



**THOMAS P. DINAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**GABRIEL F. DEYO**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

August 8, 2014

Ralph Atoria, Chairman  
Members of the Board  
South Farmingdale Water District  
40 Langdon Road  
P.O. Box 3319  
Farmingdale, NY 11735

Report Number: 2014M-153

Dear Mr. Atoria and Members of the Board of Water Commissioners:

The Office of the State Comptroller works to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the South Farmingdale Water District (District) which addressed the following question:

- Did the Board of Water Commissioners adopt adequate policies to safeguard the District's information technology resources?

We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

### **Background and Methodology**

The District is located in the Town of Oyster Bay, Nassau County and encompasses about 5.5 square miles with an estimated population of 45,000 residents. The District's general fund expenditures were approximately \$5 million for the 2012 fiscal year which were funded primarily by real property taxes and water charges.

The Board of Water Commissioners (Board) consists of three Commissioners and is responsible for the District's overall management. The Superintendent is responsible for the daily management of plant operations under the Board's direction. The Business Manager is responsible for preparing and monitoring the budget, accounting for various funds, preparing monthly treasurer's reports and meeting any other reporting requirements. The Office Manager oversees administrative staff who are responsible for customer water billings, cash receipts, payroll and accounts payable. The Office Manager is also the administrator of the District's information technology (IT) resources.

We examined the District's IT oversight for the period January 1, 2012 through October 31, 2013. Our audit disclosed 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 District officials in a separate letter so that they could take corrective action.

We interviewed appropriate District officials, Board members, other key employees and vendors and reviewed financial records and Board minutes. We conducted this performance audit in accordance with 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.

## **Audit Results**

The District relies on a computerized system for many functions in its day-to-day operations, including maintaining the District's financial data, processing payroll, generating reports and reporting to State and Federal agencies. If the system on which the data is stored fails, or the data is lost or altered, the results could range from inconvenient to catastrophic. Even small disruptions can require extensive time and effort to evaluate and repair. For this reason, it is important that the Board adopt a disaster recovery plan and an acceptable use policy.

The Board has not adopted a disaster recovery plan or an acceptable use policy. While computer policies do not guarantee the safety of an entity's computer system or the electronic information entrusted to it by taxpayers, customers, employees and others, the lack of policies significantly increases the risk that data, hardware and software systems may be lost or damaged by inappropriate access and use.

Disaster Recovery Plan – A disaster recovery plan describes how an organization will resume business operations after a disruptive event. The event might be as large as a flood or something as small as a malfunctioning software application caused by a computer virus. The disaster recovery plan should include a significant focus on preventing a disruptive event, describe the precautions to be taken to minimize the effects of a disruptive event, and detail how employees will communicate, where they will go and how they will maintain or quickly resume critical functions. District officials have not created a disaster recovery plan to minimize potential disruptions of its computer network and related applications and reduce the risk of losing important operational and financial data.

Acceptable Use Policy – An acceptable use policy defines appropriate user behavior and the tools and procedures necessary to protect information systems. Such policies should include, among other things, procedures governing the acceptable use of computers, Internet access, email and portable devices and procedures designed to protect the District’s resources and confidential information. District officials should distribute acceptable use policies to all employees. The District has not adopted an acceptable use policy, increasing the risk that inappropriate computer use could occur – either intentionally or accidentally – and potentially expose the District to virus attacks or compromise systems and data, including key financial data.

## **Recommendations**

The Board should:

1. Adopt and distribute a disaster recovery plan and ensure that it is periodically tested and updated as needed.
2. Adopt and distribute an acceptable use policy and ensure that it is updated as needed.

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. 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.

We thank the officials of the District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



# South Farmingdale Water District

40 Langdon Road  
P.O. Box 3319  
Farmingdale, NY 11735-0903  
www.sfwater.com  
E-mail info@sfwater.com

Telephone 516-249-3330

Fax 516-249-9635

## Commissioners

Ralph Atoria  
John Hirt  
Gary Brosnan

**"Value – Integrity – Service"**

Charles Prucha, Superintendent  
Leonard Constantinopoli, Business Manager  
Joseph G. Timpa, Office Manager

Ira McCracken, Chief Examiner  
Office of the State Comptroller  
110 State Street  
Albany, NY 12236

July 23, 2014

Re: Report of Examination: 2014 M-153  
January 1, 2012 through October 31, 2013.

Dear Mr. McCracken:

The Board of Commissioners of the South Farmingdale Water District acknowledges receipt of the preliminary draft findings of your audit of the District covering the period of January 1, 2012 through October 31, 2013. The Board of Commissioners, Business Manager and Superintendent reviewed the report and are in agreement with the report findings.

The Commissioners were quite pleased that your office made no audit findings and/or recommendations with respect to the District's accounting records and internal control policies.

We thank the Comptroller's office for its recommendations regarding information technology policies by suggesting that we adopt and distribute a disaster recovery plan and adopt an acceptable use policy. The District verbally communicated to your staff at the exit meeting our acceptance of your recommendations and here confirm that we will immediately prepare and adopt an Information Technology Policy as suggested.

The District's Information Technology Policy will establish procedures for disaster recovery and acceptable use as well as other security procedures.

Please consider this letter to be our Audit Response and Corrective Action Plan.

The District would like to thank your staff for conducting themselves in a professional and courteous manner which greatly facilitated the successful completion of the audit process.

Very truly yours,  
Board of Commissioners  
South Farmingdale Water District

\_\_\_\_\_  
Commissioner Ralph Atoria,  
Chairman

RA/lc

**Your Neighborhood Water District Does it Best!**