

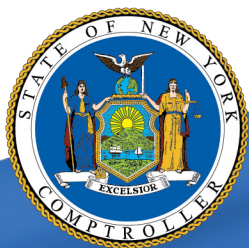
# Town of Union Vale

## Procurement and Information Technology

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DECEMBER 2017

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

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# Report Highlights

## Town of Union Vale

### Audit Objective

Determine whether Town officials procured goods and services in accordance with Town policy and applicable laws.

Determine whether Town officials ensured the Town's information technology (IT) systems were adequately secured and protected against unauthorized use, access and loss.

### Key Findings

- Eight professional service providers were paid \$178,027 and 25 vendors were paid \$353,418 without seeking competition.
- The Town has no policies or restrictions for Internet use; we found numerous instances of personal Internet use.

In addition, sensitive information technology (IT) control weaknesses were communicated confidentially to Town officials.

### Key Recommendations

- Revise the procurement policy to provide guidance on seeking competition for professional services.
- Adopt policies for Internet use, implement web filtering software and review web usage logs for unauthorized personal Internet use.
- Address the IT recommendations communicated confidentially.

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

### Background

The Town of Union Vale (Town) is located in Dutchess County. The Town is governed by an elected five member Town Board (Board), which is composed of four Board members and the Town Supervisor (Supervisor). The Board is responsible for the general oversight of the Town's operations and finances.

The Supervisor is the chief financial officer, responsible for the Town's day-to-day management under the Board's direction.

The Town provides various services to its residents including water and sewer, street maintenance and repair, justice court and general government support.

#### Quick Facts

2017 Budget	\$4.1 million
Population	4,900
Area	37.8 sq. miles

### Audit Period

January 1, 2016 – May 24, 2017.

# Procurement

## How Should a Town Procure Goods and Services?

General Municipal Law (GML) requires the Town Board to adopt written policies and procedures for the procurement of goods and services not subject to competitive bidding to ensure the prudent and economical use of public money in the Town's best interests. The Board must ensure that policies and procedures clearly provide that alternative proposals or quotes for goods and services be secured by written requests for proposals, written quotes or verbal quotes. Policies and procedures should require documentation of actions taken with each procurement method and identify the individuals responsible for purchasing and their titles. The Town's procurement policy requires verbal or written quotes, written requests for proposals and competitive bidding for purchase within established dollar ranges.<sup>1</sup> Although the Board requires pre-approval of purchases over \$1,000, the established Board policy does not address that requirement or address credit card use.

## The Town Did Not Develop Adequate Procurement Guidance

Although the Board has developed a procurement policy and written procedures, the policy and procedures do not provide guidance on seeking competition for professional services, require documentation of actions taken or identify the individuals responsible for making purchases.

We reviewed purchases from 10 professional service providers totaling \$292,703. The Town did not seek competition for eight professional service providers who were paid \$178,027 (Figure 1). Four providers, who were paid \$73,339, did not have the required pre-approval from the Board. The Supervisor told us that the purchasing policy was in place when she took office and she was unaware it was not sufficient.

**Figure 1: Professional Services Without Competition**

Professional Service	Expenditure
<b>Legal (2)</b>	\$ 86,768
<b>Insurance</b>	\$ 57,416
<b>Financial Advisory</b>	\$ 12,699
<b>Cleaning (2)</b>	\$ 12,440
<b>IT</b>	\$ 5,221
<b>Electrical</b>	\$ 3,483
<b>Total</b>	<b>\$178,027</b>

<sup>1</sup> For purchases, the policy requires two verbal quotes between \$1000 and \$2,999, three written quotes between \$3,000 and \$9,999. For public works, the policy requires two verbal quotes between \$1,000 and \$2,999, two written quotes between \$3,000 and \$4,999 and three written quotes between \$5,000 and \$19,999.

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## **The Town Did Not Procure Goods and Services in Accordance with Policy**

We reviewed the procurement of goods and services from 40 vendors totaling \$846,453. Town officials made purchases from 25 of these vendors, totaling \$353,418, without seeking any competition. In addition, three vendor purchases totaling \$20,974 were made without the proper number of quotes and quotes were not retained, one vendor purchase totaling \$6,770 was bid per the Board minutes; however, no supporting documentation was maintained. Also, one vendor purchase totaling \$3,512 was not awarded to the lowest quote and no supporting documentation as to why the vendor was selected was maintained.

Without a sufficient procurement policy and compliance with that policy, the Board has no assurance that the proper individuals are initiating purchases or that individuals making purchases understand what procedures are required. Also, the Board has no assurance that purchases are in the best interests of the Town.

## **The Board Did Not Properly Authorize Credit Card Purchases**

The parks department and the recreation department used four credit cards. We tested all 254 credit card purchases totaling \$75,135 made in 2016. Twelve purchases totaling \$17,972 were in excess of \$1,000 but were not pre-approved, as required by the Board. According to the recreation director and parks department, past practice has allowed them to make purchases with the credit cards with limited monitoring. Although these 12 purchases were for Town expenditures, without a sufficient policy, purchases were made without required Board approvals. This increases the risk that unauthorized or improper purchases will be made.

## **What Do We Recommend?**

The Board should:

1. Review and update the procurement policy to:
  - Provide guidance on seeking competition for professional services.
  - Require documentation of actions taken for each method of procurement.
  - Identify the individuals responsible for purchasing and their titles.
  - Include pre-approval by the Board of purchases over \$1,000.
  - Address the approvals needed for credit card purchases.

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Town officials should:

2. Ensure compliance with the Town's procurement policy.
3. Ensure all credit card purchases over \$1,000 are pre-approved by the Board.

# Information Technology

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

New York State Technology Law requires local governments to adopt a breach notification policy which details the actions to be taken to notify affected individuals if personal, private or sensitive data is accessed by unauthorized parties. In addition, the Board should ensure that Town staff and officials receive appropriate IT security training and are aware of the policies and procedures to be followed. Training should be provided periodically and address appropriate and prohibited uses of the Internet and the risks of inappropriate use. The Board should also adopt policies and procedures for Internet use that describe appropriate and inappropriate uses of IT resources, expectations concerning personal use and user privacy. Users should be aware that computers should not be used for personal purposes.

The Board is also responsible for adopting and periodically testing a disaster recovery plan to prevent or minimize the loss of computerized equipment and data and provide procedures for recovery in the event of an actual loss. Establishing procedures which require that backups of sensitive data be encrypted and stored offsite is critical for restoring operations quickly and effectively following a disruption.

## **The Board Did Not Adopt a Breach Notification Policy or Provide Training**

The Board did not develop a breach notification policy or provide cyber security training. As a result, officials and employees may not understand or be prepared to fulfill their legal obligation to notify affected individuals if private information is compromised. Without training, users may not understand their cyber security responsibilities.

## **The Board Did Not Establish an Internet Use Policy or Procedures**

The Board has no policies or restrictions addressing Internet use, the appropriate and inappropriate uses of IT resources, expectations concerning personal use and user privacy. We reviewed 12 employees' web browsing histories and determined that they visited personal email, social networking, education, business, financial, shopping, real estate, travel, couponing, gaming, video streaming and audio streaming websites; potentially for non-business purposes. (Figure 2)



**Figure 2: Examples of Personal Internet Use**

Type	Site
Personal Email	<a href="https://mail.google.com">https://mail.google.com</a>
Social Networking	<a href="https://www.Facebook.com">https://www.Facebook.com</a>
Education	<a href="https://my.berkeleycollege.edu">https://my.berkeleycollege.edu</a>
Shopping	<a href="http://beauty.sephora.com">http://beauty.sephora.com</a>
Travel	<a href="https://www.universalorlando.com">https://www.universalorlando.com</a>
Couponing	<a href="http://couponslocal.net">http://couponslocal.net</a>
Gaming	<a href="http://www.gamehouse.com">http://www.gamehouse.com</a>
Video Streaming	<a href="https://www.netflix.com">https://www.netflix.com</a>
Audio Streaming	<a href="http://www.pandora.com">http://www.pandora.com</a>
Other	<a href="http://www.indeed.com">http://www.indeed.com</a>

Additionally, most of the sampled computers contained adware,<sup>2</sup> three computers contained large amounts of advertising content, which increases the risk of spyware<sup>3</sup> or malware<sup>4</sup> infections, and one computer had a spyware tracking cookie<sup>5</sup> and a browser hijacker.<sup>6</sup>

Inappropriate Internet usage was not prevented because the Town does not have web filters or web usage logs and has allowed unrestricted Internet access. Inappropriate use could expose the network to virus attacks or compromise systems and data, including key financial and confidential information. Furthermore, time spent surfing the web for personal reasons while employees are supposed to be working represents lost resources and time abuse.

## **The Board Did Not Adopt a Disaster Recovery Plan or Backup Procedures**

Town officials have no disaster recovery plan and have not notified or trained employees on what to do in the case of an emergency. Also, no backup procedures have been established for systems or data. Although back-ups are maintained in a fireproof cabinet onsite, back-ups of sensitive data are not encrypted and there is no offsite back-up storage. As a result, if an emergency

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2 Adware automatically displays or downloads advertising material.

3 Spyware enables users to obtain covert information about other users' computer activities by transmitting data covertly from their hard drives.

4 Malware programs are specifically designed to harm computers and data.

5 A tracking cookie is data stored in a user's computer by a website being visited. These cookies are placed by "third-party" advertisers to monitor Web surfing habits.

6 A browser hijacker is software that modifies a web browser's settings without a user's permission, to inject unwanted advertising into the user's browser. A browser hijacker may replace the existing home page, error page or search page with its own.

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occurs, individuals may not know what actions to take and operations may not be resumed as quickly as possible. Also, crucial data may not be recovered and there is risk of unauthorized access to unencrypted sensitive information.

### **How Should Town Officials Physically Safeguard the Server Room?**

Physical security controls restrict physical access to computer resources and protect them from intentional or unintentional harm, loss or impairment. Such controls should include guards, gates and locks with a keypad or entry log, and environmental controls such as a climate controlled automatic thermostat and cooling system, smoke detectors, fire alarms, extinguishers and a fire suppression system, protection from water damage and uninterruptible power supplies.

### **Town Officials Did Not Physically Safeguard the Server Room**

The server room's physical access is restricted by a locked door; however, there is no keypad or entry log for the server room. Also, the server room is not climate controlled; instead, it has a manual thermostat in the room and no cooling system. In addition, the server room is not protected from water damage and there is no fire suppression system; there is only a fire extinguisher. Furthermore, the server is on the floor under a desk on the ground floor and does not have a designated generator.

The Supervisor explained that she is not familiar with the server room and was unaware of any additional protection needed to protect against physical threats. As a result, there is a significant risk of Town IT assets being compromised by environmental factors resulting in an interruption of service.

### **What Should Be Included in a Service Level Agreement?**

There should be a written agreement between the Town and the IT service provider that identifies the term of the agreement, scope, objectives, roles and responsibilities, and pricing. A vague agreement can lead to additional costs or cost increases.

### **The Board Did Not Enter Into a Service Level Agreement with the IT Consultant**

The Town has an IT consultant who is located in North Carolina and performs all duties remotely. If any IT services need to be done at the Town, they have to be procured through another IT consultant. Furthermore, the Town has no IT service level contract agreement and consequently there is no clear understanding of the IT consultant's responsibilities.

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The Supervisor told us the Town was using the current IT consultant when she took office and plans to initiate a request for proposals, but has not done so yet. As a result, Town officials may not be receiving the services they need or expect.

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

The Board should:

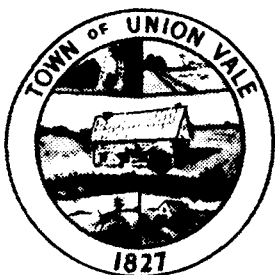
4. Adopt a breach notification policy and provide periodic IT security training. Training should include appropriate and prohibited uses of the Internet and the risks of inappropriate use.
5. Adopt policies for Internet use that describe appropriate and inappropriate use of IT resources and expectations. Users should be aware that computers should not be used for personal purposes.
6. Adopt and periodically test a disaster recovery plan.
7. Enter into a service level agreement for IT services to indicate the term of agreement, scope, objectives, roles and responsibilities, and pricing.

The Supervisor should:

8. Implement policies for Internet use.
9. Implement web filtering software and review web usage logs for unauthorized personal Internet use.
10. Establish backup procedures to ensure back-ups of sensitive data are encrypted and stored offsite.
11. Improve physical security over the server room by having a keypad or entry log, an automatic thermostat and cooling system, protection from water damage, a fire suppression system and a designated generator.

## Appendix A: Response From Town Officials

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Office of the State Comptroller  
Tenneh Blamah, Chief Examiner  
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November 16, 2017

Dear Tenneh Blamah, Chief Examiner,

The Town of Union Vale and Town Board have reviewed the OSC's preliminary draft findings of your recent examination of the Town of Union Vale Procurement and Information Technology sectors.

We acknowledge that these findings are an accurate and complete representation of the Town's current Procurement Policies and Information Technology sectors. Upon receipt of the OSC's final audit findings and recommendations, we will provide the Corrective Action Plan (CAP) within the 90-day requirement.

On behalf of the Town of Union Vale Town Board, we thank the OSC staff for this opportunity to positively improve operations and internal controls to more efficiently provide services to our residents.

Sincerely,

Patricia Tompkins  
Supervisor, Union Vale

## 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 objectives and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed Board minutes and adopted policies.
- We interviewed Town officials to gain an understanding of the processes and procedures over procurement and the IT system and applications.
- Based on professional judgement, we selected purchases from 10 professional service providers totaling \$292,703 from a population of 12 providers totaling \$307,393, with aggregate totals of \$3,000 or more. We selected the largest invoices from the providers for quotes testing.
- We reviewed voucher packets to determine what goods or services were procured, interviewed Town officials to determine the selection process, and reviewed purchases to determine whether officials sought competition and had any necessary supporting documentation for best value.
- Based on professional judgement, we selected purchases from 40 vendors totaling \$846,453 from a population of 236 vendors totaling \$4,577,434, with aggregate totals of \$3,000 or more. We selected the largest invoices from the vendors for bids and quotes testing. We reviewed voucher packets to determine what goods or services were procured, interviewed Town officials to determine the selection process, and reviewed purchases to determine whether officials made purchases following GML or purchasing thresholds and had any necessary supporting documentation for best value.
- We tested all credit card purchases made with the four credit cards in 2016 to determine whether purchases in excess of \$1,000 were pre-approved by the Board.
- We tested all 12 computers from the Town hall and highway department and analyzed their computer web browsing histories to identify unauthorized personal Internet usage. We examined webpages visited, along with the dates and times of the visits for personal, non-business, or otherwise high-risk webpages.
- We observed the server room's physical access and IT asset protection controls.

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 Town officials.

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

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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.

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, *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

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