

**WACHUSETT REGIONAL SCHOOL DISTRICT**

**MANAGEMENT LETTER**

**FOR THE YEAR ENDED JUNE 30, 2022**

# WASHUSETT REGIONAL SCHOOL DISTRICT

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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, 2022, 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 also 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.

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.

*Marcum LLP*

Greenfield, MA  
December 8, 2023

# WACHUSETT REGIONAL SCHOOL DISTRICT

## RECOMMENDATIONS

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### CURRENT YEAR ISSUES:

#### 1. Improve Controls over General Fund Budget (Compliance Finding)

At the close of fiscal year 2022, the District encumbered approximately \$340,000 of costs in the General Fund. There was not sufficient budget remaining to encumber funds, so as a result, the General Fund expenditures exceeded the adopted budget by approximately \$196,000.

In addition, significant variances between budgeted and actual expenses by department/function were not periodically reviewed and investigated during the fiscal year. Budget transfers should be brought before the school committee for approval at least quarterly.

We recommend the District develop a process to ensure there is an adequate budget monitoring throughout the fiscal year and through the fiscal year end close process.

#### *District Response:*

At the close of fiscal year 2022 the encumbered funds were not apparent in the District's accounting system after the closing process was completed. The process has been corrected for fiscal year 2023.

The District did not have a Director of Business and Finance in place from April through November of 2022. Therefore, throughout fiscal year 2022 and 2023 there was minimal oversight of variances between budget and actual expenses. A process has been put into effect for fiscal year 2024 with the Business and Finance subcommittee. The subcommittee has been presented with a budget update and transfers within appropriations will be completed prior to the end of December 2023. Moving forward, the committee will receive quarterly updates and necessary budget transfer requests between appropriations on a regular basis.

#### 2. Improve Cash Management in the Food Service Fund (Compliance Finding)

The cash balances on hand for the Food Service Fund were not kept at a minimum as prescribed by Federal and State guidelines. The guidelines recommend that cash balances on hand be limited to approximately three months of expenditures. As of June 30, 2022, the cash on hand was approximately \$1.5 million, while the average three months of expenditures was approximately \$650,000.

We recommend the District monitor the Food Service Fund's cash balances to ensure compliance with Federal and State guidelines.

# WACHUSETT REGIONAL SCHOOL DISTRICT

## RECOMMENDATIONS (CONTINUED)

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

The District has begun to monitor the Food Service Fund cash balances. During the summer of 2023, the District undertook several large projects to utilize the cash balance, including painting, installing a new kitchen hood, washer and dryer installations at all schools, and more. The Food Services Director along with the Supervisor of Facilities, Superintendent, and Director of Business and Finance have a plan to tour the kitchen and cafeteria spaces in the District within the next two months in order to plan for large projects to be completed during school vacations and during the summer of 2024. In addition, the Director of Business & Finance is doing research for additional allocation of expenses for indirect costs and other allowable expenses to be apportioned to the Food Service Fund for fiscal year 2024 and going forward.

### **3. Other Issues**

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

#### ***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 consider establishing internal audit functions for departmental receipts. The Assistant Director of Business and Finance has been meeting with school administrators and assistants to train and review processes for submitting receipts to the business office. In addition, the procedural manual for the business office is under review and will be updated.

#### ***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 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.

# WACHUSETT REGIONAL SCHOOL DISTRICT

## RECOMMENDATIONS (CONTINUED)

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### *District Response:*

The Treasurer conducted requests of the local banks to determine if any accounts were established with the District's EIN May 12, 2023. Two accounts were found. One account was a parent organization for the Early Childhood Center (ECC) and the other was an abandoned account. The abandoned account was closed, and the Treasurer is working with the ECC parent organization to transfer that account.

### *Complete Requests for Funds Timely*

At the end of the fiscal year there were several grants with large deficit balances. In addition to regular requests throughout the year, requests for funds should be made near year end so that the revenue may be included in the proper fiscal year, and funds are not in deficit.

### *District Response:*

The District will request funds for reimbursement for grants in a timelier manner. There were several large drawdowns that were done at the end of July and August 2022 that were reported as revenues on the DESE End of Year Financial report and DOR Excess and Deficiency submission in the fiscal year 2022. The drawdowns for fiscal year 2023 were done in June 2023 and received in July 2023.

## **PRIOR YEAR ISSUES:**

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

The District established the OPEB Trust Fund in fiscal year 2015. At that time, the only legislation available to establish such a fund was Massachusetts General Laws (MGL) Chapter 32B Section 20, which offered very little guidance in terms of asset management, fiduciary responsibility, and allowable expenses. Subsequently, 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 reauthorize 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.

# WACHUSETT REGIONAL SCHOOL DISTRICT

## RECOMMENDATIONS (CONTINUED)

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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 Trust Fund trustees.

***District Response:***

The District will review the legislation and consider this in future fiscal years. Currently, the District has not had the financial capacity to make any contributions to the OPEB Trust Fund.

### **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:***

Since August 2022, two bank accounts were closed. There have been three Treasurers between August 2022 and now. The newest Treasurer was appointed in April 2023. There has been analysis of which accounts can be easily closed due to non-use. Further, with cash reconciliations up-to-date, there are other accounts that have been identified that can be combined. It is anticipated that those changes will take place during the first few months of 2024.