

THOMAS P. DiNAPOLI
STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 29, 2009

Mr. Daniel B. Boyle
Chairman
Division of Alcoholic Beverage Control
State Liquor Authority
Alfred E. Smith Building
80 South Swan St. - Suite 900
Albany, NY 12210

Re: Network Security Controls
Report 2008-S-111

Dear Chairman Boyle:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we audited selected aspects of the security controls in place over the Division of Alcoholic Beverage Control's computer network. Our audit covered the period June 5, 2008 through October 16, 2008.

A. Background

The New York State Legislature enacted the Alcoholic Beverage Control Law in 1934 to regulate the State's alcoholic beverage industry. The Alcoholic Beverage Control Law created the State Liquor Authority and the Division of Alcoholic Beverage Control (Division). The State Liquor Authority is a three member board, consisting of a chairman and two commissioners, which oversees the work done by Division staff. The Division has two main functions: issuing licenses and ensuring compliance with the Alcoholic Beverage Control Law.

The Division has a computer network (Network) to help carry out its duties. The Division's Data Processing Unit maintains the Network. This includes supporting all servers, configuring hardware, setting up desktop computers, supporting software, providing Network connectivity for all business units, and managing Network devices.

The Division must comply with the New York State Office of Cyber Security and Critical Infrastructure Coordination's (Office of Cyber Security) Cyber Security Policy (Security Policy). The Security Policy defines minimum information security requirements that all State agencies must meet and requires State agencies to establish a framework to manage its own information security.

B. Audit Scope, Objective and Methodology

We audited selected aspects of the security controls in place over the Network for the period June 5, 2008 through October 16, 2008. We sought to determine whether the Division established adequate security controls to minimize the risks of unauthorized access to its data resources. Our audit provided a snapshot of the Network's security controls at a particular point in time.

To accomplish our objective, we reviewed Division policies and procedures that we deemed of key importance to the control and maintenance of Network security. We interviewed agency technical staff responsible for administering Network security and operations. We also examined Division records and reports pertinent to our audit scope. We tested security controls by determining whether there is a risk someone could gain unauthorized access to the internal Network. These tests were performed on some, but not all, devices on the external and internal Network. In performing these assessments, we used various tools and techniques to proactively identify Network vulnerabilities and to determine how these vulnerabilities could be exploited.

We did our performance audit according to generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

Detailed results of our audit were provided to Division officials during our audit. The details of our findings and recommendations are not included here due to the sensitivity of the information and the potential risk associated with the release of such information. As part of our audit, we identified certain areas in which the controls needed to be improved. We presented this information to Division officials, and they stated that they have begun to make improvements in these areas.

Recommendation

Implement the specific recommendations for strengthening the Division's Network security that were provided to Division officials during the audit.

We provided a draft copy of this report to Division officials for their review and comment. Their comments were considered in preparing this report and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the State Liquor Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this report include Brian Reilly, Nadine Morrell, Mark Ren, Jennifer Van Tassell, Corey Harrell, Mark Abraham, and Sue Gold.

We wish to thank the management and staff of the Division of Alcoholic Beverage Control for the courtesy and cooperation extended to our auditors during this audit.

Yours truly,

David R. Hancox
Audit Director

cc: Tom Lukacs, Division of the Budget



David A. Paterson
Governor

STATE OF NEW YORK
EXECUTIVE DEPARTMENT
DIVISION OF ALCOHOLIC BEVERAGE CONTROL
STATE LIQUOR AUTHORITY
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Chairman
Daniel B. Boyle

Commissioner
Jeanique Greene

Commissioner
Noreen Healey

January 14, 2009

David Hancox, Audit Director
Office of the State Comptroller
110 State Street, 11th Floor
Albany, NY 12236

Re: Audit Report 2008 – S – 111 - Public

Dear Mr. Hancox:

The Division of Alcoholic Beverage Control acknowledges receipt of the Network Security Controls Report 2008-S-111 dated December 17, 2008. The Division is most appreciative of your review of these important Agency information technology security matters. The analysis and recommendations provided by the Office of the State Comptroller (OSC) audit team have great value, particularly being offered from an independent 3rd party external perspective. The Division offers the following comments on the audit process, the public report and the matters cited therein.

In an effort to increase the Division's security posture and awareness, the Information Technology unit proactively contacted OSC requesting an audit of the Division's network security controls with absolutely no limits placed on the audit scope. It is the Division's goal to implement all recommendations presented in the detailed Audit Report 2008-S-111 by the end of Fiscal Year 2008/2009. The Information Security Officer, working in conjunction with the Information Technology unit has begun the process of implementing all the recommendations for strengthening the Division's network security posture and will prioritize the process based the risk and resources available.

The Division would like to thank the Office of the State Comptroller for extending their resources for the audit and specifically, we would thank the audit team for their courtesy and professionalism evident throughout the audit process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Daniel B. Boyle', with a stylized flourish at the end.

Daniel B. Boyle
Chairman

Cc: Michael Drake, Chief Information Officer/Director of IT
CEO, Woody Pascal