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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Board of Directors
Broccoli Hall, Inc.
Sudbury, Massachusetts

We have audited, 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 General of the United States, the financial statements of Broccoli Hall, Inc.'s (a Massachusetts nonprofit organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Broccoli Hall, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Broccoli Hall, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Broccoli Hall, Inc.'s internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged by governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items #2021-001, #2021-002 and #2023-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Broccoli Hall, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items #2021-001, #2021-002 and #2023-001.

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Broccoli Hall, Inc.'s Response to Findings

Broccoli Hall, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings. Broccoli Hall, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
November 6, 2023

BROCCOLI HALL, INC.

SCHEDULE OF FINDINGS

JUNE 30, 2023

Status of Prior Year Findings

#2021-001 Documentation Retention, Authorization and General Ledger Coding for Expenditures

Condition and Updated Status:

During the FY 2021 audit, we noted during our cash disbursement compliance testing, invoices where the general ledger (“GL”) codes were not listed, including three instances where the invoice was posted to the incorrect general ledger account. Two of these items were non-reimbursable expenses which were not classified as such. We also noted that there were insufficient controls over the credit card usage and document retention with respect to a significant number of missing receipts.

We recommended that the GL code be consistently applied to each invoice and that the Head of School review and sign each invoice, to provide written documentation of the review. We further recommended that an added approval mechanism be implemented, whereby credit card statements and supporting documentation are reviewed by a Board Member at least quarterly.

During the FY 2022 and FY 2023 audit, we noted significant improvement in this area; however, we continue to encourage management to fully implement the prior recommendations.

Management Response:

We have added clarity to our policy on cash disbursements. GL codes will be correctly listed on each invoice and the Head of the School or her designee will review and sign each invoice to provide written documentation of the review. To provide additional control, credit card statements and supporting documentation will be reviewed by a Board Member at least quarterly.

#2021-002 Timesheet Completion and Authorization for Timesheets

Condition and Updated Status:

During the FY 2021 audit, we noted that the timesheets completed by the Head of School and immediate family members should not also be authorized by the Head of School. During the FY 2022 and FY 2023 audits, we found a lack of appropriate supervisory authorization over the timesheets completed by the Head of School and family members employed by the School. We continue to encourage the Organization to implement controls and procedures over proper supervisory review of timesheets.

Management Response:

We are increasing supervisory authorization and review of timesheets and the Head of the School will not authorize timesheets for herself or family members: a Board Member will review time sheets of this nature.

#2022-001 Tuition Contracts

Condition and Updated Status:

During our FY 2022 tuition compliance testing we noted that one student did not have a signed tuition contract in place.

We recommend that all students admitted to the School have signed contract agreements on file as part of the admissions process and that these contracts are updated annually. The School has a policy to require signed agreements; therefore, we further recommend that management establish an internal monitoring process to ensure that all such agreements are properly executed and retained.

Current Status:

Broccoli Hall established an internal monitoring process to ensure all tuition agreements are signed and a copy is retained on file, which was fully implemented in FY 2023, and no similar exceptions were noted during our testing. As such, we consider the matter to be satisfactorily resolved with no further corrective action required.

New Findings

#2023-001 **Written Contracts**

Criteria

OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, requires all significant contracts and agreements to be evidenced in writing.

Condition

Broccoli Hall utilizes outsourced specialists through both individual and organizational contracting arrangements. These costs are well documented and supported by invoices and other records; however, the arrangements for several ongoing contracts have not been formalized with a written agreement or memorandum of understanding.

Recommendation

We recommend that Broccoli Hall draw up a written agreement for all significant contracts, which clearly outlines the roles and responsibilities of each party, the financial arrangement and other pertinent details of the contract.

Management's Response:

Written consultant contracts are maintained in the Business Office. Before a payment can be issued a contract and a W9 is required. As part of the monthly financial statement closing process and review, the Accounting Consultant reviews the contract schedule for completion with the Head of School.