



Town of Vienna

Internal Controls Over Selected Operations

Report of Examination

Period Covered:

January 1, 2010 — April 30, 2011

2012M-132



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 Vienna, entitled Internal Controls Over Selected Operations. 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Vienna (Town) is located in Oneida County and has a population of approximately 5,440. The Town provides various services to its residents, including street maintenance and improvements, snow removal, water, and general governmental support. The Town's 2010 budgeted expenditures in all major funds were approximately \$2.1 million, funded primarily by real property taxes, State aid and sales tax.

The Town is governed by the Town Board (Board), which comprises five elected members including the Town Supervisor (Supervisor). The Board is responsible for the general management and oversight of the Town's financial and operational affairs. The Supervisor is the Town's chief fiscal officer and chief executive officer. Although the Board is primarily responsible for the effectiveness and proper functioning of the Town's internal controls, department heads also share in that responsibility.

Scope and Objective

The objective of our audit was to evaluate internal controls over selected financial activities for the period January 1, 2010 to April 30, 2011. We extended this scope period to review historic records for the water districts to determine how they were created and to review the basis for levying taxes in those districts from 2005 to 2012. Our audit addressed the following related questions:

- Were water district assessments levied in accordance with established water districts' provisions?
- Were changes to property assessments for Town officials properly supported, and were property tax exemptions properly authorized, maintained and supported?
- Are internal controls over the information technology (IT) environment appropriately designed and operating effectively to prevent unauthorized access to systems and data?

Audit Results

Water district assessments are not levied in accordance with established water districts' provisions. All eight of the Town's water district funds are being taxed on a benefit basis; however, five of them were established on an ad valorem basis. In 2008, the Board passed a local law to establish a consistent and equitable yearly water use unit charge for existing water districts and all future districts. However, the local law was contrary to Town Law. Once a water district is established under either the ad valorem or benefit basis, the method of financing it may not be changed. We found that the Board inappropriately changed the assessment basis for five water districts from an ad valorem to a benefit basis. As a result,

the collection of taxes for the water districts may have caused taxpayer inequities and could subject the Town to future litigation.

We also found that the assessed value of a property owned by a Board member was reduced by 36 percent without supporting documentation to justify this change. The Assessor said that she did not change the assessment and did not know who did. Because Town officials had not established adequate audit trails, they could not determine who made the change. In addition, we examined 56 real property tax exemptions and found that 20 exemptions (36 percent) were not properly documented. Furthermore, in some instances, the documentation showed that the property owners received exemptions for which they did not qualify. As a result, Town officials cannot be sure that all Town properties are assessed fairly and adequately and that the tax burden has been distributed fairly among the Town taxpayers.

Internal controls over IT are not appropriately designed. The Town lacks an agreement with its IT vendor. This contributes to a lack of accountability for whom (the Town or IT vendor) has responsibility for various aspects of the Town's IT environment. In addition, the Board has failed to adopt IT policies that address topics such as acceptable use, internal user access, remote access, data backup, and disaster recovery. As a result, the Town's network and the personal, private, and sensitive information it contains are vulnerable to inappropriate access, misuse or abuse.

Comments of Local Officials

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.

Introduction

Background

The Town of Vienna (Town) is located in Oneida County and has a population of approximately 5,440. The Town provides various services to its residents, including street maintenance and improvements, snow removal, parks, youth programs, water, sewer, and general governmental support. The Town's 2011 budgeted expenditures in all major funds totaled approximately \$2.1 million, funded primarily by real property taxes, State aid and sales tax.

The Town is governed by the Town Board (Board), comprising five elected members including the Town Supervisor (Supervisor). The Board is responsible for the general management and oversight of the Town's financial and operational affairs. The Supervisor is the Town's chief fiscal officer and chief executive officer. Although the Board is primarily responsible for the effectiveness and proper functioning of the Town's internal controls, department heads also share the responsibility for ensuring that internal controls are adequate and working properly.

Improvement districts are created under Town Law and they are the means by which a town furnishes special services or functions to taxpayers in specific areas of a town. The Town has established eight water funds. The Board levies assessments on the properties that are located within the boundaries of the specific water districts to raise taxes to pay certain expenses, primarily debt service.

The Town's information technology (IT) system includes 14 computers, most of which are networked. Town employees use various computer software applications to perform their regular duties, such as processing transactions, maintaining financial records, and other Town business. The Town receives IT services from an outside vendor on an as needed basis.

Objective

The objective of our audit was to evaluate internal controls over selected financial activities. Our audit addressed the following related questions:

- Were water district assessments levied in accordance with established water districts' provisions?
- Were changes to property assessments for Town officials properly supported and were property tax exemptions properly authorized, maintained and supported?

- Were internal controls over the IT environment appropriately designed and operating effectively to prevent unauthorized access to systems and data?

**Scope and
Methodology**

We examined the Town’s internal controls over water district assessments, the Assessor’s Department and IT for the period January 1, 2010 to April 30, 2011. We extended this scope period to review historic records for the water districts to determine how they were created and to review the basis for levying taxes in these districts from 2005 to 2012. Our audit disclosed additional areas in need of improvement concerning some 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 Board to make this plan available for public review in the Clerk’s office.

Water District Assessments

Town Law sets forth two methods for establishing or extending a town improvement district: (1) by the submission to the town board of a valid petition requesting the establishment or extension of the district, or (2) by town board motion, subject to permissive referendum. Under both methods, the town board is required to call for, post, publish and hold a public hearing prior to establishing the district or the extension. The public hearing notice must contain certain key information (e.g., boundary description, description of the proposed improvements, maximum amount proposed to be expended, estimated cost to the typical property, etc.).

There are two types of assessments that may be imposed on behalf of town special districts – a benefit assessment, which is a charge imposed in proportion to the benefits received by the property (often on a unit basis), and an ad valorem levy, which is imposed in the same manner and at the same time as real property taxes (i.e., generally, an amount per \$1,000 of assessed value). If a town intends to finance a proposed water district on a benefit basis (rather than on an ad valorem basis), the petition or notice of hearing must contain a statement to that effect. Water districts are assessed on an ad valorem basis unless the petition or notice of public hearing contains a statement that the district is being formed on a benefit basis.

The Town has established several water districts and extensions over the years. In the past, the Town managed the operations of some water districts, including maintenance and billing of water usage to customers. Currently, the Town contracts with a water authority on behalf of all water districts to operate the water systems and supply water to Town residents. The water authority bills residents directly for water usage. The Town still levies assessments on properties located in specific water districts to pay other expenses, primarily debt service.

Town Law provides that when a water district is established under either the ad valorem or benefit basis, the method of financing may not be changed. However, we found that the Board changed the assessment basis for five water districts from an ad valorem to a benefit basis.

We examined Town records to determine whether the Town established water districts on a benefit basis or an ad valorem basis. In some cases, the order calling the public hearing was not specific as to how the district would be funded. For example, the public notices

for the Hamlet of Vienna Water District and the Hamlet of Vienna Water District Extension No. 1 did not specify how the Districts would be funded. Since the public notices in these cases did not contain a statement of benefit assessment, the default is ad valorem. The following table summarizes the ad valorem or benefit basis for the Town’s eight water district funds.

Table 1: Water Districts		
Year Established	Water District Name	Assessment Basis Established Upon Formation of District/ Extension ^a
1971	North Bay Water District (SW1)	Benefit
1988	McConnellsville Water District (SW4)	Ad Valorem
1991	North Shore Water District (SW5)	Ad Valorem
1993	North Shore Water District Ext. No. 1 (SW3)	Ad Valorem
1999	North Shore Water District #2 (SW2)	Benefit
2003	Ext. No. 3 to North Shore Water District #2 (SW6)	Benefit
2004	Hamlet of Vienna Water District (SW7)	Ad Valorem
2006	Hamlet of Vienna Water District Ext. No. 1 (SW8) ^b	Ad Valorem

^a The Town did not have the public notice (newspaper clipping) for every district and extension. In some cases, we relied on the Board resolution for the public hearing.

^b The public hearing for SW8 was in 2006 and the Board minutes indicate the Board was in favor of its creation subject to permissive referendum; however, the Town could not provide the resolution establishing the water district extension. In December 2011, the Board requested the New York State Legislature to legalize and validate its creation on an ad valorem basis.

We reviewed tax rolls¹ to determine how assessments were being levied. Water users are not all being charged according to the basis on which the water districts were formed. The five districts established on an ad valorem basis are being taxed on a benefit basis. In 2008, the Board passed a local law to “establish a consistent and equitable yearly water use unit charge for existing water districts and all future districts.” While this local law had no effect on the amount the Town collected for water districts, it may have caused taxpayer inequities.² The local law was also contrary to Town Law, which provides that once a water district is established under either an ad valorem or a benefit basis, the method of financing it may not be changed. In addition, Town Law requires that all extensions to a water district must be charged on the same basis as the parent district.

¹ Benefit assessments are supposed to be levied on a separate roll.

² In total, the Town collected the amount required to meet the debt service payments; however, the charges were not distributed among the property owners as originally intended.

Since 2009, all of the water district funds have been assessed on a benefit, or unit, basis. Three of these (SW3, SW4 and SW5) were previously assessed on an ad valorem basis, which is consistent with how they were created. Two water district funds have been assessed on a benefit basis as far back as 2005 even though they were created on an ad valorem basis (SW7 and SW8). As a result of the 2008 change, property owners are not all being charged for the water district assessments as originally intended. In November 2011, the Town Board repealed the local law that required each district to be assessed on a benefit or unit basis. However, we found no evidence that the Board made any changes to how the 2012 bills were calculated for any of these districts.

Additionally, the Town was a defendant in a lawsuit with a property owner located in SW8. In September 2010, the parties negotiated a settlement and the Town paid the property owner \$17,500. The basis of the challenge was that the district had been established on an ad valorem basis; however, the Town imposed special benefit unit charges to fund district improvements. According to the settlement agreement, as a result of the changed method of assessment, the Town had overcharged the property owner. The settlement provided that the Town would refund excess special district charges and assess district costs on an ad valorem basis beginning January 1, 2011. Failure to comply with the legal requirements for levying assessments on Town water districts could subject the Town to possible future litigation.

Recommendations

1. The Board should ensure assessments for water districts and extensions are charged in accordance with the basis of assessment (ad valorem or benefit) indicated at the time the water districts were formed.
2. The Board should ensure that for all future water districts, the basis for assessments (ad valorem or benefit) is clearly described in the public notice or in the petition. Unless those documents specify that the district is on a benefit basis, the assessments must be on an ad valorem basis.

Assessor Department

An Assessor is a local government official who estimates the value of real property within the boundaries of a city, town or village. This value is converted into an assessment, which is one of the various components in the computation of real property tax bills. Assessors do not determine or collect property taxes; however, the Assessor's job is to assess properties and authorize exemptions to ensure that the taxes collected will be distributed fairly among all taxpayers. In 2010, the Town had 4,089 parcels valued at \$348 million. The Town's 2011 tax levy amounted to \$1.4 million.³ The Assessor is responsible for ensuring that all changes to property assessments are properly supported and that the individuals who make such changes can be identified. The Assessor must also ensure that all property tax exemptions are properly authorized and supported.

We found that the assessed value of a property owned by a Town Board member was reduced by 36 percent. There was no supporting documentation to justify this change and Town officials could not determine who made the change. In addition, 20 real property tax exemptions were not properly documented, and in some instances, the property owners received exemptions for which they did not qualify. As a result, Town officials cannot be sure that all Town properties are assessed fairly, and the tax burden has not been distributed fairly.

Assessments

The Assessor can estimate the market value of property based on the sale prices of similar properties. A property can also be valued based on the depreciated cost of materials and labor required to replace it. Commercial property may be valued on its potential to produce rental income for its owners. In other words, the Assessor can use whatever approach provides the best estimate of a property's market value; properties must be assessed at their current-use value. The New York State Office of Real Property Tax Services developed an application called Real Property System (RPS) that can help local officials complete tasks related to assessing real property. The tasks include parcel maintenance, valuation, querying and reporting. A computerized system should provide a means of determining who accesses the system and what transactions are processed. Audit logs⁴ maintain a record of activity by system or application process. This tool provides a mechanism for individual accountability, reconstructing events and problem monitoring.

³ The 2010 assessment roll is used in computing 2011 taxes. In addition to the Town's tax levy, the assessment roll is used for county, village and school taxes.

⁴ The audit log should provide information such as (1) the identity of each person who has accessed the system, (2) the time and date of the access, (3) what activity occurred, and (4) the time and date of logoff.

We received a complaint that the real property assessment for a property owned by a Board member had been substantially reduced. Upon review of the tax rolls, we confirmed that the Board member's assessment was reduced by 36 percent, or \$41,660.⁵ There was no supporting documentation on file to justify this change. The Assessor told us that she did not reduce the assessment and that she does not know who reduced it.

We performed a physical examination of the assessor's computer and found that 59 copies of RPS database files existed. The Assessor was not sure which one was active. As a result, we concluded that the integrity of the assessment data located at the Town was poor. Because Town officials could not determine which of the Town's RPS database files was current, we obtained the final assessment roll from the County.⁶ However, that file did not contain the history or audit log files necessary to determine who made the change to the Board member's assessment.

An audit transaction table is created in RPS that is intended to provide an audit trail of transactions. When the RPS database files get too large, the program starts to run slower. When this occurs, users are prompted and asked if they would like to delete log files to free up some space. This is a possible explanation for why the property tax file did not contain the history or log files. However, without these log files there is no accountability for changes made to the property records. The Assessor was aware that there is a transaction audit trail in RPS but she did not know how it was saved.

We reviewed some of the Assessor's database files within RPS in an attempt to determine who changed the assessment, but not all versions contained log files. The Assessor's databases showed a change from \$75,000 to \$85,000 on April 22, 2010. Since the 2009 assessment roll showed the property valued at \$116,660 and the 2010 assessment roll had it valued at \$75,000,⁷ it appears that someone changed the assessment at least three times: 1) from \$116,660 to \$75,000, 2) from \$75,000 to \$85,000 on April 22, 2010, and 3) from \$85,000 to \$75,000. Thereafter, the Assessor stated that she had shared her password with others and that she sometimes left her computer on

⁵ The full market value of the property and related adjustment was higher because the Town's equalization rate was less than 100 percent.

⁶ The process to prepare tax bills includes the assessor's final assessment roll. The assessor is responsible for delivering the final assessment roll to the county. After the town board adopts its annual budget, it delivers the budget to the county legislative body, and the taxes raised for the support of town government are then levied by the county.

⁷ The 2009 assessment roll is used for the 2010 tax roll and the 2010 assessment roll is used for the 2011 tax roll.

and unattended. Therefore, Town officials could not determine who made the changes. We also reviewed assessments of other key Town officials and did not find any other unauthorized real property assessment adjustments.

Due to the failure to ensure the RPS database is current, retain audit logs and restrict access to the Town's RPS data, Town officials cannot be sure that all Town properties are assessed fairly and adequately.

Exemptions

Some properties, such as those owned by religious organizations or governments, are exempt from paying property taxes. Other properties are partially exempt, such as properties owned by veterans who qualify for an exemption on part of their homes, or those owned by homeowners who are eligible for the School Tax Relief (STAR) program. The Assessor must verify that all properties are eligible for the exemptions they receive and maintain documentation of the authorizations for those exemptions.

The Town had 2,767 real property tax exemptions on the 2010 roll, the majority of which 2,616 (or 95 percent) fell into five categories: STAR, Veterans', Senior Citizens', Agricultural, and Disabled. We examined 56 real property tax exemptions and found that 20 exemptions (36 percent) were not properly documented in the real property files. For example:

- One property owner received a basic STAR exemption on two properties; however, the owner was only eligible for the basic STAR exemption on one property (for his owner-occupied, primary residence). Only one of the property files had a STAR application in it.
- Two property owners received 50 percent senior citizen exemptions but earned too much to qualify for any senior citizen exemptions.
- Four property owners received higher percentage senior citizen exemptions than they qualified for based on their incomes.
- Two property owners received senior citizen exemptions, but the Assessor did not have current applications on file to show that they met the age requirements and/or income limitations for the exemptions.
- One property owner received a 15 percent wartime veteran exemption, but the dates of service did not qualify. Available documentation indicates that he would qualify for the 10 percent cold war veteran exemption.

- One property owner received a wartime veteran exemption, but there was no supporting documentation on file for the exemption.

The Assessor also told us that when properties were transferred between owners, some exemptions were inadvertently left on by her, her predecessor or her aide. She also told us that some exemption application forms might have been misfiled. When real property tax exemptions are not appropriate, the tax levy is not distributed fairly among taxpayers.

Recommendations

3. The Assessor should determine which of the 59 copies of the RPS database is current and remove unnecessary copies.
4. The Board should require the Assessor to save RPS audit log transactions before removing them from the database.
5. The Assessor should ensure access to the Town's RPS data is restricted to appropriate users. The Assessor should change her password, not share it with others, and not leave her computer logged on and unattended.
6. The Assessor should ensure that exemptions are appropriate and supported by adequate documentation. The Assessor should review exemptions and remove exemptions for any properties for which the owners do not meet the eligibility requirements.

Information Technology

The Town relies on its information technology (IT) system to access the Internet, communicate by email, store data and maintain financial records. It is essential that access to the Town's IT resources be controlled and monitored to reduce the risk of misuse or alteration of data, and that security roles and responsibilities be established and monitored. The Board is responsible for designing and implementing a comprehensive system of internal controls over IT resources including an agreement with its IT vendor, and policies that protect IT equipment, software, and data from loss due to error, malicious intent, accidents and disasters. It is also important that electronic data is backed up and that a disaster recovery plan is in place so that, in the event of the loss of data or equipment, operations can be restored completely and accurately.

The Town lacks an agreement with its IT vendor. This contributes to a lack of accountability for various aspects of the Town's IT environment. In addition, the Board has failed to adopt IT policies that address topics such as acceptable use, internal user access, remote access, data backup and disaster recovery. As a result, the Town's network, and the sensitive information it contains, are vulnerable to inappropriate access, misuse or abuse.

Service Level Agreement

Organizations increasingly rely on third parties for a variety of IT services. A service level agreement (SLA) is a written contract between a provider of a service and the customer of the service. SLAs are typically entered into with third-party IT vendors as a means of capturing organizational needs and expectations, and avoiding potential misunderstandings about the services to be performed. It should establish measureable targets of performance so a common understanding of the nature and level of service can be achieved. The components of SLAs vary but can include the parties to the contract, definitions of terminology, term/duration of agreement, scope/subject, limitations, service level objectives and indicators, roles and responsibilities, nonperformance impact, pricing, billing and terms of payment, security procedures, audit procedures, reporting, review/update, and approvals.

Our audit identified several serious IT internal control weaknesses as detailed in this report. The Town's failure to enter into a SLA with its IT consultant contributed to a lack of accountability for who has responsibility for various aspects of the Town's IT environment and the other control weaknesses we identified. As a result, the Town's data and computer resources are at greater risk for unauthorized access, misuse or abuse.

Policies

The Board is responsible for creating an appropriate internal control environment over IT security. It should provide oversight and leadership by establishing computer policies that take into account people, processes, and technology, and communicate the policies throughout the organization. The Board should periodically review and update these policies as necessary to reflect changes in technology and/or the Town's computing environment. Computer policies should define appropriate user behavior and describe the tools and procedures to protect data and information systems.

The Board has not adopted written computer-related policies to ensure the security of the Town's IT system. For example, the Town does not have policies to address acceptable computer use; system security; internal user access; protecting personal, private, and sensitive information; and data backup. The lack of policies significantly increases the risk that data, hardware and software systems may be lost or damaged by inappropriate access and use.

Account Access

To protect computer resources from unauthorized use or modification, user rights should be assigned to officials and employees based on their job responsibilities. Town officials should analyze the responsibilities of individual users to determine what type of access (e.g., read, modify, delete) they need to fulfill their responsibilities. Town officials should then provide users with access to only these functions. Town officials should monitor and adjust user access rights on an ongoing basis to accommodate new and departing employees and changes in users' responsibilities and access needs.

The Town does not have formal policies for the addition, deletion or modification of network user accounts. The Town's IT consultant adds users to the Town's network based on verbal requests and does not have written documentation of who authorized the creation of user accounts or who determined what access should be provided. We reviewed network user accounts and found a former employee still has network access. In addition, the IT consultant told us that he was the only administrator of the network. However, we found that a Town official also had administrator rights to the network.⁸

Without a formal process for the addition, deletion, modification, and monitoring of network user access, there is an increased risk that unauthorized individuals can access personal, private or sensitive information without detection.

⁸ In December 2011, the IT consultant removed these administrative rights for the Town official.

Remote Access

Remote access is the ability to access a computer system from an off-site location. Remote access (from any source) must be controlled and monitored so that only authorized individuals can use the Town's computer system or retrieve data. It is essential that Town officials adopt a policy that addresses how remote access is granted, who is given remote access, and how remote access will be monitored, tracked and controlled. For example, someone should periodically review audit logs to ensure that only authorized individuals have accessed the IT system and their activities were appropriate. It is important to retain documentation to indicate that the audit logs have been reviewed. Additionally, if remote access users are vendors instead of Town officials or employees, it is important to establish agreements with these vendors regarding expectations and consequences for violating such expectations.

In addition to the IT consultant, the Town has three vendors who have been granted remote access to the IT system to provide support, technical services, or problem solving, or to answer any other requests made by Town officials. Town officials do not monitor their remote access or review audit logs to monitor their work within the system. Additionally, the Board has not secured a written agreement with these vendors regarding expectations and consequences. Without remote access agreements, there is no assurance that the Town's interests are effectively protected. The lack of monitoring also increases the risk that data can be manipulated, lost or misused without detection.

Backups

The Town's electronic data should be backed up (duplicate copies made) on a routine basis and the copies should be stored in a secure off-site location. Periodically, Town personnel should verify the integrity of the copied data and test the effectiveness of the restoration process by restoring data from the backups.

Only a select portion of the Town's electronic data is backed up daily. Anything users save to their home folders [on the server] is backed up. Other work on their computers is not backed up. Furthermore, because the server is not at an off-site location, in the event of a disaster, the backups that are stored on the server could be destroyed or damaged, resulting in a loss of essential data that may not be recoverable. Given that not all of the Town's data is being backed up, essential data may be lost and unrecoverable. Finally, because Town officials do not periodically restore/test the backups, they have no assurance about the effectiveness of the backup process.

Disaster Recovery Plan

A disaster recovery plan is intended to identify and describe how the Town plans to deal with potential disasters. Such disasters may include any sudden, catastrophic event (e.g., fire, computer virus, power outage, or inadvertent employee action) that compromises the

integrity of the IT system and data. An effective plan includes the precautions, including the routine backup of critical data, to minimize the effects of a disaster and to enable the Town to either maintain or quickly resume its critical functions.

The Town does not have a formal disaster recovery plan. Consequently, in the event of a disaster, Town personnel have no guidance on how to implement data recovery and resume operations as efficiently as possible.

Recommendations

7. The Board should enter into a service level agreement with its IT vendor that clearly describes the scope of the work, service level objectives and indicators, non-performance impact, security procedures, audit procedures, reporting, review/update procedures, and the service approval process.
8. The Board should adopt written policies to address IT topics such as acceptable use; system security; internal user access; protecting personal, private, and sensitive information; and data backup.
9. Town officials should establish procedures for the addition, deletion, modification and monitoring of network user accounts. The network administrator should remove access for all individuals that is beyond what is necessary for them to fulfill their responsibilities, and all access for all individuals who are no longer employed by the Town.
10. The Town's IT consultant should retain written documentation of who authorized the creation of user accounts and determined what access should be provided.
11. Town officials should adopt a remote access policy that addresses how remote access is granted, who is given remote access, and how remote access will be monitored, tracked, and controlled.
12. Town officials should enter into written agreements with all outside vendors who have been granted remote access to the IT system. In addition, Town officials should periodically produce and review audit logs to ensure that their activities are appropriate.
13. Town officials should ensure that all of the Town's data is backed up to a secure off-site location and that an officer or employee periodically restores/tests the backups.
14. Town officials should adopt a disaster recovery plan.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



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Date: October 15, 2012

Rebecca Wiley, Chief Examiner
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Dear Rebecca;

This letter is in response to the draft audit report titled "TOV Internal Controls over Selected Operations", for the period January 1, 2010 – April 30, 2011.

The Town Board is in agreement with the audit findings and has developed an action plan to put recommendations in place to rectify the findings.

Our concern regarding water districts is that we agree with your interpretation of the law, however, we disagree with the application of it in the matter and directed our Town attorney to review and advise on the implications of the drafting of the legal notices of the districts in question.

We will put in writing our action plan results and forward it at the proper time.

Sincerely,

A. Peter Rich, Deputy Supervisor, Town of Vienna

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

During the initial assessment, we interviewed Town officials, performed limited tests of transactions, and reviewed pertinent documents such as Town policies, Board minutes, and financial records and reports. After reviewing the information gathered during our initial assessment, we decided upon the audit's objective and scope by selecting for audit those areas most at risk. We selected water district assessments, the Assessor's Department and information technology (IT) for further audit testing. Our examination included the following:

- We interviewed Town officials and documented and evaluated internal controls related to water district taxes, property assessments and exemptions, and IT.
- We reviewed water district formation documents to determine how the various water districts were established.
- We compared tax roll summary information to water district information to determine how water taxes were levied.
- We reviewed Board minutes.
- We reviewed the 2009, 2010 and 2011 tax rolls to identify changes in real property assessments for properties owned by Town officials.
- We reviewed Real Property System data files containing real property assessments and exemptions.
- We examined the property files for exemption applications and supporting documentation. We first selected a random sample of 20 exemptions including the most common types. Then we selected a judgmental sample of 36 exemptions including some key Town officials and employees.
- We interviewed Town officials about IT policies and practices, and how policies and practices are communicated to employees.
- We reviewed computer usage and security protocols, policies, and procedures.
- We observed the physical security measures for the Town's computer equipment.

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.

APPENDIX C

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