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October 10, 2018

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

In planning and performing our audit of the financial statements of the Jericho Union Free School District (District) as of and for the year ended June 30, 2018, 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.

During our audit, we noted an opportunity for strengthening the District's internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comment and suggestions concerning this matter. This letter does not affect our report dated October 10, 2018, on the financial statements of the Jericho Union Free School District.

We have already discussed our comment and suggestion with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation.

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'S COMMENTS

## School Food Service Fund-Fund Balance

Federal Regulations, 7 CFR Part 210.14 (b), limit the net cash resources of a school district's school lunch operation to an amount that does not exceed three months' average expenditures. If there are excessive cash resources available, the District must be in a position to describe the planned use of these funds.

As of June 30, 2017, the School Food Service Fund had an operating surplus of approximately \$84,000; as a result, the Fund's assigned fund balance of \$468,577 exceeded the three-months-average-expenditures limit by approximately \$31,800. Although the District reduced the 2016-17 fiscal year's transfer from the General Fund by \$95,000, from \$295,000 in 2015-16 to \$200,000, the District received approximately \$36,800 more in federal reimbursements and surplus food, while sales from the cafeteria operations increased 2.4%, or about \$25,000, compared to the 2015-16 fiscal year.

As of June 30, 2018, the School Food Service Fund's assigned fund balance decreased to \$439,031, which is approximately \$8,900 below the three-months-average-expenditures limit and is in compliance with federal regulations. During the 2017-18 fiscal year, the District implemented its corrective action plan and reduced the budgeted transfer/subsidy from the General Fund by \$75,000, from \$200,000 in 2016-17 to \$125,000, and purchased additional cafeteria equipment in order to lower the fund balance and comply with federal regulations. We consider this comment closed.

## **Grant Expenditures Recording**

Federal and state-funded grant programs are accounted for in the District's Special Aid Fund. Expenditures related to these grant programs are recorded as they are incurred; the District requests final reimbursements from the State Education Department at the conclusion of the grant.

During our prior year audit, we noted that the District's expenditures for students with special needs attending state-supported schools (§4201 schools) had been recorded in the General Fund during the year and were transferred to the Special Aid Fund by journal entries at year end, while actual salary expenditures allocated throughout the year to another special education grant program had been slightly higher than the grant's budget; the portion of salary expenditures not supported by the grant budget were then transferred back to the General Fund by journal entries.

We noted this year that the District's current year expenditures for the state-support schools (§4201 schools) and the special education grant program were properly recorded in the Special Aid Fund. We consider this comment closed.

#### CURRENT YEAR'S COMMENT

## **Stale-dated Outstanding Checks**

Monthly bank reconciliation between the District's book balances and the bank's balances of the District's bank accounts is an effective internal control which helps ensure that cash transactions are properly recorded in the District's books. Reconciling items and checks that have been outstanding for an extended period of time should be investigated and resolved timely.

We noted that for most of the District's cash accounts, outstanding checks that were outstanding for more than one year had been voided. However, as of June 30, 2018, the payroll and the school food service fund checking accounts had some outstanding checks that were more than one year old. The amounts of those outstanding checks were not significant.

We note that the District's new Treasurer has voided the stale-dated checks in the subsequent month's bank reconciliation. We recommend that the District continue to review, investigate and resolve uncleared checks that have been outstanding for an extended period of time.

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DENISE GILLIS TREASURER

October 10, 2018

Cullen & Danowski, LLP
Mr. Alan Yu
1650 Route 112
Port Jefferson Station, NY 11776-3060

Dear Mr. Yu,

This letter is to inform you of the Corrective Action Plan for the Jericho UFSD in response to your Management Letter comments associated with your audit of the District's financial statements as of June 30, 2018.

Current Year Comment – We noted that most of the District's cash accounts, outstanding checks were outstanding for more than one year had been voided. However, as of June 30, 2018, the payroll and the school food service fund checking accounts had some outstanding checks that were more than one year old. The amounts of those outstanding checks were not significant. We recommend that the District continue to review, investigate and resolve uncleared checks that have been outstanding for an extended period of time.

The District Treasurer has voided the stale-dated checks in the payroll and the school food service fund checking accounts in the subsequent month's bank reconciliation and will continue to review and investigate outstanding checks that are outstanding for more than one year.

Sincerely,
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Denise Gillis Treasurer

cc: Mr. Henry Grishman, Superintendent

Mr. Victor Manuel, Assistant Superintendent for Business Affairs