



# East Ramapo Central School District

105 South Madison Avenue, Spring Valley, NY 10977

A Unified Community Educating the Whole Child ...

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December 15, 2021

Re: East Ramapo Central School District  
Financial Statements and Supplementary  
Information with Independent Auditor's Report  
Fiscal Year Ending June 30, 2021

## **Corrective Action Plan: Submitted in Response to Auditor's Management Letter for Fiscal Year Ending June 30, 2021**

The following is submitted in response to the 2020-2021 external audit and management letter prepared by the accounting firm R. S. Abrams & Co. The East Ramapo Central School District hereby submits the following as a corrective action plan and response to the findings identified in these documents.

### **CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

#### **Budgeting and Fund Balance Monitoring**

##### **Recommendation:**

During our current year audit, we noted that the District did not properly monitor the general fund budget, which resulted in appropriation codes being over-expended. However, it is noted that the total budget was not over-expended. The appropriation codes that were over-expended were central administration, central services, teaching – regular school, teaching - special schools, and pupil transportation.

##### **Implementation Plan of Action:**

East Ramapo Central School District has backfilled critical positions needed in order to implement sound accounting practices. Internal staff, in coordination with the Assistant Superintendent for Business, shall have the responsibility of monitoring the budget. Line item budget codes shall be monitored to ensure that all Buildings/ Departments remain within budgetary limits.

**Responsible Individual(s):** Assistant Superintendent for Business, Accounting staff

**Implementation Date:** This management comment has been corrected during the 21/22 fiscal year.

#### **Deficit Fund Balance**

As a unified community, the East Ramapo Central School District is committed to educating the whole child by providing a healthy, safe, supportive, engaging and challenging learning environment.

Recommendation:

During our current year audit, we noted that the District ended the fiscal year with a deficit unassigned fund balance in the general fund of (\$25,485,148). The total fund balance in the general fund as of June 30, 2021 was a deficit balance of (\$21,969,468) which was a decrease from the prior year fund balance by \$38,288,837. We recommend the District establish and enforce controls to monitor the voter approved budget more closely throughout the year. In addition, we recommend the District review their budgeting procedures to ensure that the revenue and expenditure budgets are an accurate and realistic reflection of the District's needs and resources to fund the educational programs. An analysis of the budgeted appropriations accounts should be done on a continuing basis to enable the District to make any necessary adjustments to its appropriation codes.

Implementation Plan of Action:

Controls have been established to freeze all new hires and to halt the purchases of unbudgeted supplies and materials. Federal Funded employees are being coded to the proper Federal Fund budgetary account to ensure sound budgeting practices.

Independent Auditors are being contracted to assist in the preparation of the June 2022 projected fund balance and cash flow requirements. This will help ensure that revenues and expenditures are an accurate and realistic reflection of the Districts needs and resources to fund educational programs. The independent auditors shall work collaboratively with internal staff to ensure on-going continual analysis of all budgetary appropriations.

Responsible Individual(s): Assistant Superintendent for Business, Assistant Business Official, Accountant, Independent Auditors

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Accounts Payable

Recommendation:

During our current year audit, we noted multiple significant and material instances of improper cut-off transactions between the current and the following fiscal years in the capital projects fund accounting records. We noted transactions totaling \$1,421,325 that applied to and were paid during the 2021-2022 fiscal year, which were incorrectly recorded as payables as of June 30, 2021.

The effect of the above finding could have resulted in the capital projects fund accounts payable and expenditures being materially overstated as of June 30, 2021.

We recommend the District develop a process and implement procedures to review transactions and supporting documentation during the year-end closing process to determine the period of applicability and accurately record year-end payables.

Implementation Plan of Action:

All capital expenditures shall be recorded in the year of expenditure. All expenditures shall be properly recorded in the appropriate account and in the appropriate period. All supporting documentation shall be maintained.

Responsible Individual(s): Assistant Superintendent for Business, Assistant Business Official, Accountant, Independent Auditors

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

#### Encumbrances

##### Recommendation:

During our current year audit, we noted that the District did not actively monitor encumbrances in the general fund and capital projects fund. During our testing of encumbrances in the general fund and capital projects fund, we identified significant and material audit adjustments due to improper classification and cut-off of encumbrances. As a result of our audit procedures, we identified \$848,582 of improper encumbrances within the general fund and \$1,361,901 in the capital projects fund. We recommend the District establish and improve their procedures to review encumbrances more frequently to ensure all amounts encumbered are for valid, accurate, and intended for future appropriations. Encumbrances that are not intended for future appropriations should be liquidated in the District's accounting system during their year-end closing process.

We believe implementing the recommended procedures above will help prevent the creation of liabilities in excess of approved appropriations, further assist in identifying line-item accounts where unencumbered appropriations are available for transfer, and assist in forecasting year-end fund balances.

##### Implementation Plan of Action:

All encumbrances shall be actively monitored to ensure proper accountability. The internal accounting staff shall review the General Fund, Capital Fund, School Lunch Fund, Federal Fund to ensure that the future appropriations should be liquidated in the Districts accounting system during the year end closing process.

Responsible Individual(s): Assistant Superintendent for Business, Assistant Business Official, Accountant, Independent Auditors

Implementation Date: This management will be corrected during the 21/22 fiscal year.

#### Journal Entries

##### Recommendation:

During our current year testing of journal entries, we noted the following:

- The District was unable to locate supporting documentation for three out of the ten journal entries selected
- One out of the six journal entries tested did not contain any supporting documentation indicating the reason for the journal entry.
- Six out of six journal entries tested did not have any indication of approval by an appropriate administrator other than the preparer.

We recommend the District retain proper supporting documentation such as initiator of journal entry, reason for journal entry, accounts that were debited and credited, invoices or receipts that substantiate the amount of the journal entry, and visual documentation for secondary review and approval.

We believe implementing the recommended procedures above will improve the District's recordkeeping and help ensure that all financial statement journal entries are reviewed and approved by an appropriate official.

**Implementation Plan of Action:**

All supporting documentation shall be maintained for each Journal Entry. The District shall retain supporting documentation such as initiator of journal entry, reason for journal entry, accounts that were debited and credited. Invoices or receipts that substantiate the amount of the journal entry. This will improve the District recordkeeping and help ensure that all financial statement journals entries are reviewed and approved by the appropriate official.

**Responsible Individual(s):** Assistant Superintendent for Business, Assistant Business Official, Accountant, Independent Auditors

**Implementation Date:** This management comment will be corrected during the 21/22 fiscal year.

Cash Receipts

**Recommendation:**

During our current year audit, we noted four out of seventeen cash receipts tested in the general fund had insufficient supporting documentation indicating the source or reason for the receipt. We recommend the District establish procedures that require all receipts to retain documentation that supports the amount received, date received, reason why received, and recorded accounts.

**Implementation Plan of Action:**

All supporting documentation shall be maintained for each cash receipt. The district shall establish procedures that require all receipts be retained with supporting documentation.

**Responsible Individual(s):** Assistant Superintendent for Business, Assistant Business Official, Principal Account Clerk

**Implementation Date:** This management comment will be corrected during the 21/22 fiscal year.

Accounts Receivable

**Recommendation:**

During our current year audit, we noted the District did not record receivables for tuition billings to other Districts for services provided during the current fiscal year. We recommend the District establish procedures to ensure receivables (either estimated amounts or actual amounts) are recorded for all out of district billings for tuition and health services provided by the District.

**Implementation Plan of Action:**

The District has increased capacity within the Business office whose focus will be to maximize revenue. All revenue sources such as non-resident tuition, health & welfare services, foster care, and chapter placement billings are maximized.

**Responsible Individual(s):** Assistant Superintendent for Business, Assistant Business Official, Accountant, Senior Clerk Typist

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Capital Assets

Project Completion

Recommendation:

During our current year audit, we noted that construction in progress was not properly being monitored to determine completed and depreciable capital projects. We also noted that final cost reports were not timely filed with New York State Education Department (“NYSED”) for capital projects started between two and ten years ago. We recommend the District maintain a capital project schedule that lists all capital project expenditures from the start of the project and to compare that schedule to a lifetime project expenditures to date report from the accounting information system. We also recommend the District establish procedures to ensure final cost reports are submitted to NYSED timely.

Implementation Plan of Action:

The Director of Facilities, in coordination with the District Architect and Assistant Superintendent for Business, will maintain a capital project schedule that lists all capital project expenditures. The District will establish procedures to ensure final cost reports are submitted timely to NYSED’s facilities planning unit.

Responsible Individual(s): Assistant Superintendent for Business, Director of Facilities, Accountant, District Architect

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Capital Projects Fund

Advances From Other Funds

Recommendation:

During our current year audit, we noted a deficit fund balance of \$95,783 in various capital projects in the capital projects fund at June 30, 2021. This deficit related primarily to older projects from several years ago. This deficit arose because there were expenditures incurred in prior years that exceeded available financing on the project. As there are no other outside financing sources available for this project, the remaining deficit could only be eliminated with monies authorized from an adopted general fund budget. We recommend a provision be made in future general fund budgets to provide the necessary transfer of resources that would eliminate any remaining deficit on these projects.

Implementation Plan of Action:

The overages will be charged to the general fund and the capital funds shall not have a deficit fund balance moving forward.

Responsible Individual(s): Assistant Superintendent for Business, Accountant, District Treasurer, Senior Clerk Typist

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Cash Management

Bank Reconciliations

Recommendation:

During our current year audit, we noted on two of the District's general fund bank accounts the monthly bank reconciliations were carrying old miscellaneous reconciling items for which the District was unable to substantiate. We recommend that the District review the monthly bank reconciliations and their underlying accounting records to identify the causes for these reconciling items, and adjust the accounting records accordingly. On a go forward basis, the District should implement procedures to ensure that all monthly bank reconciliations are reviewed and approved by an appropriate member of management, and ensure that all reconciling items are warranted, accurate, and supported by appropriate documentation.

Implementation Plan of Action:

The District has implemented procedures to ensure monthly bank reconciliations are reviewed and accurately reported.

Responsible Individual(s): Assistant Superintendent for Business, District Treasurer

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Outstanding Checks

Recommendation:

During our current year audit, we noted outstanding checks in the payroll account that were greater than one year old. We recommend the District review the bank reconciliations monthly and write off and reclass checks that have been outstanding for more than one year to a liability account, and establish procedures that would allow the District to monitor this account year over year. After every effort has been exhausted, we recommend that the funds either be sent to the New York State Office of Unclaimed Funds, or written off entirely (if not payroll checks), while also seeking the advice of legal counsel regarding the disposition of these funds.

Implementation Plan of Action:

The District has implemented procedures to review bank reconciliations monthly to write off and reclass checks that have been outstanding for more than one year.

Responsible Individual(s): Assistant Superintendent for Business, Assistant Business Official, Accountant, District Treasurer

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Collateral

Recommendation:

During our current year audit, we noted the District was not monitoring third-party collateral. We recommend the District establish procedures to monitor and document third-party collateral on a monthly basis for each bank institution used by the District. Collateral schedules prepared by the District should be reviewed by an appropriate official and should be presented monthly in the Treasurer's Report.

Implementation Plan of Action:

The District has established procedures to monitor and document third-party collateral on a monthly basis for each bank institution used by the District. A new District Treasurer has been appointed to execute this responsibility.

Responsible Individual(s): Assistant Superintendent for Business, District Treasurer

Implementation Date: This management comment has been corrected during the 21/22 fiscal year.

Cash Receipts Log

Recommendation:

During our current year audit, we noted the cash receipts log was not reconciled to cash receipts reported on the District's accounting software or bank balances. This procedure helps to ensure that all receipt transactions are adequately captured in the financial records of the District. We recommend that an employee that is independent from the recording and depositing of receipts, compare the cash receipts log to the accounting software, for completeness and accuracy. In addition, we recommend that the District update their cash receipt log to include sequential cash receipt numbers that mirror the accounting software.

Implementation Plan of Action:

The District has implemented procedures to reconcile cash receipts reported in WinCap to the cash receipts log. The employee recording the cash receipts in the log is independent of the employee who records the cash receipts in the accounting system.

Responsible Individual(s): Assistant Superintendent for Business, Principal Clerk Typist, Principal Account Clerk

Implementation Date: This management comment has been corrected during the 21/22 fiscal year.

School Lunch Fund

Deficit Fund Balance

Recommendation:

During our current year audit, we noted the school lunch fund has an unassigned deficit fund balance of \$102,603. We recommend the District budget and transfer funds from the general fund to the school lunch fund in future budgets, and strive to maintain a self-sustaining school lunch program.

Implementation Plan of Action:

The overages will be charged to the general fund and the school lunch funds shall not have a deficit fund balance moving forward.

Responsible Individual(s): Assistant Superintendent for Business, Assistant Business Official, Accountant, District Treasurer

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Scholarships and Donations

Scholarship Monitoring

Recommendation:

During our current year audit, we noted the District had overspent two of their scholarship accounts, which resulted in a negative scholarship balance for these two accounts. These funds will need to be replenished by the general fund or by the initial donor(s). We recommend the District review scholarship activity monthly and view available funds before awards are paid out to prevent scholarships from being overspent.

**Implementation Plan of Action:**

The District Treasurer shall monitor the scholarship funds so as to prevent negative balances in the future.

**Responsible Individual(s):** Assistant Superintendent for Business, District Treasurer

**Implementation Date:** This management comment will be corrected during the 21/22 fiscal year.

Extraclassroom Activity Funds

General Controls

**Recommendation:**

During our current year testing of the internal controls over the extraclassroom activity funds we noted each of the District's schools follows a different set of procedures and utilizes different forms for documentation for extraclassroom receipts and disbursements. We recommend the District establish one set of uniform procedures throughout each of the District's buildings.

For cash receipt collections, we recommend the District have one type of treasurer's receipt. This form should clearly indicate the club, the amount received, purpose, source of funds (along with support to substantiate the source of funds received), and designated spots for student and faculty signatures. Along with the treasurer's receipt, documentation such as the deposit slip and bank authorization slip should be included. Any fundraising or ticket sale receipts should include a list of students who purchased tickets and payment method.

For cash disbursements, we recommend the District have one disbursement form that clearly indicates the club, amount, purpose, date, and designated spots for student, faculty, and central treasurer's signature. A copy of the invoice should be attached with this form. Once paid, the central treasurer should mark the invoice indicating that this invoice has been paid. Payments should not be authorized unless all three signatures are present on the form.

**Implementation Plan of Action:**

Training has begun with the building principals and building treasurers. The District has coordinated ongoing training and oversight with the building treasurers to ensure uniformity with the extraclassroom activity funds.

**Responsible Individual(s):** Assistant Superintendent for Business, Accountant, District Treasurer

**Implementation Date:** This management comment has been corrected during the 21/22 fiscal year.

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

Capital Assets

Additions



Recommendation:

During our prior year audit, we noted that construction in progress was not properly being monitored to determine completed and depreciable capital projects. We also noted input errors on new capital asset additions such as date of acquisition and total capital asset value were reported to the outside appraisal company. We recommended the District maintain a capital project schedule that lists all capital project expenditures from the start of the project and to compare that schedule to a lifetime project expenditures to date report from the accounting information system. We also recommended a secondary review periodically during the year, of the equipment additions listing to be sent to the appraisal company to ensure all items are capitalized, at the appropriate amounts.

Status: Not Implemented

Implementation Plan of Action: The Purchasing Agent, in coordination with the Assistant Superintendent for Business and Director of Facilities, will assess and monitor the depreciation of capital projects. The District will maintain a capital project schedule that lists all capital project expenditures.

Responsible Individual(s): Assistant Superintendent for Business, Director of Facilities, Purchasing Agent

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Capital Projects Fund  
Project Deficit

Recommendation:

During our prior year audit, we noted a deficit of \$95,783 in various district improvements in the capital projects fund at June 30, 2020. This deficit related primarily to older projects from several years ago. This deficit arose because there were expenditures incurred in prior years that exceeded available financing on the project. As there are no other outside financing sources available for this project, the remaining deficit could only be eliminated with the continued receipt of monies authorized from an adopted general fund budget. We recommended a provision be made in future general fund budgets to provide the necessary transfer of resources that would eliminate any remaining deficit.

Status: Not Implemented

Implementation Plan of Action:

The overages will be charged to the general fund and the capital funds shall not have a deficit fund balance moving forward.

Responsible Individual(s): Assistant Superintendent for Business, Accountant, District Treasurer, Senior Clerk Typist

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

Cash Management  
Outstanding Checks

Recommendation:

During our prior year audit, we noted outstanding checks in the payroll account that were greater than one year old. We recommended management determine and document the reason for outstanding payroll checks. We also recommended the District reclass old and outstanding payroll checks to a liability account, and establish procedures that would allow the District to monitor checks by year. After every effort had been exhausted, we recommended the business office seek legal advice as to the proper disposition of these funds.

Status: Not Implemented

Implementation Plan of Action:

The District has implemented procedures to review bank reconciliations monthly to write off and reclass checks that have been outstanding for more than one year.

Responsible Individual(s): Assistant Superintendent for Business, Assistant Business Official, Accountant, District Treasurer

Implementation Date: This management comment will be corrected during the 21/22 fiscal year.

#### Collateral

Recommendation:

During our prior year audit, we noted the District was not monitoring third-party collateral.

We recommended the District establish procedures to monitor and document third party collateral monthly for each bank institution used by the District. Collateral schedules prepared by the District should be reviewed by an appropriate business official and should be presented monthly in the Treasurer's Report.

Status: Not Implemented

Implementation Plan of Action:

The District has established procedures to monitor and document third-party collateral on a monthly basis for each bank institution used by the District. A new District Treasurer has been appointed to execute this responsibility.

Responsible Individual(s): Assistant Superintendent for Business, District Treasurer

Implementation Date: This management comment has been corrected during the 21/22 fiscal year.

#### Cash Receipt Log

Recommendation:

During our prior year audit, we noted the cash receipts log was not reconciled to cash receipts reported on the District's accounting software or bank balances. This DRAFT procedure helps to ensure that all receipt transactions are adequately captured in the financial records of the District.

We recommended that an employee that is independent from the recording and depositing of receipts functions compare the cash receipts log to the accounting software. In addition, we recommended that the District update their cash receipt log to include sequential cash receipt numbers that mirror the accounting software.

Status: Not Implemented

Implementation Plan of Action:

The District has implemented procedures to reconcile cash receipts reported in WinCap to the cash receipts log. The employee recording the cash receipts in the log is independent of the employee who records the cash receipts in the accounting system.

Responsible Individual(s): Assistant Superintendent for Business, Principal Clerk Typist, Principal Account Clerk

Implementation Date: This management comment has been corrected during the 21/22 fiscal year.

### Fund Balance Management

#### Unassigned Fund Balance

Recommendation:

During our prior year audit, we noted that under Section 1318 of NYS Real Property Tax Law limits unassigned fund balance not to exceed 4% of the subsequent year's budget. We noted the District's unassigned fund balance at June 30, 2020 exceeded the legal limit and represented 5.53% of the 2020-2021 budget.

We recommended the District monitor its financial activity and fund balance throughout the year, and consider establishing any applicable reserve funds in the future, in order to maintain an unassigned fund balance in the general fund of 4.00% or below.

Status: Implemented

### Extraclassroom Activity Funds

#### Cash Receipts

Recommendation:

Cash Receipts During our prior year testing of extraclassroom cash receipts, we noted the following:

- 12 out of 40 cash receipts selected for testing were missing supporting documentation such as copies of checks, or a listing of payers to substantiate the source of funds.
- 15 out of 40 cash receipts tested were missing one or more required authorization signatures.
- 5 out of 40 cash receipts tested were missing deposit slips.

We recommended that supporting documentation be maintained for all receipts, as well as the deposit slip, and that all required signatures be obtained.

Status: Partially Implemented

Implementation Plan of Action:

Training has begun with the building principals and building treasurers. The District has coordinated ongoing training and oversight with the building treasurers to ensure uniformity with the extraclassroom activity funds.

Responsible Individual(s): Assistant Superintendent for Business, Accountant, District Treasurer

Implementation Date: This management comment has been corrected during the 21/22 fiscal year.

Cash Disbursements

Recommendation:

During our prior year testing of extraclassroom cash disbursements, we noted the following:

- 10 out of 40 cash disbursements selected for testing did not have a payment order form.
- 23 out of 40 cash disbursements selected for testing were missing one or more required authorization signatures.

We recommended that properly approved payment order forms be maintained for all cash disbursements.

Status: Partially Implemented

Implementation Plan of Action:

Training has begun with the building principals and building treasurers. The District has coordinated ongoing training and oversight with the building treasurers to ensure uniformity with the extraclassroom activity funds.

Responsible Individual(s): Assistant Superintendent for Business, Accountant, District Treasurer

Implementation Date: This management comment has been corrected during the 21/22 fiscal year.

Respectfully Submitted,

Linda E. Macias  
Assistant Superintendent for Business