

HEMPSTEAD UNION FREE SCHOOL DISTRICT

Single Audit and
Independent Auditors' Report

June 30, 2019

HEMPSTEAD UNION FREE SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AND ON SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Education
Hempstead Union Free School District:

Report on Compliance for Each Major Federal Program

We have audited Hempstead Union Free School District's (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Hempstead Union Free School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 10, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 10, 2019

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Education
Hempstead Union Free School District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hempstead Union Free School District (the District), as of and for the year ended June 30, 2019, and the related notes to financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2019-001.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 10, 2019

HEMPSTEAD UNION FREE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-through Grantor/ Cluster Title/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Education</u>				
Passed - Through Programs From:				
New York State Department of Education				
Special Education Cluster				
Special Education Grants to States	84.027	0032-18-2402	\$ 76,777	\$ -
Special Education Grants to States	84.027	0032-18-0402	24,579	-
Special Education Grants to States	84.027	0032-19-0402	2,109,348	-
Special Education Preschool Grants	84.173	0033-18-0402	(661)	-
Special Education Preschool Grants	84.173	0033-19-0402	24,974	-
Special Education Preschool Grants	84.173	0033-18-2402	4,316	-
Total Special Education Cluster			2,239,333	-
Title I Grants to Local Educational Agencies	84.010	0021-18-1450	65,839	-
Title I Grants to Local Educational Agencies	84.010	0021-19-1450	2,506,510	-
Title I Grants to Local Educational Agencies	84.010	0011-18-7060	92,047	-
Title I Grants to Local Educational Agencies	84.010	0011-18-2082	409,174	-
Title I Grants to Local Educational Agencies	84.010	0011-19-5023	208,705	-
Title I Grants to Local Educational Agencies	84.010	0011-19-2094	34,680	-
English Language Acquisition Grants	84.365	0293-18-1450	46,651	-
English Language Acquisition Grants	84.365	0293-19-1450	367,120	-
English Language Acquisition Grants	84.365	0149-18-1450	3,374	-
English Language Acquisition Grants	84.365	0149-19-1450	119,592	-
School Improvement Grants	84.377	0123-18-7003	73,064	-
Supporting Effective Instruction State Grants	84.367	0147-18-1450	63,415	-
Supporting Effective Instruction State Grants	84.367	0147-19-1450	607,680	-
Student Support and Academic Enrichment Grants	84.424	0204-19-1450	139,897	-
Total U.S. Department of Education			6,977,081	-
<u>U.S. Department of Agriculture</u>				
Passed - Through Programs From:				
New York State Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	1,073,403	-
National School Lunch Program	10.555	N/A	3,827,579	-
National School Lunch Program (Surplus Food)	10.555	N/A	81,663	-
Summer Food Service Program for Children	10.559	N/A	51,818	-
Total Child Nutrition Cluster			5,034,463	-
Total U.S. Department of Agriculture			5,034,463	-
TOTAL FEDERAL EXPENDITURES			\$ 12,011,544	\$ -

The accompanying notes should be read
in conjunction with this schedule.

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Hempstead Union Free School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Non-monetary assistance is reported in the schedule at the fair market value of commodities received, which is provided by New York State.

3. Indirect Costs

The District has elected to use the 10% de minimus indirect cost rate allowed under uniform guidance.

4. Subrecipients

No amounts were provided to subrecipients.

5. Other Disclosures

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the District's casualty insurance policies.

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

There were no loans or loan guarantees outstanding at year end.

6. Major Program Determination

The District was not deemed to be a “low-risk auditee”, therefore, major programs were determined based on 40% of total federal award expenditures.

HEMPSTEAD UNION FREE SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2019

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|--|
| Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| 1. Material weakness(es) identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |
| 3. Noncompliance material to financial statements noted? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

Federal Awards:

- | | |
|--|---|
| Internal control over major programs: | |
| 4. Material weakness(es) identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |
| Type of auditors' report issued on compliance for major programs: | |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? | Unmodified
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 7. The District's major programs audited were: | |

Name of Federal Programs

	<u>CFDA Number</u>
Child Nutrition Cluster	10.553/10.555/10.559
English Language Acquisition Grants	84.365
Title I	84.010

- | | |
|---|---|
| 8. Dollar threshold used to distinguish between Type A and Type B programs. | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

HEMPSTEAD UNION FREE SCHOOL DISTRICT
Schedule of Findings and Questioned Costs, Continued

(2019-001) Expenditures in Excess of Voter Approved Budget

Criteria - 8 NYCRR §170.2(k) states the Board of Education of every union free school district shall have power and it shall be its duty to keep the incurred obligations within the amount of the total annual appropriations voted or authorized, and the prior year's outstanding encumbrances and to pay no obligation of the district until materials have been received or services rendered.

Condition - There was an increase in charter school enrollment and other factor beyond the District's control.

Effect of Condition - The General Fund's voter authorized budget was overspent by \$9,214,405. Management did not make budget amendments to address the shortfall, which also needed to be approved by the Board of Education.

Recommendation - The District should monitor its appropriations and make necessary budget amendments to avoid expenditures being overspent.

Management's Response - See corrective action plan provided by management.

HEMPSTEAD UNION FREE SCHOOL DISTRICT

Status of Prior Audit Findings

Year ended June 30, 2019

Reference - (2018-001) Submissions to Child Nutrition System

Condition - The claims for March 2018 and forward were not submitted within the 60 day deadline and now collection of these amounts are uncertain. The District had an estimated \$1,878,444 of receivables at June 30, 2018 of which \$1,754,002 represents Federal receivables, as of June 30, 2018.

Status - Finding has been resolved. Claims are being submitted timely. The District has subsequently received the majority of this receivable.

Reference - (2018-002) Grant Oversight

Condition - A Persistently Struggling Schools Grant reimbursement was submitted to New York State Department of Education (the State) that included costs that were considered unallowable and disallowed. The District had \$2,344,805 of amounts due from the State as of June 30, 2017 that were disallowed and resulted in a prior period adjustment. The District cannot recoup these expenditures already incurred.

Status - Finding has been resolved. District has implemented more oversight on grant reporting.

HEMPSTEAD UNION FREE SCHOOL DISTRICT

Corrective Action Plan

Year ended June 30, 2019

Name of Auditee: Hempstead Union Free School District

Name of Audit Firm: EFPR Group, CPAs, PLLC

Period Covered by the Audit: Year Ended June 30, 2019

CAP Prepared by: Edward A. Cullen, School Business Consultant
Hempstead Union Free School District

Telephone: (516) 434-4000

(A) Current Finding on the Schedule of Findings and Questioned Costs and Recommendations

(1) Finding 2019-001

- (a) Comments on the finding and recommendation - The District overspent the General Fund's voter authorized budget by \$9,214,405. This was caused by an increase in charter school enrollment.
- (b) Action Taken - The District will continuously monitor the budget. Budget will be compared to expenditures. Budget transfers will be made if necessary. The ensuing budget for the fiscal year ending June 30, 2020 has been prepared with the necessary adjustments to reflect the increase in contractual charter school enrollment.
- (c) Responsible Party - Edward A. Cullen