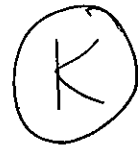


THREE VILLAGE CENTRAL SCHOOL DISTRICT
Stony Brook, New York



BOARD OF EDUCATION AGENDA MATERIALS

DATE OF BOARD MEETING: JULY 11, 2018 DATE MATERIAL SUBMITTED: JULY 6, 2018

OFFICE OF ORIGIN: BUSINESS SERVICES CATEGORY OF ITEM: ORGANIZATIONAL MEETING

TITLE: Appointment of Internal Auditor 2018-2019

STAFF RECOMMENDATION:

Upon recommendation of the Superintendent of Schools be it hereby resolved that the Board of Education appoint the firm of Nawrocki Smith, LLP, CPAs, to serve as the Internal Auditor for the fiscal year ending June 30, 2019, pursuant to Section 2116(b) of the NY State Education Law and Section 170.12 of the Commissioner's Regulations, as per the attached engagement letter.

BACKGROUND - RATIONALE:

Nawrocki Smith LLP has been providing excellent service to the district in an effective and professional manner for the past several years.

NOT AN OFFICIAL RECORD; SUBJECT TO CHANGE

Michael E. Nawrocki
Ernest Patrick Smith



Lauren M. Agunzo
John K. Hoffman
Darin V. Iacobelli
David M. Tellier

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

June 8, 2018

VIA FIRST CLASS MAIL

Board of Education
Three Village Central School District
PO Box 9050
East Setauket, NY 11733-9050

Dear Board of Education:

We are pleased to confirm our understanding of the terms and conditions of our engagement and the nature and limitations of the services we will provide to the Three Village Central School District (the "District") for the fiscal year ended June 30, 2019.

We will perform an update to the District's annual risk assessment as part of this engagement. Our risk assessment will be in accordance with auditing standards established by the American Institute of Certified Public Accountants and applicable Governmental Auditing Standards issued by the Comptroller General of the United States. Our risk assessment will be performed in accordance with the Agreed-Upon Procedures outlined in the supplement to this letter. The Administration of the District is ultimately responsible for the sufficiency of the procedures to be performed. We will also be testing selected areas as determined by the risk assessment.

Our engagement will not include a detailed examination of all transactions and cannot be relied on to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist. However, we will inform you of any such matters that come to our attention.

We direct your attention to the fact that the Administration has the responsibility for the proper recording of the transactions in the accounting records and for preparation of financial statements in conformity with U.S. generally accepted accounting principles.

Our annual fees for these services will be \$45,840, which will be billed monthly at the 1/12th rate of \$3,820 per month. Our hourly rates for this engagement will be as follows: Partner \$200, Manager \$150, Supervisor \$125, Senior \$110 and Staff \$90. The annual fee for this engagement is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered on a monthly basis and are payable on presentation.

NAWROCKI SMITH LLP

Page two

Nawrocki Smith, LLP agrees that all information obtained in connection with the services provided for in this Letter of Engagement is deemed confidential information. Nawrocki Smith, its employees, and agents shall not use, publish, discuss or communicate the contents of such information, directly or indirectly, with third parties, except as required under the terms of engagement or as otherwise required by law.

The District reserves the right to terminate this Agreement for any reason whatsoever upon thirty (30) days prior written notice. In the event of such termination, Nawrocki Smith will undertake no additional services for the District, and the District will remain liable for payment of all amounts due for the period through the effective date of such termination.

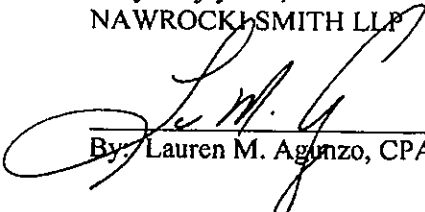
Nawrocki Smith shall provide Worker's Compensation, automobile, comprehensive general liability and professional liability (Errors and Omission) insurance. As necessary or requested, Nawrocki Smith shall provide the School District with proof of the required insurance coverage. Nawrocki Smith shall deliver insurance policies and certificates to the School District, which will provide at least a 30-day notice of cancellation or amendment. Nawrocki Smith shall maintain professional liability insurance in an amount no less than \$1,000,000, workers compensation in amounts required by law and general liability insurance (Including owned, non-owned and hired motor vehicles) in a single limit amount of no less than \$1,000,000.

Nawrocki Smith will act at all times as an independent contractor hereunder, and nothing contained herein will be construed to create a partnership or joint venture or a relationship of principal and agent or employer and employee between the School District and Nawrocki Smith.

We will be pleased to discuss this letter with you at any time. If the foregoing is in accordance with your understanding, please sign the enclosed copy and return it to us.

We appreciate the opportunity to be of professional service.

Very truly yours,
NAWROCKI SMITH LLP


By: Lauren M. Aganzo, CPA/CFF

RESPONSE:

This letter correctly sets forth the understanding of the School District.

By: _____

Title: _____

Date: _____

NAWROCKI SMITH LLP

SUPPLEMENT TO ENGAGEMENT LETTER **AGREED-UPON PROCEDURES**

Risk Assessment

1. Develop an understanding of the critical business processes of the District within each functional area
2. Identify and quantify risks based on the understanding of the business processes and stated business rules
3. Identify whether the controls that are currently in place address such risks and ascertain if they are operating effectively
4. Recommend improvements in internal controls