



Town of Fallsburg Information Technology

Report of Examination

Period Covered:

January 1, 2011 — May 15, 2012

2012M-151



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2012

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Fallsburg, entitled Information Technology. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Fallsburg (Town) is located in Sullivan County. The Town has approximately 12,870 residents and provides various services, including general government support, road maintenance and snow removal, water distributions, and sewer treatment. The Town's annual budget for 2012 was approximately \$18 million, funded mainly from real property taxes and user fees.

The Board of five elected officials, including the Town Supervisor (Supervisor), governs the Town. The Board is responsible for the general management and control of the Town's assets, including computerized data and assets. As such, they are responsible for establishing policies that govern the use and protection of computerized data and assets.

The Supervisor is responsible for establishing day-to-day procedures and controls to ensure that the Board's policies are enforced and to protect the computerized data and assets including the servers. The Town Comptroller (Comptroller) oversees the Town's information technology (IT). The Supervisor and the Comptroller are jointly responsible for ensuring that users of the system adhere to adopted policies and procedures.

Objective

The objective of our audit was to determine if computerized data and assets were properly safeguarded. Our audit addressed the following related question:

- Did the Town Supervisor ensure that computerized data and assets were properly safeguarded?

Scope and Methodology

We examined internal controls relating to the Town's computerized data and assets for the period January 1, 2011 to May 15, 2012. Our audit disclosed additional areas in need of improvement concerning IT controls. Because of the sensitivity of some of this information, certain vulnerabilities are not discussed in this report, but have been communicated confidentially to Town officials so they can take corrective action.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials

generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Town Board to make this plan available for public review in the Clerk's office.

Information Technology

The Town's information technology (IT) system is a valuable and essential part of operations, used for accessing the Internet, communicating by email, processing and storing data, maintaining financial records, and reporting to State and Federal agencies. Therefore, it is imperative that the Town's computerized data is properly safeguarded. The Supervisor and Comptroller must ensure that user rights to computerized data are assigned based on job responsibilities, and that the Town's servers are located in a secure and safe location. Additionally, the system should include a disaster recovery plan to prevent the loss of computerized data and assets and to ensure that operations can resume in the event of a power outage or disaster.

Town employees' user rights are not assigned based on job responsibilities, and the Town's servers are not located in secure locations. In addition, a disaster recovery plan has not been adopted including a backup power source for the servers. As a result, there is an increased risk that computerized data could be lost or compromised or that Town operations could be seriously disrupted.

User Rights

The Supervisor should establish and the Comptroller should implement procedures to ensure that each employee's access to computer systems, software applications, and data is restricted based on each user's job description and responsibilities.

The Comptroller told us that he has not restricted user access. As a result, access rights to the financial application are not restricted based on each employee's job description and responsibilities. Once employees within the finance department access the financial application, they have the ability to access all applications within the financial software. Although the computerized system does have the ability to restrict user access based on job descriptions and responsibilities, it has never been used.

Because employees are not restricted to only those applications necessary for them to perform their job duties, computerized data, including personal, private and sensitive information, is at risk of being compromised. Additionally, all financial data regarding the Town's operations is available to all users, creating an additional risk that data could be changed by either malice or mistake, causing the Board to base financial decisions on inadequate and/or incorrect information.

Server Location

The Supervisor must provide for the proper location of servers and implement procedures that ensure that physical access to servers is controlled so that only authorized staff members can gain access to servers.

The Town's servers are behind the Comptroller's desk, which is located in the finance office. However, we observed that Town staff members and other visitors to the Town hall were in and out of the finance office at will. When the Comptroller was at his desk, the servers were somewhat protected. However, he was often away from his desk, and in some cases, the office was completely empty with the door to the finance office remaining wide open. The Comptroller explained that when the Town first purchased the servers, the switches¹ were located behind his desk, and he therefore placed the servers in the same location allowing for easier connection to the switches. He also stated that when the finance office is locked, that provides some added protection to the servers. If access to servers is not controlled, the risk increases that unauthorized access to the network could be obtained and the servers could be damaged.

Disaster Recovery Plan

The Town's IT system is a critical resource that must be adequately protected against loss, damage, or misuse. An effective internal control system for IT requires a formal disaster recovery plan (DRP) to prevent the potential loss of computer resources, and to outline procedures for the recovery of data in the event of a disaster. A DRP, sometimes referred to as a business continuity plan or business process contingency plan, describes how an organization must deal with potential disasters. It describes the precautions that must be taken to minimize the effects of a disaster and enable the organization to restore data and either maintain or quickly resume its mission-critical functions. Typically, disaster recovery planning involves an analysis of business processes and continuity needs, and may include a significant focus on disaster prevention. A DRP should provide for a backup power source to allow an organization to continue to provide needed services not only during a disaster but also through loss of power to the servers.

The Board has not developed a DRP. Consequently, in the event of a disaster, Town personnel have no guidelines or plan to follow to help minimize or prevent the loss of equipment and data, or guidance on how to implement data recovery and resume operations as efficiently as possible. The lack of a DRP could lead to loss of important financial data along with a serious interruption to Town operations, such as not being able to process checks to pay vendors or employees.

¹ Switches are hardware devices that network multiple computers together and can limit the traffic to and from each computer (desktop or laptop) to ensure that each computer has a sufficient amount of bandwidth.

Recommendations

1. The Supervisor should establish and the Comptroller should implement procedures to ensure that access rights are assigned based on job descriptions and responsibilities.
2. The Supervisor should move the Town's servers so that only authorized staff members can gain access.
3. The Supervisor should work with the Board to develop a DRP. The DRP and its elements should be adopted, including a backup power source that should be obtained and installed.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

Steven Vegliante, Town Supervisor
Arnold Seletsky, Deputy Supervisor
Michael Weiner, Councilman
Nathan Steingart, Councilman
Joe Levner, Councilman



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November 15, 2012

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Office of the State Comptroller
Division of Local Government and School Accountability
State Office Building, Room 1702
44 Hawley Street
Binghamton, New York 13901-4417

Re: Response and Corrective Action Plan

Dear [REDACTED],

This is the Town of Fallsburg's response and corrective action plan in reference to the Information Technology Audit that was performed by the State Comptroller's Office.

In reference to User Right, the comptroller has gone into the Financial Software and has assigned user rights based on the employee's specific job duties. Please also note that each user has a specific user ID and password to access the Financial Program and that every transaction is fingerprinted with that ID

With the Server Location, the Comptroller is looking into moving them into a secured location. Due to the lack of available space and access need at any give time, the Town will do its best to accomplish this. Also, the cost associated with moving the server could prove to be cost prohibited. There is currently an external lock on the server door that will be utilized. Let it be noted that the office where the servers are located is locked every night. The Town is looking into consolidating the server. We may look to build a cage with a lock to encompass the server.

The DRP is something that the town is currently researching and will be coming up with a formalized plan in the event of a disaster. Currently, we have a battery backup that the server is plugged into in the event of an electrical outage. The server is also backed-up to a tape, which is secured, at the end of every business day.

We would like to thank the State Comptrollers office for their assistance, and we look forward to implementing the recommendations of the auditors.

Very truly yours,

Steven Vegliante,
Supervisor

SV:li

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

During this audit, we examined the Town's information technology (IT) system. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following:

- We conducted in-person interviews with various Town officials and employees to gain an understanding of the controls over the IT system.
- We inspected and observed Town operations regarding the Town's IT hardware and software.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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AND SCHOOL ACCOUNTABILITY

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Steven J. Hancox, Deputy Comptroller
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