



# Eastport-South Manor Central School District Financial Software User Access

## Report of Examination

Period Covered:

July 1, 2013 — August 31, 2014

2014M-379



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

March 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 Eastport-South Manor Central School District, entitled Financial Software User Access. 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 Eastport-South Manor Central School District (District) is located in the towns of Brookhaven, Riverhead and Southampton in Suffolk County. The District is governed by the Board of Education (Board) which comprises seven 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.

The District operates five schools and has approximately 4,000 students and 650 employees. For the period ending June 30, 2013, the District spent about \$84 million. The District's budgeted appropriations for the 2014-15 fiscal year are approximately \$93 million, funded primarily with State aid, real property taxes and grants.

As per Board policy, the Superintendent, working with the Director of Information Services and Technology and the District's business official, is responsible for establishing procedures governing the management of computer records. The policy requires that procedures address passwords, system administration, separation of duties, remote access, data backup, record retention and disaster recovery plans.

## Objective

The objective of our audit was to evaluate the District's controls over user access to the financial software. Our audit addressed the following related question:

- Did the District adequately control access to the financial software?

## Scope and Methodology

We examined the District's controls over user access to the financial software for the period July 1, 2013 through August 31, 2014.

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.

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 User Access

District officials are responsible for designing internal controls over information technology (IT) resources that include policies and procedures to protect software and data from unauthorized access and from loss or misuse due to errors, malicious intent or accidents. Such policies and procedures should specify that users of the District's financial software system have access to only the applications needed to perform their job duties to help ensure the proper segregation of duties.

Effective controls over access rights to a financial software application should allow users access to those computerized functions that are consistent with their job responsibilities and should prevent users from being involved in multiple aspects of financial transactions. District officials must ensure that user access rights are appropriate for employees' job descriptions and levels of responsibility and that those rights are promptly adjusted or deactivated when employees' responsibilities change. An individual who has financial system administrative rights can add new users, configure certain system settings, override management controls and create and change user access rights. Accordingly, the financial system administrator should not be involved in the District's financial operations. If this is not feasible, then system activity should be periodically reviewed.

District officials improperly assigned administrative privileges and provided excessive access rights to the District's financial software system. The District did not have any written procedures outlining how user access rights should be established or modified. District officials designated the Assistant Business Administrator as a financial system administrator even though she is not independent of the financial recordkeeping functions. Therefore, the Assistant Business Administrator has unrestricted access to all functions within the financial software package. She can add new users to the system, create and change user access rights and can make or delete evidence of payments without restriction.

In addition, the purchasing agent has access to modules of the financial software package that are not consistent with her job duties. The purchasing agent is responsible for converting purchase requisitions into purchase orders and approving purchase orders. As the purchasing agent, she should not have the ability to approve her own purchase requests. Because the purchasing agent has access to the financial system with two separate user account names, she has the ability to create requisitions using one user account and can approve

requisitions using the other user account. The Assistant Business Administrator informed us that at one time the purchasing agent was responsible for requesting central office items, which was why she had the second user account allowing her to create requisitions. However, she is no longer responsible for those duties. Therefore, the user account granting her the requisition abilities should be disabled.

We found that the purchasing agent also has access to the payroll module of the financial software system. This allows her to create and maintain earnings associated with selected appointments, initiate the payroll process and transfer payroll earning from one account or code to another. District officials informed us that the purchasing agent needs access to the payroll module because she is the back-up person in case the payroll clerk is unavailable. However, we reviewed the audit trail for the audit period and saw no evidence of her ever using the payroll function. We were also told that the Assistant Business Administrator is used as a back-up person when the payroll clerk is unavailable.

We reviewed audit trails of these user accounts and found no inappropriate activity. However, due to the improper assignment of administrative privileges and access rights, there is an increased risk that unauthorized changes to the accounting records, software security settings and user authorization privileges could occur and go undetected. This could lead to the loss of important financial data and cause interruptions to District operations.

## **Recommendations**

District officials should:

1. Develop written procedures for granting, changing and terminating user access rights to specific financial software applications.
2. Designate an individual independent of financial operations to be the financial system administrator.
3. Assign user access rights based on job duties. Where a proper segregation is not feasible, District officials should implement adequate compensating controls.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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

# Eastport-South Manor Central School District

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March 4, 2015

Office of State Comptroller  
Ira McCracken, Chief Examiner  
NYS Office Bldg, Room 3a10  
250 Veterans Memorial Highway  
Hauppauge, New York 11788-5533

## RE: Audit Report 2014M-379

Dear Mr. McCracken:

The Eastport-South Manor Central School District has received your report entitled, "Financial Software User Access" for the period 7/1/2013 through 8/31/2014. Please note this letter serves as our response to your audit report.

### **Audit Recommendation 1:**

Develop written procedures for granting, changing and terminating user access rights to specific financial software applications.

### **District Response:**

The District does document all changes in user access rights via email. However, we do agree that we will formally document this procedure.

### **Audit Recommendation 2:**

Designate an individual independent of financial operations to be the financial system administrator.

### **District Response:**

We agree that a person independent of the financial operations should be the financial system administrator, which is why we assigned these duties to the Director of Technology back in December of 2009. However, the Director of Technology left the District in December of 2013, right in the middle of your audit period. We have attached documentation showing you that the Director of Technology was performing these tasks up until he left the District in December of 2013. During the transition to a new Director of Technology, the Assistant Business Administrator performed these duties as the designated backup financial system administrator. This transition is now complete and our new Director of Technology is the financial systems administrator. Based on your recommendation, we will explore the possibility of having someone independent of the business office serve as the backup financial system administrator.

**Audit Recommendation 3:**

Assign user access rights based on job duties. Where proper segregation is not feasible, District officials should implement adequate compensating controls.

**District Response:**

We agree that compensating controls can always be strengthened, particularly with regards to user access rights. We have a very small business office staff and in the past, these staff members have been asked to fill in for each other during times of extended leave or illness. Thus, we rely heavily on cross-training. We will analyze our compensating controls and take measures to strengthen them.

The District appreciates the opportunity to work with your staff. We found your audit team to be highly professional, courteous and skilled.

Sincerely,

Mark A. Nocero  
Superintendent of Schools

MAN/cbd

cc: Board of Education  
Richard R. Snyder, Assistant Superintendent for Business  
Sharon Murray, District Clerk

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to evaluate the District's controls over user access to the financial software. We examined the District's controls over user access to the financial software for the period July 1, 2013 through August 31, 2014.

To accomplish the objective of the audit and obtain valid audit evidence, our procedures included the following:

- We reviewed District policies and regulations.
- We interviewed appropriate District officials to gain an understanding of the IT system and financial software. This included inquiries regarding policies and procedures, password controls, user access, audit logs and remote access.
- We obtained a financial software user permission report and compared it to a current payroll journal to determine whether all users were active current employees.
- We reviewed the financial software user permission report to determine if there were excessive or generic user accounts.
- We obtained a list of all users of the financial software and their access rights to determine if users have excessive user permissions and if their access to the financial software was consistent with their job duties.
- We reviewed audit logs to determine which users used generic accounts, how often they were used, and to identify any unauthorized access, modifications or deletions of data.

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.

## APPENDIX C

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