



## **WACHUSETT REGIONAL SCHOOL DISTRICT**

Management Letter  
For the Year Ended June 30, 2020

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To the School Committee  
Wachusett Regional School District

In planning and performing our audit of the basic financial statements of the Wachusett Regional School District (the District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine



The District's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, including those overseeing the financial reporting process, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*Melanson*

Greenfield, Massachusetts  
March 26, 2021



## **CURRENT YEAR ISSUES:**

### **1. Improve Controls Over the Vendor Disbursement Process**

During our review of the vendor disbursement process in fiscal year 2020, we noted the following areas where improvements can be made:

- Eight of the forty invoices reviewed did not have documented approval on the invoice. A majority of the invoices were for typical monthly bills such as electric and telephone.

We recommend that all invoices be approved by an authorized individual, who is not involved in the purchasing process, prior to payment.

- A report detailing changes to the vendor master file is not being generated and reviewed periodically by the appropriate supervisory personnel.

We recommend that a process be established to review changes to the vendor master file on a periodic basis to limit the risk of fictitious or unauthorized vendors being established which would facilitate unauthorized cash disbursements.

- Employee user control access to the various modules the accounting system is not reviewed periodically to ensure that appropriate levels of access are granted.

A process should be established to review employee access in the accounting system to ensure employees only have access to necessary modules.

#### ***District Response:***

The District has instituted a practice of reviewing invoices. The Director of Business and Finance prepares a listing of issues to accounts payable staff before the warrant is signed and moved on to members of Business and Finance for final review and approval.

The District will review the vendor master file on a quarterly basis.

The Director of Business and Finance periodically reviews this module with staff. Any changes that are made are done so with his prior approval.

### **2. Improve Controls Over the Payroll Disbursement Process**

During our review of the payroll disbursement process in fiscal year 2020, we noted the following areas where improvements can be made:

- Currently, payroll checks are being distributed by the payroll clerk.

We recommend that payroll checks be distributed by someone other than the payroll clerk to ensure no unauthorized or duplicate disbursements are being made and that payroll is being disbursed to authorized parties.

- Currently, payroll registers are not reviewed to ensure terminated employees are not paid after their departure.

We recommend a process be established to review payroll registers to ensure terminated employee are not being paid after their departure.

***District Response:***

Payroll checks will be distributed by the Administrative Assistant in the Business Office. She has no responsibility for payroll processes. The District hired an accounting clerk in January 2021 who will be responsible for this task.

**3. Consider Reauthorizing OPEB Trust Fund and Adopt an OPEB Declaration of Trust**

The District established an OPEB Trust Fund in fiscal year 2015. At that time, the only legislation available to establish such a fund was Massachusetts General Law (MGL) Chapter 32B Section 20, which offered very little guidance in terms of asset management, fiduciary responsibility and allowable expenses. Legislation was passed (MGL Chapter 218 Section 15) that significantly expanded and clarified the responsibilities of governmental entities in maintaining OPEB trust funds, including providing investment options and a custodial management framework.

While previously established OPEB trust funds may continue to exist, in order to operate under the provisions of the new law, the statute must be accepted by the governing body. We recommend the District review the new legislation and consider reauthorizing the OPEB Trust Fund by formally accepting the updated MGL Chapter 32B, Section 20 (passed under Chapter 218 Section 15 of the Acts of 2016), which significantly expanded and clarified the responsibilities of governmental entities in maintaining OPEB trust funds, including clarifying the criteria for accessing the fund's assets, providing investment options, and a custodial management framework.

The updated legislation noted above requires that the governing body of the government designate a trustee or board of trustees, which shall have general supervision of the management and investment of the OPEB Trust Fund, and that the trustee or board of trustees adopt a "declaration of trust" document defining the duties and obligations of the trustee or board of trustees. The declaration of trust and any later amendments must be filed with the chief executive officer and clerk of the government.

We also recommend the District adopt an OPEB Declaration of Trust to formally document the duties and responsibilities of the OPEB Fund trustees.

***District Response:***

The District will bring this recommendation forward to both the Audit Advisory Board and the Business and Finance Subcommittee for review, discussion, and recommended approval to the full School Committee.

**4. Other Issues**

The following section of the management letter identified other recommendations for improvements which are reported in a summarized manner.

***Update Federal Grants Manual***

While reviewing the District's EDGAR (policy and procedure) manual, we found that a few of the dollar thresholds related to procurement were outdated.

We recommend the District consider removing specific dollar amounts from the manual and simply reference the Federal terminology related to procurement dollar thresholds (i.e. "micro-purchase" rather than \$3,500). If dollar thresholds continue to be used, the District should update them to the current thresholds and monitor them in the future to ensure they remain valid.

***District Response:***

The District will update the thresholds so that staff are versed in them as they manage their respective grant.

***Establish an Internal Audit Function***

The District should consider establishing an internal audit function for departmental receipts to properly monitor operations and assess the risk of misstatement in District departments caused by errors, irregularities or omissions.

This will result in improved oversight and could reduce the risk of errors or irregularities from occurring and going undetected.

***District Response:***

The District will identify an individual within the Business Office to perform this task.

***Periodically send letters to local banks***

Occasionally, quasi-governmental or nonprofit entities (school scholarship or volunteer organizations) will use a District's identification number (EIN) to establish bank accounts without the knowledge or approval of the District. The existence of these accounts increases the risk that inappropriate activity is being conducted under the School District's EIN umbrella.

While we are not aware of any such accounts, we recommend the District take steps to determine if these types of accounts exist. We therefore recommend the Treasurer periodically request local banks to report all bank accounts established using the District's EIN. Any accounts unduly authorized should be reviewed for inappropriate transactions and either formally authorized or closed.

***District Response:***

The District will review with the Treasurer and consider establishing a process to send letters to local banks.

**PRIOR YEAR ISSUES:**

**5. Review Open Bank Accounts**

As noted in the year prior, the District maintains approximately 65 bank accounts. While some activities are required to be maintained in separate accounts in order to separately track funds or allocate interest, most are not. The maintenance, monitoring and reconciling of so many accounts is a tedious and time-consuming process.

We recommend the District consider closing accounts that are not required to be maintained separately and consolidate like accounts into one. Reducing the number of open bank accounts would increase efficiencies and would reduce the amount of time needed to reconcile and maintain so many accounts.

***District Response:***

The District will review this recommendation again for fiscal year 2021.

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All other prior year issues have been repeated as current year issues.