

*Plainedge Union Free School District  
Internal Audit Report on  
Governance and Planning  
For the Period Ending March 31, 2024*

Plainedge Union Free School District  
Internal Audit Report on Governance and Planning

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Board of Education  
Plainedge Union Free School District  
241 Wyngate Drive  
North Massapequa, New York 11758

We have been engaged by the Board of Education (the “Board”) of the Plainedge Union Free School District (the “District”) to provide internal audit services with respect to the District’s internal controls related to the governance and planning processes.

The objectives of the engagement were to evaluate and report on the District’s internal controls pertaining to the governance and planning processes and to test for compliance with laws, regulations, and the District’s Board policies and procedures.

In connection with the following procedures, we have provided findings and recommendations for the internal controls related to the governance and planning processes. Our procedures were as follows:

- Interviewed key District employees involved in governance and planning and reviewed the District’s procedures, forms and practices with regards to budgeting;
- Reviewed the District’s policies, procedures, forms and practices to determine whether the District adopted legally required and recommended policies pertaining to the governance and planning processes;
- Reviewed and sampled the monthly financial packet submitted to the Board and reviewed financial reports to verify the following:
  - Trial balances were submitted for all funds.
  - Revenue and appropriation status reports were submitted for all funds.
  - Cash flow projections and Treasurer’s reports were submitted for all cash accounts.
  - Monthly warrants and monthly or quarterly extraclassroom reports were provided to the Board.
- Reviewed the District’s financial statements for the past three years and performed the following:
  - Compared the District’s budgeted expenditures for the fiscal years 2020-2021 through 2022-2023 with actual expenditures to determine if budgeted expenditure amounts are reasonable.
  - Compared the District’s budgeted revenues for the fiscal years 2020-2021 through 2022-2023 with actual revenues to determine if budgeted revenue amounts are reasonable.
  - Verified appropriation of reserves are included as part of the revenue budget.

- Reviewed the District's 2023-2024 budget and performed the following:
  - Reviewed the District's budget calendar to determine the District's budget adoption process is conducted in accordance with legally required deadlines.
  - Reviewed the District's three-part budget to determine whether the budget presented to voters accurately represents the detailed budget.
  - Reviewed the District's popular budget to determine it presents voters with all required information.
  - Reviewed the District's tax cap calculation to determine the District is in compliance with Chapter 97 of the Laws of 2011.
  
- Tested a sample of budget transfers to verify the following:
  - Budget transfers were approved by an individual other than the preparer within guidelines stipulated in the Board of Education reorganization meeting.
  - Supporting documentation existed to substantiate the budget transfers.
  - Budget transfers were properly coded to the correct general ledger account.
  - Budget transfers were not made into a non-contingent code or between non-contingent codes.
  
- Reviewed the District's website to verify the following:
  - All required comprehensive financial records and other required information is posted to the District's website in a transparent manner, as required by Article 3 of the New York State General Municipal Law. These required financial records are as follows:
    - Original Adopted Budget
    - Final Annual Budget
    - External Audit Report and Corrective Action Plan
    - OSC Audit Report and Corrective Action Plan
    - Board Approved Multiyear Financial Plan
    - Revenue and Expenditure Budget to Actual Reports (recommended for additional transparency).
  - Financial information is easily accessible on the District's website.
  
- Reviewed the District's fund balance management for the past three years and performed the following:
  - Verified reserves were established with Board approval.
  - Verified the balance in the employee benefit accrued liability reserve did not exceed the estimated liability.
  - Verified the balance in the retirement contribution reserve was reasonable.
  - Reviewed the District's unassigned fund balance to determine if the unassigned fund balance is following Real Property Tax Law 1312.

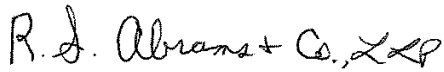
The results of our procedures are presented on the following pages.

Our procedures were not designed to express an opinion on the internal controls related to the governance and planning processes, and we do not express such an opinion. As you know, because inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. Also, projections of any evaluation of the accounting system and controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District at your convenience.

This report is intended solely for the information and use of the Board, the Audit Committee and the management of the District and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "R.S. Abrams & Co., LLP".

R.S. Abrams & Co., LLP  
May 1, 2024

Plainedge Union Free School District  
Internal Audit Report on Governance and Planning and Fund Balance Management

**OVERVIEW**

Based upon our interviews and observations, we have provided an overview of the District's governance and planning and fund balance management procedures as follows:

The District has five schools in operation within the District. The District's budgeted expenditures for the 2023-2024 fiscal year were \$101,212,913 and the budget is funded primarily by real property taxes, state aid, grants and local revenues.

The District is governed by the Board of Education (the "Board") which is comprised of seven elected members. The Board has the responsibility for the general management and control of the District's financial and educational affairs and the Superintendent along with administrative staff is responsible for the day-to-day operations of the District. The Board also has the responsibility for establishing a good solid internal control environment which includes adopting effective policies and procedures to guide the overall direction of the District. Additionally, the Board should ensure that audit recommendations are reviewed, and the appropriate corrective action plan is implemented.

A school district's financial condition determines its ability to fund and provide public educational services for students within a school district. The Board and management are responsible for effective financial planning and management of District operations. A school district should ensure the budget is prepared, adopted, and amended based on reasonable estimates of appropriations and revenues. It is imperative for a school district to follow sound business practices when developing a budget and utilize the best estimates available at the time the budget is adopted. A school district also has the responsibility to taxpayers to estimate realistic expenditures to prevent real property taxes from rising to greater levels than necessary to sustain operations.

**GOVERNANCE**

During our review of the Board policy manual, we noted that the District has adopted the following policies that relate to the governance and planning and fund balance management processes:

**School Board Elections**

The District's *School Board Elections* policy, No. 2120, describes the procedures to be followed for electing new Board members, any special propositions, and the annual budget.

**Voting Procedures**

The District's *Voting Procedures* policy, No. 2120.2, describes voting procedures including who is eligible to vote and that voting machines are used for recording the votes on all elections. The policy also states the Board provides the absentee ballots for voting. The absentee ballots are available for the election of members of the Board of Education, the adoption of the District budget and on questions and propositions submitted to the voters of the District.

**Board Member, School District Officer, and Employee Code of Ethics**

The District's *Board Member, School District Officers, and Employee Code of Ethics*, policy, No. 2160, outlines the Board's responsibility to act with sound, ethical standards of conduct in order to better serve the community. In addition, the policy defines all potential conflicts of interest, and possible penalties if conflicts of interest are not timely disclosed.

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**Budget Planning**

The District's *Budget Planning* policy, No. 6110, describes the presentation and organization of the budget proposal and the guidelines and procedures for budget development. It is the Superintendent's responsibility with the assistance of the Assistant Superintendent for Business to establish procedures for staff relating to their involvement in the development of the budget proposal. Budget planning should be related to the goals and objectives of the District and its programs. The budget proposal should be a balanced proposal, within the parameters of Board policy and contract conditions, which include provisions for programs to meet the needs of the entire student body, staffing arrangements adequate for proposed programs, maintenance of the District's equipment and facilities and efficiency and economy. The Board is responsible for scheduling special presentations related to the budget to provide in-depth information with regard to certain budget items prior to specific action by the Board.

**BUDGET DEVELOPMENT AND ADMINISTRATION**

Based upon our interviews and observations, we noted the procedures for budget development and administration to be as follows:

The budget is developed utilizing information from the current and previous year's financial reports, information on current revenues and expenditures, debt service commitments and cash flow data. Other sources of information are derived from collective bargaining agreements, capital plans and any new or pending legislation. Other factors considered in the budget development are economic conditions, interest rates and input from taxpayers and other interested groups.

Budgets are developed in conjunction with a budget calendar, which will vary depending on the time that is required to collect information from other departments, to create a budget, present it to the Board and hold a public hearing. The District's budgets also contain a budget message summarizing the major features of the budget and highlighting challenges that a school district encounters and the related changes that may have been made to the budget compared to previous years.

A Board reviews and adopts a budget document and is responsible for presenting the District's budget, or spending plan to the public to vote. The Board is responsible for estimating the District's revenues and the amount of surplus fund balance, if any, that will be available to help offset the subsequent year's operations and to determine the ending tax levy. Underestimating revenues and/or overestimating expenditures may result in collecting more real property taxes than necessary.

Reliable sources of information that should be utilized in preparing the budget are as follows:

- Modified budgets for the prior and current year;
- Prior year's financial reports;
- Current year revenue and expenditure information to date;
- Debt service requirements, contracts and other commitments;
- Cash flow reports and revenue projections;
- State and federal aid information;
- Collective bargaining agreements;
- Service contracts with other governments;

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- Multiyear capital plans;
- New and pending legislation;
- Rate of inflation;
- Current interest rates;
- Tax and debt limitation, if applicable;
- Strategic plans; and
- Input from taxpayers and other interested groups.

In November, the Assistant Superintendent for Business utilizes *Wincap* to initiate the budget process. The business office creates a spreadsheet for each department and building by exporting from *Wincap*. Salaries are rolled into the new year based upon the approved contracts and teacher's salaries. The Superintendent, the Deputy Superintendent, and the Assistant Superintendent for Business will review each expenditure line in the budget to verify the budget reflects projected staffing needs.

The Assistant Superintendent for Business presents a budget development calendar for the Board outlining important dates for meetings and deadlines. The Assistant Superintendent for Business electronically provides each department administrator with the detailed previous year's budget as well as the historical budget and current budget information to assist in the development of the new school budget. The budget is based on enrollment projections and per pupil allocations. The Board of Education has supported budgets with tax levy increases, where necessary.

In early January, the Assistant Superintendent for Business and the department administrators meet to review their respective budgets and discuss any necessary budget changes. Once the department budgets are finalized, the Assistant Superintendent for Business enters the budget into *Wincap*. The Deputy Superintendent and the Assistant Superintendent for Business project payroll expenditures by reviewing contracts, collective bargaining agreements and staffing projections with the Superintendent. If the collective bargaining agreements are being negotiated, the projected payroll expenditure is estimated. The salary and personnel projections are entered into a main spreadsheet by the Assistant Superintendent for Business. Supplies and travel expenditures are projected based on prior year actual expenditures and projected teacher and administrator conferences for the next year. Additionally, the Assistant Superintendent for Business reviews proposal requests to vendors and obtains letters from vendors with their estimated fees.

In early March, the budget is presented to the Board to analyze each budget line item and specific budget codes. The District holds budget workshops where the public is invited to participate and ask questions. A budget notice is also published in the District's newsletter.

In April, after thorough discussions, the proposed budget is adopted by the Board. The Board holds additional public meetings for the public to ask questions about the adopted budget. The Central Administration staff along with other internal staff members design and develop the budget brochure. Once the budget brochure has been prepared it is printed and mailed after the public budget hearing but no later than 6 days prior to the budget vote day.

In May, the budget hearing is held and it provides another opportunity for residents to ask any remaining questions on the adopted budget. This represents the last public meeting before the budget vote. All documents pertaining to the budget are available on the District website and at



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each building and the District library. The budget brochure is mailed out to every resident in the District to provide budget and tax levy impact information and basic voting information.

The proposed budget document is available to residents on the District's website and can be obtained by contacting the District Clerk. The budget for the subsequent school year is not official until it has been approved by the community in a public vote. If the community does not pass the budget, the Board and the District can conduct a second vote on the third Tuesday in June. However, the District is not obligated to conduct a second vote. If the District decides to obtain a second vote, the District can put forth the same budget or can opt to reduce the proposed budget in an effort to provide a lower tax impact budget for voters. Additionally, if the proposed budget increases the property tax levy by more than the tax levy limit, it requires a supermajority of 60% of voters to pass. If the District opts not to hold a re-vote or if the budget is defeated in a re-vote scenario, the District has to operate on a budget that utilizes the same tax levy as the previous year. Once the budget has been approved, it is exported from the budget module to the accounting module in *Wincap*.

### **IMPLEMENTING AND MONITORING THE BUDGET**

Based upon our interviews and observations, we noted the procedures for implementing and monitoring the budget to be as follows:

After the budget has passed, the Board, Assistant Superintendent for Business and department administrators are responsible to ensure services are delivered within budget limits. The progress of actual revenues and expenditures throughout the year are closely monitored to identify any variances that might result in a significant surplus or deficit at the end of the year. Budget reports facilitate the monitoring of the adopted and amended budget. A budget report indicates the original budget; any authorized revisions and the actual transactions to date such as revenues, expenditures and encumbrances listed by account code. Budget reports should be prepared and reviewed at the end of each month. These reports can also be compared to projected estimates of actual revenues and expenditures throughout the year.

Timely discovery of projected budget shortfalls allows a District to resolve the shortfall early when only small adjustments may be needed. If a school district waits until the end of the fiscal year, after the situation becomes more prevalent, a school district may need more drastic actions with fewer options available at that time. Timely detection will enable appropriate action in the subsequent year's budget if it is an ongoing shortfall and not just a temporary situation. Some actions that may be utilized to address the shortfall may be a transfer between appropriations, where appropriate, use of contingency funds (where allowed), appropriation of fund balance (when appropriate) and use of budget notes.

If sufficient revenues will not be derived to finance the total appropriations stipulated in the original budget, the District may reduce appropriations to prevent expenditures in excess of money available. Additionally, a Board may appropriate certain revenues that were not included in the original budget such as grants received from state and federal governments, gifts stipulated for a specific purpose and certain insurance proceeds.

The District creates purchase orders at the beginning of the year and mass encumbers any estimated commitments. The District reviews and analyzes encumbrances based on prior year spending and expected future expenditures for the remainder of the year. Encumbrances are reviewed on an ongoing basis when vendor invoices are paid. Requests are submitted by the respective departments to liquidate a purchase order that may no longer be needed. Purchase

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orders with remaining balances are reviewed at year end for reasonableness. The District records an expense and accounts payable if an invoice has been received for goods received or services rendered prior to year-end.

On a monthly basis, the Assistant Superintendent for Business reviews certain categories on the appropriation status report such as equipment, to ensure purchases are spent accordingly. If there is a risk of overspending a budget line item, a budget transfer is initiated. The Assistant Superintendent for Business reviews revenue shortfalls including state aid figures to determine the amounts that should be received.

The Board receives a monthly packet consisting of revenue and appropriation status reports for all funds, trial balances for all funds, Treasurer's reports, cash flow projections and warrants. Additionally, the Board receives extraclassroom reports and monthly fund balance projections, starting in February as recommended by the New York State Comptroller.

### **FUND BALANCE MANAGEMENT**

Based upon our interviews and observations, we noted the procedures for fund balance management to be as follows:

Reserved fund balance represents an amount of money that a school district can set aside which may be utilized only for specific purposes, while the unassigned fund balance represents uncommitted funds. The remaining unassigned fund balance can be utilized for cash flow purposes and for any unforeseen unanticipated expenses and/or revenue shortfalls. Fund balance also represents resources remaining from prior fiscal years. Real Property Tax Law limits the unassigned fund balance to an amount not to exceed 4% of the subsequent year's budget. A portion of unassigned fund balance over the 4% amount can be utilized to finance the subsequent year's budget and is referred to as assigned-appropriated fund balance.

Sound fiscal management includes maintaining sufficient balances in reserves to address long-term obligations or planned future expenditures. A school district can establish reserve funds to restrict a portion of fund balance for a specific purpose, in a reasonable amount and in compliance with Education Law. Reserve funds may be created by Board approval, pursuant to Education Law, while statutes govern how the reserves are funded, expended or discontinued.

Reserve funds should be transparent to the public. A Board of Education that creates and funds reserves on a regular basis should adopt written policies communicating the rationale for establishing, funding, utilization, and replenishment of the reserves. Reserve funds can be typically funded through amounts indicated in the annual budget process, transfers from other reserves and through transfers from unexpended surplus balances of existing appropriations and other surplus money. School districts should create a plan to utilize excess unexpended surplus funds, such usage should include, but are not limited to; paying off debt, financing one-time expenses and reducing school district property taxes. Each reserve should be maintained at an amount that is reasonable and appropriate to pay future expenses or liabilities that it was established for. Additionally, interest earned on reserves must be allocated to each reserve.

Currently, the District has six reserves established which consists of a workers' compensation reserve, an unemployment insurance reserve, a retirement contribution reserve for ERS and TRS, an employee benefit accrued liability reserve, and capital reserve. Interest earned on the reserves is allocated on a pro-rata basis at the end of the fiscal year. The District currently analyzes the

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results of past expenditures and anticipated needs and funds reserves to anticipate the funding and use of the reserves. The District analyzes the reserves on a continual basis and adjusts the employee benefit accrued liability reserve and unemployment insurance reserve based on the number of employees, age, attendance and required pay outs per employee contracts.

Every June, the Board adopts a resolution to transfer an amount to the reserves from excess fund balance with a specific limit. After the external audit is complete, any excess fund balance is transferred to reserves to comply with Real Property Tax Law which limits the unassigned fund balance to an amount not to exceed 4% of the subsequent year's budget. The reserves are also utilized to balance the District's budget every year and the District budgets the related expenditures and revenues from the appropriated reserves as applicable. The past three fiscal years the District complied with the 4% limit for each year.

## **OBSERVATIONS AND RECOMMENDATIONS**

Based on our interviews, observations, and detailed testing, we provide our observations and recommendations to further strengthen the District's internal controls as they pertain to the governance and planning and fund balance management procedures outlined above.

It should be noted that these recommendations are provided to assist management in improving the accounting and internal controls and procedures as they relate to the District's governance and planning and fund balance management procedures. It is important to note that our observations and recommendations are directed toward improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the District.

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### **Governance and Control Environment**

Procedure Performed: We reviewed the District's policies, procedures, forms, and practices to determine whether the District adopted legally required and recommended policies pertaining to the governance and planning and fund balance management processes.

Observation: No exceptions were found as a result of applying these procedures.

Procedure Performed: Reviewed and sampled the monthly financial packet submitted to the Board and reviewed the financial reports to verify the following:

- Trial Balances were submitted for all funds.
- Revenue and appropriation status reports were submitted for all funds.
- Cash flow projections and Treasurer's reports are submitted for all cash accounts.
- Fund balance projections are provided to the Board starting in February.
- Monthly warrants and monthly or quarterly extraclassroom reports were provided to the Board.

Observation: No exceptions were found as a result of applying these procedures.

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### **Budget Development and Administration**

Procedure Performed: Reviewed the District's financial statements for the past three years and performed the following:

- Compared the District's budgeted expenditures for the fiscal years 2020-2021 through 2022-2023 with actual expenditures to determine if budgeted expenditure amounts are reasonable.
- Compared the District's budgeted revenues for the fiscal year 2020-2021 through 2022-2023 with actual revenues to determine if budgeted revenue amounts are reasonable.

Observation: No exceptions were found as a result of applying these procedures.

Procedure Performed: Reviewed the District's 2023-2024 budget and performed the following:

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- Reviewed the District's budget calendar to determine the District's budget adoption process is conducted in accordance with legally required deadlines.
- Reviewed the District's three-part budget to determine whether the budget presented to voters accurately represents the detailed budget.
- Reviewed the District's popular budget to determine it presents voters with all required information.
- Reviewed the District's Tax Cap Calculation to determine the District is in compliance with Chapter 97 of the Laws of 2011.

Observation: No exceptions were found as a result of applying these procedures.

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### **Budget Transfers**

Procedure Performed: Tested a sample of ten (10 ) budget transfers to verify the following:

- Budget transfers were approved by an individual other than the preparer within guidelines stipulated in the Board of Education Reorganization Meeting.
- Supporting documentation existed to substantiate the budget transfers.
- Budget transfers were properly coded to the correct general ledger account.
- Budget transfers were not made into a non-contingent code or between non-contingent codes.

Observation: No exceptions were found as a result of applying these procedures.

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### **Website Transparency**

Procedure Performed: Reviewed the District's website to verify the following:

- All required comprehensive financial records and other required information is posted to the District's website in a transparent manner, as required by Article 3 of the New York State General Municipal Law. These required records are as follows:
  - Original Adopted Budget
  - Final Annual Budget
  - External Audit Report and Corrective Action Plan
  - OSC Audit Report and Corrective Action Plan
  - Board Approved Multiyear Financial Plan
  - Revenue and Expenditure Budget to Actual Reports (recommended for additional transparency).
- Financial information is easily accessible on the District's website.

Observation: No exceptions were found as a result of applying these procedures.

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**Fund Balance Management**

Procedure Performed: Reviewed the District's fund balance management to verify the following:

- Reserves were established with Board approval and were substantiated with a demonstrated need and appeared reasonable.
- Balance in the employee benefit accrued liability reserve did not exceed the estimated liability.
- Balance in the workers compensation reserve did not exceed the estimated liability.
- Balance in the retirement contribution reserve was reasonable.
- Reviewed the District's unassigned fund balance to determine if the unassigned fund balance is in compliance with Real Property Tax Law 1312.

Observation: No exceptions were found as a result of applying these procedures.

**CORRECTIVE ACTION PLAN**

The District is required to prepare a corrective action plan in response to any observations contained in the internal audit reports. As per Commissioner's Regulations §170.12, a corrective action plan, which has been approved by the Board, should be submitted to the State Education Department within 90 days of the receipt of a final internal audit report.

The District had no observations in this report and therefore a corrective action plan is not required to be submitted.