

## **Item II. Review of Audit with Cherry, Bekaert & Holland**

The firm of Cherry, Bekaert and Holland, LLP (CBH) has completed the annual audit for FY 11/12 (Oct 2011 – Sept 2012). They were selected for the audit last June after an RFP for audit services was conducted. This is their sixth year of providing auditing services to JWB.

As per JWB Bylaws, the Finance Committee “shall assist the Board of Directors in fulfilling its responsibilities by reviewing the financial reports provided by the independent auditor. The Committee shall annually review with JWB management the financial condition and operating results of JWB and report any issues or concerns for attention to the Executive Committee.” The Annual Financial Report has been prepared consistent with applicable state statutes and the reporting requirements of the Government Accounting Standards.

In compliance with the bylaws, our meeting will include:

1. A review of the audit conducted by John Gilberto, Partner, and Scott Davis, Senior Manager, with CBH.
2. Committee members and CBH meet alone. (Management is excused for a short period)

The Auditor’s comments and recommendations along with staff responses are as follows:

### **OMB CIRCULAR A-133 ISSUES:**

1. During our audit of the Teen Pregnancy Prevention Program, CFDA 93.297, it was noted that the Organization failed to properly approve several grant related expenditures. **(See page 38 finding 2012-1)**

**RECOMMENDATION:** Cherry Bekaert recommends that all expenses be approved by an employee who is knowledgeable of grant requirements. This is considered a significant deficiency.

**RESPONSE:** JWB agrees with the finding and will require all check requests to be followed up with proper support for the expenditure.

2. During our audit of the Teen Pregnancy Prevention Program, CFDA 93.297, it was noted that the Organization did not maintain documentation to support the allowable activity of an expenditure selected. **(See page 39 finding 2012-2)**

**RECOMMENDATION:** Cherry Bekaert recommends that procedures be implemented to have all check requests supported by the proper evidential documentation.

**RESPONSE:** JWB agrees with the finding and will require all check requests to be followed up with proper support for expenditures.

3. In connection with our audit, we noted that the Finance Director did not review the annual report before its submission.

**RECOMMENDATION:** We recommend that all reports be reviewed before submission by the Finance Director. (See page 42 finding Section 10.554(1)(i)5 Management Letter)

**RESPONSE:** JWB agrees with the finding and implemented the review and signoff beginning with the December report submission.

#### **VERBAL RECOMMENDATIONS FOR Information Technology:**

1. During our review of the internal controls over information technology we noted that the Juvenile Welfare Board of Pinellas County has a formal back-up policy. However, this policy has not been reviewed and updated since January 2009.

**RECOMMENDATION:** Cherry Bekaert recommends that the Juvenile Welfare Board of Pinellas County review and update their formal Backup and Recovery Policy on at least an annual basis.

**RESPONSE:** Staff is currently reviewing and updating this Policy in coordination with the Council on Accreditation (COA) standards.

2. During our review of the internal controls over information technology we noted that the Juvenile Welfare Board of Pinellas County currently has a formal Information Security Policy. However, this policy has not been reviewed and updated since January 2009.

**RECOMMENDATION:** Cherry Bekaert recommends that the Juvenile Welfare Board of Pinellas County review and update their formal Information Security Policy, on at least an annual basis.

**RESPONSE:** Staff is currently reviewing and updating this Policy in coordination with the Council on Accreditation (COA) standards.

3. During our review of the internal controls over information technology we noted that the Juvenile Welfare Board of Pinellas County does not maintain proper segregation of duties. In addition to the outside Great Plains Consultant, the Finance Director is responsible for administering security on the Great Plains Financial Application. A mitigating control was implemented to log all security administrator activity; however, this log is currently only being reviewed by the Finance Director. This constitutes an inadequate level of segregation of duties between the end users of the system and the security administration function, which could result in inappropriate access.

**RECOMMENDATION:** Cherry Bekaert recommends that this function be completely transferred to the outside Great Plains Consultant who is not responsible for any finance functions or transactions. If this is not transferred the mitigating control, which is currently implemented, to log all changes made to security privileges by the Finance Director should be reviewed, signed-off, and retained by the outside Great Plains Consultant or another knowledgeable independent party who is not responsible for any finance functions or transactions.

**RESPONSE:** Staff has implemented this recommendation by having the Great Plains consultant, who is not responsible for the finance functions or transactions, review and sign off on the report.

4. During our review of the internal controls over information technology we noted that the Juvenile Welfare Board of Pinellas County does not meet the industry best practices for password and account lockout settings at the Network and Great Plains application levels. Current settings include:

- Store Passwords Using Reversible Encryption: Enabled
- Account Lockout Duration: 15 Minutes
- Account Lockout Threshold: 4 Invalid Logon Attempts
- Reset Account Lockout Counter After: 15 minutes

**RECOMMENDATION:** Cherry Bekaert recommends that password and account lockout settings for the Juvenile Welfare Board of Pinellas County be set to the following to reflect best practices for security:

- Store Passwords Using Reversible Encryption: Disabled
- Account Lockout Duration: at least 30 Minutes
- Account Lockout Threshold: 3 Invalid Logon Attempts
- Reset Account Lockout Counter After: at least 30 minutes

**RESPONSE:** Staff has implemented these updated password and account lockout settings.

5. During our review of the internal controls over information technology we noted that the Juvenile Welfare Board of Pinellas County currently has a formal change management policy. However, this policy has not been reviewed or updated since January 2009.

**RECOMMENDATION:** Cherry Bekaert recommends that the Juvenile Welfare Board of Pinellas County review and update their formal Change Management Policy on at least an annual basis.

**RESPONSE:** Staff is currently reviewing and updating this Policy in coordination with the Council on Accreditation (COA) standards.