



Alfred-Almond Central School District Financial Software Access and Monitoring

Report of Examination

Period Covered:

July 1, 2013 — November 6, 2014

2014M-371



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	3
FINANCIAL SOFTWARE ACCESS AND MONITORING	4
Recommendations	7
APPENDIX A Response From District Officials	8
APPENDIX B Audit Methodology and Standards	11
APPENDIX C How to Obtain Additional Copies of the Report	12
APPENDIX D Local Regional Office Listing	13

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2015

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Alfred-Almond Central School District, entitled Financial Software Access and Monitoring. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Alfred-Almond Central School District (District) is located in the Towns of Alfred, Almond, Ward and West Almond within Allegany County and the Towns of Hartsville and Hornellsville within Steuben County. The District is governed by the Board of Education (Board) which comprises five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. In addition to the Superintendent, the District contracts with the Cattaraugus-Allegany Board of Cooperative Educational Services for the services of a Business Manager, who is responsible for overseeing Business Office operations.

There is one school in operation within the District, with approximately 690 students and 120 employees. The District's budgeted appropriations for the 2014-15 fiscal year are approximately \$12.5 million, which are funded primarily with State aid, real property taxes and grants. The District uses a software package from a third-party vendor to process the majority of the District's financial operations, including cash receipts, cash disbursements and employee payroll.

Objective

The objective of our audit was to determine if access to the District's financial software was appropriately limited and monitored. To satisfy this objective, our audit addressed the following related question:

- Have District officials taken appropriate action to safeguard District information when establishing and monitoring user accounts within the District's financial software?

Scope and Methodology

We examined user access and activity within the District's financial software for the period July 1, 2013 through November 6, 2014. We extended our audit period back to April 23, 2013 to analyze the former District Treasurer's user activity.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of
District Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they have initiated or plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Financial Software Access and Monitoring

Effectively established procedures over access rights to a financial software application should allow users access to only those functions that are consistent with their job responsibilities, require monitoring of user activity on a periodic basis and prevent users from being involved in multiple aspects of financial transactions. Good internal controls require that users have access to only those functions within the financial software for which they have a specific need to perform their job duties. While cross-training on certain applications such as payroll and accounts payable is necessary, the ability to perform these functions should only be assigned in the absence of the person originally responsible for each function. Furthermore, the granting of temporary financial software permissions should only be done with the written consent of a District administrator and be carried out by a system administrator that is not directly involved with Business Office operations. In addition, a District administrator should periodically monitor user activity on audit logs¹ maintained by the financial system.

Although a previous Office of the State Comptroller audit² recommended that the District adopt policies and procedures that restrict users' financial software application permissions to only those functions that are necessary for their job duties, the District did not act on this recommendation. The District also has not adopted a formalized process for monitoring user activity for appropriateness. As a result, we identified 24 user accounts, or 69 percent of the established accounts, that had inappropriate or unnecessary access rights or permissions. We also confirmed that the former District Treasurer attempted to manipulate her paid leave accruals by adding 60 unauthorized sick days valued at approximately \$10,000. District officials notified us at the onset of our audit that they had discovered through an informal review of leave records that the former District Treasurer attempted to manipulate her paid leave records. District officials corrected the leave records, and the former District Treasurer did not receive any undue benefit.

The District does not have written procedures for adding, deleting or modifying individual access rights to the District's financial system

¹ An audit log maintains a record of activity by a computer system or application that identifies each person who accesses the system, records the time and date of the access, identifies the activity that occurred and records the time and date of log off.

² *Internal Controls Over Selected Financial Operations*, Report # 2009M-133, Office of the State Comptroller, September 2009.

or for the periodic monitoring of user activity. In addition, District officials did not designate an administrator who is independent of the financial recordkeeping functions. The former District Treasurer, four BOCES employees and the current District Treasurer all have been assigned full administrative access rights to the District's financial software. In addition, the Business Manager and District Treasurer established a "system administrator" user account within the financial software that shares a common user name and password. Therefore, these individuals have unrestricted access to all functions within the software package, can add new users to the system, can change users' access rights and can make or delete evidence of payments or receipts. The establishment of a shared account weakens the ability to review user activity and hold appropriate individuals accountable for system changes.

We reviewed the user permissions and associated access rights for the 35 established users within the District's financial software application. As evidenced by Figure 1, 24 users (69 percent) were granted inappropriate access rights.

Figure 1: Inappropriate Access Rights

Employer	Number of Users	Description of Inappropriate Access Rights Granted
Alfred-Almond CSD ^a	4	<p>Two employees had separated from District service and were still active within the system and should have had their access rights disabled. This includes a former elementary school principal who retired in December 2013 and the former District Treasurer^b who resigned her position in July 2013.</p> <p>Two current employees, the Business Manager and District Treasurer, were granted system administrator access rights. These rights should only be granted by Board policy and to an individual not associated with Business Office operations.</p>
Greater Southern Tier (GST) BOCES ^c	8	<p>Four employees who serve on a “cross trained^d/back-up” basis were granted permanent access rights to the system. These individuals should only be granted temporary access rights when needed.</p> <p>Three employees that no longer perform job duties/functions for the District were still active within the system and should have had their access rights disabled.</p> <p>One employee who formerly performed other functions for the Central Business Office is now acting as the District’s claims auditor and should have her access rights to the District’s financial software disabled.</p>
Erie 1 BOCES ^e	12	<p>Twelve employees that should have had temporary access assigned on an as needed basis only were granted permanent access rights to the system. This includes multiple users having unmonitored and unnecessary access to District employees’ personal information. In addition, four employees were inappropriately granted system administrator access rights.</p>
Total	24	

^a The Allegany-Cattaraugus BOCES employee serving as the District’s Business Manager was included in this category.
^b The former District Treasurer was also granted system administrator access rights.
^c According to District officials, the District contracted with the GST Central Business Office starting in July 2013 in an attempt to increase accountability and the control environment at the District.
^d This refers to the training of multiple employees in a certain performance area, for example, payroll processing, so that operations can continue in the absence of the regular employee responsible for certain job functions.
^e According to District officials, Erie 1 BOCES employees provide technical and processing support for the District’s financial software application on an as needed basis.

The Business Manager indicated that, when notified of an individual’s access needs within a specific function (i.e., human resources, accounting and payroll), he will simply copy and paste established permissions from another similar user for the individual needing access. The Business Manager completes this process without considering overall access to unneeded permissions or access rights to sensitive information such as personal employee information. For example, multiple Erie 1 BOCES employees had unrestricted access to view, add, change or delete District employees’ personal information.

Given the apparent inappropriate manipulation of leave records by the former District Treasurer and the complete lack of a formalized review

process of user activity within the financial system, we reviewed the audit log information for the 24 users discussed above. While we were able to confirm the former District Treasurer's attempted manipulation of leave records, we did not discover any other apparent attempts by users to personally benefit from the inappropriate assignment of access rights within our audit period.

Without the establishment of formalized processes and procedures for granting access rights and user permissions and the periodic monitoring of user activity, there is no reasonable assurance that District officials will be able to detect attempts made to inappropriately delete or alter financial data, initiate improper transactions or misappropriate funds without detection.

Recommendations

The Board should:

1. Develop policies for granting, changing and disabling access rights to the financial software system and assigning user access rights based on job duties.
2. Designate someone independent of Business Office operations to be the financial software system administrator.

District officials should:

3. Routinely generate and review financial software audit logs to monitor user activity and compliance with computer use policies.
4. Review the access rights granted to existing users and limit users' access rights to only those functions needed to perform their job duties.
5. Disable the established system administrator account and ensure that system administrator functions are carried out by the person appointed by the Board within their established user account.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

Alfred-Almond Central School

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Almond, New York 14804

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SUSAN BAIN-LUCEY
Secondary Principal

RICHARD N. CALKINS
Superintendent

TODD GOHO
Elementary Principal

March 16, 2015

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street – Room 1032
Buffalo, New York 14203-2510

Dear Sir:

Please accept this letter as the official response from the Alfred-Almond Central School District regarding the Draft Audit Report on “Financial Software Access and Monitoring” conducted by your office. This letter will present the District’s response to the recommendations and provide a general outline of the action steps that the District will take to appropriately address these issues.

Financial Software Access and Monitoring

The District recognizes the importance of insuring the careful oversight of its financial software system.

The District will carefully examine the recommendations presented in the draft report. The Board of Education in conjunction with District administration has started the collaboration process with the appropriate personnel to establish policies and procedures which will help to strengthen the oversight of its financial software and its associated users. Once the policies and procedures are finalized and approved, the District will then begin to put them into operation. The District has already taken steps to eliminate unnecessary users/permissions and has (as recommended) designated an individual, outside of the Business Office, to act as the financial software “system administrator”.

We appreciate the fact that you noted in your report, that, previous to this audit occurring, the District was able to identify and immediately address one occurrence of inappropriate use of the financial system by a former employee and that as a result of this action this individual did not receive any undue

benefit. Additionally, we are pleased to note that this audit revealed that there were no other instances where any individual utilized the financial software in an inappropriate fashion for their personal benefit.

We would like to thank your office for the recommendations and the beneficial approach in which the audit was carried out. This audit has provided the District with the opportunity to enhance the internal controls that it utilizes to insure the appropriate use and oversight of its financial software system and its associated users.

Sincerely,

Richard N. Calkins
Superintendent of Schools

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The overall goal of our audit was to determine if access to the District's financial software is appropriately limited and monitored. To determine this, our audit procedures included the following:

- We interviewed District officials to determine the processes that were in place for, and to gain an understanding of, granting and monitoring access to the District's financial software.
- We reviewed the District's policies and procedures for information related to granting access rights and user permissions to software applications.
- We determined the number of established user accounts within the financial software and their established application permissions. We then compared this information with written job descriptions, when available, or job responsibilities obtained from the Business Manager to determine if granted permissions were appropriate for job responsibilities.
- We reviewed audit log activity of users determined to have inappropriate or unnecessary user permissions assigned to determine if the inappropriate access allowed an unauthorized personal benefit to the user.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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