
**Blind Brook–Rye Union Free School District
School Business Office
390 North Ridge Street
Rye Brook, NY 10573**

TO: Mr. Stark

FROM: Jonathan Ross

RE: **Corrective Action Plan/Response to External Auditors' Management Letter:
Audit for the Year Ending June 30, 2010**

DATE: September 7, 2010

Enclosed herewith for your review is the management letter dated 8/30/10 that corresponds to the 2010 Financial Statement/Auditors' Report (also enclosed), submitted by the District's auditing firm, O'Connor Davies Munn Dobbins LLP - Bennett Kielson Storch DeSantis Division (ODMD-BKSD). I have carefully considered the recommendations set forth in the letter and prepared this response memo.

The auditors did not find any deficiencies with our general fund, capital fund, school lunch fund, permanent fund, or debt service fund operations for the period reported on. The ODMD-BKSD management letter recommends one corrective action relative to inactive Trust & Agency Fund accounts and four recommendations relative to the Extra-classroom Activity Fund. The following outline delineates our planned corrective actions.

Addendum A

- **Agency Fund**

Fiduciary funds are used to account for assets held by the School District in an agency capacity on behalf of others. The Agency Fund is primarily utilized to account for payroll tax withholdings and other deposits that are payable to other jurisdictions or individuals.

Inactive accounts

Our review of the Agency Fund indicated that, for several of these accounts, there was no activity during the 2009-2010 year.

Recommendation

We recommend that the School District examine the status of all inactive accounts in the Agency Fund and, if applicable, either transfer the monies into the General Fund or remit payments back to the appropriate depositor.

Response

The District Treasurer will examine the status of the inactive accounts and, if applicable, either ensure current year activity within the account or close them out and transfer the monies into the General Fund (with approval of the Board).

- **Extraclassroom Activities**

Extraclassroom activity funds are defined as funds raised other than by taxation in the name of a school student body. These funds are operated by and for the students and are an integral part of the educational program of the School District. As part of our audit, we have reviewed, evaluated and tested the Extraclassroom Activity Funds. The results of our tests disclosed the following weaknesses:

Lack of financial activity

Our review indicated that several clubs reflected no financial activity during the current fiscal year.

Recommendation

We suggest that a determination of the status of the clubs with no financial activity be made to determine proper disposition of funds. If the club is determined to be no longer active, the funds should be transferred to the general student organization to be used in accordance with their guidelines.

Response

There were two accounts with no activity during the 2009-2010 year. The Student Activity Treasurer will examine each of the accounts and make a recommendation as to whether or not the activities have ceased operations and balances should be transferred to the HS Student Senate account.

Segregation

We noted that the duties of the central treasurer are not adequately segregated. The responsibilities of the central treasurer include receiving monies, preparing bank deposits, preparing bank reconciliations and maintaining the books and records.

Recommendation

We suggest that consideration be given to redistributing these duties among available personnel, where possible, in order to improve internal controls over Extraclassroom Activity Fund assets.

Response

The duties outlined above are those typical of the Student Activity Treasurer and therefore should continue to be performed. NYSED Pamphlet 2 provides guidance on these matters and can be referenced at: <http://www.emsc.nysed.gov/mgtserv/accounting/docs/ExtraclassroomActivitiesOctober2008.pdf>

Cash Receipts

During our walkthroughs of the cash receipt processes, we noted that there was no record indicating the source of the monies received. All receipts indicated that monies were received from the Faculty Advisor or Treasurer. This was simply an accumulation of monies from various individuals and therefore we were unable to ascertain the original source of the funds.

Recommendation

We recommend that a cash receipts log be kept in order to keep track of individuals who have remitted money to the Faculty Advisor and/or Treasurer. From there, amounts can be summarized into one cash receipt form for deposit into the bank.

Response

A cash receipts log will hereafter be maintained as stated in the recommendation.

Timeliness of deposits

During our walkthroughs of the cash receipt processes, we noted that two receipts were not deposited in a timely fashion.

Recommendation

We suggest that procedures be revised to ensure that all deposits are made within seventy-two business hours of receipt, as recommended by New York State.

Response

We will comply with the recommendation to the extent possible. But, given that scores of deposits are made during the course of a school year and only two were noted as not timely, does not speak to a weakness in my opinion. There are times when circumstances do make it difficult to make deposits in the "seventy-two business hours" window. We will pay more attention to this process in the upcoming year.

Addendum B

GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions

As indicated in the management letter, the Blind Brook School District must implement the requirements of GASB Statement No. 54 by no later than 6/30/11. The intent of this Statement as it applies to school districts is to facilitate an easier understanding of information gleaned from financial statements related to fund balance. On or before 6/30/11 it is our intent to report fund balances in accordance with GASB Statement No. 54.

In a memo I prepared for you dated 8/3/10 the following fund balance information was provided.

The District’s total unreserved and undesignated fund balance is \$1,548,441 or 3.94% of the 2010-2011 budget (\$39,310,694). Hence, our total fund balance scenario within the general fund is as follows for the year ending 6/30/10:

Reserved for Encumbrances:	\$258,941
Reserved for Pre-paid Expenditures:	\$256,673
Reserve for Employee Accrued Benefits:	\$242,260
Reserve for Tax Certiorari:	\$510,683
Reserve for Retirement System Contributions:	<u>\$312,722</u>
Reserved Balance:	\$1,581,279
Designated for Subsequent Year’s Expenditures:	\$1,625,000
Undesignated/Unreserved Balance:	<u>\$1,548,441</u>
Total Fund Balance (at end of year):	\$4,754,720

Simply, \$1,581,279 is reserved for specific purposes, \$1,625,000 is designated for 2010-2011 expenditures, and \$1,548,441 is undesignated and unreserved thus available to the Board for non-constrained spending. While I believe a lay person can easily understand this fund balance information as currently formatted and reported, GASB Statement No. 54 will hopefully provide more information in a way that makes this important element of a district’s financial statement even clearer to those that care to review and analyze it.

In summary, I believe the financial statement and audit report prepared by ODMD-BKSD for the year ending 6/30/10 represents that the District is financially stable and strong. That it has effective internal controls in place in its business office. And, that a prudent budget process is in place that has been historically approved by resident voters of the Blind Brook community. Notwithstanding this, I believe there is always room for improvement and during the next year our staff will continue to work diligently to ensure that we are complying with all board policies as well as the legal requirements associated with school business office operations.

If you have any questions or suggestions that might help our business office function with greater operating efficiency please let me know.

Enclosure