

**Corrective Action Plan to Address
the Matters Cited in the Management
Letter in the Independent Auditor's Report
For Fiscal Year Ending June 30, 2019**



From the Office of the Assistant Superintendent for Business

December 2019

December 10, 2019

Dear Superintendent and Members of the Board of Education:

Enclosed please find a Corrective Action Plan designed to address the matters cited in the management letter contained within the independent auditor's report from the firm of Nawrocki Smith, LLP, for the fiscal year ending June 30, 2019. After Board of Education adoption, a copy of this report will be sent to the following:

- New York State Education Department
- Nawrocki Smith, LLP
- R.S. Abrams & Co., LLP
- Federal Audit Clearinghouse (if required)

Some of the internal control matters identified in the management letter already have new systems, plans, and procedures implemented, while others are still in the planning stages. All management action plans will be fully implemented or have substantial progress by the end of the current fiscal year, June 30, 2020.

Periodically, the business office will provide the Board of Education and its internal auditor with the status of each of these internal control matters, specifying what management action plans have been implemented, along with copies of any new written procedures, reports, forms, or guidelines.

It is my sincere hope that these new systems and procedures will further strengthen the internal controls and financial operations of the Cold Spring Harbor Central School District.

Thank You.

Best Regards,

James J. Stucchio
Assistant Superintendent for Business

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None Reported

PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Capital Asset Reconciliation

During our review of the current year capital asset valuation listing, we noted the valuation listing was undervalued as it did not account for ongoing capital projects activity and was not reconciled to the District's open capital projects listing. This situation resulted in the capital assets valuation listing being undervalued as compared to the actual costs of the District's capital assets.

We recommend that the District establish procedures whereby all capital projects activity is reflected in the capital asset valuation listing. In this manner, internal control over capital assets may be enhanced.

Management Action Plan:

Each year, the current capital asset valuation will be updated to include completed and ongoing capital projects. This will be reconciled to the expenditures reported in the *Schedule of Project Expenditures and Financing Sources* included in the supplementary information to the financial statements.

Status: This recommendation is in the process of being implemented. All ongoing capital project activity is accounted for in the capital asset valuation listing and reconciled to the District's open capital projects listing. The District underwent a capital asset physical inventory in August 2019 and is awaiting final reports. A restatement of the capital asset balances will be necessary in the financial statements for fiscal year 2020.

Debt Service Fund

During the current year's audit, we noted the District does not have a formal plan to utilize accumulated cash balances currently available in the Debt Service Fund/Reserve for Debt Service. In accordance with General Municipal Law §6-1, accumulated cash reserves in the Reserve for Debt Service accounted for in the Debt Service Fund may be used for expenditures for debt service for the purpose of retiring the District's outstanding obligations.

We recommend that the District establish a plan to utilize the cash reserve in the Debt Service Fund/Reserve for Debt Service. In this manner, the use of accumulated cash balance in the Debt Service Fund/Reserve for Debt Service may be utilized to offset the cost of future debt service

payments.

Management Action Plan:

The Board of Education's capital projects committee is currently assessing the District's need for a future long-term borrowing to finance school improvements. As a part of this process, a multi-year plan will be developed to utilize the accumulated cash remaining in the Debt Service Fund/Reserve for Debt Service to offset General Fund payments for outstanding debt obligations. Careful consideration will be made for the gradual use of this money to avoid any possible large increase or decrease in the property tax levy.

Status: This recommendation is in the process of being implemented. These funds will be used to pay outstanding debt obligations in 2021/22 to offset the additional interest costs of the Bond Anticipation Note associated with the capital project referendum approved on November 19, 2019.

Extra-Classroom Activity Funds – Inactive Accounts

During our review of the Extra-Classroom Activity Funds, we noted that there are several clubs with no activity during the year. Inactive clubs with small balances should either be closed or merged with other, larger activities.

We recommend that the District review and evaluate any inactive clubs and merge the funds with other appropriate activities. In this manner, internal control over Extra-Classroom Activity Funds may be enhanced.

Management Action Plan:

Every May, the Central Treasurer for the Extra-Classroom Activity Funds will review all clubs that have had no activity during the school year. If the student organization is determined to still be active, the membership will be encouraged to initiate transactions consistent with their stated purpose and mission. If the club is deemed to be defunct, the sub-account will be closed and funds transferred in accordance with BOE Policy #5252 *Student Activities Funds Management*.

Status: This recommendation is in the process of being implemented. The central treasurer will be directed to send notices to all clubs with no activity after the first half of the school year. Any sub-account of a student organization deemed to be inactive will be closed and funds transferred in accordance with BOE Policy #5252 *Student Activities Funds Management*.