



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

April 10, 2019

Members of the State Board of Education
and
Superintendent and Members of the
DeKalb County Board of Education

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of DeKalb County Board of Education, as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered DeKalb County Board of Education's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School District's internal control. Accordingly, we do not express an opinion on the effectiveness of DeKalb County Board of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Any identified deficiencies in internal controls that we consider to be material weaknesses and/or significant deficiencies will be communicated to management and those charged with governance within the findings section of our report on DeKalb County Board of Education's basic financial statements dated April 10, 2019. As discussed in the attached Schedule of Observations, we identified certain matters involving the internal control and operational matters that are presented for your consideration. This letter does not affect our report dated April 10, 2019 on the financial statements of DeKalb County Board of Education.

We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the School District's internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience.

In the normal course of the audit process, the auditor is required to obtain an understanding of the entity and its environment including internal control, sufficient to assess the risk of material misstatement of the financial statements and to design the nature, timing and extent of audit procedures. As such, we strongly recommend that management evaluate the effectiveness of the School District's system of internal controls. This evaluation should reaffirm management's responsibility for establishing and maintaining an adequate system of internal controls and financial reporting. Strong and effective internal controls are the responsibility of management and we believe that this practice, conducted on an annual basis, will be of significant benefit in enhancing internal controls and preventing fraud and abuse.

We believe that the implementation of these recommendations will provide DeKalb County Board of Education with an even stronger system of internal accounting controls while also making its operations more efficient. This communication is intended solely for the information and use of management, those charged with governance, others within the organization and Georgia Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is fluid and cursive, with a horizontal line extending from the end.

Greg S. Griffin
State Auditor

DeKalb County Board of Education

Schedule of Observations

June 30, 2017

Accounting Controls Overall

Observation

Our review of the School District included a review of general and application access controls related to the School District's significant financial and/or ancillary applications. The School District does not have adequate logical access controls in operation to protect the integrity of information maintained in significant financial applications including inadequate separation of duties and inadequate password policies. Several users were noted with access rights that exceeded their need to complete their assigned job functions. Further, the access granted did not adequately separate the functions of initiating, authorizing, and recording transactions, reconciliations, and maintaining the custody of assets.

System internal control structures and policies are critical to accurate financial reporting and safeguarding of School District and grantor resources. Insufficient password policies and insufficient separation of duties within the School District's systems could result in the manipulation or loss of financial data.

Recommendation

The School District should enhance logical access controls to improve password policies to deter unauthorized access. Application access controls in the accounting information systems should complement the system of internal control by limiting an employee's access to only the accounting functions necessary for the performance of the employee's duties. Management should ensure that proper separation of duties exists. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that assist in assuring that financial transactions are properly processed and reported. Strengthening logical access controls will assist in mitigating the risk of manipulation, corruption, or loss of financial data, to ensure the integrity of information which is utilized by management for decision making and financial reporting.

DeKalb County Board of Education

Schedule of Observations

June 30, 2017

Information Technology Policies and Procedures

Observation

The School District does not have well-defined plans for business continuity, information technology risk assessment and management, or information technology security awareness and training. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation. The School District had begun the process of planning and discovery to promote development of a business continuity plan, however, it has not completed design of the plan, nor has the plan been tested or placed into operation.

A complete business continuity plan has the following key elements:

- Location of, and access to, off-site storage,
- Chain of communication - how and by whom each employee is contacted,
- A listing of all data files that would have to be obtained from the off-site storage location,
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing (management should make arrangements for such back-up with another company, a computer vendor, or a service center; the agreement should be in writing,
- Updating and testing of the business continuity plan,
- Responsibilities of various personnel in an emergency, and
- Priority of critical applications and reporting requirements during the emergency period.

A business continuity plan is critical to ensure that the School District's operations are minimally impacted in the event of a disaster and to ensure that financial data is safeguarded against data loss which could materially impact financial reporting and School District operations.

Complete information technology risk assessment and management and information technology security awareness and training plans have the following key elements:

- Roles and Responsibilities
- Dissemination
- Frequency of Review
- Exceptions
- Enforcement

Recommendation

We recommend that the School District develop plans for business continuity, information technology risk assessment and management and information technology security awareness and training that includes, but is not limited to, the key elements noted above.

DeKalb County Board of Education

Schedule of Observations

June 30, 2017

Untimely Submission of Financial Statements

Observation

The State Board of Education required all school districts to submit a complete set of financial statements, ready for audit, by December 31, 2017. The School District did not submit their financial statements, disclosures, and supplementary information by this deadline. The financial statements were submitted on September 29, 2018.

Recommendation

The School District should implement controls over the financial statement preparation process to ensure compliance with the State Board of Education's rule. The School District's submission should include their financial statements, disclosures, and supplementary information.

DeKalb County Board of Education

Schedule of Observations

June 30, 2017

Cash Maintenance

Observation

A review of the School District's procedures over the bank reconciliation process revealed the following internal control deficiencies related to cash maintenance:

- The School District has a lack of controls surrounding the bank reconciliation process over the central office bank accounts. Specifically, the controls and procedures surrounding preparing reconciliations timely and ensuring the preparer and approver date and sign off on each reconciliation.
- Reconciling items dating back to 2010 remain on the School District's books.
- Reconciliations were not completed for all central office bank accounts. The accounts where reconciliations were not completed have minimal activity and are insignificant.

Recommendation

We recommend that the School District implement policies and procedures to strengthen existing procedures to ensure that bank reconciliations for all bank accounts are performed in a timely manner and that evidence of the preparer and approver, along with their completion dates, is indicated on all bank reconciliations. Additionally, the School District should analyze their reconciliations to determine the validity of all outstanding items.

DeKalb County Board of Education

Schedule of Observations

June 30, 2017

School Activity Accounts

Observation

Our review of the School District's procedures over the bank reconciliation process revealed the following internal control deficiencies related to cash maintenance:

- The School District did not establish adequate separation of duties for the key accounting functions of cash receipting, deposit preparation, record keeping, reconciling and cash custody. In addition, we noted some overlapping duties for claims processing and check preparation.
- Multiple school activity account reconciliations were not prepared timely.
- Several school activity account reconciliations lacked evidence of who prepared and/or reviewed the reconciliation and when it was prepared or reviewed.

Recommendation

While we acknowledge the size of the staff may make it difficult to fully separate duties, we recommend that the School District make every effort to provide for a proper separation of duties between the cash receipting function and bank reconciliation process as well as the deposit preparation. In the case when management determines separation of duties is not cost beneficial, management should implement compensating controls that reduce vulnerabilities.

DeKalb County Board of Education

Schedule of Observations

June 30, 2017

Employee Compensation

Observation

Our testing of employee compensation revealed the following:

- The salary paid to five employees did not agree with their contract.
- One employee received retroactive salary payment that was not reported on the salary and travel data reported to the Department of Audits and Accounts.
- No salary scale or documentation for the salary rate paid could be provided for one employee.
- No documentation of extra pay could be provided for one employee.
- A variance existed in the auditor's salary recalculation for one employee and no documentation of explanation could be provided.
- An I-9, driver's license, or Social Security Number card could not be provided for three employees.

Recommendation

The School District should implement appropriate procedures to strengthen internal controls over the employee compensation process. The School District should ensure that supporting documentation exist for all employees' compensation and existence of eligibility for employment.