLC

### Student Activity Schedules

#### SCHEDULE OF STUDENT ACTIVITY BALANCES - CASH BASIS

#### December 31, 2017

#### **ASSETS**

Cash and cash equivalents	* <b>=</b>	252,
UDENT ACTIVITY BALANCES		
Art CLub	. \$	
Athletics		9,
ATWE		1,
Badminton		-
Band		3,
Basketball - Boys		•
Basketball - Girls		1,
Be the Change Project		•
Best Buddies.		
Career Center		
Cheerleading		
Chelmsford Garden Club		
Chorus		2.
Class of 2016.		4,
Class of 2017		11,
Class of 2018.		53,
Class of 2019.		2,
Class of 2020.		_,
Class of 2021		
Cross Country		
Dance Team		
DECA		8,
ECO Club		Ο,
Field Hockey		3,
Field Trips		3,
Fine Arts		3,
Football		4,
Future Teachers Club.		1,
Golf		٠,
Gymnastics		
Ice Hockey - Boys		3,
Ice Hockey - Girls		Ο,
International Relations.		
Key Club		
Lacrosse - Boys.		

(Continued)

#### SCHEDULE OF STUDENT ACTIVITY BALANCES - CASH BASIS

#### December 31, 2017

_acrosse - Girls	\$ 2,578
LIME	 4,187
Lion Yearbook	 102
Melting Pot Club	 100
Mock Trial	 349
National Business HS	 528
National Honors Society	 1,920
Orchestra	 36
PAVE Program	 949
Principal's Account	3,372
Reality Check	 1,483
Resiliency	(96
SAGA	857
Science Organization	(152
Ski Club	314
Ski Team	(167
Soccer - Boys	7,780
Soccer - Girls	8,041
Softball	3,678
Special Olympics	0,070
Speech and Debate Team	1,201
Student Council	1,034
Student Trainers	706
	1,440
Swim Team - Boys	•
Swim Team - Girls	2,570
Tech Ed Student Build	41
Fennis - Boys	416
Tennis - Girls	230
Fheater Guild	54,868
Гhomas Jefferson Forum	199
Track	6,381
Гri-М	132
Jnidentified	 6,549
Voice Student News	 320
Volleyball - Boys	 1,138
/olleyball - Girls	 10,646
Norld Language HS - LFS	1,974
Vrestling	582
Madame Queenan Boutique	452

(Concluded)

#### **SCHEDULE OF ACTIVITIES - CASH BASIS**

#### YEAR ENDED DECEMBER 31, 2017

Receipts: Student activities	\$ <u>574,051</u>
Disbursements:	
Student activities	552,742
Increase (decrease) in student activity balances	21,309
STUDENT ACTIVITY BALANCES AT BEGINNING OF YEAR	231,282
STUDENT ACTIVITY BALANCES AT END OF YEAR	\$ 252,591

#### SCHEDULE OF SUPPORT, RECEIPTS AND DISBURSEMENTS - CASH BASIS

#### YEAR ENDED DECEMBER 31, 2017

	Beginning Balances	. <u>-</u>	Receipts	=	Disbursments	 Receipts Over (Under) Disbursements	_	Ending Balances
Art CLub	\$ 54	\$	-	\$	-	\$ -	\$	54
Athletics	(454)		23,060		12,724	10,336		9,882
ATWE	- ′		38,862		37,654	1,208		1,208
Badminton	-		240		239	1		1
Band	487		17,497		14,911	2,586		3,073
Basketball - Boys	50		-		-	-		50
Basketball - Girls	1,965		3,391		3,596	(205)		1,760
Be the Change Project	1		-		-	-		1
Best Buddies	345		600		470	130		475
Career Center	738		1,808		1,725	83		821
Cheerleading	(570)		1,195		-	1,195		625
Chelmsford Garden Club	25		-		-	-		25
Chorus	4,668		6,891		9,318	(2,427)		2,241
Class of 2014	6,127		-		6,127	(6,127)		_
Class of 2016	16,755		-		12,000	(12,000)		4,755
Class of 2017	42,897		46,794		78,636	(31,842)		11,055
Class of 2018	3,521		60,602		10,768	49,834		53,355
Class of 2019	1,603		2,959		1,669	1,290		2,893
Class of 2020	29		3,724		3,617	107		136
Class of 2021	-		1,788		1,262	526		526
Cross Country	661		150		-	150		811
Dance Team	829		-		-	-		829
DECA	8,520		38,046		38,017	29		8,549
ECO Club	72		845		46	799		871
Field Hockey	1,511		6,435		4,791	1,644		3,155
Field Trips	(1,163)		24,982		20,325	4,657		3,494
Fine Arts	2,056		2,564		750	1,814		3,870
Football	7,279		39,505		42,357	(2,852)		4,427
Future Teachers Club	1,761		-		-	-		1,761
Golf	2,575		-		2,128	(2,128)		447
Gymnastics	77		-		-	-		77
Ice Hockey - Boys	1,250		9,673		7,867	1,806		3,056
Ice Hockey - Girls	2,255		-		1,716	(1,716)		539
International Relations	533		-		-			533
Key Club	61		685		610	75		136
Lacrosse - Boys	1,670		1,815		3,124	(1,309)		361

(Continued)

#### SCHEDULE OF SUPPORT, RECEIPTS AND DISBURSEMENTS - CASH BASIS

#### YEAR ENDED DECEMBER 31, 2017

	Beginning Balances	Receipts	Disbursments	Receipts Over (Under) Disbursements	Ending Balances
Lacrosse - Girls\$	2,038	2,961	\$ 2,421 \$	540 \$	2,578
LIME	6,838	1,960	4,611	(2,651)	4,187
Lion Yearbook	21,333	11,775	33,006	(21,231)	102
Melting Pot Club	40	98	38	60	100
Mock Trial	596	144	391	(247)	349
National Business HS	483	168	123	` 45 <sup>°</sup>	528
National Honors Society	4,497	1,418	3,995	(2,577)	1,920
New Bank Transfer	-	25,000	25,000	-	-
Orchestra	4,536	-	4,500	(4,500)	36
PAVE Program	1,128	749	928	(179)	949
Principal's Account	891	3,944	1,463	2,481	3,372
Reality Check	1,483	352	352	-	1,483
Resiliency	-	4,109	4,205	(96)	(96)
SAGA	962	-	105	(105)	857
Science Organization	(152)	-	-	-	(152)
Ski Club	887	1,125	1,698	(573)	314
Ski Team	-	2,609	2,776	(167)	(167)
Soccer - Boys	12,221	6,984	11,425	(4,441)	7,780
Soccer - Girls	2,709	8,976	3,644	5,332	8,041
Softball	6,300	13,251	15,873	(2,622)	3,678
Special Olympics	1	-	-		1
Speech and Debate Team	1,538	80	417	(337)	1,201
Student Council	525	649	140	509	1,034
Student Trainers	771	200	265	(65)	706
Swim Team - Boys	2,624	5,057	6,241	(1,184)	1,440
Swim Team - Girls	2,105	5,695	5,230	465	2,570
Tech Ed Student Build	41	-	-	-	41
Tennis - Boys	(624)	1,040	-	1,040	416
Tennis - Girls	134	2,368	2,272	96	230
Theater Guild	35,933	80,627	61,692	18,935	54,868
Thomas Jefferson Forum	243	381	425	(44)	199
Track	(765)	19,880	12,734	7,146	6,381
Tri-M	232	-	100	(100)	132
Unidentified	2,819	3,730	-	3,730	6,549
Voice Student News	320	-	-	-	320
Volleyball - Boys	211	7,717	6,790	927	1,138
Volleyball - Girls	6,860	19,315	15,529	3,786	10,646
World Language HS - LFS	12	1,962	-	1,962	1,974
Wrestling	3,324	5,164	7,906	(2,742)	582
Madame Queenan Boutique		452		452	452
otals\$	231,282	574,051	\$ 552,742 \$	21,309 \$	252,591

(Concluded)

#### **SECTION I – ADMINISTRATION**

#### Establishment of Policies and Procedures Voted Upon by School Committee

#### **DESE** Guideline

The School Committee should adopt policies and procedures for the creation, operation, control and public reporting of student activity accounts. These policies should be reviewed periodically and amended when necessary. The accounts by statute are the responsibility of the school principal and thus it is the direct responsibility of the principal to ensure that the statute, School Committee policies, and administrative procedures are fully adhered to in all aspects of operating student activity accounts.

#### Agreed Upon Procedure

- 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.
- 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 Massachusetts General Law (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.

#### Comment

A complete set of formal policies and procedures have not been voted upon by School Committee since 2010, and these formal policies and procedures are not the standard set that are currently being used by the individuals handling the student activity monies. The District has established informal policies and procedures that are currently being followed, however School Committee has not voted upon these policies and procedures, and they do not completely satisfy the requirements of the Department of Elementary and Secondary Education (DESE).

We recommend that the School Department expand their current informal policies and procedures to include the following as well as any additional requirements set forth by the DESE, and that these policies and procedures be voted upon by the School Committee:

- The consideration of what classifies an inactive account and how to dispose of these, in addition to how to handle deficit balances and the closing of class accounts after graduation.
- Policies on proper segregation of duties, approval of student activity accounts, timeliness of audits, proper reconciliation procedures, and the process to replenish funds.
- Policies regarding bonding employees for faithful performance.
- Polices regarding the internal control of the receipts and disbursement processes.

#### **Approval of Student Activity Accounts**

#### **DESE** Guideline

Although not required, it is good practice for the School Committee to approve each student activity annually. This should be done before the start of the school year unless activities are new and created during the year. The approval should include specific funding sources and object/missions for each activity.

#### Agreed Upon Procedure

Obtain a listing of each active student activity and inquire if each 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.

#### Comment

We were not provided with evidence that the School Committee votes on established student activity accounts. We recommend that the School Committee vote on student activity accounts to mitigate the risk of the School establishing an improper student activity account. We also recommend that the School Committee establish a formal policy regarding the approval process for student activities annually or when first established.

#### **Appropriateness of Student Activity Accounts**

#### **DESE** Guideline

A student activity account may be used for funds raised by student organizations that will be expended by those students for their benefit. Funds raised or donated that are governed by laws other than the student activity laws cannot be deposited to a student activity account. In addition, funds belonging to staff through sunshine funds or vending machines or other activities not related to the students may not be deposited in the student activity account.

#### Agreed Upon Procedure

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.

#### Comments

Per our review of the student activity listing, we noted one account that is not an appropriate student activity account. This account is "unidentified" and per our discussions with the School personnel, this account acts as a temporary holding category that is sometimes used while balancing to the agency bank statement. There may be slight timing issues with deposits showing on the bank statement and the documentation received from teachers/advisors/coaches not being entered into QuickBooks software by club. This account is not appropriate and should be closed out in accordance with an established School Committee policy. Receipts and disbursements should be recorded to the individual student activity equity accounts directly, and any timing differences that exist between QuickBooks postings and bank postings should only be notated on the monthly bank reconciliations.

#### SECTION II. – STEWARDSHIP AND CUSTODIAL RESPONSIBILITY

#### **Checking Account Balance in Excess of Maximum**

#### **DESE** Guideline

The Principal may request replenishment of the checking account to the maximum established balance by presentation of a fund request to the Town Treasurer, accompanied by invoices or other support for disbursements previously made from the checking account.

#### Agreed Upon Procedures

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

#### Comment

School Committee did vote on a maximum balance of the checking account, and based on our review of the bank statements and the School Committee policy, we noted that the bank balances exceeded the maximum balances authorized in the School Committee vote for 8 out of 12 months. We recommend that procedures be implemented to comply with the School Committee policy.

#### **Annual Audits**

#### **DESE** Guideline

There shall be an annual audit of the student activity funds which shall be conducted in accordance with procedures as agreed upon between the School Committee and the auditor based upon guidelines issued by the DESE. In addition, DESE recommends the audit be performed by an outside independent audit firm once every three years for those with activities greater than \$25,000. In the intervening years, the audit may be conducted by a responsible individual independent of the student activities, with the approval of School Committee. Such an individual could be the Town Accountant, who already has audit powers under MGL Chapter 41 the Treasurer, or the School Business Manager, if the School Business Manager is not involved in the administration or transactional processing of the student activities.

#### Agreed Upon Procedure

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

#### Comment

The High School has not had an independent review of their Student Activities since 2013. Furthermore, the School Committee has not established policies and procedures regarding the timeliness of independent reviews and the process of conducting internal audits annually. We recommend that the School Committee establish policies and procedures regarding internal and external audits and that the School develop procedures to ensure compliance with School Committee policies.

#### SECTION III. - GENERAL OPERATING PROCEDURES

#### **Bank Reconciliations**

#### **DESE** Guideline

Bank reconciliations must be done at least quarterly (preferably monthly). A copy of the bank reconciliation should be sent to the Assistant Superintendent of Business Affairs, School Committee, student officers, and the Town Treasurer. Sign-offs must be performed by the preparers and reviewers.

#### Agreed Upon Procedures

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 signoffs by both preparer and reviewer are included in the process.

#### Comment

Cash reconciliations are performed and prepared monthly, however to reconcile cash, the agency account and checking account must be added together to reconcile. Therefore, cash in total reconciles, but individually between the two accounts they do not reconcile. Although cash is accounted for and reconciled in total, reconciling the agency account separate from the checking account is important as the functionality of student activity operates with these two accounts separate. In addition, the Town only records the agency account on their books; therefore accuracy between the two different bank accounts is important. Furthermore, these reconciliations did not contain sign offs by both the preparer and the reviewer. We recommend that the School Committee establish policies and procedures regarding reconciling the cash in the student activity accounts and that the School department establish procedures to ensure compliance with School Committee policy.

#### **Reconciliation of Subsidiary Accounts to the Control Account**

#### **DESE Guideline**

The DESE makes recommendations to maintain minimum general operating procedures in the administration of student activities including:

- 1. The School Principal shall maintain individual subsidiary accounts by program within the student activity control account. This will allow proper matching of program expenditures against revenues that are collected for that purpose as well as allow for the efficient determination of the program balances.
- 2. Aggregate subsidiary account balances should be reconciled no less than quarterly to the total control account.
- 3. Total control account balances should be reconciled no less than quarterly to the aggregate total of the School Principal's reconciled checking account and the agency account maintained by the Treasurer.

#### Agreed Upon Procedures

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.

#### Comment

A year end reconciliation was performed. However, we noted no interim reconciliations were conducted. We recommend that a reconciliation between these two ledgers for the agency account be performed at least quarterly per DESE recommendation.

#### SECTION IV. - REVENUE, RECEIPTS AND DEPOSITS

#### **Revenue Internal Control Process**

#### **Develop Revenue, Receipts and Deposit Policies and Procedures**

#### **DESE** Guideline

The receipts process is most susceptible to theft and abuse since cash collections for student activities are normally decentralized, and individuals collecting cash are often young students inexperienced with cash handling.

The DESE recommends strict procedures for control of all receipts that should include the following controls:

- Receipts generated from the sale of a high volume product such as the yearbook or admission to a highly attended event like the prom or other dance or ball, should be controlled through the use of pre-numbered receipts.
- A reconciliation process should be in place whereby pre-numbered receipts, tickets, attendance logs or
  other revenue source documents are reconciled to cash collected for particular activities prior to making a
  deposit in the bank. In the situation where it is impractical to use source documents, two people should
  count the cash and sign off on the process.
- The cash collection and deposit function should be segregated from the accounting and recording function.
- All student organizations receiving monies from any source should turn over such money to the School Principal or the Principal's designee within twenty-four hours from receipt of such funds.
- Any money not deposited on the same day must kept overnight in a locked vault, safe, or other secure locked area.
- All money turned over to the school by a student organization shall be accompanied by a school deposit
  slip stating the source of the monies, the amount being deposited, and signed by the person turning over
  the money to the office. If turned in by a student, this should be co-signed by the group advisor or
  teacher, who should also keep a duplicate of the deposit slip.
- The School Principal or the Principal's designee should deposit into the agency account all monies
  received from student activity organizations at a minimum on a weekly basis. Written evidence of receipt
  should be obtained from the Town Treasurer.
- An ongoing philosophy of the importance of handling money with care, honestly, and accuracy should be conveyed to the students, advisors and teachers through roundtable meetings and educational trainings.
- Money collected for purposes other than student activities shall not be deposited into the student activity
  account and must be handled by MGL that governs its administration.
- Any monies paid to the school or to a student activity as commissions or revenue sharing belonging to the students and shall be deposited into the student activity agency accounts. Such funds shall be expended for the benefit of the students in accordance with School Committee policies and may not be spent to benefit the staff or to supplement the school budget.

A policy must be adopted by the School Committee that specifies how any other undesignated receipts
will be distributed and such receipts must be deposited into the student activity agency account. No
student activity revenues will be deposited into the School Principal's checking account.

#### Agreed Upon Procedures

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.

#### Comment

The School Department has an established set of procedures regarding the receipt and deposit of student activity money, which is provided, in writing, to the advisors and principals at the various schools within the district. These procedures are reasonable and include some of the recommendations established by the DESE. However, these policies and procedures are not formally adopted by School Committee, and they do not encompass all of the procedures recommended by DESE. We recommend that the School Committee formally adopt policies and procedures related to the receipts process of student activity monies, and we recommend that the policies and procedures adopted comply with DESE guidelines.

#### **School Deposits**

#### **DESE** Guideline

The receipts process is most susceptible to theft and abuse since cash collections for student activities are normally decentralized, and individuals collecting cash are often young students inexperienced with cash handling.

#### Agreed Upon Procedures

Make a selection of receipts to test. This sample population should be a representative sample of receipts that are made from the school deposit slips. Upon determination of the samples to be tested, perform the following procedures on each sample:

- 1. Is the receipt amount included on the deposit slip?
- 2. Determine if pre-numbered receipts are used.
- 3. Determine if funds are remitted within twenty-four hours or within the next business day (if a weekend day) to the principal's office.

#### Comments

During our testing, we noted that bank deposit slips that detail the checks being turned over to the bank are not retained with the receipt documentation maintained at the District office.

Pre-numbered receipts are not being utilized and reconciled at functions that would benefit from this control. Also, in the event where pre-numbered receipts are not feasible, there was no evidence provided to ensure that two people collected, counted, and turned over the funds to the principal's office. This process of two people collecting and counting the funds received should be detailed on a separate standard form that is signed off by those two individuals to attest to the monies collected.

As pre-numbered receipts and/or standard forms documenting the individuals collecting the funds and the information regarding the funds collected were not maintained with the receipt documentation, we were unable to determine the timing between when the monies were actually collected by the students/advisors, and when they were turned over to the principal's office for deposit.

#### <u>SECTION V. – PURCHASING AND DISBURSEMENTS</u>

#### **Develop Purchasing and Disbursement Policies and Procedures**

#### **DESE Guideline**

MGL 71, Section 47 gives the responsibility for the establishment of student activity accounts to the School Committee and the enforcement of School Committee policies to the School Principals; such is the case with purchasing and disbursements. It is important that disbursement policies are sound, controlled, and designed to benefit only the students.

In order to accomplish this goal, the DESE recommends the following at a minimum are in place:

- Advance of funds should be avoided whenever possible. If it is anticipated that an advance is necessary, prior written approval must be obtained from the School Principal.
- Equipment and supplies purchased with student activity funds are the property of the student activity
  groups and not any individual student or other organization. Equipment and supplies purchased with
  student activity funds should be used exclusively for co-curricular student activities and not for the general
  use of School operations.
- Student advisors, or others involved in purchasing, many not benefit personally from any purchasing either directly or indirectly.
- Student activity funds many not be used for any purpose unrelated to student activities or for the benefit of any staff person.
- All disbursements should be made by check.
- The policy adopted by the School Committee should specify the method or methods to be used to pay for expenses, including how to handle the reimbursement of funds when personal credit cards are used.
   (This is important because of the potential "reward" benefits the credit card holder may accrue).
- Disbursements exceeding \$600 in aggregate to any one individual or entity must be reviewed to determine if a Form 1099-MISC. is required. This process should be coordinated with the Town Accountant or Treasurer to ensure compliance.
- Checks may not be written to cash.
- Checks shall be signed only after they are completely prepared.
- Check signature authority shall be in accordance with School Committee policy. Consideration should be given to require two signatures for individual disbursements made over a certain dollar amount.
- Individuals responsible for writing checks should be segregated from the record keeping and reconciliation process; or assurances should be made that other mitigating controls are in place such as a

monthly review of all activity by an independent responsible individual.

- All disbursements are required to have adequate external supporting documentation such as a vendor invoice, bill contract or receipt.
- A record of all checks will be maintained, including voided checks. Numerical order of checks should be retained.
- Checkbook reconciliations should be performed monthly.
- A standardized form should accompany all requests for check issuance.
- The standardized form shall be accompanied by the supporting documentation and must state to whom
  the check shall be payable, the reason for the payment, the amount of the check, the student activity
  account to be charged, and the approval signature of the advisor or student officer.
- All requests for replenishment to the School Principal imprest checking account must be adequately supported and processed through the Town accounts payable warrant process.

#### Agreed Upon Procedure

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.

#### Comment

We noted that there are informal policies and procedures in place and that these are provided to the appropriate individuals in writing. These informal policies and procedures are reasonable and cover some of the recommended policies and procedures established by the DESE, however these should be formally adopted by School Committee, and should be expanded to ensure that the School complies with DESE guidelines.

#### SECTION VI. - CLASS, INACTIVE ACCOUNTS AND DEFICITS

#### **Graduated Classes**

#### **DESE** Guideline

It is ESE's opinion that, because graduates are no longer students, monies for student class grades that have graduated cannot be legally maintained in student activity accounts. ESE recommends that the School Committee approve a policy that specifies how these funds shall be disposed of upon a class' graduation. Notification of the manner of disposition should be given to the class officers and all students who contribute to the class accounts. Such policy should specify how long the class account should remain active after graduation (i.e. 90 to 180 days after graduation to permit the school to pass all class obligations). After the waiting period, the policy should specify if and how the remaining funds will be transferred to the graduates, if the funds will revert to other student activity groups (such as the incoming senior class), or other specific disposition instructions.

#### Agreed Upon Procedures

- 1. Through review of School Committee policies, determine the policy for disposition of class accounts.
- 2. Obtain a listing of all individual student activity accounts and scan the listing for class accounts for students who have already graduated.
- 3. Determine if disposition is in accordance with School Committee policies.

#### Comment

We noted that throughout 2017, there was activity for the Class of 2014, three years after graduating. We recommend that the School Committee adopt formal policies and procedures regarding class accounts in compliance with DESE guidelines, and we recommend that the school establish procedures to ensure compliance with these established policies.

#### **Inactive Accounts**

#### **DESE Guideline**

Any student activity inactive for a period of three (3) years or more, and for which there has been no receipts or disbursements recorded on their behalf, shall require the following actions in order to be closed:

- Written notification by the advisor or student officer to the School Principal or other authorized administrator that the activity will cease to be a viable account. If an advisor or student officer is not available, such discontinuance shall be by vote of the School Committee.
- All assets of the recognized student activity shall be identified and stated in writing
- Any disposition of assets of an inactive recognized student activity shall be determined by the School Committee, but in no case shall the disposition benefit specific individuals.
- Such policy will be communicated to the students who contribute to the account, when possible.

#### Agreed Upon Procedures

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

#### Comment

Per review of the activity within the student activity accounts, we noted that there were several accounts that have not had any financial activity for the past three years. When we inquired with school personnel, we noted that these activities are active, as in the clubs/groups meet and the advisor is paid a stipend out of the General Fund budget, the student activity just does not have any financial activity and does not do any fundraising or have any disbursements. With no student monies flowing through the account, this account should be considered inactive, and therefore should be closed out. Furthermore, the School Committee has not established an up to date formal policy regarding the closing of inactive student activity accounts. We recommend that polices be established to include procedures related to inactive accounts, and that inactive accounts be closed in compliance with these policies.

#### **School Committee Policies for Deficit balances**

#### **DESE** Guideline

Individual activity accounts should not be permitted to be in a deficit position because such a position becomes a liability to other individual activities or possibly to future classes. DESE recommends that the School Committee develop a policy for remedial action whenever a deficit not resulting from timing exists.

Possible remedial action could include funding from the following sources:

- School Committee appropriation;
- Accumulated investment earnings;
- Surpluses of inactive accounts;
- Gift from an activity with a surplus balance through approval of the advisor; or
- Any other legal means.

#### Agreed Upon Procedures

- 1. Through review of School Committee policies, determine the policy for remediation of individual student activity deficit balances and its reasonableness.
- 2. Obtain listing of all individually listed student activity accounts. Scan listing for accounts and determine if any have deficit balances.
- 3. Determine if disposition of deficit balances is in accordance with School Committee policies.

#### Comment

The School Committee has not established an up to date policy addressing the remediation of individual student activity deficit balances. Furthermore there were three student activity accounts that had deficit balances at year-end. We recommend that School Committee establish policies related to deficit balances and that procedures be implemented to ensure that deficit balances are mitigated.

#### SECTION VII. - STUDENT TRAVEL

#### **Enhance Student Travel Policy and Authorization Forms**

#### **DESE** Guideline

The School Committee should adopt policies and procedures for student travel related to student activities (i.e. field trips, overnight, and abroad). The policy should address how travel is to be authorized, the method or methods of paying travel expenditures, and final accountability for all travel costs associated with a trip. The following should be included in the travel policy:

• A request for travel authorization and funding must be prepared well in advance of the time the funds are needed.

- The request should be submitted by the advisor or other person responsible for the activity trip; furthermore, the request should be approved by the School Principal in accordance with policy established by the School Committee.
- Travel Authorization Forms should contain at least the following: date of request, date funds needed, destination and purpose of trip, estimated departure and return times, number of persons traveling, estimate of cash required for tips and other various sundry items, estimate of expenses, signature of person requesting authorization, signature of person authorizing the request, check number and date of payment, and signature of the School Principal.
- The approved travel authorizations are to be submitted to the School Principal or their designee to ascertain the sufficient funds are available.
- Approved Travel Authorization Forms should remain in a pending file until final accountability for the trip has been completed.
- The policy adopted by the School Committee should specify the method or methods to be used to pay travel expenses, including how to handle the reimbursement of funds when personal credit cards are used.
- A statement of final accountability must be submitted by the authorized trip sponsor promptly after the completion of the trip. Final accountability statements should include at least the following: date; notation of advance funds received (if applicable amount, date, and check number); complete listing of itemized expenditures paid together with documentary evidence of payment; totals of cash or checks expended; notation and totals of credit card or open account expenses (if applicable); the amount returned to the student activities if advances received exceed documented expenditures; the amount of additional reimbursement requested if travel expenses incurred exceed travel advances received; signature of person completing final accountability statement and signature of School Principal or their designee to indicate that there has been an acceptable final accountability.

#### Agreed Upon Procedure

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

#### Comment

We noted that the School's general and informal student activity procedures address student travel and are in compliance with DESE policies and procedures, however these should be formally adopted by School Committee. Furthermore, the supporting documentation for student travel should be included with the disbursement documentation maintained at the school business office.

In adopting formal School Committee policies and procedures, we recommend that they be expanded to specify the method or methods to be used to pay travel expenses, including how to handle the reimbursement of funds when personal credit cards are used. This is important because of the potential "reward" benefits the credit card holder may accrue. We recommend that the School Committee establish formal travel policies to cap the spending limit on purchases with personal credit cards to \$1,000, unless extenuating circumstances and prior approval of the Business Manager is received.