

November 14, 2018

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, 2018, 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 14, 2018, 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

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 a significant portion 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 2017-2018 fiscal school year, the District transferred \$750,000 of the excess fund balance to the capital projects fund as part of the November 2017 Bond Proposition #1 approved by the voters, to provide partial funding to renovate the cafeteria. The planned utilization of excess fund balance for capital improvements of the cafeteria was also approved by the state. However, as of June 30, 2018, the school food service fund's fund balance is still in excess of the three months' average expenditures.

We 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 user 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. We noted that the payroll clerks no longer have permissions to add, delete or change employee information and change employee rates of pay. We recommend that the District consult with its internal auditor to address the issue of incompatible user permissions within nVision and implement procedures to ensure former employees' user rights are deactivated timely.

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 prior year audit, we noted that after the Principal Account clerk retired in May 2017, and 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.

Current Status: Addressed. During our current year audit, we noted that the responsibilities of opening mail and logging checks, and entering the cash receipts into the accounting system are now split between the junior accountant and an account clerk in the accounting office. Although the junior accountant is also responsible for preparing monthly bank reconciliations, the District Treasurer reviews and approves the monthly bank reconciliations as a compensating control.

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 prior year testing of the District’s monthly bank reconciliations, we noted that the District’s disbursements and payroll bank accounts had a number of outstanding checks that are more than one year old.

Current Status: Addressed. During the current audit, we noted that the District has procedures in place where payees of uncashed checks are notified in writing multiple times before the checks are written off. We noted that the payroll bank account outstanding checks were all current. Although the disbursements account still has several outstanding checks that were about one year old, the amounts were not significant.

Journal Entries Report

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

Hicksville Union Free School District

For the Year Ended June 30, 2018

During our prior year audit, we noted that there was 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.

Current Status: Addressed. During the current audit, we noted that the District periodically review the journal entries reports with the assistance of an outside consultant.

CURRENT YEAR'S COMMENT

Summer Program for Students with Disabilities

The District provides programs for students with disabilities under §4408 and §4201 of the Education Law. The District is entitled to State reimbursements for a portion of qualified education, student maintenance and transportation costs for the programs. The District provides the funding for the remaining costs, as well as any non-reimbursable costs. The aid is claimed through what is known as the STAC (System to Track and Account for Children) process. In order to receive the aid, the District must also verify costs submitted through the STAC.

During our current year audit, we noted that the costs for the 2016-2017 §4201 and the summer 2017 §4408 programs had not gone through the cost verification process. As a result, a significant amount of claim payments for the programs has not been released by the State. In addition, it was determined that the State reimbursable costs for the §4408 summer program for 2016 and 2017 were lower than anticipated, requiring an additional funding from the general fund of approximately \$390,000.

We noted that the District has subsequently verified the data and have been in contact with the State to expedite the reimbursement for the programs. We recommend that the District review its procedures for verifying and reporting appropriate program costs to the State to ensure the timely collection of aid eligible to the District. We also recommend that the District review the associated costs of providing services for the §4408 program with its special education department and determine the appropriate estimate of the general fund subsidy to be budgeted annually.
