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September 7, 2016

To the Board of Trustees  
Incorporated Village of Patchogue  
Patchogue, New York

Dear Members of the Board:

In planning and performing our audit of the financial statements of the Incorporated Village of Patchogue (Village) as of and for the year ended May 31, 2016, we considered the Village's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion concerning this matter. This letter does not affect our report dated September 7, 2016 on the financial statements of the Incorporated Village of Patchogue.

The accompanying comment and recommendation is intended solely for the use and information of the Board of Trustees, management, others you deem appropriate within the Village, and any governmental authorities you need to share this information with. It is not intended for use by anyone other than these specified parties.

Very truly yours,

*Cullen & Danowski, LLP*  
Cullen & Danowski, LLP

**STATUS OF PRIOR YEAR COMMENTS**

**Computer Controls**

The Village utilizes a financial accounting software package, KVS Information Systems, to maintain its books and records. This software package is supported by the software company. The Village has designated an employee of the Village as its Information Technology (IT) Administrator.

The basic applications within this software package include recording cash receipts, processing payroll, encumbering purchase orders, producing accounts payable checks and recording adjusting journal entries. These transactions are all automatically posted to the Village's general and subsidiary ledgers.

As in any Business Office operation, the Village should implement internal controls over the computer function. These controls include the safeguard of the software and data, the limitation of access to the software and data, the oversight of input and output from the system and the segregation of duties within the processes.

The following comments from the prior year still have not been addressed:

- The software company has access to the application function within the system.
- The individual that assigns the permissions to allow for access to segments of the software also has the ability to execute transactions and adjust the books.
- The system does not provide for a log indicating who enters into the system and from where and when.

We again recommend that the Village review all internal controls within its computer operations.

**Budget Transfers and Journal Entries**

The Village has a practice in place by which the Board reviews and approves all budget transfers presented by the Deputy Treasurer. Similarly the Treasurer reviews journal entries posted by accounting staff from a hand written log book which he initials monthly.

During the prior year audit, we noted that the once budget transfers are approved by the Board they and entered into the accounting system by the Deputy Treasurer there was no reconciliation of approved transfers to actual transfer made in the system. Similarly the approved entries in the log book were not compared to the entries in the accounting program to ensure only approved entries were made. We recommended that the Board appoint an individual to review approved transfers and entries to those recorded in the accounting system on a routine basis to ensure no unapproved transactions are being entered.

*Status – Partially Corrected* – The Village is now performing the reconciliation, but it is not documented.

**CURRENT YEAR COMMENTS**

There are no current year comments to report.