

NASHOBA REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2011



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To the Honorable School Committee
Nashoba Regional School District
Bolton, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Nashoba Regional School District as of and for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding 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.

This communication is intended solely for the information and use of management of the Nashoba Regional School District, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads "Powers & Sullivan". The signature is written in a cursive, flowing style.

December 5, 2011

NASHOBA REGIONAL SCHOOL DISTRICT

MANAGEMENT LETTER

JUNE 30, 2010

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OTHER POST-EMPLOYMENT BENEFIT ACTUARIAL REPORT

Prior Year Comment

In the prior year, we indicated that the District had met the requirements for implementation of GASB Statement #45, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and indicated that an updated actuarial report would be needed for fiscal 2011 to stay in compliance with GASB 45.

Current Status

The District obtained a new actuarial valuation for the fiscal 2011 audit and, as a result, has complied with the requirements of GASB 45.

GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENT #54

Prior Year Comment

In the prior year, we indicated that the GASB issued Statement #54, *Fund Balance Reporting and Government Fund Type Definitions*, which is required to be implemented in fiscal year 2011. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Current Status

Management successfully implemented GASB Statement #54 in fiscal 2011, which significantly impacted the fund balance classifications and added an additional footnote disclosure to the financial statements.

DEVELOP WRITTEN DISASTER RECOVERY PROCEDURES

Prior Year Comment

In the prior year, we indicated that the District does not have well-defined and documented disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities and applications.

We recommended that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

1. Location of, and access to, off-site storage.
2. A listing of all data files that would have to be obtained from the off-site storage location.
3. Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another organization, a computer vendor, or a service center. The agreement should be in writing.)

4. Responsibilities of various personnel in an emergency.
5. Priority of critical applications and reporting requirements during the emergency period.

Current Status

District management has developed and documented a disaster recovery plan.

FRAUD RISK ASSESSMENT

Prior Year Comment

In the prior year, we indicated that the opportunity to commit and conceal fraud exists where there are assets susceptible to misappropriation and inadequate controls to prevent or detect the fraud. To address this risk, we recommend that the District perform a risk assessment to identify, analyze, and manage the risk of asset misappropriation. Risk assessment, including fraud risk assessment, is one element of internal control. Thus, ideally, the District's internal control should include performance of this assessment, even though our annual financial statement audits include consideration of fraud. We recommended that management complete the development and implementation of a fraud risk assessment program to identify, analyze, and manage the risk of asset misappropriation.

Current Status

A number of site visits have been conducted by the business office as part of an on-going program to document internal controls and assess risk.

REVIEW USER PROFILES TO LIMIT UNNECESSARY ACCESS TO SENSITIVE DATA

Comment

It is good practice to periodically review and assess user profiles to limit access to sensitive data such as, cash receipts, accounts payable, accounts receivable, human resource data, vendor and payroll master files and general ledger maintenance. By limiting access to this data, the District can reduce fraud risk and protect the integrity of the data maintained in the system.

Recommendation

We recommend that the District conduct a review and assessment of user profiles to identify and limit unnecessary access to the data maintained in the system.