

**CONCORD AREA
SPECIAL EDUCATION COLLABORATIVE**

Management Letter
For the Year Ended June 30, 2019

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Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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 as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, 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.

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.

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.

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

Melanson Heath

December 5, 2019

RECOMMENDATIONS:

1. Reduce Cumulative Surplus

The authorizing law, Massachusetts General Law Chapter 40 Section 4E, and the accompanying regulations, 603 CMR 50.00, require a limit on the cumulative surplus that may be retained by the Collaborative at the end of a fiscal year. In no case may the retained cumulative surplus exceed 25% of the audited year's general fund expenditures. As of June 30, 2019, the Collaborative's cumulative surplus was 28% of the fiscal year 2019's general fund expenditures.

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%.

Collaborative's Response:

Management will work to ensure it processes credits according to MGL.

2. Ensure Check Registers Agree to Approved Warrants

The Finance Department prints vendor and payroll checks which automatically print the Treasurer's signature. The Treasurer reviews the check registers and then transfers the funds in the bank to fund the checks. However, the Treasurer does not consistently ensure that the check register agrees to the warrant approved by the Board of Directors.

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:

Management will work to ensure the Treasurer's check register agrees with the warrants.

3. Prepare for GASB Statements 84 and 87

GASB Statements 84 and 87 will apply to the Collaborative in fiscal years 2020 and 2021 respectively. Statement 84 addresses Fiduciary Activities and may require change in how the Collaborative accounts and reports these activities. 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 these accounting changes. The Finance Department should also consider updating its lease accounting policy to ensure all material leases are properly identified.

Collaborative's Response:

Management will ensure compliance with GASB 84 and 87.