East Ramapo Central School District
Internal Audit Report On
Purchasing and Related Expenditures

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We have completed our internal audit of the East Ramapo Central School District's (the "District") purchasing and related expenditures process for the period July 1, 2022, through June 30, 2023.

We are pleased to present the observations and recommendations from our internal audit of the District's purchasing and related expenditures process. The audit was conducted to evaluate the efficiency, effectiveness, and compliance of the purchasing and related expenditures process with relevant policies, procedures, and regulatory requirements, where applicable. Our audit objectives were designed to assess the control environment, internal controls, and risk management practices surrounding bidding, vendor selection, requisitioning, approvals and authorization, vendor payment and cash disbursements, expense reimbursement, and vendor maintenance.

Our procedures were not designed to express an opinion on the internal controls related to the purchasing and related expenditures process, and as such, we do not express such an opinion. Our audit of the District's purchasing and related expenditures process identified areas of strength as well as opportunities for improvement. By implementing the recommended enhancements, the District can further enhance the efficiency and effectiveness of its purchasing and related expenditures process.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District at your convenience.

This report is intended solely for the information and use of the Board, the Audit Committee and the management of the District and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
March 27, 2024

AUDIT SCOPE

The goal of our internal audit is to review the internal control system to provide recommendations to the District to assist management in improving the financial accounting, internal controls, and procedures related to the District's purchasing and related expenditures process. Our audit procedures were designed to review and identify areas for improvement in the internal control structure of the District's purchasing and related expenditures process. The procedures and results of the audit procedures performed are included in the following pages.

Our observations and recommendations are directed toward improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the District.

OVERVIEW, PROCEDURES PERFORMED, OBSERVATIONS, AND RECOMMENDATIONS

AREA: BID PROCESS AND EVALUATION

Overview: The District follows General Municipal Law and requires that purchase contracts for material, equipment and supplies involving an estimated annual expenditure exceeding $20,000 and public work contracts involving an expenditure of more than $35,000 will be awarded only after responsible bids have been received in response to a public advertisement soliciting formal bids. Request for proposals "(RFPs") and bids are posted on the District website and Bidnet for the public to respond to. RFPs and bids are posted for two to three weeks depending on the type of RFP/bid to give bidders an appropriate time to respond. The Purchasing Agent is responsible for opening sealed bids alongside the Principal Purchasing Clerk Typist who is a witness. The District awards RFPs and bids based on the "Best Value" principle.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6720, *Bidding Requirements and Procedures*

Procedures Performed:

- Reviewed published Board policies to ensure the District's bidding process is documented, conforms with District policies, as well as applicable regulatory requirements, and accurately reflects the current operations of the District.
- Inquired with key District personnel to obtain an understanding of the bidding and evaluation process.
- Selected ten vendors to verify:
    - Adherence to statutory thresholds, bid advertising requirements, competitive bidding thresholds, and documentation standards.

- Bid notices are adequately publicized through appropriate channels, such as newspapers, District website, and procurement portals.
- Completeness and accuracy of bid documents, ensuring alignment with procurement requirements and objectives.
- Review documentation of bid evaluation criteria.

Observation: Policy #6720, *Bidding Requirements and Procedures*, states all purchase contracts for supplies, materials and equipment involving expenditures in excess of $10,000 and all contracts for public works in excess of $20,000 be awarded to the lowest responsible bidder after advertising for sealed bids. We noted these thresholds are different from the thresholds listed in Policy #6700, *Purchasing,* as well as from the thresholds stated in General Municipal Law.

Recommendation: We recommend the District review the published policies to ensure all thresholds are uniform for all related policies.

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AREA: REQUISITIONING

Overview: The District's requisitioning process is processed through *nVision*, the District's accounting information system ("AIS"). Purchase requisitions are initiated by the clerks of each building/department, then forwarded to an appropriate supervisor to review and approve. The approval path is also documented within the AIS. Any supporting documentation, such as bids and quotes, are scanned into the AIS and forwarded to the business office for the Purchasing Agent to review and approve. Once approved, the requisition is then converted into a purchase order within the AIS.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6710, *Purchasing Authority*

Procedures Performed:

- Reviewed published Board policies to ensure the District's requisitioning is documented, conforms with District policies, and accurately reflects the current operations of the District.
- Inquired with key District personnel to obtain an understanding of the requisitioning process.
- Reviewed role assignments and system permissions to ensure appropriate segregation of duties among personnel involved in the purchasing process.

- Selected twenty-one disbursements to verify:
    - The completeness and accuracy of authorization documentation, including signatures, dates, and supporting documentation.
    - Reviewed approval workflows through the AIS to ensure the approval process is operating as intended.

Observation: No exceptions noted.

Recommendation: None noted.

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AREA: AUTHORIZATION AND APPROVAL PROCESS

Overview: Once the Purchasing Agent reviews and approves the purchase requisition, it is converted to a purchase order. Only the Purchasing Agent and Deputy Purchasing Agent have the system permissions to convert requisitions into purchase orders. The approval process and the layers of approval are documented within the AIS.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6710, *Purchasing Authority*
- Policy #9120.1, *Employment – Conflict of Interest*

Procedures Performed:

- Reviewed published Board policies to ensure the District's authorization and approval process is documented, conforms with District policies, and accurately reflects the current operations of the District.
- Reviewed the AIS permissions to ensure only Board authorized individuals can convert purchase requisitions into purchase orders.
- Selected twenty-one disbursements to verify:
    - The completeness and accuracy of authorization documentation, which includes signatures, dates, receiving reports and supporting documentation was retained.

Observation: No exceptions noted.

Recommendation: No recommendations noted.

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AREA: VENDOR PAYMENTS AND CASH DISBURSEMENTS

Overview: Once the business office receives the invoice and the receiving report from the requisitioning department, the invoices are entered into the AIS and a vendor check will be printed in the next check cycle. Before the checks can be mailed to vendors, all vouchers are presented to the District's external claims auditor for review and approval. The claims auditor is not involved in any other processes by the District and is responsible for ensuring sufficient documentation and approvals exist for all outgoing vouchers.

Relevant Board Policies Examined:

- Policy #6700, *Purchasing*
- Policy #6700-R, *Purchasing Regulation*
- Policy #6650, *Claims Auditor*
- Policy #6410, *Authorized Signatures*

Procedures Performed:

- Reviewed published Board policies to ensure the District's vendor payments and cash disbursement process is documented, conforms with District policies, and accurately reflects the current operations of the District.
- Reviewed claims auditor reports to ensure monthly claims reports are presented to the Board of Education.
- Sampled twenty-one disbursements to verify that disbursements are properly supported by documentation such as invoices, receipts, or authorization forms, and the claims auditors review is clearly documented.

Observation: The District does not have a written policy outlining procedures specifying who is authorized to initiate, approve, transmit, record, review and reconcile electronic payments/transactions.

Recommendation: We recommend the District develop a written policy outlining procedures for electronic or wire transfers. Once written, we recommend the Board review and approve this policy. Once approved, the District should post the policy on the District website.

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AREA: TRAVEL AND CONFERENCES/EXPENSE REIMBURSEMENT

Overview: The District allows employees to be reimbursed for reasonable, actual, and necessary out-of-pocket expenses incurred while traveling for school district related activities that have been preapproved by the Superintendent of Schools. Reimbursement will be made for expenses covering fees and/or registration, hotel and travel accommodation, and other reasonable out-of-pocket expenses. Mileage will be reimbursed using the rate issued by the Internal Revenue Service for related travel. To obtain an expense reimbursement, the staff member must complete and sign an expense voucher, attach all itemized receipts or other expense documentation, together with a copy of the approved conference attendance request form and evaluation report (if required), which is then submitted to an appropriate administrator.

Relevant Board Policies Examined:

- Policy #6830, *Staff Travel Conference Expense Reimbursement*
- Policy #6830-R, *Staff Travel Conference Expense Reimbursement Regulation*
- Policy #9170, *Meals and Refreshments*
- Policy #2520, *Board Member Training*

Procedures Performed:

- Reviewed published Board policies to ensure the District's travel and conferences/expense reimbursement process is documented, conforms with District policies, and accurately reflects the current operations of the District.
- We selected ten transactions related to travel and conference expenditures and employee reimbursements to verify:
    - The District obtained proper approvals prior to reimbursement,
    - Retained itemized receipts,
    - Utilized proper reimbursement rates,
    - Verified sales tax was not reimbursed, and
    - Retained proof of attendance for training, if applicable.

Observation: No exceptions noted.

Recommendation: No recommendations noted.

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AREA: VENDOR MAINTENANCE:

Overview: The District's AIS is responsible for maintaining vendor information such as address, ID number, 1099 status, etc. When a new vendor is entered into the AIS, the District is required to obtain a completed IRS Form W-9 for each new vendor. District employees are required to complete a disclosure form annually to ensure no conflicts of interest exist between employees and vendors used by the District. The purchasing department is responsible for handling vendor files such as adding, inactivating, and modifying vendors within the accounting information system.

Relevant Board Policies Examined:

- Policy #9120.1, *Employment – Conflict of Interest*

Procedures Performed:

- Reviewed the District's policies and procedures related to conflict of interest.
- Reviewed the master vendor file and filtered data to verify the following:
    - Sorted data by vendor name, vendor identification number, purchasing and legal address to ensure multiple vendors are not assigned to one purchasing or legal address.
    - Sorted data by vendor name, vendor identification number, and federal identification to ensure different vendors do not have the same federal identification number.

Observation: We noted the District recently transitioned to a new accounting information system. When the vendors were imported from the previous system's vendor listing, it is believed that vendor information such as addresses, federal identification numbers, and other vendor information may have been duplicated as a result.

Recommendation: We recommend the District review the master vendor file and remove any duplicate vendors as a result of the conversion process. We also recommend the District adopt procedures to review the vendor master file annually to ensure vendors are not duplicated within the listing.

Observation: We noted the District does not have a process in place to document the review and approval of vendor changes outside of the purchasing department.

Recommendation: We recommend changes made to existing vendors should be reviewed and approved by someone outside of the purchasing department, and that this review be documented.

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CORRECTIVE ACTION PLAN

The District is required to prepare a corrective action plan in response to any findings contained in the internal audit reports. As per Commissioner's Regulations §170.12, a corrective action plan, which has been approved by the Board, should be submitted to the State Education Department within 90 days of the receipt of a final internal audit report.

The approved corrective action plan and a copy of the respective internal audit report should be submitted using the NYSED Business Portal.

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