

Shelter Island Union Free School District



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November 14, 2017

Nawrocki Smith LLP
290 Broad Hollow Road,
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Melville, New York 11747

Ladies and Gentlemen,

In response to your June 30, 2017 memo outlining recommendations for accounting procedures and internal controls in the Shelter Island School District, please review the following responses concerning your recommendations. For ease of review, I have listed the responses below to correspond with the items in your June 30 memo.

Management Point Responses

Current Year Recommendations:

1. User permissions

Management concurs with the recommendation. Our IT personnel will ensure that all individuals with permissions are active employees, and inactive employees will be deactivated. Going forward, we will institute procedures to deactivate individuals who are no longer employed by the district.

2. Untimely deposit of Extraclassroom Activity Funds

We are currently reviewing our procedures to ensure adherence to timely deposits in line with the recommendation. Faculty will be reminded to strictly adhere to requirements for timely, daily deposits. This district is strongly considering a deposit drop box.

Status of Prior Year Recommendations:

1. Extraclassroom Activity Funds

We concur with this recommendation. The District will review and evaluate any inactive clubs and merge funds with other appropriate activities.

2. Fund Balance Limitations

This recommendation is in the process of being implemented. The District is developing a five-year budget plan that recognizes actual planned expenses from 2016 to 2021 as well as estimates expenses for budget lines such as retirements and health benefits. The five-year document also estimates the impact of the Tax Cap Law as well as other annual cost differentials. Once calculated, the five-year document can better address fund balance totals in future years.

3. Vendor Database

The District concurs with this recommendation. All vendors must provide a W-9 to the District before being added to the District's database. Additionally, all vendor information is captured in the District financial software and backed up as hard copy in the District business office. All vendor information is approved by the District's business office and internal claims auditor before payment is made. The Business office staff conduct semi-annual reviews of the District vendor database to ensure consistency and appropriateness of stored data, and also annually inspect our vendor database against the existing master file. Vendors will be categorized from active to inactive if they go more than two years without being used.

4. Accounting Policies and Procedures Manual

We agree with the recommendation that a Manual be developed for current accounting policies and procedures. This will be a District goal.

5. Disaster Recovery Plan

We agree with the recommendation that management develop a disaster recovery plan for the District's physical records. The District will review the disaster recovery plans from other districts as models for our own.

6. Unassigned Fund Balance - General Fund

We agree with the recommendation that the District carefully monitor its financial activity with regards to fund balance in order to comply with S1318 of the Real Property Tax Law. See #4.

7. School Lunch Fund - Profitability

We agree with the recommendation that the District monitor the profitability of the School Lunch Fund and take measures to eliminate large yearly transfers from the General Fund. As noted, this recommendation is in the process of being implemented and the District has made significant improvements were made with respect to profitability of the School Lunch Fund. Specifically, the District reduced their operating transfer from the General Fund from \$89,862 in 2016 to \$85,240 in 2017 . Such improvements are largely due to the District's implementation of various monitoring measures. The District has broken its annual food bid into semi-annual bids in an effort to find better pricing for cafeteria items. Also, the cafeteria is reviewing its menu in an effort to improve student and staff participation.

8. Journal Entries

We agree with the recommendation that the District develop and enact formal procedures with regards to journal entries. We have developed a budget transfer form which requires three signatures (the preparer, the Superintendent as approver and the Internal Account as a final reviewer).

Best,

A handwritten signature in black ink, appearing to read 'Idowu Ogundipe', with a stylized flourish at the end.

Idowu Ogundipe, CPA

School District Business Leader

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