



***REPORT TO THOSE
CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2016***

To The Board of Trustees
Westchester Library Systems
Tarrytown, New York

We have audited the financial statements of Westchester Library Systems for the year ended December 31, 2016, and have issued our report thereon dated April XX, 2017. Professional standards require that we provide you with certain information related to our audit.

This report summarizes our audit, the scope of our engagement, communications required by our professional standards, communications about internal control related matters identified in our audit, and our observations relating to certain business issues being faced by the Organization. We received the full support and assistance of the Organization's personnel. This report is intended solely for the use of the Board of Trustees and management of Westchester Library System, and is not intended to be, and should not be, used by anyone other than these specified parties.

We will be pleased to discuss this report and the suggestions contained in it with you in further detail and to assist you with their implementation. We appreciate this opportunity to be of continued service to you and would like to thank the entire staff of the Organization for the courtesies extended to us during the audit.

Saddle Brook, New Jersey

April XX, 2017

CONTENTS

DECEMBER 31, 2016 AUDIT RESULTS

Summary of What We Agreed To Do	1
Required Communications	2 - 6
Communication of Internal Control Related Matters	7 - 8
Corrected Misstatements	9
Management Representation Letter	10 - 11

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SUMMARY OF WHAT WE AGREED TO DO

Our Approach

As discussed with management, our audit plan represented an approach responsive to the assessment of risk for the Organization. Specifically, we designed our audit to:

- Issue an opinion on the financial statements of the Organization
- Issue an independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
- Issue this Audit Results Summary to management and those charged with governance

Areas of Audit Emphasis

- Management override of controls
- Revenue recognition and classification
- Classification, allocation and appropriation of net assets
- Post-retirement benefit accounting
- Cut off of revenues and expenses
- Receivables
- Inventory
- Prepaid expenses
- Property and equipment
- Functional allocation of expenses
- Completeness and clarity of financial statement disclosures
- Government grant compliance

There were no significant changes to our planned approach of areas of audit emphasis.

REQUIRED COMMUNICATIONS

Auditing Standards AU-C Section 260 and other professional standards require the auditor to provide those charged with governance with information pertaining to the planned scope and timing of the audit, representations from management, and significant audit findings that may assist those responsible for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including the entity’s financial reporting process. These required communications are summarized below.

Area

Comments

1. Auditors’ Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 31, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Management will acknowledge its responsibility for the Organization’s financial statements by signing the letter of representations addressed to Dorfman Abrams Music, LLC.

We will issue an unmodified opinion on the Organization’s financial statements as of December 31, 2016 and for the year then ended. Our audit opinion will be dated **April XX, 2017**.

Our responsibilities, as prescribed by professional standards, are to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

2. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

REQUIRED COMMUNICATIONS (continued)
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<u>Area</u>	<u>Comments</u>
<p>3. Qualitative Aspects of the Organization’s Significant Accounting Practices – Significant Accounting Policies</p> <p>Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Westchester Library System are described in Note 1 to the financial statements.</p>	<p>New Accounting Policies There were no new accounting policies affecting the December 31, 2016 financial statements.</p> <p>Lack of Authoritative Guidance We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.</p> <p>Period of Recognition Except for the adjusting journal entries listed in the corrected misstatements section, there are no other significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.</p> <p>Significant Unusual There are no significant unusual or nonrecurring accounting transactions.</p>
<p>4. Qualitative Aspects of the Organization’s Significant Accounting Practices – Significant Accounting Estimates</p> <p>Accounting estimates are an integral part of the financial statements prepared by management and are based upon management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.</p>	<p>The most significant estimates affecting the financial statements are:</p> <ul style="list-style-type: none">• Actuarial assumptions which determine the gain recognized for post-retirement benefits• Depreciation expense• Functional expenses
<p>5. Qualitative Aspects of the Organization’s Significant Accounting Practices – Financial Statement Disclosures</p> <p>Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to the financial statement users.</p>	<p>The disclosures in the financial statements are neutral, consistent, and clear.</p>

REQUIRED COMMUNICATIONS (continued)
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<u>Area</u>	<u>Comments</u>
6. Significant Difficulties Encountered During the Audit	We encountered no significant difficulties in performing and completing our audit.
7. Uncorrected and Corrected Misstatements	
For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.	Management has corrected all identified misstatements. The attached schedule summarizes misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by management.
In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.	
8. Fraud and Illegal Acts	
We are to report to the Board of Trustees fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.	There was no fraud or illegal acts noted during our audit.
9. Other Information in Documents Containing Audited Financial Statements	
Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Organization's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such information.	To our knowledge, the Organization's audited financial statements will not be included in any document issued by the Organization.
Our responsibility also includes communicating to you any information, which we believe is a material misstatement of fact.	

REQUIRED COMMUNICATIONS (continued)
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Area

Comments

10. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial, accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditors' report.

No such disagreements arose during the course of our audit.

11. Management Representations

We have requested certain representations from management that are included in the management representation letter dated April XX, 2017.

12. Management's Consultation with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

13. Other Significant Findings or Issues

In the normal course of our professional association with Westchester Library System, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Organization and business plans and strategies that may affect the risks of material misstatement.

None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

14. Communication of Internal Control Related Matters Identified in an Audit

We are required to communicate in writing to management and those charged with governance control deficiencies identified during an audit that upon evaluation are considered significant deficiencies or material weaknesses.

See **Communication of Internal Control Related Matters** section.

REQUIRED COMMUNICATIONS (continued)

Area

Comments

15. Independence

Generally accepted auditing standards require independence for all audits. The auditor should communicate to those charged with governance circumstances or relationships (for example, financial interests, business or family relationships, or non-audit services provided or expected to be provided) that in the auditor's professional judgment may reasonably be thought to bear on independence and that the auditor gave significant consideration to in reaching the conclusion that independence had not been impaired.

We are not aware of any relationships between Dorfman Abrams Music, LLC and Westchester Library System that, in our professional judgment, may reasonably be thought to bear on our independence.

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COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

In planning and performing our audit of the financial statements of Westchester Library System as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Westchester Library System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 organization'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 Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization'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 Organization's internal control.

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

During the course of our audit, we noted other items, which, while not constituting significant deficiencies and/or material weaknesses, nonetheless represent areas, which, in our opinion, could be improved upon. A comprehensive description of each item, along with our recommendations for remediation, follows in the **Other Recommendations** section of this report.

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

OTHER RECOMMENDATIONS

Cash

The Organization should make all reasonable efforts to manage the balances of cash in banks so that the deposits in any one bank do not exceed the federally insured limits of \$250,000. In addition, the Organization should regularly monitor the financial condition of the financial institutions in which it maintains its bank accounts.

Inventory

While the Organization has an inventory management system in place, the system does not appear to be used to its fullest abilities. During our audit procedures, we requested reports reflecting inventory on hand and this report was not available for review. We recommend that all transactions be posted using the inventory system to allow for a perpetual inventory report to be matched to actual inventory on hand. With the increased activity in this department over the last few years, tracking and maintaining the inventory system would be helpful to prevent accounting errors and possible misappropriation.

Revenue Recognition

During our review of deferred revenue and contribution revenue, we noted few instances where the Organization did not record contributions received as revenue in the period received. Accounting pronouncements require unconditional promises to give to be recognized in the financial statements in the period they are received, even if the donor has restricted their use and the restriction will be met in a future reporting period. We recommend the Organization refines its revenue recognition practices as it relates to contributions and deferred revenue.

Improvement of Adjusting Journal Entries Documentation

In performing our audit procedures, we reviewed the support available for certain journal entries posted during the year. While the entries were properly supported, it was noted that there was no documentation reflecting the preparer or approval of the journal entries. We recommend that a process be put in place to include formal documentation of the name and date by both the preparer and reviewer. (This process would be similar to the process in place for the posting and approval of vendor invoices.)

Grant Expenditures

This is the last year of the IMLS grant, which required audit procedures in compliance with Government Auditing Standards (Yellow Book Audit). This required the testing of expenditures, receipts and reporting relating to the IMLS Grant. In performing required audit procedures, we noted that some expenses paid during 2016 were for services performed during the prior year and they were not recorded and reported to the Funding Agency during the prior year. We recommend that management reviews its internal controls to ensure that expenses are recorded in the proper period.

Contract with Westchester Community College

During our audit procedures, it was noted that while the contract signed with Westchester Community College (WCC) refers to services to be provided by the Organization in exchange for compensation to the Organization and proof of insurance coverage. The intent of the agreement is to allow the libraries to offer service free of charge and the grant was structured so that WCC was charged and paid rent in an amount equal to the cost of tuition. We recommend that the Organization analyze all contracts prior to their execution to determine appropriate language that properly defines the intent of the agreement.

CORRECTED MISSTATEMENTS

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To recognize Dreyfus gift(TASC)			
2500	Deferred Income	5,000.00	
4880	Restricted contributions		5,000.00
Total		5,000.00	5,000.00
Adjusting Journal Entries JE # 2			
To adjust contributions revenue to proper amount. 2016 Mini-Grant revenue			
2500	Deferred Income	13,500.00	
4880	Restricted contributions		13,500.00
Total		13,500.00	13,500.00
Adjusting Journal Entries JE # 3			
To adjust contributions revenue to proper amount as of 12/31/16			
2500	Deferred Income	89,500.00	
4880	Restricted contributions		89,500.00
Total		89,500.00	89,500.00
Adjusting Journal Entries JE # 4			
To adjust prepaid portion of 3yr prod. system support for Nutanix equipment as of 12/31/16			
1300	Prepaid Expenses	44,728.00	
7250	Computer Maintenance		44,728.00
Total		44,728.00	44,728.00
Adjusting Journal Entries JE # 5			
To adjust depreciation expenses for assets purchased during 2013			
9400	Depreciation	12,049.00	
1610	Accum Dep - Furniture & Equipment		12,049.00
Total		12,049.00	12,049.00
Adjusting Journal Entries JE # 6			
To adjust fixed assets and accumulated depreciation to correct balance as of 12/31/16			
1610	Accum Dep - Furniture & Equipment	39,085.00	
1515	Furniture and Equipment		15,014.00
9400	Depreciation		24,071.00
Total		39,085.00	39,085.00

MANAGEMENT REPRESENTATION LETTER

MANAGEMENT REPRESENTATION LETTER (continued)

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