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VINCENT D. CULLEN, CPA
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JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

September 27, 2017

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, 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 September 27, 2017, 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

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 comments that were addressed and corrected by the District in the current year:

- Cash receipts that were selected in our sample selection of thirty (30) were adequately supported with sufficient documentation.
- Deposit tickets in our sample selection of thirty (30) were obtained and they agreed to the deposit amount per the bank statement.

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

- There were two (2) instances in our sample selection of thirty (30) in which disbursements lacked supporting documentation.
- The clubs at the Middle School and the High School did not reconcile the balances with the Central Treasurer at each school on a regular basis.
- There were various clubs in the high school and middle school that had no financial activity during the current year, and many of these clubs had no financial activity for at least last two to three years.
- Student involvement was not evident in four (4) instances in our sample selection of thirty (30) cash receipts, and in one (1) instance in our sample selection of thirty (30) cash disbursements tested.
- We noted five (5) instances in which sales tax was not paid.
- There were eight (8) instances in our sample selection of thirty (30) cash receipts tested in which we noted that the deposits were not made in a timely fashion.
- Access to the school safe where cash is held before being deposited is not always restricted to the central treasurer.

We continue to recommend that the District address the above comments relating to the extraclassroom activity funds, and provide the appropriate training to ensure compliance with the New York State Educational guidelines. In addition, we suggest that the District monitor extraclassroom clubs with no financial activity and determine if these clubs are inactive and if the remaining funds should be transferred to another club.

Management Response: The District Treasurer will continue oversight of the Extraclassroom Activity Funds. Guidance will continue to be provided to the central treasurers and club advisors during documented quarterly visits to the buildings. During these visits, the following activities will occur: (1) review of proper processes and procedures as discussed in the New York State Education Department's publication entitled *Safeguarding, Accounting and Auditing of Extraclassroom Activity Fund*; (2) review disbursements for supporting documentation; (3) ensure that cash balances are reconciled; (4) identify accounts that should be closed due to inactivity; (5) confirm student involvement in the clubs; (6) verify payment of sales taxes; (7) ensure the existence of club charters and (8) review procedures for the safeguarding of cash prior to timely deposits.

School Food Service Income Verification

The District's school food service 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 and current year audits, we noted the following comments which were corrected by the District in the current year:

- 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 testing, we noted that the District has properly maintained a listing of student who are directly certified by New York State.
- 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. During our current year audit, in our sample selected, results letters were properly sent to the students' household.
- Not all applications selected for testing in our sample were reviewed and approved by the School Food Service Director. During our current year audit and review of applications, evidence of approval by the School Food Service Director was present.

We now consider these comments closed.

School Food Service Program Inventory

The District purchases food and also receives surplus food from the federal government for use in its School Food Service 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 our prior year audit, we performed a sample inventory re-count and noted that there were a number of inaccuracies in the District's reported inventory count. Upon review of these differences, we concluded that the amounts were not considered material to the school food service fund. Therefore, no adjustment to the inventory was made in the prior year.

During our current year audit follow-up, we noted that there were still discrepancies in our inventory re-count for both quantities and pricing, however, there were fewer instances than the prior year. The number of discrepancies decreased significantly from the prior year and the overall difference continued to be immaterial to the school food service program. Although these amounts or quantities were not material, we still recommend that the District strengthen their internal controls for tracking and monitoring school food service inventory.

Management's Response: The School Lunch Director will continue to provide training to the cooks with regards to product organization and appropriate food inventory controls.

CURRENT YEAR COMMENTS

Bank Reconciliations and Escrow Bank Account

All District bank accounts should be included in the monthly treasurer's report. In addition, periodic review and reconciliation of financial records by someone independent of the processing and recording of the transactions is an effective internal control. Reconciliation prepared should also be reviewed by management to ensure that they were performed appropriately.

During our current year audit, we noted that although the District is tracking expenditures made from the escrow bank account related to the energy performance contract, it was noted that this escrow account was not included in the monthly treasurer's report.

We recommend that the District ensure that all bank accounts, including the energy performance escrow accounts, be reconciled, reviewed and approved on a timely basis, and be included on the monthly treasurer's report.

Management's Response: The District has implemented the completion of monthly Energy Performance Contract (EPC) bank reconciliations. These bank reconciliations will be completed by the Senior Account Clerk, reviewed by the District Treasurer and approved by the Assistant Superintendent for Business. The reconciliation has been included on the monthly Treasurer's reports beginning in June 2017.

School Food Service Point of Sale (POS) System

An integral part of an internal control system for the School Food Service Program is to maintain proper controls over the collections of cash and recording of meals sold in the District's point of sale system.

During our current year audit, we noted that the District's point of sale summary report at the end of the fiscal year reflected cash collections in excess of the actual sales recorded in the POS system. Although the difference amounted to less than \$1,000 for the fiscal year, this could be a possible indicator that cash is being collected at the registers, but meals are not being entered into the POS system. The proper recording of meals is an important internal control since meals can be eligible for state and federal aid reimbursement.

We recommend that the District emphasize the importance of accurately inputting all meals and sales into the point of sale system with the cashiers at all schools and periodically review monthly POS reports to determine the nature of any differences.

Northport - East Northport Union Free School District
For the Year Ended June 30, 2017

Management's Response: Cashier training was provided during the month of September 2017 to the food service workers at Northport High School by Eastern Suffolk BOCES. Discrepancies involving cash collections have typically occurred at Northport High School. The training was conducted in an effort to reduce any differences between cash collections and actual sales recorded in the POS system. During the 2017-2018 fiscal year, the Senior Account Clerk and District Treasurer will review monthly POS reports to examine and reconcile any differences.