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September 23, 2016

To the Board of Education
Northport - East Northport Union Free School District
Northport, New York

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Northport - East Northport Union Free School District (District) as of and for the year ended June 30, 2016, 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 September 23, 2016, on the financial statements of the Northport - East Northport 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 would 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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STATUS OF PRIOR YEAR COMMENTS

Bank Reconciliations

The District maintains bank accounts at several financial institutions. Reconciliations of the District's bank accounts with the District's books are completed by the treasurer who is independent of the accounting functions. In addition, the bank reconciliations are reviewed by the supervisor of finance and accounting.

During our previous audit, we noted that bank reconciliations were not being prepared and reviewed in a timely fashion for the District's general fund disbursement account and trust and agency payroll account.

Current Status: Corrected. All bank reconciliations are being prepared and reviewed in a timely manner.

Budget Transfer Review

The District spends within a voter-approved budget that includes numerous budgetary appropriation codes. School districts are limited to spending within the total budget, but are not limited to the original estimated amounts assigned to the individual appropriation codes. The State Education Department allows districts to make budgetary transfers among the individual appropriation codes throughout the year. These periodic budget transfers enhance the control over budget monitoring. The District historically has had procedures in place for an independent review of budget transfer reports to ensure only budget transfers approved, in accordance with the District's policy, have been entered into the accounting system.

During our prior year audit, we noted that budget transfer reports had not been printed and reviewed by someone independent of the budget transfer process.

Current Status: Corrected. The District has appointed an employee independent of the budget transfer process to perform a budget transfer review on a regular basis.

Cash Receipt Recording and Reconciliations Subsequent to Year End

Timeliness of recording of financial activity is an integral part of business office operations.

During our prior year audit, we noted that cash activity after year end was not being posted timely into Finance Manager.

Current Status: Corrected. The District has implemented procedures to ensure that all cash activity be posted in Finance Manager as soon as the activity takes place.

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 previous audits, we noted the following comment has been addressed and corrected by the District in the current year:

- Opening balances for all clubs per the central treasurer's record at 7/1/15 agreed to the information provided for ending balances audited at 6/30/15.

During our prior and current year audits, we noted the following comments have not yet been resolved:

- There were instances in which receipts and disbursements lacked supporting documentation.
- The clubs at each school did not reconcile the balance with the Central Treasurer at each school on a regular basis.
- There were clubs with no activity during the year.
- Student involvement was not evident in all transactions tested.

During our current year audit, we noted the following new comments:

- Sales tax was not paid on a sample of transactions tested.
- There were instances where the deposit ticket could not be located to support the bank deposit.

We recommend that the District address the above comments relating to the extraclassroom activity funds, and provide the appropriate training to ensure compliance with state guidelines.

Management Response: The District Treasurer will continue oversight of the Extraclassroom Activity Funds through continued implementation of the District's current corrective action plan. Guidance will continue to be provided to the central treasurers and club advisors during documented monthly visits to the buildings. The New York State Education Department's publication entitled Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds as well as New York State regulations for the collection and payment of sales tax will be provided as research documents. During the District Treasurer's monthly visits to the buildings, processes and procedures will be discussed, accounting records will be reviewed for accuracy, the presence of student involvement will be confirmed and the validity of the club and the existence of club charters will be addressed. Central treasurers will be instructed to maintain all bank deposit tickets in order to provide support for all deposits.

School Lunch Income Verification

The District's school lunch program serves lunches to students and employees. Based on applications filed with the school, students may be eligible for free or reduced price lunches based on household size and income. Part of this process, as required by federal regulation, requires the District to verify household income of 3% of applications received.

During our prior year audit, we noted the following comments have been corrected by the District in the current year:

- Based on household income information submitted, a student initially receiving free lunch should have been paying for lunch as the household income exceed federal parameters for free lunch. The District did not update the student's status in NutriKids from free to paid, therefore allowing the child to continue to receive free meals for the entire school year. Based on our current year testing, all statuses that required change in the system based on the verification process were properly updated.
- According to New York State Child Nutrition guidelines the District must retain all documentation received from households selected for verification with program records for 3 years plus the current year. The District only kept notes stating what was examined and did not maintain the documentation received to support the income verification process. During our current year testing, all records were properly maintained to support the income verification process.
- Based on household income information submitted, one family had income that exceeded federal parameters, and the two students from this household should have been paying for lunch. It was later determined that these students were homeless children and the District obtained support in 2015/16.

During our prior and current year audit, in our application verification testing, we noted the following comment which has not yet been resolved:

- During our current year audit, we noted one instance where a student who was verified and eligible to receive reduced lunch was directly certified by New York State, however the District did not print the list and maintain it as evidence in the students file.

During our current year audit, in our income verification sample testing, we noted the following:

- The District performed the income verification process on the required number of students, however the result letters were not sent to the students' household to inform them of the verification results.
- Not all applications selected for testing in our sample were reviewed and approved by the School Lunch Director.

We recommend that the District review its current procedures in connection with the verification process of free and reduced lunch applications and maintain evidence to support all conclusions and determinations in a student's file with respect to eligibility and income verification.

Management Response: The district was absent a dedicated Food Service Director since late March. The newly appointed Food Service Director will be responsible for developing internal procedures that are in compliance with USDA and NYSED regulations. A webinar that is available on the NYSED Child Nutrition web-site provides excellent guidance and direction in this area.

CURRENT YEAR COMMENTS

School Lunch Inventory

The District purchases food and also receives surplus food from the federal government for use in its School Lunch program. Inventory count is performed at the school cafeterias monthly, 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 audit, we performed a sample inventory re-count and noted that there were inaccuracies in the District's reported inventory count for June 30, 2016. Upon review of these differences, we concluded that they would not be material to the school lunch fund. Therefore, no adjustment to the school lunch inventory was deemed necessary.

We recommend that the District strengthen their internal controls for tracking and monitoring school lunch inventory and consider periodically reviewing the inventory throughout the year, as well as at year end. This will ensure that the inventory counts are properly monitored and accurately reflected in the general ledger throughout the year.

Management Response: The District was absent a dedicated Food Service Director since late March. We realize that there were inconsistencies with the previous inventory practices and will work to resolve those issues during the 2016-2017 school year. The newly appointed Food Service Director will begin to implement new inventory procedures commencing with the September 2016 inventory. She will instruct the school lunch workers in proper inventory procedures, including product organization and the use of inventory count sheets.