

**TOWN OF NAHANT, MASSACHUSETTS**

**REPORT ON APPLYING AGREED-UPON PROCEDURES  
ON THE SYSTEM OF INTERNAL CONTROL OVER  
THE BUDGETING AND ACCOUNTING FOR TUITION  
TO THE TOWN OF SWAMPSCOTT PUBLIC SCHOOLS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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*Certified Public Accountants*

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**Independent Accountants' Report on Applying Agreed-Upon Procedures**

To the Honorable Board of Selectmen and School Committee  
Town of Nahant, Massachusetts

We have performed the procedures enumerated below, which were agreed to by the Town of Nahant, Massachusetts (Town), solely to assist you evaluate the system of internal controls over the accounting and budgeting for tuition to the Swampscott Public Schools for the fiscal year ended June 30, 2012. The Town is responsible for the system of internal controls surrounding its budgeting and accounting for tuition to the Swampscott Public Schools. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures, findings and recommendations are contained herein:

**Introduction**

Our procedures were performed on internal controls over the budgeting and accounting for tuition to the Swampscott Public Schools for the fiscal year ended June 30, 2012.

**Procedures Performed**

We performed the following procedures:

1. We obtained an understanding of the internal control procedures performed related to the accounting and budgeting of the cost for tuition to the Swampscott Public Schools for the fiscal year ended June 30, 2012.
2. We reviewed worksheets maintained at the Nahant School Department and other related documents used by the Nahant School Department to budget and account for tuition to the Town of Swampscott Public Schools.
3. We documented our finding and recommendation for improvements and/or changes to the procedures in order to better account for and budget for the cost of Town of Nahant students that attend the Swampscott Public Schools.

## Finding and Recommendation

### Finding

The Town of Nahant receives a tuition bill each year from the Town of Swampscott for Nahant students that attend the Swampscott Public Schools. There is a written agreement between the towns. As stated in the agreement, the Town of Swampscott will bill the Town of Nahant each year based on enrollment reported on the previous year's Student Information Management System (SIMS) Report submitted October 1<sup>st</sup> of the previous year to the Massachusetts Department of Elementary and Secondary Education (ESE) by Swampscott Public Schools.

The Nahant School Department has the ability to know well in advance each year the amount it needs to budget for tuition to Swampscott Public Schools for the upcoming fiscal year because it is based on the SIMS report filed the previous October 1<sup>st</sup>. For example, in preparing its operating budget for fiscal year 2012, the Nahant School Department should use the October 1, 2010 SIMS report to budget for the tuition to Swampscott Public Schools for fiscal year 2012.

The Nahant School Department should obtain a copy of the Excel data file used by Swampscott Public Schools to prepare the SIMS report each year prior to Swampscott Public Schools filing the SIMS report with the ESE. Nahant School Department should examine it closely for accuracy, compare it with internal records, resolve any differences with Swampscott Public Schools and use an agreed SIMS report to budget for tuition for the upcoming fiscal year.

However, the Nahant School Department did not obtain a copy of the Excel data file used by Swampscott Public Schools to prepare the SIMS report and/or a copy of the October 1, 2010 SIMS Report prior to preparing its budget for 2012. The Nahant School Department used its own internal records. The Nahant Public Schools was not aware of the number of students reported on the October 1, 2010 SIMS report until it received the tuition bill from Swampscott Public Schools in December 2011. The bill, dated December 1, 2011, charged Nahant Public Schools for 152 students. Nahant Public Schools' records showed 138 students. The School Department entered into dialogue with the Town of Swampscott Public Schools to reconcile the variance. The dialogue and reconciliation procedures lasted until June 2012. The majority of the variance was due to the fact that the Town of Swampscott mistakenly included charter school students as Nahant students and the Nahant Public Schools internal records were missing 4 students.

The end result is that the accounting records at both the Nahant School Department and the Swampscott School Department were wrong. The correct number of students that should have been reported on the October 1, 2010 SIMS report was 142. The Nahant School Department under budgeted for tuition in fiscal year 2012 by 4 students (\$33,712) and the October 1, 2010 SIMS report filed with the ESE over reported Nahant students attending Swampscott Public Schools by 10 students.

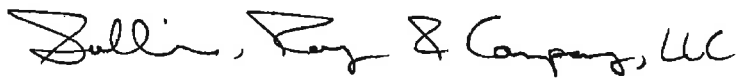
The fact that the Nahant Public Schools did not obtain a copy of the October 1, 2010 SIMS report and examine it for accuracy prior to preparing its fiscal year 2012 operating budget is a significant weakness in internal controls over the budgeting process and resulted in a budgeted shortfall for tuition of \$33,712, approximately 3% of the tuition budget in fiscal year 2012. This problem was not fully quantified until the end of the school year and it required inter-line transfers to fund the budget short-fall. There is no reason the tuition budget should be inaccurate since the number of students can be determined approximately 7 months in advance of annual town meeting.

### Recommendation

We recommend the Nahant School Department obtain and examine for accuracy the Excel data file used to prepare the SIMS report (with a listing of all the Nahant students) before the Swampscott Public Schools files the SIMS report with the ESE. Once the Excel file is received, it should be compared to and reconciled with the student listing maintained by the Nahant School Department to make sure it is accurate. Any discrepancies identified should be investigated immediately and resolved with the Swampscott Public Schools before the file is uploaded to the ESE. We recommend the Nahant School Department use the reconciled student listing per the SIMS report to prepare its subsequent year budget.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the system of internal controls related to the Town of Nahant's budgeting and accounting for tuition to Swampscott Public Schools for fiscal year 2012. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Nahant and Nahant School Department and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Sullivan, Ray & Company, LLC". The signature is written in a cursive, flowing style.

August 1, 2012