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CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

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August 14, 2019

VIA EMAIL

Ms. Kathi Kivi
District Clerk
East Ramapo Central School District
105 South Madison Avenue
Spring Valley, NY 10977

Re: Year-End Claims Audit Report for 2018/2019

Dear Ms. Kivi:

Attached please find a copy of our claims audit 2018/2019 year-end summary report. Please distribute a copy to each of the Board members of the East Ramapo Central School District.

Thank you for your assistance in this matter.

Sincerely yours,

Darin V. Iacobelli

Darin V. Iacobelli, CPA/CFP, CFE

Enclosure

NAWROCKI SMITH LLP

Memorandum

*To: Board of Education
East Ramapo Central School District*

*From: Darin V. Iacobelli, CPA/CFF, CFE
Nawrocki Smith LLP, Certified Public Accountants & Business Consultants*

Date: August 14, 2019

Re: Claims Audit 2018/2019 Year-End Summary Report

We have provided claims auditing services to the East Ramapo Central School District for the time period commencing July 1, 2018 through June 30, 2019. The services we performed, as outlined in our initial proposal, included reviewing all claims against the District.

The claims audit function is an integral component of a properly designed system of internal controls. The Claims Auditor is responsible for ensuring that proper documentation and authorization are provided for each claim against the District. This responsibility includes formally examining, allowing, or rejecting all charges, claims, or demands against the District.

We performed the following claims audit procedures during each audit:

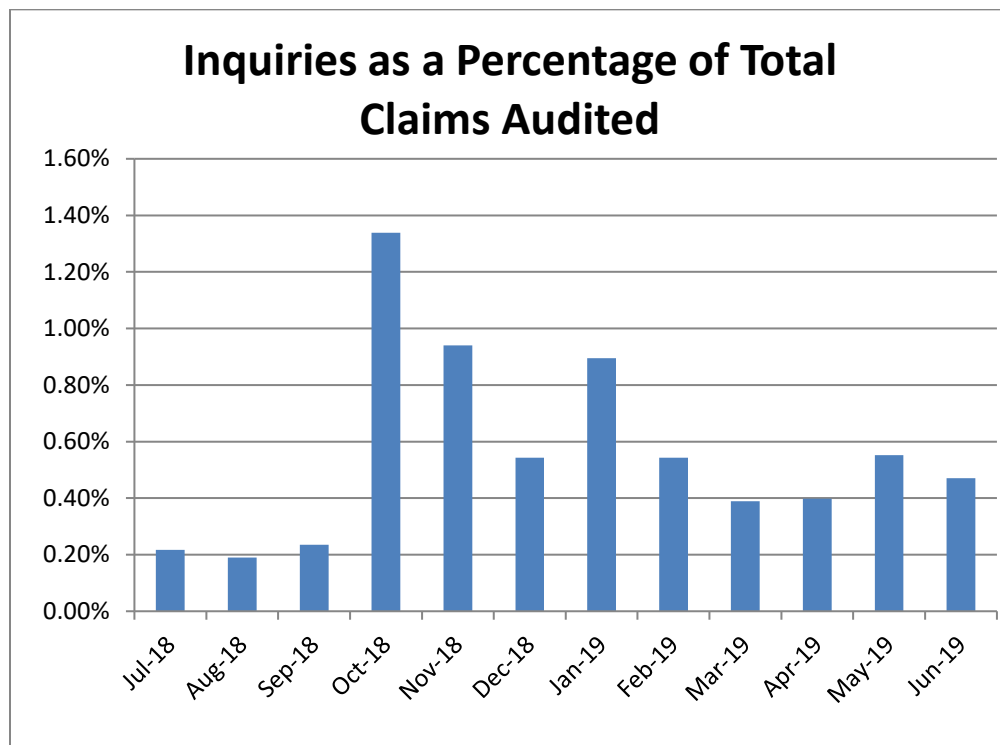
- (1) Verification of the accuracy of invoices & claim forms
- (2) Ensuring proper approval of all purchases; checking that purchases constitute legal expenses of the school district
- (3) Determining that purchase orders have been issued in accordance with Board of Education policy and applicable state laws
- (4) Comparison of invoices or claims with previously approved contracts
- (5) Reviewing price extensions, claiming of applicable discounts, and inclusion of shipping and freight charges
- (6) Approving all charges that are presented for payment which are supported with documentary evidence indicating compliance with all pertinent laws, policies, and regulations

Re: Claims Audit 2018/2019 Year-End Summary Report

We applied the above audit procedures to **11,059** claims against the District in the amount of **\$184,971,435.14** during the time period of July 1, 2018 through June 30, 2019. Based upon the audit process applied, we noted inquiries and/or observations pertaining to **742** claims, or approximately seven percent (6.71%), which are categorized on a monthly basis as follows:

Reason For Inquiry	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Total
Incorrect accounts payable amount	-	3	1	7	1	-	7	6	8	4	8	9	54
Incorrect remittance address	1	3	1	2	3	1	5	2	2	4	2	3	29
Insufficient supporting documentation	-	-	-	2	-	-	1	-	-	-	-	-	3
Invoice date precedes purchase order date	8	8	15	125	65	34	29	21	18	19	24	28	394
Invoice over 90 days outstanding	15	7	9	11	34	23	56	31	15	17	24	11	253
Not an original invoice or receipt	-	-	-	-	-	2	1	-	-	-	2	1	6
Paid late fees	-	-	-	-	-	-	-	-	-	-	1	-	1
Paid sales tax	-	-	-	1	1	-	-	-	-	-	-	-	2
Total Number (#) of Inquiries	24	21	26	148	104	60	99	60	43	44	61	52	742

Provided below is a graphical representation of the number of inquiries as a percentage of total claims during the time period of July 2018 through June 2019:



We would like to commend the Business Office for making necessary records available to us as requested. As a result of the limited number of observations, it is evident that Business Office personnel are making best efforts to comply with the purchasing requirements of the District. In an attempt to assist the District in improving the process, we have noted the following observations/recommendations:

Re: Claims Audit 2018/2019 Year-End Summary Report

- 1) We observed that three hundred and ninety-four (394) out of the 11,059 total claims, or approximately four percent (3.56%), were confirming purchase orders (invoice date precedes purchase order date) during the 2018-2019 school year. The practice of issuing confirming purchase orders bypasses the encumbrance process and does not permit the Purchasing Agent to consolidate orders or obtain the lowest possible prices in an effort to minimize costs. Additionally, confirming purchase orders represent that an employee has committed district funds without proper approval.
 - *We recommend that all purchases be subject to the encumbrance process and that purchase orders only be created and approved by the Purchasing Agent. Purchases made on an emergency basis should be supported by a memorandum or letter justifying the confirming purchase order.*

- 2) We observed that two hundred fifty-three (253) out of the 11,059 total claims, or approximately two percent (2.29%), were for invoices that were over ninety (90) days outstanding. It is important that invoices be submitted to the Business Office for processing in a timely manner to avoid the risk of incurring late fees or possible duplicate payments.
 - *We recommend that all invoices be submitted to the Business Office in a timely manner, ideally within ninety (90) days, to reduce the risk of incurring late fees or possible duplicate payments. If an invoice is submitted for payment more than ninety (90) days after the invoice date, a vendor payment history report should be attached to the invoice to provide evidence that the invoice has not already been paid by the District.*

We have observed strong clerical support within the East Ramapo Central School District Business Office as we noted very few, or no, occurrences of:

- Applied to incorrect budget code
- Discount not applied
- Duplicate payment
- Incorrect remittance address
- Incorrect accounts payable amount
- Incorrect purchase order number
- Insufficient supporting documentation
- Invoice greater than purchase order
- Missing receiving or approval signature
- Missing approval amount
- Not an original invoice or receipt
- Paid sales tax
- Paid late fees
- Purchase order made without a purchase order
- Receipts not itemized
- Reimbursement not in accordance with contract

If you require any further information or have any questions regarding the Year-End Claims Audit Report for 2018-2019, please feel free to contact Darin V. Iacobelli at (631) 756-9500.

Very truly yours,
Nawrocki Smith LLP

Nawrocki Smith LLP, Certified Public Accountants and Business Consultants