

October 11, 2019

To the Board of Education and
Ms. Lisa Raymond
Assistant Superintendent for 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, 2019, 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

EXTRACLASSROOM ACTIVITIES

Cash Disbursements

During our current year audit, we noted that in 6 out of 6 payments tested, the voucher package was not properly cancelled. We recommend the District stamp invoices "paid" to avoid potential duplicate payment.

PAYROLL

Payroll Change Report

During our current year audit, we noted a responsible official does not periodically review the *Payroll Change Report* from Finance Manager. We recommend the District implement procedures to review the *Payroll Change Report* to assure that payroll changes are being properly authorized and input correctly.

Timesheets

During our current year audit, we noted that there is no review of the manual input of timesheets for hours worked by employees. We recommend the District implement procedures to review the manual input of timesheets to ensure that hours worked by employees are input correctly.

Payroll Observation

During our current year audit, we noted that the payroll clerk performs the payroll observation. We recommend the payroll observation be performed by an individual independent of the payroll process.

IRS 941 Reconciliations

During our current year audit, we noted that the District does not complete an IRS 941 reconciliation quarterly. We recommend that the District reconcile the quarterly IRS 941 forms to the expenditure ledger on a quarterly basis to ensure that payroll expenses on the District's books are properly coded and reported properly on the quarterly payroll tax filings.

SCHOOL LUNCH FUND

Negative Adult Balances

During our current year audit, we noted several adults had unpaid school lunch account balances. Adults should be paying for their meals at the time of service or setting up pre-paid accounts. We recommend the District establish a no charge policy for adult meals.

DUE TO OTHER GOVERNMENTS

Old Outstanding Balances

During our current year audit, we noted the District has a liability on their books that relates to the 2015/2016 year. We recommend the District review this payable for its validity and determine if this amount should be written off.

FUND BALANCE MANAGEMENT

Fund Balance – Unassigned

During our current year audit, we noted the District's unassigned fund balance exceeded 4% of the 2019-2020 budget. NYS Real Property Tax Law 1318 limits the amount of unassigned fund balance in the general fund to an amount not greater than 4% of the District's budget for the ensuing fiscal year. We recommend the District monitor its fund balance more closely to ensure compliance with NYS Real Property Tax Law 1318.

STATUS OF PRIOR YEAR RECOMMENDATIONS

JOURNAL ENTRIES

Journal Entries

FINDING: During our prior year audit we noted for all journal entries selected for testing there were no dates noted on the journal entry approvals. We recommended the District implement procedures whereby the Assistant Superintendent for Business and Operations dated each journal entry as it is reviewed to show that each entry had been reviewed in a timely manner.

STATUS: **Implemented.**

EXTRACLASSROOM ACTIVITIES

Cash Disbursements

FINDING: During our prior year audit we noted that in 10 out of 10 payments tested, the voucher package was not properly cancelled. We recommended the District stamp invoices "paid" to avoid potential duplicate payment.

STATUS: **Not Implemented.**

PAYROLL

Payroll Change Report

FINDING: During our prior year audit we noted a responsible official did not periodically review the *Payroll Change Report* from Finance Manager. We recommended the District implement procedures to review the *Payroll Change Report* to assure that payroll changes were being properly authorized and inputted correctly.

STATUS: **Not Implemented.**

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We would like to acknowledge the courtesy and assistance extended to us by personnel of the District during the 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

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Islandia, NY
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To the Board of Education
Pocantico Hills Central School District
599 Bedford Road
Sleepy Hollow, New York 10591

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary funds of Pocantico Hills Central School District for the fiscal year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 14, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pocantico Hills Central School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019. We noted no transactions entered into by Pocantico Hills Central School District the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Pocantico Hills Central School District financial statements were:

- Useful Life of Capital Assets – Management's estimate of the useful life of capital assets is based on the historical asset life information for Pocantico Hills Central School District capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated.

- Compensated Absences Liability – Management’s estimate of the liability for compensated absences is based on historical information regarding employees who have separated from Pocantico Hills Central School District and their terminal payout amounts, in order to determine the probability and amount of future payouts to employees for vested accumulated sick, vacation and/or leave terminal payouts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Other Post-Employment Benefits Obligation – Management’s estimate of the liability for other post-employment benefits is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Net Pension Asset/Liability– Management’s estimate of the asset or liability for retirement systems is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 11, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Pocantico Hills Central School District financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Pocantico Hills Central School District auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability (asset), and the schedule of District's contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of change from adopted budget to final budget – general fund and section 1318 of real property tax law limit calculation, schedule of project expenditures - capital projects fund and net investment in capital assets which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education, Audit Committee and management of Pocantico Hills Central School District 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

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