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October 13, 2022

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, 2022, 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.

The memorandum that accompanies this letter summarizes our observation of the current status of our prior year's comments and recommendation, as well as the current year's comments and recommendation. This letter does not affect our report dated October 13, 2022, on the financial statements of the Jericho Union Free School District.

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*  
Cullen & Danowski, LLP

**PRIOR YEAR'S COMMENTS**

**Extraclassroom Activity Funds**

The extraclassroom activity (ECA) funds are the depository of student money. School districts are required to have policies and procedures to safeguard these student funds. The New York State Education Department (SED) publishes a finance pamphlet titled *Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds (Revised 2015)*, a 51-page document that provides in detail the rules, basic principles, guidelines for organizing extraclassroom activities, controlling receipts and disbursements, recording and reporting transactions, sales tax requirements, as well as examples and illustrations. At the beginning of each school year, the Board-appointed Central Treasurer of the ECA funds, who is a member of the District's Business Office staff, would send a memorandum containing the District's ECA funds procedures, which are summarized from the SED pamphlet, to all student club faculty advisors.

During our previous audit, we selected some fundraising events' profit-and-loss statements prepared by the student clubs for our audit, but those statements lacked detailed information to allow us to test the reasonableness of the receipts amounts. The receipt amount on some of the statements did not match the general ledger's entries, and did not have the student treasurer' signature on the statement. We also noted that, due to the COVID-19 pandemic, the District had postponed our previous recommendation of having the internal auditors perform periodic audits of fundraising procedures and documentation of the student clubs.

*Current Status:* During the current year's audit, we noted that the District's internal auditors have performed reviews of the student clubs' profit-and-loss statements. We also tested the profit-and-loss statement from the same student club and did not have any findings. However, we did note one instance within our audit sample of student clubs cash receipts where the monies collected from a candy-gram sale by a club was not given to the Central Treasurer for deposit until several weeks later.

We recommend that the District continue to emphasize to faculty advisors the importance of adhering to the District's ECA funds procedures.

**Capital Assets Inventory Reports**

The District utilizes an asset management software to maintain its capital assets inventory records internally. A third-party appraisal company is engaged by the District every five years through the New York State Insurance Reciprocal (NYSIR), the District's insurance carrier, to perform a physical inventory and valuation of the District's capital assets at no cost to the District.

We noted last year that a number of capital assets in the District's capital assets inventory report were fully depreciated and recommended that they be taken into consideration when the third-party appraisal company perform the next scheduled physical inventory of the District's capital assets, to determine whether any of the fully-depreciated capital assets should remain in or be removed from the inventory report.

*Current Status:* During the current year's audit, we noted that the appraisal company has completed their physical inventory, and that capital assets that are still in the District's possession and not declared obsolete and surplus remain in the inventory report.

**CURRENT YEAR'S COMMENT**

**Capitalization and Leases Recognition Thresholds**

The District has implemented the new accounting pronouncement, Statement No. 87, *Leases*, issued by the Governmental Accounting Standards Board (GASB) during the 2021-2022 fiscal year as required. GASB Statement No. 87 (GASB 87) established new accounting and financial reporting standards for long-term leases of non-financial assets and the intangible right to use lease assets. These lease assets are considered part of the District's capital assets inventory and whose principal values are amortized over the term of the lease agreements or until the leased assets are returned to the lessors.

The District has a Board-approved policy on fixed asset inventories, accounting and tracking assets policy with an established capitalization threshold. We recommend that the District update its current capital assets policy and capitalization threshold to include lease assets. The District may also consider whether to adopt a reasonable threshold for non-recognition and non-disclosure of leases that may be immaterial in the aggregate for GASB 87 purposes, in order to provide some operational efficiency and relief.

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**JERICHO UNION FREE SCHOOL DISTRICT**  
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ASST. SUPERINTENDENT-BUSINESS AFFAIRS

September 20, 2022

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, 2022.

*Prior year comment: The extraclassroom activity (ECA) funds are the depository of student money. School districts are required to have policies and procedures to safeguard these student funds. The New York State Education Department (SED) publishes a finance pamphlet title Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds (Revised 2015), a 51-page document that provides in detail the rules, basic principles, guidelines for organizing extraclassroom activities, controlling receipts and disbursements, recording and reporting transactions, sales tax requirements, as well as examples and illustrations. At the beginning of each school year, the Board-appointed Central Treasurer of the ECA funds, who is a member of the District's Business Office staff, would send a memorandum containing the District's ECA funds procedures, which are summarized from the SED pamphlet to all student club faculty advisors.*

*During our previous audit, we selected some fundraising events' profit-and-loss statements prepared by the student clubs for our audit, but those statements lacked detailed information to allow us to test the reasonableness of the receipt's amounts. The receipt amount on some of the statements did not match the general ledger's entries and did not have the student treasurer' signature. We also noted that, due to the COVID-19 pandemic, the district had postponed our previous recommendation of having the internal auditors perform periodic audits of fundraising procedures and documentation of the student clubs.*

*Current Status: During the current year's audit, we noted that the district's internal auditors have performed reviews of the student clubs' profit-and-loss statements. We also tested the profit-and-loss statement from the same student club and did not have any findings. However, we did note on instance within our audit sample of student clubs cash receipts where the monies collected from a candy-gram sale by a club was not given to the Central Treasurer for deposit until several weeks later.*

*We recommend that the district continue to emphasize to faculty advisors the importance of adhering to the District's ECA funds procedures.*



**The district will continue to emphasize to faculty advisors the importance of adhering to the District's ECA funds procedures.**

*Prior year comment: The District utilizes an asset management software to maintain its capital assets inventory records internally. A third-party appraisal company is engaged by the district every five years through the New York State Insurance Reciprocal (NYSIR), the district's insurance carrier, to perform a physical inventory and valuation of the district's capital assets at no cost to the District.*

*We noted last year that a number of capital assets in the district's capital assets inventory report were fully depreciated and recommended that they be taken into consideration when the third-party appraisal company perform the next scheduled physical inventory of the district's capital assets to determine whether any of the fully depreciated capital assets should remain in or be removed from the inventory report.*

*Current Status: During the current year's audit, we noted that the appraisal company has completed their physical inventory, and that capital assets that are still in the district's possession and not declared obsolete and surplus remain in the inventory report.*

**The district will continue to review capital assets inventory throughout the year.**

Current year comment: The District has implemented the new accounting pronouncement, Statement No. 87, *Leases*, issued by the Governmental Accounting Standards Board (GASB) during the 2021-22 fiscal year as required. GASB Statement No. 87 (GASB 87) established new accounting and financial reporting standards for long-term leases of non-financial assets and the intangible right to use lease assets. These lease assets are considered part of the district's capital assets inventory whose principal values are amortized over the term of the lease agreements or until the leased assets are returned to the lessors.

The district has a Board-approved policy on fixed asset inventories, accounting and tracking assets policy with an established capitalization threshold. We recommend that the district update its current capital assets policy and capitalization threshold to include lease assets. The district may also consider whether to adopt a reasonable threshold for non-recognition and non-disclosure of leases that may be immaterial in the aggregate for GASB 87 purposes, to provide some operational efficiency and relief.

**The district will review and revise, as necessary, our current capital assets policy and capitalization threshold in an effort to adopt a reasonable threshold for non-recognition and non-disclosure of leases that may be immaterial in the aggregate for GASB 87 purposes, in order to provide some operational efficiency and relief.**

Sincerely,



Victor Manuel  
Assistant Superintendent for Business

cc: Mr. Henry Grishman, Superintendent  
Ms. Melissa Lee, District Treasurer