

## MANAGEMENT LETTER

October 1, 2015

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, 2015, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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 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. We did not identify any deficiencies in internal control we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance and includes the following:

### 1. **Financial accounting and external reporting**

Management requests our assistance with the annual financial statements and related notes. Although we do not believe that our assistance impacts our overall independence, professional auditing standards do require that we inform the Board and management of our involvement in this process. Given the current structure of the business office, it is neither practical nor fiscally prudent to expect an implementation strategy that would avoid this comment in future audits.

## OTHER MATTERS

### 2. 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. We also suggest that the central treasurers periodically reconcile their records to those of the students.
- During our testing we noted several clubs with no activity. Central treasurers and building principals should review club activity to determine if they are still active. We continue to recommend that if clubs are determined to be inactive, they should be formally closed and the balances transferred to a club that benefits the entire student body. In addition, the clubs of prior graduating classes should also be closed and the funds transferred.

### 3. Purchasing procedures

During our testing of expenditures for the special education grants, we noted instances where purchase orders were issued after invoices were received. Purchase orders are required to be completed and approved prior to the purchase of the item.

### 4. Review of payroll reports

Currently two payroll reports are reviewed each pay period for unusual or unauthorized changes to the payroll database. We recommend that someone with no access to or direct supervision of payroll also review the reports. It is our understanding that management will be implementing this recommendation.

## INFORMATIONAL POINT

The following point is for informational purposes only and we do not consider it necessary for management to include a response within the District's corrective action plan.

### Upcoming changes due to GASB Statement No. 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces GASB Statement No. 45 and is effective for the District's year ending June 30, 2018. This statement will require recognition of the District's full unfunded actuarial accrued liability for OPEB in the statement of net position, rather than the current method of recognizing only an amortized portion of the total. For defined benefit OPEB plans, this statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements are also addressed. The intention of GASB Statement No. 75 is to report data consistent with the methods of accounting now used for pension plans under GASB Statement No. 68.

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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.

Junsden & McCormick, LLP