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October 5, 2017

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

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, 2017, 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.

However, during our audit we became aware of other 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 October 5, 2017, on the financial statements of the East Islip Union Free School District.

We have already discussed many of 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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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.

We had reported in prior year audits that certain clubs at the High School and the Middle School had no financial activity for a number of years. Management had indicated that they would continue to review clubs that had no financial activity for an extended period of time and that they would close them after a three-year period of time. In addition, during the prior year audit, we had interviewed the faculty advisors of several clubs and noted that sales tax was not being charged, collected, or remitted to the State taxing authority for taxable items resold by the clubs. We also noted in the prior year audit that two (2) out of fifteen (15) disbursements sampled indicated that the club making the purchase was not charged sales tax by the vendor.

During our current year audit we sampled another fifteen (15) disbursements and noted that:

- Management has a policy to close out clubs that have no activity over a three-year period of time. Although seven high school clubs and four middle school clubs had no activity during the current year, they had financial activity in the prior year. Therefore, we consider this comment addressed and closed.
- Sales tax on purchases were being handled appropriately.

Information Technology Controls

Policies and procedures for Information Technology (IT) are part of internal controls and provide guidelines for school district employees. A formal disaster recovery plan provides guidance for employees to follow in the event of a disaster to help minimize equipment and data loss, and to recover data.

In the prior year audit, we noted that the District's was in the process updating its disaster recovery plan; the final plan was to incorporate the coordination with outside backup services for all IT data in order to provide clear procedures and protocols for employees to follow.

During the current year audit, the District contracted with a vendor and finalized a disaster recovery plan and presented it to the board for approval. The District expects to test the disaster recovery plan over the next few years and document the outcomes to improve the protocols.

Use of Facilities

As an additional source of revenue, the District periodically rents out certain auditoriums for non-district use upon Board approval.

In the prior year audits, we had noted that the Director of Arts and Music was responsible for the registration, billing and collection of funds for the auditorium rental and that there was very limited segregation of duties. We also noted that funds were processed and received by this individual, and then they were then forwarded to the Business Office to be deposited. Revised procedures were implemented in August 2016

During the current year audit, we noted that revised procedures were implemented in August 2016. These procedures included numerous internal controls that addressed the proper segregation of duties between the Director of Arts and Music and the Business office. These procedures improved the internal controls over this process and reduced the risk of one employee having too much control. We now consider this comment closed.

Compensated Absences

District employees earn sick days payable at retirement based on contractual agreements. The District is responsible for each employee's attendance and the tracking of all sick time earned and used.

During our prior year audit, based on our sample testing of the District's calculations for compensated absences liability, we noted an error in the setup of the District's spreadsheet used to calculate the compensated absences for custodians and a few other formulaic errors within the spreadsheet.

During our current year audit, we selected a sample of forty (40) employees and tested the calculations of the compensated absences liabilities at June 30, 2017. We noted that the calculation of compensated absences was reviewed by the Assistant Superintendent for Business, with an approval noted on the cover sheet. In addition, this review was done in conjunction with the Treasurer and the Payroll department, and the above findings are now considered cleared and corrected. We now consider this comment closed.

Capital Assets Capitalization Threshold

The responsibility of safeguarding the District's investment in capital assets is important to sound fiscal management, and can only be discharged through adequate capital assets accounting, and conducting periodic reviews on the inventory of capital assets. The District utilizes the services of a third-party capital assets appraisal company to maintain and update its capital assets inventory report.

During our prior year audit, we reported that the District's current capital assets policy had capitalization thresholds of \$500 and more for machinery and equipment acquisitions, and \$5,000 and more for non-equipment acquisitions. However, we found machinery and equipment and non-equipment acquisitions included in the June 30, 2016 year end capital assets inventory report that were below these capitalization thresholds. Management had indicated that the District wanted a strong tracking process in place for machinery and equipment and non-equipment acquisitions. Our recommendation to the District was to consider revising its capitalization policy to match the actual thresholds being used in assets tracking.

During the current year audit, we noted that the District's capitalization thresholds have not been changed. We again recommend that the District update its capital assets policy to clarify the capitalization thresholds to be used in assets inventory, and indicate whether or not different capitalization thresholds are to be used for financial statements reporting purposes.
