



Putnam/Northern Westchester Board of Cooperative Educational Services

Information Technology and Claims Auditing

Report of Examination

Period Covered:

July 1, 2014 – April 6, 2016

2016M-205



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2016

Dear Board of Cooperative Educational Services (BOCES) Officials:

A top priority of the Office of the State Comptroller is to help BOCES officials manage BOCES resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support BOCES operations. The Comptroller oversees the fiscal affairs of BOCES statewide, as well as BOCES' 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 BOCES operations and Board of Education governance. Audits also can identify strategies to reduce BOCES costs and to strengthen controls intended to safeguard BOCES assets.

Following is a report of our audit of the Putnam/Northern Westchester BOCES, entitled Information Technology and Claims Auditing. 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 BOCES 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Putnam/Northern Westchester Board of Cooperative Educational Services (BOCES) is governed by a seven-member Board of Education (Board) elected by the boards of its 18 component school districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs. The District Superintendent is BOCES' chief executive officer and is responsible, along with other administrative staff, for BOCES' day-to-day management and for regional educational planning and coordination. BOCES offers educational, career and technical programming for students in component school districts in Putnam and Westchester counties. BOCES' 2015-16 fiscal year budget totaled approximately \$92.5 million.

Under the District Superintendent's direction, the Director of Business Affairs oversees the administration of user permissions for the financial software. The information technology (IT) department consists of approximately 1,700 computers. The IT Director is responsible for all of BOCES' IT functions. The Board appointed a claims auditor who is responsible for formally examining and approving or rejecting all charges, claims or demands against BOCES.

Scope and Objectives

The objectives of our audit were to examine controls over IT and the claims auditing process for the period July 1, 2014 through April 6, 2016. Our audit addressed the following related questions:

- Did BOCES officials ensure that BOCES' IT systems were adequately secured and protected against unauthorized access, harm and loss?
- Does the claims auditor properly audit claims for service payments?

Audit Results

BOCES officials need to improve controls to adequately secure and protect IT systems. Four employees had unauthorized personal Internet usage, which included accessing websites for shopping, personal email, social networking, travel and entertainment. Also, nine employees had more access rights than necessary for their job duties. Furthermore, the rooms housing the servers and IT infrastructure did not have adequate safeguards to track access and protect IT assets, and BOCES officials have not developed a formal disaster recovery plan to guide actions in the event of a disaster. As a result, there is an increased risk of unauthorized access, improper transactions or serious interruptions of BOCES' operations.

The Board appointed a claims auditor but needs to improve its oversight of the claims auditing function. There was no evidence that 33 claims totaling \$100,873 were checked to ensure they did not exceed their related purchase orders or that 13 claims totaling \$42,526 agreed with approved contracts or agreements. In addition, two claims totaling \$26,675 were not mathematically accurate, three claims totaling \$14,250 were not itemized and five claims totaling \$12,672 were paid without proper approval. Additionally, the claims auditor did not submit adequate claims audit reports to the Board each month that included discovered conditions. Lastly, the Board appointed the data manager as the claims auditor, whose duties of the two positions are incompatible. As a result, there is increased risk that the services received may not be authorized, paid at the contractors' rates or may not be proper BOCES expenditures.

Comments of BOCES Officials

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. Except as indicated in Appendix A, BOCES officials generally agreed with our recommendations and indicated they have begun to take corrective action. Appendix B includes our comment on the issue raised in the BOCES' response letter.

Introduction

Background

The Putnam/Northern Westchester Board of Cooperative Educational Services (BOCES) consists of 18 component school districts. BOCES is governed by a seven-member Board of Education (Board) elected by the boards of the component districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs. The District Superintendent is BOCES' chief executive officer and is responsible, along with other administrative staff, for BOCES' day-to-day management and for regional educational planning and coordination. According to statute, the District Superintendent is an employee of both the appointing BOCES and the New York State Education Department. As such, the District Superintendent also serves as a representative for the New York State Commissioner of Education.

BOCES operates at three campuses. Combined, BOCES educates approximately 4,200 students from the 18 districts in Putnam and Westchester counties. BOCES delivers more than 130 educational, career, technical and administrative services to its component school districts and employs approximately 610 staff. BOCES' 2015-16 fiscal year budget was approximately \$92.5 million, funded primarily by charges to school districts for services and State and federal aid.

Under the District Superintendent's direction, the Director of Business Affairs oversees BOCES accounting records, including the administration of user permissions for the financial software. The information technology (IT) department manages BOCES' IT infrastructure, which consists of approximately 1,700 computers. The IT Director is responsible for all of BOCES' IT functions. The Board appointed a claims auditor who is responsible for formally examining and approving or rejecting all charges, claims or demands against BOCES. The claims auditor is also responsible for reviewing the claims for services to ensure that they have adequate support and proper approvals, are mathematically correct with rates and terms that match contracts and are for proper BOCES purposes.

Objectives

The objectives of our audit were to examine the controls over IT and the claims auditing process. Our audit addressed the following related questions:

- Did BOCES officials ensure that BOCES's IT systems were adequately secured and protected against unauthorized use, access and loss?

- Does the claims auditor properly audit claims for service payments?

Scope and Methodology

We examined BOCES' controls over IT and the claims auditing process for the period July 1, 2014 through April 6, 2016. Because of the sensitivity of some of this information, we did not discuss the results in this report but instead communicated them confidentially to BOCES officials.

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 C of this report.

Comments of BOCES Officials and Corrective Action

The results of our audit and recommendations have been discussed with BOCES officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as indicated in Appendix A, BOCES officials generally agreed with our recommendations and indicated they began to take corrective action. Appendix B includes our comment on the issue raised in the BOCES' response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the 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 should 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 Board Clerk's office.

Information Technology

BOCES uses the IT system for computer education, Internet access, email communications, storing student data, maintaining financial records and reporting to State and federal agencies. If the computers on which IT data is stored fail or the data is lost or altered, the results could range from inconvenient to catastrophic. Even small disruptions can require extensive effort to evaluate and repair.

BOCES officials are responsible for designing and implementing a system of internal controls to address the risk that critical systems and data could be compromised or lost and to measure the impact of that loss on critical BOCES functions. BOCES officials should ensure that Internet usage is appropriate and that access to BOCES computer systems is based on employees' job duties. They should also establish adequate physical controls over IT servers and infrastructure and adopt a formal disaster recovery plan.

BOCES officials need to improve controls to adequately secure and protect IT systems. Four employees had unauthorized personal Internet usage and nine employees had more access rights than necessary for their job duties. Furthermore, the rooms housing the IT servers and infrastructure did not have safeguards to track access and protect IT assets and no formal disaster recovery plan has been developed.

Unauthorized Personal Internet Usage

According to Board policy, all electronic and telephone communication systems, owned or operated by BOCES, and all communications and information transmitted by, received from or stored in these systems, are the property of BOCES and are to be used solely for BOCES-related purposes. Minimal personal use that is not political, religious, or related to business or profit making is also permitted.

We reviewed the web browsing history of 10 judgmentally¹ selected employees. Four employees had unauthorized personal Internet usage during working hours. For these four employees, we sampled one week of web browsing history and determined that unauthorized personal Internet usage ranged from 54 to 81 percent of total Internet webpages visited. Employees accessed websites for shopping, personal email, social network, travel and entertainment. Staff were able to access these websites, in violation of BOCES' acceptable use policy, because the web filtering software was not configured to block these sites.

¹ We judgmentally selected individuals from the Business Office, human resources and the special education department.

The inappropriate use of BOCES' computers could expose BOCES to virus attacks or compromise systems and data, including key financial and confidential information. Furthermore, time spent surfing the web for personal reasons during working hours represents lost BOCES resources and possible time abuse.

User Access

Effective controls should allow users to access only those computerized functions that are consistent with their job responsibilities, prevent users from being involved in multiple aspects of financial transactions and monitor users' activity to ensure it is appropriate for employees' job descriptions and levels of responsibility.

BOCES officials have not established a process for granting and updating access rights and user permissions and do not compare the employee master list to the network user accounts to ensure user rights are appropriate. Additionally, BOCES officials do not monitor user logs and activity change reports periodically to detect attempts to inappropriately delete or alter financial data, initiate improper transactions or misappropriate funds without detection. We selected 13 users from the total 106 Business Office and administrative users. We identified nine users as having more access rights than necessary for their job duties. For example, the claims auditor was assigned 582 access rights and the Director of Human Resources was assigned 563 rights, of which 559 and 246 were deemed excessive based on their current job responsibilities.

Without procedures for access rights and monitoring of user activity, BOCES officials do not have adequate assurance that they will be able to detect attempts to inappropriately delete or alter financial data, initiate improper transactions or misappropriate funds.

Physical Controls

Without a log to record access or a tracking system to the server rooms, it would be difficult for BOCES officials to prevent unauthorized access to the equipment or to identify the party responsible if such access should occur. Without adequate physical controls, all other security measures may be meaningless. Effective internal controls include temperature controls, fire detection systems and an uninterrupted source of power. If the server room is compromised or there is a power outage, there is an increased security risk to IT resources and data, including confidential information.

BOCES' main server room houses 35 servers that perform critical functions to back up the data from BOCES' financial application. Another server room houses three servers that perform critical functions to back up the data from the BOCES' financial application and teacher storage files.

BOCES has inadequate physical monitoring controls to protect its servers. BOCES does not require a log to record access or have a tracking system to monitor access to the server rooms. The main server room does not have a temperature warning system. The secondary server room is not temperature controlled, does not contain a temperature or fire detection warning system and does not have a generator, but only a limited battery back-up. BOCES officials told us the servers have batteries that will run for about 20 minutes during a power outage. However, once the batteries are exhausted, IT operations in the secondary server room would cease. The above conditions could leave IT infrastructure vulnerable to the environment and unauthorized access and could decrease the performance of crucial IT operations due to service interruptions. BOCES officials told us that their capital plan includes the purchase of a generator for the server room.

Disaster Recovery Plan

The Board is responsible for developing a disaster recovery plan to prevent or minimize the loss of computerized equipment and data and to provide procedures for recovery in the event of an actual loss. A disaster could be any unplanned event that compromises the integrity and the data of the IT systems. Even small disruptions can require extensive effort and cost to evaluate and repair. Typically, a disaster recovery plan provides instructions as to how employees should communicate, where they will go and how they will perform their jobs in the event of a disaster. It may also include the types of threats to the IT system, an analysis of business processes and continuity needs, the roles of key individuals and a focus on disaster prevention. A disaster recovery plan should be tested periodically to ensure it works as intended.

Although BOCES officials developed an informal disaster recovery plan within their technology plan, there is no formal disaster recovery plan. The informal plan was tested once in November 2012, during Super Storm Sandy. The plan does not address how employees should communicate, where they will go and how they will perform their jobs in the event of a disaster. As a result, employees do not have guidance for restoring data or resuming critical operations in a timely manner. Additionally, the procedures do not describe the types of threats to the IT system. The lack of an adequate disaster recovery plan could lead to loss of important financial and confidential data and interruption of BOCES' operations.

Recommendations

The Director of IT should:

1. Monitor user activity periodically to detect inappropriate usage to conform to Board policy.

2. Configure the web filtering software to block inappropriate Internet sites from being assessed.
3. Develop and implement procedures to physically secure and protect IT assets, including a log or tracking system to monitor access to the server rooms, a temperature warning and control system, a fire warning system and a back-up generator.
4. Test the disaster recovery plan periodically to ensure it works as intended.

The Director of Business Affairs should:

5. Establish a process for granting and updating user access rights and permissions and compare the employee master list to the list of network user accounts to ensure that user access rights are appropriate for job descriptions and levels of responsibility.
6. Monitor user logs and activity change reports periodically to detect attempts made to inappropriately delete or alter financial data, initiate improper transactions or misappropriate funds.

The Board should:

7. Adopt a formal disaster recovery plan that provides instructions as to how employees should communicate, where they will go and how they will perform their jobs in the event of a disaster and that identifies the types of threats to the IT system.

Claims Auditing

New York State Education Law (Education Law) requires the Board to audit and approve all claims prior to payment or to appoint a claims auditor for this purpose. If the Board appoints a claims auditor, the Board should oversee the claims auditing function to ensure that only legitimate claims are paid. The claims auditor should periodically report to the Board on the results of the claims auditing function and the Board should not appoint any individual that has any other responsibilities related to the business operations of BOCES as the claims auditor.

The Board appointed a claims auditor but needs to improve its oversight of the claims auditing function. There was no evidence that the claims auditor ensured that claims did not exceed their purchase order amounts or that claims agreed with related contracts or agreements. In addition, we determined that some claims paid were not mathematically accurate or itemized and lacked proper approval. Additionally, the claims auditor did not submit adequate claims audit reports to the Board. Finally, the Board appointed the data manager as the claims auditor even though the duties of the positions were incompatible.

Audit of Claims

The Board is responsible for overseeing the claims audit function. The claims auditor is responsible for ensuring that only legitimate claims are paid. In general, the claims auditor must ensure that transactions are properly authorized before vouchers or invoices are approved for payment, proper documentation and itemization is provided, claims are mathematically accurate, amounts paid are in accordance with contract agreements and claims are proper BOCES expenditures. For blanket purchase orders, prior payments should be checked to purchase order amounts to verify that purchase orders were not exceeded.

The Board needs to improve its oversight of the claims audit function. BOCES paid 931 claims for professional services totaling \$1.7 million. Examples include occupational therapy, physical therapy and laundry services. We reviewed 50 professional services claims totaling \$119,356; 10 claims totaling \$67,941 were judgmentally selected because they were the largest amounts paid and 40 claims totaling \$51,415 were randomly selected.

- Thirty-three claims (89 percent²) totaling \$100,873 did not include information on prior purchase amounts to show that

² Thirteen claims were not related to blanket purchase orders and were therefore not included in the testing.

blanket purchase orders were not overexpended or that the claims auditor confirmed they were not.

- Thirteen claims (27 percent³) totaling \$42,526 were not verified to an approved contract or agreement.
- Two claims (4 percent) totaling \$26,675 were not mathematically accurate.
- Three claims (6 percent) totaling \$14,250 were not itemized.
- Five claims (10 percent) totaling \$12,672 were paid without proper supervisory approval.

The claims auditor told us that she does not ensure blanket purchase orders are not overexpended, does not compare rates paid with approved contract terms and does not verify mathematical accuracy or check the itemization of invoices. Instead, the claims auditor relies on the three individuals who approve claims at different levels prior to her receiving them for review. Although service contracts are attached to the first and last claim of the year for each professional service and are available upon request, the claims auditor does not compare contract terms to invoices and amounts paid because she assumes rates are verified by the individuals preparing and approving the voucher packets. As a result, there is an increased risk that professional services may not be authorized or received at contracted rates, that claims may exceed the approved purchase order amounts and that payments may not be for proper BOCES expenditures.

Claims Audit Report

Education Law requires the claims auditor to periodically report directly to the Board on the results of the claims audit process, such as any reductions or rejections of claims by the auditor. The New York State Education Department suggests that the claims audit report include the discovered condition or error, who is responsible for correcting the condition, what corrective actions should be taken and the results of the corrective action.

The claims auditor did not submit adequate claims audit reports to the Board each month. The reports consisted of a check and automated clearing house log of claims audited listing the beginning and last check reviewed and the total amount of the warrants paid. Although, some reports did include notes as to reasons why checks were voided, there was no documentation as to any reductions or rejections of claims by the claims auditor or any discovered conditions such as

³ One claim was for laundry services and did not require a contract.

evidence that purchases were not allowed to exceed their purchase orders.

The claims auditor has not received any recent training relating to claims auditing and told us that it was over 10 years since she received any training. The Board has not provided a format or requested specific information to be included on the claims auditor's reports and believed its meetings with the audit committee provided sufficient information. If the claims audit reports do not contain information such as reduced or rejected claims and discovered conditions, the Board's ability to provide oversight and take corrective action is diminished.

Incompatible Duties

Regulations of the New York State Commissioner of Education state that a BOCES may delegate the auditing of claims to an individual that is considered independent, if such individual has no other responsibilities related to the BOCES' business operations.

The Board appointed the data manager as the claims auditor. The data manager is the financial application software administrator. As such, she has full administrative rights in the financial software system, which allow her to create, modify and delete transactions. Since the claims auditor is responsible for reviewing and approving all claims for payment, her duties as the data manager are incompatible with her duties as the claims auditor.

BOCES officials were unaware that the data manager position was incompatible with the claims auditor position. As a result, the Board does not have adequate assurance that the claims audit process is functioning properly.

Recommendations

The Board should:

8. Ensure the claims auditor performs a thorough and meaningful audit of claims prior to approving them for payment. There should be evidence that the claims auditor ensured that claims did not exceed purchase orders and that amount claimed agreed with approved contracts or agreements. In addition, claims must be mathematically accurate, be itemized and include proper approvals.
9. Ensure that the claims auditor periodically receives necessary training.
10. Provide a format or request specific information to be included in the claims audit reports, including reductions or rejections of claims, discovered conditions, persons responsible for

correcting the conditions, corrective action taken and results of the corrective action.

11. Appoint a claims auditor that does not have incompatible duties.

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

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

September 15, 2016

James M. Ryan, Ed.D.
*District Superintendent/
Chief Executive Officer*

Office of State Comptroller
State of New York
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

To Whom It May Concern:

On behalf of Putnam/Northern Westchester BOCES we submit the following response to the Office of the State Comptroller's Report of Examination on "Information Technology and Claims Auditing", for the period of July 1, 2014 through April 6, 2106 (2016M-205).

Before addressing specific recommendations, we would like to thank you for the efforts of your staff during their time spent at PNW BOCES. We found your staff to be professional, knowledgeable and courteous. We also appreciate your willingness to address specific concerns that were raised during the on-site review of the draft report. After reviewing the report, we are pleased that many of the recommendations are centered on process improvements and do not represent high risk issues with BOCES fiscal operations.

Recommendation #1 – The Director of IT should monitor user activity periodically to detect inappropriate internet usage to conform to Board policy.

We accept this recommendation, but believe only 2 of the 4 employees had "unauthorized" personal Internet usage during work hours. For the one-week sample period chosen during the examination for one of the two employees, a majority of the internet usage was primarily the default homepage of our local newspaper's web-site. This site is periodically monitored to assist the BOCES in keeping abreast of educational news in the region. The site automatically refreshes its content every 8 minutes and was running in the background rather than actively being accessed. The remaining activity for the sample period deemed "unauthorized" was a total of 24 minutes. Of these 24 minutes, 6 minutes were during a work period.

See
Note 1
Page 18

In the case of a second employee, we believe the data provided was unreliable. For example, the data showed during a 1 minute period, 696 web addresses were accessed. The remaining time sampled that was deemed "unauthorized" totaled 16 minutes.

Given the nature of the programs we offer, the agency cannot block all websites that serve a business/educational purpose even if they may be used for personal purposes. We will conduct periodic random checks to insure that employees are complying with these policies and we are exploring a software solution that tracks websites visited, time spent at these sites, and other reports to ensure compliance with board policies

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Recommendation #2 – The Director of IT should develop and implement procedures to physically secure and protect IT assets, including a log or tracking system to monitor access to the server rooms, a temperature warning and control system, a fire warning system and a back-up generator.

We agree with this recommendation and have already begun the process of adding another layer of security for our server rooms by installing card readers to monitor and manage access to these areas.

Additionally, we are also exploring different solutions that will alert appropriate individuals of environmental condition changes such as temperature changes and fire warning, which could affect operations.

The main campus currently has a back-up generator. We have already begun the process of creating a power failure solution (generator) for our server room in the Fox Meadow campus.

Recommendation #3 – The Director of IT should test the disaster recovery plan periodically to ensure it works as intended.

We agree with this recommendation. The Director of IT will test the disaster recovery plan periodically to ensure it works as intended.

Recommendation #4 - The Director of Business Affairs should establish a process for granting and updating user access rights and permissions and compare the employee master list to the list of network user accounts to ensure that user access rights are appropriate for job descriptions and levels of responsibility.

We agree with this recommendation. A control for the initial set-up of user rights is currently utilized by the IT department. In addition, we will implement additional controls to review access when user roles and responsibilities change. Periodic audits will be conducted randomly multiple times each year to ensure that users only have the necessary access rights to perform their function.

Recommendation #5 - The Director of Business Affairs should monitor user logs and activity change reports periodically to detect attempts made to inappropriately delete or alter financial data, initiate improper transactions or misappropriate funds.

We agree with this recommendation. User logs and activity change reports within our financial system will be monitored periodically.

Recommendation #6 - The Board should adopt a disaster recovery plan that provides instructions as to how employees should communicate, where they will go and how they will perform their jobs in the event of a disaster and identifies the types of threats to the IT system.

We agree with this recommendation. The IT department is in the process of converting the informal disaster recovery plan into a formal plan that will be adopted by the Board, which includes a business impact analysis, and a schedule for the testing of the plan. The plan will also detail the logistics of continuing operations during the recovery period and outline potential threats to the IT infrastructure.

Recommendation #7 - The Board should ensure the claims auditor performs a thorough and meaningful audit of claims prior to approving them for payment. There should be evidence that the claims auditor ensured that claims did not exceed purchase orders and that amount claimed agreed with approved contracts or agreements. In addition, claims must be mathematically accurate, itemized and include proper approvals.

We agree with this recommendation. PNW BOCES is currently in the process of developing a request for proposal for claims audit services. As part of this new engagement, PNW BOCES will ensure the claims auditor performs a thorough and deliberate examination of each claim. The claims audit report will provide assurances that claims did not exceed approved purchase order amounts, are in agreement with approved contracts or agreements, are mathematically accurate, itemized and properly authorized.

The implementation of the by-item receiving module in our financial system will provide additional controls to ensure that amounts claimed agree to both contracts and their corresponding purchase orders.

Recommendation #8 - Ensure that the claims auditor periodically receives necessary training.

We agree with this recommendation. While there is no requirement for the claims auditors to obtain training, the RFP for claims audit services will stipulate that the claims auditor receives applicable training to maintain and improve their proficiency.

Recommendation #9 - Provide a format or request specific information to be included in the claims audit reports, including any reductions or rejections of claims, discovered conditions, persons responsible for correcting the conditions, corrective action taken and results of the corrective action.

We agree with this recommendation. PNW BOCES is currently in the process of developing a request for proposal for claims audit services. As part of this new engagement, PNW BOCES will ensure that the claims auditor reports to the Board provide detail to include the discovered condition, corrective action taken, and the results of the corrective action.

Recommendation #10 - Appoint a claims auditor that does not have any incompatible duties.

We agree with this recommendation. PNW BOCES is currently in the process of developing a request for proposal for claims audit services. Through this process, the Board will appoint a claims auditor that does not have any incompatible duties.

We appreciate the Office of the State Comptroller's review of Putnam/Northern Westchester BOCES. We value audits and consider them a valuable tool that can assist us in improving our organization. If you have any questions, or require any further information, please contact me.

Sincerely,

James M. Ryan, Ed.D.
District Superintendent/
Chief Executive Officer

APPENDIX B

OSC COMMENT ON BOCES' RESPONSE

Note 1

Our analysis found that 54 to 81 percent of the websites visited for each of the four employees tested were shopping, personal email, social network, travel and entertainment websites.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed BOCES' policies and regulations.
- We interviewed BOCES officials to gain an understanding of the processes and procedures over the IT system and financial software.
- We reviewed a sample of 10 employees and performed an analysis on their computer web browsing histories to identify unauthorized personal Internet usage. We examined webpages visited, along with the dates and times of the visits for personal, non-business or otherwise high-risk nature webpages.
- We judgmentally selected 13 individuals from the Business Office, human resources and the special education department from the total of 106 users within the financial software application. We reviewed the user permission report to determine if access rights granted were based on each user's job duties.
- We observed the server rooms to assess the physical controls and protection of IT assets.
- We interviewed BOCES officials, the claims auditor and Board members to gain an understanding of the claims auditing process.
- We judgmentally selected 10 claim voucher packets for professional services and randomly selected 40 claim voucher packets for professional services totaling \$119,356. We examined the packets for evidence of whether related purchase orders that were not overexpended and whether rates were in accordance with related contracts or agreements. We also examined the claims for mathematical accuracy, itemization, evidence of approval and propriety of expenditures.
- We reviewed claims auditor reports supplied to the Board.
- We reviewed the data manager's and claims auditor's titles and job duties and software application permissions for incompatibility.

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

APPENDIX D

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