



# Village of Nissequogue Information Technology

## Report of Examination

Period Covered:

June 1, 2013 — October 31, 2014

2015M-31



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

May 2015

Dear Village 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 Village 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 Village of Nissequoque, 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 New York State 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 Village of Nissequogue (Village) is located in the Town of Smithtown in Suffolk County and has a population of approximately 1,700 residents. The Village's general fund expenditures for the 2013-14 fiscal year were approximately \$1.8 million, which were funded primarily through real property taxes, State aid and user charges.

The Village is governed by an elected Board of Trustees (Board), which comprises the Mayor and four Trustees. The Village contracts with an information technology (IT) consultant and a vendor for its financial software for network performance administration, computer systems repair, systems setup and configuration programming, data backup and diagnostics. The Treasurer serves as the administrator of the Village's financial software.

## Objective

The objective of our audit was to determine if computerized data and assets were properly safeguarded. Our audit addressed the following related question:

- Have Village officials implemented effective controls over computerized financial data to safeguard Village assets?

## Scope and Methodology

We examined the Village's internal controls for computerized data and assets for the period June 1, 2013 through October 31, 2014. Our audit also examined the adequacy of certain IT controls. Because of the sensitivity of some of this information, we did not discuss the results in this report, but instead communicated them confidentially to Village officials.

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 is 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 Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General

Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

# Information Technology

The Village's IT system is a valuable and essential part of the Village's operations that is used for Internet access, email and maintaining data and financial records. The potential consequences of a system failure can range from inconvenience to severe problems. Even small disruptions in processing can require extensive time and effort to evaluate and repair. Accordingly, Village officials should establish internal controls over the IT system to help ensure that Village assets are protected against waste, loss and misuse. Effective IT controls include designating an IT administrator who is independent of financial recordkeeping and establishing policies and procedures for acceptable use, access, password security, data backups and disaster recovery.

Village officials have not designated an IT administrator who is independent of the financial recordkeeping. In addition, the Board has not developed written policies and procedures, including those for acceptable computer use, internal user and remote access, password security, data backups and disaster recovery. As a result, the Village has an increased risk that inappropriate transactions could be made in the computerized financial system. In addition, hardware and software systems and data could be lost or damaged, and the Village could suffer a serious interruption in operations.

## User Access

To protect computer resources from unauthorized use or modification, user rights should be assigned to officials and employees based on their job responsibilities. Administrator rights allow users to create, delete and modify files, folders or settings, including the assignment of users' access rights. Generally, an administrator is designated as the person who has oversight responsibility and control of a system or application, with the ability to add new users and change users' passwords and access rights. A good system of controls requires that the administrator's position be separate from the performance or monitoring of the Village's financial recordkeeping.

Also, to ensure proper segregation of duties and internal control, it is important for the computer system to be configured to limit users' access rights to only the functions necessary to fulfill the individuals' job responsibilities. Access controls should prevent users from being involved in multiple aspects of financial transactions. Village officials should periodically review user access rights to help ensure that access is properly controlled and revise those rights as necessary.

The Board has not designated an IT administrator who is independent of the financial recordkeeping functions. Instead, the Treasurer is the

designated IT administrator. The Treasurer also has full administrative access rights to the Village's financial software. Therefore, the Treasurer has unrestricted access to all software functions, can add new users to the system and can change users' access rights without oversight.

Although all other employees who use the financial software did have their access restricted to only those functions needed to perform their job duties, by designating an administrator who is involved in financial recordkeeping the Village has an increased risk that inappropriate transactions could be made in the computerized financial system and remain undetected.

## **Policies and Procedures**

Computer policies and procedures should define appropriate user behavior and describe the tools and procedures to protect data and information systems. The Board is responsible for creating an appropriate internal control environment over IT security. It should provide oversight and leadership by establishing computer policies and procedures that take into account people, processes and technology, and communicate these policies and procedures throughout the organization. To accomplish this, the Board should adopt comprehensive policies addressing key security areas, such as acceptable computer use, internal user access, remote access, password security and management, data backups and appropriate email and Internet use. For example, the Board is responsible for adhering to the New York State Technology Law that requires villages to establish a breach notification policy to describe how they would notify residents whose personal, private and sensitive information was, or is reasonably believed to have been, acquired by a person without a valid authorization.

While the Board has adopted a breach notification policy, it has not adopted written computer-related policies or established procedures to ensure the security of the Village's IT system and data. For example, the Board has not adopted policies or implemented procedures to address acceptable computer use, internal user access, remote access, password security and management, data backups, or the appropriate use of email and the Internet. Although comprehensive computer-related policies do not guarantee the security of the Village's electronic information, the lack of such policies significantly increases the risk that hardware and software systems and the data they contain may be lost or damaged by inappropriate access and use.

## **Disaster Recovery Plan**

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

the availability or integrity of the IT system and data. Contingency planning is used to avert or minimize the damage that disasters would cause to operations. Such planning consists of the precautions to be taken to minimize the effects of a disaster so officials and responsible staff will be able to maintain or quickly resume day-to-day operations. Typically, a disaster recovery plan involves an analysis of business processes and continuity needs, including a significant focus on disaster prevention. The plan should also address the roles of key individuals and be distributed to all responsible parties, tested periodically and updated as needed.

The Board has not adopted a comprehensive disaster recovery plan to address potential disasters. The Village has arrangements with its IT consultant and financial software provider to maintain information systems and relies on these vendors to perform their own procedures in the event of a disaster or interruption of operations. The Village does not have a plan of its own that specifically addresses IT, includes details on the records and data that are essential to preserve during a disaster or designates specific alternate work locations. Consequently, in the event of disaster, Village personnel have no guidelines or plan to follow to help minimize or prevent the loss of equipment and data or to appropriately recover data. Without a comprehensive disaster recovery plan, the Village could lose important financial data and suffer a serious interruption in Village operations.

Village officials should:

## Recommendations

1. Designate an individual as the administrator of the financial software who does not perform or monitor the Village's financial recordkeeping.

The Board should:

2. Adopt written IT policies and procedures to address acceptable computer use, internal user access, remote access, password security and management, data backups and appropriate use of email and the Internet.
3. Adopt and distribute to all responsible parties a comprehensive disaster recovery plan to document the records and data that are essential to preserve during a disaster and the steps to be taken in the event of an emergency, including designating specific alternate work locations. This plan should be periodically tested and updated, as needed.



## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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

INCORPORATED  
**VILLAGE of NISSEQUOGUE**

631 MORICHES ROAD  
ST. JAMES, NEW YORK 11780

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MAYOR

MARYJANE B. KENNEY  
VILLAGE CLERK  
PATRICIA A. MULDERIG  
VILLAGE TREASURER

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April 27, 2015

Ira McCracken, Chief Examiner  
Local Government and School Accountability  
Office of the State Comptroller  
NYS Office Building, Room 3A10  
Veterans Memorial Highway  
Hauppauge, NY 11788-5533

Re: Village of Nissequogue-Preliminary Draft Information Technology,  
Report of Examination 2015 M-31

Dear Mr. McCracken:

The Board of Trustees would like to express their thanks to the Office of the State Comptroller for its recent examination of the Village of Nissequogue. We have reviewed the preliminary draft examination findings of the Office of the State Comptroller ("OSC") that you forwarded to us on March 30, 2015. We offer the following as our response and corrective action plan.

**User Access**

**Observation:**

The Board has not designated an IT administrator who is independent of the financial record keeping functions. Instead, the Treasurer is the designated IT administrator. The Treasurer also has full administrative access rights to the Village's financial software. Therefore, the Treasurer has unrestricted access to all software functions, can add new users to the system and can change users' access rights without oversight.

User Access Continued

Recommendation

Designate an individual as the administrator of the financial software who does not perform or monitor the Village's financial recordkeeping.

Reponse and Corrective Action Plan

The Village has implemented internal controls over all aspects of the Village's financial records and reporting by assigning specific Village trustees the responsibility of monthly review of all banking, accounts payable and payroll records to mitigate any internal control issues as a result of the Village's very limited office staff involved in financial recordkeeping of the Village.

The Village has reviewed its procedures and based upon the OSC recommendations, the Village implemented the following corrective action plan on April 14, 2015. The Deputy Mayor has been appointed as the System Administrator and the Village Treasurer's access has been reduced to comply with the recommendations.

**Policies and Procedures**

Observation:

While the Board has adopted a breach notification policy, it has not adopted written computer-related policies or established procedures to ensure the security of the Village's IT system and data.

Recommendation

Adopt written IT policies and procedures to address acceptable computer use, internal user access, remote access, password security and management, data backups, and appropriate use of email and the Internet.

Reponse and Corrective Action Plan

The Village has implemented internal controls over all aspects of the Village's computer records to mitigate the internal control issues associated with a limited Village staff involved in the recordkeeping of the Village. Based on the OSC recommendations, the Village has taken the following corrective action plan; A Computer Use Policy has been prepared and will be adopted at the Village's May 19<sup>th</sup> Board of Trustees meeting.

**Disaster Recovery Plan**

Observation:

The Board has not adopted a comprehensive disaster recovery plan to address potential disasters. The Village has arrangements with its IT consultant and financial software provider to maintain information systems, and relies on these vendors to perform their own procedures in the event of a disaster or interruption of operations.

Recommendation

Adopt and distribute to all responsible parties a comprehensive disaster recovery plan to document the records and data that are essential to preserve during a disaster and the steps to be taken in the event of an emergency, including designating specific alternate work locations. This plan should be periodically tested and updated, as needed

Reponse and Corrective Action Plan

In 2009, The Village implemented a [REDACTED] data backup system through [REDACTED] [REDACTED] which is configured to automatically backup all of the electronic records of the Village every 15 minutes and maintains copies offsite for 30 days. The Village requested and has received a formal policy and procedures for recreating electronic information in the event of a disaster and these are currently on file in the Village Clerk's Office at the Village of Nissequogue.

In addition, the Village has adopted the Town of Smithtown Emergency Management Plan and The Suffolk County Multi-Jurisdictional Multi-Hazard Mitigation Plan which are currently on file in the Village Clerk's Office at the Village of Nissequogue.

The Village of Nissequogue welcomes the opportunity to meet with you to further discuss your draft report and our response. If you have any further questions regarding this information, please don't hesitate to contact me at 631-862-7400.

In closing, we thank your team of auditors for their helpful advice and suggestions, and professional demeanor throughout the engagement with the Village office.

Sincerely yours,

Richard B. Smith  
Mayor

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

We interviewed appropriate Village officials to determine if computerized data and assets were properly safeguarded. To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed Village officials, employees, the IT consultant and the IT vendor to gain an understanding of the IT environment, processes, operations and the internal controls in place.
- We reviewed user access reports and compared user access rights to statements of usage by employees.
- We reviewed the Village's policies and procedures for existing IT policies and procedures.

We conducted this performance audit in accordance with 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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