



**GREAT NECK PUBLIC SCHOOLS
BOARD OF EDUCATION**

345 Lakeville Road
Great Neck, New York 11020
Telephone (516) 441-4001

REBECCA SASSOUNI
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Vice President

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Trustee

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Trustee

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District Clerk

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Treasurer

December 10, 2021

Office of the New York State Comptroller
Division of Local Government Services & Economic Development
Data Management Unit, 12th Floor
110 State Street
Albany, NY 12236

RE: Audit Reports, Fiscal Year Ended June 30, 2021

Dear Sir or Madam:

In regards to the year end audit comments and recommendations found with in the Management Letter from Cullen & Danowski, dated November 12, 2021, below please find the Districts Response to the comments:

STATUS OF PRIOR YEAR COMMENTS

School Food Service – Fund Balance

Comment & Recommendation:

The District's food service program serves meals to students and District employees. Federal Regulation, 7CFR Part 210.14b, limits the net cash resources within the school food service fund to an amount that does not exceed three months average expenditures.

During the prior year audit and the current year audit, we noted that the school food service fund's fund balance was in excess of three month's average expenditures; the amount to be in compliance with Federal Regulation, 7CFR Part 210.14b. The fund balance at June 30, 2021 and 2020 was approximately \$906,000 and \$1,256,000, respectively. The amounts in excess at June 30, 2021 and 2020, was approximately \$235,000 and \$549,000, respectively.

We note that the District is continuing to monitor its school food service fund - fund balance in order to be in compliance with Federal Regulation, 7CFR Part 210.14b. The District has reduced the excess and will continue to evaluate the utilization of fund balance for equipment and food service program improvements to further reduce the excess.

Response:

Personnel in the Food Service and Business Offices will continue to monitor the fund balance in the School Food Service Fund. Appropriate uses of these funds will be made while maintaining an adequate balance for unbudgeted expenditures, budgeted but unrealized revenues, or for any unforeseen

circumstances requiring an outlay of funds. Equipment and Capital projects will be the items this money will be used for which are infrequent so that it will not create issues with annual budgeting.

Anticipated Completion Date: June 30, 2022

Extraclassroom Activity Funds

Comment & Recommendation:

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

During the prior year audit, we noted that within the records maintained by one school, which has limited financial transactions, checks were signed by the treasurer, and a formal bank reconciliation was not prepared. A number of clubs / activities had no financial transactions. During the current year audit, we noted that the status of these findings remained unchanged. This is most likely due to COVID-19 which limited activities.

Additionally, during the current year audit, we noted the following in the sample of transactions tested:

1. There were a number of instances where cash disbursement documentation did not include sales tax paid.
2. A number of instances in which club advisers were reimbursed for purchases instead of the payments being made directly to vendors.
3. There was one instance in which an item purchased was shipped to a non-school district address.

We recommend the District continue with staff training for personnel who support the extraclassroom activities and clubs. We also recommend that the faculty auditor at each building, document the procedures performed in their independent review of extraclassroom activity and transactions.

Response:

Personnel in the Business Office will continue to provide guidance and materials to the staff in each building responsible for the accounting of these funds. The district will also provide training to the Treasurers to help them navigate through any problems that may arise. This continues to be a work in progress with progress being made.

Anticipated Completion Date: June 30, 2022

Capital Assets Inventory Records

Comment & Recommendation:

The District's capital assets inventory records reflect assets that are capitalized for financial reporting (GASB 34) purposes according to the Board of Education's capitalization policy. The records are maintained on a District based system, Real Asset Management International (RAMI).

During the prior year audit, we noted that the Capital Asset report received on November 12, 2020 had inconsistencies in the capital asset reporting that required reconciliation.

During the current year audit, we noted some inconsistencies still existed in the Capital Asset report, such as:

- Certain capital assets previously acquired that had been placed in service are not being depreciated.
- Certain useful lives assigned to assets for financial reporting purposes are not consistent with the District's capitalization policy.

We recommend that the District implement additional procedures to review the capital asset inventory to ensure that all capital assets placed into service are being properly depreciated. In addition, we recommend that the useful lives for all assets be reviewed to ensure that they properly reflect the appropriate period of use for each asset per the District's capitalization policy.

Response:

The District is in the process of reviewing a new fixed (capital) asset and inventory reporting system that will handle our inventory and depreciation needs. The District will review assets to make sure that they are reflected in the proper categories. This new software will result in accurate and timely reporting of capital assets and inventory.

Anticipated Completion Date: June 30, 2022

Review of Open Purchase Orders

Comment & Recommendation:

The New York State Uniform System of Accounts (System) provides for the recording of encumbrances. Under encumbrance accounting, purchase orders, contracts, and other commitments are recorded as a reservation against budget appropriations so that the funds are available when payment is due. Encumbrances at year-end should consist of open purchase orders where the goods or services have not been received by year-end.

During the prior year audit and the current year audit, in the sample of encumbrances tested in the general fund, we noted some were not properly liquidated.

During the current year audit, management determined that an additional adjustment was need to increase capital project fund encumbrances for contracts approved and awarded during the fiscal year ended June 30, 2021.

We recommend that the District expand their review of open purchase orders/commitments during the year to ensure that all encumbrances are properly included or properly liquidated.

Response:

The District will review outstanding encumbrances on a quarterly basis to determine the validity of encumbered amounts. If an amount is encumbered and a valid purchase order is not outstanding, the encumbrance will be liquidated and the funds returned to the appropriation line indicating its availability for a future purchase(s). Instituting this practice will ensure more accurate predictions on funds availability and will assist in making more accurate forecasts of unspent money that will flow to Fund Balance after the close of the fiscal year for possible appropriation to fund the following year's budget. The goal is for encumbrances to reflect amounts actually anticipated to be expended

Anticipated Completion Date: June 30, 2022

Summer Program for Students with Disabilities

Comment & Recommendation:

The District provides programs for students with disabilities under §4408 of the Education Law. The District is entitled to State reimbursements for a portion of qualified education, student maintenance and transportation costs for the program. 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 the prior year audit, we reviewed the summer 2019-20 §4408 program-related costs for the District and compared the overall costs of providing services for this program to identify the expected state-reimbursable costs vs. the non-reimbursable costs (or the general fund subsidy). Upon review, it was determined that the actual costs of providing services for this program have been trending higher and not all costs to provide services for the student needs are eligible as STAC approved costs for reimbursement by the state. In the prior year, this resulted in an additional general fund subsidy of \$166,000 to cover the costs of providing these services.

During the current year audit, we noted that the general fund budgetary subsidy was sufficient to cover the non-reimbursable cost of operating the §4408 program.

We now consider this comment closed.

Response:

No response necessary.

CURRENT YEAR COMMENTS

Bank Wire Transfers

Comment & Recommendation:

The District maintains several cash accounts at various banks. A District employee is authorized to make bank wire transfers between bank accounts or to approved vendors so that the cash is available to pay for certain expenditures.

During our current year audit, upon testing subsequent cash receipts we noted that a reimbursement was received by the District for a wire transfer that was inadvertently sent to the wrong vendor by the District. Upon further inquiry, we noted that the District employee incorrectly checked off the wrong vendor from a pre-approved wire vendor list. The district discovered this after the wire transfer and was able to get full reimbursement. In addition, we also noted an instance in which a transfer between approved bank accounts was sent to the wrong account but was subsequently discovered and corrected.

We recommend that the District review their current procedures in place to ensure that all wire transfers processed are reviewed by both the District employee in accordance with District internal control procedures, and another individual in the business office. Also, the bank confirmation for each transfer should be returned to an individual other than the initiator.

Response:

The District employee will continue to make wire transfers, but the transfer confirmations will be reviewed by another Business office employee. Confirmation emails from the bank will be sent directly to the other Business office employee to review. The District will also request dual authentication on all wire transfers from those banks that offer the service. This will require two Business Office employee's authorization before a wire transfer can be initiated.

Anticipated Completion Date: December 31, 2021

Deposits with Financial Institutions and Investments (Collateral)

Comment & Recommendation:

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Collateral of a type authorized by the Board, and in accordance with General Municipal Law, is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

During the current year audit, we noted that one of the financial institutions in which the district had bank balances in, did not have the required collateral designated in the District's name.

We recommend that the District review the collateral agreements for all financial institutions in which the District has financial resources and review the collateral statements periodically to ensure that all account balances are properly collateralized in the District's name. Additionally, we recommend that the District prepare a collateral statement monthly and designate someone within the business office to review the collateral schedule to ensure that adequate collateral is being maintained by the financial institution.

Response:

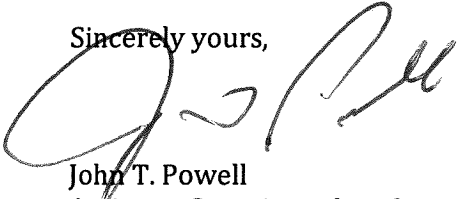
The District will review and revise all collateral agreements with the financial institutions. A member of the Business office will prepare a monthly collateral schedule to verify that there is adequate collateral being maintained. The Assistant Superintendent for Business will review the schedule each month for accuracy.

Anticipated Completion Date: March 1, 2022

The District realizes that the above comments/findings were provided in an effort to strengthen internal controls, and to ensure the timely preparation of financial statements that assist administration and the Board of Education in making sound financial and educational decisions. All effort will be made to address these comments timely, and to ensure that this and any new comments do not appear, or if they do, they will be minimal in number and materiality in the future.

If you have any questions, please feel free to contact me.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'JTP', written over the words 'Sincerely yours,'.

John T. Powell
Assistant Superintendent for Business

JTP: ed