

To the Board of Education and  
Ms. Jacqueline Pirro  
Assistant Superintendent for Business & Operations  
Hauppauge Union Free School District  
495 Hoffman Lane  
Hauppauge, NY 11788

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of Hauppauge Union Free 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 Hauppauge 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 Hauppauge Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hauppauge 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. We have also included the status of prior year findings and recommendations.

## **CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

### **SCHOOL LUNCH FUND**

#### **Fund Balance**

During our current year audit, we noted that the school lunch fund balance exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b) by approximately \$503,331. We note that the District does currently have a plan in place to utilize this excess fund balance. As such we recommend the District continue to monitor the plan and implement any additional measures necessary to lower the fund balance in subsequent years.

### **EXTRA CLASSROOM ACCOUNTS**

The District has established extra classroom activity accounts to maintain student activities and funds. The New York Education Department has published guidelines governing the proper procedures and policies governing the extra classroom accounts and transactions.

During our current year audit of all the District's extra classroom activity accounts, we noted the following:

- Although profit and loss statements are being prepared for fund raising activities, they are not being forwarded to the central treasurer for all schools for record keeping purposes.
- IRS Form 1099 compliance is not being monitored by the central treasurer for all schools.
- Eight cash receipts tested did not include sufficient supporting documentation to indicate the source of funds received.

We recommend the District continue to provide training to the extraclassroom treasurers and advisors of the proper procedures required by the State Education Department, and that the District implement procedures for the above items to improve the internal controls for the extra classroom activity accounts.

\* \* \*

## **STATUS OF PRIOR YEAR RECOMMENDATIONS**

### **SCHOOL LUNCH FUND**

#### **Fund Balance**

**FINDING:** During our prior year audit, we noted that the school lunch fund balance had exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b) by approximately \$644,000. We recommended the District develop a plan to implement additional measures to lower the fund balance in subsequent years.

**STATUS:** In Progress.

### **CAPITAL ASSETS**

#### **Capitalization**

**FINDING:** During our prior year audit, we noted 2 out of 10 asset additions were incorrectly capitalized at the value of the purchase order rather than the amount actually paid to purchase the item. In addition, we noted 1 out of 10 asset additions had a capitalized cost that incorrectly excluded the installation cost of the item. The capitalized cost of an asset should include all costs necessary or required to place the asset into service. We recommended the District review their current year asset additions to ensure they are being capitalized at the appropriate amounts, including any costs required to bring that asset into service.

**STATUS:** Implemented.

### **EXTRA CLASSROOM ACCOUNTS**

**FINDING:** The District has established extra classroom activity accounts to maintain student activities and funds. The New York Education Department has published guidelines governing the proper procedures and policies governing the extra classroom accounts and transactions.

During our prior year audit of all the District's extra classroom activity accounts, we noted the following:

- Although profit and loss statements were being prepared for fund raising activities, they were not being forwarded to the central treasurer for all schools for record keeping purposes.
- IRS Form 1099 compliance was not being monitored by the central treasurer

for all schools.

- Five cash receipts tested did not include sufficient supporting documentation to indicate the source of funds received.
- One cash receipt showed no sign of student involvement as the deposit form was not signed by the student treasurer.

We recommended the District continue to provide training to the extraclassroom treasurers and advisors of the proper procedures required by the State Education Department, and that the District implement procedures for the above items to improve the internal controls for the extra classroom activity accounts.

**STATUS: Not Implemented.**

\*\*\*\*\*

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 24, 2019