

**East Quogue Union Free School District**  
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September 30, 2016

New York State Education Department  
Office of Audit Services, Room 524 EB  
Ms. Christina Coughlin  
Coordinator of Educational Management Services  
89 Washington Avenue  
Albany, New York, 12234

Dear Ms. Coughlin:

RE: East Quogue Union Free School District  
Management Letter Response – June 30, 2016

We are in receipt of the June 30, 2016 Financial Audit as prepared by Coughlin, Foundotos, Cullen, Danowski, LLP. Following are the auditors' findings on issues of internal control and the District response:

**COMMENTS FROM THE PRIOR YEAR STILL OPEN**

The following comments included in the prior year management letter that remain pertinent for the year ended June 30, 2016 and current year's observations follow:

**Computer and Accounting Controls**

**Accounting Software**

The District utilizes a financial accounting software package, Finance Manager, to maintain its books and records. This software package is supported by Eastern Suffolk BOCES. The District has designated an individual as its information technology (IT) administrator. The basic applications within this software package include recording cash receipts, processing payroll, encumbering purchase orders, producing accounts payable checks and recording adjusting journal entries. These transactions are all automatically posted to the District's general and subsidiary ledgers.

As in any business office operation, the District should implement internal controls over the computer function. These controls include the safeguard of the software and data, the limitation of access to the software and data, the oversight of input and output from the system and the segregation of duties within the processes.

As also mentioned in prior years, the District has controls within its computer function. However, we still observed that the District does not have an adequate disaster recovery or IT contingency plan in place that has been documented and tested. We do note that the District's accounting system database is backed up nightly by Eastern Suffolk BOCES. We also noted that this backup has been tested and verified by the District.

During the prior years' audits and again this year, we also noted that the review of audit trail reports is not being documented.

Current Status: *Not corrected.* We again recommend that the District develop a documented disaster recover or IT contingency plan. We also recommend that the District document the review of the audit trail reports.

**RESPONSE- Effective July 1, 2016 East Quogue U.F.S.D. has contracted with CORE/BTS computer services to provide disaster recovery and has developed an IT contingency plan.**

### **System Permissions**

Districts should have detailed policies and procedures restricting staff from improper use of and access to district financial data.

This year as well as in prior years, we observed that certain individuals have permissions to all areas (i.e. purchasing, payroll, journal entries, etc.) causing a lack of segregation of duties.

Current Status: *Not corrected.* We again recommend that the District review Finance Manager user permissions and implement procedures to ensure access is limited to certain areas of the program that are needed for those individuals to complete their work.

**RESPONSE- Effective July 1, 2016 we have limited the payroll senior account clerk to payroll functions. This has been verified with Eastern Suffolk BOCES.**

### **Other Matters**

#### **Segregation of Duties**

A sound internal control structure is designed to provide reasonable but not absolute assurance in safeguarding the assets of the District. A key element in the internal control structure is segregation of duties. The District has a small staff making it difficult to effectuate segregation of duties.

During the previous years' audits and again this year, we noted that the areas of account payable/cash disbursements – vendor payments are made by the individual who can add vendor master file information into the computer. Checks are distributed or mailed by the individual who generates them. In the prior year, we noted that the District implemented some mitigating controls; however, these duties should be further segregated.

Current Status: *Not corrected.* We again recommend that the District evaluate whether additional controls should be implemented in these areas.

**RESPONSE- Effective July 1, 2016 we have limited the payroll senior account clerk to payroll functions. This has been verified with Eastern Suffolk BOCES.**

#### **General Ledger/Journal Entries**

A good internal control system is one that includes segregation of duties. Included in a good internal control system would be segregation within the record keeping duties. Accordingly, districts should have an independent review and approval of adjusting journal entries within its general ledgers.

During the prior years' audits, we noted instances where the journal entry approvals were not obtained. We also noted instances where supporting documentation for journal entries was lacking. We also noted that users no longer had the ability to delete journal entries.

During the current year audit, in the sample of transaction we tested, we noted instances where supporting documentation for journal entries was lacking. All entries reviewed had no evidence of approval from the Business Manager, and the District does not periodically generate journal entry reports from Finance Manager for review to ensure that all journal entries recorded in the accounting system have been previously approved.

Current Status: *Not corrected.* We again recommend that all supporting documentation be retained for all journal entries, and reviewed and approved on a timely manner. We also recommend that the District implement procedures for the periodic review of journal entries reports from Finance Manager to ensure that the recorded journal entries agree with those previously approved by the Business Manager.

**RESPONSE- Effective July 1, 2016, the Business Manager shall sign all journey entries for approval and ensure that all back up information is maintained as supporting documentation.**

**School Lunch Sales**

The District uses a point of sale system for its school lunch program. The system provides information with regards to sales, as well as charged and prepaid lunches. The point of sales system is not integrated with the District's accounting software. Since the systems are not integrated, entries are required to record the sales, charges and prepaid lunches in the accounting software.

In previous audits as well as this year's audit, we noted that the District does not reconcile the two systems on a periodic basis to ensure that amounts recorded in the accounting software agree to those in the point of sale system.

Current Status: *Corrected.* The District reconciles these two systems on a periodic basis.

**CURRENT YEAR COMMENTS**

There were no new comments to report.

If I can be of further assistance, please do not hesitate to contact me.

Thank you

  
Bruce Singer  
Business Manager

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