



Great Neck Public Schools

Phipps Administration Building • 345 Lakeville Road • Great Neck, New York 11020

(516) 441-4020 / (516) 441-4922 Fax

Kenneth R. Bossert, Ed.D.
Superintendent of Schools

John J. O'Keefe
Assistant Superintendent for Business

November 15, 2023

New York State Education Department
Office of Audit Services, Room 471 EBA
89 Washington Avenue
Albany, New York 12234

RE: Corrective Action Plan – External Audit Report – Management Letter

Dear Sir or Madam:

Below, please find the recommendations of the “**Management Letter – October 11, 2023,**” for fiscal year ended June 30, 2023. This was prepared and issued by the District’s external auditors Cullen & Danowski, LLP. During their audit, they noted certain opportunities for strengthening internal controls and operating efficiency. Since there were some recommendations, a corrective action plan was required as per NYSED Regulation 170.12. On the following pages you will see the recommendations, as well as the District’s responses. Please feel free to reach out to my office with any questions.

Sincerely,

John J. O'Keefe

John J. O'Keefe
Assistant Superintendent for Business

STATUS OF PRIOR YEAR'S COMMENTS

Extraclassroom Activity Funds

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 our prior year audit, we noted the following in the sample of transactions we tested: there were a number of instances where cash disbursement documentation did not include sales tax paid;



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there were instances where student involvement, although required, was not documented; and there was no supporting documentation for a couple of cash disbursements. A number of clubs/activities had no financial transactions.

Additionally, 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.

During the current year audit, we noted that the status of these findings remained unchanged.

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.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business and School Business Administrator had some time during the 2022/23 SY to analyze the deficiencies and determine the appropriate guidance needed, as well as improvements to existing practices. The District's Treasurer and Auditor also helped to gather information to help guide much needed corrective actions. While many conversations took place during the school year with building advisors and treasurers, there was no material improvement noted, which was disappointing to administration. Nonetheless, we will continue to endeavor working towards better compliance with these important best practices.

Extraclassroom activity funds are always a work in progress in any District. There is frequent changeover in student advisors, and therefore education is an ongoing effort. It is typically found that student advisors are always looking to guide particular activities in the best interests of students, but they often do not understand the importance of detailed and transparent financial transactions, with layered oversight.

The Assistant Superintendent for Business will now share this year's findings with the Assistant Superintendent for Secondary Education. In addition, they will share it with all the secondary building principals. In the coming weeks, meetings will be scheduled to review the audit findings, as well as a thorough review of best practices and protocols, which will be shared with buildings treasurers, auditors, and advisors. The Business Office administration and staff will remain readily available to help building staff and leadership navigate issues as they arise. While it is anticipated that there will be noticeable improvement by June 30, 2024, it is assumed this matter will continue to be an ongoing, work in progress.

Capital Assets Inventory Records

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).



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During the prior year audit and current year audit, we noted that the capital asset report had inconsistencies with the underlying accounting records for capital assets that required reconciliation.

We recommend that the District implement additional procedures to review the capital asset inventory to the Districts' accounting records to ensure that all capital assets placed into service have been included, and are being properly depreciated in accordance with accounting records for the District's capitalization policy.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business met with the District's Purchasing Agent, Business Administrator and Auditor to review the findings and to develop a recommended response.

To address the inconsistencies between the capital asset inventory and the underlying accounting records for capital assets, the Purchasing Agent and Business Administrator will oversee a reconciliation of its capital asset inventory against its accounting records to ensure that all qualifying assets are recorded properly.

In addition, the Purchasing Agent and Auditor will work together to conduct reviews of its capital assets to confirm that these assets are being properly depreciated. While this process will be periodic and ongoing, it is anticipated that the new protocols and procedures will be fully implemented before the close of this fiscal year, June 30, 2024.

Review of Open Purchase Orders

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, in the sample of encumbrances tested in the general fund, we noted some were not liquidated.

During our current year audit, in the sample of encumbrances tested in the general fund, we noted that encumbrances were liquidated to the extent the transactions were completed. This comment is closed.

District Response:

This comment is closed.



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Bank Wire Transfers

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 the prior year audit, in the sample of wire transfers we tested, we noted that a wire transfer that had already been processed two weeks prior had been submitted for processing a second time. The transfer took place before the approval process occurred.

During our current year audit, in the sample of wire transfers we tested, we did not note the processing of wire transfers prior to approval. We also noted bank confirmations for wire transfers we tested. This comment is closed.

District Response:

This comment is closed.

Collateral for Deposits with Financial Institutions

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

During our current year audit, we noted that the previously mentioned financial institution in which the District had bank balances, did have the required amount of collateral designated in the District's name. This comment is closed.

District Response:

This comment is closed.

Financial Accounting Software Computer Permissions

The District utilizes a financial accounting software package, Wincap, to maintain its books and records. The District utilizes that program to also process its payroll. The District employs a Coordinator of Information Systems (IT). The District has controls within the computer function.

During the prior year audit and the current year audit, in the sample of computer access permissions we tested, we noted that certain individuals have computer permissions to access areas within the financial accounting software package that do not necessarily appear to be needed to perform their job.



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We recommend that the District review computer permissions to ascertain that individuals are given computer permissions to access only those areas within the accounting software that are necessary to perform their job.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business concedes the findings to be very similar to comments in a report, written by the District's Internal Auditors, titled "Review of Information Technology: Inventory, Access Permissions, & Protection of Personal, Private and Sensitive Information (PPSI) on Mobile Computing Devices 2021 - 2022." A corrective action plan was written for those findings, and work took place throughout the 2022/23 SY to address cited deficiencies, and while progress and improvements were made, it is still a work in progress.

The Assistant Superintendent for Business has already met with the District's Coordinator of Information Systems, and has shared the remaining cited deficiencies. The Coordinator of Information Systems will continue to perform a thorough review of access permissions, and adjust them to match each employee's job responsibilities. Some of the deficiencies are due to work-flows established by the previous administration, and are still being modified. The District will continue to review WinCap's User Security Profile Change Report monthly to ensure that all account changes were appropriate. While permission reviews will be periodic and ongoing, it is anticipated that the final corrections will be fully implemented before the close of this fiscal year, June 30, 2024.

Bank Reconciliations

At the end of every month, the Treasurer reconciles all district bank accounts. Reconciliation of bank accounts ensures that transactions have been properly recorded on the District's books. Bank reconciliations are reviewed by another individual in the Business Office. The monthly Treasurer's report containing bank reconciliation information is approved by the Board of Education at a subsequent Board meeting.

During the prior year audit, in the sample of bank reconciliations we tested, we noted that the review of the monthly bank reconciliations took place subsequent to the approval of the Treasurer's report by the Board of Education.

During the current year audit, in the sample of bank reconciliations we tested, we noted that the review of the bank reconciliations took place prior to the release and approval of the Treasurer's report. This comment is closed.

District Response:

This comment is closed.



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Tuition Billings to Other Districts

The District bills other districts for children who are domiciled within those other districts but live and attend school within the District. They also bill other districts for educational and other services provided.

During the prior year audit, we noted that the District does not have a formal procedure in place to follow-up on the notification to other districts of the billed balances outstanding, and the collection of those amounts.

During the current year audit, we noted that the District began implementing additional procedures in this overall process.

We recommend that the District continue with their implementation of procedures for systematically communicating in writing to other districts, the balances outstanding and the collection of those amounts.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business and School Business Administrator will continue to discuss the situation with the Assistant Superintendent for Special Education and Pupil Personnel Services, as these billings originate from that office.

The department's Principal Account Clerk is responsible for these billings, as well as regular follow up on outstanding receivables. While it is encouraging to see that improvements have been observed by the External Auditor, it is obvious there is still room for continued improvement.

The School Business Administrator will continue to review aging reports quarterly, and provide feedback on outstanding receivables to the Assistant Superintendent for Special Education and Pupil Personnel Services, as well as the Principal Account Clerk as needed. While receivable aging reviews will be periodic and ongoing, it is anticipated that this renewed effort to better monitor and enforce best practices will result in improved findings by the close of this fiscal year, June 30, 2024.

School Lunch Inventory

The District purchases food and also receives surplus food from the federal government for use in its food service program. An inventory count is performed at the school cafeteria locations at year-end. The account balance, value of the inventory at year-end, is calculated based on the inventory count for each item and the appropriate unit cost for that item.

During the prior year audit, we performed an inventory re-count for a sample of food service inventory items, and noted that there were inaccuracies in the District's inventory records. We informed the



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District of these discrepancies. The District's inventory pricing records were also recalculated through the audit process, and it was determined that there were inaccuracies in some of the prices. We proposed an audit adjustment to the food service fund to reduce the amount of the food service inventory in an amount that was not material.

During the current year audit, in the re-count of a sample of food service inventory items, we had no quantity differences with the inventory records. The comparison of prices in the inventory records, on a sample basis, revealed no price differences. This comment is closed.

District Response:

This comment is closed.

Other Postemployment Benefits (GASB 75)

The District offers health insurance benefits to eligible employees based on salary agreements or compensation arrangements entered into with individuals and members of employment units. The District pays their share of the premiums and other related costs. The District is required to report on the financial statements other postemployment benefits in accordance with GASB 75 each year, which liability for reporting purposes is included on the government-wide financial statements.

During the prior year audit, we noted that the District had not obtained a full actuarial valuation with a date past July 1, 2019.

During the current year audit, we noted that the District engaged an actuary to perform a valuation for GASB 75 purposes as of July 1, 2022. This comment is closed.

District Response:

This comment is closed.

CURRENT YEAR'S COMMENTS

Staff Time Bank-Earned and Payout

Staff, contingent upon their related salary agreement or bargaining unit agreement, are awarded sick and/or vacation time. Provisions in each agreement are specific with respect to earning time, carry forward of time and buyout balances, and the calculation of the balance for valuation upon separation. The information for the earned time and valuation amount by individual is maintained within the accounting and payroll software maintained by the District.

During our current year audit, we noted in the sample of transactions we tested, that some earned leave balances by individual indicated time balance amounts in excess of those indicated by the employee's respective employment agreement. Additionally, a few employees who were paid out



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upon separation from the District were paid out for time earned in excess of the capped amounts indicated in their respective agreement, the amount approximated \$23,000.

We recommend that the days in the earned leave balance of the software be reviewed to determine if they are capped according to provisions of employment arrangements. We further recommend that a secondary review and recalculation be performed for the payout of earned leave balance accounts, and that account balances by individual be reviewed on an annual basis.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent met with the School Business Administrator immediately when this finding was presented during the field work by the External Auditor. The Superintendent and Board of Education were apprised as well. The School Business Administrator immediately notified the three retirees of the error, as well as OMNI 403b, the District's third-party administrator, and the process commenced to return the erroneous non-discretionary deposits into the retirement accounts. As of this writing, the funds are not in hand, but are expected in the coming weeks.

Additionally, a phone conference was conducted with a Senior Partner at the District's Claims Auditing firm, Nawrocki Smith, to review the deficiencies in the District's current practices, which led to the error, so that corrective actions could be developed and implemented.

In the weeks since the initial finding the Assistant Superintendent for Business and School Business Administrator have begun using these new measures on each separation payment since discovery of the deficiency. While we are still fine-tuning the process, which may vary depending on the class of the employee separating, all will utilize multiple internal reviews, coupled with a final review by management level staff at our Claims Auditing firm, prior to any separation payment. We are confident this will address this issue moving forward, and believe all the logistics will be finalized and fully implemented before the close of this fiscal year, June 30, 2024.

Scholarships Fund and Permanent Fund

The scholarships fund and permanent fund are used to account for assets held by the District in its capacity as Trustee. The District receives donations which are used to award students for their accomplishments. In accordance with donor stipulations, some of the funds are expendable (scholarships fund) and some are nonexpendable (permanent fund).

During our current year audit, we noted that the District released funding from the permanent fund to the scholarships fund. Additionally, funds were disbursed from the permanent fund balance.

We recommend, since it is unusual that nonexpendable funds are released unless according to donor instructions, that documentation from the donor supporting release and expenditure be maintained.



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District Response:

The District acknowledges this recommendation and the Assistant Superintendent and School Business Administrator reviewed the findings in detail with the Audit Manager. The District has a total of six "permanent fund" scholarships, which seems to be very unusual for school districts to maintain.

These scholarships were established at a time of high interest rates where the donor's intent was that they would be "perpetual" awards, as the interest earned during the year would cover the annual award prescribed by the terms and conditions of the scholarship, but that has not been the case. Unfortunately, the District continued to award the "intended" scholarship amounts annually, and not the interest earned, and therefore the initial established scholarship account balance has declined over the years, and in the case of two of the scholarships, they are nearly depleted. The other complicating factor is that we believe only one of the original benefactors is still alive, and therefore we cannot go back to the donor to amend the terms.

During the school year we will work with legal counsel to determine what steps can be taken with these accounts, and will ensure any award this year does not exceed earned interest in the preceding year. It is our intent to have this recommendation and the corrective actions finalized and fully implemented before the close of this fiscal year, June 30, 2024.