

Board of Education
Fabius-Pompey Central School District

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Fabius-Pompey Central School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated August 19, 2008. Our responsibility is to express opinions on these financial statements based on our audit.

In planning and performing our audit of the financial statements, in accordance with auditing standards generally accepted in the United States of America, we considered the Fabius-Pompey Central School District's internal control over financial reporting as a basis for designing our auditing procedures 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 governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed in the attached, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

The significant deficiency and other matters are identified and described in the attached schedule of findings and recommendations.

This communication is intended solely for the information and use of Management and the Board of Education and the New York State Education Department and is not intended to be and should not be used by anyone other than these specified parties.

D'Arcangelo & Co., LLP

August 19, 2008

Rome, New York

FABIUS-POMPEY CENTRAL SCHOOL DISTRICT

SUMMARY OF FINDINGS

June 30, 2008

I. Significant Deficiency

A. Cash Receipts

As in prior years, insufficient accounting controls exist over cash collections prior to the initial entry in the accounting records by the Central Treasurer. Internal accounting control and control over undeposited cash collections could be strengthened if receipts for cash collections were issued upon the point of sale and a preaudit of receipts was available for each major event.

We suggest the administrators of the School District review the Safeguarding, Accounting, and Auditing of Extraclassroom Activity Funds - Finance Pamphlet 2, issued by the State Education Department.

Management's Response: The School District will continue to review the controls over the initial collection of cash within the Extraclassroom Activity Funds.

II. Other Matters

A. Local Purchasing Requirements

Section 104(b) of the Local Finance Law requires that School Districts adopt and comply with local purchasing requirements for purchases that are made that are not subject to the competitive bidding requirements.

During our audit, we noted instances in which purchases were made without documentation of the required informal quotes.

We suggest that the School District review its procedures for compliance with Local Finance Law 104(b). Purchases should only be made if they are in compliance with these procedures. If the \$1,000 limit is too restrictive, the Board should consider revising the policy if that would be more cost efficient.

Management's Response: The School District administrators will review the local purchasing limit and procedures with District personnel to ensure compliance with the procedures.

FABIUS-POMPEY CENTRAL SCHOOL DISTRICT

STATUS OF PRIOR-YEAR FINDINGS AND RECOMMENDATIONS

A. Internal Control Over Payroll Cycle - Segregation of Duties

Our audit testing of payroll procedures noted that the Payroll Clerk is responsible for adding and removing employees from the payroll system. This is contrary to the establishment of strong internal controls regarding segregation of duties. While we understand the limitations on obtaining an adequate segregation of duties with limited staff, management could implement procedures that would enhance controls.

Although payrolls are certified by the School Business Administrator, we recommend that the School District explore the option of having someone independent of the payroll function be granted the responsibility of entering and deleting employees from the payroll system. Also, management should periodically generate reports from the payroll module and review for any changes such as payroll rates and employees. This could be performed on a test basis and documented.

Management's Response: The School District will implement procedures to strengthen internal controls over payroll.

Status: Procedures implemented during the year.

B. Tax Collection Cycle

Our audit testing in the area of tax collections indicated that most of the tax payments are made in the form of checks. However, many taxpayers pay their tax bill by cash. Upon request, the tax collector issues a manual receipt to the taxpayer. The payment is then recorded by the tax collector through the computer system at a later time.

The School District has begun to implement procedures to strengthen internal controls, so that upon receipt of payment from the taxpayer, a computer generated receipt is provided. Since the District's software has the capability to produce receipts, the need for manual receipts are not necessary. All tax payments should be processed by computer in a timely manner.

Management's Response: The current procedure is to execute the transaction immediately, issue a computer generated receipt, and provide a manual written receipt if requested.

Status: Some manual receipts are being issued at the time of payment. This receipt is not an official receipt of payment which can only be printed by the computer system. We suggest that only these receipts be issued, and done so at the time of payment.

Occasionally, taxpayers will pay with cash. Cash amounts collected should be verified by another individual when the payments are made.

(Continued)

FABIUS-POMPEY CENTRAL SCHOOL DISTRICT

STATUS OF PRIOR-YEAR FINDINGS AND RECOMMENDATIONS

(Continued)

The School District does maintain an independent listing of cash receipts. We recommend that the listing be totaled by deposit and periodically checked against the amounts deposited in the bank.

Management's Response: The School District will begin a duplicate count of cash received and will periodically compare amounts deposited in the bank statement to the independent listing of cash receipts.

C. Audit Committee Minutes

During our audit, we noted that the School District did not prepare minutes of Audit Committee meetings.

In order to be in compliance with School District's Financial Accountability Chapter 263 of the Laws of 2005, we recommend that the School District prepare minutes of each Audit Committee meeting and, at a minimum, those minutes should include the following:

- The meeting agenda;
- Date, attendance, and location of the meeting;
- Except as otherwise provided by law in connection with executive sessions, summaries of the topics discussed, and all motions, proposals, resolutions and any other matter formally voted upon and the vote thereon, including recommendations agreed to by the Committee; and
- As appropriate, copies of materials discussed or presented at the meeting.

Management's Response: Formal minutes will be kept.

Status: Formal Minutes are being maintained.