



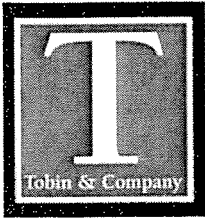
**East Ramapo Central School District
Intensive Review of Budget Process**

Fulfilling the State requirement for the fiscal year ending June 30, 2021

East Ramapo Central School District

Table of Contents

Cover Letter	1
Overview	2
Executive Summary	3
Budget Guidelines - NYS.....	4
Suggested Documents – NYS and COVID-19 Effect.....	5
District Budget Process	6-7
Interviews with Department Heads and District Budget Transfer Policy	8
Test Results	9
Best Practice Comparison and Areas for Potential Improvement.....	10-11
Areas for Potential Improvement and Conclusion	12



TOBIN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, PC

To the Board of Education of the
East Ramapo Central School District
Spring Valley, New York

We have performed an intensive review of the Budget Process for the East Ramapo Central School District (the District). The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative for the fiscal year ended June 30, 2021.

Our report provides the results of our review and attribute testing of the selected area. In addition, our report provides observations and recommendations for any areas for which we believe improvements can be made to existing processes and internal controls.

We are pleased to have had the opportunity to serve you and look forward to reviewing this report in detail with you. We would also like to thank the Board of Education and the employees of the East Ramapo Central School District for their time and assistance during our engagement.

Sincerely,

Tobin & Company
Certified Public Accountants, PC

Purchase, New York
April 28, 2021

East Ramapo Central School District

Overview

We have performed an intensive review of the Budget Process at the request of the Board of Education (the Board) of the East Ramapo Central School District (the District). Our engagement focused on the following:

- Review of NYS Guidelines used to develop District budget.
- Review of the Board approved Budget Calendar for the June 30, 2021 school year – comparing to timing changes made by NYS resulting from the COVID-19 pandemic.
- Review of documents used in determining the June 30, 2021 District budget.
- Review of Board minutes to ensure Budget Calendar was followed.
- Review of the District budget transfer process.

During our engagement we performed the following procedures:

- We interviewed key personnel directly involved in the budget process.
- We reviewed and tested forms and documentation used in the processes of budget preparation.
- We evaluated internal controls, policies, and procedures, and how they relate to current practice.
- We reviewed the audit reports issued by the District's External Auditors relating to budgeted amounts.
- We prepared a timeline chart based on the Board approved Budget Calendar for the budget process showing target dates to complete tasks and if or when those tasks were completed.
- We tested 19 budget transfers that were completed between October 1, 2020 and December 31, 2020 to ensure all back-up material was included.

Key personnel interviewed during our review process were as follows:

Interim Assistant Superintendent for Business – *Linda Macias*

Interim Superintendent – *Dr. Raymond Giamartino, Jr.*

District Treasurer – *Israel Bier*

Director of Physical Education, Health and Athletics – *Joe Toombs*

Assistant Superintendent for Bilingual Education and World Languages – *Melissa Barrow*

Assistant Superintendent for Curriculum and Instruction – *Ogechi Iwuoha*

Interim Director of Facilities – *Howard Hyman*

Director of Fine and Performing Arts – *Michael Smith*

Associate Director of Information Technology and Cyber Security – *Bhavin Gandhi*

Director of Transportation – *Doug Schwegler*

Assistant Superintendent for Special Education – *Tamar Walker*

Interim Executive Director of Grants and Program Accountability – *Dr. James Maddison*

East Ramapo Central School District

Executive Summary

During our review we noted the District has many areas for potential improvement. Management is aware of the importance of internal controls and continually looks to implement them as needed. The body of the report further describes our observations, recommendations and assessments. Below is a summary of our observations:

Summary of areas for potential improvement:

- 1) There is a lack of cooperation and engagement between the District Treasurer and the rest of the Business Office, especially when it comes to the budget process.
- 2) The monthly Treasurers Report frequently provides inaccurate account, expense and revenue information.
- 3) While the District has a valid Budget Calendar for developing the 2020-2021 school budget, it does not show who is responsible for completing each task.
- 4) Only the Superintendent and Assistant Superintendent for Business were involved in developing the budget for the 2020-2021 school year.
- 5) Department heads or budget development forms were not used in generating the budget for the 2020-2021 school year.
- 6) There was no documentation or justification for increases or decreases to budget codes.
- 7) The District does not currently have a budget procedure manual for department heads.
- 8) The District has not utilized all revenue sources to offset expenses within the budget.
- 9) The District does not use specific software for development and utilization of its annual budget.
- 10) The District does not have a formal communication plan to inform the Board when there are changes to state aid during the current school year.

East Ramapo Central School District

Budget Guidelines - NYS

Budget Process Overview – per NYS Guidelines

While school districts vary in exact methods for developing an annual budget, there is a general list of guidelines and documentation that districts should use and gather to develop a workable budget for the upcoming year.

Processes:

New York State provides eight (8) general steps that should be followed for the development of a workable budget for the upcoming year:

- 1) A Budget Calendar should be developed to set up a time frame for progressive completion of the various steps in the budget process.
- 2) Budget forms and instructions should be distributed to all department heads and should include all revenue and expenditure account codes used for the prior two years, along with actual and budgeted estimates from the previous fiscal year, and current year-to-date totals. The forms, given to department heads, should contain an area to explain significant increases or decreases to the current year amounts.
- 3) Once forms are completed, these budgetary requests should be returned to the budget officer.
- 4) The budget officer (Superintendent) then compiles the requests received from the department heads to develop a tentative/proposed budget. The budget officer should assess whether total departmental expenditures exceed estimated financial resources while also ensuring that the tentative/proposed budget meets all legal requirements.
- 5) The budget officer then presents the tentative/proposed budget to the governing board for consideration and approval. During the presentation process, back-up documentation may be requested, and several revisions may be required. The budget that is ultimately approved by the governing board needs to be balanced: total financing sources from estimated revenues, appropriated fund balance, and appropriated reserves equaling the dollar amount of appropriations for expenditures.
- 6) The District should then publish a notice and hold a public hearing on the budget. Alterations and revisions may need to be completed after the public hearing.
- 7) The governing board adopts the final version of the budget and puts it up for a public vote. If the budget is voted down, the original or revised budget can be put up for a second vote. If defeated a second time, the District would then revert to and operate under a contingency budget.
- 8) The last step of the budget preparation process is the calculation of the real property tax levy.

East Ramapo Central School District

Suggested Documents – NYS and COVID-19 Effect

Information Sources Used in Budget Preparation:

- 1) Modified budgets for prior and current year
- 2) Prior year's financial reports
- 3) Current year revenue and expenditure information to date
- 4) Debt service requirements, contracts, and other commitments
- 5) Current economic conditions affecting revenue generation
- 6) Cash flow reports and revenue projections
- 7) State and federal aid information
- 8) Collective bargaining agreements
- 9) Service contracts with other governments
- 10) Multiyear capital plans
- 11) New and pending legislation
- 12) Rate of inflation
- 13) Current interest rates
- 14) Tax and debt limit information – if applicable
- 15) Strategic plans
- 16) Input from stakeholders – including taxpayers and other interested groups

COVID-19 Effect on Budget Process

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak as a global pandemic. This resulted in all non-essential businesses in the United States to be shut down, including in-person education and school district offices in an effort to slow or limit the spread of the virus.

As a result of the shutdown, Governor Andrew Cuomo modified the budget voting process in New York State for the June 30, 2021 school year. Modifications included the elimination of the in-person vote, making the entire process absentee balloting. Another modification was moving the date of the vote from May 19, 2020 to June 9, 2020 for ballots that were dropped off in person. If the ballots were mailed, the postmark needed to be dated by June 16, 2020. The change in voting date also extended some of the key deadlines found in the original Budget Calendar, while also making all public meetings remote instead of in person.

Another effect of the COVID-19 pandemic was a 20% shortfall in State Aid to all school districts within New York. The 20% reduction in aid started to be withheld with the June 2020 disbursements for the June 30, 2020 school year. During the second week of August 2020, Governor Cuomo announced he would withhold payments scheduled for July and August in response to New York State dealing with a \$14 billion decline in revenues. The 20% reduction in aid will not immediately affect Foundation Aid, which is the main form of aid to school districts. New York State will reduce other forms of aid to districts including Pre-Kindergarten, Construction and Special Education placements. Due to the shortfall, the District's reduction in State Aid was approximately \$22 million. The \$22 million shortfall was not brought to the attention of the Board of Education when District administration was made aware of the dollar amount being withheld.

East Ramapo Central School District

District Budget Process

District Policy on Budget Process

One of the key elements for the development of a comprehensive, workable budget is to select someone who is ultimately responsible for the development and enactment of the operating budget from year to year. Per District policy #6112, "Budget Process:"

After receiving guidelines from the Board of Education, the Superintendent of Schools shall determine budget priorities for the school district which reconcile the educational needs of the district with the community's fiscal resources.

From these priorities, the Superintendent shall make budget recommendations available to the Board of Education for their thorough review. A public informational meeting on the budget shall be held prior to the annual meeting at such time and location designated and publicized by the Board of Education. At the public informational meeting, the budget shall be explained, and the Board shall consider comments, reactions and suggestions from the public concerning the budget.

The Board, in its discretion, may modify the budget subsequent to the public informational meeting, but must adopt a final budget not less than fourteen days prior to submission for voter approval in accordance with State Education Law.

A public hearing on the final budget shall be scheduled according to State Education Law at least seven days, but not more than fourteen days, before the date of the annual vote.

Budget Process for the June 30, 2021 School Year

The District began the budget planning process for the June 30, 2021 school year in November 2019 with the development of a "Budget Calendar." This calendar shows the dates when certain stages of the budget process must be completed. This keeps those charged with the development of the budget on a timeline to ensure timely completion of all the necessary budget steps. The Budget Calendar for the District was approved by the Board of Education at its November 18, 2019 meeting.

East Ramapo Central School District

District Budget Process

The following chart shows the District's Budget Calendar of when steps in the budget process should be completed and when they actually were completed:

Budget Calendar Item	Date Scheduled to Be Completed	Date Actually Completed
School based budget process/curriculum alignment	11/18/2019	*
Adopt Budget Calendar	11/18/2019	11/18/2019
Submit information for calculation of tax levy limit to State Comptroller's Office	2/28/2020	3/3/2020
Superintendent's budget outline presented to the Board	3/3/2020	3/3/2020
Superintendent's preliminary budget presented to Board	3/17/2020	*
Discussion of budget at Board of Education meetings	Until Adoption of Budget	4/21, 5/5, 5/19, 5/26
Propositions by citizens which must be included in the Notice of Annual Meeting	3/20/2020	*
Submit proposed budget to the Commissioner of Education	4/3/2020	*
Publish first Notice of public hearing and annual meeting in official newspapers	4/3/2020	*
Commissioner presents findings to the Board of Education	4/17/2020	*
Propositions by citizens except those above to be included in Notice of Annual Meeting	4/20/2020	*
Deadline for submission of petitions nominating Board candidates	4/20/2020	*
Adopt 2020/2021 budget	4/21/2020 - Last possible date 4/28/2020	4/21/2020
Make initial proposed budget, Commissioner's findings and final proposed budget available on the District's website	After adoption and prior to vote	*
Submit Property Tax Report Card	No later than 4/27/2020 but due 4/22/2020	*
Hold public hearing on Budget	5/5/2020	5/26/2020
Deadline for submission of absentee ballot applications	5/12/2020 (mail) or 5/18/2020 (in person)	*
Mail budget newsletter	5/13/2020	*
Last day for personal voter registration with District Clerk	5/12/2020	*
Hold annual meeting/budget vote	5/19/2020	6/9/2020

Note 1: Some deadlines extended due to Governor Cuomo's extension of the school budget vote

Note 2: A "*" indicates Auditor was unable to verify topic was completed.

East Ramapo Central School District

Interviews with Department Heads and District Budget Transfer Policy

Interviews with Department Heads:

We interviewed the following department heads who should all contribute during the budget process each school year:

- Treasurer
- Physical Education, Health and Athletics
- Bilingual and World Languages
- Curriculum and Instruction
- Facilities
- Fine and Performing Arts
- Information Technology and Cyber Security
- Transportation
- Special Education

During our interviews we noted similar answers being given by each of the department heads. Some of the more noteworthy responses include:

Question Asked	Response Given by Department Heads
What would you do if you needed to transfer funds into one of your codes?	I would go to the prior business official and he would just transfer funds into the code.
Have you received any formal budget process or budget development manual?	I have not received any formal process and don't know of any budget development manual.
Were you ever involved in the budget process?	Not until this year. Previously, despite department needs, I was told this is my budget and to make it work.
Do you have access to and know how to use the financial software to review your budget codes?	I do have access to the software, but do not really understand how to use it.

District Policy on Budget Transfers:

One of the key elements during the school year for successfully developing a comprehensive, workable budget is to transfer funds between various codes in order to pay for unforeseen expenses. Per District policy #6150, "Budget Transfers:"

The transfer of funds between and within functional unit appropriations of the general fund is commonly required during the school year. The Superintendent of Schools, and his designee, in accordance with the Regulations of the Commissioner of Education, is authorized to make budget transfers between line-item accounts, so long as the transfer for any one item does not exceed ten percent (10%) of the amount appropriated by the Board of Education for that functional unit. All transfers in excess of ten percent (10%) require Board approval. The Superintendent shall report any transfers to the Board as an information item at the next meeting following the transfer(s).

During the fiscal year, the sum of all net additions to the Treasurer's Report expenditure account items shall not exceed 1/2 of 1% of the total budget. Additions in excess of this limitation require Board approval.

East Ramapo Central School District

Test Results

Test Results

Budget Transfers

During our engagement we randomly selected nineteen (19) budget transfers for review. We reviewed for the following:

- 1) The dollar amount of the transfer and the percentage of the total budget for that unit.
- 2) Budget transfers that exceeded ten percent of units appropriated amount were approved by the Board.
- 3) Signed request from Department Head approving the budget transfer.
- 4) Budget request form showing dollar amount to be transferred, code(s) where the funds are coming from and code(s) where the funds are going to.
- 5) Budget Request form is signed off by the Assistant Superintendent for Business approving the transfer, and the employee who is entering transfer after it has been completed.
- 6) Back-up showing where the funds are coming from have enough to cover the transfer, and also showing the original budgeted amount to determine if transfer needs to be approved by the Board.
- 7) Budget transfers are filed chronologically for the respective school year.

We noted the following:

- **Of the nineteen (19) budget transfers selected for review, thirteen (13) transfers exceeded the ten percent threshold to be approved by the Board (see table below). Of these thirteen (13) transfers, none were brought to the attention of the Board to approve.**
- **There were no budget request forms signed by the department head approving the transfer.**
- **There were no forms available showing the dollar amount to be transferred, code(s) where the funds are coming from and the code(s) where the funds are going to. We were also unable to verify if these transfers were entered as approved.**
- **There was no back-up available to verify that the code(s) where the funds were transferred from had enough to complete the transfer.**
- **There was no budget transfer book, file or supporting documentation for any of the budget transfers done in the June 30, 2021 school year.**

Budget Code	Transaction ID	Transfer Amount Going Out	June 30, 2021 Budgeted Amount	Percentage of Code Budget	Eligible for BOE Approval	Approved by BOE
A1671-407-30-0000	010434	10,000	10,000	100.00%	Yes	No
A2021-400-60-0000	011352	25,000	25,000	100.00%	Yes	No
A1621-405-60-0047	009000	4,900	5,000	98.00%	Yes	No
A2010-411-60-0000	011356	4,000	4,500	88.89%	Yes	No
A1680-200-60-0000	010434	5,000	6,000	83.33%	Yes	No
A2630-460-46-0000	010196	258,988	465,158	55.68%	Yes	No
A1621-405-60-0031	009000	3,100	5,600	55.36%	Yes	No
A1240-450-30-0000	011352	10,000	20,000	50.00%	Yes	No
A2610-460-46-0000	010196	74,303	198,637	37.41%	Yes	No
A1621-457-60-0032	008776	15,000	45,500	32.97%	Yes	No

East Ramapo Central School District

Best Practice Comparison and Areas for Potential Improvement

School District “Best Practice” Comparison:

We also compared the District to other school districts of similar size against “best practice” procedures and commonly found weaknesses to determine how the District rated.

Best Practice Procedures based on 2020-2021 Budget Process	East Ramapo Central School District	School District M	School District C	School District W
2020-2021 Budget (approximately)	\$247,000,000	\$260,000,000	\$128,000,000	\$233,000,000
Is there a formal budget development manual for the budget process	-	-	-	-
Strategic goals, plans and objectives are established for the next school year	✓	✓	✓	✓
Strategic goals, plans and objectives are communicated to department heads	-	✓	✓	✓
Budget preparation instructions are distributed to department heads	-	✓	✓	✓
Department heads receive an objective pathway to the budget process	-	✓	✓	✓
Feedback and open dialogue are encouraged during the budget process	-	✓	✓	-
Department Heads/building administrators receive status logs to review current budget standing	-	✓	-	-
Department Heads/building administrators have access to financial software	+	✓	✓	✓
Department Heads/building administrators receive revenue detail which offsets cost	-	-	-	-
Department Heads/building administrators are made aware of large variances to their codes	-	-	✓	✓
Has defined process for when budget codes need to be increased	-	✓	✓	✓
Has defined process for communicating budget changes to the Board	✓	-	✓	✓
Has specified software that assists in budget preparation and analyzation	-	✓	✓	-

** denotes that procedure exists, however improvement is needed.*

Areas for Potential Improvement:

- 1) Observation: There is a lack of interaction between the District Treasurer and the rest of the Business Office, especially when it comes to the budget process.
Recommendation: The District Treasurer is an important component to the Business Office and should play an important role when it comes to the development of the District’s budget for the upcoming school year. Getting the Treasurer involved in the budget process with responsibilities such as answering department head questions or supplying them with pertinent information will greatly assist the Business Office in creating the new budget.

- 2) Observation: The monthly Treasurers Report frequently provides inaccurate account, expense and revenue information.
Recommendation: Monthly Treasurer’s Reports are a vital tool in developing the budget for the next school year. Before being submitted, they should be reviewed by the treasurer with information that has been entered into the financial software to verify its accuracy. Any variances should be researched and adjusted accordingly.

- 3) Observation: While the District has a valid Budget Calendar for developing the 2020-2021 school budget, it does not show who is responsible for completing each task.
Recommendation: Within the Budget Calendar, the District should consider identifying who is responsible for each task. Accountability can lead to a more efficient and timelier budget process.

East Ramapo Central School District

Best Practice Comparison and Areas for Potential Improvement

Areas for Potential Improvement: (continued)

- 4) Observation: During our review, we noted that only the Superintendent and Assistant Superintendent for Business were involved in developing the budget for the 2020-2021 school year.
Recommendation: While the Superintendent and Assistant Superintendent for Business are integral parts of the budget development process, they are not able to estimate the needs of each department. Department heads should be held accountable for the development of their own budgets and thus be able to explain any major increases or decreases to each of their expense and revenue codes.
- 5) Observation: During our review, we noted department heads were not utilized and that no budget development forms were used to prepare the District budget for the 2020-2021 school year.
Recommendation: Department heads should be utilized in the development of their respective budget. One way to get them involved is to distribute forms to each of the department heads showing all their expense and revenue codes. These forms should show prior year expenses and revenues and current year-to-date expenses and revenues. This form should have an area for department heads to input expenditure requests for the next year with any explanations for large increases or decreases to the current year amounts.
- 6) Observation: During our review of budget backup, we noted no documentation or justification for increases or decreases to budget codes.
Recommendation: Best practice dictates having an explanation accompany any significant changes to any budget. With a lack of backup documents, the numbers used in the 2020-2021 school year cannot be fully justified. A few examples of backup information that can be used to justify a budget change that is being considered includes: using the budget status report in the monthly Treasurers Report, notifications from NYS regarding state and federal aid distribution changes, and copies of bargaining unit agreements showing wage increases.
- 7) Observation: The District does not currently have a budget procedure manual for department heads.
Recommendation: Having a budget procedure manual will help Department Heads develop their annual budget. These written guidelines and procedures will not only help current department heads but will also provide structure and a base for subsequent budget preparation.
- 8) Observation: The District has not utilized all revenue sources to offset expenses within the budget.
Recommendation: The District should look at all potential revenue sources available to help offset expenses from year to year. Some unused options available to the District include STAC billing, billing districts who have had students placed in private schools District and billing school districts during the current school year who have students enrolled in the District and have received health and welfare services during the year.

East Ramapo Central School District

Areas for Potential Improvement and Conclusion

Areas for Potential Improvement: (continued)

- 9) Observation: The District does not have a software specific for development and utilization of their annual budget.

Recommendation: The District should look to add a financial software package that has a component that is strictly focused on budget development and utilization. Programs like Budget Dashboard and nVision have a budget module that will assist the District with budget development and would make the process more automated and accurate. The District should also conduct annual training sessions for department heads on how to use the software. This would allow department heads to use the financial software and to review and track their respected budget codes effectively, and actively.

Conclusion

We noted several areas for improvement with the budget development process, some of which resulted from the previous administration reluctance to involve anyone outside of Business or Superintendent's Office to developing the budget. Having backup justifying a budget transfer is important to the budget process. It will allow for more accurate budgeting for the next fiscal year. Department heads are a vital resource when it comes to developing an annual budget since they possess the most direct knowledge of what their department could use and/or bring in revenue wise each school year. We believe that addressing the recommendations contained in this report will further solidify controls and processes over budget preparation.