



Great Neck Public Schools

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

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

Dr. Teresa Prendergast
Superintendent of Schools

John J. O'Keefe
Assistant Superintendent for Business

December 14, 2022

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 – November 15, 2022,**” for fiscal year ended June 30, 2022. 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 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



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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.

District Response:

The District acknowledges this recommendation and since the Assistant Superintendent for Business and School Business Administrator are new to the District it will take some time to analyze the deficiencies and determine the appropriate training needed, as well as improvements to existing practices. The District's Treasurer and Auditor will also be contributors to the needed corrective actions.

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 first action taken by the Assistant Superintendent for Business was to share the findings with the Assistant Superintendent for Secondary Education, who in turn shared it with all the 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, 2023, it is assumed this matter will continue to be an ongoing, work in progress.



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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.

District Response:

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

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

In addition, the Purchasing Agent and Auditor will work together to conduct semi-annual 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, 2023.

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.



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District Response:

The District acknowledges this recommendation and the School Business Administrator, under the direction of the Assistant Superintendent for Business, will immediately begin implementation of protocols to periodically review outstanding encumbrances and provide open purchase order reports to budget administrators, at a minimum of twice a year, in order to limit the number of open purchase orders at year-end. In addition, the District will investigate year-end open purchase orders more promptly in the early weeks of July each year to ensure that proper encumbrances and liquidations are made on a timelier basis. While the efforts will be ongoing annually, we anticipate completion of the first cycle of new protocols by July 31, 2023.

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.

District Response:

The District acknowledges this recommendation and the District Treasurer and Assistant Superintendent for Business began working on creating appropriate protocols soon after the Business Official joined the District in July 2022. The Board of Education appoints employees authorized to execute wire transfers at the annual Reorganization Meeting each July. On November 1, 2022 the District hired a new School Business Administrator. At the Board Meeting of November 16, 2022, the School Business Administrator was added as an employee authorized to execute wires, and other staff were removed from the list.

The practice will be that all electronic transfers between District accounts at the same bank will be completed by an authorized employee working at the direction of the Treasurer.



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Transfers between District accounts at different banks, as well as wires to out-of-district accounts, will be initiated and reviewed by one authorized employee and then reviewed and approved by a second authorized employee. This dual authorization will be required for both Chase and Valley banks. Additionally, bank confirmations will be emailed to the District Treasurer. All such transactions will then be reviewed and initialed by the District Treasurer and then sent to the Assistant Superintendent for Business for his review and signature. The District completed the steps necessary to implement all the changes prior to December 1, 2022.

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.

District Response:

The District acknowledges this recommendation and the Treasurer and Assistant Superintendent for Business reviewed the situation to discuss why the matter had not been corrected, as per the previous year's corrective action plan. It was learned that two accounts, the Bond account and the Custodial Fund account, were FDIC insured, but not fully collateralized, as required by Board policy.

The Bond Account collateralization issue was identified by the External Auditors performing preliminary fieldwork, prior to the arrival of the current Assistant Superintendent for Business. The banking institution was contacted and the matter was corrected prior to June 30, 2022.

The Custodial Account, which only had \$100, was closed in October 2022, and therefore that issue was addressed.

The monthly protocols have been modified and the Business Office's Confidential Senior Account Clerk will now be responsible for receiving all collateral reports on a monthly basis and confirming the calculations meet, or exceed the required collateralization, based on bank balances. This analysis will be reviewed and signed off by the Treasurer. The completed collateralization analysis will be provided to the Board of Education on a monthly basis as a



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component of the Treasurer's Report. We are confident all changes will be fully implemented prior to January 1, 2023.

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.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business reviewed the findings and found them to be very similar to comments in a recent draft 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." The Board will be convening the Audit Committee to review this report in the near future.

The Assistant Superintendent for Business has already met with the District's Coordinator for Information Systems, who will perform a thorough review of access permissions, and adjust them to match each employee's job responsibilities. Moving forward, the District will 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 new protocols and procedures will be fully implemented before the close of this fiscal year, June 30, 2023.

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.



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

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business has already met with the District's Treasurer to examine the situation and actions leading to the deficiency. For whatever the reason, the former practice occasionally allowed a monthly Treasurer's Report to make it to a Board agenda prior to a review by Business Office administration. That practice was immediately amended, and moving forward all bank reconciliations completed, and signed off by the Treasurer, will be reviewed and initialed by the School Business Administrator, or the Assistant Superintendent for Business, prior to placement on a Board agenda. This corrective action will be deemed fully implemented prior to January 1, 2023.

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.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent met with the Treasurer and School Business Administrator to discuss the situation. Billings of this type all originate from Special Education and Pupil Personnel Services, as such, the Assistant Superintendent supervising the department was provided the deficiency citation and invited to be part of the conversation for a solution.

The department's Principal Account Clerk will be responsible to run regular accounts receivable aging reports and issue statements, or replacement invoices to districts in arrears. Additionally, the School Business Administrator will review the aging reports at least quarterly, and prompt District staff as needed to follow up on outstanding receivables. While receivable aging reviews 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, 2023.



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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.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business met with the School Lunch Manager to discuss the findings and appropriate solutions. The School Lunch Manager and his staff have developed a Google spreadsheet that tracks all inventory items, by location, by month. This tracking tool is accessible by the Food and Nutrition Department staff in District Office, as well as the Cook/Manager of each cafeteria.

To eliminate the inaccuracies in the District's inventory records, we have locked the Google spreadsheet so that the only accessible cell a cafeteria staff member can input data on is the "count" columns. There will be no ability for item lines to be added or deleted except by the Food and Nutrition Department main office. Pricing cells will be updated as price changes are submitted to us by either the Long Island Food Coop (which we are a participant of), the distributor/manufacturer, or OGS. In June we will review all our final invoices and use those June 30th figures as our calculation point to determine our EOY inventory values.

On at least a monthly basis, the School Lunch Manager and/or a Food and Nutrition Department staff member will perform unannounced visits to each cafeteria to spot check the inventory spreadsheet. While inventory control and tracking 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, 2023.



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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.

District Response:

The District acknowledges this recommendation and the Assistant Superintendent for Business has already examined the situation to determine the cause of the deficiency and the corrective actions needed. It was learned that the firm contracted to perform the valuation had already completed five years of service to the District, and that an RFP should have been done during the 2021/22 school year to award a new contract. For whatever the reason, that task was not completed, and the prior administration mistakenly issued a purchase order to this vendor for the same services completed for the 2020/21 school year, which was a roll forward calculation, not the necessary full valuation. Once the problem was identified by the new administration it was already too late in the process to correct the situation.

The Assistant Superintendent for Business has already met with the Purchasing Agent and asked them to calendar the issuance of an RFP for OPEB actuarial services. Once awarded, the vendor will be contracted for a full valuation calculation for the close of the 2022/23 school year. It is anticipated The District will have completed this process prior to June 30, 2023.