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November 12, 2020

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, 2020, 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 12, 2020, 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**

**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.

We noted in our prior year audits that the District's school food service fund's year-end fund balance had exceeded the three-month average of prior year expenditures limit. The District utilized \$750,000 of this excess fund balance in 2017-2018 for capital improvements approved both by the District's voters and the state to renovate the cafeteria. At the end of the 2018-2019 fiscal year, the fund balance was still in excess of the three months' average of prior year expenditures by approximately \$330,000.

*Current status:* Not corrected. As of June 30, 2020, the school food service fund's assigned fund balance exceeded the three months' average of prior year expenditures limit by approximately \$369,000.

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 previous audits 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:* 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.

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

*Current Status:* Corrected. We noted in the current year that the user ID's for certain former District employees have been disabled in nVision.

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

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

## **Hicksville Union Free School District**

For the Year Ended June 30, 2020

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We recommend that the District consult with its internal auditor to address the issue of incompatible user permissions within nVision.

### **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 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 at the time of our audit field work. The District eventually completed the STAC process for all students.

In addition, 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 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 had 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 would adjust future estimates for the general fund subsidy when their review was completed and more historical information was gathered.

*Current Status:* In progress. The District's Business Office has been working with the special education department to review the associated costs of providing services for the §4408 program and to identify State-reimbursable vs. non-reimbursable costs. This process was delayed by the school closure due to the 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.

We recommend that the District's Business Office continue to work with the special education department to review State reimbursable vs. non-reimbursable costs for the §4408 program and also adjust future estimates for the general fund subsidy so that they are aligned with historical data.

## Hicksville Union Free School District

For the Year Ended June 30, 2020

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### **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 noted the following within our audit sample of disbursements and cash receipts from the High School and the Middle School extraclassroom activities:

#### 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.

*Current Status:* Corrected. During our current year audit, within our audit sample, we noted that all items purchased through the High School extraclassroom funds were shipped to the school and paid proper sales tax. We also noted that disbursements made by the Middle School extraclassroom funds were supported by invoices that agreed to the amounts paid.

During our current year audit, we again selected a total sample of twenty-five disbursements and twenty-five cash receipts from the High School and the Middle School for testing, and we noted in our sample for the Middle School three instances of cash disbursement transactions, and five instances of cash receipts transactions where there was no student officer's signature on the club activity request forms.

We recommend that the District review the above findings with the faculty advisors of the student activity clubs to ensure that all required signatures are present on cash receipt and cash disbursement requests. This may require additional training by the District to personnel to ensure compliance with the State's guidelines.

### **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.

## **Hicksville Union Free School District**

For the Year Ended June 30, 2020

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

*Current Status:* Not corrected. During our current year audit, we again noted that the interfund receivable and payable balances between the District's governmental and fiduciary funds increased significantly from the prior year. We again recommend that the District review the interfund balances as soon as possible, and implement additional procedures to review and repay interfund balances periodically throughout the year.

### **CURRENT YEAR COMMENTS**

#### **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 current 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 will 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.

We recommend that the District monitor its unassigned fund balance to ensure compliance with New York State Real Property Tax Law §1318.

#### **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 current year audit, the District indicated that it has developed a contingency plan for alternative processing of transactions in the event of a catastrophic loss or interruption of their network. However, upon further inquiry, we noted that these procedures have not been documented in a formal disaster recovery plan or tested to ensure that all financial information can be fully recovered.

We recommend that the District formally document its disaster recovery procedures and perform periodic testing of its disaster recovery plan to ensure that in the event of a significant interruption, the District's financial data can be properly restored and operational.

#### **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

**Hicksville Union Free School District**

For the Year Ended June 30, 2020

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amounts in construction in progress that have not been depreciated until they are placed into service. For the current year's audit, we noted the following:

- 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.

We recommend that the District implement procedures to ensure that the annual capital assets inventory report is timely received, reviewed and reconciled by the District before it is provided as supporting documentation for the financial statements audit.