

CHELMSFORD PUBLIC SCHOOL DISTRICT

***REPORT ON APPLYING AGREED-UPON PROCEDURES
IN RELATION TO THE MCCARTHY MIDDLE SCHOOL
STUDENT ACTIVITY FUNDS***

YEAR ENDED DECEMBER 31, 2018

CHELMSFORD PUBLIC SCHOOL DISTRICT

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STUDENT ACTIVITY FUNDS

DECEMBER 31, 2018

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES IN RELATION TO THE MCCARTHY MIDDLE 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 McCarthy Middle School student activity funds for the period January 1, 2018, through December 31, 2018. 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.

July 30, 2019

Student Activity Schedules

SCHEDULE OF STUDENT ACTIVITY BALANCES - CASH BASIS

December 31, 2018

ASSETS

Cash and cash equivalents..... \$ 50,518

STUDENT ACTIVITY BALANCES

Band..... \$ 6,809
Chorus..... 1,615
Cross Country..... 1,120
Drama..... 19,634
General Student Body Fund - Agency Account Interest..... 390
General Student Body Fund - Principal Account Interest..... 112
General Student Body Fund - Other..... 7,731
Grade 5 Field Trips..... 3,517
Grade 6 Field Trips..... 1
Grade 7 Field Trips..... 3,195
Orchestra..... 950
Project 3000..... 1,227
School Store..... 405
Student Council 2,669
Year Book..... 1,143

TOTAL STUDENT ACTIVITY BALANCES..... \$ 50,518

SCHEDULE OF ACTIVITIES - CASH BASIS

YEAR ENDED DECEMBER 31, 2018

Receipts:	
Student activities.....	\$ <u>87,478</u>
Disbursements:	
Student activities.....	<u>89,518</u>
Increase (decrease) in student activity balances.....	(2,040)
STUDENT ACTIVITY BALANCES AT BEGINNING OF YEAR.....	<u>52,558</u>
STUDENT ACTIVITY BALANCES AT END OF YEAR.....	\$ <u><u>50,518</u></u>

SCHEDULE OF SUPPORT, RECEIPTS AND DISBURSEMENTS - CASH BASIS

YEAR ENDED DECEMBER 31, 2018

	Beginning Balances	Receipts	Disbursements	Transfers In (Out)	Receipts Over (Under) Disbursements	Ending Balances
Band.....	\$ 10,828	\$ 14,950	\$ 18,969	\$ -	\$ (4,019)	\$ 6,809
Chorus.....	1,245	1,474	1,104	-	370	1,615
Cross Country.....	19	936	1,332	1,497	1,101	1,120
Drama.....	20,234	10,948	11,548	-	(600)	19,634
General Student Body Fund - Agency Interest.....	292	98	-	-	98	390
General Student Body Fund - Principal Interest....	59	53	-	-	53	112
General Student Body Fund - Other.....	12,173	5,743	10,185	-	(4,442)	7,731
Grade 5 Field Trips.....	159	9,686	6,328	-	3,358	3,517
Grade 6 Field Trips.....	(99)	2,823	2,723	-	100	1
Grade 7 Field Trips.....	2,550	7,553	6,908	-	645	3,195
Grade 8 Field Trips.....	(121)	2,344	2,223	-	121	-
Orchestra.....	1,619	5,749	6,418	-	(669)	950
Project 3000.....	(1,227)	4,229	1,775	-	2,454	1,227
Quebec.....	1,222	-	1,222	-	(1,222)	-
School Store.....	405	-	-	-	-	405
Spring Track.....	1,949	139	591	(1,497)	(1,949)	-
Student Council	(396)	11,975	8,910	-	3,065	2,669
Year Book.....	1,647	8,778	9,282	-	(504)	1,143
Totals.....	\$ 52,558	87,478	\$ 89,518	\$ -	\$ (2,040)	\$ 50,518

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 10 out of 12 months.

It was noted that in late 2018 this process was updated by the School's business office and that procedures are now in place to comply 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 between the School's Quick Book file and the bank statements were not documented between January 2018 and August 2018. In September 2018, the reconciliation process was updated to be completed by the District's school business office and these reconciliations were performed in compliance with established policies and procedures and DESE guidelines.

Standard Deposit and Disbursement FormsDESE Guideline

Standard forms should be used for deposits and disbursements whenever possible.

Agreed Upon Procedure

While gaining an understanding of the internal control process in place, determine if standard forms for deposits and disbursements are used.

Comment

We reviewed a sample of deposit and disbursement transactions and noted that from January 2018 through September 2018, the School was not utilizing standard forms. In October 2018, the School updated their established policies and procedures, and those policies and procedures were acknowledged and voted upon by School Committee. Since October 2018, these forms were being utilized for all deposit and disbursement transactions.

SECTION IV. – REVENUE, RECEIPTS AND DEPOSITS**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. Determine if pre-numbered receipts are used.
2. Determine if funds are remitted within twenty-four hours or within the next business day (if a weekend day) to the principal's office.
3. Determine if the funds were remitted by the principal's office to the Town Treasurer's agency account within one week.
4. Is the receipt accompanied by a school deposit slip?

Comments

We noted that all transactions selected for testing did not have pre-numbered receipts or tickets, student listings, and/or any other supporting documentation that indicated that who collected the funds. Because information regarding the funds collected was not maintained, we were unable to determine the timing between when the monies were collected and when they were turned over to the principal's office for deposit.

Out of the 25 receipt transactions that were selected for testing 23 did not have a standard deposit form and, as

such we were unable to determine if the funds were deposited within one week or when they were submitted to the Principal's office.

We noted that in October 2018, the District updated their policies and procedures and increased enforcement of any existing policies and procedures. This was evident in our testing however, for transactions processed at the end of the year, we noted that the District did not maintain pre-numbered receipts and/or another form of documentation indicating when the funds were received by the advisor. We recommend that the District implement procedures that provide an audit trail for the funds collected by the advisor prior to turning the funds over to the Principal's office.

SECTION V. – PURCHASING AND DISBURSEMENTS

School Disbursements

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.

Agreed Upon Procedure

Make a selection of disbursements to test. This sample population should be a representative sample of disbursements selected from the school check register. Upon determination of the samples to be testing, perform the following procedures on each sample:

1. Is the disbursement accompanied by a standard request form for disbursement signed by the advisor or student treasurer?
2. Was the disbursement approved by the Principal? How was the Principal's approval evidenced?
3. Is the disbursement charged against the prior student activity account?

Comment

An invoice selected for testing indicated that the District was overdue in paying numerous other invoices to the vendor.

There was a transaction recorded to reimburse a teacher for a purchase made from a vendor, where the vendor could have been paid directly out of the student activity account. We also noted that there were many reimbursements processed, and that there is no standard form to document a formal request for reimbursement. We recommend that the School mitigate purchases with personal credit cards. If reimbursement could not be avoided, we recommend that the employee timely submit a formal request for reimbursement in addition to the itemized receipts. We recommend that for any reimbursements that will total over \$1,000, prior approval of the Building Principal be received.

Of the 25 transactions we selected for testing, 21 did not have a standard disbursement form and therefore there was no evidence that the disbursement was approved by the Principal prior to purchase. We noted that in October 2018, the District updated their policies and procedures and increased enforcement of any existing policies and procedures. This was evident in our testing, and disbursements made at the end of the calendar year contained the completed support.

SECTION VII. – STUDENT TRAVEL**Student Travel Documentation**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.

Agreed Upon Procedure

Test a sample of travel expenditures and determine that the travel is properly authorized, that there is a final accountability for all travel and there is documentation supporting all disbursements. Additionally, determine that travel expenditures are in accordance with School Committee policies.

Comment

In October 2018, the School formally adopted policies and procedures regarding student travel, and those policies and procedures follow DESE guidelines. Prior to October 2018, student travel forms were not always completed. A section titled "Trip Cost/Funding" was the part of the forms that were often left incomplete and not signed. Effective October 2018, these forms are completed and submitted to the School Business Office where they are reviewed for completeness and included with the related disbursement documentation.