

RYE NECK UNION FREE SCHOOL DISTRICT
MEMORANDUM ON ACCOUNTING PROCEDURES
AND INTERNAL CONTROLS
JUNE 30, 2017



To the Board of Education of the
Rye Neck Union Free School District

In planning and performing our audit of the financial statements of the Rye Neck Union Free School District (the "District") as of and for the year ended June 30, 2017, 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 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.

This memorandum also presents information as to the status of prior audit recommendations. This letter does not affect our report dated August 23, 2017 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 studies 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, 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
August 23, 2017

RYE NECK UNION FREE SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2017

The following presents our findings and recommendations noted during the audit of the financial statements of the Rye Neck Union Free School District as of and for the year ended June 30, 2017, as well as the status of recommendations made in connection with prior audits of the financial statements.

CURRENT YEAR RECOMMENDATIONS:

1. Deposit timing – Extraclassroom Activity Funds

During our audit of the District's Extraclassroom Activity Funds, we noted deposits were not made in a timely manner. The State Education Department's Guide to Extraclassroom Activity Funds recommend that the District make deposits on the next school day after receipting the money. When deposits are not made in a timely fashion, the risk of loss associated with Extraclassroom Activity Funds is increased.

We recommend the District deposit all Extraclassroom Activity Funds within a reasonable amount of time, to reduce the risk of loss. In this manner, internal controls over Extraclassroom Activity Funds may be enhanced.

2. Designated online banking computer

We noted the District does not designate a computer in the business office to be used for online banking. This increases the risk of unauthorized access to the District's banking information and the possibility that such information is inadvertently accessed.

We recommend that the District designate and only use one computer in the business office for online banking activity. In this manner, internal controls over online banking may be enhanced.

3. Purchasing policy

During our review of the District's purchasing policy we noted the District does not use tiered thresholds (i.e. \$1,000 to \$4,999) to determine the number of quotes to obtain when making purchases. Using tiered thresholds for purchases that are not required to go through a competitive bidding process, could increase the District's savings by obtaining more price quotes from prospective vendors.

We recommend the District add tiered dollar thresholds to the purchasing policy to ensure the District is getting the best possible price from vendors. In this manner, the District's controls over purchasing may be enhanced.

4. Journal entries

During our review of journal entries, we noted the Treasurer's journal entries did not require secondary approval in the general ledger accounting system. This increases the risk of inappropriate or inaccurate journal entries being recorded.

We recommend that all journal entries require a secondary approval from someone other than the person entering the journal entry into the general ledger accounting system. In this manner, the District's controls over journal entries may be enhanced.

5. Budget transfers

During our review of budget transfers, we noted the District to have made budget transfers from contingent to non-contingent budget codes. The Commissioner's Regulations Section 170.2(1), indicates that transfers of appropriations are not to be made in this manner.

We recommend that the District review all budget transfers and their budget development practice to ensure adherence to the Commissioner's Regulations, as described above. In this manner, internal control over budget transfers may be enhanced.

6. Authorization of district accounts

During our review of District accounts, we noted the District does not annually approve District employees to be authorized to use the District's gas credit card with Wright Express which is used by the grounds employees. This situation increases the risk of unauthorized users of District accounts.

We recommend that the District annually approve those employees who will be authorized to use District accounts at the reorganizational meeting to reduce the risk of unauthorized purchasing. In this manner, internal controls over District accounts may be enhanced.

7. Vendor database

Our audit procedures involved a review of vendor records in the general ledger accounting system to ensure the District does not have duplicated, stale, or incomplete information on file. Our procedures indicated the District has a number of vendor records that are duplicated, incomplete, or stale. This situation increases the risk of duplicate payments, or payments made to incorrect vendors.

We recommend the District develop procedures to ensure the vendor database is reviewed annually for the information noted above. In this manner, internal controls over the vendor database may be enhanced.

In connection with prior year audits of the financial statements of the Rye Neck Union Free School District, the prior auditors made certain recommendations that were reported. Reference is made to their report dated September 13, 2016 for details on those observations and recommendations. The following presents an overview of those matters, as well as our understanding of their current status:

STATUS OF PRIOR YEAR RECOMMENDATIONS:

1. Recommendation – It was recommended that the duties of the central treasurer are adequately segregated in regards to Extraclassroom Activity Funds.

Status – We noted that this recommendation was implemented.

2. Recommendation – It was recommended that inactive special purpose fund accounts be reviewed annually.

Status – We noted that this recommendation was implemented.

3. Recommendation – It was recommended that the District ensure the Special Aid Fund revenues match expenditures.

Status – We noted that this recommendation was implemented.