

Freeport Public Schools

235 North Ocean Avenue • Freeport, New York 11520 • 516-867-5200



Idowu Ogundipe
Assistant Superintendent
for Business

e-mail address:
iogundipe@freeportschools.org

Phone (516) 867-5212
Fax (516) 623-1286

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New York State Education Department
Office of Audit Services
89 Washington Avenue
Room 524 EB
Albany, NY 12234

To Whom it May Concern:

Below, please find the Freeport Public Schools' response to findings and recommendations of the 2021-2022 External Audit. The audit was conducted by Cullen & Danowski, LLP.

The Freeport Public Schools hereby submits a Corrective Action Plan for the 2021-2022 Management Letter. Management's response required under Section 170.12 of the Regulations of the Commissioner of Education for these recommendations is as follows:

Recommendation #1

Unassigned Fund Balance - General Fund

New York State Real Property Tax Law (RPTL) §1318 limits a school district's general fund unassigned fund balance to an amount not greater than 4% of the ensuing year's budget.

We noted that the District's unassigned fund balance as of June 30, 2022 is in excess of the 4% limit established by New York State Real Property Tax Law (RPTL) §1318.

We recommend that the District continue to monitor its plan for utilizing and reducing the General Fund's unassigned fund balance.

Response

Although the District has been able to reduce the unassigned fund balance for four of the past six years, including during the 2020-2021 fiscal year, but it increased due to COVID 19 grants and assistance in the 2021-22 fiscal year; we believe the 4% limit should be reevaluated and increased by the State. We are a high needs school district largely dependent on State Aid. The impact of on-going increase in our unaccompanied minors, ENL and Special Needs students could cost the District millions. We need to maintain fiscal and educational solvency for multiple years despite the uncertainties described and the unpredictability of State Aid from year to year, the limit of the 4%

seems unrealistic and not practical. We have and will always continue to monitor the District's unassigned fund balance to ensure we are able to continue to provide a quality education for our students not only now but also in future years.

The District has been gradually working toward lowering the unassigned fund balance and will implement the above recommendation by June 30, 2024.

Recommendation #2

School Food Service Fund

The District's school food service program serves lunches to students and District employees. Except for free and reduced-price lunches that are served to eligible students, meals are sold at a set price under normal circumstances. Due to the COVID-19 pandemic, the Federal and state governments have allowed school districts to provide free meals to all students regardless of their income eligibility for the 2020-2021 and 2021-2022 school years. The District receives reimbursements from the Federal and state governments based on the number of student meals served. Federal Regulation, 7CFR Part 210.14b, limits the net cash resources within the school food service fund to an amount that does not exceed three months average expenditures.

We noted that the District's school food service fund ended the 2021-2022 fiscal year with a surplus from operations; as a result, its fund balance continues to be in excess of the three-months-average-expenditures threshold. This was a direct result of higher federal and state reimbursement rates paid to District for free meals provided to all students during the entire 2021-2022 school year.

We recommend that the District develop a plan to utilize the school food service fund's fund balance in order to lower it to a level that will comply with Federal Regulation, 7CFR Part 210.14b.

Response

As recommended, the District developed a plan in accordance with Federal Regulation, 7CFR Part 210.1.14. This plan was submitted to the NYS Education Department – Office of Child Nutrition on December 1, 2021. The District is in the process of submitting a new plan for the 2021-22. The implementation of the new plan is already underway, such as upgrading/replacing equipment in various schools. Additionally, dining tables and chairs replacement is being considered for certain schools. The remaining aspects of the excess fund balance spending plan will be initiated in 2023 and expect some to be completed by June 2023 and others a bit longer due to the nature of the projects and market conditions.

Recommendation #3

Extra classroom Activities Fund – Financial Inactivity

The extraclassroom activity funds are the depository of student money. The New York State Education Department publishes the Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds. These guidelines recommend procedures for organizing these activities, controlling receipts and disbursements, as well as recording and reporting transactions.

During our audit, we noted several High School and Middle School student clubs/activities have had no financial transactions during the 2020-2021 and 2021-2022 school years.

We recommend that the District review the status of these student clubs/activities with the building principals to determine whether or not these clubs are still active. Inactive clubs should be closed and any remaining cash balances transferred or disbursed to another student activity or activities.

Response

The District currently has a procedure in place for verifying clubs and student activities at the start of every school year. The clubs with inactive activities are closed and any remaining cash balance transferred or disbursed to another student activity or activities; but due to COVID 19, some clubs/activities could not function fully due to contact restrictions, they are not closed but could not operate fully as expect. Determination was made to keep their accounts and records open. The District will continue to review as recommended, and a re-evaluation to determine inactivity/closure will be completed on or before January 31, 2023 by the principals and club treasurers.

Recommendation #4

Extraclassroom Activities Fund - Bank Reconciliations

Monthly bank reconciliations are an important part of internal controls. When performed timely and properly, bank reconciliations help ensure that cash transactions have been recorded appropriately. Reconciling items including uncashed outstanding checks, deposits in transit, and other miscellaneous differences should be investigated and resolved on a timely basis.

The High School and Middle school central treasurers appointed by the Board of Education are responsible for preparing monthly bank reconciliations for the extraclassroom activities funds' bank accounts. During our audit, we noted that both the High school and the Middle school's extraclassroom activities checking accounts have a number of uncleared checks that have been outstanding for more than one year.

We recommend that the District review the extraclassroom activities bank reconciliations to determine who the payees for those stale-dated outstanding checks were and why the checks are still outstanding, and determine the appropriate course of action. Going forward, outstanding checks should be followed up and resolved timely.

Response

As recommended, the Assistant Superintendent for Business had directed the two Club Treasurers to cancel and issue "stop payment" for all stale dated checks; have the funds revert to clubs and activities they relate to. They are further instructed to do periodic review and follow-up on outstanding reconciling items. The appointed club treasurers completed cancellation and stop payment on stale dated checks on January 6, 2023.

Very truly yours,

Idowu Ogundipe, CPA
Assistant Superintendent for Business

cc: Kishore Kuncham, Ed.D.
Superintendent of Schools