STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-123
March 2016

MANATEE COUNTY
DISTRICT SCHOOL BOARD

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, the following individuals served as Board members:

	District No.
Robert C. Gause, Chair from 11-18-14	1
Barbara A. Harvey to 11-17-14	2
Charlie Kennedy from 11-18-14	2
Dave “Watchdog” Miner, Vice Chair	3
Karen Carpenter	4
Julie B. Aranibar to 11-17-14, Chair	5
Dr. Mary Cantrell from 11-18-14	5

Also, the following individuals served as Superintendent during the 2014-15 fiscal year:

Rick W. Mills, Superintendent to 5-12-15
Don Hall, Interim Superintendent from 5-13-15 to 5-26-15
Dr. Diana Greene, Interim Superintendent from 5-27-15 to 5-31-15, Superintendent from 6-1-15

The team leader was Elba Marquez Guzik, CPA, and the audit was supervised by Karen J. Collington, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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MANATEE COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Manatee County District School District (District) focused on selected District processes and administrative activities and included a follow-up on certain findings noted in our report Nos. 2014-079 and 2014-098. Our audit disclosed the following:

Finding 1: Some unnecessary or inappropriate information technology access privileges continue to exist.

BACKGROUND

The Manatee County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Manatee County. The governing body of the District is the Manatee County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. During the 2014-15 fiscal year, the District operated 52 elementary, middle, high, and specialized schools; sponsored 12 charter schools; and reported 46,931 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on select findings noted in our report Nos. 2014-079 and 2014-098.

FINDING AND RECOMMENDATION

Finding 1: Information Technology – Access Controls

Access controls are intended to protect District data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned responsibilities. Periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible duties. According to District personnel and District records, to monitor the propriety of assigned IT access privileges, the District performs periodic reviews of these assignments.

We reviewed District records supporting 36 user accounts selected from the population of 112 user accounts with access privileges to the District's finance and human resources (HR) applications as of November 17, 2015, and noted that:

- Eleven payroll employees within the payroll security group had update access privileges to functions within the HR application that allowed employees to add employees to the master file,

make changes to salaries, and update employee addresses. The ability to modify employee salaries is appropriate for only four payroll employees, and the ability to add employees to the master file, and update employee addresses is appropriate only for HR personnel. In response to our inquiry, District personnel indicated that they were unaware the assigned access privileges allowed the employees to perform incompatible functions.

- One HR benefits employee within the payroll security group had update access privileges to functions within the HR application that allowed the employee to add employees to the master file and the ability to modify employee salaries. The ability to modify employee salaries is appropriate only for payroll personnel. In response to our inquiry, District personnel indicated that this access was granted to the HR benefits employee due to an oversight.
- Three finance employees, the Chief Financial Officer, and two budget employees within the finance and budget security groups had update access privileges to functions within the finance application that allowed the employees to update vendor profiles, including the ability to change addresses. The ability to update this information is appropriate only for purchasing personnel. District personnel indicated that access to these security groups by the three finance employees was necessary to perform their assigned job duties. In response to our inquiry, District personnel indicated that they had developed procedures, such as reviewing reports showing updates to vendor profiles, to somewhat compensate for the inappropriate access. District personnel also provided us copies of the reports; however, although we requested, District personnel could not provide evidence, such as documented review and approval of the reports, that the reports had been reviewed to monitor vendor profile updates.

These access privileges were unnecessary for the employees to perform their assigned job responsibilities and did not provide for an appropriate separation of incompatible duties. Although the District had certain controls in place (e.g., supervisory monitoring of expenditures) that somewhat compensated for these deficiencies, the existence of unnecessary or inappropriate IT access privileges increase the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. A similar finding was noted in our report No. 2014-079 (finding No. 31).

Recommendation: The District should ensure that assigned access privileges enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities.

PRIOR AUDIT FOLLOW-UP

Except as described in Finding 1, the District had taken corrective actions for the applicable findings in our report Nos. 2014-098 (finding No. 1) and 2014-079 (finding Nos. 1, 6, 7, 8, 22, and 23).

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2015 to January 2016 in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. 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.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets.
- Determine whether management had taken corrective actions for certain findings included in our report Nos. 2014-079 and 2014-098.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of records and transactions. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of District management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed District procedures for maintaining and reviewing access to information technology (IT) resources. We reviewed District records supporting 36 user accounts selected from the population of 112 user accounts with access privileges to the District's finance and human resources applications as of November 17, 2015, to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties.
- Applied analytical procedures to determine whether the District's General Fund total unassigned and assigned fund balances at June 30, 2015, was less than the 3 percent of the Fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also applied analytical procedures to determine the sufficiency of the District's self-insurance plan ending net position at June 30, 2015.
- From the population of $12,466,618 total expenditures and $50,213,085 total transfers made during the 2014-15 fiscal year from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting 15 selected expenditures and 15 selected transfers totaling $2,713,044 and $31,828,860, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- From the population of $8,861,961 total Workforce Development funds expenditures during the 2014-15 fiscal year, examined documentation supporting 26 selected expenditures totaling $1,084,927 to determine whether the District used the funds for authorized purposes (i.e., funds were not used to support K-12 programs or District K-12 administrative costs).
- From the population of 1,550 adult general education instructional students with 367,851 reported contact hours during the 2014-15 fiscal year, examined District attendance records supporting 30 selected students with 2,362 reported contact hours to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education requirements.
- From the population of 210 industry certifications eligible for performance funding that were attained by students during the 2013-14 and 2014-15 fiscal years, examined documentation supporting 42 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- Examined District records to determine whether District procedures for preparing the 2014-15 fiscal year budget were sufficient to ensure that all potential expenditures were budgeted.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the finding and recommendation that is included in this report and which describes the matter requiring corrective action. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

SCHOOL DISTRICT OF MANATEE COUNTY

SCHOOL BOARD

Karen Carpenter
Chair

Charlie Kennedy
Vice Chair

John A. Colón
Robert Gause
Dave "Watchdog" Miner

SUPERINTENDENT
Diana Greene Ph.D.

March 15, 2016

Sent by E-mail

Ms. Sherrill Norman
Auditor General – State of Florida
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

In response to your preliminary and tentative audit finding; information technology – access controls – the District provides the following explanation and action plan.

The District has been hindered in its efforts to enhance system security due to the limitations of an antiquated operating system. However, the School Board recently approved the purchase and implementation of PeopleSoft as the District's Enterprise Resource Planning (ERP) system. As the District configures PeopleSoft, specific attention will be placed on assigning appropriate user permissions. The District has an aggressive implementation timeline with anticipated roll-out in April 2017.

Until we are able to rollout the new system, the District will implement controls to detect or prevent inappropriate access to the system. Specifically:

- The Director of Finance will print, review and sign reports of updates to vendor profiles.
- The Payroll Manager will work with our Information Technology Department to establish new access levels to the extent possible.
- Where access cannot be limited, the Chief Human Resource Officer will implement manual controls to mitigate access risks.

The District intends to implement these changes by March 30, 2016. The above-referenced changes should correct the finding until our new system is implemented.

Sincerely,

Dr. Diana Greene
Superintendent

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