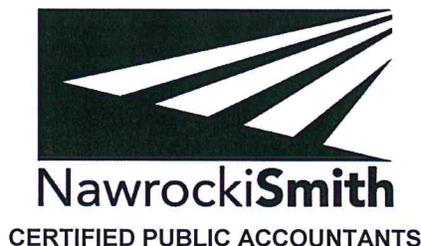


**INCORPORATED VILLAGE OF MASTIC BEACH**  
**MEMORANDUM ON ACCOUNTING PROCEDURES**  
**AND INTERNAL CONTROLS**  
**2015**



To the Board of Trustees of  
the Incorporated Village of Mastic Beach:

In planning and performing our audit of the financial statements of the Incorporated Village of Mastic Beach (the "Village") as of and for the year ended May 31, 2015, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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. However, as discussed in our report on internal control over financial reporting dated November 23, 2015, we identified certain deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

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 *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.

During our audit, we became aware of matters involving the internal control structure and other operational matters that are presented for your consideration in the accompanying memorandum. This memorandum also presents information as to the status of prior audit recommendations. This letter does not affect our report dated November 23, 2015 on the financial statements of the Village.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Village Board and others within the Village, and is not intended to be, and should not be, used by anyone other than these specified parties.

Melville, New York  
November 23, 2015

*Nawrocki Smith LLP*

**INCORPORATED VILLAGE OF MASTIC BEACH**  
**MEMORANDUM ON ACCOUNTING PROCEDURES**  
**AND INTERNAL CONTROLS**  
**FOR THE YEAR ENDED MAY 31, 2015**

During the year ended May 31, 2015, the Incorporated Village of Mastic Beach (the "Village") experienced significant turnover in the financial administration function (Treasurer and Deputy Treasurer positions) as well as the Board of Trustees. Since the new Mayor and administration have been installed there has been a tremendous movement to correct prior financial practices and promote effective and efficient policies, practices and procedures throughout the Village.

**CURRENT YEAR RECOMMENDATION:**

**1. Reconciliation of cash receipts**

During our review of the cash receipt process we did not see evidence that the total receipts from third party software (i.e. property taxes, permits, etc.) agreed with the total amount of cash receipts entered into the general ledger accounting software. Although we noted the Village to have the appropriate support for the receipts (i.e. deposit slip, deposit receipt, check copy, etc.), this situation increases the risk that cash receipts are recorded inaccurately.

To further strengthen internal controls over the Village's cash receipt process, we recommend that the Village show that the cash receipt total entered into the general ledger accounting software agrees with the total entered into third party software and this evidence is kept with the support for the receipts. In this manner, internal control over cash receipts may be enhanced.

**STATUS OF PRIOR YEAR RECOMMENDATIONS:**

In connection with the prior year's audit of the financial statements of the Village, certain recommendations were reported. Reference is made to our letter dated October 1, 2014 for details on those observations and recommendations. The following presents an overview of these matters, as well as our understanding of its current status:

**1. Accounting policies and procedures manual**

We recommended that a Manual be developed for current accounting policies and procedures.

We noted that this recommendation was in the process of being implemented.

**2. Fund balance policy**

We recommended that the Village establish a fund balance policy with respect to GASB Statement number 54.

We noted that this recommendation was not implemented.

**3. Payroll reconciliations**

We recommended that reconciliations of the general ledger to the quarterly tax filings be performed (at a minimum) on a quarterly basis.

We noted that this recommendation was in the process of being implemented.

**4. Budget transfer policy**

We recommended that the Village develop a standard policy pertaining to budget transfers.

We noted that the current practice of the Village is to have the Village Board of Trustees approve all budget transfer requests. Although this practice is more than acceptable and has been followed since the new Board and administration have taken office we would like the Village to formalize this practice in a formal Board approved policy.

**5. Cash disbursements - employee reimbursements**

We recommended policies and procedures be enforced and an employee reimbursement request form be implemented whereby all supporting documentation is attached.

We noted that this recommendation was implemented.

**6. Information systems**

We recommended that the Village consider obtaining an accounting software application which is designed for fund accounting and municipalities.

We noted that this recommendation was in the process of being implemented.

**7. Supporting documentation for credit card expenditures**

We recommended that someone other than purchaser validate the goods as being received by the Village.

We noted that this recommendation was implemented.

**8. Timely deposits of cash receipts**

We recommended that all cash receipts be processed and deposited in a timely basis.

We noted that this recommendation was implemented.

**9. Appropriation codes**

We recommended that all cash disbursements be supported by vouchers documenting the proper appropriation code.

We noted that this recommendation was in the process of being implemented as of May 31, 2015, when a line items budget was in place to take effect June 1, 2015. Subsequent to year-end on May 31, 2015, a system was in place to require the review of voucher coding by the Treasurer with pre-set system codes corrected or adjusted to ensure future postings to the proper appropriation code. These adjustments will support more accurate budgetary projections for fiscal 2016-17.

**10. Outstanding checks**

We recommended that a procedure be established whereby long outstanding checks are reviewed, analyzed and adjusted.

We noted that this recommendation was implemented.

**11. Password changes**

We recommended that the Village adopt policies and procedures which require forced password changes and require a certain secure composition of letters, numbers and symbols on at least a ninety-day frequency.

We noted that this recommendation was implemented.

**12. Information technology policy**

We recommended that the Village create and adopt policies and procedures related to information technology.

We noted that this recommendation was in the process of being implemented. During the fiscal year ended May 31, 2015, the Village went through an exhaustive proposal process for an information technology vendor with a new vendor being chosen. This new vendor and the Village have started to draft policies and procedures governing information technology of the Village.

**13. Vendor database maintenance**

We recommended that the Village perform a regular review of the vendor database to ensure that duplicate or inactive vendors are properly identified.

We noted that this recommendation was implemented.