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November 15, 2022

To the Board of Education
Great Neck Union Free School District
Great Neck, New York

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Great Neck Union Free School District (District) as of and for the year ended June 30, 2022, 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.

During our audit, we noted certain 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 15, 2022, on the financial statements of the Great Neck 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'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 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.

Additionally, during the prior year audit, we noted the following in the sample of transactions tested: there were a number of instances where cash disbursement documentation did not include sales tax paid; a number of instances in which club advisers were reimbursed for purchases instead of the payments being made directly to vendors; and there was one instance in which an item purchased was shipped to a non-school district address.

During our current year audit, we acknowledged an improvement in the extraclassroom activity funds procedures and 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; there were instances where student involvement, although required, was not documented; and there was no supporting documentation for a couple of cash disbursements.

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.

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).

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.

Great Neck Union Free School District

For the Year Ended June 30, 2022

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

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.

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, 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 was completed, 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 bank account but was subsequently discovered and corrected.

During our current year audit, 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.

We recommend that the District review their current procedures 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 before they are completed. Also, the bank confirmation for each transfer should be returned to individuals other than the initiator.

Deposits with Financial Institutions and Investments (Collateral)

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 not have the required amount of collateral designated in the District's name, but adjusted the amount of the collateral pledged to cover the District's bank deposits in accordance with Board policy during the month of June.

CURRENT YEAR'S COMMENTS

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 current year audit, we noted that certain individuals have computer permissions to access areas within the financial accounting software package that are not needed to perform their job.

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

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 current year audit, 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.

We recommend that the review of the bank reconciliations take place prior to the release and approval of the Treasurer's report.

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 other services provided.

During our current 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.

We recommend that the District consider implementing a procedure for systematically communicating in writing to other districts, the balances outstanding and the collection of those amounts.

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

We recommend that the District strengthen their internal controls for tracking food service inventory with respect to quantity and pricing. Reviewing the inventory on a cyclical basis throughout the year and in full at year-end should ascertain that the inventory counts and valuation are accurate during and at year-end.

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 current year audit, we noted that the District obtained a full actuarial valuation with a date of July 1, 2019. That valuation on a roll forward basis was updated for financial presentation and disclosure of other postemployments for fiscal years June 30, 2020 and 2021. A full actuarial valuation should have been obtained to meet the GASB 75 reporting requirements for fiscal year June 30, 2022. Based on the timeline available from the actuary engaged to perform this service, the full valuation could not be performed, so alternatively, a roll forward valuation report had been prepared, which information is included in the June 30, 2022 financial statements.

We recommend that the District engage the services of the actuary to perform a full valuation of other postemployment benefits in accordance with GASB 75, and understand that the District is in the process of finalizing these arrangements.
