

Addendum A
Significant Deficiencies

Prior Year Comments

1. School Lunch Fund

Deficit Fund Balance

Deficits place a financial burden upon a School District. They are created by either expenditures in excess of budgetary provisions or revenue shortfalls. The effects of a deficit are varied but their initial impact will generally be felt on cash flow. The financial statements of the School Lunch Fund reflect a deficit of \$1,060,426 as of June 30, 2011, which is an increase of \$189,659 from the deficit balance of \$870,767 at June 30, 2010. This deficit has continually increased over several years causing the School District to supplement the Food Service Program by advancing monies from the general fund. A reserve of fund balance for these advances has been recorded in the General Fund due to the uncertainty of the collection of these advances made to the School Lunch Fund to supplement its' operation. A food service consultant was retained in 2008 to provide suggestions for operating efficiencies which resulted in the hiring of a full-time school lunch manager. Additionally, overall enhancements to the Food Service Program were addressed such as menus that included a wider variety of nutritional food and implementation of a point of sales system.

Recommendation

The School District continues to closely monitor the operations of the School Lunch Fund, although the plan developed under the consultant's guidance has not been successful in the elimination of the deficit. Management in cooperation with the Board of Education has identified other strategies to accomplish profitability, inclusive of meal price increases, outsourcing the operations of the program and renovation of the facilities. Therefore, we recommend the School District pursue these initiatives with a well documented plan.

Management Response

We are working towards reducing the cost of the program by negotiating with the Food Service Workers for a successor agreement and increasing revenue through higher participation, especially at the high school. Responsibility for implementation belongs to the Assistant Superintendent for Business (negotiations) and School Lunch Manager (higher participation). This will be a long-term process which we do not expect to be completed in the near term.

2. Capital Projects Fund

Inactive Projects

During our audit we noted that the following projects had no activity during the current year: 2003 Funding, District-Wide Renovations, 2005 High School Renovations, and 2008 Middle School Remediation. The total fund balance of these projects aggregate approximately to \$85,000.

Recommendation

Management has determined that the projects have been completed. Since these projects have been completed, the balance of funds should be transferred to either the Debt Service Fund or the General Fund; depending on the how the projects were funded.

Management Response

During 2010-11, funds totaling over \$200,000 were returned to debt service fund and general fund for inactive projects. The three projects mentioned will be reviewed and closed out during 2011-12 with final cost reports submitted to SED and any available balances reallocated to other projects authorized by voters or returned to the general fund since all these projects were funded by appropriations from the General Fund. Responsibility for implementation belongs to the Assistant Superintendent for Business. Anticipated completion date is June 2012.

3. General Fund

Fund Balance Changes

It was noted that the School District's opening fund balance did not agree to the financial statement for the year ended June 30, 2011. The financial statement balance exceeded the general ledger by \$2,142,023. The Clerk, in error, posted (by journal entry) transactions pertaining to the recording of reserves and interest "directly" to fund balance. The Clerk did not recognize that fund balance automatically adjusts through annual profit and loss activity.

Recommendation

We suggest the School District record activity through the use of activity codes (revenues and expenditures) which automatically flow to fund balance.

Management Response

This error was discussed with our new accountant who will implement the appropriate remedial action immediately.

Current Year Comments

1. General Fund

Payments in Lieu of Taxes

The School District receives from Nassau County ("County") revenue for payments in lieu of taxes ("PILOT"). These amounts are established by the County's Industrial Development Agency and collected by the County, and then distributed to the School District. The School District initially budgeted a conservative estimate for amounts due for PILOT revenues in the amount of \$785,749 which it is collected during the fiscal year. The School District had recognized \$785,749 in revenue during the fiscal year, however there was approximately \$508,000 collected subsequent to year end that was

not recorded as a current year revenue. An auditor's proposed journal entry was recorded by management to record a receivable June 30, 2011 for amounts due from the County and the related revenue.

Recommendation

Management should analyze the PILOT revenue and determine prior to year end any amounts due from the County. If it is determined that monies will be collected subsequent to year end the receivable and corresponding revenue should be recorded.

Management Response

Accounts receivable and accounts payable will be posted appropriately as of June 2012. Responsibility for implementation belongs to the District Treasurer and Accounts Payable Clerk with oversight by the Assistant Administrator for Business.

Addendum B
Control Deficiencies

Prior Year Comments

1. Special Aid Fund

Reconciliation Process

The School District participates in the State's summer program for handicapped pupils. The State funds eighty percent of this program with the General Fund providing the balance. The State has mandated that all revenues and expenditures related to this program be accounted for in the Special Aid Fund. We noted the Finance department did not reconcile student censuses to the New York State student verification list or the New York State payments for this program.

Recommendation

We recommend the Finance Department implement policies and procedures to reconcile the number of students in the program to the New York State approved verification list as well as to the remittances received as part of the State payment, and investigate any discrepancies.

Management Response

The STAC and AVL process is handled by the Special Education Department. The business office will provide the assistance necessary to insure that the remittances received as part of the state aid process will be reconciled to the census by June 2012. Responsibility for implementation will belong to the Assistant Administrator for Business.

Outstanding Receivables

There is an increase when comparing the 2010 and 2011 net receivable cumulative balances. However, certain receivables in this fund date back to the fiscal year ended June 30, 2007. In addition, there are deferred revenues which remain relating to projects that date back to the fiscal year ended June 30, 2007.

Recommendation

Although it was noted that the School District has made an effort to collect outstanding receivables we advise the School District to continue to research the accounts above and determine the reason for non-payment or overpayment. However these amounts should be reserved as a long-term receivable or ultimately written off to the General Fund, with proper board approval.

Management Response

Although we have made significant progress in this area, having cleared up outstanding receivables from 2003-2006, we will continue to work at clearing all outstanding balances from 2007-2009. Responsibility for implementation will belong to the Accountant, and we expect completion by June 2012.

2. Information Technology

This section presents our findings and recommendations pertaining to the School District's information technology. These findings were also noted in the Office of the New York State Comptroller's Anatomy of a Scandal Follow-Up Audit Report of Examination (Pages 21-23) Period covered: September 2005 – January 2006. The findings are as follows:

Remote Access to Servers

We understand that certain information technologies Capital Computer Associates, Inc. consultants can connect exclusively to the School District's WINCAP financial server without, notifying the School District and that system administrator logs/reports are not supported by WINCAP to alert IT personnel to the fact that someone has accessed the servers remotely. We understand that for security and authentication purposes, the origination and destination points are defined by specific IP address rules; from the WINCAP office in Albany, New York directly to and through Roslyn's firewall. We also understand that users can access via Citrix their "My Documents" folder on the server, and that administrator logs/reports are available to log user connectivity.

Recommendation

We understand that the School District has asked WINCAP to modify its code such that administrator logs/reports would be available to the School District; however, the vendor has not been responsive to this request. We recommend that the school District continue to evaluate and review available security measures in an effort to further increased security surrounding access to the WINCAP Server. Ideally, there should be some control in place enabling the information technologies staff at the School District to be alerted via pager, text message or a log that is reviewed daily whenever someone accesses the system remotely. This would enable the information technologies staff to verify the identity of the remote user on a timelier basis, although it would still be after a potential intrusion has occurred. School District management would need to review the risk/benefit of remote access and related controls. We also recommend that the School

District implement a policy whereby the Citrix administrator reports/logs are reviewed periodically for unusual activity.

Management Response

It should be understood that access to the financial system is limited by several factors. The vendor (Capital Computer Associates, Inc.) updates the software on a regular basis outside of normal working hours. Access to the actual data in our system is restricted to normal business hours and is only allowed when an employee is “shadowed” by the outside agent. Users who access their “My Documents” folder on the server are doing so in order to work on projects outside of normal working hours. Administrators, including the Assistant Superintendent for Business, who work at night or on weekends from home are doing so in order to complete their job in a timely manner. Nevertheless, we understand the comment and the need to protect our systems from unauthorized intrusions. The Chief Technology Officer will be charged with the responsibility of strengthening our controls in this area including routine review of the Citrix logs. This will be implemented no later than June 2012.

3. Capital Assets

Capital Asset System

Capital assets (net of accumulated depreciation) amount to approximately \$52.6 million at June 30, 2011. As a result of prior year recommendations the School District had implemented a capital asset tracking system “Real Asset Management”. The system was implemented towards the end of the fiscal year ended June 30, 2009 and it is being utilized to track the age, location, asset ID number and related depreciation for each asset individually. During our audit we noted inconsistencies in the reports generated by the system. The reports had not been reconciled and rolled forward from June 30, 2010 to the financial statements for that year. Management had not reconciled the School District’s Capital additions (.200 codes and Capital Outlay) to the system. Subsequent to the commencement of our audit a reconciliation was prepared by the clerk. Presently although there is a procedure for capital asset records reports they are not reconciled on a regular monthly or quarterly basis.

Recommendation

Maintaining capital asset records is one of the most basic of internal controls that any organization with significant capital assets should have in place. The lack of reconciliation to the general ledger makes it difficult to ensure that the financial statements are presented fairly as well as ensuring that the proper amount of insurance is in place to protect the School District against loss. The Clerk reconciled capital assets during the audit process. Due to the lack of such reconciliation throughout the year we consider this to constitute a significant deficiency in internal controls.

Management Response

The integration of the RAMI (Real Asset Management) and Win Cap systems was finalized during the spring of 2011 by the software vendors making it possible for the first time to track the purchase of assets through Win Cap and transfer the information

necessary to maintain the fixed asset data base in RAMI through file transfers. Implementation was not as smooth as hoped but we were able to reconcile the records as of March 31, 2011. The final reconciliation as of June 30, 2011 was unfortunately delayed by the onset of serious illness to the clerk with primary responsibility for this system in the late spring and early summer. Nevertheless, a reconciliation was completed by the end of August and will be done periodically during 2011-12. Responsibility for implementation of this recommendation will be assigned to the Assistant Administrator for Business. It is our goal to reconcile at least three times during the year and have the final reconciliation completed by July 31, 2012.

Current Year Comments

1. Extraclassroom Activity

Documentation of Receipts

It was noted that the Middle School Student Activity had various receipts that indicate the monies collected and the deposits were made within a timely manner. Although properly recorded, it came to our attention that the checks received by the student club representative contained checks that were dated several weeks prior to the deposit date. This indicates that the club representative retains checks for a period greater than the recommended 72 hours. The collection of club funds are being accumulated until the club representative is willing to submit the collections to the Student Activity's Treasurer.

Recommendation

We recommend the Student Activity Treasurer enforce the procedure where by club participants submit the collected funds on a timely manner, thus deterring possible fraud or loss of such funds.

Management Response

Club Treasurers at the Middle School will submit collected funds to the Student Activity Treasurer within 72 hours. Responsibility for implementation will be assigned to the Middle School Principal and Faculty Club Advisors with the assistance of the Treasurer.

2. Extraclassroom Activity

Supporting Documentation

The High School Student Activity receipts did not have supporting documentation attached to the receipt slips. There were several instances in which only the receipt and deposit slip were presented as supporting documentation.

Recommendation

We recommend the Student Activity Treasurer emphasize to the student club members the importance of retaining copies of funds received. An example would be copies of checks collected, summary of cash and coins collected, or indication of what the collection of funds is for, who made payments, and what activity took place for these funds to be collected.

Management Response

A deposit record form similar to the one used by those staff members who receive money to be deposited into the district funds will be prepared for the student treasurers by the Student Activity Treasurer. Responsibility for implementation will be assigned to the High School Principal and Faculty Club Advisors with the assistance of the Treasurer and we expect compliance by June 2012.

3. Agency Fund

Inactive Accounts

Fiduciary funds are used to account for assets held by the School District in an agency capacity on behalf of others. The Agency Fund is primarily utilized to account for payroll tax withholdings and other deposits that are payable to other jurisdictions or individuals. There were 9 accounts aggregating to \$21,199 which were inactive during the fiscal year ended June 30, 2011.

Recommendation

The School District should research the status of all inactive accounts and, if applicable, either transfer the monies into the General Fund or remit payments back to the appropriate depositor.

Management Response

Upon further investigation, it was determined that three of the nine accounts were active during the year. However, the deposits and withdrawals matched to the penny so the accounts had exactly the same opening and closing balances making it appear that they were inactive. The Assistant Superintendent for Business has reviewed the remaining accounts and found that some belong to individual school buildings who deposit field trip funds for use by students who are not members of clubs and therefore cannot use an ECA fund for this purpose. An example would be an English class at the high school whose teacher plans a field trip to a NYC play as part of the curriculum. Those accounts that are truly inactive will be closed and the funds returned to the appropriate persons by June 2012. Responsibility for implementation will rest with the Assistant Superintendent for Business.

Addendum C

Opportunities for Strengthening Internal Controls and Operating Efficiency

Prior Year Comments

1. Extraclassroom Activity

Inactive Clubs

We noted that eight clubs (Art Club, Cheerleader, PAC, Beacon Newspaper, Tzuh-Ling, Chorus, Student Prints, and Stock Market) had no financial activity during the current fiscal year. State Education Regulations provide that the funds of a discontinued activity

shall automatically revert to the account of the general student organization or the student council and shall be expended in accordance with the organization's constitution.

Recommendation

A determination of the status of the clubs with no financial activity should be made to determine the proper disposition of funds. This will deter all clubs from becoming inactive in future years.

Management Response

As was noted last year and the year before, the clubs identified are active but have in fact had no financial activity during 2010-11. The activity itself was not "discontinued" but simply had neither receipts nor disbursements. It should be noted that the board of education receives and reviews these financial reports on a monthly basis throughout the school year.

2. General Fund

Fund Balance Reserve

Employee Benefit Accrued Liability Reserves (EBALR)

School Districts are permitted (not required) by State Education and General municipal Law to reserve funds for specific purposes. These reserves generally are created through board resolutions by the end of the School District's fiscal year and are funded through board approved transfers from fund balance. This reserve for employee benefits accrued liability has been established pursuant to Section 6-p of General Municipal Law to provide funds for the payment of accrued benefits due employees upon termination. The Office of the State Comptroller determined that the EBLAR should comprise of those funds held for it's compensated absences liability. The School District has recorded \$ 121,580 as a liability for compensated absences at the district-wide level at June 30, 2011, which is substantially less than this reserve of \$1,840,765. Subsequent to June 30, 2011 in accordance with the legislation adopted as part of New York State's 2011-2012 budget the School District was permitted to withdraw from the EBLAR those funds in excess of the compensated absences liability up to a maximum amount equal to the GAP Elimination Adjustment "GEA" (the gap in State finances). The GEA is approximately \$939,000.

Recommendation

The employee benefit accrued liability reserve should be adjusted to coincide with the compensated absences liability reflected on the district-wide statements. The School District, pending legislation, is obligated to transfer all the excess in the EBALR into the general fund and or another appropriate reserve.

Management Response

We agree with this recommendation and anxiously await the appropriate legislation.

Current Year Comments

1. Capital Projects Fund

Overexpended Authorized Budget

The Capital Projects Fund is used to account for the construction of major capital facilities. The Uniform System of Accounts as promulgated by the State Comptroller requires that a budget be adopted for each individual capital project. If additional financing is required to complete the project in a timely manner, the Board of Education should revise the authorization. Our audit of the Capital Projects Fund identified District-Wide Renovations had over expended its authorized budget. The actual project expenditures exceeded their respective actual and budget revenue sources. As a result, the School District has incurred an immaterial excess of expenditures over revenue creating a project deficit in the amount of \$72.

Recommendation

We recommend that management address the over expended project and project deficit with the Board of Education and authorize the necessary funding.

Management Response

We will review the funds available to determine how to reconcile this project deficit. Responsibility for implementation of this recommendation will be assigned to the Assistant Superintendent for Business and it is our expectation that it will be implemented by January 1, 2012.

2. Cash

Outstanding Checks

Section 21 of General Municipal Law provides that checks or drafts of any municipality which have been outstanding for more than one year be canceled and the amount returned to the fund which was originally charged. Our audit disclosed that the bank reconciliations for the Trust and Agency Account included 73 checks aggregating to \$3,740 which were outstanding for a period in excess of one year.

Recommendation

The School District should modify this procedure so that checks that have been outstanding for greater than one year be written off and the funds returned either to the expenditure code that was originally charged or to the refund of prior year's expenditure code on the revenue side of the budget.

Management Response

The mid-year resignation of the District Treasurer due to inadequate performance resulted in several problems such as this. A new treasurer has been appointed and this recommendation will be implemented immediately.