



CONCORD AREA SPECIAL EDUCATION COLLABORATIVE

Management Letter
For the Year Ended June 30, 2021

CONTENTS

	<u>Page</u>
INTRODUCTORY LETTER	1
 PRIOR YEAR RECOMMENDATIONS:	
1. Reduce Cumulative Surplus and Establish Formal Policy for Returning Excess Funds	3
2. Ensure Check Registers Agree to Approved Warrants	3
 CURRENT YEAR RECOMMENDATIONS:	
3. Other Issues	4
4. Prepare for GASB Statement 87	5



To the Board of Directors
Concord Area Special Education Collaborative

In planning and performing our audit of the basic financial statements of the Concord Area Special Education Collaborative (the Collaborative) as of and for the year ended June 30, 2021, 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 of the United States, we considered the Collaborative'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 Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control over financial reporting.

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.

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



The Collaborative'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.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
December 3, 2021



PRIOR YEAR RECOMMENDATIONS:

1. Reduce Cumulative Surplus and Establish Formal Policy for Returning Excess Funds

Prior Year Issue:

In the prior year, we recommended the Collaborative comply with Massachusetts General Law and accompanying regulations by returning (or crediting) excess funds to member districts.

Current Year Status:

During fiscal year 2021, the Collaborative did not credit excess funds to member districts to resolve the excess cumulative surplus as of June 30, 2020.

The Collaborative's cumulative surplus as of June 30, 2021 exceeded the allowable 25% of the audited year's general fund expenditures. The cumulative surplus was 37% of the fiscal year 2021's general fund expenditures.

Further Action Needed:

We recommend the Collaborative comply with Massachusetts General Law and accompanying regulations by returning (or crediting) excess funds to member districts consistent with the process outlined in the Concord Area Special Education Collaborative Agreement to reduce the cumulative surplus to no more than 25%. The cumulative surplus was determined in accordance with Massachusetts General Law subsequent to the Collaborative's independent audit. Additionally, we recommend the Collaborative establish a formal policy for the process of returning (or crediting) excess funds to member districts, including the timeframe that the excess funds must be returned.

Collaborative's Response:

The Collaborative is crediting the fiscal year 2020 cumulative surplus in fiscal year 2022.

2. Ensure Check Registers Agree to Approved Warrants

Prior Year Issue:

In the prior year, we recommended the Treasurer ensure that each check register agrees to the warrant approved by the Board of Directors.

Current Year Status:

During fiscal year 2021, the Treasurer did ensure that each check register agreed to the warrant approved by the Board of Directors on a bi-annual basis. However, this was only done twice during the fiscal year, whereas the Treasurer reviewed all check registers and warrants subsequent to the funds being transferred in the bank.

Further Action Needed:

We recommend the Treasurer ensure that each check register agrees to the warrant approved by the Board of Directors before transferring the funds in the bank.

Collaborative's Response:

The Treasurer will work with the Director of Finance and Operations to develop and implement a procedure to ensure warrants are signed before payments are made.

CURRENT YEAR RECOMMENDATIONS:

3. Other Issues

We noted the following areas where efficiencies and/or internal controls could be improved:

- We noted the Collaborative had various outstanding receivables and credits that have not been resolved. We recommend the Collaborative follow up on all outstanding receivables and credits owed in a timely manner.
- We noted the Collaborative did not have a formal policy for technology controls, specifically: (1) establishing a written backup and data retention policy/schedule; and (2) establishing formal protocols for setting up, modifying, and terminating user access rights, including a requirement for written authorization for all changes. We recommend the Collaborative establish a formal policy for technology controls.
- The Collaborative did not record all current year activity to the OPEB Trust Fund in the general ledger during fiscal year 2021. We recommend the Collaborative ensure all activity is recorded to the OPEB Trust Fund in the general ledger. Additionally, in fiscal year 2021, the Board of Directors approved a contribution to the OPEB Trust Fund. This was not transferred in the bank until fiscal year 2022. We recommend all bank transfers should be performed in a timely manner.

Collaborative's Response:

- The Collaborative is actively addressing all outstanding accounts payable and accounts receivable.
- The Collaborative will have a technology policy for the Board of Directors to vote for at the next scheduled meeting.
- The fund transfer noted occurred in fiscal year 2022.

4. Prepare for GASB Statement 87 – Informational Only

GASB Statement 87 will apply to the Collaborative in fiscal year 2022. Statement 87 addresses leases and significantly changes the accounting standards for leases and will now require various operating leases to be reported on the Collaborative's balance sheets.

We recommend that the Finance Department prepare for this accounting change. The Finance Department should also consider updating its lease accounting policy to ensure all material leases are properly identified.