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November 26, 2018

To the Board of Education and Management  
Westbury Union Free School District  
Old Westbury, New York

In planning and performing our audit of the financial statements of the Westbury 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 audit 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 deficiencies in internal control other than significant deficiencies and material weaknesses and 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 dated November 26, 2018, on the financial statements of the Westbury Union Free School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of 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 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 prior and current year audits we noted the following:

- Some student clubs had no financial activity during the year, which may be an indication that they are inactive clubs.
- Some student clubs did not maintain their own accounting ledgers.
- Clubs which maintained their own books and ledgers did not periodically compare with central treasurers' records to check for differences.
- Interest is not allocated to the various clubs for the Middle School.
- Sales tax is not being collected for taxable sales by some clubs.
- Some clubs do not appear to be using formal profit and loss statements.
- Some disbursements made in the middle school and high school were for reimbursements directly to faculty advisors instead of direct payments through vendors.

We understand that the District has provided trainings to the central treasurers at the middle school and the high school. We recommend that the District also provide annual training to faculty advisors of student clubs, and continue to monitor the extraclassroom activity funds to ensure compliance with state guidelines.

#### Unexpended Fund Balances

The District has unexpended fund balances in the following funds:

##### **Debt Service Fund**

The District utilizes a Debt Service Fund to account for the accumulation of unspent resources and interest earnings related to capital projects funded by long-term general obligation bonds. These funds are required to be used towards repayment of the outstanding general obligation bonds.

During our prior audits, we noted that the District still had \$1,407,540 of fund balance accumulated in its Debt Service Fund.

*Current Status: Corrected.* During our current year audit, we noted that the District transferred \$1,400,000 from the Debt Service Fund to the General Fund as part of the 2017-18 adopted budget. We now consider this comment closed.

##### **Capital Projects Fund**

The District provides funding for resources needed for the acquisition and construction of capital facilities throughout the District by means of annual budgetary appropriations or through financing

methods approved by the taxpayers. These projects are accounted for in the Capital Projects Fund. Upon completion of the capital projects, any unexpended balances should be returned to the General Fund if the projects were originally funded by budgetary appropriations, or transferred to the Debt Service Fund if the projects were financed by debt to be used towards future debt service payments.

We noted in our prior year and current year audits that the District has old capital projects with unexpended balances. Those capital projects were originally funded by budgeted transfers from the General Fund, and appeared to be completed as they did not incur any expenditures for a few years.

We recommend that the District review all of its capital projects currently reflected in the supplementary Schedule of Project Expenditures and Financing Sources – Capital Projects in the financial statements to identify the completed projects and transfer the unexpended balances to the General Fund or Debt Service Fund accordingly. The District may then decide whether to retain the returned funds in fund balance, or to utilize the returned funds in upcoming budget plans or to fund reserves.

### **Cash Receipts Log Reconciliation**

The District has a process for all incoming cash receipts whereby someone independent of the business office keeps a log of the receipts. The cash receipts log is reconciled to the accounting records by the claim auditor periodically.

During our prior year audit, we had noted that the cash receipts log was reconciled to accounting records in the nVision accounting system through April 2017. However, there was no indication that the cash receipts log for May and June 2017 were reviewed or reconciled. We recommend that the reconciliation of the cash receipts log with the accounting system records be done for each month and on a timely basis.

During our current year audit, we noted that the cash receipts log was reconciled to accounting records in the nVision accounting system through March 2018. However, there was no indication that the cash receipts log for April, May and June 2018 were reviewed. We recommend that the reconciliation of the cash receipts log with the accounting system records be done for each month and on a timely basis.

### **Cash Disbursements and Claims Audit Process**

The District's cash disbursements to vendors are prepared by the accounts payable department. A Board-appointed claims auditor audits the vouchers, and the District Treasurer signs the checks.

In prior year audits, we noted that during the claims audit and authorization process, the printed checks were not given to the claims auditor as part of his audit. The claims auditor was provided with a pre-warrant with the claim vouchers for his audit. After the claims auditor completed his audit of the claims and the pre-warrant, disbursement checks were printed and a final warrant was also generated; however, the checks were released after the Treasurer's review and not being held for the claims auditor for his next visit, when he would review and sign the final warrant.

During the current year, we noted that as of January 2018, the claims auditor is obtaining the payment packets after the checks are been printed, and signing the copy of the checks and then giving a signed warrant to the Treasurer/Assistant Business Administrator informing her which checks have been approved. The Treasurer/Assistant Business Administrator releases the checks accordingly. We now consider this comment closed.

**Computer User Permissions**

The District updated its accounting software to the nVision software application in July 2015. The software allows the District to establish permissions for each user based on each individual's job description. This permits the District to strengthen internal controls by segregating duties electronically.

During the prior year and current year audits, we reviewed user permissions within nVision and noted that several employees' user permissions included areas that were not directly related to their job responsibilities.

We recommend that the District review user permissions within nVision to ensure that employees only have access to those tasks that are necessary for their job responsibilities.

**School Food Service Fund Sales Reconciliation**

The District's food service program serves breakfast and lunches to students and District employees. Except for free meals that are served to all students at the District, adult meals are sold at a set price. Sales are tracked by the District's Point of Sales System, Infinite Campus, when sold by the cashier.

We noted that the District's Business Office records monthly school lunch sales in nVision based on Excel spreadsheets prepared by the on-site manager of the food service management company. The spreadsheets were reportedly reconciled by the on-site manager with sales reports generated from Infinite Campus; however, for the two months that we selected for testing, the sales and cash deposits recorded in nVision for the High School were higher than the amounts indicated on the Infinite Campus reports.

During the prior year and current year audits, we noted differences for two months (prior year - October 2016 and February 2017; current year - November 2017 and March 2018) between amounts recorded in nVision and amounts on the Infinite Campus reports for the District. We also noted that the deposits recorded in the bank for these respective months was higher than what was recorded in the POS system.

We recommend that the District implement procedures to investigate and resolve any discrepancies between the Infinite Campus reports and the general ledger on a monthly basis.

**School Food Service Fund Assigned Fund Balance**

The District operates a school food service program, which includes breakfast and lunch. The transactions for these programs are reflected in the School Food Service Fund. Federal Regulations, 7 CFR Part 210.14 (b), limit the net cash resources (fund balance) within the School Food Service 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 Child Nutrition Program Administration outlining the plan to reduce the excess funds.

During the prior year audit, we noted that the District's School Food Service Fund unencumbered, assigned fund balance at June 30, 2017 fiscal year had an operating surplus of \$735,717. Although the District did purchase the additional cafeteria equipment and furniture as planned, it also received approximately \$206,000 more in Federal aid and reimbursements revenues than the previous fiscal year; as a result, the School Food Service Fund ending assigned fund balance increased to \$1,971,617 at June 30, 2017. The District's three-months-average-expenditures limit was \$722,925 for its twelve-month food service operation; thus, the assigned fund balance exceeded the three-months-expenditures limit by \$1,248,692.

**Westbury Union Free School District**  
For the Year Ended June 30, 2018

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During the current year audit, we noted that the School Food Service Fund ended the 2017-18 fiscal year with an operating surplus of \$402,380. Although the District did purchase the additional cafeteria equipment and furniture as planned, it also received approximately \$68,000 more in Federal aid and reimbursements revenues than the previous fiscal year; as a result, the School Food Service Fund ending assigned fund balance increased to \$2,306,993 at June 30, 2018. The District's three-months-average-expenditures limit was \$825,606 for its twelve-month food service operation; thus, the assigned fund balance exceeded the three-months-expenditures limit by \$1,481,386.

We recommend that the District continue to coordinate with the State Education Department to finalize and implement its plans to spend down the surplus fund balance to comply with federal regulations.

**Interfund Receivables and Payables Balances**

The District routinely transfers funds between its governmental funds and fiduciary funds 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 noted that the General Fund had significant balances in its Due from Agency Fund and Due to School Food Service Fund accounts which have been increasing since the prior year.

During our current year audit we noted that these interfund balances were repaid. We now consider this comment closed.

**Disaster Recovery Plan**

A disaster recovery plan provides guidance and procedures for the reconstruction of technology operations and recovery of crucial and time-sensitive data in the event of sudden, catastrophic disasters, such as flooding, fire, or computer virus (e.g., ransomware), to help minimize the loss of technology equipment and data.

The District's existing disaster recovery plan was prepared in 2008. In the prior year audit, the District's former Director of Technology indicated to us that the recovery procedures was tested in the spring of 2017; however, we were not provided with documentation of that test.

During the current year audit, we were informed that disaster recovery procedures were tested in the spring of 2018; however, we were not provided with documentation or evidence of that test. We recommend that the District implement procedures for documenting and maintaining the results of disaster recovery test procedures.

**CURRENT YEAR COMMENTS**

**Unassigned Fund Balance – General Fund**

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

During the current year audit we noted that the District's unassigned fund balance as of June 30, 2018 exceeded the 4% statutory limit.

We recommend that the District monitor its plan for utilizing and reducing the General Fund's unassigned fund balance.

**School Food Service Inventory Pricing**

The District purchases food and also receives surplus food from the federal government for use in its School Food Service program. Inventory count is performed at the school cafeterias monthly and at year end. The account balance of the inventory at year is calculated based on the inventory count and the appropriate unit costs for the items.

During our current year audit, we were provided with a list of the inventory counts and pricing for the valuation of the Food Service program inventory. Upon our selection of a sample of some items for price testing, we were notified that pricing used for calculating the inventory was not correct. We are currently waiting for the updated inventory pricing and values from the District to determine if the difference is material and should be adjusted in the Food Service Program inventory value.

We recommend that the District implement procedures for updating the pricing for school food service inventory and consider periodically reviewing the inventory throughout the year and at year end. This will ensure that the inventory counts and pricing are properly monitored and accurate throughout the year.

**School District Financial Transparency Law Requirements**

The state enacted a new legislation that requires each school district to make available its annual external audit report, related corrective action plan, as well as any state comptroller's audit report on the school district's website. The new legislation, Education Law §2116-a (3-b), became effective on July 1, 2017.

During our audit, we reviewed information posted on the District's website and were initially unable to find the District's external audit report or the corrective action plan for the fiscal year ended June 30, 2017, which were accepted by the Board of Education on November 9, 2017 and November 16, 2017, respectively. After performing a specific keywords search for the documents, we were able to locate the financial statements and the corrective action plan. However, we noted that this information should have been, but was not, easily accessible on the District's website, e.g., through a dedicated hyperlink under the Finance and Operations page. We also noted that the recently-released state comptroller's audit report could not be located on the District's website even after we performed a specific keyword search.

We recommend that the District make available timely its external audit reports, related corrective action plans, and any state comptroller's audit reports on the District's website in a manner that would allow the public to easily locate the documents.

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