DIVISION OF LOCAL GOVERNMENT
& SCHOOL ACCOUNTABILITY

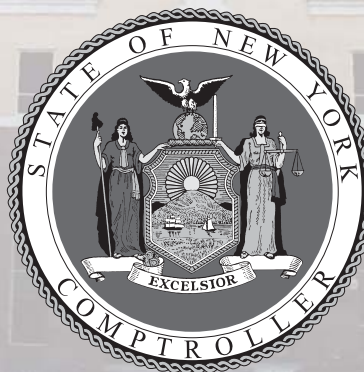# Young Women's College Prep Charter School of Rochester

## Information Technology

### Report of Examination

Period Covered:

July 1, 2014 – January 7, 2016

2016M-24

Thomas P. DiNapoli

# Table of Contents

# State of New York
# Office of the State Comptroller

**Division of Local Government
and School Accountability**

May 2016

Dear School Officials:

A top priority of the Office of the State Comptroller is to help charter school officials manage school financial operations efficiently and effectively and, by so doing, provide accountability for moneys spent to support school operations. The Comptroller audits the financial operations of charter schools outside of New York City to promote compliance with relevant statutes and observance of good business practices. This oversight identifies opportunities for improving school financial operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard school assets.

Following is a report of our audit of the Young Women's College Prep Charter School of Rochester, entitled Information Technology. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014.

This audit's results and recommendations are resources for school officials to use in effectively managing financial operations and in meeting the expectations of the taxpayers, students and their parents. 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**

A charter school is a public school financed by local, State and federal resources that is not under the control of the local school board. Charter schools generally have fewer legal operational requirements than traditional public schools. Most of the regulations for a charter school are contained in Article 56 of Education Law and in its bylaws, the charter agreement and fiscal/financial management plans. Charter schools are required to set both financial and academic goals, and a school's renewal of its charter is dependent on meeting these goals.

The Young Women's College Prep Charter School of Rochester (School) is located in the City of Rochester in Monroe County. The oversight for School operations is provided by the Board of Trustees (Board), which is composed of 10 members. The Board is responsible for the general management and control of the School's financial and educational affairs. The Board appoints the chief executive officer who is responsible, along with other administrative staff, for the day-to-day management of the School under the direction of the Board. The day-to-day financial activities are conducted by the Director of Operations (Director). The School contracts with a bookkeeper and an accounting firm to perform various financial duties. The School Information Technology (IT) Systems Administrator is responsible for overseeing the School's technology resources and began working full-time in May 2015.

The School was established in 2011 under the New York State Board of Regents and is overseen by the New York State Education Department. The School provides education to approximately 290 students in grades 7 through 10.[1] The School's 2014-15 fiscal year operating expenses totaled $2.7 million. These expenses were funded primarily with revenues derived from billing the area school districts for resident pupils (93 percent) and from certain State and federal aid attributable to these pupils (4 percent).[2]

**Objective**

The objective of our audit was to review the School's IT system. Our audit addressed the following related question:

- Has the Board ensured the School's IT assets and computerized financial data are safeguarded?

---

[1] The School plans to add a grade each year over the next two years to provide classes through grade 12.

[2] The remaining 3 percent is from private grants, donations and fundraisers.

**Scope and Methodology**

We examined the School's controls over IT for the period July 1, 2014 through January 7, 2016. Our audit also examined the adequacy of certain IT controls. Because of the sensitivity of some of this information, we did not discuss the results in this report but instead communicated them confidentially to School 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 B of this report.

**Comments of School Officials and Corrective Action**

The results of our audit and recommendations have been discussed with School officials, and their comments, which appear in Appendix A, have been considered in preparing this report. School officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. For more information on preparing and filing your corrective action plan, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the School Board Secretary's office.

Computer systems and electronic data are valuable resources that School officials rely on for making financial decisions, processing transactions, keeping records and reporting to State and federal agencies. The potential consequences of an IT system failure range from inconvenient to severe. Accordingly, School officials are responsible for establishing, designing and implementing a comprehensive system of internal controls over the School's IT system.

It is essential for the Board to establish policies and procedures that include breach notification; access rights; user accounts; password management; back-up procedures; the protection of personal, private and sensitive information (PPSI); wireless technology; and mobile devices. In addition, financial software users should have their own unique user accounts that provide access to just those applications, resources and data that are necessary for their day-to-day duties and responsibilities. Audit trail reports should be reviewed by School officials and a disaster recovery plan should be developed to prevent the loss of computerized data and to help School personnel resume operations in the event of a disaster.

The Board recognizes the importance of IT and has sought to improve the IT environment. The Board increased the IT system administrator position to full-time in May 2015; obtained a grant to cover technology items such as smartboards, a new server and laptops; and adopted policies for acceptable use, confidentiality and prohibited conduct. However, further improvements are needed to better safeguard the School's IT assets and computerized financial data.

The Board has not adopted policies and procedures for breach notification, access rights, user accounts, password management, back-up procedures, protection of PPSI, wireless technology and mobile devices. In addition, each user does not have his or her own unique user account for the financial software. Instead, they share one user account with administrative rights, which allows them to add, delete, change or modify data. We also found that audit trail reports are not generated and reviewed by School officials and that the School does not have a disaster recovery plan. As a result, there is an increased risk that the School's IT data and components will be lost or misused and that the School will not be able to resume critical operations in the event of a system failure.

**Policies and Procedures**

Computer policies define appropriate user behavior, describe the tools and procedures to protect data and information systems and

explain the consequences of policy violations. The Board should provide important oversight and leadership by establishing computer policies that take into account people, processes and technology and communicate the policies throughout the organization. These policies should address breach notification to ensure that affected parties are notified in the event of unauthorized access to their confidential information. These policies should also address access rights, user accounts, password management, back-up procedures, protection of PPSI, wireless technology and mobile devices. The Board should periodically review these policies, update them as needed and stipulate who is responsible for monitoring IT policies.

Although the Board adopted policies for acceptable use, confidentiality and prohibited conduct, it has not adopted policies and procedures for breach notification, access rights, user accounts, password management, back-up procedures, protection of PPSI,[3] wireless technology and mobile devices.

While IT policies and procedures do not guarantee the safety of the School's computer system or the electronic information, the lack of policies and procedures significantly increases the risk that data, hardware and software systems may be lost or damaged by inappropriate access and use. Without comprehensive policies that explicitly convey the appropriate use of the School's computer equipment and practices to safeguard data, officials cannot ensure that employees are aware of their responsibilities.

**User Accounts**

School officials are responsible for restricting users' access to just those applications, resources and data that are necessary for their day-to-day duties and responsibilities to provide reasonable assurance that computer resources are protected from unauthorized use or modifications. User accounts enable the system to recognize specific users, grant the appropriately authorized access rights and provide user accountability for transactions. User accounts must be affiliated with specific users and not shared among multiple users so School officials can determine responsibility for system activities. Users with administrative rights in the financial software generally have full access with the ability to record or adjust entries and perform all other functions of the software. Therefore, administrative access rights must be limited and should be assigned to someone independent of any Business Office functions.

The School uses financial software to record transactions and produce reports. However, School officials did not ensure that each user had his or her own unique user account, so access was not segregated by job duties. The financial software has one user account, which

---

[3] Such as practices to safeguard when collecting, storing or transmitting confidential information.

has administrative rights. The Director logs into the system for the bookkeeper and the accountant when they need access to perform their duties. As a result, all users have full access to the financial software and are able to add, delete, change or modify the data.

Although School officials have procedures for review of the work performed by these users, accountability is diminished because the financial system's activity logs record all activity under a single user account and, therefore, changes cannot be traced back to individual users. As a result, computer resources are not protected from unauthorized modification, which could lead to the loss of important financial data, interruptions to operations or the inappropriate use of School assets. However, we note that the Director uses a separate, more limited network account on the computer that hosts the financial software, which prevents the other users from having access to all of her network files.

**Audit Trail Reports**

An audit trail report is an automated mechanism for establishing individual accountability, reconstructing events and monitoring problems. An audit trail report maintains a record of activity in the financial system that identifies each person who accesses the application, records the time and date of the transaction and identifies the activity that occurred. School officials should periodically review audit trail reports to monitor the activity of persons who access financial records and identify problems that may have occurred.

The financial software has the ability to generate audit trail reports. However, these reports are not generated or reviewed by anyone. Furthermore, the use of a shared account on the financial software diminishes the ability to determine who entered the transactions. Although we reviewed the November 2015 audit trail report and did not identify any odd, questionable or unauthorized activity, the failure of officials to regularly review audit trail reports diminishes their ability to detect and properly address such activity.

**Disaster Recovery**

A disaster recovery plan provides a framework for reconstructing vital operations to ensure the resumption of time-sensitive operations and services in the event of a disaster. Such disasters may include any sudden, catastrophic event (e.g., fire, computer virus, power outage or a deliberate or inadvertent employee action) that compromises the availability or integrity of the IT system and data. The plan should detail the precautions to minimize the effects of a disaster and enable the School to maintain or quickly resume mission-critical functions. The plan should include a significant focus on disaster prevention and should be distributed to all responsible parties, periodically tested and updated as needed.

The Board has not developed a formal disaster recovery plan. Consequently, in the event of a disaster, School personnel have no guidelines or plan to follow to help minimize or prevent the loss of equipment and data or guidance on how to implement data recovery procedures. As a result, the School is at risk for the loss of important data and the disruption of time-sensitive operations, such as processing checks to pay vendors.

**Recommendations**

The Board should:

1. Adopt policies and procedures for breach notification, access rights, user accounts, password management, back-up procedures, protection of PPSI, wireless technology and mobile devices.

2. Periodically review policies and procedures, update them as needed and stipulate who is responsible for monitoring all IT policies.

3. Develop a formal disaster recovery plan to maintain or restore critical operations as quickly as possible in the event of a disaster. This plan should be distributed to all responsible parties, periodically tested and updated as needed.

School officials should:

4. Create separate accounts for each user and assign access rights based on job duties.

5. Restrict administrator rights to only those individuals who need such elevated rights to complete their job duties.

6. Periodically generate and review audit trail reports.

# APPENDIX A

# RESPONSE FROM SCHOOL OFFICIALS

The School officials' response to this audit can be found on the following page.

**Young Women's College Prep Charter School of Rochester**
Office of Director of Operations
311 Flower City Park
Rochester, New York 14615
(585) 254-0320

April 20, 2016

Edward V. Grant, Jr.
Office of the State Comptroller
Chief Examiner
Division of Local Government and School Accountability
16 West Main Street
Suite 522
Rochester, NY 14614

Dear Mr. Grant,

We have received the draft audit report and found both the draft report and the exit interview to be productive and informative.

We will work to develop a comprehensive action plan to address the findings and recommendations. In fact, upon the conclusion of the on-site audit process, we immediately began to work to correct some of the items discussed.

We felt that the audit was a fair and thorough process that provided appropriate insight for our organization. We sincerely appreciate the efforts of your team and ███████████ in particular.

Sincerely,

Barbara A. Hasler
Director of Operations

# APPENDIX B

# AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the School's internal controls over IT. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed School officials to obtain information regarding the procedures and practices surrounding IT.

- We reviewed Board meeting minutes and IT-related policies.

- We observed how School officials log on to the network and financial software and viewed various screens as led by staff.

- We selected the most recent financial reports reviewed by School officials (completed on a quarterly basis) and reviewed the September 2015 journal report, bank statements, balance sheet, and profit and loss report to determine if School officials documented their review of the financial reports and journal entries.

- We reviewed the financial software's audit trail report for the most recently completed month, November 2015.

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

# HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York  12236
(518) 474-4015
http://www.osc.state.ny.us/localgov/

# APPENDIX D

# OFFICE OF THE STATE COMPTROLLER
## DIVISION OF LOCAL GOVERNMENT
## AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant Comptroller

## LOCAL REGIONAL OFFICE LISTING

**BINGHAMTON REGIONAL OFFICE**
H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York  13901-4417
(607) 721-8306  Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

**BUFFALO REGIONAL OFFICE**
Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York  14203-2510
(716) 847-3647  Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

**GLENS FALLS REGIONAL OFFICE**
Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York  12801-4396
(518) 793-0057  Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

**HAUPPAUGE REGIONAL OFFICE**
Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York  11788-5533
(631) 952-6534  Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

**NEWBURGH REGIONAL OFFICE**
Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York  12553-4725
(845) 567-0858  Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

**ROCHESTER REGIONAL OFFICE**
Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York   14614-1608
(585) 454-2460  Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

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

**SYRACUSE REGIONAL OFFICE**
Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York  13202-1428
(315) 428-4192  Fax (315) 426-2119
Email:  Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

**STATEWIDE AUDITS**
Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306  Fax (607) 721-8313