

**MATTITUCK – CUTCHOGUE UNION FREE SCHOOL DISTRICT**

**Communication of Matters Related to Internal Control  
Over Financial Reporting and Other Matters  
October 13, 2021**

October 13, 2021

To the Board of Education of the  
Mattituck – Cutchogue Union Free School District:

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mattituck – Cutchogue Union Free School District (the District) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing 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 communication is intended solely for the information and use of management, the Board of Education, the Audit Committee, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

488 Madison Ave., 23rd Floor  
New York, NY 10022  
p (212) 600-2854

[www.bonadio.com](http://www.bonadio.com)

## **MATTITUCK – CUTCHOGUE UNION FREE SCHOOL DISTRICT**

### **Communication of Matters Related to Internal Control over Financial Reporting and Other Matters October 13, 2021**

---

#### **OTHER MATTERS FOR THE CONSIDERATION OF MANAGEMENT**

##### **1. EXTRACLASSROOM – SALES TAX**

###### **Observation**

Based on the guidance within the New York State Department of Education publication “The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds”, these funds should provide learning experiences for the students in business procedures for collecting, depositing, disbursing and the filing of sales tax. During our inquiry and testing of these activities, we noted that the extraclassroom activities were not collecting and remitting sales tax where applicable.

###### **Recommendation**

Based on the guidance mentioned above, we recommend that the district implement a process to ensure that sales tax is being collected and remitted to New York State on a timely basis.

##### **2. EXTRACLASSROOM – DISBURSEMENTS**

###### **Observation**

We reviewed the cash disbursement procedures and documentation of the extraclassroom clubs to test the following attributes: 1) authorized signatures, 2) proper supporting documentation, and 3) recorded correctly in the general ledger. We selected a sample of 25 disbursements and had noted the following exceptions:

- Nine (9) selections did not contain student signatures,
- One (1) missing a faculty advisor signature,
- One (1) was missing supporting documentation, such as an invoice.

In addition to the above exceptions, we were unable to trace the disbursements to club ledgers. It was noted that each club was not keeping a separate ledger from what the central treasurer was recording.

###### **Recommendation**

In accordance with the State Education Department’s publication, “The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds”, we recommend the District implement procedures to ensure that proper approvals for disbursements are obtained from both the student treasurer and faculty advisors, and that each club maintain their own club ledger and periodically compare that ledger with what the Central Treasurer has recorded.

### **3. EXTRACLASSROOM – RECIEPTS**

#### **Observation**

We reviewed the cash receipts procedures and documentation of the extraclassroom clubs to test the following attributes: 1) authorized signatures, 2) proper supporting documentation, and 3) recorded correctly in the general ledger. We selected a sample of 25 receipts and noted the following:

- Eighteen (18) lacked proper supporting documentation, such as a profit or loss, inventory count, ticket sales, or listing of receipts,
- Fifteen (15) lacked student signatures on the deposit form,
- One (1) lacked a supporting deposit slip.

#### **Recommendation**

In accordance with the State Education Department’s publication, “The Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds”, we recommend the district implement a process whereby proper support for receipts are prepared for each fundraising activity, the student signature is obtained for each deposit noting their involvement, and that each deposit is supported by the bank deposit slip.

### **4. SEGREGATION OF DUTIES**

#### **Observation**

While gaining an understanding of internal controls and performing walkthroughs of the related processes surrounding cash receipts, cash disbursements, and bank reconciliations, we noted that the one individual prepares bank reconciliations, has the ability to signs checks, can create journal entries, and can also receipt monies coming into the District.

#### **Recommendation**

We understand that there are limitations to the District's ability to implement an ideal set of internal controls that would include the appropriate level of segregation of duties due to the limited number of staff. However, we recommend the District review internal control policies and implement a process to mitigate the risk associated with one individual performing all of these processes. In order to achieve this, we recommend that the District assign someone separate from the cash disbursements and receipts processes to prepare bank reconciliations.