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September 28, 2012

To the Board of Education
East Islip Union Free School District
Islip Terrace, New York

Dear Members of the Board:

In planning and performing our audit of the financial statements of the East Islip 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.

However, 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 28, 2012, on the financial statements of the East Islip 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'S COMMENTS

Computer Controls

Internal controls over the computer function include safeguarding of the software and data, limitation of access to the software and data, oversight of input and output from the system, and segregation of duties within the processes. Beginning in the 2008-09 fiscal year, the District has been using the WINCAP accounting software.

In the prior year we did not see documentation of reviews of system audit trail reports, such as changes to vendor and payroll master files.

Current status: Corrected. We noted there were reviews of system audit trail reports in the current year. We now consider this comment closed.

School Lunch Fund - Fund Balance

Federal Regulation, 7CFR Part 210.14b, limits the net cash resources within the school lunch fund to an amount not exceeding three month's average expenditures. If there are excessive cash resources available, the District must be in a position to describe the planned use of these funds.

We noted in our prior audit that the District had been reducing the fund balance of the school lunch fund, but the school lunch fund's year-end assigned fund balance at June 30, 2011 was in excess of the three-month average expenditures limit.

Current status: During 2011-12, the school lunch fund's assigned fund balance was reduced from \$423,119 as of June 30, 2011, to \$410,919 as of June 30, 2012. However, it is still in excess of the three-month average expenditures limit.

We recommend that the District continue their efforts to reduce the school lunch fund's fund balance to comply with Federal regulations.

Policy to Reflect New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB 51), requiring governmental entities to classify intangible assets as capital assets for financial reporting (GASB 34) purposes. Intangible assets include, but are not limited to, computer software owned by governments. GASB 51 is applicable to school districts and became effective for 2009-10 fiscal year and forward.

We recommended last year that the District update its existing capital assets accounting policy to include intangible assets.

Current status: Implemented. The District approved a Fixed Assets and Intangible Accounting Policy (#6645) in December 2011. We now consider this comment closed.

Extraclassroom Activity Funds

The extraclassroom activity funds are the depository of student money. The New York State Education Department publishes the *Safeguarding, Accounting and Auditing of Extraclassroom Activity Funds*. These guidelines recommend procedures for organizing these activities, controlling receipts and disbursements, as well as recording and reporting transactions.

During our prior year audit, we noted that four student clubs at the high school and five student clubs at the middle school did not have any financial activity during the year and may be inactive.

Current status: In process. In the current year we noted the following:

High School - Three of the four students clubs from the prior year (Business Honors, Humanities Honors and Science Honors) were closed into the Student Activity Fund, only the Girls Leader Fund was not closed. We also noted that both the Girls Club and the Key Club in 2011/12 had no financial activity.

Middle School - Three of the five student clubs from the prior year (Band, Chorus, and Orchestra) were closed during the current year, and the funds from these clubs were used for school-wide music programs in the middle school. The two remaining student clubs (Cheerleading and Junior Honor Society) remained opened; however, the Cheerleading club still had no activity during the current year. In addition, the Environmental Club had no activity for the current year.

We recommend that the District continue to ascertain whether the above student clubs with no activity are in fact inactive, and should be closed and the remaining funds redirected.
