Pappas & Company
CERTIFIED PUBLIC ACCOUNTANTS

3 Rensselaer Drive • Commack, NY 11725 (631) 462-0660 • Fax (631) 462-8664

September 10, 2007

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, 2007 and have issued our report thereon dated September 10, 2007. 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.

Our study and evaluation of the District's system of internal accounting control for the year ended June 30, 2007 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, during our audit we noted certain matters involving the internal control structure and/or 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.

STATUS OF PRIOR YEAR COMMENTS:

CAPITALIZATION POLICY:

The Board of Education had amended the Capitalization Policy to address computer and technology assets. The new threshold for computer and technology acquisitions is $1,000. Previously, such equipment was capitalized regardless of cost. The original policy was not completely amended and therefore, the threshold in general for most assets is $5,000.

With respect to residual values (salvage), the Policy was amended to only reflect residual values for Buildings and Building Improvements.

EXTRACLASSROOM ACTIVITY FUNDS:

Again this year in testing a sample of both the receipts and disbursements of the Extraclassroom Activity funds for the High School and the Middle School, we noted there was a lack of documentation of student involvement in the fiscal accountability of the activity. Students as well as principals and club advisors should sign all deposit and payment vouchers.

Additionally, many of the receipts sampled included a blue deposit form for the activity with little detail as to the surrounding circumstances of the monies being deposited. We had recommended in last year's letter that total dollars collected is insufficient and it is necessary to have a greater description itemizing the number of items sold and the price per unit. All disbursements should be accompanied by supporting documentation which includes original receipts and original invoices (copies are not acceptable). We are recommending again this year that for both deposits and payments more detailed documentation accompany each submission.

CURRENT YEAR'S COMMENTS:

UNCLAIMED WAGES & FORM W-2:

During the testing of payroll transactions for the 2006-07 fiscal year, it came to our attention that undelivered W-2 Forms are returned to the Payroll Clerk for follow up. It is our recommendation that these unclaimed documents be returned to an individual outside the payroll department. This will assist in making the internal control system stronger and follow up in this area more meaningful.

CAPITAL ASSET PHYSICAL INVENTORY:

We recommend that a physical inventory be taken of the District's capital assets at least every three years and reconciled to the assets listed on the detailed print out prepared.

APPROVAL OF INVOICES:

In sampling invoices during the current fiscal year, we noted that the Internal Claims Auditor stamps the Invoice presented for payment: "Approved by Internal Auditor__________" This stamp is not signed on any of the invoices tested. We did note initials of the Claims Auditor on the copy of the check attached to the invoice packet. We would recommend that the Internal Claims Auditor properly cancel the invoice when paid and indicate on the invoice that the information presented was approved for payment. Additionally, the initialing on a copy of the check would not help the reviewer ascertain that an invoice was approved and paid if the check stub were to get detached from the invoice. Conversely, if the invoice was stamped and initialed, one would be able to tell that this invoice had been presented for payment and duplication would be avoided.

BUDGET TRANSFERS:

On May 31, 2007, a budget transfer was approved for $24,000 moving budget monies from a supply code to an equipment code. According to Section 170.2(1) of the Commissioner's regulations, the transfer of funds between a contingent expenditure code (.4) to a non-contingent expenditure code (.2) is not allowed. Additionally, in accordance with the provisions of Section 1725 of the Education Law, cost of equipment does not normally constitute an ordinary contingent expense – regardless of whether the equipment is to be purchased, leased or lease-purchased.

None of the above comments are considered to be a significant deficiency or a material weakness under the new definitions of SAS 112.

* * * * * * * *

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,

Pappas & Company

Pappas & Company