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January 22, 2010

Mr. Brian D. Sherman, Superintendent  
Members of the Board of Education  
Schoharie Central School District  
P.O. Box 430  
136 Academy Drive  
Schoharie, NY 12157

Report Number: 2007M-245-F

Dear Superintendent Sherman and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage District officials to reduce costs, improve service delivery and to account for and protect their District's assets. In accordance with these objectives, we conducted an audit of the Schoharie Central School District (District) to assess the financial operations of the District. As a result of our audit, we issued a report, dated February 2008, identifying certain conditions and opportunities for District management's review and consideration. Our audit disclosed additional areas in need of improvement concerning information technology controls that were transmitted to the District in a separate confidential letter.

To further our policy of providing assistance to local governments, we revisited the Schoharie Central School District on August 6, 2009 to review the District's progress in implementing our recommendations. Our follow-up review was limited to interviews with District personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the District has made progress in implementing our recommendations. Of the 12 audit recommendations, three recommendations were fully implemented and nine recommendations were partially implemented.

### **Recommendation 1 – Enforcement of Computer Use Policy**

The Superintendent and IT Administrator should monitor and enforce the computer use policy to ensure that unauthorized software is not installed by users.

Status of Corrective Action: Partially Implemented

Observations/Findings: In July 2008, the IT Administrator installed two separate software programs that restricted unauthorized users from installing software. The IT Administrator told us that these two software programs are currently installed on all but six District computers, and he planned to install them on the six remaining computers before the start of the next school year in September 2009. In addition, the IT Administrator installed a new web-filtering program on all computers, which will further limit users from installing unauthorized software.

### **Recommendation 2 – Authority to Install Software**

The Superintendent and IT Administrator should review the network setup to ensure that only the system administrator has the authority to install software onto District computers.

Status of Corrective Action: Partially Implemented

Observations/Findings: In July 2008, the IT Administrator installed two separate software programs to ensure that only the System Administrator had the authority to install software onto District computers. See “Observations/Findings” from Recommendation 1 above.

### **Recommendation 3 – Filing of Computer Usage Agreements**

The Board should develop and adopt procedures that require that all computer usage agreements are kept on file until new signed agreements are received.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Superintendent told us that, beginning in September 2009, all employees will be required to sign a computer usage agreement, and the agreement will be filed in each employee’s personnel folder until the agreement is amended and needs to be re-signed. In addition, the IT Administrator implemented a computer usage agreement screen that will automatically pop up every time an employee turns on and logs into a computer; the employee will have to accept the agreement each time before using the computer.

### **Recommendation 4 – User Access Accounts**

The Board should adopt policies and procedures over the administration of network and financial software user access accounts that require:

- User access in the District’s financial software to be assigned based on job functions
- Users should only be assigned one user account

- Modifications, deletions, and additions to user access rights are authorized in writing
- User accounts are deactivated as soon as employees leave District service or the account is no longer in use.

Status of Corrective Action: Partially Implemented

Observations/Findings: In July 2009, the District began using different financial software. Although the Board did not adopt policies over the administration of network and financial software user access accounts, it did implement informal procedures: the Superintendent completes a form to grant users access rights to the financial software; the IT Administrator periodically reviews a listing of users to ensure that no users have duplicate accounts; changes to user access rights must be authorized in writing and sent to the Northeastern Regional Information Center (NERIC) to make the changes; and the IT Administrator reviews Board minutes to identify employees leaving the District to ensure that he deletes their user accounts in a timely manner.

### **Recommendation 5 – Strong Passwords**

The Board should ensure that a strong password system exists by adopting policies and procedures that require:

- The creation of strong passwords requiring users to select passwords that are at least eight characters, containing upper- and lower-case letters, and punctuation
- Employees to change their passwords at least every 30 to 90 days
- Limiting the number of failed log-in attempts
- All computers to time-out after a set period of time of inactivity.

Status of Corrective Action: Partially Implemented

Observations/Findings: Although the Board did not adopt a policy regarding passwords, the IT Administrator has implemented certain aspects of our recommendation to ensure a stronger password system. We encourage the District to continue to strengthen controls over passwords to limit access to District systems and data to authorized persons.

### **Recommendation 6 – Storage of Data Backups**

The Board should adopt policies and procedures to ensure that backups of financial and non-financial data are stored in a secure off-site location.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Board has not yet adopted policies and procedures to ensure that backups of financial and non-financial data are stored in a secure off-site location. According to the Superintendent, the Board is in the process of implementing these procedures and eventually adopting a policy. The Superintendent told us that the District recently switched to a different financial software program and will be implementing new procedures to have backups sent electronically to a secure, off-site location. During our on-site follow-up visit in August 2009, IT technicians were installing software to make this backup process possible.

### **Recommendation 7 – Disaster Recovery Plan**

The Board should adopt a comprehensive disaster recovery plan that details specific guidelines for the protection of private and essential data against damage, loss, or destruction.

Status of Corrective Action: Partially Implemented

Observations/Findings: District officials are in the process of implementing a comprehensive disaster recovery plan that will include policies and procedures regarding the backups mentioned above. The backups will be sent electronically to an off-site location. This will allow key financial and non-financial District processes to continue if a disaster occurs which prohibits access to District buildings. Because this plan is not yet finalized, we conclude that our recommendation has been only partially implemented. District officials should finalize a disaster recovery plan to help ensure the continuity of District operations in the event of an emergency.

### **Recommendation 8 – Physical Access to Server Room**

The Board should protect computerized assets by requiring that access to the server room and wiring closets are:

- Restricted to only designated officials
- Protected from fire and water damage
- Located in a climate-controlled area.

Status of Corrective Action: Partially Implemented

Observations/Findings: With the installation of the new backup system and the development of a disaster recovery plan, District officials determined that it would be easier and more efficient to have the servers in one central location. District officials are in the process of moving the servers into a locked, climate-controlled room. In addition, they have begun installing servers into locked server racks. The District will restrict access to the server keys to four designated District officials. In addition, the server racks are raised off the floor, which will also help protect servers from water and fire damage and limit dust from accumulating. However, District officials have not made any changes to the wiring closets, many of which are not locked up or are located in open classrooms.

District officials must limit access to wiring closets to prevent accidental or intentional damage to critical system wiring.

### **Recommendation 9 – Audit and Approval of Claims**

The claims auditor should continue to audit and approve all claims prior to payment.

Status of Corrective Action: Fully Implemented

Observations/Findings: The District hired a claims auditor to review all claims. We reviewed all warrants from the 2008-09 fiscal year totaling \$8,414,568 and verified that the claims auditor audited and approved all claims listed on these warrants. We also reviewed the claims auditor's reports for each of these warrants, which indicated any issues she came across during her audit and how the issues were resolved.

### **Recommendation 10 – Claims Auditor Report to the Board**

The claims auditor should report directly to the Board.

Status of Corrective Action: Fully Implemented

Observations/Findings: The claims auditor began providing a monthly report to the Board during the 2008-09 fiscal year. This report includes any issues the claims auditor came across during her audit and how the issues were resolved. The Board made a resolution in the Board minutes each month to approve the claims auditor's report. We reviewed the claims auditor's monthly reports for the 2008-09 fiscal year, along with the Board minutes approving these reports, and concluded that the claims auditor provided an adequate report to the Board.

### **Recommendation 11 – Segregation of Duties over the Payroll Process**

The Board and Business Administrator should provide for an adequate segregation of duties so that no one person controls all aspects of the payroll process. If it is not feasible to adequately segregate these duties, the Board should consider having someone independent of the payroll preparation process perform a review of the completed payrolls.

Status of Corrective Action: Fully Implemented

Observations/Findings: Although the Board and Business Administrator have not provided for adequate segregation of duties over the payroll process, they have implemented procedures to have someone independent of the payroll preparation process perform a review of the completed payrolls. The Treasurer is still the main employee responsible for the entire payroll process, and the Treasurer and Senior Account Clerk still have full access to the District's payroll module. However, the Business Administrator now reviews and signs off on the payroll report; he also verifies salaries paid and hours worked to timesheets and salary schedules for a sample of employees each

pay period. We reviewed the payroll reports and verified that the Business Administrator signed them to indicate that he performed a review.

### **Recommendation 12 – User Permissions in the Payroll Software**

The Business Administrator should review the assignment of user access rights in the payroll software and assign access rights based on job duties only.

Status of Corrective Action: Partially Implemented

Observations/Findings: The Business Administrator has not assigned user access rights in the payroll module based on job duties. Both the Treasurer and the Senior Account Clerk still have full user access rights to the payroll module. However, the Superintendent is in the process of removing the Treasurer’s and Senior Account Clerk’s ability to add/delete employees and enter salary information; these rights will be granted only to the Superintendent and his secretary. According to the Superintendent, the reason the Treasurer and Senior Account Clerk still have full user access rights to the payroll module is that the District recently changed financial software and he wanted to make sure that the new software operated effectively before making changes to user access rights. District officials should ensure that access rights are properly limited once it has been determined that the new software is functioning correctly.

### **Confidential Recommendations**

To further ensure security of the District’s information technology operations, the details of the confidential recommendations are not included in this letter. However, the District has made progress in implementing our recommendations. We discussed the detailed results of our follow-up work with District management during the conduct of this follow-up review.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage you to continue with your efforts to implement our recommended improvements in your fiscal management.

I trust that our follow-up review was of assistance to you. If you have any further questions, please contact Patrick Carbone, Chief Examiner in our Binghamton Regional Office, at (607) 721-8306.

Sincerely,

Steven J. Hancox  
Deputy Comptroller  
Office of the State Comptroller  
Division of Local Government  
and School Accountability