



Town of Washington

Information Technology

Report of Examination

Period Covered:

January 1, 2012 — December 31, 2012

2013M-164



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2013

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 Washington, 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 Washington (Town) is located in Dutchess County and has a population of approximately 4,800. The Town Board (Board) is comprised of the Town Supervisor and four Board members and is the legislative body responsible for setting the Town's governing policies. The Town Supervisor (Supervisor) serves as the Town's chief executive officer and the Town's bookkeeper, directed by the Supervisor, maintains the Town's financial records of operations.

The Town provides various services to its residents, including highway, fire protection, street lighting, recreation, and general governmental support. These services are financed primarily with real property taxes, sales tax, and State aid. The 2013 budget for the general fund was approximately \$1.17 million, funded primarily by real property taxes.

The Town contracts with an information technology (IT) consultant to support the Town's computer system and network.

Objective

The objective of our audit was to examine the Town's internal controls over IT. Our audit addressed the following related questions:

- Did the Board ensure that the Town's IT system was adequately secured and protected against unauthorized access and loss of data?

Scope and Methodology

We examined the Town's internal controls over IT for the period January 1, 2012, to December 31, 2012.

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 that they planned to take, or have already taken, 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.

Information Technology

The Town relies on an information technology (IT) system for preparing, issuing, and posting user charges; collecting taxpayer billings; accessing the internet; communicating by e-mail; preparing payroll; issuing checks; maintaining financial records; and reporting to State and Federal agencies. Therefore, the IT system and the data it holds are a valuable Town resource. If the IT system fails, or is damaged or destroyed, the resulting problems could range from inconvenient to severe. Even small disruptions in electronic data systems can require extensive time and effort to evaluate and repair.

The Board is responsible for establishing security measures to protect the Town's computer equipment, software, and data. These include an IT security plan that identifies, prioritizes, and minimizes data security risks, and guidelines for disaster recovery. The Town must also have a breach notification policy detailing how employees would notify individuals whose private information was, or is reasonably believed to have been, acquired by a person without a valid authorization.

The Board did not adopt a comprehensive IT security plan or a disaster recovery plan. In addition, the Board has not adopted a breach notification policy. Without a proper IT security plan and a disaster recovery plan in place, there is an increased risk that Town data, hardware, and software systems may be lost or damaged by unauthorized access and use, or disaster. Furthermore, by failing to adopt an information breach notification policy, in the event that private information is compromised, Town officials and employees may not understand or be prepared to fulfill their legal obligation to notify affected individuals.

IT Security Plan – It is important for the Town to have an IT security plan that documents the process for evaluating security risks, identifies and prioritizes significant security issues, and documents the process for discussing and determining solutions. The security plan must establish a framework for an ongoing process to identify areas of risk and to develop and monitor the effectiveness of adopted policies and procedures that are designed to control these risks. The plan must establish a security management structure and clearly assign security responsibilities. A comprehensive IT security plan includes written back-up procedures, a computer-use policy, a remote access policy, and guidelines for disaster recovery. Because new security risks may emerge and employee responsibilities may change over time, Town officials must update the plan, as needed, and distribute it to all Town employees who have access to applications, servers, and networks.

The Board has not developed a comprehensive security plan for their computerized systems. The bookkeeper stated that IT improvements have been made. However, the improvements have not been focused on developing an IT security plan. Without a well-developed security plan, areas that could be at risk may be overlooked, and the internal controls that are put into place to control risk may not be appropriate and/or effective. Consequently, in the event of a security breach, critical data could be at risk of being lost, stolen, or corrupted.

Disaster Recovery – An effective disaster recovery plan identifies critical system functions and describes the steps that Town personnel must take to restore essential operations in the event of a disaster. Such disasters 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 must also include measures that focus on disaster prevention.

The Board has not established a formal disaster recovery plan to address potential disasters. The Board was not aware of the need for such a plan. Consequently, in the event of a disaster, Town personnel have no procedures to prevent or minimize the loss of equipment and data and no guidelines for implementing data recovery and resuming critical operations as efficiently as possible. In the event of a disaster, the Town is at risk of not being able to perform essential operations such as processing payroll and vendor payments.

Breach Policy – New York State Technology Law requires local governments to establish an information breach notification policy. The policy should detail how the Town would notify individuals whose private information was, or is reasonably believed to have been, acquired by a person without a valid authorization. The disclosure should be made in the most expedient time possible 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 integrity of the data system.

During our audit, the IT consultant and the bookkeeper informed us that the Board has not adopted a breach notification policy. The Board was not aware of the need for such a policy. By failing to adopt a breach notification policy, in the event that private information is compromised, Town officials and employees may not understand or be prepared to fulfill their legal obligation to notify affected individuals.

Recommendations

1. The Board should develop a comprehensive IT security plan and update it as necessary.

2. The Board should develop a disaster recovery plan to ensure that, in the event of a disaster, the Town will be able to perform essential operations.
3. The Board should adopt a breach notification policy.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



Town of Washington

10 RESERVOIR DRIVE
P.O. Box 667
MILLBROOK, NEW YORK 12545

July 31, 2013

Ms. Tenneh Blamah
Chief Examiner of Local Government and
School Accountability
Office of the State Comptroller
33 Airport Center Dr.
Suite 103
New Windsor, NY 12545

Dear Ms. Blamah:

This letter is in response to the findings related to the Information Technology of the Town of Washington audit recently completed by your office.

Recommendations

1. The Board should develop a comprehensive IT security plan and update is as necessary.
2. The Board should develop a disaster recovery plan to ensure that in the event of a disaster, the Town will be able to perform essential operations.
3. The Board should adopt a breach notification policy.

Response – The Town of Washington has previously developed a “Comprehensive Emergency Management Plan identifying and planning for different risks. Based upon the recommendation made by the OSC, the Town has updated the CEMP to include an IT Security Plan and an IT Disaster Recovery Plan.

The Town has adopted a breach notification policy in the event that private information is compromised.

On behalf of the Town Board, I would like to thank [REDACTED] for the professional manner in which he conducted the audit.

Sincerely,

Gary E. Ciferri
Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud and/or theft. We then decided upon the reported objective and scope by selecting for audit the areas most at risk. We examined the Town's internal controls over IT. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following:

- We interviewed the bookkeeper and the Town Clerk to determine the internal controls in place over IT.
- We contacted the IT consultant for information regarding the Town's IT systems.

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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