March 8, 2016

District responses as a result of the Forensic Audit Review reflect the following:

NOTED CONDITION: IT GOVERNANCE AND MANAGEMENT
IT Risk Assessments and Strategic Plan

Recommendation: Develop an IT Strategic plan with key stakeholders District-wide to provide clear direction and common understanding of the business needs of the District and IT's role in supporting these needs. Develop plans to conduct periodic risk assessments within IT to identify new, persistent, and changing threats. Address staffing issues.

Corrective Action Planned: The School District concurs. The district will work with key stakeholders to incorporate an IT strategic plan within the District's strategic plan. This plan will include clear direction and common understanding of the roles and responsibilities of all involved.

Additionally, the District has already begun to address the staffing issues within IT and continues to structure the department to ensure that they can meet the business needs of the district.

NOTED CONDITION: IT GOVERNANCE AND MANAGEMENT
Staffing, Training, and Segregation of Duties

Recommendation: Develop an IT hiring plan to meet the support needs of the District. This should occur in conjunction with the overall evaluation of MUNIS and the current configuration and usage gaps in MUNIS. MUNIS functionality and configuration needs to be better leveraged along with additional user training. This potentially will impact the IT support staffing needs.

Corrective Action Planned: The School district concurs. The District has already begun to address the staffing issues within IT and continues to structure the department to ensure that they can meet the business needs of the district.

Additionally, a representative from Tyler has been contracted and is on-site to provide a review of the usage gaps in MUNIS as well as another level of staff training. The district will upgrade to the latest version of MUNIS in fall 2016 as a result of Tyler Technologies ceasing to support our current version effective April 2016. Extensive training for MUNIS users will be provided as part of the transition to the new MUNIS version.

Management will work with Internal Audit to identify any potential segregation of duty issues and take appropriate actions as necessary.

NOTED CONDITION: IT GOVERNANCE AND MANAGEMENT
IT Governance and Steering Committee

Recommendation: Develop a tracking mechanism / project management function for accountability of all user requests and projects to provide up front validation, project discipline, tracking cost, delays, big picture view, enhance visibility and to help prioritize work. A report on IT security was coordinated by Internal Audit and conducted in 2015. The report was valuable and provides a solid foundation for improving the overall security posture of CCSD.

Corrective Action Planned: The School District concurs. The HEAT system is currently being used to track user requests for IT support. The district will use this information and Steering Committee minutes to develop a tracking mechanism to ensure projects are fully vetted before work is started to include timing, costs, prioritization of functions and visibility by all stakeholders.

NOTED CONDITION: IT GOVERNANCE AND MANAGEMENT
IT Policies and Data classifications

Recommendation: The South Carolina Division of Information Security (SC DIS) has a comprehensive set of Information Security requirements. This framework and policies provide an excellent starting point for development of IT policies and data classification guidance.

Corrective Action Planned: The School District concurs. In accordance with the IT Security Assessment report conducted in 2015, the district is seeking an IT Security Officer. Part of the duties for this position will include developing appropriate IT policies specifically related to IT security and data classification guidance to protect personally identifiable information.

NOTED CONDITION: SECURITY ADMINISTRATION
User Access Reviews

Recommendation: A valid user access review includes a thorough review of all roles with consideration of segregation of duties. No real user access review where full consideration of the user roles and segregation of duties has taken place. Limited reviews have been conducted in conjunction with system upgrades or changes; however, they are not well documented or auditable.

Corrective Action Planned: The School District concurs. Management will work with Internal Audit to identify any potential segregation of duty issues and take appropriate actions as necessary.

The MUNIS Steering Committee will add this to the meeting agenda as a standing item. Meeting minutes will be posted on the District's intranet.

NOTED CONDITION: CHANGE MANAGEMENT
Policies and Procedures

Recommendation: Policies and clear processes need to be developed for all user requests coming into Business Intelligence. A system needs to be implemented to track all incoming requests, provide for a mechanism to prioritize the requests, analyze the request in light of inherent system functionality, and user training needs.

Corrective Action Planned: The School District concurs. The HEAT system is currently being used to track user requests for IT support. The district will use this information and Steering Committee minutes to develop training opportunities for support staff and end users. The District has also instructed MUNIS process users to contact the Tyler Support System to initiate requests for support. Issues called into the Tyler Support System will be handled by designated representatives that may be able to troubleshoot and resolve issues more quickly. Additionally, these requests for support are accessible by members of the Business Intelligence team to monitor and will be reviewed by the Steering Committee.

NOTED CONDITION: CHANGE MANAGEMENT
General application (MUNIS) support and management

Recommendation: Tyler Technologies does not provide a Service Organization Control (SOC) report to the District. As such, the district has no assurance of the internal controls at Tyler Technologies where the District data resides. We recommend that management request Tyler Technologies to provide assurance of internal controls that exist at Tyler Technologies due to the high dependency on this vendor. A SOC report is one way to achieve the assurance. Other options are to perform an audit at Tyler Technologies to review their processes to safeguard the Districts data and their controls to ensure processing integrity within MUNIS.

Corrective Action Planned: The School District concurs. The district will attempt to resolve this issue with Tyler Technologies.

NOTED CONDITION: CHANGE MANAGEMENT
System configuration and usage

Recommendation: The District should work with Tyler Technologies to review all key processes in place and evaluate how the system is currently being utilized and develop a plan of action to 'reimplement' aspects of MUNIS where appropriate to streamline user processes and gain efficiencies. This review, along with user training to provide better understanding and comfort level regarding the inherent controls and integrity within MUNIS, will help to eliminate manual verification processes.

Corrective Action Planned: The School District concurs. The MUNIS Steering Committee has been working with the Tyler representative on-site to review the practices and uses of the systems. Several webinars and training sessions have been scheduled. The district will continue to review and make changes where appropriate. The district will upgrade to the latest version of MUNIS in fall 2016 as a result of Tyler Technologies ceasing to support our current version effective April 2016. Extensive training for MUNIS users will be provided as part of the transition to the new MUNIS version.

Management will work with Internal Audit to identify any potential segregation of duty issues and take appropriate actions as necessary.

NOTED CONDITION: BUDGETING
Budgeting approach and Reporting

Recommendation: The District should continue moving away from the incremental budgeting approach formerly employed and adopt a "zero based" approach. The use of the School-Wide Accounts location in the budget process should also be reconsidered in order to avoid significant negative budgeted expenditures that are not realizable.

The District should make each location accountable for monitoring their performance against budget. We recommend that the District provide training to appropriate personnel District-wide so that a designated individual at each location is familiar with their budget and therefore able to monitor budget to actual results and be prepared to respond to variances against budget. We further recommend that the District continue to refine the process of encumbering salaries/benefits in MUNIS (started in FY2016) which would allow for more accurate mid-year projections of payroll and benefit related expense.

Finally, the District should provide more detailed and useful budget to actual reporting to the Board of Trustees on a monthly basis.

Corrective Action Planned: The School District concurs. The district began a modified Zero-Based Budget approach for the FY2017 budgets. This process will include revisiting the use of district-wide accounts to ensure that negative budgeted expenditures can be realized.

Budget to actual reports were sent to each location beginning in January 2016 outlining variances and requesting review and resolution of over-budget line items. A system for accountability will be developed. Additional training opportunities will be provided to ensure budget managers understand the budget information

Additionally, salary encumbering has been executed and is providing projections of payroll expenses. Benefit encumbering is anticipated to be executed in April 2016.

Reports outlining the General Operating Fund revenues and expenditures have been provided to the Board of Trustees monthly during FY2016. These reports continue to be modified and refined to ensure accurate and timely information.

NOTED CONDITION: PAYROLL AND HUMAN RESOURCES
Timekeeping, Processes and Overpayments

Recommendation: In order to streamline the process for entering and approving time and attendance batches, we recommend that the District fully roll-out the Kronos timekeeping software District-wide as soon as feasible.

Additionally, we recommend that the District revisit the results of the study performed by the SAS Institute (published February 1, 2013). This comprehensive study provided recommendations on ways to streamline significant processes including new hires on-boarding and set-up, internal movements, lump sum payments, and terminations. The District should move away from manual calculations and approvals and towards automation (i.e. eliminate use of offline tools such as Microsoft Word and Excel documents and replace by allowing information to be entered directly into MUNIS).

We recommend that the District enforce their policies related to the approval of overtime pay. Also, the District should ensure that MUNIS is set up to ensure that all overtime payments are recorded to an appropriate overtime general ledger object code.

The District should develop a policy and standardized process for the identification and recovery of overpayments to terminated employees. First, the District should seek to identify the total extent of overpayments that occurred in the last several years. Once identified, a system for tracking the status of the recovery efforts should be developed. We recommend that the results of these efforts be made part of standard reporting at senior management meetings and Board of Trustee meetings.

Corrective Action Planned: The School District concurs. The district is in the process of implementing the Kronos time keeping system to all non-exempt employees in a phased approach. The targeted implementation date is July 2016. Locations will be added to the pilot group from April through June 2016. Many of the IT issues have impeded this process and those are being addressed as part of the solution.

The district will revisit the SAS report recommendations in coordination with improvements for MUNIS and Kronos functionality. We will review the actions necessary to maximize the efficiency and capability of both systems with the ultimate goal of automating manual processes as appropriate.

Effective March 7, 2016 documentation for all additional hours will be sent to the Payroll Office for calculation and compliance with the appropriate rate and account code. As Kronos becomes the system for time and attendance district-wide this

process will no longer be necessary. The district will continue to provide training for school and office staff on proper procedures for transfers and terminations to limit the potential for overpayments of employees. The district will use the South Carolina State Debt Setoff Collection Program to recoup overpayments from employees when the district has not been successful in obtaining repayment of the debt owed by the employee. The district will formalize a reporting method to share the overpayment issues with senior management and Board of Trustees.