

SHELTER ISLAND UNION FREE SCHOOL DISTRICT
MEMORANDUM ON ACCOUNTING PROCEDURES
AND INTERNAL CONTROLS
JUNE 30, 2018



To the Board of Education of the
Shelter Island Union Free School District
Town of Shelter Island, New York:

In planning and performing our audit of the financial statements of the Shelter Island Union Free School District (the "District") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

While no additional matters involving the internal control structure were identified during the current year audit, the accompanying memorandum presents information as to the status of prior year recommendations. This letter does not affect our report dated October 12, 2018 on the financial statements of the District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Education, Audit Committee, administration, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York
October 12, 2018

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CURRENT YEAR RECOMMENDATIONS:

None noted.

STATUS OF PRIOR YEAR RECOMMENDATIONS:

In connection with the prior year's audit of the financial statements of the District, certain recommendations were reported. Reference is made to our letter dated October 19, 2017 for details on those observations and recommendations. The following presents an overview of these matters, as well as our understanding of their current status:

1. Extraclassroom Activity Funds

We recommended that the District review and evaluate any inactive clubs and merge funds with other appropriate activities.

We noted that this recommendation was implemented.

2. Develop a plan to comply with fund balance limitations

We recommended that the District develop a plan to comply with fund balance limitations.

We noted that this recommendation was in the process of being implemented.

3. Vendor database

We recommended that the District perform the following procedures:

- a) Ensuring all vendors are appropriately screened and approved before being added to the system.
- b) Requiring all appropriate vendor information to be captured and approved before payments may be made.
- c) Performing periodic reviews of the vendor database to ensure consistency and appropriateness of stored data.
- d) Periodically reviewing any changes or deletions to vendor data listed in the existing vendor master file.
- e) Limiting the amount of time a vendor can remain in an "Active" status but not be used.

We noted that this recommendation was not implemented.

4. Accounting policies and procedures manual

We recommended that a Manual be developed for current accounting policies and procedures.

We noted that this recommendation was not implemented.

5. Disaster recovery plan

We recommended that management develop a disaster recovery plan for the District's physical records.

We noted that this recommendation was not implemented.

6. School Lunch Fund - profitability

It was recommended that the District monitor the profitability of the School Lunch Fund and take measures to eliminate large yearly transfers from the General Fund.

We noted that this recommendation was in the process of being implemented. Furthermore, we noted significant improvements were made with respect to profitability of the School Lunch Fund. Such improvements were largely due to the District's implementation of various monitoring measures.

7. Journal entries

It was recommended that the District develop and enact formal procedures with regards to journal entries.

We noted that this recommendation was implemented.

8. User permissions

It was recommended that the District review user permissions of the District's employees and update them on a frequent basis.

We noted this recommendation was not implemented.

9. Untimely deposits of Extraclassroom Activity Funds

It was recommended that the District consider revising procedures for faculty advisors to submit receipts to the District Treasurer.

We noted this recommendation was not implemented.