



**Powers &  
Sullivan, LLC**  
CPAs AND ADVISORS

***MANCHESTER ESSEX REGIONAL SCHOOL  
DISTRICT***

***MANAGEMENT LETTER***

***JUNE 30, 2023***



**Powers & Sullivan, LLC**  
CPAs AND ADVISORS

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To the Honorable School Committee  
Manchester Essex Regional School District  
Manchester-by-the-Sea, Massachusetts 01944

In planning and performing our audit of the basic financial statements of the Manchester Essex Regional School District as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Manchester Essex Regional School District's internal control over financial reporting 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 Manchester Essex Regional School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Manchester Essex Regional School District's internal control.

However, during our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The District's written response to the matters identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Powers & Sullivan, LLC*

February 15, 2024

**MANCHESTER ESSEX REGIONAL SCHOOL DISTRICT**

**MANAGEMENT LETTER**

**JUNE 30, 2023**

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## **Reassess Organizational Structure/Roles and Responsibilities**

### Prior Year Comment

We believe that the District should assess the current roles and responsibilities in the business office and consider adding a payroll and purchasing clerk position to the organizational structure. The existing financial data analyst position would perform most accounting functions under the direction of Director of Finance and Operations as well as oversee a payroll and purchasing clerk that would have primary responsibility for processing payroll. This organizational structure would bring the accounting staff in line with similar sized school Districts and would increase the controls over the District's accounting functions. The additional position would also give the finance department the ability to implement its formal monthly and year-end closing process more consistently, which would allow for a timelier closing process. This would also help to facilitate a timelier filing of year-end reports with the Department of Revenue for certification of excess and deficiency, submission of the Department of Elementary and Secondary Education's End-of-Year Financial Report and completion of the District's annual financial statement audit.

### Current Status

The District hired a payroll and purchasing clerk in fiscal 2023.

## **Consider Adopting Formal Financial Policies**

### Prior Year Comment

In the prior year, we indicated that the District has not adopted formal policies documenting the District's financial goals and objectives. For example, financial policies will establish benchmarks for excess and deficiency, fund balance levels, a long-term capital and debt plan, and other important financial indicators. Other policies that should be considered are purchase order requirements, and allowable use of District credit cards.

These policies and procedures will provide a framework for management to utilize when making important financial decisions.

### Current Status

The School Committee's policy subcommittee is currently working on drafting financial policies.

### Continuing Recommendation

We continue to recommend that the District document and adopt financial policies. Once adopted, the policies should be updated for any changes that are put into effect.

### Management Response

The MERSD School Committee recently updated its financial policies to align with the most recent guidance from the MA Association of School Committees. Additionally, the School Committee's policy subcommittee has begun working on drafting a financial reserves policy.

## **Prepayment of Debt Service**

### Comment

The District has various debt issuances, of which principal and interest payments are appropriated each fiscal year to fund the payments. On June 29, 2023 (fiscal 2023), the District prepaid \$157,494 of debt interest that was due on July 15, 2023 (fiscal 2024). Since the fiscal 2024 appropriation is not effective until July 1, 2023, there was no appropriation available in fiscal 2023 to fund this prepayment.

Prepaying expenditures without a valid appropriation will result in a reduction of the District's excess and deficiency. This could be problematic for the District if excess and deficiency is being planned for a specific purpose or if it is needed for an unanticipated event and becomes unavailable due to prepayment.

### Recommendation

We recommend that the District implement procedures to ensure that debt payments are paid in accordance with the required debt schedules and that payments are made in the proper fiscal period.

### Management Response

The incoming Director of Finance & Operations will review existing debt payment systems and protocols and implement revised procedures to ensure debt payments are made in the appropriate fiscal period.