

# Town of Manchester

## Board Oversight and Information Technology

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AUGUST 2018

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Town of Manchester

### Audit Objective

Determine whether the Board:

- Provided adequate oversight of the Town's budgeting and financial operations to ensure that resources were used effectively.
- Ensured that the Town's information technology assets were adequately safeguarded.

### Key Findings

- The Board's continual appropriation of nonexistent fund balance has weakened the financial condition of the town-wide (TW) general fund and central water district.
- Interfund services were not properly tracked and billed back to the appropriate fund, resulting in taxpayer inequities.
- The Board did not adopt information technology (IT) policies and procedures for breach notification, access rights, disaster recovery and backups, and has not provided IT security awareness training.

### Key Recommendations

- Discontinue appropriating nonexistent fund balance in the TW general fund and central water district.
- Ensure interfund services are billed back to the appropriate fund.
- Adopt comprehensive IT policies and procedures and provide IT security awareness training.

Town officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The Town of Manchester (Town) is located in Ontario County (County) and includes the Villages of Manchester, Shortsville and a portion of Clifton Springs.

The Town is governed by an elected five-member Town Board (Board), composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for receiving, disbursing and retaining custody of Town money, maintaining accounting records and providing financial reports to the Board with the assistance of a bookkeeper (Bookkeeper). An elected Highway Superintendent (Superintendent) is responsible for overseeing highway operations and the Town's water infrastructure.<sup>1</sup>

#### Quick Facts

Employees	45
Population	9,400
2018 Budgeted Appropriations	\$3.2 million

### Audit Period

January 1, 2016 – December 20, 2017.

We expanded our scope back to January 1, 2015 to analyze revenue and expenditure trends, budget-to-actual comparisons and fund balance levels.

<sup>1</sup> Subsequent to fieldwork the Town split these positions between two officials.

# Board Oversight

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A town's governing board is responsible for managing and maintaining the town's fiscal health. This requires balancing the level of services desired and expected by the town's residents with their ability and willingness to pay for such services. It is important that the board adopt long-term plans that set forth the town's financial objectives and goals. When updated and properly used, multiyear financial and capital plans allow town officials to identify developing revenue trends, set long-term priorities and goals and assess the effect of decisions on fund balance levels.

## What Is Effective Board Oversight?

To effectively manage the town's fiscal health, the board must adopt realistic and structurally balanced budgets for all operating funds to provide sufficient recurring revenues to finance recurring expenditures. Once the budget is adopted the board should monitor year-to-date revenues and expenditures against corresponding budget estimates to ensure they remain within the budgetary constraints.

Effective multiyear plans project operating and capital needs and financing sources over a three- to five-year period and provide guidance to employees on the financial priorities and goals set by the board. Maintaining a reasonable level of unrestricted fund balance<sup>2</sup> is a key element of effective multiyear planning. If the amount retained is too low, the town may not have a sufficient financial cushion for emergencies. It is important for the board to adopt a policy that addresses the level of fund balance to be maintained in each fund and to use the policy in the annual budgeting process to help ensure that fund balance levels are adequate. A reasonable, stable fund balance can have several benefits such as stabilizing real property tax rates. Finally, the board must monitor and update its financial plans on an ongoing basis to ensure that decisions are guided by the most accurate information available.<sup>3</sup>

## The Board Has Not Appropriately Monitored the Town's Finances

Town-Wide General Fund – The Board adopted TW general fund budgets that appropriated more fund balance<sup>4</sup> than was available as a financing source, leaving the Town vulnerable to cash flow shortfalls (Figure 1).

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2 Unrestricted fund balance represents the total of assigned and unassigned fund balance. It does not include the portions of fund balance that are classified as restricted (reserves) and nonspendable (for example, inventories, long-term portions of loans receivable).

3 See <http://www.osc.state.ny.us/localgov/planbudget/>

4 Fund balance represents the resources remaining from prior fiscal years that can be used as funding sources in the next year's budget to reduce the amount of revenues needed from other sources.

**Figure 1: TW General Fund – Results of Operations**

Fiscal Year	2015	2016	2017
<b>Beginning Fund Balance</b>	\$213,818	\$61,469	\$464
<b>Actual Revenues</b>	\$643,400	\$665,037	\$791,802
<b>Actual Expenditures</b>	\$795,749	\$726,042	\$701,956
<b>Operating Surplus/(Deficit)</b>	(\$152,349)	(\$61,005)	\$89,846
<b>Year-End Fund Balance</b>	\$61,469	\$464	\$90,310
<b>Less: Restricted Fund Balance<sup>a</sup></b>	\$30,105	\$40,220	\$40,223
<b>Unrestricted Fund Balance</b>			
<b>Available for Appropriation</b>	\$ 31,364	(\$39,756)	\$50,087
<b>Less: Appropriated Fund Balance for the Ensuuing Year’s Budget<sup>b</sup></b>	\$183,359	\$53,005	\$57,021
<b>Budget Deficit for Ensuing Year</b>	(\$151,995)	(\$92,761)	(\$6,934)

a This balance includes a reserve for repairs, a security reserve and a reserve for the solid waste management facility.  
b The Board appropriated \$221,335 in fund balance for the 2015 fiscal year.

For fiscal years 2015 through 2018, the Board appropriated fund balance totaling \$514,720 in its TW general fund budgets.<sup>5</sup> The Town’s operating results ranged from a \$152,349 deficit in 2015 to a surplus of \$89,846 in 2017, and its unrestricted fund balance recovered from a deficit at the end of 2016 to \$50,087 at the end of 2017. However, this amount was still insufficient since Town officials continued to appropriate more fund balance than was available. The Town ended the 2017 fiscal year with no unassigned fund balance.

Although the Board increased property taxes 44 percent over the past three years (2016 - 2018), from \$335,000 in 2016 to \$482,690 in 2018, the reliance on fund balance to balance the budget continues to strain the financial condition of the TW general fund. We informed Town officials during their 2018 budget preparation that the preliminary budget once again appropriated nonexistent fund balance. While they did reduce appropriated fund balance by approximately \$31,000 in the final 2018 budget, they continued to appropriate nonexistent fund balance. Although the TW general fund’s financial condition has improved since 2015, the Town still lacks a financial cushion for unforeseen expenses.

Central Water District (District) –The Board appropriated fund balance in the District budgets for fiscal years 2015 through 2018; however, in 2015 and 2016, there was no unrestricted fund balance available to appropriate. Even without using all the appropriated fund balance, the District experienced a large deficit in 2015. To counter the District’s financial decline, the Board began increasing water rates in 2015. Town officials indicated that prior to this increase there had not been a rate change since 2009. The Board has increased rates each year

<sup>5</sup> The Board appropriated \$221,335 in fund balance for the 2015 fiscal year.

since 2015 and plans to continue increases through 2019 to adequately meet the District's needs.

The District experienced surpluses in 2016 and 2017 due to unbudgeted water rate increases and the absence of appropriate interfund transfers (charge-backs) for services that had been performed by Town highway employees for the water districts and the transfer station (see the section "The Board Did Not Ensure Taxpayer Equity").

The Board would be able to budget for water district operations more effectively if it developed a long-range financial plan. However, the Board has not developed and adopted multiyear financial and capital plans for any operating funds to establish its priorities and goals to guide future budget decisions and set appropriate rates.

**Figure 2: Central Water District Fund – Results of Operations**

Fiscal Year	2015	2016	2017
<b>Beginning Fund Balance</b>	\$83,640	(\$21)	\$6,339
<b>Actual Revenues</b>	\$252,010	\$301,914	\$319,018
<b>Actual Expenditures</b>	\$335,671	\$295,554	\$254,137
<b>Operating Surplus/(Deficit)</b>	(\$83,661)	\$6,360	\$64,881
<b>Year-End Fund Balance</b>	<b>(\$21)</b>	<b>\$6,339</b>	<b>\$71,220</b>
<b>Less: Restricted Fund Balance</b>	\$7,028	\$7,028	\$7,029
<b>Unrestricted Fund Balance Available for Appropriation</b>	<b>(\$7,049)</b>	<b>(\$689)</b>	<b>\$ 64,191</b>
<b>Less: Appropriated Fund Balance for the Ensuing Year's Budget</b>	\$106,267	\$54,317	\$49,725
<b>Budget Deficit for Ensuing Year</b>	<b>(\$113,316)</b>	<b>(\$55,006)</b>	<b>\$14,466</b>

In addition to the lack of a long-term financial plan, the Board has not adopted a fund balance policy to establish its desired fund balance levels for each operating fund.<sup>6</sup> Further, the Supervisor did not provide detailed budget-to-actual reports to the Board for each fund. Therefore, the Board was unable to appropriately monitor the Town's finances. Long-term financial and capital plans would help Town officials address the District's ongoing needs on a proactive basis (see next section).

<sup>6</sup> Including the town-wide general, part-town general, part-town highway, and fire protection funds; the Central Water District; and the County Road 13 Water District

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## **The Board Did Not Adequately Plan the Transfer Station Capital Project**

The Board is responsible for planning capital projects, which includes arranging for sufficient financing, setting spending limits and adopting and monitoring project budgets. The Supervisor should monitor financial activity and provide accurate and timely updates to the Board. When the Board deems it necessary to issue bonds and/or bond anticipation notes (BANs) to help finance capital project costs, it must first formally adopt a bond resolution that sets forth the estimated maximum cost of the capital project and, generally, the financing plan. The Supervisor is required to account for the improvements or acquisitions in a capital projects fund when they are financed with debt proceeds.<sup>7</sup>

The Board did not adequately manage the finances for a capital project to upgrade its transfer station (referred to as the transfer station capital project, or TSCP). The TW general fund did not have sufficient cash to pay for the upgrade. As a result, the Town borrowed \$135,000 in BANs on January 7, 2016. The Board adopted a bond resolution, but did not set the estimated maximum cost of the capital project or develop a financing plan. The TW general fund could not afford to repay the note within the required one-year term. It was renewed for a second year. Additionally, because the Board issued debt to finance this project, the Supervisor was required to establish a separate capital fund, but did not do so. Instead, the capital project BAN proceeds and financial outlays were commingled with the TW general fund.

Because the Board did not develop or approve a capital project budget and did not set a spending limit, it was unable to adequately monitor the project. Additionally, the Supervisor did not provide TSCP financial reports to the Board. The Supervisor told us that the project cost the Town \$203,000 but he did not have documentation to support this figure. Therefore, we completed a cost analysis and determined that the project cost totaled approximately \$225,000. The TW general fund expended approximately \$201,000 and the town-outside-villages (TOV) highway fund expended approximately \$24,000.

Furthermore, the Town hired the TSCP contractor without completing a request for proposal or seeking alternate proposals from other vendors. The Supervisor said they did look at other vendors but those vendors did not have experience in this type of project, and a nearby Town had used the same company for a similar project. The Supervisor was unable to provide documentation that competition was sought and the Board members we spoke with stated that the company

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<sup>7</sup> Local Finance Law Section 165.00 requires that the proceeds of the sales of bonds and BANs must be deposited and secured in a special bank account. Generally, the proceeds may not be commingled with other Town funds. However, the Board may adopt a resolution providing that money appropriated for the same purpose for which the bonds or BANs have been authorized may be deposited in the same bank account with the proceeds.



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they hired was the only one presented to the Board. Hiring a contractor without seeking competition prevents the Board from ensuring they are receiving the best possible services for the best price.

### **The Board Did Not Ensure Taxpayer Equity**

The purpose for maintaining separate TW and TOV funds and districts is to account for transactions that are required, by law, to be included in those respective funds in order to achieve taxpayer equity. Accordingly, the Board must ensure that the Supervisor accounts for transactions in the correct fund. This ensures that all taxpayers are treated equitably, have the benefit of all resources due them and pay only those real property taxes required of them. The Town's highway employees performed work for the Town's TSCP and routinely haul garbage for the transfer station. Additionally, the highway employees read the water meters and maintain the Town's water infrastructure. However, the employees' salary and benefits were charged to the TOV highway fund instead of to the appropriate fund and tax base.

To reduce costs for the TSCP, the highway employees completed some of the work, such as constructing a shelter and completing roofing. The Superintendent tracked the labor and equipment cost to the highway department, which totaled approximately \$24,000 and were charged to the TOV highway fund. However, these costs were not reimbursed by the capital project fund (for the transfer station upgrade work) or TW general fund (for garbage hauling) to the TOV highway fund. This resulted in an incorrect tax base being charged for this work. Furthermore, in addition to their work on the TSCP, highway employees continue to perform work for the transfer station, such as hauling the garbage and recycling to the landfill twice a month. These costs should be charged to the TW general fund and, going forward, to the newly established special revenue refuse fund.<sup>8</sup>

Town highway employees also provide services to the Town's water districts by performing the quarterly meter readings, monitoring the water flow, checking chemicals, completing shut-offs and turn-ons, replacing broken meters and fixing water main breaks. The highway employees' time and use of equipment was predominantly charged to the TOV highway fund instead of the related water district.<sup>9</sup> This practice resulted in the TOV highway fund's taxpayers incurring these costs instead of the water district customers as appropriate.

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<sup>8</sup> Beginning in 2018 the Town created a new governmental fund to account for the transfer station operations separately from other Town operations.

<sup>9</sup> The District services all water customers except for eight households that are serviced by the County Road 13 District.

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We asked the Superintendent to begin tracking the Highway Department's time and equipment costs for transfer station and water district tasks. During the months of October and November 2017, the TOV highway fund incurred costs of approximately \$1,100 for the transfer station and about \$7,500 for the water districts, resulting in projected annual costs of approximately \$6,600 and \$45,000, respectively. The Town's failure to properly charge interfund service costs to the appropriate funds was not in compliance with statute; therefore, inequities occurred between the various tax bases<sup>10</sup> with taxpayers in the TOV paying for transfer station and water district operations.

### **The Board Did Not Complete an Annual Audit**

New York State Town Law<sup>11</sup> requires the board to conduct an annual audit, or secure the services of a certified public accountant to perform an annual audit, of the books and records of any town officer or employee who received or disbursed any money in the previous year. An annual audit helps the board fulfill its oversight responsibilities, provides assurance that public money is handled properly and assesses the reliability of the town's books, records and support documents on which it relies for making management decisions. Audit results can also help the board evaluate fiscal practices and monitor the performance of the supervisor and other town officials who are entrusted with recordkeeping and other financial responsibilities. Monitoring the town's financial activities can help reduce the risk that irregularities could occur and go undetected.

The Board has not performed an annual audit of the books and records of most Town officials or employees who received or disbursed cash (with the exception of the Town Justice). Additionally, the Board did not hire a certified public accountant to audit on their behalf. As a result, the Board's ability to monitor the Town's financial operations was severely diminished.

### **What Do We Recommend?**

The Board should:

1. Continue to improve the financial condition of the TW general fund and District by adopting budgets with realistic estimates of revenues, expenditures and appropriated fund balance, and developing a fund balance policy to guide future financial decisions.
2. Require the Supervisor to provide monthly budget-to-actual reports for review.

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<sup>10</sup> TW general fund, TOV highway fund and Central and County Road 13 Districts

<sup>11</sup> New York State Town Law Section 123

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3. Develop and adopt multiyear financial and capital plans to establish the goals and objectives for funding long-term operating and capital needs. These plans should be monitored and updated on an ongoing basis.
  4. Develop and approve capital project budgets and spending limitations prior to starting a capital project and monitor the financial activity throughout the duration of the project.
  5. Monitor transfer station and water operations for appropriate activity, and ensure the Supervisor properly charges interfund services to the special revenue refuse fund for transfer station expenses and to the water districts for water operations. Develop a plan to repay the TOV highway fund for amounts improperly charged to it.
  6. Use a competitive process when hiring contractors for TSCP improvements to ensure the Town receives the best services at the best price.
  7. Annually audit or cause the audit of the books and records of all Town officers and employees who receive or disburse funds on behalf of the Town within 20 days of the close of the fiscal year.

The Supervisor should:

8. Establish and use a separate capital projects fund to account for financial resources used to acquire, improve or construct major capital assets or facilities.

# Information Technology

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The Town uses IT to initiate, process, record and report transactions. It also relies on its IT systems for Internet access, email and financial information. The Town's financial software contains personal, private and sensitive information (PPSI).<sup>12</sup> Town officials are responsible for developing comprehensive written policies and procedures to properly protect PPSI from unauthorized access. The Town has an internal network that is managed by an IT consultant as needed. If the Town's IT systems are compromised, the results could range from inconvenience to severe and could require extensive effort and resources to evaluate and repair.

## **What IT Security Policies and Procedures Should the Board Adopt to Safeguard Town Data?**

New York State Technology Law<sup>13</sup> requires local governments to adopt a breach notification policy that details actions to be taken to notify affected individuals if personal, private and sensitive information is compromised. The board should also adopt an acceptable use policy, which defines the procedures for computer, Internet and email use and holds users accountable for properly using and protecting town resources. The policy should describe appropriate and inappropriate uses of IT resources, expectations concerning personal use, and user privacy. Additionally, the board should adopt policies and procedures for granting, revoking, modifying and monitoring individual access rights to the town's network and software applications. To ensure the highest level of security over town data, the board should also adopt policies and procedures for security management, including cybersecurity awareness training to inform employees of security risks and train them in practices that reduce internal and external threats to IT systems and data. Training programs should be directed at the specific audience (e.g., system users or administrators) and include everything they need to perform their jobs.

The board is also responsible for adopting and periodically testing a disaster recovery plan to prevent or minimize the loss of equipment and data, and to provide procedures for recovery in the event of loss or damage. Effective disaster recovery planning includes procedures for backups of sensitive data, which should be stored offsite and periodically tested to ensure that data can be quickly and effectively restored so critical operations can resume following a disruption.

Finally, all IT policies and procedures should be periodically reviewed and updated to reflect changes in technology and the town's computing environment.

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<sup>12</sup> PPSI is any information to which unauthorized access, disclosure, modification, destruction or disruption of access or use could severely impact critical functions, employees, customers, third parties or citizens of New York in general. PPSI could include: Social Security number, driver's license number or non-driver identification card number, account number, credit card number, debit card number and security code, or access code/ password that permits access to an individual's financial account.

<sup>13</sup> New York State Technology Law Section 208

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## **The Board Did Not Adopt IT Security Policies and Procedures**

The Board did not adopt policies and procedures for breach notification, acceptable computer use, security management and awareness training, and granting, revoking, modifying and monitoring individual access rights. In addition, there were no procedures for disaster recovery, including routine backups and of applications and data. Our review found control weaknesses in individually unique login credentials, the physical security of the server, and backups of the Town's financial applications and data.

## **Why Should the Board Provide Security Awareness Training?**

Computer users need to be aware of security risks and be trained in practices that reduce internal and external threats to IT systems and data. While IT policies provide guidance for computer users, cybersecurity training helps them understand their roles and responsibilities and provides them with the necessary skills. Training programs should be directed at the specific audience (e.g., system users or administrators) and include everything needed to perform their jobs. IT security awareness should reinforce IT policies and can focus on security in general or some narrow aspect of security (e.g., the dangers of opening an unknown email or attachment or how to maintain laptop security while traveling).

## **The Board Did Not Provide Security Awareness Training**

The Board did not provide users with security awareness training to help ensure they understand security measures to protect the network. As a result, the Town's IT assets are more vulnerable to loss and misuse.

## **Why Should the Server Be Secured?**

Security controls restrict physical access to computer resources and protect them from intentional or unintentional harm, loss or impairment. Such controls include guards, gates and locks and also environmental controls such as smoke detectors, fire alarms and suppression, protection from water damage, and uninterruptable power supplies. Town officials must provide for the secure location of the server and implement procedures to control physical access.

## **The Town Did Not Properly Secure the Server**

The Town's server is located on the floor in an employee's office that is unlocked during the day, allowing potential access and accidental damage by employees. Leaving the server unprotected on the floor, rather than secured in a wiring closet or cabinet, also makes it more susceptible to damage from water and inadvertent causes. Additionally, the server is not connected to an uninterruptable power

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source. The lack of access restrictions and environmental controls increases the risk of damage to the server.

### **Why Should the Town Require Unique Login Credentials for Each User?**

Effective access controls require that user accounts be linked to specific individuals to help prevent and detect unauthorized or inappropriate activity and to provide accountability for all transactions. Users should not be allowed to share accounts. Further, access rights within town applications should be assigned based on each user's job responsibilities.

### **The Town Did Not Require Unique Login Credentials for Each User**

The Town Clerk's computers and applications are used by three employees who share a user account. The Clerk believed it was acceptable to share an account because her employees are trustworthy. Additionally, we observed computers outside the Clerk's office that did not require computer log-in credentials prior to accessing the network. Without unique login credentials to link user accounts to specific individuals with properly authorized access rights, there is an increased risk of unauthorized or inappropriate activity. Further, accountability is diminished and system activity may not be traceable to a single user.

### **Why Should the Town Have a Disaster Recovery Plan?**

A disaster recovery plan provides a framework for reconstructing vital operations to resume time-sensitive operations and services in the event of a disaster. Such disasters may include any sudden, catastrophic event (e.g., fire, flood, computer virus or inadvertent employee action) that compromises the availability or integrity of the IT system and data. Typically, a disaster recovery plan involves an analysis of business processes and continuity needs, a focus on disaster prevention, the roles of key individuals and precautions to maintain or quickly resume operations. Additionally, the disaster recovery plan should include procedures for routine backup of applications and data, secure offsite storage of backup media and periodic testing of the backups to ensure they function as expected. The plan should be distributed to all responsible parties, periodically tested and updated as needed.

### **The Town Does Not Have a Disaster Recovery Plan**

Town officials did not develop, and the Board did not adopt, a disaster recovery plan including procedures for routine backup of application and data, secure storage of backup media, and periodic testing of the backups to ensure they can be properly restored in the event of loss. Data backups in the Town Clerk's office

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were performed inconsistently and had never been tested. Backups of the Town's financial software were completed by the software vendor and by the Bookkeeper on a data stick which was not kept in a secure location. Without a comprehensive disaster recovery plan and procedures for data backup and secure storage, the Town is at increased risk of losing critical information and/or incurring costly interruption of operations.

### **What Do We Recommend?**

The Board should:

9. Adopt written IT policies and procedures to address breach notification, acceptable computer use, individual access rights/unique login credentials, disaster recovery and backups.
10. Periodically review and update all IT policies and procedures to reflect changes in technology and the Town's computing environment.
11. Provide IT security awareness training to personnel who use IT resources.

Town officials should:

12. Secure the Town's server so it is protected from intentional or unintentional harm, loss or impairment.
13. Develop a comprehensive disaster recovery plan and procedures for backing up applications and data. Ensure that appropriate personnel know these processes and periodically test the Town's disaster recovery plan and backups to ensure they will function as expected.

# Appendix A: Response From Town Officials

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**TOWN OF MANCHESTER**  
1272 Co. Rd. #7  
Clifton Springs, N. Y. 14432

Phone: (315)462-6224 or (585)289-3010  
Fax: (315)462-6675  
Water Extension 112

TOWN CLERK – JoAnn C. Henry  
Ext 101 & 120

SUPERVISOR  
Jeffery Gallahan  
Extension 104

HIGHWAY SUPT. – Jason Lannon  
Ext 109

SOLE ASSESSOR Vincent Fischer  
Ext 105

ZONING-BLDG. INSP. – Steven DeHond  
Martin Barnett  
Ext 107

July 18<sup>th</sup>, 2018

Edward V. Grant Jr., Chief Examiner  
Office of the State Comptroller  
The Powers Building  
16 West Main Street – Suite 522  
Rochester, NY 14614-1608

Re: Local Official Response to 2017 Audit

Dear Mr. Grant:

The Town of Manchester appreciates the efficient and thorough work performed by the auditors assigned to the Town of Manchester's recent audit. The preliminary findings will certainly be carefully reviewed and implemented by the Town Board of the Town of Manchester. The Town will also utilize these findings as a guide to future financial operations of the Town.

The preliminary findings were discussed with the Town Board and key employees and our response to each finding is as follows.

Recommendations:

Board Oversight:

1. The Town will prepare the 2019 and all future budgets using estimates which present accurate and realistic figures based on previous year's actual amounts and will prepare a fund balance policy that will include future financial considerations to be used as a guide to future budget preparation.
2. The Bookkeeper to Supervisor has begun, as of January 2018, to email end-of-month reports including budget-to-actual reports to each Town Board member for review before the monthly Town Board meeting. These reports also include Projections for the current year and Cash Flow Statements that show the entire year as regards revenues and expenses.
3. The Town Board will develop multiyear financial and capital plans and will implement each beginning in the 2019 fiscal year. This will include routine monitoring and updating as necessary.
4. Moving forward all capital projects will be properly funded and budgeted before beginning such projects.



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5. The Town Transfer Station has, as of the beginning of the 2018 fiscal year, its own budget and funding which includes personal services and contractual expenses as well as revenues including transfer station fees paid for by the users of the transfer station. The water fund and the transfer station fund will be utilizing interfund transfers provided for in each future years budget to repay the TOV highway fund for expenses incurred by the employees of the highway department as they do work directly attributable to each particular fund.
  6. The Town will indeed use a competitive process when hiring contractors for any TSCP improvements in the future.
  7. The Town will indeed audit the books of every Town officer who handles any receipts or disbursements on an annual basis within 20 days of the close of each fiscal year.
  8. Moving forward every capital project will have its own separate project fund which will include a budget reflecting revenues and expenditures for capital assets or facilities when such projects are necessary.

#### Information Technology

9. The Town has already adopted a breach notification policy and will address the issues of acceptable computer use, individual access rights/login credentials, disaster recovery and backups. These policies will be written and adopted by the Town Board and Town employees will be presented such copies of the policies as required when performing computer tasks as a part of their town employment and/or job description.
10. All Town policies and procedures including IT will be reviewed and updated periodically to reflect current procedures and appropriate technology including Town computers.
11. The Town will provide IT security training to Town employees who use such resources.
12. The Town does note that the server is currently in one of the Town employee's offices and is now in a secured box [REDACTED]
13. A disaster recovery plan will be drawn up by the Town Board as part of the policies the Town will implement in the near future and the personnel thus affected will be informed of this.

Again the Town of Manchester is grateful for the professional and courteous auditors who performed the audit for the Town. The Town anticipates using the resources available at the Office of the State Comptrollers' website and office to assist us in implementing all of the recommendations.

Respectfully,

Jeffery L. Gallahan  
Supervisor

JLG:jlc

New York State Relay Service No. 1-800-662-1220  
The Town of Manchester is an equal Opportunity provider and employer

## Appendix B: Audit Methodology and Standards

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We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed the Town's policies and procedures relevant to financial operations. We interviewed Town officials to determine what processes were in place and to gain an understanding of the Town's financial condition and budget.
- We reviewed the Town's annual financial reports for 2015 through 2017 and the Town's adopted budgets for 2015 through 2018.
- We analyzed revenue and expenditure trends, budget-to-actual comparisons and fund balance levels for fiscal years 2015 through 2017 for all operating funds to evaluate financial condition.
- We reviewed the Town's capital project planning and project expenditures for the TSCP.
- We reviewed the work performed by the Highway Department and compared it to interfund transfers to the highway fund to identify any taxpayer inequities.
- We reviewed Town policies and procedures related to IT.
- We interviewed Town officials to understand the Town's IT environment and internal controls.
- We observed Town officials and employees accessing various Town computers and software applications.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure,

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*Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf](http://www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

Local Government and School Accountability Help Line: (866) 321-8503

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