



Gorham-Middlesex Central School District

Online Banking Access

2022M-179 | February 2023

Contents

- Report Highlights 1**

- Online Banking Access 2**
 - How Can District Officials Limit Online Banking Access? 2

 - District Officials Did Not Ensure Online Banking Access Was Limited to Board-Authorized Users. 2

 - What Do We Recommend? 4

- Appendix A – Response From District Officials 5**

- Appendix B – Audit Methodology and Standards 6**

- Appendix C – Resources and Services. 7**

Report Highlights

Gorham-Middlesex Central School District

Audit Objective

Determine whether the Gorham-Middlesex Central School District (District) officials limited online banking access and permissions to Board-authorized users.

Key Findings

District officials did not ensure online banking access was limited to Board-authorized users because no one reviewed online banking users' access and permissions. Officials at the District also did not monitor online banking transactions. As a result, the risk that the District may become the victim of a cybercrime and experience financial losses is heightened.

- Of the District's 10 online banking users, six users were not authorized by the Board to conduct online banking but were inappropriately provided with online banking access to one or more of the District's bank accounts.
- Five of the six users not authorized to conduct online banking and the Business Official and Business Administrator inappropriately had administrative permissions to one or more of the District's bank accounts, which allowed them to add, remove or modify user access and permissions.

Key Recommendations

- Limit online banking access to Board-authorized users and ensure administrative permissions are granted to users that require these permissions.
- Monitor online banking users' access and permissions and comply with Board policy.

District officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The District serves the Towns of Gorham, Hopewell and Seneca in Ontario county, and the Towns of Benton, Italy, Jerusalem, Middlesex and Potter in Yates County.

The District is governed by an elected nine-member Board of Education (Board) responsible for managing and controlling the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible along with the Business Official/Administrator, for the day-to-day management under the Board's direction.

The Board-appointed District Treasurer and Deputy Treasurer are employees of the Wayne Finger Lakes Board of Cooperative Educational Services (BOCES) central business office (CBO). The District uses the BOCES CBO for online banking duties.

Quick Facts

Bank Balances as of June 30, 2022	\$14.4 million
-----------------------------------	----------------

Online Banking Users:

Authorized	4
Not Authorized	6

Completed and Reviewed

Online bank transfers, wire transfers and Automated Clearing House (ACH) transactions	\$107.2 million
---	-----------------

Audit Period

July 1, 2021– June 30, 2022

Online Banking Access

Online banking provides a means of accessing and monitoring funds held in school district bank accounts. Users generally can transfer money between bank accounts and to external accounts and review account balances and account information. Cybercrime involving the exploitation of valid online banking credentials is a significant risk facing any school district that processes financial transactions online.

How Can District Officials Limit Online Banking Access?

When a school district uses online banking to disburse or electronically transfer funds a board must comply with New York State General Municipal Law Section 5-a that requires the governing board to establish a written agreement with each bank a district uses for online banking. The board should also adopt a written policy to help ensure proper controls are in place to limit online banking access and provide adequate guidance and the board's expectations to school district officials. Officials should ensure access to online banking is controlled and its use should be authorized and monitored frequently due to the ease with which electronic transfers can be made.

District officials should ensure the Board's adopted Fiscal Accounting and Reporting of Funds Policy (Policy) is followed. The Policy allows the Business Official to only view online banking transactions but authorizes the District Treasurer and Deputy Treasurer to make payments and for transferring funds between accounts maintained by the District. The Policy also allows for the use of online banking for other activities required for the District to conduct day-to-day business including:

- The viewing of bank account information, including daily transactions posting to District accounts, stop payments, electronic statements, etc.
- The receipt of revenue from various sources, such as school lunch fees, extra-classroom sales and real property taxes.

District Officials Did Not Ensure Online Banking Access Was Limited to Board-Authorized Users.

We found that the District had written agreements with each bank to address online banking. However, neither the Superintendent, Business Official nor Business Administrator periodically monitored online banking access because the District uses the BOCES CBO for online banking duties and the Policy did not establish monitoring procedures for an official at the District. Although the Board appointed the BOCES CBO manager and assistant manager as District Treasurer and Deputy Treasurer, these individuals did not perform the District's online banking transactions. Instead, CBO staff were assigned these duties and granted online banking access by the Treasurer. As a result, we noted six individuals

were inappropriately provided with online banking access to one or more of the District’s bank accounts. In addition, we noted five of these six users and the Business Official and Business Administrator inappropriately had administrative permissions to one or more of the District’s bank accounts (Figure 1). As a result, these individuals could add, remove or modify user access and permissions.

Figure 1: District’s Online Banking Access

Title	Authorized Users	Online Banking Access		
		Bank 1	Bank 2	Bank 3
Treasurer	X	X*	X*	X*
Deputy Treasurer	X	X*	X*	X*
Business Official	X	X	X*	
Business Administrator	X		X*	
Tax Collector/Deputy Extra-Classroom Treasurer			X*	
CBO Employee		X*		X*
CBO Employee		X		X*
CBO Employee		X		X*
Former CBO Employee		X		X*
CBO Employee (Payroll Clerk)		X		

* Users with administrative permissions

There was a job overlap with the Business Official/Administrator. The Business Official's start date was July 1, 2022 and the Business Administrator's end date was September 30, 2022.

We reviewed all online bank transfers between July 1, 2021 and June 30, 2022 totaling approximately \$68.3 million and wire transfers and ACH payments for the months of December 2021 and June 2022 totaling about \$38.9 million. We found that the online bank transfers, wire transfers and ACH payments were for appropriate purposes.

Allowing multiple unauthorized online banking users increases the risk that the District may become the victim of a cybercrime and experience financial losses that may not be recoverable.

What Do We Recommend?

The Board should:

1. Update the Fiscal Accounting and Reporting of Funds Policy to provide clear guidance regarding who is responsible for monitoring online banking access, permissions and activity.

District officials should:

2. Limit online banking access to only those individuals authorized by the Board.
3. Periodically monitor users' online access and the permissions granted to ensure compliance with Board policy.

Appendix A: Response From District Officials

High School & Middle School

Eric Pasho, *Principal*
4100 Baldwin Road
Rushville, NY 14544
(585) 554-6441

www.mwcsd.org



MARCUS WHITMAN CENTRAL SCHOOL

GORHAM-MIDDLESEX CENTRAL SCHOOL DISTRICT

Dr. Christopher R. Brown, *Superintendent*
(585) 554-4848

Gorham Elementary

Ms. Jennifer Taft, *Principal*
2705 Route 245
Stanley, NY 14561
(585) 526-6351

Middlesex Valley Elementary

Mrs. Karissa Schutt, *Principal*
149 Route 245
Rushville, NY 14544
(585) 554-3115

January 25, 2023

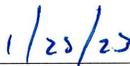
Gorham Middlesex Central School District

Online Banking Access
2022M-179

In response to the recent New York State Comptroller Audit for the Gorham-Middlesex School District, the district accepts the audit findings and is prepared to proceed with issuing the final report.

Signed, 


Name: Christopher R. Brown, Ph.D.
Title: Superintendent


Date

“Whitman Pride: Empowering Learning Growing”

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and CBO staff to obtain an understanding of online banking access and to obtain any related policies and procedures.
- We reviewed policies and procedures for authorized online users.
- We observed online banking users' access from logon to logoff for the ten users with online banking access.
- We inquired with District officials about a written agreement with the banks and reviewed online banking access documentation.
- We reviewed all wire transfers and ACH debits for the judgmentally selected months of December 2021 and June 2022 because bond payments were made in those months.
- We reviewed all online transfers during the period of July 1, 2021 through June 30, 2022.
- To determine bank balances as of June 30, 2022 we sent out and received bank confirmations from the Board-approved bank depositories.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties

osc.state.ny.us

