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November 17, 2017

To the Board of Education and Management
Hicksville Union Free School District
Hicksville, New York

Dear Members of the Board and Management:

In planning and performing our audit of the financial statements of the Hicksville Union Free School District (District) as of and for the year ended June 30, 2017, 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 auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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 other matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report of November 17, 2017, on the financial statements of the Hicksville Union Free School District.

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 we 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 the Board of Education, Audit Committee, management, others you deem appropriate within the District, and any governmental authorities you need to share this information with. It is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Cullen & Danowski, LLP

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STATUS OF PRIOR YEAR'S COMMENTS

School Food Service (School Lunch) Fund Excess Fund Balance

Federal Regulations, 7 CFR Part 210.14 (b), limit the net cash resources within the school food service fund (formerly known as school lunch fund) to an amount that does not exceed three months' average expenditures. If there are excessive cash resources available, the District must submit a written plan to the State Education Department's Child Nutrition Program Administration outlining the plan to reduce the excess funds.

We noted in our prior audits that the District's school lunch fund's year-end fund balance had exceeded the three-month average expenditures limit. The District was aware of the excess fund balance and had submitted a proposed plan to the State Education Department (SED) to utilize up to \$400,000 of the excess fund balance to renovate the High School cafeteria to reduce the school lunch fund's excess fund balance.

Current status: In progress. During the 2016-17 school year, the District received notification from the SED that the proposed renovation plan had been approved; however, since school was already in session, the District could not begin the renovation work until after the school year ended in June 2017. The school food service operations also generated an operating surplus of \$242,318 for the 2016-17 fiscal year, further increasing the amount of excess fund balance.

We again recommend that the District continue to identify other suitable uses for the excess fund balance in the school food service fund, and submit proposed plans to the SED in order to reduce the excess fund balance to the allowable limit.

Computer Permissions

Beginning with the 2015-16 fiscal year, the District changed to a new financial accounting software package, nVision, to maintain its books and records and process payroll. The District also utilizes that program to process its payroll.

We noted in the prior year's audit that:

- Certain individuals had computer permissions to access areas within the financial accounting software package that are not needed to perform their job.
- The payroll clerks who processed payroll transactions had computer permissions to add, delete or change employee information and change employee rates of pay.
- Certain former employees still had active user status within the financial accounting software package.

Current status: In progress. The District requested its internal auditor to review the user permissions within nVision during the 2016-17 fiscal year. We understand that the District is working with the internal auditor to address the findings identified by the internal auditor and to develop and implement corrective actions. We will review the status of this comment in the following year's audit engagement.

CURRENT YEAR'S COMMENTS

Segregation of Duties – Cash Receipts

Proper segregation of duties is an effective internal control that helps reduce the risk that an employee would be able to conceal errors or fraud without being detected. Ideally, the person who has access to assets should not also have the responsibility of accounting for or recording related transactions. Where it is not possible or practical to have proper segregation of duties due to staffing or cost limitations, compensating controls – such as regular supervisory oversight – should be implemented.

During our audit, we noted that after the Principal Account clerk retired in May 2017, the senior accounting clerk became solely responsible for opening the mail and accepting incoming checks, preparing Treasurer's receipts for incoming monies, updating the outstanding receivables spreadsheet, and entering the cash receipts into the District's accounting system. Although the District Treasurer and the Assistant Superintendent for Business would review the revenue status report on a monthly basis, we did not see evidence of supervisory reviews of the daily cash receipts records as a compensating control.

We recommend that the daily cash receipts records including Treasurer's receipts be reviewed and reconciled by someone other than the senior accounting clerk as a compensating control. We noted that the District hired a junior accountant in October 2017, we recommend that the District review the job responsibilities of all accounting department employees including new hires and reassign some of the responsibilities for proper segregation of duties.

Bank Reconciliations

Monthly reconciliations of the District's books with banking records for cash accounts help ensure that transactions are properly recorded on the District's books. During the monthly bank reconciliation process, issued checks that have not cleared the bank are identified and accounted for. Uncashed checks that have been outstanding for a period of time should be investigated and appropriate actions taken by the District. General Municipal Law Article 2, §21 authorizes school districts to cancel checks that have been outstanding for more than one year and return the money to the originating fund; a complete record of such cancelled checks should be maintained for six years.

During our testing of the District's monthly bank reconciliations, we noted that the District's disbursements and payroll bank accounts have a number of outstanding checks that are more than one year old.

We recommend that the District contact the payees in order to resolve these old outstanding checks. We further recommend that the District implement procedures for investigating uncashed checks that have been outstanding for a period of time, e.g., three months, so that they can be addressed and resolved timely.

Journal Entries Report

Effective internal control includes supervisory review and approval of recorded transactions. Proposed journal entries written up by the accounting staff or the District Treasurer are reviewed and approved by the Assistant Superintendent for Business before they are entered into nVision.

However, we noted that there is no periodic review of journal entries reports generated from the nVision financial accounting system to ensure that only the journal entries approved by the Assistant Superintendent for Business have been entered.

We recommend that the District periodically compare journal entries reports from nVision to the approved journal entries list and document this review.
