

**CULLEN & DANOWSKI, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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

November 3, 2017

To the Board of Education and Management  
Amityville Union Free School District  
Amityville, New York

Dear Members of the Board and Management:

In planning and performing our audit of the financial statements of the Amityville Union Free School District (District) as of and for the year ended June 30, 2017, 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 November 3, 2017, on the financial statements of the Amityville 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

**PRIOR YEAR'S COMMENTS**

**Extraclassroom Activity Funds**

The extraclassroom activity funds are the depository of student money. The primary purpose of these activities is to provide a learning experience to students. The New York State Education Department publishes guidelines titled *Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds*; these guidelines recommend procedures for organizing extraclassroom activities, controlling receipts and disbursements, as well as recording and reporting transactions. One of the basic principles outlined in the SED guidelines is that "two separate and independent sets of records of receipts and disbursements shall be maintained, one by the central treasurer and one by the student activity treasurer".

We noted the following update relating to the prior year findings:

- The concession stand at the high school, which was run by the senior class students with oversight from adult chaperones, did not maintain a sales log to support the cash collected and did not maintain an inventory count of items held for resale at the concession stand. In addition, no sales tax was collected or remitted to the state for sales of taxable items.

*Current Status:* Unchanged. During the current year we noted no change in procedures or training to address this finding.

- Some clubs did not have any financial activity during the year, which may be an indication that those clubs are inactive.

*Current Status:* Unchanged. In fiscal 2016-17, we again noted that eleven high school clubs and three middle school clubs had no financial activity during the year. These clubs may be inactive, or they are active but simply did not have any fundraising or spending for the year.

- We noted in our sampled transactions that various purchases made within the high school and middle school clubs did not have sales tax applied to the invoices.

*Current Status:* Unchanged. We again noted instances within our current year's audit sample of invoices where sales tax was not charged on the invoice.

- We noted that profit and loss statements were not prepared by middle school clubs for their fundraising activities.

*Current Status:* Unchanged.

In addition, we noted the following during our current year audit:

- We noted an instance where concession sales for a club were conducted by a relative of the club's advisor instead of a club representative or a District employee.
- Club charters were not being maintained by the District.

We recommend that the District continue to monitor the extraclassroom activities and provide training to ensure their activities are in compliance with SED. The SED guidelines addresses many areas including maintaining profit and loss accounting for fundraisers; collecting and remitting sales tax; and closing clubs that are inactive and have no financial activity.

### **School Food Service (School Lunch) Fund**

The District's cafeteria operations are accounted for in the school food service fund (formerly school lunch fund). The school service fund is expected to be a self-sufficient fund.

In the prior audits, we noted that a reconciliation of meal counts and cash receipts recorded in the point of sales system was being prepared each month by the cafeteria operation staff and a copy was provided to the business office each month, but those reports did not indicate who prepared the reconciliation, or if the information was reviewed before they were submitted to the business office.

*Current Status:* Corrected. We noted that the reconciliations are now reviewed and approved by the Assistant Superintendent for Business. We consider this comment closed.

### **Capital Projects**

The District provides funding for resources needed for the acquisition and construction of capital facilities throughout the District by means of annual budgetary appropriations or through financing methods which have been approved by the taxpayers. These projects are accounted for within the capital projects fund. The state partially subsidizes these projects through state aid.

During our prior audits, we had noted that the District had many capital projects with unexpended balances which dated back several years. Most of these capital projects were funded by interfund transfers from the General Fund and appeared to be completed. We had recommended that the District review all of its capital projects reflected on the supplementary Schedule of Project Expenditures – Capital Projects in the financial statements to identify which projects had been completed and determine the appropriate treatment of any had unused project balances.

*Current Status:* Corrected. The District has reviewed the capital projects and had transferred unspent funds in the amount of \$466,826 back to the general fund as part of the 2016-17 approved budget. The District plans to transfer an additional \$400,000 as part of the 2017-18 approved budget.

### **Charge Policy for Student Meals**

The Board adopts policies to govern the procedures for various areas within the District. One of these policies addresses students charging meals. The Board policy outlines limits to charging meals and procedures to be followed if a student consistently does not have funds to purchase lunch and has not been approved to receive free or reduced priced meals.

During our prior audits, we noted that students were allowed to charge meals beyond the specified limits in the policy and that the timely effort to collect any delinquent balances was not being made. This resulted in the District writing off those receivables as being uncollectible.

*Current Status:* In process. We noted that the District began collection efforts and enforcement during the 2015-16 school year in accordance with the District's charged meal policy and was able to reduce the outstanding balance by \$4,000 during the current school year. As of June 30, 2017, the District still has approximately \$34,000 in uncollected balances.

## **Amityville Union Free School District**

For the Year Ended June 30, 2017

---

We recommend that the school lunch director continue to ensure that the staff follow the Board policy limits on student charged meals and that procedures be implemented to collect past due balances from students with deficit accounts in a timely manner.

### **Segregation of Duties/User Permissions**

The District uses a financial accounting software package commonly known as Finance Manager to maintain their accounting records. The software allows the District to establish permissions for each user based on each individual's job description. This permits the District to strengthen internal controls by segregating duties electronically.

During our prior audits, we had reviewed user permissions and noted that user permissions had been tailored in most Finance Manager modules in relation to the employee's daily tasks; however, some employees had access to areas that are not aligned with their job responsibilities.

*Current Status:* In process. We reviewed the user permissions and noted that permissions were in line with daily job responsibilities for all employees but one. We noted that the principal account clerk in the Business Office had administrative functions within Finance Manager to assign and alter user rights during our June 2017 field work. The District is in the process of transferring the responsibility of assigning rights and functions within Finance Manager to the Assistant Superintendent for Technology and Administrative Services during the 2017-18 school year.

### **Health Insurance Billings**

Segregation of duties and supervisory review of periodic reconciliations performed by employees are both important elements of internal controls, providing checks and balances to minimize the risk of misstatements whether by error or misappropriation.

During our prior year audit, we noted that the account clerk responsible for billing retirees and former employees for their share of monthly health insurance premium also received check payments from retirees and former employees, and was responsible for following up on unpaid amounts. The account clerk also reconciled active and retiree health benefits to the health insurance billings, as well as balances recorded in the general ledger on a monthly basis. Although the account clerk worked with the principal account clerk at the District's Business Office when reconciling the general ledger balances, there was no indication on the reconciliation that it had been reviewed by management.

*Current Status:* In process. We noted that check payments are now being processed by someone independent of the health insurance billings. However, there was no indication on the health insurance reconciliation of review or approval by District management.

We recommend that the health insurance billings reconciliations be reviewed by a supervisor and that the review be dated and documented with the reviewer's initials or signature.

**CURRENT YEAR COMMENTS**

**Expense Reimbursement Policy**

The Board adopts policies to govern the procedures for various areas within the District. One of these policies addresses reimbursements for expenses which are legally authorized and incurred while traveling for school related activities.

During our current year audit, we noted that the Claims Auditor had been denying lunch reimbursements for District employees who had day-long seminars outside of the District. Although Policy 6830 does not address the reimbursement of lunches at seminars and conferences, the District has historically reimbursed these expenditures to employees.

We recommend that the District review the expense reimbursement policy and update the policy in accordance with the Comptroller's travel manual to provide clear guidelines to District employees.

**Bank Reconciliations**

At the end of every month, the District's bank accounts should be reconciled and any necessary adjustments should be made to the books. Reconciliation of cash accounts ensures that transactions have been properly recorded on the District's books. In addition, as part of a strong internal control process, the bank reconciliations should be reviewed and approved by management.

During our audit, we noted that cash accounts are being reconciled in a timely fashion. However, we noted instances where there was no documented review and approval from the Assistant Superintendent for Business on the bank reconciliations.

We recommend that all bank reconciliations include documented review and approval by the Assistant Superintendent for Business.

**Capital Assets**

The responsibility of safeguarding the District's investment in capital assets is important to sound fiscal management. The responsibilities can only be discharged through adequate capital asset accounting, and conducting periodic physical inventory of all assets.

During the current year, we noted that several projects listed as construction in progress on the inventory report were completed and placed in service. This resulted in an audit adjustment to reclassify approximately \$7,900,000 from construction in progress to building and improvements. In addition, an audit adjustment to record additional depreciation expense in the amount of \$168,000 was also needed.

We recommend that the District implement procedures to identify completed capital projects and communicate the information to the capital asset management company so that the assets can be properly classified and depreciation expense properly calculated.

\*\*\*\*\*