



Town of Woodstock

Financial Activities and Information Technology

Report of Examination

Period Covered:

January 1, 2010 — July 26, 2011

2012M-84



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 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 Town of Woodstock, entitled Financial Activities and 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Town of Woodstock (Town) is located in northern Ulster County and has a population of about 5,800. The Town's expenditures are funded primarily with revenues from real property taxes. The Town budgeted \$6 million for total operating expenditures for fiscal year 2010.

The Town is governed by a Town Board (Board), which comprises four elected members and an elected Supervisor (Supervisor). The Board is responsible for the general management and control of Town finances. The Supervisor serves as the Town's chief executive officer, budget officer, and chief fiscal officer.

Scope and Objectives

The objectives of our audit were to review the Town's processes for selected financial activities, and internal controls over information technology (IT) for the period January 1, 2010 through July 26, 2011. We extended our review of IT to December 22, 2011. Our audit addressed the following related questions:

- Did Town officials use competitive methods to purchase goods and services?
- Did Town officials implement New York State Workers' Compensation Law?
- Did the Town implement sufficient controls over IT?

Audit Results

The Town did not always use competitive methods when purchasing goods and services. We tested six purchases that required competitive bidding and found that five purchases totaling approximately \$164,000 had not been competitively bid. In addition, we found that eight purchases totaling \$85,550 that required quotations contained no evidence that quotes were secured for the items purchased. The Town paid five professional service vendors \$111,670 without using competitive methods such as a request for proposal process. As a result, Town officials cannot assure taxpayers that they are obtaining the best price possible for desired goods and services.

The Town did not comply with the New York State Workers' Compensation Law. We selected a sample of 15 vendors who were paid a total of \$385,739 and found that Town officials did not have proof of insurance for any of the 15 vendors. As a result, the Town could be liable if these vendors' employees were injured at a Town work site.

Town officials have not established adequate internal controls to effectively safeguard the Town's computer system and data. Access to IT equipment is not properly restricted. IT system administration duties are not segregated and the Town does not have a formal procedure to limit and monitor user access. In addition several of the Town's computers lack virus protection, and a disaster recovery plan and a breach notification plan has not been developed. Finally, the Town does not have an adequate agreement with the Town's IT service providers that detail services to be provided. As a result of these weaknesses, the Town's IT system and electronic data are at an increased risk of loss, misuse, and manipulation.

Comments of Local Officials

The results of our audit and recommendations have been discussed with Town officials and their comments have been considered in preparing this report. Town officials generally agreed with our findings and recommendations and indicated that they will initiate corrective action.

Introduction

Background

The Town of Woodstock (Town) located in northern Ulster County has a population of about 5,800. The Town offers a variety of services to its residents, including street maintenance and improvements, sewer and water utilities, and police protection. The Town's expenditures are funded primarily with revenues from real property taxes. The Town budgeted \$6 million for total operating expenditures for fiscal year 2010.

The Town is governed by a Town Board (Board), which comprises four elected members and an elected Town Supervisor (Supervisor). The Board is responsible for the general management and control of Town finances. The Supervisor serves as the Town's chief executive officer, budget officer, and chief fiscal officer.

The Town's department managers and the bookkeeper are responsible for making purchases. The bookkeeper is also the Town's Information Technology (IT) administrator. The Town hired a consultant to provide IT support for the Town's computer system.

Objectives

The objectives of our audit were to review the Town's processes for selected financial activities and IT. Our audit addressed the following related questions:

- Did Town officials use competitive methods to purchase goods and services?
- Did Town officials implement New York State Workers' Compensation Law?
- Did the Town implement sufficient controls over IT?

Scope and Methodology

We examined the Town's financial processes and IT for the period January 1, 2010 to July 26, 2011. We extended our review of IT to December 22, 2011. 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 could 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 C 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 have been considered in preparing this report. Town officials generally agreed with our findings and recommendations and indicated that they will 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 Town Clerk's office.

Procurement

It is the responsibility of the Board to safeguard Town assets by procuring goods and services in a prudent and economical manner. The Board can meet this responsibility by establishing an effective procurement process, comprising comprehensive procurement policies and procedures. The objectives of a procurement process are to obtain services, materials, supplies or equipment of the desired quality, specified quantity, and at the best value in compliance with applicable Board and legal requirements. By enforcing compliance with a well-designed procurement process, the Board can ensure that taxpayer dollars are expended in the most efficient manner.

Although the Town's purchasing policy requires competitive bidding or quotes for purchases exceeding stated dollar amounts, the Board did not ensure it was implemented. The Town did not competitively bid five of the six purchases we reviewed, totaling \$164,000, which should have been bid. Town officials also failed to obtain quotes, or inadequately documented quotes received, for all 13 purchases we reviewed because the Town lacks a standard form to use when obtaining quotes. Further, the Board did not use competition, such as requests for proposals (RFPs) to contract for professional services totaling \$111,670 because the Town's procurement policy does not require competition for these services. By enforcing compliance with Town competitive bidding requirements, formalizing a process for obtaining quotes, and requiring the consistent use of competitive proposals when contracting for professional services, the Board can provide taxpayers with better assurance that the Town is obtaining goods and services at the best value.

Competitive Bidding - The Town's procurement policy requires competitive bidding for purchases in excess of \$10,000 and \$20,000 for goods and public works contracts, respectively. During our scope period, the Town made 47 purchases totaling \$1.9 million that required competitive bidding, according to Town policy. Of six purchases reviewed, we found that five, totaling \$164,000, had not been competitively bid: \$58,000 for road sand, \$27,000 for oil tank removal, \$29,000 for a communication system, \$26,000 for litter removal, and \$24,000 for a temporary bridge.

Town officials explained that they made these purchases from local firms they had used in the past and from professional recommendations rather than bid the contracts. As a result of not implementing the Town's policy, Town officials cannot ensure that they obtained the desired goods and services at the lowest possible

price and cannot assure taxpayers that they used public moneys in the most economical manner.

Competitive Quotes – The Town's procurement policy requires employees to obtain and document quotes for purchases between \$1,000 and \$10,000, and for public works contracts that cost between \$3,000 and \$20,000.¹ The policy also requires that the documentation should include a detailed description of the desired goods.

During our audit period, Town officials made 157 purchases totaling \$616,000 for which quotes should have been obtained. We reviewed 13 of these purchases and found no evidence that quotes were obtained for eight, totaling \$85,550: \$17,295 for plumbing and heating repairs, \$16,410 for repairs to a well, \$9,814 for shale, \$9,774 for recapping and purchasing tires, \$8,875 for hardware and building materials, \$8,514 for truck parts, \$7,791 for steel and welding supplies, and \$7,077 for excavation at the well. Town officials stated that they use local firms and/or sole source vendors rather than following the Town's policy. The failure to obtain quotes in accordance with the Town's own policy could have resulted in the Town's incurring higher than necessary costs for the goods and services purchased.

The remaining five purchases had minimal documentation (quote amounts without the vendors' names). This occurred because Town officials did not develop a formal process or form for obtaining quotes and for complying with the Town's policy. Without adequate documentation of the quotes obtained, Town officials lack the information they need to select the vendor offering goods and services at the lowest price or the most favorable terms and conditions.

Professional Services – Under General Municipal Law (GML), competitive bidding is not required for the procurement of professional services that involve specialized skill, training and expertise; use of professional judgment or discretion; and/or a high degree of creativity. However, GML requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to statutory competitive bidding requirements, such as professional services and items that fall under the bidding thresholds. A comprehensive procurement policy requires Town officials to seek competition by other means whenever they procure professional services, and to maintain documentation to support procurement

¹ Purchases that cost more than \$1,000 but less than \$3,000 require oral or written quotes from two vendors, and purchases that cost more than \$3,000 but less than \$10,000 require written quotes from three vendors. Public works contracts for more than \$3,000 but less than \$10,000 require written proposals from two contractors, and contracts for more than \$10,000 but less than \$20,000 require written proposals from three contractors.

decisions. An RFP process is one method Town officials can use to help ensure that the Town receives the desired service for the best price.

However, the Town did not always seek competition when obtaining professional services. The Town paid \$262,515 to 14 professional service providers during our audit period. Five of these vendors, who were paid a total of \$111,670, were hired without a competitive process: the Planning Board attorney (\$26,434), a computer consultant (\$10,570), two architects (\$38,983 in total), and an engineer (\$35,683).

These professional service providers were hired without the benefit of competitive processes because the Town's procurement policy does not require the use of competitive methods to procure professional services. The policy leaves the use of competition when obtaining professional services to the discretion of the Board. Town officials stated that they reappoint the same professionals annually because the Town has a long-established relationship with these providers who understand the history and nuances of the Town's operations. However, it is in the taxpayers' interest to ensure that the Town obtains the best value for what it pays for professional services. Without the solicitation of competition, taxpayers have less assurance that the Town is obtaining these services as economically as possible.

Recommendations

1. The Board should require adherence to the requirements set forth in its procurement policy with regard to competitive bidding.
2. The Board should amend the procurement policy to include a standard form for documenting quotations received, and use this information to select the vendor offering the lowest price or the most favorable terms and conditions.
3. The Board should consider amending the procurement policy to require competition when procuring professional services.

Workers' Compensation and Disability Insurance

Workers' Compensation Law (Law) requires municipalities to maintain proof that all vendors with whom they do business carry workers' compensation and disability insurance. To fulfill this requirement, Town officials should obtain copies of required forms² from all vendors with whom they do business and maintain them on file. Verification of insurance ensures that benefits are available from the vendor should workers get injured, thereby reducing the Town's liability in the event of an accident or injury. Requiring insurance also levels the playing field for honest businesses that might otherwise be undercut by unscrupulous employers who gain a cost advantage by not carrying insurance. Town officials delegated the responsibility of obtaining proof of insurance from vendors to the Town Clerk and the bookkeeper.

The Town purchased goods and services from 592 vendors during our audit period. We reviewed documentation maintained for 15 of these vendors, who were paid a total of \$385,739, and found that Town officials did not have the required proofs of insurance or waivers of insurance for any of the 15 vendors.

The Town did not obtain proof of insurance because Town officials did not give the Town Clerk and the bookkeeper guidelines for ensuring that the Town complies with the Law's insurance requirements, or instructions for following up with vendors who have not provided evidence of insurance to ensure they return the appropriate documentation. For example, the Town Clerk and the bookkeeper sent letters to 13 vendors³ in March 2011 requesting Proof of Workers' Compensation Insurance. The vendors did not provide this documentation, but the Town did not take any follow-up steps to obtain the necessary proof of insurance. When Town officials do not ensure that vendors have Workers' Compensation and disability insurance coverage, the Town could be liable for injuries vendors' employees sustain in work on Town projects.

² Forms SI-12: Certificate of Workers' Compensation Self-Insurance; C-105.2: Certificate of Workers' Compensation Insurance; U-26.3: Certificate of NY Workers' Compensation Insurance from the New York State Insurance Fund; or CE-200: Certificate of Attestation of Exemption from NYS Workers' Compensation and/or Disability Benefits Coverage as proof of workers' compensation insurance. In addition, forms DB-155: Certificate of Disability Benefits Self-Insurance; DB 120.1: Certificate of Disability Benefits Insurance; or CE-200: Certificate of Attestation of Exemption from NYS Workers' Compensation and/or Disability Benefits Coverage should be obtained to document proof of disability insurance.

³ Seven of the 13 were included in our sample of 15 vendors. These seven vendors were paid a total of \$206,992.

Recommendations

4. Town officials should provide staff with appropriate procedures to be followed to secure the required proof of insurance. The procedures should identify the proofs of insurance required, deadlines for receiving the information, and compliance procedures if required information is not provided.
5. Town officials should obtain proof of insurance from all vendors it is currently doing business with.

Information Technology

The Town relies on its IT system for accessing the Internet, communicating by email, storing data, maintaining financial records, and reporting to State and Federal agencies. Therefore, the Town's IT system and the data it holds are valuable resources. If the IT system fails, the results could range from inconvenient to catastrophic. Even small disruptions in IT systems can require extensive effort to evaluate and repair. Town officials are responsible for developing written policies and procedures to effectively safeguard IT resources. Such policies should address controlling physical and administrative access to the Town's IT system, timely patch updates to operating systems and application software, and developing a formal disaster recovery plan to reduce the risk of misuse, improper alteration, or loss of computerized data, and to provide guidance on the recovery of data in the event of a disaster.

Town officials have not established adequate internal controls to effectively safeguard the Town's computer system and data. Town officials did not restrict physical access to IT servers, did not limit or monitor user access to properly segregate critical duties, and did not ensure compliance with the Town's computer use policy. Further, the Town does not have virus protection on seven of its networked computers, and lacks written procedures for ensuring that backups are consistently done, safely stored, and tested for viability. In addition, Town officials have not established a disaster recovery plan to recover data and resume operations in the event of disaster, or a breach notification policy, as required by statute. Finally, the Town's agreement with the Town's IT service providers is not adequate to provide accountability for maintaining and safeguarding the Town's IT resources. As a result, the Town's IT system and electronic data are at an increased risk of loss, misuse and manipulation.

Physical Access Control – An effective internal control system restricts physical access to critical IT equipment such as servers. Unrestricted access to this type of equipment creates a security risk to the Town's IT resources. Unauthorized individuals could not only gain access to personal or confidential information, but also damage, destroy, or steal equipment that would require considerable time and money to replace or repair. Therefore, access to servers must be restricted to key personnel.

The Town's main server room is located in an unsecured area. The server room doors are unlocked during the day, and staff members regularly access the server room to use other Town equipment.

During our onsite fieldwork, the Town made plans to put the server and peripheral equipment in a closed cabinet with climate control to limit access. However, as of December 2011, this plan had not been implemented.

Unrestricted physical access to the server room could lead to damaged, destroyed, or stolen equipment, and could even lead to a breach of personal or confidential information. Such breaches could lead to costly litigation for the Town.

User Access – Effective controls over users’ access to computer operations restrict authorizations to only those functions individuals need to perform their job duties, and prevent individuals from being involved in multiple aspects of a financial transaction. In this way, system access controls help to preserve the proper segregation of duties. Officials can restrict access to some users while allowing greater access to others based on job function. Town officials should periodically review user access rights to help ensure access is properly controlled and revise those rights when work conditions change.

The bookkeeper is the system administrator for and principal user of the Town’s computerized financial system. As the system administrator, the bookkeeper has the ability to assign user privileges; as the Town’s bookkeeper, she has unrestricted access to the financial system. With administrator rights and access to the financial system, the bookkeeper could change financial data or make inappropriate payments to vendors or employees and conceal these transactions. It is important that Town officials either assign administrator duties to someone other than the bookkeeper, or reduce the risk associated with having the same person perform both jobs.

The Town’s system can generate audit trails, exception reports, and change reports. By having another Town official regularly review such reports to monitor system activity, the Town can mitigate the risk of having the bookkeeper serve as system administrator. Town officials were not producing such reports because they were not aware of the system’s capabilities. Without properly segregating the duties of system administration from the financial operations or implementing mitigating oversight controls, there is an increased risk that unauthorized modification to data may occur and go undetected.

Monitoring Computer Use – A good system of IT internal controls starts with policies to define appropriate computer user behavior and administrative regulations to implement the policy. It is important for Town officials to establish administrative regulations governing the acceptable use of computers to ensure that employees will comply with the Town’s adopted computer policy. Monitoring computer use

involves the regular collection, review, and analysis of auditable events for indications of inappropriate or unusual activity, and the appropriate investigation and reporting of such activity. Monitoring can help the Town routinely assess computer security.

The Town has a policy defining appropriate computer use, but no procedures for monitoring computer users to ensure they comply with the policy. The Town does not have procedures for regular collection, review, and analysis of computer usage for indications of inappropriate or unusual activity. The Town's failure to develop procedures and monitor computer use increases the risk of improper computer use by employees and puts the IT system at risk of unauthorized transactions that can result in the manipulation, destruction, or theft of valuable Town data.

Virus Protection – A key IT control is the implementation and maintenance of adequate virus protection, including updating of virus definitions. Without current virus definitions, protection is limited and leaves computers at risk of being compromised by recent threats. Anti-virus definitions should be updated daily and set to scan for threats throughout the day.

The Town uses approximately 50 personal computers, seven of which are not protected from virus and other malware. Town officials stated that these seven computers cannot be attacked and do not need antivirus software because they are a specific brand. The IT industry recommends that all computers, regardless of brand, should have antivirus software installed. By not installing antivirus software on the computers, Town officials have placed the computers and network at risk for virus infection, which could result in destruction or loss of Town data.

Backups – It is important for the Town to ensure that critical data stored on computers is backed up routinely to enable restoration in the event of a loss or system breakdown. Good business practices require Town officials to run daily backups to keep the backup data as current as possible, to store the backup data at an environmentally and physically secure offsite location for retrieval in case of an emergency, and to routinely test backups to ensure the data could be restored in the event of a problem with the IT system.

The Town is supposed to back up to an external hard drive nightly at four locations, including the Town Hall. Financial data is backed up only to the Town Hall site. However, Town officials did not always backup system data, or keep backups in a secure location, because the Town did not develop written procedures for performing or monitoring the backup function. For example, the Town Hall backup

hard drive did not operate for two to three weeks in late August and September 2011 and again between November 18 and December 21, 2011. Therefore, there are no backups for these dates. Additionally, the hard drives used for backup are located next to the servers in the Town Hall, which are not properly secured. As a result, a fire or other disaster in the Town Hall could destroy or damage not only the servers, but also the backup drives, resulting in a loss of essential data that may not be recoverable. Finally, the Town does not test the backups to verify their viability for restoration purposes. Town officials indicated that they will alternate the backup drives between the Town Hall and the Police Station, which provides off-site storage. It is best to consistently backup financial data to an off-site location.

Disaster Recovery Plan – A system of strong IT controls includes a disaster recovery plan that describes how an organization will deal with potential disasters. A disaster could be any sudden, unplanned catastrophic event, such as a fire, flood, computer virus, vandalism, or inadvertent employee action that compromises the integrity of the data and the IT systems. Contingency planning to prevent loss of computer equipment and data and the procedures for recovery in the event of an actual loss are crucial to an organization. The plan needs to address the roles of key individuals and include precautions to be taken to minimize the effects of a disaster so officials will be able to maintain or quickly resume day-to-day operations. In addition, disaster recovery planning involves an analysis of continuity needs and threats to business processes and may also include significant focus on disaster prevention. It is important for Town officials to distribute the plan to all responsible parties and to periodically test and update the plan to address changes in the Town’s IT security requirements.

Although the Town does perform some nightly backups of data, the Board has not established a formal disaster recovery plan. Therefore, in the event of a disaster, Town personnel have no guidelines or plan to follow to prevent the loss of equipment and data or to appropriately recover data. The lack of a disaster recovery plan could lead to the loss of important data and a serious interruption to Town operations, such as not being able to process payroll or vendor claims.

Breach Notification Policy – An individual’s private and/or financial information, along with confidential business information, could be severely affected if security is breached or data is improperly disclosed. New York State Technology Law requires counties, cities, towns, villages, and other local agencies to establish an information breach notification policy. Such a policy should detail how the agency would notify residents whose private information was, or is reasonably believed to have been, acquired by a person without

a valid authorization. It is important for the disclosure to be made expediently and without unreasonable delay, consistent with the legitimate needs of law enforcement or any measures necessary to determine the scope of the breach and restore the reasonable integrity of the data system.

The Town does not have an information breach notification policy because the Board was unaware that it was required. Without an information breach notification policy, Town officials and employees may not be prepared to notify affected individuals in the event that private information is compromised.

Service Level Agreement – Organizations increasingly rely on third parties for a variety of IT services. Service level agreements (SLAs) are written contracts between a service provider and the customer. An SLA is typically entered into with third-party IT vendors as a means of capturing organizational needs and expectations, and avoiding potential future misunderstandings about the service(s) to be performed. It should establish measurable targets of performance to achieve a common understanding of the nature and level of service required.

The Town entered into a written contract with an IT vendor and paid the vendor approximately \$10,600 for various IT services in 2010. Our examination of the contract found that it did not adequately identify deliverables. The contract included only a vague description of the scope of work to be performed (e.g., “Provide consulting services relating to the Town’s computer network”); it lacked service level objectives, performance indicators, and nonperformance impact; and it did not provide for any security procedures, audit procedures, reporting, review/update procedures, or a service approval process. The Town had a similar contract for a second IT vendor working with a different computer platform.

We identified serious weaknesses in the Town’s controls over IT that affect basic network security. The Town’s inadequate SLA with its IT vendor contributed to a lack of accountability for managing various aspects of the Town’s IT environment (e.g., backing up the server) because the SLA did not assign responsibility for implementing specific control measures to the Town or the vendor. Furthermore, the SLA failed to establish important performance metrics (e.g., timeliness) for certain critical tasks, such as testing the viability of backups. As a result, the Town’s data and computer resources are at greater risk for unauthorized access and loss of data.

Recommendations

6. Town officials should properly secure the server by physically restricting access to it.

7. Town officials should segregate the function of the bookkeeper by assigning system administration to someone not involved in day-to-day financial operations, or by reviewing exception and change reports to monitor for any inappropriate activity.
8. The Board should adopt procedures to monitor use of its computer systems.
9. The Board should ensure that all computers have up-to-date virus protection.
10. The Board should develop data backup procedures requiring data to be backed up on a daily basis, and copies of the backup to be stored at a secure off-site location for retrieval in case of an emergency. Officials should periodically test the backups to determine if the data can be fully restored.
11. The Board should develop and adopt a formal written disaster recovery plan that addresses the range of potential threats to the Town's IT system and provides procedural guidance for employees to follow if the Town's IT systems or data are lost or damaged. This plan should be distributed to all responsible parties and periodically tested and updated as needed.
12. The Board should adopt an information breach notification policy.
13. The Board should enter into a service level agreement with its IT vendor that clearly describes the scope of the work, service level objectives, performance indicators, non-performance impact, security procedures, audit procedures, reporting, review/update procedures, and the service approval process.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF WOODSTOCK • 45 COMEAU DRIVE, WOODSTOCK NY 12498

PHONE: (845) 679-2113:
Ext. 1: Assessor
Ext. 3: Building Dept. Code Enforcement
Ext. 4: Town Clerk; Fax: (845) 679-8743
Ext. 4: Commission for Civic Design
Ext. 4: Environmental Commission
Ext. 4: Zoning Board of Appeals
Ext. 6: Planning Board
Ext. 7: Supervisor; Fax: (845) 679-7915
FAX: (845) 679-8743:
Assessor, Bldg. Dept., Planning Board
Zoning Board of Appeals, CCD, WEC

Incorporated 1787



Colony of the Arts

Highway Department: (845) 679-2805
Fax: (845) 613-0127
Justice Court: (845) 679-8345
Fax: (845) 679-6826
Police/Fire/Emergency: (845) 679-2422
Fax: (845) 679-2009
Water/Sewer Dept: (845) 679-2356
Fax: (845) 679-0317
Youth Center: (845) 679-2015
Fax: (845) 679-8032
WEBSITE: www.woodstockny.org
E-MAIL: info@woodstockny.org

August 2, 2012

Office of the State Comptroller
Division of Local Government
and School Accountability
110 State Street
Albany NY 12236

Re: Report No: 2012M-84-IT

To Whom It May Concern:

Following is the response of the Town of Woodstock to the above referenced report.

Procurement:

Competitive Bidding -

1. The Town's procurement policy was amended in 2012 in accord with to GML Sections 103 and 104-b, whereby purchase contracts in excess of \$20,000 and public works contracts in excess of \$35,000 will trigger competitive bidding requirements. With respect to specific items mentioned in the report;
2. The \$58,000 for road sand was less than if the Town had bought the product off State bid. The Highway Superintendent is in the habit of comparing the State or County bid with other sources. However, in the future when the Town elects to purchase items offered for less than the State or County bid price it will advertise and allow more vendors to compete.
3. The \$27,000 expense for oil tank removal was appropriated under emergency circumstances. An abandoned and forgotten buried oil tank located directly over a wellhead supplying the municipal water supply was discovered leaking. The expense incurred was for Woodstock Highway personnel and equipment, and NYS mandated environmental services provided by a qualified company. There was no time for the competitive bid process. Although this event did not occur during my tenure, I cannot see how a Town Supervisor would have responded any differently to protect the water supply serving 2000 - plus residents of the Town. However, in the future the Town Board will indicate by resolution the circumstances surrounding emergency, non-bid work.

1. The \$29,000 for communications is mostly to pay monthly rental to NYCOMCO for leased radio equipment and recording. The Town will look into a competitive bidding process for this service. The contracts will have to be multi-year since changing out radio equipment on an annual basis would be very impractical.
2. Conversation with the Highway Superintendent indicates that the rental of a temporary bridge was the for lowest price, but in the future this will be better documented and reflected in Town Board resolutions.

Competitive Quotes - The Town, as of January 1, 2012 has taken measures to address the concerns raised in this section. This response particularly notes the conditional "could [italics mine] have resulted in the Town's incurring higher than necessary costs for the goods and services." Town officials at the time these expenses were incurred were acutely aware of budgetary constraints. Also, at the end of 2011 the Town Board advertised for bids on public works, including septic tank draining, trash removal and IT services, and the Town Board in 2012 selected the lowest bidders.

Professional Services - Procurements exempt from GML Section 103 include professional services, so long as Local Policy and Procedures (GML Section 104-b) provide for such exemption. Local policy indeed does. The report references accurately the Town's rationale for not using the competitive bid process for professional services. The Town will seek bids for the annual accounting service employed to help prepare the Annual Financial report. The Town feels very certain it is receiving the best value for the taxpayer's money with regard to attorney and engineering fees.

See
Note 1
Page 22

Recommendations - The Town has implemented recommendations 1 and 2, and invokes its prerogatives with regard to 3.

Workers Compensation and Disability Insurance

From January 1, 2012 the Town established procedures and has been diligent with respect to making sure vendors provide proof of all required insurances, including workers' compensation and disability, or the appropriate waivers.

1. **Physical Access Security:** The Town will install an equipment rack in the current server space in the Town Offices, with an IT rack air conditioning unit venting to the basement. This IT rack will accommodate all the 'head end' server, networking, and local backup equipment, and it will remain locked at all times. Access would be strictly limited to IT Administrators only.

2. User Access: The Town is reviewing and organizing the IT data on the Server, as well as limiting access to personnel that need to access its data. The Server Applications, Datasets, Shares, and Users are being inventoried, so that the Town can best monitor and adjust the proper access to the Town's IT resources. The Town will review this inventory periodically, in order to monitor and adjust the proper access. The Town will also perform periodic computer use audits, in order to ensure proper access by users.
3. Anti-Virus / Anti-Malware: The Town is installing additional anti-virus and anti-malware products for all computers.
4. Backup: The Town has setup an encrypted online backup account with Carbonite.com, in order to provide secure offsite storage for each of the locations. The Town is also implementing a Backup Data Check Procedure, so that the backup data can be checked and tested on a periodic basis as well. The Town will consider an automatic in-house backup plan between the locations. Network hard drives are also being purchased for each location in order to most efficiently accomplish all the necessary backups.
5. The Town will develop a Personal Information Breach Notification Policy, an Information Systems Disaster Recovery Plan, and a Service Level Agreement to adequately describe IT vendor contractual relationships.

The Town recognizes the support provided by the New York State Comptroller's Office. Of particular note is the work of associate examiner, [REDACTED]. He was always courteous. His presence in our office was as unobtrusive as possible. The man is thorough, meticulous, hard working and instructive. The Town appreciates the valuable service given by your office and hopes that this response shows it.

Sincerely,

Jeremy Wilber, Supervisor

JW:as

cc: Woodstock Town Board
Woodstock Town Clerk

APPENDIX B

OSC COMMENT ON LOCAL OFFICIALS' RESPONSE

Note 1

Town officials will not know for certain that they are getting the best value for these services until they use competitive methods to learn about the terms and conditions, including price, available from other providers.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to evaluate the Town's internal controls. To accomplish this, we performed an initial assessment of internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, including, cash receipts and disbursements, purchasing, payroll and personal services, and information technology (IT).

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud. We then decided on the reported objectives and scope by selecting for audit those areas most at risk. We selected the Procurement, Workers' Compensation and Disability Insurance, and IT for further audit testing.

To accomplish the objective of the audit and obtain valid audit evidence, we interviewed appropriate Town officials, employees, and the IT consultant; tested selected records; and examined pertinent documents for the period January 1, 2010 to July 26, 2011. We extended our review of IT to December 22, 2011. Our testing included the following steps:

- We judgmentally selected vendors who were paid amounts within the Town's procurement policy thresholds during our audit period. We reviewed documentation for appropriate authorizations and payments. We tested for bids, quotes and RFP usage.
- We judgmentally selected 15 of the highest paid vendors for testing with Workers' Compensation and Disability Insurance requirements. These vendors included one of each of the Town's professional services providers (attorney, architect, engineer, computer consultant, and human resource consultant).
- We interviewed the Supervisor, the IT consultant, and various other Town staff regarding the Town's IT system. We contacted the financial software provider for information on the software used by the Town. We physically observed the main Town server and backups of the server.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D

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