

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

February 7, 2007

Mr. Martin Ruglis  
District Superintendent  
Ulster BOCES  
Mid-Hudson Regional Information Center  
175 Route 32 North  
New Paltz, NY 12561

Dear Superintendent Ruglis:

The State Comptroller is statutorily required to audit all school districts, BOCES and charter schools in the State by March 31, 2010. The school district audits, done in conformance with generally accepted government auditing standards, often require us to contact a BOCES Regional Information Center to gather information about a school district's financial management system and information technology infrastructure. Since it would be burdensome for you to have multiple audit teams visit the Ulster BOCES Mid-Hudson Regional Information Center (RIC) to gather the same or similar information, we assigned one group of examiners to gather the needed information for the audits.

This examination was conducted pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article 3 of the General Municipal Law. Based upon inquiries made during this examination of the financial software packages and technology infrastructure services provided to component (or cross-contracting) school districts by the RIC, we noted the following conditions that we would like to bring to your attention:

- RIC officials do not have a system in place to periodically review the access rights associated with user accounts. In addition, when the RIC manages the setup and deletion of user accounts, RIC officials do not request that school district officials review those accounts periodically. Such reviews would ensure that each school district employee has user rights appropriate to his or her current job duties.
- RIC personnel had unlimited access to the school districts' financial accounts systems. RIC staff had the ability to remotely enter into the financial software system at any of the school districts it services using a common account with "super user rights," giving them the ability to access all modules within the financial software system. User accounts should provide RIC personnel with individual user accounts with only the minimum access rights needed to complete their duties.

- The doors to the computer center were not always secured. The employee entrance is left unlocked for a 15-minute period in the morning so employees can enter without going around to the main entrance. While we were onsite, the door was not relocked after opening. As such, the center was not adequately secured from 8:00 a.m. to 1:00 p.m.
- The check stock was not properly secured. The RIC generates payroll and accounts payable checks from the data provided by certain school districts. Therefore, it is necessary for RIC officials to maintain check stock for the school districts that utilize this service. The checks are stored in a caged area that has two doors with two separate locks: one area for equipment, one area for checks. Although there are two separate entrances, once in the caged area, employees can reach the check stock from the equipment area. We observed an individual go into the check stock area that was not the person in charge of the security over the check stock.

As part of our examination, we also identified a potentially sensitive control weakness about the financial management system and information technology infrastructure maintained by the RIC. Since publicly disclosing information about this weakness might create additional risks, we have removed the finding from our final report for security reasons, and redacted all references to it in the attached RIC response letter.

We hope that this information will help you identify areas where you can improve your operations. In order to keep our database of information current, we will be contacting appropriate RIC officials within 90 days to update our information. Furthermore, we will likely continue to contact RIC officials annually to keep our information current.

To clarify, our inquiries on the financial management and infrastructure services that you provide to component (or cross-contracting) school districts is not part of the statutorily required audit of each BOCES. We will contact you again when we plan to start an audit of the BOCES.

The results of our examination were discussed with RIC and BOCES officials and their comments, which appear in Appendix A, have been considered in preparing this report. Officials disagreed with a number of conditions cited in our final report. However, in one instance they indicated they would take corrective action. OSC comments on the official response are included in Appendix B.

The Ulster BOCES Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the Education Law and Section 170.12 of the Regulations of the Commissioner of Education, the Board must approve a corrective action plan that addresses the findings in this report, forward the plan to our office within 90 days, forward a copy of the plan to the Commissioner of Education, and make the plan available for public review in the Board Clerk's office. For guidance in preparing the plan of action, the Board should refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*.

If you have any questions, please contact our Albany regional office at (518) 438-0093.

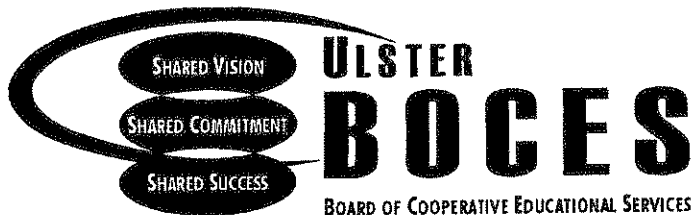
Sincerely,

Steven J. Hancox  
Assistant Comptroller

## **APPENDIX A**

### **RESPONSE FROM BOCES OFFICIALS**

The response from BOCES and RIC officials can be found on the following pages.



OFFICE OF THE DISTRICT SUPERINTENDENT  
**Martin Ruglis**  
*District Superintendent and Chief Executive Officer*

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September 20, 2006

[REDACTED]

Buffalo Regional Office  
295 Main St. – Room 1050  
Buffalo, NY 14203

Dear [REDACTED]

As requested in your letter dated August 28, 2006, the following is our response to the preliminary audit findings. A Corrective Action Plan (CAP), if necessary, will follow when your office issues the final audit report.

Your letter and the exit interview focused on 6 areas:

- Periodic review of user's access rights to RIC maintained user accounts.
- Access RIC personnel have to district financial system.
- [REDACTED]
- Review and acknowledge Acceptable Use Policies annually.
- Security of the MHRIC building.
- Adequacy of check stock security.

The Mid-Hudson Regional Information Center has reviewed these concerns and provided feedback to the examiners on all of the issues during the exit interview. We do not totally agree with several of the identified items to the extent that they are stated. Specifically:

Periodic Review of Access Rights

The MHRIC's responsibility is to ensure that district personnel are well trained, have access to real time support, resolve technical issues with the system, provide production support and offer options to users in how the system may be utilized to maintain accurate financial records. We also administer access control to the system on behalf of the component district. This is an important role that improves the districts' controls by segregating duties and requiring that a change in access will only be accepted in e-mail or in writing from the SBO. This process, began in September 2005, is reviewed and renewed on a yearly basis.

See  
Note 1  
Page 8

RIC Personnel Have Unlimited Access to Financial System

To properly perform their jobs, RIC support personnel must have full access to all areas of the financial system they are charged with supporting. There is no practical method to limit access and still provide cost effective and responsive support to our school districts.

A documented procedure requires that under no circumstance will RIC support personnel make entries into the districts financial records, or provide guidance on what entry to make. In addition the Manager of Financial Services is charged with regular surveillance of the audit log to monitor Financial Service Specialist activity.

See  
Note 2  
Page 8

The MHRIC recommends that the School Business Official (SBO) located in the district have view only rights to the system, and maintain regular surveillance of the General Ledger, journals, payroll entries and the audit log, to ensure separation of duties.

We maintain that this system of controls, checks and separation of duties results in a stronger system than vesting authority in any one person or any one office.

[REDACTED]

[REDACTED]

See  
Note 3  
Page 8

[REDACTED]

Doors to the Center Are Not Always Secured

Our practice is to allow employees to enter the building via the front door at the start of the work day. The front door is typically locked after 8:15 and remains locked throughout the day. It is important to note that all doors on the 1<sup>st</sup> floor are locked and may only be accessed via a keypad. On the second floor there are areas that are not behind an interior locked door, but it is important to note that there are three administrative personnel who monitor this area and would challenge anyone unfamiliar.

We acknowledge that the unlocked front door observed by the examiners did occur, but we are assured by the custodian on duty, that this was an anomaly.

Annual Review and Acknowledgement of Acceptable Use Policies

The Mid-Hudson Regional Information Center will institute this as recommended. However we have no means of compelling an employee to sign an acknowledgement. As an alternative, if an employee refuses we will have the reviewing manager document this and sign that the policies and practices were reviewed with the individual and that the employee refused to sign.


See  
Note 4  
Page 8

Security of Blank Check Stock.

Blank check stock is currently stored in a caged area. The examiners stated that this area should only be accessible by employees from the Financial Services department. We acknowledge this condition and recommendation.

The employee who failed to log their entry into the check cages is no longer employed by the Mid-Hudson Regional Information Center.

Sincerely,



Martin Ruglis  
District Superintendent

cc. Board of Education  
Mid-Hudson Joint Management Team  
Assistant Superintendent for Administration  
Director, Mid-Hudson Regional Information Center

## **APPENDIX B**

### **OSC COMMENTS ON THE BOCES RESPONSE**

#### Note 1

While we recognize that these processes may mitigate the risk that unauthorized users have access to the systems, a periodic review of user access rights is a necessary internal control procedure.

#### Note 2

Providing RIC personnel with unlimited access to the financial system increases the risk of unauthorized activity and necessitates additional compensating controls to reduce that risk. Further, this level of access requires that district officials implement additional compensating controls as well. The best internal control is to limit access.

#### Note 3

Officials provided us with additional information after the completion of our fieldwork. As a result, we removed this finding from our final report. We redacted the officials' response on this matter because it contained confidential information that may raise security issues.

#### Note 4

Officials provided us with additional information after the completion of our fieldwork. As a result, we removed this finding from our final report.