

WACHUSETT REGIONAL SCHOOL DISTRICT

**INDEPENDENT AUDITORS' REPORTS PURSUANT
TO *GOVERNMENT AUDITING STANDARDS*
AND UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2022

WACHUSETT REGIONAL SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the School Committee
Wachusett Regional School District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wachusett Regional School District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Greenfield, MA
December 8, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the School Committee
Wachusett Regional School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Wachusett Regional School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Wachusett Regional School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material, noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over

compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wachusett Regional School District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 8, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Greenfield, MA
December 8, 2023

WACHUSETT REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<i>Federal Agency</i>	Federal	Pass Through	
Cluster	Assistance	Identifying	
Pass-through Agency	Listing	Number	Federal
Program Title	Number	Number	Expenditures
<i>U.S. Department of Agriculture</i>			
Child Nutrition Cluster			
Passed Through Massachusetts Department of Elementary and Secondary Education:			
School Breakfast Program	10.553	14-134-1	\$ 599,643
National School Lunch Program - Cash Assistance	10.555	14-134-1	2,981,517
National School Lunch Program - Non-Cash Assistance	10.555	14-134-1	227,985
National School Lunch Program - Supply Chain Assistance	10.555	14-134-1	139,423
National School Lunch Program - Emergency Operating	10.555	14-134-1	<u>75,135</u>
Total Child Nutrition Cluster			4,023,703
Passed Through Massachusetts Department of Elementary and Secondary Education:			
School Nutrition Equipment Assistance for Schools	10.579	722-671747-2022-0775	<u>41,553</u>
Total U.S. Department of Agriculture			4,065,256
<i>U.S. Department of Education</i>			
Special Education Cluster			
Passed Through Massachusetts Department of Elementary and Secondary Education:			
Special Education - Grants to States FY22	84.027	240-550093-2022-0775	1,244,043
Special Education - Grants to States FY21	84.027	240-401251-2021-0775	530,133
Special Education - Grants to States FY22	84.027	252-551284-2022-0775	29,999
Special Education - Preschool Grants FY22	84.173	262-550131-2022-0775	48,227
Special Education - Preschool Grants FY21	84.173	262-401249-2021-0775	6,315
Special Education - Preschool Grants FY22	84.173	264-551283-2022-0775	<u>20,242</u>
Total Special Education Cluster			1,878,959
Passed Through Massachusetts Department of Elementary and Secondary Education:			
Title I Grants to Local Educational Agencies FY22	84.010	305-552582-2022-0775	82,041
Title I Grants to Local Educational Agencies FY21	84.010	305-412022-2021-0775	110,032
Title I Grants to Local Educational Agencies FY20	84.010	305-299617-2020-0775	11,358
English Language Acquisition - Grants to States FY22	84.365	180-552596-2022-0775	13,736
English Language Acquisition - Grants to States FY21	84.365	180-412021-2021-0775	9,092
Supporting Effective Instruction State Grants FY22	84.367	140-552586-2022-0775	8,718
Supporting Effective Instruction State Grants FY21	84.367	140-412020-2021-0775	76,731
Student Support and Academic Enrichment Program FY22	84.424	309-552592-2022-0775	8
Student Support and Academic Enrichment Program FY21	84.424	309-412023-2021-0775	7,598
Student Support and Academic Enrichment Program FY20	84.424	309-299614-2020-0775	3,145
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D	115-501353-2021-0775	119,580
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER III - ARP) Fund	84.425U	119-511373-2022-0775	778,522
COVID-19 - Education Stabilization Fund - FY22 Summer School Expansion & Engagement	84.425	120-510606-2022-0775	54,513
COVID-19 - Education Stabilization Fund - FY22 Summer Acceleration	84.425	121-510723-2022-0775	176,000
COVID-19 - Education Stabilization Fund - FY22 Math Acceleration	84.425D	125-668495-2022-0775	<u>56,646</u>
Total U.S. Department of Education			<u>3,386,679</u>
Total Federal Expenditures			<u>\$ 7,451,935</u>

See notes to schedule of expenditures of federal awards.

WACHUSETT REGIONAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Wachusett Regional School District (the District) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

The amounts reported for the National School Lunch Program – Non-Cash Assistance represent the fair value of commodities received.

NOTE 3 – DE MINIMIS COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)

During fiscal year 2022, the District did not receive donated PPE from federal sources.

NOTE 5 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the District did not provide federal awards to subrecipients.

WACHUSETT REGIONAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified?

X Yes No

Significant deficiency(ies) identified?

X Yes None reported

Non-compliance material to financial statements noted?

 Yes X No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Type of auditors' report issued on compliance for major federal programs:

UNMODIFIED

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major federal programs:

NAME OF FEDERAL PROGRAM OR CLUSTER

ASSISTANCE LISTING NUMBER(S)

Special Education Cluster

84.027/84.173

Education Stabilization Fund

84.425/84.425D/
84.425U

Dollar threshold used to distinguish between Type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes X No

WACHUSETT REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

2022-001 *Improve Controls over Cash Reconciliation Procedures (Material Weakness)*

Criteria

Performing timely cash reconciliations and reviewing all reconciling items are critical procedures to ensure the District's cash balances are properly reported and controlled.

Condition and Context

Cash was not reconciled at all during fiscal year 2022. An outside consultant was hired after year end to aid the District in catching up on the outstanding reconciliations. In addition, cash reconciliations were not formally signed by the preparer or reviewer and the balances were not traceable to the cashbook.

Cause and Potential Effect

The District has not established adequate procedures to ensure that cash reconciliations are being completed and reviewed in a timely manner. When these reconciliations are not being performed, there is an increased risk that errors or irregularities could occur and go undetected.

Recommendation

We recommend the District implement measures to ensure that timely, accurate, and independent reconciliation of cash balances occurs monthly throughout the year. These reconciliations should be documented and formally signed by the preparer and a reviewer in order to improve documentation and oversight, and to reduce risk.

Views of Responsible Official

Management agrees with the finding.

Planned Corrective Action

Management's corrective action plan is included at the end of this report after the Schedule of Prior Year Findings.

2022-002 *Improve Controls over Payroll (Significant Deficiency)*

Criteria

Payroll is a major transaction cycle and adequate procedures, staffing, and controls need to be in place to ensure payroll is processed properly.

WACHUSETT REGIONAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Condition and Context

During fiscal year 2022, there were a number of issues that occurred related to the District's payroll processes and internal controls. These issues appear largely due to high staff turnover and a lack of staffing in the Business Office during this time period. Many of the following issues were also noted in a report to the District by Clifton Larson Allen LLP, dated August 30, 2022.

- Employees were overpaid due to incorrect pay calculations. In two situations employees had elected to switch from 26 to 21 pays. These were paid for 26 pay periods at the 21 pay period rate. The District is in the process of recovering these funds.
- A retro pay for paraprofessionals was calculated incorrectly. This issue was corrected after the retro pay was recalculated.
- In some instances, paraprofessionals were paid in advance and left without notice. The District has since changed policies to avoid this happening again in the future and is the process of recovering these funds.
- Total employees and hours to be paid are not being reconciled with the actual employees and hours that were paid.
- The District did not have a payroll clerk for part of fiscal year 2022. This resulted in other staff, who were not adequately trained, needing to perform the functions of a payroll clerk, in addition to their normal tasks.

Cause and Potential Effect

The District has not established adequate controls or staffing levels in the payroll department. As a result, there is risk that errors or irregularities could occur and go undetected.

Recommendation

The District should review the processes in the payroll department and ensure that it is adequately staffed and that controls are operating effectively.

Views of Responsible Official

Management agrees with the finding.

Planned Corrective Action

Management's corrective action plan is included at the end of this report after the Schedule of Prior Year Findings.

WACHUSETT REGIONAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

<u>Finding #</u>	<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Current Year Status</u>
2021-001	Financial Statement Finding	Improve Controls over Cash Reconciliation Procedures (Significant Deficiency)	Repeated as 2022-001



Wachusett Regional School District

Holden, Paxton, Princeton, Rutland, Sterling

FY22 AUDIT CORRECTIVE ACTION PLAN Completed 11/27/2023

2022-001 Improve Controls over Cash Reconciliation Procedures (Material Weakness) Criteria

Cash was not reconciled during fiscal year 2022 and 2023 due to changes in staffing. The reconciliation was a job requirement of the Assistant Director of Business & Finance. This person joined the District in September 2021 and due to other staffing turnover was called on to complete payroll and other business office functions. They have since left employment from the District at the close of fiscal year 2023, leaving cash unreconciled. On July 1, 2023, a new, experienced Assistant Director of Business and Finance rejoined Wachusett Regional School District. As of today, they have updated the cash reconciliations through fiscal year 2023 and are current for fiscal year 2024. Cashbooks are being maintained and are current and cash is being reconciled on a monthly basis.

2022-002 Improve Controls over Payroll (Significant Deficiency)

The issues surrounding payroll for fiscal year 2022 were due to turn over in staff in the business office. The key payroll staff member was on intermittent FMLA and working from home from 07/2021 - 11/2021 and then on a full leave 12/2021 and left the District effective 12/31/2021. The other staff member in payroll at that time was moved to a different position 11/2021 and a new staff member started 10/2021 that was then let go 01/2022. This left NO staff in the payroll department from 1/2022 - 3/14/2022 until the payroll manager was hired and then a second staff member started on 4/19/2022. The new Assistant of Business and Finance that started on 09/2021 was charged with getting payroll done. In addition, on April 1, 2022, the Director of Business and Finance was no longer in the office. Lack of staff in all areas of the business office left the District in trouble for fiscal year 2022.

It was not until December 2022 before the office was fully staffed. At that point, areas where there were significant deficiencies were addressed. Spreadsheets were created for salary proration instead of doing them manually. Reconciliation of cash was being addressed to identify and correct payroll voids that were not being done. Quality checks were being done to avoid manual pays. The starting pay date for hourly paid employees was changed for fiscal year 2024 to avoid continual overpayments as they were being paid two weeks in advance. On July 31, 2023, a new, experienced Payroll Department Manager rejoined Wachusett Regional School District. In October 2023, the District has added an additional payroll secretary hired a Supervisor of Personnel Services to address the processes and procedures between the Human Resource and Payroll Departments. Training and cross training has taken place over the past two months to avoid payroll errors, find efficiencies, and avoid change in staffing issues. It is anticipated that the District will continue to move forward with less errors, correct calculations, and updated processes and procedures.

Respectfully submitted,
Michelle Grisé, Director of Business & Finance

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