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October 25, 2021

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, 2021, 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 25, 2021, 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
Cullen & Danowski, LLP

STATUS OF PRIOR YEAR'S COMMENTS

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 annual audit, we had noted that the District's Business Office was working with the special education department to review the associated costs of providing services for the §4408 program and identifying State-reimbursable vs. non-reimbursable costs. That process had been delayed by the school closure due to the COVID-19 pandemic. Upon our audit analysis at year-end and discussions with management, it was determined that approximately \$290,000 of the estimated state receivable balances should be written off to the general fund based on historical trend.

Current Status: Corrected. The District's Business Office worked closely with the special education department to review State reimbursable vs. non-reimbursable costs for the §4408 program and adjusted estimates for the general fund subsidy was in line with historical trends.

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.

During our prior year audit, we had noted that the interfund receivable and payable balances among the District's governmental and fiduciary fund increased significantly compared to balances from a year ago.

Current Status: Corrected. During our current year audit, we noted that the District reviewed the interfund balances and repaid interfund balances in a more timely manner throughout the year.

Unassigned Fund Balance - General Fund

New York State Real Property Tax Law (RPTL) §1318 limits a school district's general fund unassigned fund balance to an amount not greater than 4% of the ensuing year's budget.

During our prior year audit, we noted that the District's unassigned fund balance exceeded the statutory limit established by New York State RPTL §1318. At June 30, 2020, the District's unassigned fund balance was at 6.14% of the ensuing year's budget. District's management indicated that the excess unassigned fund balance would be used in the 2020-2021 fiscal year to manage uncertainties in the budget attributed to the ongoing COVID-19 pandemic and anticipated state aid cuts.

Current Status: Corrected. During our current year audit, we noted that the District's unassigned fund balance at June 30, 2021 complied with the statutory limit established by New York State Real Property Tax Law §1318.

Hicksville Union Free School District

For the Year Ended June 30, 2021

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 (SED) Child Nutrition Program Administration outlining the plan to reduce the excess funds.

During the prior year audit, we noted the school food service fund's assigned fund balance had exceeded the three months' average of prior year expenditures limit by approximately \$370,000.

Current Status: Not corrected. The District's school food service fund total fund balance increased by approximately \$93,000 for the year ended June 30, 2021; as a result, its assigned fund balance exceeded the three months' average of prior year expenditures limit by approximately \$510,000.

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.

Capital Assets

The responsibility of safeguarding the District's investment in capital assets is important to sound fiscal management. The responsibilities can only be discharged through adequate capital assets accounting, and should include conducting periodic physical inventory of all capital assets. The District engaged a third-party capital assets management company to prepare its annual capital assets inventory report. This annual report reflects the beginning capital assets from the prior year, plus current year additions, dispositions, and the ending capital assets. This report also includes beginning accumulated depreciation, current year depreciation expense and the ending accumulated depreciation, as well as amounts in construction in progress that are not depreciated until they are placed into service.

During the prior year audit, the District did not receive the draft inventory report from the capital assets management company until mid-October 2020. Due to the delay in the receipt of the draft inventory report, the District did not have time to review and reconcile the report before providing it to us to audit. We reviewed the draft report and noted unreconciled differences in the balances related to the reclassification of amounts previously reported as construction in progress to a depreciable assets class, as well as some discrepancies in equipment additions compared to the information given by the District to the management company. The differences were eventually identified and resolved and a new inventory report was provided by the management company.

Current Status: Corrected. During the current year audit, the District utilized a third-party consultant to assist with the capital asset inventory and related reconciliations. We noted that the information submitted to the capital asset management company were timely, and the inventory reports subsequently received from the capital asset management company were properly reconciled by the Business Office.

Computer Permissions

The District uses the nVision financial accounting software application to maintain their accounting records. The software allows the District to establish permissions for each system user based on the individual's job responsibilities. This permits the District to strengthen internal controls by segregating duties electronically.

Hicksville Union Free School District

For the Year Ended June 30, 2021

We noted in previous audits that there were employees assigned under the role of Treasurer but these employees were not the Treasurer or the Deputy Treasurer of the District.

Current Status: Not corrected. We noted that two individuals in the Business Office are still assigned the role of Treasurer, but they are not the Treasurer or Deputy Treasurer of the District.

During our current year audit, we also noted the following:

- There is an employee assigned under the role of Payroll Processor who is no longer working in that position at the District.
- There are employees assigned to the role of Benefit Administrator who work in the accounting department, and do not need access to benefits administration in nVision.

We recommend that the District review these user permissions and consider consulting with its internal auditor to address the issue of incompatible user permissions within nVision.

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 prior year audit, we had noted the following within our audit sample of disbursements and cash receipts from the Middle School extraclassroom activities several instances where there was no student officer's signature on the club activity request forms for cash disbursement transactions and cash receipts transactions.

Current Status: During our current year audit, we noted several instances within our audit samples of cash disbursements and cash receipts for the High School and the Middle School, where the club activity request form was not signed by a student officer, the District indicated that some students were not attending school in person during the 2020-2021 school year.

We also noted that the Middle School Yearbook activity has a \$1,471 deficit balance at June 30, 2021.

In addition, we reviewed the profit-and-loss (P&L) statement prepared by a student activity for their sale of apparels and noted that the P&L statement did not contain sufficient details indicating the number of items sold or a list of beginning vs. ending inventory of the items sold; as a result, we could not test the sales information on the P&L statement for accuracy or reasonableness. The total amount of cash receipts reported on the P&L statement was inconsistent with the indicated unit price of the apparels. The P&L statement was signed by the faculty advisor but not by the student treasurer; instead, the central treasurer signed the form in the area for student treasurer's signature.

We recommend that the District implement procedures to help ensure that student activities do not incur a deficit. Detailed documentation should also be maintained and retained by the student clubs to support the cash receipts reported in the clubs' P&L statements. This may require additional training by the District for the personnel involved in the extraclassroom activities to ensure compliance with the State's guidelines.

Disaster Recovery Plan

The District’s internal controls should include the safeguarding of the financial accounting software and data to ensure the preservation of the records and the ability to process transaction without significant interruption.

During our prior year audit, the District indicated that it had developed a contingency plan for alternative processing of transactions in the event of a catastrophic loss or interruption of their network. However, those procedures were not documented in a formal disaster recovery plan or tested to ensure that all financial information can be fully recovered.

Current Status: In progress. The District prepared a disaster recovery plan and provided us with a copy of the plan. We noted that this disaster recovery plan document describes the District’s disaster recovery capabilities, but does not contain actual procedures or steps that District staff and personnel are to follow in the event of a significant disruption or catastrophes.

We recommend that the District include its actual steps and recovery procedures in the disaster recovery plan to provide clear instructions for District personnel.

CURRENT YEAR’S COMMENT

Unexpended Capital Projects Balances

The District provides funding for resources needed for the acquisition and construction of capital improvements by annual budgetary appropriations, or through self-funded capital reserves or issuance of long-term obligations as approved by the District’s voters. These projects are accounted for within the capital projects fund.

We noted that the District has several capital projects with unexpended balances totaling \$87,528. These capital projects were originally funded by general fund appropriations dating back several years and appear to have been completed, as they did not have expenditures for a few years. If the projects are completed, the unused funds should be returned to the general fund.

We recommend that the District review its capital projects currently reflected in the other supplementary information (Schedule of Project Expenditures and Financing Resources – Capital Projects Fund) of the annual financial statements and determine which projects are completed and closed. Unexpended balances of the completed projects should be disposed of by Board resolution or, in the case of projects funded by capital reserves, by referendum.
