



# South Glens Falls Central School District

## Access Rights

### Report of Examination

Period Covered:

July 1, 2011 — September 30, 2012

2012M-257



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 2013

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 South Glens Falls Central School District, entitled Access Rights. 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 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 South Glens Falls Central School District (District) is located in the Towns of Moreau, Northumberland, and Wilton in Saratoga County. The District is governed by the Board of Education (Board) which comprises nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are six schools in operation within the District, with approximately 3,200 students and 500 employees. The District's budgeted expenditures for the 2012-13 fiscal year are \$52.1 million, which are funded primarily with State aid, real property taxes, and grants.

## Objective

The objective of our audit was to determine whether employees had appropriate access rights to the District's financial system. Our audit addressed the following related question:

- Have District employees and officials been assigned an appropriate level of access rights to the District's financial system?

## Scope and Methodology

We examined access rights to the District's financial system for the period July 1, 2011 to September 30, 2012.

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District 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 area of user access rights and, therefore, we examined internal controls over the assignment of access rights within the financial system.

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 C 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 planned 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 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.

## Access Rights

The use of information technology (IT) affects the fundamental manner in which the District coordinates, processes, records, and reports transactions. Effective controls over users' access restrict authorizations to only those functions needed for individuals to perform their job duties. Such authorizations should preserve the proper segregation of duties so that the same person is not involved in multiple aspects of a financial transaction. Generally, a designated system administrator has oversight and control of the system, with the ability to add new users, change users' access rights, and control and use all aspects of the software. Therefore, this position should not be held by anyone with Business Office responsibilities. The Board is responsible for adopting policies to ensure that access rights to the District's IT resources are appropriately restricted. District officials should develop procedures for that purpose and periodically review user access rights and revise them when work conditions change.

The Board has not adopted comprehensive policies to ensure that access to the District's financial system is restricted to only those functions required by individual employees' job duties. In addition, District officials have not implemented access controls to ensure proper segregation of duties within the financial system and to limit access to users based on their job descriptions and responsibilities.

We reviewed District access rights records for the financial system and found that the five Business Office employees and a middle school secretary had access to functions that were not required for their day-to-day job duties. For example, the accounts payable clerk, Business Manager, and District Treasurer have the ability to enter, modify, and delete leave accrual transactions; the District Clerk, accounts payable clerk, District Treasurer, and a middle school secretary have the ability to approve purchase orders; and certain Business Office employees have the ability to add and delete employees, change pay rates, create journal entries, and/or print accounts payable checks, although they do not need access to these functions. We also found that the Business Manager has administrative rights to the financial system, with the capability to make additions, deletions, and modifications of individuals' access rights to the overall financial system. This ability to control and use all aspects of the financial system creates the opportunity for the manipulation and concealment of transactions.

We tested transactions within the financial system where users had more access than necessary, to verify that the transactions were accurate and for appropriate District purposes, as follows:

- We traced the names of a random sample of 20 individuals who received payroll payments during the 2011-02 fiscal year to personnel files to determine if they were legitimate employees.
- We reviewed payroll payments totaling \$514,036 made to a judgmental sample of 10 employees<sup>1</sup> during the 2011-12 fiscal year to verify that postings to the payroll agreed with input documents; that pay rates agreed with Board resolutions, employment contracts, and/or collective bargaining agreements; and that gross pay was calculated correctly.
- We reviewed the leave accrual records of the above 10 employees during our audit period to verify that postings to leave accruals agreed with input documents, and that leave time credited and carried over agreed with Board resolutions and/or collective bargaining agreements.
- We reviewed a random sample of 20 journal entries totaling \$1,176,158 that were prepared during our audit period to verify that there was supporting documentation for the amounts recorded and that the transactions were for an appropriate purpose.
- We reviewed a random sample of 20 purchase orders totaling \$19,931 that were approved during our audit period to verify that they were supported by a claim for an appropriate District purpose.
- We reviewed a random sample of 20 accounts payable checks totaling \$16,850 that were issued during our audit period to verify that they were included on a warrant (list of claims to be approved for payment) and were for an appropriate District purpose.

We found only minor exceptions with these transactions, which we discussed with District officials. However, when access rights to the financial system are not in accordance with job duties, there is an increased risk that unauthorized changes could be made to the financial data or inappropriate transactions could be initiated and not detected and corrected in a timely manner.

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<sup>1</sup> See Appendix C for an explanation of sample selection.

## **Recommendations**

1. The Board should adopt comprehensive policies, and District officials should develop procedures, to limit financial system access rights to only those functions that employees need to perform their job duties.
2. District officials should evaluate employee job descriptions and assign financial system access rights to match the respective job functions.
3. The Board should designate an employee outside the Business Office as the District's financial system administrator.



## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



February 27, 2013

Office of the State Comptroller  
Glens Falls Regional Office  
One Broad Street Plaza  
Glens Falls, NY 12801

**Re: Official District Response to Report of Examination  
(Internal Controls over Access Rights)  
July 1, 2011 to August 30, 2012  
2013M-257**

See Note 1 Page 11
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Gentlemen:

The South Glens Falls Central School District extends its respect and appreciation to the designated State Auditors that came on site to perform a comprehensive audit of Internal Controls over Access Rights for the time period July 1, 2011 to August 30, 2012. The district acknowledges the Office of the State Comptroller's priority to ensure and affirm public school districts operate effectively, efficiently and accountably in managing taxpayers' contribution to the education of our children. The district acknowledges the audit team's professionalism, resourcefulness, cooperation and insightfulness during its entire visit. The audit team continues to serve as an ongoing, valuable resource to the district to further improve financial operations.

Pursuant to Section 356 of General Municipal Law, Section 2116-a(3)(c) of Education Law and Section 170.12 of the Regulations of the Commissioner of Education, listed below is the district's written corrective action plan addressing audit recommendations. The district implemented all recommendations during the audit or by February 11, 2013.

### **Recommendations**

- 1. The Board should adopt comprehensive policies, and District officials should develop procedures, to limit financial system access rights to only those functions that employees need to perform their job duties.*

#### **District Response:**

The Board of Education is currently systemically reviewing existing policies, as well as developing new policies as needed. Policies will be added to limit financial system access rights to only those employees needing access to perform assigned job functions.

- District officials should evaluate employee job descriptions and assign financial system access rights to match the respective job functions.*

**District Response:**

District officials will assign financial system access rights to employees whose job duties and job description correspond to access rights needed to perform job functions.

- The Board should designate an employee outside the Business Office as the District's financial system administrator.*

**District Response:**

The Board of Education Audit Committee, with endorsement by the district's internal auditor, The Bonadio Group, has assigned the duty of auditing system access, rights, usage and record keeping to the District's Claims Auditor. An audit will be performed on a quarterly basis.

If there are any questions, please contact our office at 518-793-9617.

Sincerely,

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William J. Elder  
President, Board of Education  
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Michael N. Patton  
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/dmp

C: New York State Commissioner of Education

## **APPENDIX B**

### **OSC COMMENT ON THE DISTRICT'S RESPONSE**

Note 1

The report number in our draft report was incorrect. The correct report number is 2012M-257.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District 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 District officials, performed limited tests of transactions and reviewed pertinent documents, such as District 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 District's financial transactions as recorded in its databases. Further, we reviewed the District's 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 on the reported objective and scope by selecting for audit those areas most at risk. We selected access rights for further audit testing.

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

- We reviewed the District's policy manual to determine if the Board had adopted a policy over access rights to the financial system.
- We interviewed District officials and employees, reviewed access rights records for the financial system, and physically inspected Business Office employees' computer screens to determine which employees had access to the financial system, each employee's access rights, and whether the employees had access to functions that were not required for them to fulfill their day-to-day job duties.
- We traced the names of a random sample of 20 individuals who received payroll payments during the 2011-02 fiscal year to personnel files to determine if they were legitimate employees. Our sample was selected by using a computerized random number generator.
- We reviewed payroll payments that were made to a judgmental sample of 10 employees during the 2011-12 fiscal year, to verify that postings to the payroll agreed with input documents; that pay rates agreed with Board resolutions, employment contracts, and/or collective bargaining agreements; and that gross pay was calculated correctly. Our sample was selected by first

selecting all five Business Office employees and then selecting at random one employee from each of the following groups: Teacher, Administrator, Maintenance, Transportation, and School Lunch.

- We reviewed a judgmental sample of 10 employees' leave accrual records during our audit period to verify that postings to leave accruals agreed with input documents for the 2011-12 fiscal year, that leave time credited during the 2011-12 fiscal year agreed with Board resolutions and/or collective bargaining agreements, and that leave time that carried over to the 2011-12 and 2012-13 fiscal years agreed with Board resolutions and/or collective bargaining agreements. Our sample was selected by first selecting all five Business Office employees and then selecting at random one employee from each of the following groups: Teacher, Administrator, Maintenance, Transportation, and School Lunch.
- We reviewed a random sample of 20 journal entries that were prepared during our audit period to verify that there was supporting documentation for the amount recorded and that the transactions were for an appropriate purpose. Our sample was selected by using a computerized random number generator.
- We reviewed a random sample of 20 purchase orders that were approved during our audit period to verify that they were supported by a claim for an appropriate District purpose. Our sample was selected by using a computerized random number generator.
- We reviewed a random sample of 20 accounts payable checks that were issued during our audit period to verify that they were included on a warrant and were for an appropriate District purpose. Our sample was selected by using a computerized random number generator.

We conducted this 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 objective.

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