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September 12, 2014

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

Dear Members of the Board and Management:

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, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal 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 recommended opportunities for strengthening internal controls and operating efficiency to management. The memorandum that accompanies this letter summarizes our comments and suggestions concerning those recommendations. This letter does not affect our report dated September 12, 2014 on the financial statements of the Jericho Union Free School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will 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'S COMMENT

Segregation of Duties - Billings and Cash Receipts

The District bills other school districts for the cost of special services as well as health services, resource room, and tutoring services provided to students whose domiciles are in those other districts.

We noted last year that the individual who was responsible for preparing and tracking billings also received incoming checks to maintain the business office's daily cash and checks log before the checks are given to another individual for deposit. Although the District Treasurer would review the individual's spreadsheet for accuracy, internal control would be improved by segregating the billing function from the handling of cash receipts. We recommended that the District consider separating the billing and the daily cash log functions.

Current Status: During the 2013-14 fiscal year, the District modified the procedures for billings and payment collections. Billings are now prepared through the nVision school business management software by a part-time clerk who is not involved in the cash receipts process, and approved by the Treasurer. We recommend that the District retain copies of the approved invoices to document the Treasurer's review and approval.

CURRENT YEAR'S COMMENTS

Bank Wire Transfers Notification

Safeguarding bank wire transfers is very important because these transactions usually become effective within a very short period of time after they are executed. In recent years, there have been incidents where other local governments were victims of wire transfers fraud committed by hackers who were able to bypass security measures using computer virus and malware programs to steal login and password information.

We noted that the District has proper bank wire transfers procedures and segregation of duties in place. The District uses a wire transfer authorization form to document pre-approvals of wire transfers by the Assistant Superintendent for Business Affairs; the individual who sets up wire transfers online cannot release the transfers – only the Assistant Superintendent for Business Affairs or the Assistant Superintendent for Personnel as Deputy Treasurer can release wire transfers; transfers confirmations are printed and retained for record when the wire transfers are completed. In addition, a dedicated computer not connected to the District's network is used exclusively for wire transfers to help minimize potential risks. However, we noted that the banks do not send independent e-mail notifications to the Assistant Superintendent for Business Affairs after wire transfers have occurred; this increases the risk of unauthorized wire transfers such as those committed by computer hackers not being detected timely.

To enhance the District's existing controls, we recommend that the District contact its banks to request instant notifications be sent by e-mail to the Assistant Superintendent for Business Affairs after wire transfer transactions are executed so that any unauthorized wire transfers would be identified timely. The notifications should be retained by the District as documentation.

Extraclassroom Activity Funds

Extraclassroom activity funds are the depository of student money. The New York State Education Department has published guidelines for the safeguarding, accounting and auditing of extraclassroom activity funds. The District has also adopted internal procedures regarding the extraclassroom activities; the District frequently communicates these procedures to faculty advisors involved in the extraclassroom activities.

During the current audit, we interviewed two faculty advisors regarding their procedures for their respective student clubs. We noted that they prepared a profit and loss statement for fundraisers held during the year at the end of the year.

We recommend that profit and loss accounting for student clubs' fundraising events be prepared timely and submitted to the Central Treasurer when the cash receipts are given to the Central Treasurer for deposit.
