



VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

October 12, 2021

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, 2021, 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 October 12, 2021, 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

Summer Placement Program Receivables

The District participates in the New York State Section 4408 summer placement program in which the District operates both an in-house and an out-placement program to provide services for special education students during the summer. For the out-placement services, the district typically receives 80% of the reimbursement from the New York State Education Department (NYSED) and the remaining 20% of the costs are subsidized by the general fund.

During our prior year audit, we noted that District has been estimating and budgeting a 20% general fund subsidy to pay for the costs of providing these in-house services. However, upon further review of the actual costs of providing these services, it was determined that the costs are much higher and the general fund subsidy should be more than 20%. An adjustment was made at year-end to better reflect the outstanding receivables in the special aid fund.

Current Status: Corrected. The District has developed procedures to review the associated costs of providing services for the 4408 program with their special education department and determine the appropriate estimate of the general fund subsidy to be budgeted annually. No year-end adjustment was necessary to adjust outstanding receivables in the special aid fund.

Capital Assets

The capital asset inventory report is used to account for equipment purchases and capital construction for financial reporting purposes, as well as insurance purposes. The Business Office has established procedures to track capital asset additions and dispositions that occur throughout the year. At year-end, the information is provided to a third party company in order to update the District's inventory and related depreciation.

During previous audits, we noted that appraisal reports received back from the third party company were not reviewed and reconciled by the District. Upon review by auditors, significant differences were noted. These differences required adjustments to be made to the original reports received.

Current Status: Corrected. The District adopt procedure to ensure fixed asset appraisal reports received back from the third party company are reviewed and reconciled by someone in the business office.

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 year audit, 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: Unchanged. We recommend that the District continue 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.

Babylon Union Free School District

For the Year Ended June 30, 2021

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.

During our prior year audit, 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: Unchanged. We continue recommend that the District review the Uniform Guidance requirements and update the related policies and written procedures as needed.

Food Service Program Inventory

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 year audit, 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 is used.

Current Status: Unchanged. We continue to recommend that the District implement procedures to review the inventory listing at year-end to ensure the proper values are used to calculate the account balance.

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.

Babylon Union Free School District

For the Year Ended June 30, 2021

During our prior year audit, we noted that the previous three summer programs have 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: In Progress. Subsequent to year end, the District has met with their third party consultants to review the reasonableness of the information input into the STAC system. The District is in the process of implementing procedures to ensure that all STAC information is updated timely and accurately to ensure that tuition and transportation aid related to the summer program is properly maximized.

CURRENT YEAR COMMENTS

There are no current year comments to report.