

To the Board of Education and
Ms. Marianne Heslin
Assistant Superintendent of Business and Operations
Pocantico Hills Central School District
599 Bedford Road
Sleepy Hollow, New York 10591

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of the Pocantico Hills Central 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 Pocantico Hills Central 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 Pocantico Hills Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Pocantico Hills Central 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 those matters.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

PURCHASING

Permissions

During our current year audit we noted that employees of the Business Office other than the Purchasing Agent and Deputy Purchasing Agent have permission to approve and convert requisitions into purchase orders. We did note that in the current year, *BOCES* communicated to the District that these permissions were removed; however the District did not review the permissions to ensure the changes were made. We recommend that only the Purchasing Agent and Deputy Purchasing Agent have the ability to convert purchase orders.

CAPITAL ASSETS

Capital Asset Tracking

During our current year audit of capital assets we noted that in 4 out of 5 capital assets tested an identification tag was missing. We recommend 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.

Additions Review

During our current year audit we noted 2 out of 5 assets selected for testing, a food processor and a hand mixer purchased in the school lunch fund that exceeded the capitalization threshold, were not recorded as an addition. We recommend the District review the additions submitted to the outside appraisal company, and perform a reconciliation between the .200 equipment codes and the additions submitted to the outside appraisal company be prepared to ensure all items requiring capitalization are captured.

Monitoring Capital Assets

During our current year audit we noted construction in progress, building additions and the correlating depreciation were not properly reported in the capital asset report prepared by the outside appraisal company. We recommend the District provide the information on construction in progress and building additions to their outside appraisal company to properly report the activity in construction in progress, building additions and the correlating depreciation in the year end reports.

SCHOOL LUNCH

Fund Balance

During our current year audit we noted the school lunch fund balance exceeded the three-month average expenditure level allowed by Federal Regulations 7 CFR Part 210.14(b). We recommend the District design and implement measures to lower the fund balance for the 2017-2018 year.

EXTRACLASSROOM ACTIVITIES

Sales Tax

During our current year audit we noted that the District did not file a sales tax return for the extraclassroom accounts. However, we did note that the District subsequently received a tax identification number and will be filing a sales tax return for the extraclassroom accounts in the upcoming year. We recommend the District implement guidelines to ensure that the extraclassroom accounts are filing sales tax returns when applicable.

During our current year audit we also noted for one out of ten cash disbursements tested, the extraclassroom account did not pay sales tax. We recommend the District implement guidelines to ensure that the extraclassroom accounts properly paying sales tax on qualified purchases.

Cash Disbursements

During our current year audit we noted three out of ten cash disbursements tested did not have sufficient documentation. We recommend that the District obtain proper documentation prior to payment. This will improve the internal controls over cash disbursements.

STATUS OF PRIOR YEAR RECOMMENDATIONS

ACCOUNTING POLICIES & PROCEDURES

Cash Receipts

FINDING: During our prior year audit we noted that the District segregated duties for amounts received by check. However, when cash was received the treasurer was still responsible for entering the cash receipts into the Accounting Information System (“AIS”) and depositing monies into the bank. We recommended the District segregate the duties for all cash receipts to improve the internal controls for cash receipts.

STATUS: **Implemented.**

Journal Entries

FINDING: During our prior year audit we noted that journal entries made by the senior account clerk at the District were not approved. We recommended the District obtain proper supervisory approval of each journal entry recorded in the accounting records.

STATUS: **Implemented.**

Budget Transfers

FINDING: During our prior year audit, we noted that the District did not utilize budget transfer request forms. Although the Board of Education approved each budget transfer, we recommended the District utilize a budget transfer request form to control and document approval of budget transfers.

STATUS: Implemented.

CASH MANAGEMENT

Investigating Old Outstanding Checks

FINDING: During our prior year audit we noted the District had procedures to follow up and monitor outstanding checks. However, we noted 10 outstanding checks totaling \$6,720 in the general and trust & agency funds which were outstanding for more than one year. We recommended the District review these checks and adjust the accounting records and the bank reconciliations, accordingly.

STATUS: Implemented.

PURCHASING

Permissions

FINDING: During our prior year audit we noted that employees of the business office other than the purchasing agent and deputy purchasing agent have permission to approve and convert requisitions into purchase orders. We recommended that only the purchasing agent and deputy purchasing agent have the ability to convert purchase orders.

STATUS: Not Implemented.

CAPITAL ASSETS

Capital Asset Tracking

FINDING: During our prior year audit we noted that in 5 out of 5 instances, capital assets were not tagged properly. Although the capital assets were located and tagged, the asset tag numbers were different from those on the *CBIZ* capital asset valuation report. We recommended the District tag all capital assets when they are received to ensure proper asset tag numbers.

STATUS: Not Implemented.

EXTRACLASSROOM ACTIVITIES

Sales Tax

FINDING: During our prior year audit we noted that the District did not file a sales tax return for the extraclassroom accounts. We recommended the District implement guidelines to ensure that the extraclassroom accounts were filing sales tax returns when applicable.

STATUS: In Process. During our current year audit we noted that the District subsequently received a tax identification number and will be filing a sales tax return for the extraclassroom accounts in the upcoming year.

Charters

FINDING: During our prior year audit we noted that the extraclassroom club did not have a charter and was not approved by the Board of Education annually. We recommended the club be Board recognized and have a completed charter dictating the club officers and purpose.

STATUS: Implemented.

Cash Receipts

FINDING: During our prior year audit we noted 4 out of 4 cash receipts tested did not have a listing of students who paid in cash and pre-numbered cash receipt forms are not utilized by the central treasurer. We recommended the District implement procedures to attach a listing of students who paid in cash to the cash receipts and utilize pre-numbered receipt forms.

STATUS: Implemented.

Cash Disbursements

FINDING: During our prior year audit we noted the District was not properly cancelling invoices after payment. We recommended the District stamp invoices "paid" to avoid a potential duplicate payment.

STATUS: Implemented.

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We would like to acknowledge the courtesy and assistance extended to us by personnel of the District and also compliments 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, NY
October 10, 2017