

Town of Wayland, Massachusetts

Agreed Upon Procedures for
Student Activity Funds

June 30, 2013

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MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

Wayland Public Schools
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We have applied agreed upon procedures as discussed below to the accounting records of the Wayland School Department Student Activity Funds for the High School, Middle School and Elementary Schools. Our procedures included the following:

- We interviewed the Student Activity Administrators of each school for the purpose of documenting the internal control procedures.
- We evaluated the effectiveness of the internal controls and the completeness of records.
- We tested selected receipt and disbursement transactions for reasonableness, adequacy of audit trail, compliance with applicable Massachusetts' statutes, and compliance with internal control procedures.
- We performed analytical procedures to activity accounting records for the purpose of identifying unexpected balances or fundraising results.
- We verified the accuracy of checking and savings account bank reconciliations.
- Where available, we verified the reconciliation of account activity balances to cash balances.
- We reviewed the School's compliance with the Guidelines and Procedures adopted on September 9, 2012 and Massachusetts General Law Chapter 71, Section 47.

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. Had we performed additional procedures or made an examination of the financial statements in accordance with generally accepted auditing standards, additional matters might have come to our attention that would have been reported. This report relates only to the accounts and items specified above, and do not extend to any financial statements of the Town of Wayland or School Department taken as a whole.

We are presenting for your consideration our findings and recommendations regarding the accounting procedures and systems of internal accounting control for the Wayland School Department Student Activity Funds. The recommendations were developed during the course of our performing agreed upon procedures.

Melanson, Heath + Company P.C.

Andover, Massachusetts
December 2, 2013

BACKGROUND

Prior to fiscal 2013, the Wayland School Department delegated all of the Student Activity Fund accounting to the individual schools. Currently, bank accounts are set up in accordance with Massachusetts General Law 71:47 which provide for deposits into a savings account at the Town Treasurer's office and checking accounts maintained by the individual schools based on authorized transfers from the savings account.

During July of 2012, the Wayland Public Schools installed Quicken 2012, a common financial accounting software package, at each school location. The software updated the prior Quicken versions at the High School, Middle School and Happy Hollow, while previously both Claypit Hill and Loker were not using a software package. The software provides each school with the ability to produce reports by activity and further improves reconciliations of each activity to the bank accounts.

In September of 2012, the Wayland Public Schools issued a new set of guidelines which prohibited use of unauthorized bank accounts, clarified the types of activities permissible to be included in the student activity accounts, set the accounting requirements and detailed documentation requirements. Additionally, the guidelines require Quicken reports be distributed to each student activity advisor on a monthly basis.

FINDINGS AND RECOMMENDATIONS:

1. Simplify Account Reconciliations

The most important control related to student activity funds is the reconciliation between the total activity balances with the reconciled balance in the bank accounts. All of the Wayland Student Activity Fund bank statements cut-off at the 20th of the month instead of the end of the month, and as a result there is substantial work necessary to create reconciliations for the end of each month. Additionally, the Schools and the Treasurer's office do not handle the reconciliations using the same methodology.

Recommendation

We recommend the bank statement cut-off date be changed to month end in order to simplify the month end reconciliation process. Additionally, the schools should complete reconciliations as of month end, rather than the 20th, and provide the full account with supporting documentation to the Treasurer's office on a monthly basis. This will ensure each school is completing reconciliations under the same method and would allow for easier determination of any reconciliation issues between Quicken and MUNIS.

School Response

The Treasurer has coordinated a month-end cutoff with the bank in order to simplify the month-end reconciliation. The change took effect for all five schools in January 2014.

2. Follow Guidelines and Procedures

The Wayland Public Schools issued new guidelines and procedures during September of 2012 which includes a section of required forms to be used for all student activity transactions. After discussion with the Student Activity Fund bookkeepers and our testing, we noted that the required forms are not used at all locations, and some of the bookkeepers were unaware of their existence.

Recommendation

The School Department should annually require the student activity fund administrators review the Student Activity Accounts Guidelines and

Procedures manual. This process will ensure all personnel are up to date on the policies and required documentation set forth by the School Department.

School Response

The Business office is going to have a meeting with the bookkeepers next month in order to review the guidelines, current procedures and existing forms. This meeting is being arranged for the week of April 14th. Going forward, we will hold a meeting annually to ensure all staff is informed of the current procedures and guidelines and have them sign a form that they have reviewed the documentation.

3. Improve Receipts Documentation

Our testing disclosed that the recording and documentation of receipts is inconsistent between schools. All the schools entered receipts into the Quicken systems, but did not use "Form A, Schedule of Receipts to the Principal" as required in the guidelines. Further, we noted that "Form A" should be improved.

We also discovered that Happy Hollow was holding checks collected until the day of the trip to avoid refunding money to the parent of a child who may be absent. If proper receipt documentation is maintained, it will aid in the process of refunding fees.

Recommendation

We recommend the documentation be retained supporting the amount of receipts collected and the forms required by the guidelines be implemented to ensure proper segregation of duties. Detailed receipt records will aid in reconciliations and any necessary refunds.

We recommend that the Schools use "Form A" as required by the guidelines and procedures, and that "Form A" be accompanied by detailed account records such as:

- Detailed receipt logs which include the date received, student name, payment amount, payment type (cash or check) and the applicable check number
- A class roster documents who has paid for certain events like class trips

- Ticket sales can be used for events that have attendance such as dances and performance type events
- Registration or order forms are used for many events such as yearbook sales
- In the absence of other documents we suggest that two people count the money and sign the transmittal form

Further, we recommend the documentation be retained a minimum of three years after the accounts have been audited.

School Response

A topic in our upcoming meeting with the bookkeepers is looking for their input on how to improve the Form A to make it more useful and relevant to their processes. Currently 3 out of the 5 schools are using the Form A. We will review what each school is currently doing on a per activity basis in order to keep track of students paid, how refunds are determined, and how duties are segregated. We will also require 2 employees to count checks and cash and initial the transmittal form. These changes are to be in place by May 16th.

4. Improve Support for Disbursements

While our testing found most invoices were approved for payment, the approval did not clearly identify which Student Activity the invoice related to.

We also noted an excessive amount of reimbursements to individuals, some of which were not properly supported by receipts.

Recommendation

We recommend all payments from student activity funds be supported by valid invoices or receipt slips, and clearly identify the associated activity. The disbursement request form documents approval for a disbursement, but is not a substitute for an invoice evidencing the transaction.

The School Department should consider creating a standard reimbursement request form to ensure all reimbursements are reviewed for proper support by an individual other than the one requesting the reimbursement. Proper documentation includes: a proof of payment, detailed credit card receipts,

mileage calculations, and an authorization by a knowledgeable individual other than the one requesting the payment. Advance planning for trips and purchases would reduce the amount of reimbursements being processed currently.

School Response

The School Department will create a standard reimbursement form. Form will be added to the existing guidelines and forms to create uniformity among the schools with regard to authorization and supporting documentation. Across the board, we are pushing for advance planning and working to minimize reimbursements. We will continue to reinforce that model as we go forward.

5. Eliminate Activities with Deficit Spending

We noted that some student activities had negative balances. As student activities belong to various student groups by definition, a deficit in any student group represents an unauthorized borrowing from another student group.

Recommendation

We recommend all activity advisors review the activity balance in Quicken before a disbursement is requested to ensure funds exist to cover the payment. Administrators should prohibit the payment of a bill out of an activity when there is no balance in the account to cover the disbursement. In the case of unexpected additional fees, the school needs to fund all student activity accounts that remain in deficit. The School Department should also establish a policy for deficit balances which details the funding source.

School Response

We believe the deficits in subsidiary accounts that were noted are due to timing. Although prohibited in Appendix B, Procedures, Invoice Processing and Payment (#6), a section will be added to the guidelines for emphasis. This section will also detail the funding source. This topic will be stressed in training.

