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Robert S. Abrams
(1926–2014)

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To the Board of Education and
Keri Loughlin, Assistant Superintendent for Business
Elwood Union Free School District
100 Kenneth Avenue
Greenlawn, NY 11740

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of Elwood Union Free School District as of and for the fiscal year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Elwood Union Free School 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Elwood Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Elwood Union Free School 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 a 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. 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.

However, during our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning these matters.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

PAYROLL/PERSONNEL

During our audit of the District's payroll and personnel processes we noted the following:

- Ten out of forty instances where the Employee's Withholding Allowance Certificate (W-4 form) did not correspond with the payroll register.
- Seven out of forty instances where the Employee's Withholding Allowance Certificate (W-4 form) were not in the personnel files.
- Thirteen out of forty instances where the direct deposit form was not in the personnel files.

We recommend the District continue to review its personnel files and verify that all required employees have the appropriate documentation on file. We also recommend the District continue to review payroll and personnel procedures and monitor the processes to ensure internal controls are operating properly.

EXTRACLASSROOM ACCOUNTS

The District has established extra classroom activity accounts to maintain student activities and funds. The New York State Education Department has published guidelines governing the proper procedures and policies governing the extra classroom accounts and transactions. During our audit of the District's extra classroom activity accounts, we noted the following:

- One out of ten invoices tested was not properly cancelled after payment.
- Three out of ten cash receipts tested did not have sufficient documentation for cash receipts.

We recommend the District review the extra classroom accounts to improve the procedures for the extra classroom accounts. We also recommend training of the extra classroom treasurer and advisors of the proper procedures required by the State of Education Department.

SCHOOL LUNCH FUND

During our audit we noted that the school lunch fund had an operating loss for 2016-2017 for $6,252 due to retiree medical expenditures being transferred from the general fund to the school lunch fund for the first time to reflect the true cost of the program. This resulted in an accumulated deficit fund balance of $21 at June 30, 2017. We recommend the District implement a long-term plan to fund the deficit with school lunch operations or general fund budgetary appropriations.

STATUS OF PRIOR YEAR RECOMMENDATIONS

PUBLISHED FINANCIAL STATEMENTS

FINDING: During our prior year audit we noted the District did not publish the annual financial statements in accordance with *Education Law Section 1721.* The District is required to publish an annual financial report in one local public newspaper. The financial report should include a full and detailed account of all moneys received and all items of expenditure in full. The District is also required to give notice once in their official newspaper that audit reports and accompanying management letters are available for public inspection. The District did adhere to the second requirement and gave notice that the audit reports and accompanying management letters were available for public inspection. We recommended the District publish the annual financial statements in a local paper that includes a full and detailed account of all moneys received and all items of expenditure in full as per *Education Law Section 1721.*

STATUS: Implemented.

BUDGET TRANSFERS

FINDING: During our prior year audit we noted four instances where budget transfers were made between and/or into equipment codes, which are non-contingent expenditure codes. According to the *Commissioner's Regulations Section 170.2(1)*, budget transfers between non-contingent expenditure codes and budget transfers made from contingent expenditure codes to non-contingent expenditure codes are not permitted. We recommended the District adhere to this Regulation.

STATUS: Implemented.

CAPITAL ASSETS

FINDING: During our prior year audit we noted three out of five newly acquired assets tested were not tagged during the year. We recommended the District ensure that all capital assets are tagged so that at any given point in time they can properly identify and account for the District's entire capital asset inventory.

STATUS: Implemented.

PAYROLL/PERSONNEL

FINDINGS: During our prior year audit of the District's payroll and personnel processes we noted the following:

- The District's school lunch fund timesheets were not signed or dated by a supervisor.
- Two out of forty instances where the Department of Immigration Employment Eligibility Verification Form (I-9 form) were not completed by the employer.
- Two out of forty instances where the Department of Immigration Employment Eligibility Verification Form (I-9 form) were not in the personnel files.
- Two out of forty employees were not paid the correct amount of hours which resulted in them being underpaid for the week.

STATUS: **Implemented.**

EXTRACLASSROOM ACCOUNTS

FINDINGS: The District has established extra classroom activity accounts to maintain student activities and funds. The New York State Education Department has published guidelines governing the proper procedures and policies governing the extra classroom accounts and transactions. During our prior year audit of the District's extra classroom activity accounts, we noted the following:

- Some clubs were not using profit and loss statements for fundraisers held during the year.
- Ten out of ten invoices tested were not properly cancelled after payment.
- Seven out of ten cash receipts tested did not have sufficient documentation for cash receipts.
- Five clubs had no financial activity during the school year.
- Charters were not established for clubs.
- Board approval of clubs was missing.

We recommended the District review the extra classroom accounts to improve the procedures for the extra classroom accounts. We also recommended training of the extra classroom treasurer and advisors of the proper procedures required by the State Education Department.

STATUS: **Partially Implemented.** Based on our current year testing, some cash receipts did not have adequate supporting documentation and some invoices were not properly cancelled after payment.

* *

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District and also compliment the business office on their excellent financial operations during our audit. Should you have any questions concerning the matters referred to in this letter, we shall be pleased to discuss them with you, at your convenience.

This communication is intended solely for the information and use of the Board of Education, the audit committee, management, 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.

Very truly yours,

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
October 5, 2017