



Huntington Union Free School District Computer Access Controls

Report of Examination

Period Covered:

July 1, 2007 — October 31, 2008

2009M-113



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2009

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 Huntington Union Free School District, entitled Computer Access Controls. 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 Huntington Union Free School District (District) is located in the Town of Huntington 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 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 eight schools in operation within the District, with approximately 4,350 students and 1,380 employees. The District's expenditures for the 2007-08 fiscal year were approximately \$99 million, which were funded primarily with State aid, real property taxes, and grants.

Objective

The objective of our audit was to examine controls over information technology for the period July 1, 2007 to October 31, 2008. Our audit addressed the following related question:

- Did District officials effectively develop policies and procedures for information technology to ensure that electronic data is appropriately safeguarded?

Scope and Methodology

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, and payroll and personal services. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas that we reviewed. We determined that risk existed in the information technology area and therefore, we examined internal controls over information technology of the Huntington Union Free School District for the period July 1, 2007 to October 31, 2008.

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. 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.

Computer Access Controls

Access controls provide reasonable assurance that computer resources are protected from unauthorized use or modifications. To control electronic access, a computer system or application should provide a process to identify and differentiate users. User accounts identify users and establish relationships between a user and a network, computer, or application. These accounts are normally created by the system administrator and contain information about the users, such as passwords and access rights to files, applications, and other computer resources. Access controls include establishing adequate passwords, limiting administrator accounts, and restricting users only to the applications, resources, and data that are necessary for their day-to-day duties and responsibilities.

The District uses a financial accounting software package (financial software) to process and maintain financial transactions. This financial software consists of modules that segregate various financial recording and reporting processes. Access privileges within the financial software include the ability to add, update, delete, and print transactions within these modules. Having access controls in place helps prevent users from being involved in multiple aspects of financial transactions. While external auditors are routinely granted access to computer systems, that access should be limited to view-only access.

We reviewed a user access report that listed the District's financial accounting system's 75 active users to determine whether the District assigned access rights in accordance with job descriptions. We found that an accounting firm was inappropriately assigned a user account with the ability to add, update, and delete data in the budget maintenance area. We also selected 13 users with significant access and compared their access rights to their job descriptions. We found that eight Business Office employees had access to aspects of the accounting system that were not required as part of their job functions.

This access resulted in inadequate segregation of duties. For example, the Treasurer had the ability to enter budget transfers and journal entries, enter and approve requisitions, and change purchase orders. This would allow the Treasurer to initiate and conceal inappropriate transactions. In addition, the Treasurer had the ability to add, update, and delete information in the payroll and human resources areas, which were not part of her job duties. The Business Official and his assistant have almost complete access to add, update, and delete

information in the accounting, budgeting, payroll and human resources areas, although they are responsible for overseeing the work of others who perform these functions. Business Office employees should only have the rights necessary to perform their job duties. After bringing these control weaknesses to their attention, District officials began reviewing and correcting user permissions.

Because of the weaknesses in controls over user access, we reviewed 40 cash receipt transactions totaling \$141,000 and 40 disbursement transactions totaling \$229,270 to determine whether they were proper and necessary District transactions. We found only minor exceptions with these transactions, which we discussed with District officials. However, the failure to establish and implement comprehensive policies and procedures relating to computer processed data could result in unauthorized access to sensitive information, manipulation of District records and the loss or destruction of data.

Recommendation

1. District officials should continue to review and revise user access rights to the financial software in accordance with job descriptions to ensure that users have access only to functions necessary to perform their responsibilities.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Huntington Union Free School District

"A Tradition of Excellence Since 1657"

John J. Finello
Superintendent of Schools

August 4, 2009

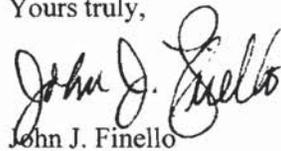
Mr. Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
Division of Local Government & School Accountability
PSU – CAP Submission
110 State Street, 12th Floor
Albany, NY 12236

Dear Mr. Leonard:

The district is in receipt of the Audit Report issued by your office earlier this month. We found the audit process to be very thorough and well thought out. The individuals who represented the Comptroller's office were very professional in their dealings with the staff of the Huntington Union Free School District.

The sole comment of computer access controls was discussed thoroughly by your staff with David H. Grackin, Assistant Superintendent for Finance and Management Services, during the course of the audit. Attached you will find the district's Corrective Action Plan which was approved by the Board of Education at its regularly scheduled meeting of August 3, 2009. Again, we thank you for your recommendation.

Yours truly,



John J. Finello

JJF/lt

Enclosure

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Huntington Union Free School District

"A Tradition of Excellence Since 1657"

John J. Finello
Superintendent of Schools

Huntington U.F.S.D. Corrective Action Plan Office of State Comptroller Audit No. 2009M-113

Office of State Comptroller Recommendation

District Officials should continue to review and revise user rights to the financial software in accordance with job descriptions to ensure that users have access only to functions necessary to perform their responsibilities.

District Action

As of February 2009 the district has resolved all issues regarding computer access controls in the financial software that were pointed out by the auditors. In the future the district's business officials will continue to review and revise user rights in the financial software so that specific access is only granted to those individuals who need those rights in order to perform their daily responsibilities.

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 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, and payroll and personal services.

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. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected information technology for further audit testing.

The tests for controls over user access to the financial accounting software included:

- Interviewing District staff and obtaining user permissions reports
- Obtaining and reviewing written employee job descriptions
- Reviewing documentation from the software vendor to gain an understanding of the various user permissions
- Reviewing permissions reports to determine whether user access privileges are properly authorized, properly based upon job functions and responsibilities, and only for active employees.

The tests of cash receipts and cash disbursements included:

- Interviewing District staff to gain an understanding of the procedures used to control cash assets and record receipts and disbursements
- Reviewing District policies and procedures
- Examining bank account reconciliations to verify that they were complete, prepared in a timely manner, and agreed with the accounting records.

- We randomly selected and tested various transactions from the District's cash receipts and cash disbursements journals and reviewed these items for proper authorization and documentation.
- To test for inconsistencies, we selected and traced 20 payments totaling \$75,366 from the warrants to the vouchers and then to the cancelled checks. We also selected another 20 payments totaling \$153,904 and traced them from cancelled checks to vouchers and then to the warrants.
- We tested samples of wire and/or cash transfers for proper authorization.
- Based on audit command language testing, we investigated unusual transactions, gaps in number sequence and missing or duplicate receipts.

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 objectives.

APPENDIX C

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