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September 17, 2012

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

Dear Members of the Board:

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, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit we became aware of several 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 17, 2012 on the financial statements of the Jericho Union Free School District.

The accompanying comments and recommendations are intended solely for the use and information 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

Extraclassroom activity funds are the depository of student money. The District has adopted internal procedures regarding the extraclassroom activities. The New York State Education Department has also published guidelines titled *Safeguarding, Accounting and Auditing of Extraclassroom Activity* Funds; these guidelines recommend procedures for organizing extraclassroom activities, controlling receipts and disbursements, as well as recording and reporting transactions.

Last year, we noted that there was no profit and loss accounting for fundraisers held by student clubs.

Current Status: In progress. We noted that at the beginning of the current school year, the extraclassroom activity funds central treasurer communicated to all club advisors about the use of profit and loss accounting. We also noted that the clubs are forwarding copies of their own ledgers to the central treasurer for reconciliation purposes.

We recommend that the District continue to monitor the reporting of fundraising accounting by student clubs to ensure that proper accounting procedures are being followed.

Management's Response: The District will continue to communicate with club advisors during the year regarding the proper accounting procedures for reporting profit and loss on fundraising activities.

Flex Benefits Plan Bank Account

The District provides flex spending benefits plan to its employees for pre-tax reimbursements of medical, dental, and dependent care expenses. A third-party claims administrator reviews submitted claims and forwards a list of adjudicated claims to the District for approval. The District then transfers funds to a bank account maintained by the third-party administrator in the District's name; reimbursement checks to claimants are issued against this bank account. Each month, the third-party administrator sends copies of the monthly bank statement, bank reconciliation, and its account ledger to the District. The bank account is reported in the District's Trust and Agency Fund.

We noted last year that the District changed to a new third-party claims administrator. The new claims administrator opened a new bank account, but information on the new bank account was not provided to the District for reporting in the Trust and Agency Fund. The District's Assistant Superintendent for Business Affairs immediately researched the subject matter and contacted the new third-party administrator to obtain information regarding the bank account, and the cash balance was added to the Trust and Agency Fund.

Current Status: Corrected. We noted this year that the Assistant Superintendent for Business Affairs has instructed the claims administrator to close that bank account, and the District opened a new account which is under complete control of the District. The cash account balance is being reported in the Trust and Agency Fund.

CURRENT YEAR COMMENTS

Review of System and Audit Trail Reports

Effective internal controls include supervisory review and approval of transactions before they are entered into the accounting system, as well as subsequent reviews of system audit trail reports.

The District has good controls in place over the approval of changes and adjustments to the accounting system before they are recorded. For example, changes to vendor information as well as proposed accounting journal entries are reviewed and approved by the Assistant Superintendent for Business Affairs before they are entered into the accounting system; payroll positions reports are reviewed by the Personnel Department and then by the Assistant Superintendent for Business Affairs. In addition, payroll check registers are also reviewed by the Personnel Department and certified by the Assistant Superintendent for Personnel and Educational Operations. However, we noted that audit trail reports from the accounting system were not periodically reviewed to ensure there were no unauthorized changes.

As of the beginning of the 2012-2013 fiscal year, the District began using a new financial accounting software, nVision. The Assistant Superintendent for Business Affairs indicated to us that the new accounting system has several built-in audit trail reports which he has already planned to utilize. We recommend that the District enhance its existing controls by periodically reviewing audit trail reports as well as journal entries reports from the accounting system to ensure changes made and transactions recorded in the system are those authorized by management. Such periodic reviews should also be retained as documentation.

Management's Response: The District has implemented a new financial software program effective July 1, 2012. We will continue to work closely with our new financial software provider in ensuring proper audit trail reports will be generated for the 2012-13 fiscal year.

Computer Systems Disaster Recovery Plan

A disaster recovery plan details an organization's procedures and plans in the event of sudden, catastrophic disasters that may significantly affect its information technology systems and data. The plan should be periodically tested and updated when necessary.

We noted that while the District's accounting system is supported by Nassau BOCES, which has its own disaster recovery procedures for the accounting system, the District currently does not have a documented disaster recovery plan that encompasses all computer systems and data.

We recommend that the District develop a disaster recovery plan as soon as possible. Once approved by the Board of Education, the plan should be tested periodically and updated where necessary.

Management's Response: As noted in the recommendation, the District's accounting system is supported by Nassau BOCES, which has its own disaster recovery procedures for the accounting system. The District's IT department is working on supplementing the BOCES plan with its own internal procedures for the accounting system, as well as all computer systems and data within the District.

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