



East Syracuse Minoa Central School District

Financial Software Access Rights

Report of Examination

Period Covered:

July 1, 2014 – December 23, 2015

2016M-41



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	3
PAYROLL ACCESS RIGHTS	4
Recommendations	5
APPENDIX A Response From District Officials	6
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2016

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 East Syracuse Minoa Central School District, entitled Financial Software 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 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 East Syracuse Minoa Central School District (District) is located in the Towns of Manlius, Cicero, Sullivan and Dewitt, in Onondaga County. The District is governed by the Board of Education (Board), which is composed of 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 (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 seven schools with approximately 3,500 students and 750 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$74.6 million, which are funded primarily with State aid, real property taxes and grants.

District employees are compensated based on collective bargaining agreements (CBAs), individual employee contracts and Board actions. All payroll transactions are recorded in the District's computerized financial system.

Objective

The objective of our audit was to determine if access to the District's financial software was appropriately limited and monitored. To satisfy this objective, our audit addressed the following related question:

- Are information technology controls over the payroll function properly designed and implemented correctly to adequately safeguard District assets?

Scope and Methodology

We examined the payroll clerk's user access rights for the period July 1, 2014 through December 23, 2015. We also reviewed prior audit reports issued by OSC and the District's internal auditors regarding the same issues and the related corrective action plan.

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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**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 findings and recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of 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.

Payroll Access Rights

Effectively established procedures over access rights to a financial software application allow users access to only those functions that are consistent with their job responsibilities, require monitoring of user activity on a periodic basis and prevent users from being involved in multiple aspects of financial transactions. Good internal controls require that users have access to only those functions within the financial software for which they have a specific need to perform their job duties. While cross-training on certain applications is necessary, additional user access rights should be assigned only as needed for certain job functions.

As with most school districts, payroll represents a large portion of the District's annual budget. Salaries and wages, including overtime totaled approximately \$38.4 million, or 51 percent of the District's general fund expenditures for the 2015-16 fiscal year. The significant costs involved highlight the importance of strong access controls over this area.

Our previous audit released in 2008 recommended that the District restrict user access rights for the payroll clerk, specifically the ability to add/delete/modify employees. The District's corrective action plan stated that it would assign the tasks to someone not affiliated with the payroll function. The District assigned the tasks to someone other than the payroll clerk. However, during a 2010 follow-up audit by our office, we found that the payroll clerk retained the access rights to perform this task. At that time, our office informed District officials that, to fully implement their corrective action plan, the access rights should be disabled.

District officials have established a formal process for assigning and reviewing user access rights for conflicting duties, as recommended by previous audits. However, District officials have not addressed the conflicting duties regarding the payroll access rights adequately. The District Treasurer indicated that she and the Executive Director of School Business Administration have not yet reviewed the payroll clerk's access rights after the completion of the most recent software update. We obtained a report of user access rights for the financial software, for May 2015, which was prior to the latest update. We found that the payroll clerk did not have human resource capabilities at that time. However, after the software update in May 2015, the user access rights report showed that the payroll clerk had human resource capabilities, including the ability to add/delete/modify employees.

District officials have established procedures to help ensure employees are properly compensated and deductions made from the employees'

pay are authorized and correct. The Human Resource Department enters employee information and adds and deletes employee information. The payroll clerk processes the biweekly payroll in the District's financial system and generates numerous reports from the financial system including change reports and comparison reports that are attached to the payroll register. The internal auditor then reviews the biweekly payroll register and all reports for accuracy and approves the payroll register. After the internal auditor has approved the payroll it is reviewed by the Executive Director of School Business Administration before being reviewed and certified by the Superintendent of Schools. While this is a mitigating control over the payroll function, the access rights of the payroll clerk remain incompatible for the function.

We tested the payroll records for 45 employees for two November 2015 payrolls, totaling \$185,651, to determine if employees were paid according to their respective CBAs, employee contracts or Board-approved rates, and annual salary notifications¹ that are sent to employees by the Human Resources Department. We examined the records to verify that salaried and hourly employees were paid at their Board-approved rates. We also reviewed stipends issued to the employees per their annual salary notifications.

We did not detect any inappropriate payroll payment amounts for the sample of 45 employees, which included the payroll clerk. However, because the payroll clerk has access rights to human resource capabilities and generates the payroll reports that are reviewed, the risk remains that fraudulent payment amounts or employees could be added to the payroll, and not detected by the controls in place.

Recommendations

District officials should ensure that:

1. Employees are not authorized to have incompatible duties within the financial software.
2. Financial software upgrades do not alter the approved user access rights.

¹ The annual salary notifications show employees what they will be paid for the year, including any stipends, and other compensation related information.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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Board of Education

Phone: 315-434-3021
www.esmschools.org

May 9, 2016

[REDACTED]
State Of New York
Office of the State Comptroller
110 State Street, 12th Floor
Albany, New York 12236

Dear [REDACTED]

The East Syracuse Minoa Central School District is in receipt of the Audit Report for the period of July 1, 2014 – December 23, 2015. Additionally, an exit discussion was held on April 27, 2016 at 9:00 a.m. to discuss the findings of the audit. We are very pleased with the overall audit and this letter serves as both our Audit Response and Corrective Action Plan.

East Syracuse Minoa prides itself on placing a high priority on internal controls to mitigate any risks of fraudulent activity. We underwent an upgrade to our financial software in May 2015. The upgrade did not allow for current user rights to be carried forward to the new software, [REDACTED]. Having said this – the process with respect to starting from scratch for each user and assigning rights was extremely time consuming. In addition, since the conversion, we have advised the software vendor, [REDACTED] that it would be to their benefit to better clarify the user right assignment process in more detail to future clients prior to the conversion process.

The timing of the upgrade, May 2015, close to fiscal year end was less than ideal. Prior to the conversion, all user rights were accurate as you've stated in the final report. At the time of audit, the District Treasurer indicated that we had yet to review the user rights for our Payroll Clerk – and did that immediately prior to your completion of field work. The following is a summary of our Corrective Plan in accordance with the 90-day requirement. We have included the details of our plan to implement the recommendations of the audit:

Financial Software Access Rights

1. District officials should ensure that Employees are not authorized to have incompatible duties within the financial software

User Permission Reports are generated from the Financial Software system quarterly and reviewed and audited by the District Treasurer and Executive Director of School Business Administration for accuracy and appropriateness to ensure individuals do not have excessive rights for their position. When there are changes to an employee's status or role – the Treasurer generates a permission modification request sheet and it is signed off by the Executive Director of School Business Administration and changes are implemented by the Network Administrator.

2. ***Financial software upgrades do not alter the approved user access rights. Software upgrades are done periodically and do not alter user access rights. The district actually converted their financial software from ██████████ (Progress based) to ██████████ (SQL based) – which was a completely new database platform. The District has met with their representative from ██████████ and has expressed their concerns regarding the transition from the old database platform to the new one.***

We appreciate the efforts of your office and the value these audits provide districts.

Respectfully,

Deborah Kolod, Board President
East Syracuse Minoa Central School District

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials regarding user access rights for the payroll process and the process used to add/delete/modify employee information.
- We reviewed payroll clerk user access rights both in the current system and under previous financial software.
- We judgmentally selected the two most recently completed bi-weekly payrolls for the month of November 2015 and tested 45 payroll records to determine if the biweekly salaries were accurate, calculated correctly and paid in accordance with Board-approved rates.
- We determined if the stipends agreed with the Board-approved rates.

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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