

October 15, 2019

To the Board of Education and
Mr. Michael Cipriani,
Assistant Superintendent for Finance and Operations of
Oyster Bay-East Norwich Central School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of the Oyster Bay-East Norwich Central School District as of and for the fiscal year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Oyster Bay-East Norwich Central School 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oyster Bay-East Norwich Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oyster Bay-East Norwich Central School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

However, during our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters. We have also included the status of prior year findings and recommendations.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

ACCOUNTING POLICIES AND PROCEDURES

Accounting of Funds

During our audit we noted three instances that checks over \$25,000 did not have two signatures which is required per Board policy. We recommend the District have all checks over \$25,000 signed by the District Treasurer and Board President in accordance with Board policy.

CASH MANAGEMENT

Investigating Old Outstanding Checks

During our audit we noted old outstanding checks for more than one year are being carried on the monthly bank reconciliations in the general, federal and trust and agency funds, for immaterial amounts. We recommend old outstanding checks be investigated and removed from the bank reconciliations and the accounting records be adjusted accordingly.

Cash Receipts

During our audit we noted that although there is a cash receipts log, it is not periodically compared to the cash receipts that are posted to the general ledger. Comparing the log of remittances to receipts entered in the accounting software helps to ensure that all receipt transactions are adequately captured in the financial records of the District. We recommend that an independent individual compare the cash receipts log to the posted cash receipts.

INFORMATION TECHNOLOGY

Permissions

During our audit we noted several employees have the ability to delete journal entries within the accounting information system. We recommend the employee permissions prohibit the ability to delete journal entries.

Vendor Change Report

During our audit we noted there is no review of the vendor change report. We recommend an employee independent of the input of vendors into the accounting information system review the vendor change report annually.

CAPITAL PROJECTS FUND

Capital Projects

During our audit we noted that the District had several open capital projects with fund balances and no current revenues or expenditures. We recommend the District review each capital project to determine whether the capital project should be closed out and the applicable fund balance transferred back to the general fund.

BUDGETING

Over Expended Budget Codes

During our audit we noted that although the District did not over expend the general fund budget in total, budget line item appropriation codes were over expended. We recommend that the

District properly monitor budgeted appropriations and process budget transfers in a timely manner. This will assist the District in monitoring the general fund budget.

CAPITAL ASSETS

Monitoring Capital Assets

During our current year audit we noted construction in progress, building additions and the correlating depreciation were not properly reported in the *Asset Maxx* capital asset software. We recommend the District provide the information on construction in progress and building additions to *Asset Maxx* to properly report the activity in construction in progress, building additions and the correlating depreciation in the year end reports, as opposed to calculating this activity manually on a separate spreadsheet.

In addition, we noted that while the District's outside capital asset appraisal company performs a capital asset inspection annually, they have not performed a full appraisal. We recommend the District have their outside capital asset appraisal company perform a full appraisal of all the District's capital assets.

FUND BALANCE MANAGEMENT

Employee Benefit Accrued Liability Reserve

During our audit we noted the District has a balance of \$2,324,711 in its employee benefit accrued liability reserve at June 30, 2019. The estimated liability for compensated absences calculated by the District appears to be lower than the reserve. We noted the District appropriated \$57,250 of the reserve for current year compensated absence payments. We recommend the District explore its options for reducing the balance.

STATUS OF PRIOR YEAR RECOMMENDATIONS

CAPITAL ASSETS

Additions Review

FINDING: During our prior year audit we noted not all equipment general ledger codes were reviewed to ensure all additions were being recorded properly in *Asset Maxx*, the capital asset software. As a result, we noted 2 out of 5 assets selected for testing were not recorded as additions. We also noted an item that should have been included as an addition was missing due to the wrong date input into the District's capital asset software, *Asset Maxx*. We recommended a reconciliation between all .200 equipment codes and the additions submitted to *Asset Maxx* be prepared to ensure all items requiring capitalization were captured.

STATUS: Implemented.

Monitoring Capital Assets

FINDING: During our prior year audit we noted construction in progress, building additions and the correlating depreciation were not properly reported in the *Asset Maxx* capital asset software. We recommended the District provide the information on construction in progress and building additions to *Asset Maxx* to properly report the activity in construction in progress, building additions and the correlating

depreciation in the year end reports, as opposed to calculating this activity manually on a separate spreadsheet.

STATUS: Not Implemented.

INFORMATION TECHNOLOGY

Permissions

FINDING: During our prior year audit we noted that the Assistant Business Official had the ability to delete journal entries. We recommended employee permissions prohibit the ability to delete journal entries.

STATUS: Partially Implemented. While we noted the Assistant Business Official no longer has the ability to delete journal entries, during our audit we noted that several employees within the Business Office have the ability to delete journal entries.

EXTRACLASSROOM

Cash Receipts

FINDING: During our prior year audit we noted 3 out of 10 cash receipts selected did not contain sufficient supporting documentation. We recommended adequate supporting documentation be maintained for all cash receipts to ensure accuracy and completeness.

STATUS: Implemented.

ACCOUNTS PAYABLE

Coding of Invoices

FINDING: During our prior year audit we noted that accounts payable was reconciled at year-end. However, our testing of accounts payable revealed a duplicate entry and multiple instances where the District charged invoices to the incorrect account and/or fund. We recommended the District review the coding of invoices to ensure the accuracy of year-end accounts payable balances.

STATUS: Implemented.

FUND BALANCE MANAGEMENT

Employee Benefit Accrued Liability Reserve

FINDING: During our prior year audit we noted the District had a balance of \$2,327,846 in its employee benefit accrued liability reserve at June 30, 2018. The estimated liability for compensated absences calculated by the District appeared to be lower than the reserve. We noted the District appropriated \$6,800 of the reserve for prior year compensated absences payments. We recommended the District explore its options for reducing the balance.

STATUS: **In Process.** During our current year audit we noted the District has a balance of \$2,324,711 in its employee benefit accrued liability reserve at June 30, 2019. The estimated liability for compensated absences calculated by the District appears to be lower than the reserve. The District has appropriated \$57,250 in the current year for compensated absence payments.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. Should you have any questions concerning the matters referred to in this letter, we shall be pleased to discuss them with you, at your convenience.

This communication is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

R. S. Abrams + Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
October 15, 2019