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October 30, 2019

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, 2019, 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 October 30, 2019, 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 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 food service fund's year-end fund balance had exceeded the three-month average expenditures limit. In the 2017-2018 fiscal school year, the District had transferred \$750,000 of the excess fund balance to the capital projects fund as part of a proposition 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 was still in excess of the three months' average expenditures by approximately \$370,000.

Current status: Not corrected. The District's school food service fund generated an operating surplus of approximately \$240,000 during the 2018-2019 fiscal year, primarily due to increased revenues; as a result its assigned fund balance at June 30, 2019 exceeded the three-month average expenditures limit by over \$580,000.

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

The District has been using a financial accounting software package, nVision, since the 2015-2016 fiscal year to maintain its books and records and process payroll.

We noted in the prior year audit that:

- Certain individuals had user permissions to access areas within the financial accounting software package that are not needed to perform their job.

Current Status: Unchanged. During the current year's audit, we reviewed the nVision role membership report and noted that a number of employees listed as accounting administrators have the ability to input, update and delete journal entries, and for cash receipts and budget transfers even though they are not involved in these processes. We also noted that a number of employees who are not involved in payroll processing have been assigned the role for payroll administrator, which has system permissions to add, modify or delete employee payroll information. The District has notified Nassau BOCES to remove those employees from the payroll administrator role.

- The payroll clerks who processed payroll transactions had computer permissions to add, delete or change employee information and change employee rates of pay.

Current Status: Corrected. The payroll clerks have been assigned the role of payroll processor within nVision and do not have user permissions to add, delete or modify employee information or pay rates.

- A former employee still has an active user status within the financial accounting software package.

Current Status: Unchanged. We noted in the current year that the user ID's for certain former District employees have not been disabled in nVision and are still listed under various roles. The District requested Nassau BOCES to delete a number of user ID's for former employees from nVision in November 2018, but the request was apparently not carried out.

In addition, during the current year audit, we noted the following:

- There are employees assigned under the role of Treasurer but are not the Treasurer or the Deputy Treasurer of the District.

We recommend that the District consult with its internal auditor to address the issue of incompatible user permissions within nVision. Although the District has procedures in place to disable employees' user rights upon termination, we recommend that the District implement procedures to follow up and ensure that former employees' user rights are in fact deactivated timely.

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 prior 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 had 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.

Current Status: During our current year audit, we reviewed the summer 2018 §4408 program-related costs for the District and compared those costs to the State's on-line verification summary of costs for the program. Based on the STAC approved costs approved by the State for the summer 2018 program, we noted that the District had not completed the STAC process for all students upon the start of our audit field work. However, upon conclusion of the audit field work, we noted that the District was able to complete the STAC process for all students.

In addition, we noted that the District's Business Office is working with the special education department to review the associated costs of providing services for the §4408 program to identify State-reimbursable vs. non-reimbursable costs. Based on a comparison of the actual costs and the STAC approved costs for the last two years, we proposed and the District accepted an adjustment to decrease the District's estimate of State reimbursement receivable for the summer 2018 §4408 program and increase the general fund's share of program costs. The District indicated that they will adjust future estimates for the general fund subsidy when their review is completed and more historical information is gathered.

CURRENT YEAR COMMENTS

Extraclassroom Activity Funds

The extraclassroom activity funds are the depository of student money. The New York State Education Department publishes the Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds. These guidelines recommend procedures for organizing these activities, controlling receipts and disbursements, as well as recording and reporting transactions.

During our current year audit, we selected a total sample of twenty-five disbursements and twenty-five cash receipts from the High School and the Middle School for testing, and noted the following:

High School:

- There was one instance where supplies purchased for the junior prom were shipped to the home of the faculty advisor instead of a District address.
- There was one instance where the club did not pay sales tax on the rental and setup of stage lighting and sound equipment for a drama performance.

Middle School:

- There was one instance where the amount of a check disbursed to a theatrical production company to purchase tickets was different than the amount originally indicated on the vendor's invoice/order form, nor did it match a lower tickets count that was handwritten on the invoice/order form. The disbursement was \$104.40 less than the original amount on the vendor's invoice/order form, but it was \$374.00 higher than what the cost would be if based on the lower tickets count that was written in. The difference was most likely due to a change in final attendance count; however, the supporting documentation for the disbursement, including a cover letter from the school, did not provide any indication of the final count of the tickets purchased or how the payment amount was calculated.

We recommend that the District review the above findings with faculty advisors of the student activity clubs to ensure that sufficient information is received and maintained for all disbursements prior to the disbursement of funds. This includes the assessment of whether or not sales tax should be paid. In addition, it is recommended that any goods purchased for student activity clubs be shipped to the District and not to non-district addresses.

Interfund Receivable and Payable Balances

The District routinely transfers funds between its governmental funds and fiduciary fund in accordance with approved budget and to facilitate payroll and related payments. Interfund receivables and payables (due from other funds, and due to other funds) are created when monies for the transactions are not immediately transferred; these balances may increase or decrease throughout the year as transactions and repayments take place. Interfund payables should be repaid within one year.

We noted that as of June 30, 2019, the interfund receivable and payable balances among the District's governmental and fiduciary funds increased significantly compared to balances from a year ago.

We recommend that the District pay down those interfund balances as soon as possible, and implement procedures to review and repay interfund balances periodically throughout the year.
