

Palm Beach County, Florida

Management Letter
September 30, 2011

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**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

To the Honorable Members of the Board
Of County Commissioners
Palm Beach County, Florida

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Palm Beach County, Florida (the County) as of and for the year ended September 30, 2011, and have issued our report thereon dated March 28, 2012. We did not audit the financial statements of the Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and the Housing Finance Authority, discretely presented component units, which represents 99% of the total assets and 99% of the total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Solid Waste Authority, Westgate Belvedere Homes Community Redevelopment Agency, and Housing Finance Authority, is based on the reports of the other auditors. Our report does not address their respective internal control or compliance.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program or State Project and Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General, State of Florida*, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information:

Section 10.554(1)(i)1., *Rules of the Auditor General* require that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. During the course of our audit of the financial statements of the County we noted that appropriate action had been taken upon certain recommendations and suggested accounting procedures as outlined in the prior year's Management Letter. The status of recommendations made in the preceding annual financial audit report has been noted in Appendix B to this report.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information of the County Commission, and management of the County, federal and state awarding agencies, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
March 28, 2012

Palm Beach County, Florida

Appendix A – Current Year Recommendations to Improve
Financial Management (Continued)

ML 2011-1 OFMB – Internal Service Funds

Criteria: Internal service funds are expressly designed to function as cost-reimbursement devices. That is, an internal service fund is simply a means of accumulating costs related to a given activity on an accrual basis so that the costs can subsequently be allocated to the benefitting funds in the form of fees and charges. Accordingly, the use of an internal service fund is not appropriate for activities that a government only partially intends to finance through fees and charges.

Condition: As part of our testing in fiscal year 2011 we noted that three of the internal service funds being used by the County were accumulating large net asset balances.

Cause: The internal service funds are charging rates in excess of what is needed to cover the costs of providing services to the users of those services.

Effect: The accumulation of large net asset balances would cause these funds to not meet the definition of internal service funds.

Recommendation: The County should review fees charged to user departments and/or assess whether the activity still qualifies to operate as an internal service fund.

Views of responsible officials: Management concurs in part with the findings and has taken the actions listed below to ensure net asset balances for FY 2012 follow the recommendation. The high net asset balances in 2011 resulted from a reduction of the actuarially determined claims liability which injected \$7.4 M into these funds. Also, we reduced our risk of loss on 6/1/2011 by acquiring an additional excess insurance policy and therefore are able to lower our provisions for catastrophic loss. Risk Management has implemented a self-insurance interdepartmental billing policy designed to match revenues and expenses over a reasonable period. Also, each fund will be monitored and adjustments will be made as needed to ensure the net asset balances are in accordance with the policy.

Property and Casualty Insurance Fund: Risk Management will not charge departments for property and casualty in FY 2012. The fund has accumulated a balance sufficient to cover estimated expenditures for the current year and maintain an appropriate reserve. Rates for FY 2013 increased to reflect estimated expenditures that will no longer be offset by a large fund balance.

Risk Management Fund (Worker's Comp): Risk Management will charge approximately 54% of the cost budgeted in FY 2012. As with property and casualty, rates also increased for FY 2013 to reflect estimated cost and loss of fund balance.

Employee Health Insurance Fund: Risk Management reviewed the rates and determined that no adjustments were needed in FY 2012 or FY 2013.

Palm Beach County, Florida

**Appendix B – Prior Year Recommendations to Improve
Financial Management**

<u>No.</u>	<u>Prior Year's Observations</u>	<u>Observation is Still Relevant</u>	<u>Observation Addressed or No Longer Relevant</u>
ML 2010-1	Water Utilities Department Inventory		X

Palm Beach County, Florida Clerk & Comptroller

Management Letter
September 30, 2011

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Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida

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**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

To the Honorable Sharon R. Bock
Clerk and Comptroller
Palm Beach County, Florida

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Clerk & Comptroller, Palm Beach County, Florida (the "Clerk"), as of and for the year ended September 30, 2011, and have issued our report thereon dated June 8, 2012, which was prepared to comply with State of Florida reporting requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 8, 2012 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Clerk complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Clerk's financial management. There were no such findings in the current year.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Clerk's financial statements.

Section 10.554(1)(i)8., Rules of the Auditor General, requires a statement as to whether or not the clerk of the courts complied with the requirements of Sections 28.35 and 28.36, Florida Statutes. In connection with our audit, we determined that the clerk complied with such requirements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Clerk, management of Palm Beach County, Florida Clerk's Office and the Florida Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey LLP

West Palm Beach, Florida
June 8, 2012

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Palm Beach County, Florida Property Appraiser

Management Letter
September 30, 2011

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Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida

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**Management Letter in Accordance with the
Rules of the Auditor General of the State of Florida**

The Honorable Gary R. Nikolits
Property Appraiser
Palm Beach County, Florida

We have audited the financial statements of the major fund of the Property Appraiser of Palm Beach County, Florida (the "Property Appraiser"), as of and for the year ended September 30, 2011, and have issued our report thereon dated June 8, 2012 which was prepared to comply with State of Florida reporting requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 8, 2012 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Property Appraiser complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Property Appraiser's financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Property Appraiser's financial statements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Property Appraiser, management of Palm Beach County, Florida Property Appraiser's Office and the Florida Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey LLP

West Palm Beach, Florida
June 8, 2012

Palm Beach County, Florida Sheriff

Management Letter
September 30, 2011

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**Management Letter in Accordance with the
Rules of the Auditor General of the State of Florida**

The Honorable Ric L Bradshaw
Sheriff
Palm Beach County, Florida

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Sheriff of Palm Beach County, Florida ("the Sheriff"), as of and for the year ended September 30, 2011, and have issued our report thereon dated June 8, 2012, which was prepared to comply with State of Florida reporting requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, if any, which is dated June 8, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Sheriff complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4. Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The information is disclosed in Note 1 of the Sheriff's financial statements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Sheriff, management of the Palm Beach County, Florida Sheriff's Office, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by another other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
June 8, 2012

Palm Beach County, Florida Supervisor of Elections

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September 30, 2011

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Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida

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**Management Letter in Accordance with the
Rules of the Auditor General of the State of Florida**

The Honorable Susan Bucher
Supervisor of Elections
Palm Beach County, Florida

We have audited the financial statements of the major fund of the Supervisor of Elections, of Palm Beach County, Florida (the "Supervisor"), as of and for the year ended September 30, 2011, and have issued our report thereon dated June 8, 2012, which was prepared to comply with State of Florida reporting requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated June 8, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Supervisor complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve the Supervisor's financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Sections 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Supervisor's financial statements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Supervisor, management of the Palm Beach County, Florida Supervisor's Office and the Florida Auditor General, and is not intended to be and should not be used by anyone other than the specified parties.

McGladrey LLP

West Palm Beach, Florida
June 8, 2012

Palm Beach County, Florida Tax Collector

Management Letter
September 30, 2011

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**Management Letter in Accordance with the
Rules of the Auditor General of the State of Florida**

The Honorable Anne M. Gannon
Tax Collector
Palm Beach County, Florida

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Tax Collector of Palm Beach County, Florida (the "Tax Collector") as of and for the year ended September 30, 2011, and have issued our report thereon dated June 8, 2012, which was prepared to comply with State of Florida reporting requirements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated June 8, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Tax Collector complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Recommendations to improve financial management are included in Appendix A.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 of the Tax Collector's financial statements.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Tax Collector, management of Palm Beach County, Florida Tax Collector's Office, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

West Palm Beach, Florida
June 8, 2012

Tax Collector of Palm Beach County, Florida

**Appendix A – Current Year Recommendations to Improve
Financial Management**

No.	Current Year's Observations
Office of Financial Management & Budget	
2011-01	Number of administrative users in Manatron GRM
2011-02	Periodic testing of the financial data restoration process
2011-03	IT Policy manual – Security
2011-04	Periodic review of IT and financial user access rights
2011-05	Password settings for Banner Financials and Manatron GRM
2011-06	Requirement for monitoring of security or admin changes for networks and applications
2011-07	Change management policy
2011-08	Storage and use of social security numbers in Manatron GRM system

Tax Collector of Palm Beach County, Florida

Appendix A – Current Year Recommendations to Improve Financial Management

2011-01 Number of administrative users in Manatron GRM

Criteria: General Information Technology (IT) controls require that logical controls exist and are followed to properly authenticate identified entities access to materially relevant financial IT applications and supporting systems.

Condition: During our audit of IT general controls, we noted that there are 30 individuals with administrator rights in GRM who are employees of either the Tax Collector Office (TCO) or Manatron.

Cause: Due to the volume of enhancements and bug fix activity there are a substantial number of Manatron staff making changes and TCO staff testing changes which are why so many individuals have administrator access rights. Once the volume of enhancements and bug fixes diminishes in fiscal year 2012 then the number of individuals requiring this access should also diminish significantly.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: Palm Beach County Tax Collector should consider carefully monitoring the number of users assigned this role and reduce the number as quickly as possible consistent with the needs of the Leadership Team that is managing the changes taking place with GRM system implementation.

Views of responsible officials and planned corrective actions: As part of several layers of security audits, security access levels are being reviewed for all applications, inclusive of GRM. In alignment with job duties and responsibilities the security levels are being reduced as the product matures and policies and procedure take effect. This is a work in progress and will continue to be evaluated with the expected completion by year end 2012.

Tax Collector of Palm Beach County, Florida

**Appendix A – Current Year Recommendations to Improve
Financial Management (Continued)**

2011-02 Periodic testing of the financial data restoration process

Criteria: General IT Controls are designed to provide reasonable assurance that financial data is maintained for completeness, accuracy and validity, and that policies address restoration steps. Procedures exist and are followed to periodically test the effectiveness of the restoration process and validate the quality of the backup media for financially significant applications and/or data.

Condition: During our audit of IT general controls, we noted that there is a requirement for restore testing in the Backup Policy however, while testing is performed; there is no mechanism to document the results. Palm Beach County Information Systems Services (ISS) is responsible for the Banner Database server that is in the ISS data center. ISS has no policy for restore testing and is not performing restores.

Cause: Palm Beach County Tax Collector IT restore testing requirement may not have been communicated to ISS staff and associated procedures created to reflect this requirement. While the Tax Collector's IT staff is performing the restore testing they may not have encountered a requirement to provide for retention of the evidence that the restore took place.

Effect: The lack of a strategy for cyclical testing of the restoration processes exposes the organization to operational disruption.

Recommendation: We recommend that the Palm Beach County Tax Collector consider creating procedures to retain results of the testing of data restores. The Tax Collector's office also needs to make arrangements with the County's ISS department to assist with restore testing on the Banner Database server to comply with the Tax Collector's policies for restoration testing.

Views of responsible officials and planned corrective actions: The banner financial system is scheduled to be transitioned away from ISS services by the end of the calendar year. Approximately October 1, 2012 Banner financial data will be migrated into Tyler-Munis software platform. The platform will be hosted internally and fall under our backup and restore procedures which include restoration validation.

Tax Collector of Palm Beach County, Florida

Appendix A – Current Year Recommendations to Improve Financial Management (Continued)

2011-03 IT Policy Manual – Security

Criteria: An information security policy exists that meets the requirements of the business consistent with the IT strategy and direction of the business. An effective information security policy and appropriate guidelines exist and have been approved by an appropriate level of executive management. These should be inclusive of information security policies, procedures and guidelines that ensure the establishment of a stable and secure environment supporting financial applications. The policy should include:

- Defining the duties and responsibilities of the information security personnel including the use of super user and/or administrative accounts.
- Establishing user account creation/change (including user account name standards and timeliness requirement).
- Establishing account suspensions and termination standards.
- Periodic review of access privileges by technical and business management.
- Establishing Password standards (i.e., length, complexity, age, lockouts) including use of shared passwords and resetting software vendor default passwords.
- Determining how security violations are tracked, identified and resolved.
- Establishing how employees are made aware of policies and policy updates (i.e., training or document sign off).
- Establishing the requirement for monitoring network and financial application security and administrative logs.
- Defining the process of handling access administration for new, transferred and terminated employees.
- Defining the requirements for physical security and access to computing assets.

Condition: During our audit of IT general controls, we noted that the following are not covered in the IT Policy Manual:

- Policy documentation provided to Auditor has not been updated since the late 1990's.
- Defining the requirement for periodic review of access rights for technical and business users.
- Defining the process for approving and monitoring privileged user accounts.
- Defining the process for handling access administration for new, transferred and terminated employees. There is a flow chart for new employees. Establishing account suspensions and termination standards.
- Definition of User and System ID (account) formats.
- There are not password standards (i.e., length, complexity, age, lockouts).
- There is not a standard for handling shared passwords and software vendor default password settings.
- Defining the process for how security violations are tracked, identified and resolved.
- Establishing how employees are made aware of policies and policy updates (i.e., training or document sign off).
- Logging and monitoring of security and administrative logs for financial applications.
- Defining the requirements for providing physical access control to server and infrastructure assets and periodic review of those rights.

Cause: Palm Beach County Tax Collector may not have considered placing these requirements in the IT Policy Manual.

Effect: Risks include the lack of management awareness, lack of agreement to specific corporate security measures, and inaccurate policies and procedures applied to information security requirements. Additionally, there would be a lack of security knowledge across the organization applying to potential opportunities for security risks.

Tax Collector of Palm Beach County, Florida

Appendix A – Current Year Recommendations to Improve Financial Management (Continued)

Recommendation: We recommend that Palm Beach County Tax Collector consider adding these topics to the IT Policy Manual:

- Review and update all existing IT policies to reflect the current requirements of the operating environment.
- Define the requirement for periodic review of access rights for technical and business users.
- Define the duties and responsibilities of the information security personnel including the approval, use and oversight of super user and/or administrative accounts.

Tax Collector of Palm Beach County, Florida

Appendix A – Current Year Recommendations to Improve Financial Management (Continued)

- Define the duties and responsibilities of the information security personnel including the approval, use and oversight of super user and/or administrative accounts.
- Define the process for handling access administration for new and transferred employees. There is an existing policy for handling terminations.
- Definition of User and System ID formats. In actual practice the IT Staff has a consistent naming convention for network and financial system access.
- Establish a standard for handling shared passwords and software vendor default password settings.
- Define the process for how security violations are tracked, identified and resolved (incident management).
- Define requirement for logging and monitoring of security and administrative logs for financial applications.

Views of responsible officials and planned corrective actions: The Tax Collector's technology department is engaging in a process overhaul with the intent to review, revise, or replace outmoded policies. This process review will be completed and implemented prior to the 2012 audit and will contain within the following sections (in no particular order)

- Operating Environment Standards
- Security Review
 - Roles and responsibilities
 - Define application
 - Who is the application owner/SME (person/department)
 - Who is the technical support (Person(s)/Technology Dept)
 - Define security access levels for each application
 - Approval process for application access
 - Define application
 - Define approval process
 - Document approvals and retain for future review
 - Change in Status
 - Define process for new access
 - Define process for change access
 - Define process for termination
 - Password Management
 - Coordinate with ISS on domain level password complexity and requirements for change
 - Define and understand internal software password requirements, SSO ability, and develop standards and use documents
 - ITIL
 - Standardize on an incident management system
 - Implement a service and log management monitoring system

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Appendix A – Current Year Recommendations to Improve
Financial Management (Continued)

2011-04 Periodic review of IT and financial user access rights

Criteria: General Information Technology (IT) Logical controls exist and are followed to properly authorize identified entities access to materially relevant financial IT applications and supporting systems. A timely control process exists and is followed to periodically review and confirm access rights.

Condition: During our audit of IT general controls, we noted that there is no policy requirement for a periodic documented review of business and technical user access rights consistent with their job function

Cause: Palm Beach County Tax Collector may not have considered placing these requirements in the IT Policy Manual.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: Palm Beach County Tax Collector should consider implementing a policy for a periodic documented review of business and technical user access rights consistent with their job function. This type of review is normally performed by a manager/director that is familiar with the individual's job function requirements and what system access (data and transactions for the financial application) requirements are necessary to perform that job function.

Views of responsible officials and planned corrective actions: As part of an annual process review, security roles will be reviewed and certified for meeting but not exceeding security access necessary to complete workload. Typically this occurs as a separate process from adds/changes/deletes based on promotion, demotion, or termination which would occur in real time.

- Security Auditing
 - Define Application
 - Review Security Access levels
 - Certify with management that users are appropriate to their role
 - Change if needed
 - Document changes and retain for future review

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Appendix A – Current Year Recommendations to Improve Financial Management (Continued)

2011-05 Password settings for Banner Financials and Manatron GRM

Criteria: General Information Technology (IT) controls require that processes exist and are followed to maintain the effectiveness of authentication and access mechanisms (i.e., regular password changes, password complexity).

Condition: During our audit of IT general controls, we noted that password settings for Banner financials and GRM are limited and not enforced.

Cause: Palm Beach County Tax Collector's IT Staff indicated that the Banner password is dependent on the settings for the Oracle Database which does not utilize Oracles complexity software. GRM Manatron password controls are intended to be minimal and the vendor expects that their client will take other measures to address more comprehensive user access authorization control.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: The Palm Beach County Tax Collector should consider a review of the user authorization requirements for both Banner financials and GRM Manatron to determine the most effective technical approach for meeting its security objectives.

Views of responsible officials and planned corrective actions: As noted earlier Banner financials has a limited lifespan and will be migrated into another system. Once migrated, the target system will utilize an accepted authorization format whether internal or SSO that is certified by the organization. As new software platforms, both systems will have existing security roles mapped and identified. Once identified, pursuant to other security concerns noted in prior sections all users should be validated as to job function and security level, recertified, and adjusted as necessary. Completion expected at full user acceptance of software by year end 2012.

**Appendix A – Current Year Recommendations to Improve
Financial Management (Continued)**

2011-06 Requirement for monitoring of security or admin changes for networks and applications

Criteria: General Information Technology (IT) controls require that processes exist and are followed to allow management to identify authorized and unauthorized usage and access to materially relevant financial IT applications and supporting systems. Logging and monitoring tools are activated to record and report security events (such as security violation reports) within the various financially material applications and databases as defined in information technology & security policies/procedures. Management reports are regularly reviewed and necessary action taken.

Condition: During our audit of IT general controls, we noted that there is not a policy requiring the monitoring of security or admin changes for networks and applications.

Cause: Palm Beach County Tax Collector may not have considered placing these requirements in the IT Policy Manual.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: The Palm Beach County Tax Collector should consider a policy requiring for monitoring of security or admin changes for networks and applications.

Views of responsible officials and planned corrective actions: The Tax Collector's Technology Department is currently reviewing and pricing event log management tools for the servers that host our applications. For the second part of the review each application vendor will be contacted to ensure we fully understand how each independent application reports violations and how these violations should be expected to be reported (email, logging, location, etc.) Estimated time of completion is by year end 2012.

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Appendix A – Current Year Recommendations to Improve Financial Management (Continued)

2011-07 Change management policy

Criteria: General Information Technology (IT) controls provide reasonable assurance that policies and procedures are defined and utilized by the staff for the acquisition and maintenance of the financial systems. Additionally, they define the documentation required to support the proper use of the applications, technological solutions and ensure the financial reporting requirements are effectively supported.

Development and/or implementation of changes to applications, databases, and operating systems follow a formal system development life cycle (SDLC) methodology requirements that address key areas of focus such as follows:

- User and technical requirements
- Security
- Application Control Consideration to support validity, completeness, and accuracy.
- Testing and approval for deployment - Specifically User Acceptance testing
- Technical and user documentation
- Post implementation review

Condition: During our audit of IT general controls, we noted that there was not a formal TCO policy to cover the change management process. It was also noted that the Leadership Team supporting GRM change has developed detailed change procedures and practices and the team responsible for the implementation of the Tyler Munis Payroll/HRIS application adopted the Munis Implementation Plan. In both cases key elements of an SDLC were considered consistent with the change activities.

Cause: Palm Beach County Tax Collector may not have considered developing a comprehensive change management policy.

Effect: Without adequate policies and procedures of acquisition and maintenance of systems, systems may not function as intended and may provide invalid information, which could result in unreliable financial information and reports.

Recommendation: The Palm Beach County Tax Collector should consider creating a policy to support the Change Management process for Applications and related technical infrastructure. This policy should include the follow topic areas.

- User and technical requirements
- Security
- Application Control Consideration to support validity, completeness, and accuracy.
- Testing and approval for deployment - Specifically User Acceptance testing
- Technical and user documentation
- Post implementation review

The efforts of the GRM Leadership Team and the use of the Munis Implementation Plan could serve as guidelines in preparation of the TCO policy.

Views of responsible officials and planned corrective actions: The absence of change management is noted and has been marked as a major requirement in our search for an ITIL compliant service and incident management system. Coupled with project and update(change) request forms that outline scope, expected feature improvements, as well as pre and post data verification steps and integrated workflow the deficiency will be addressed once the system is purchased and implemented. This product search is currently underway and expected completion by year end 2012.

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**Appendix A – Current Year Recommendations to Improve
Financial Management (Continued)**

2011-08 Storage and use of social security numbers in Manatron GRM

Criteria: General Information Technology (IT) controls require that processes exist and are followed to secure and limit access to Personally Identifiable Information.

Condition: During our audit of IT general controls, we noted that CIS contains and displays customer social security information.

Cause: This information is required to support certain Business Tax collection information requirements.

Effect: Misuse or release of this information may be in violation of privacy laws and regulations that might result in litigation and regulatory penalties.

Recommendation: The Palm Beach County Tax Collector should consider reviewing the requirements for retaining this information and also investigate methods to encrypt the storage of such information and review which individuals have the need to access the information as part of their job function to keep access limited.

Views of responsible officials and planned corrective actions: Manatron has been requested to provide information describing the methods and precautions taken to secure this confidential data. After this information has been provided and reviewed, the methods can be authenticated and scheduled for review as necessary.