



Eastern Suffolk BOCES Student Management Systems

Report of Examination

Period Covered:

July 1, 2006 — June 30, 2007

2008M-24



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	3
INTRODUCTION	5
Background	5
Objective	5
Scope and Methodology	6
Comments of BOCES Officials and Corrective Action	6
STUDENT MANAGEMENT SYSTEMS	7
Recommendations	8
APPENDIX A Response From BOCES Officials	9
APPENDIX B Audit Methodology and Standards	12
APPENDIX C How to Obtain Additional Copies of the Report	13
APPENDIX D Local Regional Office Listing	14

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2008

Dear BOCES Officials:

A top priority of the Office of the State Comptroller is to help BOCES 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 BOCES statewide, as well as BOCES' 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 BOCES operations and governance. Audits also can identify strategies to reduce BOCES costs and to strengthen controls intended to safeguard BOCES assets.

Following is a report of our audit of the Eastern Suffolk Board of Cooperative Educational Services, entitled Student Management Systems. 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 General Municipal Law.

This audit's results and recommendations are resources for BOCES 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 Eastern Suffolk Board of Cooperative Educational Services (BOCES) is governed by a 15-member Board (Board). Board members represent the 51 component school districts within the BOCES area and are elected by the boards of education of the component school districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs. The District Superintendent (Superintendent) is the Chief Executive Officer of BOCES and is responsible, along with other administrative staff, for the day-to-day management of BOCES under the direction of the Board. By law, the District Superintendent is an employee of both the appointing BOCES and the New York State Education Department. As such, the District Superintendent works under the direction of both the Board and New York State Commissioner of Education.

Combined, the component districts educate approximately 172,000 students in Suffolk County. BOCES has a staff of approximately 4,000 employees. BOCES reported expenditures for the 2006-07 school year were approximately \$267 million, funded primarily by component school districts, State aid, and Federal aid.

BOCES provides "shared services" in which component school districts participate to enhance their individual educational programs and allow the component districts to provide programs that they could not otherwise afford. Administrative and facilities expenses for capital projects are allocated on a pro-rata basis (based on enrollment and property value) and program expenses are allocated based on program participation. State aid is paid to BOCES and then reimbursed to component school districts based on their respective financial support for program services and administrative and facilities expenses. However, component school districts finance these expenses primarily through the levy of real property taxes. BOCES does not have its own taxing authority.

Objective

The objective of our audit was to examine the BOCES' internal controls over outsourced student management services to determine whether they were adequately designed and operating effectively. Our audit addressed the following related question:

- Has BOCES taken steps to ensure that there are adequate internal controls in place at the providers of outsourced student management systems to safeguard sensitive/confidential data of the participating districts?

**Scope and
Methodology**

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard BOCES assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the information technology area and, therefore, we examined internal controls over student management systems for the period July 1, 2006 to June 30, 2007.

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 are included in Appendix B of this report.

**Comments of BOCES
Officials and Corrective
Action**

The results of our audit and recommendations have been discussed with BOCES officials and their comments, which appear in Appendix A, have been considered in preparing this report. BOCES Officials generally agreed with our recommendations and indicated they planned to take corrective action.

The Board has the responsibility to initiate corrective action. A written response to the audit findings must be prepared and filed within 90 days, and to the extent practicable, implementation of the corrective action plan must begin no later than the end of the next fiscal year, pursuant to 8 NYCRR Section 170.12[e][4][c]. The Board should forward a copy of the plan to the Commissioner of Education and make the plan available for public review in the Eastern Suffolk BOCES Administration 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*.

Student Management Systems

Student management systems are used by school districts to store a variety of student data, including demographics, scheduling, attendance, grades, health, and disciplinary tracking and reporting information. Most student management systems are web-based, meaning the data entered is transmitted via the internet directly to the servers where the data is stored.

Participating school districts can use a student management system maintained by a BOCES as a shared service. If a BOCES outsources the maintenance of the student management system to a third-party provider, a contract must be in place between the BOCES and the provider to define the roles and responsibilities of the parties involved. In addition, BOCES officials must verify that internal controls are in place at the provider to ensure that sensitive/confidential data is safeguarded and accounted for accurately, and that public assets are protected from loss or misuse. In the event that any sensitive/confidential data involves personal medical information, the service provider may be subject to the Federal Health Insurance Portability and Accountability Act of 1996 (HIPAA). It is becoming increasingly important to protect sensitive/confidential data in light of the growing problem of identity theft.¹

The BOCES maintains two web-based student management systems through an outsourcing arrangement with two third-party service providers. Forty school districts, with a combined enrollment of approximately 143,000 students,² use these systems. Contracts are in place between the BOCES and the third-party providers to define the roles and responsibilities of the parties involved. However, the contracts do not specifically define, nor are BOCES officials familiar with, the internal controls that are in place at the providers to protect the sensitive/confidential data with which they have been entrusted. As a result, there is an increased risk that sensitive/confidential data will not be safeguarded and accounted for accurately, and that public assets will not be protected from loss or misuse.

¹ Identity theft is a crime in which an imposter obtains key pieces of personal information, such as a Social Security or driver's license number, in order to impersonate someone else.

² Twenty-six Eastern Suffolk BOCES districts, 11 Western Suffolk BOCES districts and three districts from upstate (Pelham, Brewster, and Carthage).

Recommendations

1. BOCES officials should take steps to determine whether third-party providers of web-based student management systems have adequate controls in place to protect the sensitive/confidential information stored on their servers.
2. BOCES officials should ensure that future contracts that involve the storing of confidential data include details as to the controls that will be in place over that data.

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

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

March 18, 2008

[REDACTED]
NYS Office of the State Comptroller
State Office Building, Room 3A-10
250 Veterans Memorial Highway
Hauppauge, NY 11788

Dear [REDACTED]:

Please accept this letter in response to the draft report of your audit of the Eastern Suffolk BOCES financial records entitled "Report of Examination, Student Management Systems."

We appreciate your thorough review of the Eastern Suffolk BOCES internal controls and agree with your findings and recommendations. The following are our responses and corrective action plans for the findings.

Finding Recommendation # 1

BOCES officials should take steps to determine whether third-party providers of web-based student management systems have adequate controls in place to protect the sensitive/confidential information stored on their servers.

Response: Eastern Suffolk BOCES will evaluate the controls in the web-based [REDACTED] to ensure they provide adequate protection of student/confidential information stored on the vendor's servers. We will require all web-based applications that BOCES supports or uses to require individual password protected logons for each district user. All transmissions will be required to utilize a [REDACTED] encryption. Each district's database of student information will be maintained as a standalone database.

March 18, 2008
Page 2

Finding Recommendation # 2

BOCES officials should ensure that future contracts, which involve the storing of confidential data, include details as to the controls that will be in place over that data.

Response: Eastern Suffolk BOCES will ensure that all future contracts, whether new or renewal, which involve the storage of confidential data, will include details as to the controls that will be in place to protect the data and explicit acknowledgement of compliance with all associated state and federal regulations.

Once again, we appreciate the Office of the State Comptroller's review of Eastern Suffolk BOCES. We value audits and consider them a tool to improve our organization. If you have any questions or require any further information, please contact me.

Very truly yours,



Edward J. Zero
District Superintendent/
Executive Officer

c: Gary Bixhorn
Barbara Salatto
Maureen Kaelin

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard BOCES assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology.

During the initial assessment, we interviewed appropriate BOCES officials, performed limited tests of transactions and reviewed pertinent documents, such as BOCES policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the BOCES' financial transactions as recorded in its databases. Further, we reviewed the BOCES' internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected the controls over outsourced student management systems for further audit testing.

To accomplish the objective of this audit, and to obtain relevant audit evidence, our audit procedures included obtaining and reviewing the contracts between BOCES and two student management system providers and interviewing BOCES officials to gain an understanding of how these systems worked and what controls were in place.

We conducted our performance audit in accordance with generally accepted government auditing standards (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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Steven J. Hancox, Deputy Comptroller
John C. Traylor, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BUFFALO REGIONAL OFFICE

Robert Meller, Chief Examiner
Office of the State Comptroller
295 Main Street, Room 1050
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates
counties

SYRACUSE REGIONAL OFFICE

Eugene A. Camp, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence counties

BINGHAMTON REGIONAL OFFICE

Patrick Carbone, Chief Examiner
Office of the State Comptroller
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins
counties

GLENS FALLS REGIONAL OFFICE

Karl Smoczynski, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Clinton, Essex, Franklin, Fulton, Hamilton,
Montgomery, Rensselaer, Saratoga, Warren, Washington
counties

ALBANY REGIONAL OFFICE

Kenneth Madej, Chief Examiner
Office of the State Comptroller
22 Computer Drive West
Albany, New York 12205-1695
(518) 438-0093 Fax (518) 438-0367
Email: Muni-Albany@osc.state.ny.us

Serving: Albany, Columbia, Dutchess, Greene,
Schenectady, Ulster counties

HAUPPAUGE REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau, Suffolk counties

NEWBURGH REGIONAL OFFICE

Christopher Ellis, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Orange, Putnam, Rockland, Westchester
counties