



Pappas & Company

CERTIFIED PUBLIC ACCOUNTANTS

3 Rensselaer Drive • Commack, NY 11725

(631) 462-0660 • Fax (631) 462-8664

September 7, 2004

Board of Education
Jericho Union Free School District
Jericho, New York

Dear Members of the Board:

We have completed the audit of the financial statements of the Jericho Union Free School District for the year ended June 30, 2004 and have issued our report thereon dated July 30, 2004. In connection with this audit we have made a study and evaluation of the District's system of internal accounting control, to the extent that we considered necessary, to evaluate the system, as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his audit of these statements.

The objective of internal accounting control is to provide reasonable, but not absolute assurance as to the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management, either with respect to the execution and recording of transactions, or with respect to the estimates and judgments required in the preparation of financial schedules. Also, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because changes in conditions and the degree of compliance with procedures may deteriorate.

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Our study and evaluation of the District's system of internal accounting control for the year ended June 30, 2004 was made primarily for the purpose set forth in the first paragraph of this letter and would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, as a result of our study and evaluation, we are pleased to report that there were no material weaknesses in the system of internal accounting control. Nevertheless during our audit we noted certain matters involving the internal control structure and other operational matters that we feel merit your consideration. These comments and recommendations, which have been discussed with appropriate members of the administration, are summarized in the sections, which follow.

CURRENT YEAR COMMENTS

CAPITAL PROJECTS FUND:

During the course of our fieldwork, we noted no activity in the Capital Projects Fund with balances remaining at June 30, 2004 of \$194,092.

We recommend that the Board of Education, along with the Administration, deem these projects closed and complete and transfer the residual balances back to the appropriate fund. The source of financing and related contracts, ordinances and agreements prescribe the disposition of any residual fund balance. For instance, a capital project funded by a transfer from the General Fund would be transferred back to the General Fund. In the case where debt proceeds were used to finance the project, there is a requirement to transfer any positive fund balance to the Debt Service Fund for payment of future debt on that issue. The balance at June 30, 2004 includes both of these scenarios.

INTERNAL AUDITOR:

The District's Administration and Board of Education have identified a full-time individual within the Business Office to function as the Internal Auditor. This same individual has been used in cross-training of the payroll function and preparation of bank reconciliations. An internal auditor should be appointed by the Board of Education and report directly to them. It should be an individual independent of both the District and Business office. Some types of tasks this individual should be handling on a part-time basis which are not all inclusive are: surprise payroll distributions and audits, reviews of each warrant (after preparation of checks but before they are released) with attached backup and reviews of the student's activity records. In order to rely on the work of the Internal Auditor, we recommend that the Board appoint an individual outside of the District to carry out this function.

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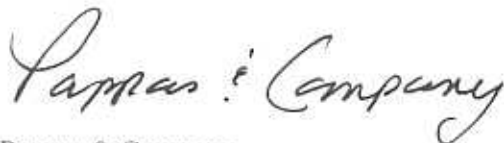
COMPENSATED ABSENCES:

The Trust and Agency Fund reflects a balance for accumulated funds of \$6,498,857 for the funded portion of Compensated Absences. The Board and Administration should consider moving this balance back to the General Fund where it was accrued and establish a reserve for this purpose entitled "Reserve for Employee Benefit Accrued Liability."

The comments contained in this letter were considered in determining the nature, timing and extent of audit tests applied in our audit of the District's financial statements, and do not modify our report on such financial statements.

We would like to express our appreciation for the cooperation and courtesy extended to us by the District's personnel during the audit. Should you have any questions concerning the foregoing comments, we shall be pleased to discuss them with you at your convenience.

Very truly yours,

A handwritten signature in cursive script that reads "Pappas & Company". The signature is written in dark ink and is positioned above the printed name of the company.

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