



**Hudson City School District
Corrective Action Plan
2024-2025 Financial Statements (External Audit)**

1. Issues Related to Changing Environment:

Comment: It was noted that there were significant changes in the Business Office personnel during the year. The Business Office manual was based on the previous staffing assignments. The District operates in a complex or frequently changing compliance environment. The risk to the District is that as compliance regulations change, complexities place task burdens on the District employees. The complexity of the tasks increases the risk that the District could feel adverse consequences if it were to lose a key person in the Business Office with no written procedures to be followed by a new employee.

Recommendation: We recommend that the District update all critical financial processes in the Business Office Manual due to the staffing changes. These process documents should be reviewed for accuracy and completeness. Once prepared, employees should be required to maintain the documents in a manner that reflects any changes to the procedures.

District Response: Critical financial process updates will be made to the Business Office Manual.

Anticipated Completion Date: January 30, 2026

Corrective Action Plan Implemented By: Executive Director of Business & Finance

2. Fund Balance:

Comment: Section 1318 of Real Property Tax Law establishes the maximum unassigned fund balance that is allowed to be legally retained by a school district. The current law limits this amount to four percent of the ensuing year's budget. The District's financial statements for the year ended June 30, 2025 indicate that the unassigned fund balance is in excess of the legal limit.

Recommendation: We recommend that the District formulate a plan to control or use the excess fund balance.

District Response: The District will review and modify budget plans going forward to reduce the District's unassigned General Fund balance to the statutory limit through efficient use of reserve funds.

Anticipated Completion Date: January 30, 2026

Corrective Action Plan Implemented By: Executive Director of Business & Finance

3. **Reports to the Board:**

Comment: During our audit, we noted that the Business Office was not giving the Board monthly cash balances (Bank Reconciliation Reports), Budget Status Reports (for revenues and expenditures), Budget Transfer Reports, and Balance Sheets for all funds on a timely basis. The District's books should be closed within fifteen days at the end of each month.

Recommendation: We recommend that the Business Office provide the above documents to the Board and instruct them as to how to read such reports. The Board should become familiar with the information and its relationship to the fiscal operation of the District. The understanding of these reports will help the Board in the development of fund balance management.

District Response: The Business Office shall provide the financial reports mentioned above to the Board on a monthly basis.

Anticipated Completion Date: September 1, 2025

Corrective Action Plan Implemented By: Executive Director of Business & Finance

4. **Reserve Plan:**

Comment: During our audit, we noted the following:

- a. The District has not updated the written plan for the reserves. The Board is responsible for developing a written plan for use of its reserves. This plan should include when the reserves were formed, Section of Law, purpose, guidelines on funding levels and how and when disbursements should be made. Once the plan is completed it should be available on the District's website.
- b. The Board is responsible for having an annual review of the report on the activity. Once approved by the Board, such a report should be posted on the District's website.

Recommendation: We recommend that the Board takes steps to comply with the requirements set forth for having and maintaining such reserves.

District Response: The Board shall consider steps to comply with the requirements set forth for having and maintaining such reserves.

Anticipated Completion Date: January 30, 2026

Corrective Action Plan Implemented By: The Board of Education

5. **Budget Transfers:**

Comment: The matter of affecting budgetary transfers is of critical importance to the efficient management of a district’s fiscal affairs. It is important to note that such transfer authority has its basis in Section 170.2(I) of Commissioner’s Regulations. This authorization is limited to transfers between and within the district-wide (ST-3) function unit appropriations for teachers’ salaries and ordinary contingent expenses.

Since the adopted budget is, at best, an estimated expenditure plan, it is not unusual for conditions to arise whereby transfers between or among function/object categories are required to maintain fiscal balance. Appropriately, Section 170.2(I) of Commissioner’s Regulations provides for such transfers and permits the Board of Education to facilitate the procedure by authorizing “the Chief School Officer to make transfers within the limits as established by the Board.”

During our audit, we noted that budget transfers were not made on a timely basis.

Recommendation: We recommend that budget transfers are made prior to the authorization to expend all codes.

District Response: The District will implement internal controls to ensure that no funds are appropriated until sufficient budget transfers are made to accommodate the expense.

Anticipated Completion Date: September 1, 2025

Corrective Action Plan Implemented By: Executive Director of Business & Finance

6. **Interfund Transactions**

Comment: Advances between funds are designed to be temporary in nature and should be repaid as soon as funds are available.

Recommendation: We recommend that interfund loans be reviewed regularly and the funds be repaid when available

District Response: The District will review the interfund loans regularly and repay the funds when available.

Anticipated Completion Date: September 1, 2025

Corrective Action Plan Implemented By: Executive Director of Business and Finance

**Hudson City School District
Corrective Action Plan
2024-2025 Extra Classroom (External Audit)**

1. **Cash Receipts: High School**

Comment: During our audit, we noted the following:

1. Instances where deposits lacked supporting documentation
2. Instances where clubs held deposits prior to disbursing to Central Treasurer to be deposited within the recommended timeframe
3. One instance of a deposit slip not attached to the receipt.

Recommendation: We recommend that all cash receipts be properly completed and details of receipts be given to the Central Treasurer before depositing funds in a timely manner.

District Response: The cash receipt process will be reviewed with the Extra Classroom Leaders and Central Treasurer with the Executive Director of Business and Finance.

Anticipated Completion Date: January 30, 2025

2. **Inactive Clubs**

JR. High School:

Comment: During our audit, we noted that four clubs were financially inactive during the year.

High School: during our audit , we noted that two clubs were financially inactive during the year.

Recommendation: We recommend a mid-year review of the inactive clubs and if the club is no longer in existence, the remaining funds should be disposed of as prescribed by the Board of Education.

District Response: A review of the extracurricular financial reports will be conducted. Any club that is confirmed to have ceased operating it will be recommended for dissolution to the Board of Education.

Anticipated Completion Date: January, 30, 2025