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

In planning and performing our audit of the financial statements of the Copiague 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 October 6, 2017, on the financial statements of the Copiague 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

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COMMENTS FROM THE PRIOR YEAR

Computer Software User Permissions

The District uses the Finance Manager accounting software, and sets the user access levels for employees, who utilize this software. User access to application functions should be set for each employee based on job responsibilities coupled with the consideration of any weakness it may pose to the internal control process.

During our prior year audit, we had reviewed the internal auditors report for the quarters ending September 2015 and December 2015 and these reports had indicated that the computer permissions had no exceptions. However, based on our review of the computer permissions detailed report by employee and module, we noted a few employees in the business office still had permissions that were not in line with their main job responsibilities. Management at the District had indicated that with the upgrade from Finance Manager to the nVision version, they would address the computer permissions.

During our current year audit, we noted that there were still employees with permissions that are not in line with their job responsibilities or have certain permissions that should not be activated. For example, benefits clerks and various business office employees have the rights to add journal entries or delete journal entries. In addition, there are other employees who have permissions to create a new employee.

Although we did not note any instances, in our audit sample, where employees executed transactions outside of their responsibilities, we continue to recommend that management review the computer permissions and ensure that employees' permissions are in line with their job responsibilities. The permissions to delete journal entries should be removed, or disabled in nVision for all employees, as journal entries should not be deleted. In addition, permissions to add a new employee should be limited to the Human Resources department.

Special Aid Fund - Summer Placement Program

The District participates in a New York State sponsored summer handicapped program through which the District receives aid as reimbursement from the State for 80% of the NYS approved tuition, maintenance and transportation costs of certain handicapped children. The District provides the funding for the remaining 20%, as well as the difference between the tuition rate charged by BOCES and the amount approved for the 80% reimbursement by NYS. The aid is claimed through what is known as the STAC (System to Track and Account for Children) process.

During the prior year audit, we had noted that the District had investigated outstanding summer placement balances and discovered that their approved reimbursement rate was much lower than they had anticipated. This resulted in the District writing off certain receivables as uncollectible. In addition, due to the lower State reimbursement rate for BOCES in the prior year, it was determined that the District receivables of \$77,064 for the 2013-14 fiscal year and \$181,297 for the 2014-15 fiscal year also needed to be written off as uncollectible. The 2015-16, state aid receivables for the District were accurately reflected in the general ledger and there was no need for any writes of 2015-16 amounts.

During the current year audit, we noted that District's summer placement receivables were in-line with the expected reimbursement and there was no need for any additional write downs. We now consider this comment closed.

Extraclassroom Activity Funds

The extraclassroom activity funds are the depository of student money. The New York State Education Department publishes the Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds. These guidelines recommend procedures for organizing these activities, controlling receipts and disbursements, as well as recording and reporting transactions.

During our prior year and current year audits, based on our sample selection for cash receipts and cash disbursements, we noted the following:

Middle School

- There were four (4) disbursements for donations made by clubs that did not have supporting documentation for the disbursement. We reviewed the cancelled check and noted that the donations were made to charitable organizations as indicated.

Current Year Status: Unchanged, we noted that four (4) disbursements for donations in the current year did not have supporting documentation for the disbursement.

- One (1) disbursement did not have any sales tax paid.

Current Year Status: We noted that two (2) disbursements did not indicate that sales tax was paid.

During the current year audit, we also noted that there was one (1) disbursement that did not have an invoice from a vendor attached. We inquired and were only provided with an internal memo on the school's letterhead as support for the disbursement.

We recommend that the District ensure that all internal policies, procedures, documents and forms established for extraclassroom activity clubs have proper supporting documentation, approvals and authorizations for all cash disbursements. In addition, we recommend that the District have all personnel providing guidance and oversight over extraclassroom activities review the state's guidelines for maintaining extraclassroom activity funds to ensure that the adequate internal controls are in place to ensure compliance with New York State Education Department's guidelines.

Fund Balance – General Fund

Section 1318 of the NYS Real Property Tax Law limited the amount of undesignated fund balance a school district can retain to 4% of the ensuing year's budget.

As of June 30, 2016, the District's undesignated fund balance exceeded 4% of the 2016-17 budget.

As of June 30, 2017, the District's undesignated fund balance was below 4% and they were compliant with Section 1318 of the NYS Real Property Tax Law Section for the 2017-18 budget.

CURRENT YEAR COMMENTS

Food Service Program Revenue

During our current year audit, we noted that the District is recording school lunch revenue in the general ledger based on bank deposits and not based on the actual activity in the Point of Sale (POS) system. In reviewing the District's POS system year-end report, we noted that the trial balance had \$3,000 more in revenue, when compared to the POS system.

We recommend that the District record sales in the general ledger based on the POS system, which should reflect the actual activity at all the registers in the schools. In addition, a monthly reconciliation should be done between the POS system, the general ledger and the bank deposits to ensure that all financial information is being processed. Any overages should be investigated on a monthly basis to minimize differences at year end.

Food Service Program Inventory

The District purchases food and also receives surplus food from the federal government for use in its Food Service program. Inventory count is performed at the school cafeterias periodically and at year end. The account balance of the inventory at year end is calculated based on the inventory count and the appropriate unit costs for the items.

During the current year's audit, we performed a recount of the District's physical inventory at year-end and we noted some discrepancies in the actual counts, as well as differences in the related pricing for these inventory items. We took the differences in our sample selection and determined the percentage difference to our entire sample and then extrapolated this percentage difference to the overall inventory balance at year end. We noted that this extrapolation over the entire inventory was not material and would have resulted in only a reduction of inventory for \$315, so no adjustment was recorded by the District.

Although the amount was not considered material, since there were differences in our counts and pricing, we recommend that the District strengthen their internal controls for tracking food service program inventory and consider periodically reviewing the inventory throughout the year, as well as at year end. This will ensure that the inventory counts and pricing is accurate, and that the ending inventory will not have any discrepancies at year-end.