

MANAGEMENT LETTER

October 6, 2017

The Audit Committee, Board of Education,
and Management
Kenmore-Town of Tonawanda Union Free School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the remaining fund information of Kenmore-Town of Tonawanda Union Free School District (the District) as of and for the year ended June 30, 2017, 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 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 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

OBSERVATIONS

1. Extraclassroom activity accounts

- We continue to recommend that the central treasurers annually review with faculty advisors and student treasurers the proper procedures and requirements for students to keep club records including the importance of completing ledgers throughout the year and retaining them after year end. We also suggest that the central treasurers periodically reconcile their records to those of the students.
- During our testing we noted two clubs with no activity. As we have mentioned in the past, if the clubs are no longer active, they should be formally closed and the balances transferred to a club that benefits the entire student body.

2. **Journal entry review**

Currently, there is no review of journal entries posted by the District Treasurer. To strengthen controls, the Assistant Superintendent for Finance, who does not prepare journal entries, should be responsible for reviewing and approving the journal entries. It is our understanding that management will be implementing this recommendation.

INFORMATIONAL POINTS

The following points are for informational purposes only and we do not consider it necessary for management to respond within the District's corrective action plan.

3. **Upcoming changes**

- GASB Statement No. 84, *Fiduciary Activities*, is effective for the District's year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities and generally focuses on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. This statement describes four fiduciary funds that should be reported, if applicable, and requires presentation of a statement of fiduciary net position and a statement of changes in fiduciary net position for each.
- GASB issued statement No. 87, *Leases*, is effective for the year ending June 30, 2021. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset.

PRIOR YEAR RECOMMENDATIONS

Included in our current year procedures is an update of the status of recommendations made in previous audits. Recommendations not mentioned elsewhere are as follows.

- During our current year audit, we noted no instances where purchase orders were completed and approved prior to the purchase being made.

We have discussed these comments with District personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist you in implementing the recommendations.

This communication is intended solely for the information and use of the District's management, Audit Committee, and Board of Education; others within the District; the NYS Education Department Office of Audit Services; and the Office of the NYS Comptroller, Division of Local Government and School Accountability. It is not intended to be, and should not be, used by anyone other than these specified parties.

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