
Certified Public Accountants

August 31, 2018

The Board of Education
Depew Union Free School District, New York

Dear Board Members:

In planning and performing our audit of the basic financial statements of the Depew Union Free School District, New York (the "District") as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting ("internal control") 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined below:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, during our audit we identified certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated August 31, 2018 on the financial statements of the District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been

discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Drescher & Malecki LLP

August 31, 2018

Procurement, Suspension and Debarment

The federal programs of the District are governed by the Uniform Guidance. In accordance with the requirements set forth by 2 CFR sections 200.317 through 200.326 of the Uniform Guidance, the District must:

- Have written standards covering conflicts of interest with regards to the selection, award, and administration of contracts.
- Ensure that state or local geographical preferences in evaluation of bids do not apply to federally funded programs.
- Ensure procurements provide full and open competition.
- Have evidence that the contractor is not debarred, suspended.

Additionally, among other requirements related to procurement in the Uniform Guidance, two methods of procurement are specifically discussed in the Uniform Guidance are for micro-purchases (purchases with a cost less than \$3,500) and small purchases (purchases between \$3,500 and \$150,000). The grantee must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the grantee considers the price to be reasonable. Procurement by small purchase are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

Implementation of the procurement standards in 2 CFR sections 200.317 through 200.326 is required for the District's fiscal year July 1, 2018.

We recommend that the District review the 2 CFR 200.317-.326 of the Uniform Guidance for all compliance requirements and ensure the District's procurement policy is in compliance.

Information Technology ("IT") Breach Notification policy

The District does not have a separate breach notification policy. According to New York State Technology Law, municipalities and other local agencies are required to have a breach notification policy or local law. Such policy must require that notification be given to certain individuals when there is a breach of the security of the system as it relates to private information.

If the District fails to adopt an information breach notification policy and private information is compromised, officials and employees may not understand or be prepared to fulfill their legal obligation to notify affected individuals.

New Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the District:

GASB Statement No. 83— The District is required to implement GASB Statement No. 83, *Certain Asset Retirement Obligations*, effective for the fiscal year ending June 30, 2019. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs).

GASB Statement No. 84—The District is required to implement GASB Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ending June 30, 2020. This statement establishes criteria for identifying fiduciary activities of all state and local governments.

GASB Statement No. 86—The District is required to implement GASB Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the fiscal year ending June 30, 2018. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

GASB Statement No. 87—The District is required to implement GASB Statement No. 87, *Leases*, effective for the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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 liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 88—The District is required to implement GASB Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, effective for the fiscal year ending June 30, 2019. The objective of this Statement is to improve the information that is disclosed in noted to government financial statements related to debt, including direct borrowings and direct placements. This Statement also clarifies which liabilities governments should include when disclosing information related to debt.

GASB Statement No. 89—The District is required to implement GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year ending June 30, 2021. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs.

GASB Statement No. 90—The District is required to implement GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the fiscal year ending June 30, 2020. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.