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November 9, 2022

To the Board of Education
Babylon Union Free School District
Babylon, New York

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Babylon Union Free School District (District) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated November 9, 2022, on the financial statements of the Babylon Union Free School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the Board of Education, Audit Committee, management, others you deem appropriate within the District, and any governmental authorities you need to share this information with. It is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Cullen & Danowski, LLP
Cullen & Danowski, LLP

STATUS OF PRIOR YEAR COMMENTS

Cash Receipts Log

The District collect checks and limited amounts of cash, which are deposited in the bank and recorded in the accounting records. Reconciliation of the amounts received to the amounts deposited into the District's bank accounts and recorded in their accounting records is an important control.

During our prior audits, we noted that the District maintains a cash receipts log. The District had previously established controls to ensure that the log was reviewed and reconciled to the accounting records on a routine basis. However, we noted that this review was no longer being performed on a timely basis.

Current Status: Corrected. The District has implemented procedures to ensure that the cash receipt log maintained is reconciled to the accounting records by someone independent of the banking process on a regular basis.

Food Service Program Inventory Pricing

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 annually at the schools cafeterias. The inventory account balance at year-end is calculated based on the ending inventory count and the unit costs for each item.

During our prior audits, we noted that the School Lunch Director creates the inventory listing at year-end. The value of inventory items is obtained from the contracts, bids, or commodity listings the inventory items were purchased from. It was noted that there was no formal review of the inventory listing to ensure the correct values for items are used.

Current Status: Corrected. The District implement procedures to review the inventory listing at year-end to ensure the proper values are used to calculate the account balance.

Uniform Guidance – Federal Grants Compliance

The Office of Management and Budget's (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Title 2, Code of Federal Regulations - 2CFR Part 200 - commonly called "Uniform Guidance") is an authoritative set of rules and requirements for Federal awards that synthesizes and supersedes guidance from earlier OMB circulars. The reforms that comprise the Uniform Guidance aim to reduce the administrative burden on award recipients and, at the same time, guard against the risk of waste and misuse of Federal funds. Under the Uniform Guidance, to help ensure compliance with Federal statutes and regulations, Federal awards recipients must maintain effective internal controls, which include having written policies and procedures, such as procurement policy that adheres to state and local laws as well as Federal statutes and regulations; procedures for documenting how costs are to be allocated to Federal awards, documenting actual time and effort for payroll costs charged to Federal awards; cash management procedures to minimize the time elapsed between the receipts and disbursements of Federal funds; subrecipient monitoring; and how to safeguard personally identifiable information.

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During our prior audits, we reviewed the District's policies and noted that the District's current procurement policy did not incorporate the Uniform Guidance procurement standards. Additionally we noted that the District has not adopted written procedures for documenting how costs are to be allocated to Federal awards, documenting actual time and effort for payroll costs charged to Federal awards; cash management procedures to minimize the time elapsed between the receipts and disbursements of Federal funds; subrecipient monitoring; and how to safeguard personally identifiable information.

Current Status: In Progress. The District has review the Uniform Guidance requirements and has begun updating its related policies and written procedures in order to comply with the aforementioned requirements.

STAC Process – Special Aid Fund

The District is responsible for the education and transportation costs of children with certain disabilities, who are residents of the District attending specially designated, state supported schools and programs authorized under State Education Law §4201 and 4408. The State will reimburse the District for the tuition and transportation payments to the service providers, less the District's require share of known costs. The application for reimbursement approval is through the state's STAC (System to Track and Account for Children) process.

Two years ago, we noted that the previous three summer programs had large outstanding receivables on the books at year-end. Through inquiry with District personnel, it was noted that some program costs might still need to be input into the STAC system, which would generate additional reimbursement from the State for these programs. As the District uses a third party consultant for the STAC process, the District indicated it would follow up with this consultant to ensure that all costs have been properly input into the STAC system.

Current Status: Corrected.

CURRENT YEAR COMMENTS

Issuance of Installment Purchase Debt

Local Finance Law states that a Board of Education must adopt a resolution to authorize the issuance of bonds and notes. Notes include, but are not limited to, installment purchase debt.

During our current year audit, we noted that the District entered into an installment purchase debt agreement to finance a vehicle without obtaining prior Board of Education approval. The resolution documented in the minutes did not refer to debt being issued on behalf of the District to purchase this vehicle. Upon bringing this to the attention of the Assistant Superintendent for Business, a retroaction resolution was approved by the Board of Education for this installment purchase debt.

We recommend that the District establish procedures to ensure that all debt agreements entered into on behalf of the District be approved by the Board of Education prior to issuance in order to comply with Local Finance Law.

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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 develop a plan for utilizing and reducing the general fund's unassigned fund balance.

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 was 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.