

Town of Fayette

Long-Term Planning and Information Technology

MAY 2020



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

Contents

- Report Highlights 1**

- Long-Term Planning 2**
 - What Is Effective Long-Term Planning? 2
 - The Board Has Not Adopted Long-Term Plans 2
 - What Do We Recommend? 3

- Information Technology 5**
 - How Should IT Data Be Safeguarded? 5
 - The Board Did Not Adopt Adequate Security Policies and Procedures. 5
 - The Board Did Not Adopt a Disaster Recovery Plan or Backup Procedures. 6
 - The Board Did Not Provide IT Security Awareness Training. 6
 - What Do We Recommend? 6

- Appendix A – Response From Town Officials 8**

- Appendix B – Audit Methodology and Standards 9**

- Appendix C – Resources and Services. 10**

Report Highlights

Town of Fayette

Audit Objectives

Determine whether:

- The Board established adequate long-term plans which appropriately addressed the Town's operational and capital needs and funding sources.
- Town officials adequately safeguarded information technology (IT) assets.

Key Findings

The Board did not:

- Develop comprehensive long-term financial or capital plans.
- Adequately safeguard the Town's IT assets.

Key Recommendations

- Develop and adopt comprehensive long-term financial and capital plans for a three- to five-year period.
- Develop and implement written IT policies and procedures.

Town officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The Town of Fayette (Town) is located in Seneca County (County). The Town provides various services to its residents including water, street maintenance, snow removal and general government support. Most of the expenditures incurred in providing these services are accounted for in the general, highway and water funds. The Town finances these services primarily from real property taxes, user fees, State aid and contracts with other governments.

The Town is governed by an elected Town Board (Board), which is composed of four Board members and the Town Supervisor (Supervisor). The Board is responsible for the general management and control of financial affairs. The Supervisor, who serves as the chief executive and financial officer, is responsible for the day-to-day management.

Quick Facts

2019 Appropriations	\$2,098,521
Population	3,929
Computer Users	5

Audit Period

January 1, 2018 – October 9, 2019

Long-Term Planning

What Is Effective Long-Term Planning?

The board is responsible for making financial decisions that are in the best interest of the town and its taxpayers. This includes planning for the future and setting long-term priorities and goals. The board is legally allowed to establish reserve funds for certain future purposes (e.g., capital improvements and repairs). The amounts reserved should be based on identified or planned needs. The annually adopted budget should be based on the town's long-term plans as well as current needs. The budget outlines the town's spending plan for the year.

Long-term planning consists of several components, including long-term financial and capital plans and fund balance and reserve policies. Such policies provide guidance on optimal funding levels for fund balance and reserves, along with plans for circumstances when these funds may be used. Additionally, when developing long-term plans, town officials should consider useful life estimates and the quality of the equipment, as well as the application and environment in which it will be used. These plans should then become a part of the town's budgeting process, and the annual budget should take the long-term plans into consideration.

New York State Highway Law (Highway Law)¹ requires the highway superintendent to annually submit to the board a written inventory list of all machinery, tools, implements and equipment showing the value of each item and the estimated cost of all necessary repairs. In addition, Highway Law² requires the highway superintendent and board to agree, in writing,³ upon expenditures related to the repair and improvement of highways, sluices, culverts, bridges and walks.

The Board Has Not Adopted Long-Term Plans

The Board did not develop or adopt comprehensive, long-term financial and capital plans. Such plans would be useful tools to outline the Board's intentions for financing future capital improvements, purchasing equipment and maintaining the existing infrastructure. The Board lacked certain information necessary to adequately adopt these plans.

For example, Town officials were unaware that the Highway Superintendent (Superintendent) was required to annually submit a written inventory list of all machinery, tools, implements and equipment, including an estimate of any needed repairs and recommendations for highway infrastructure improvements and the estimated costs. As a result, the Board was unable to sufficiently plan for

¹ New York State Highway Law (Highway Law), Section 142

² Highway Law, Section 284

³ Refer to the Cornell Local Road Program workshop, Managing the Highway Department (Appendix 4) for a sample agreement.

<https://countyhwys.org/presentation-archive/2016/winter/14-managing-the-highway-department/file>

long-term road maintenance and replacement of highway equipment. The current Superintendent was new to the position as of January 1, 2018. Therefore, we made him aware of these requirements so that he could ensure compliance in future years.

The Board did not establish a fund balance policy or reserve plan detailing the level of fund balance and specific reserves it deemed necessary, including funding levels, and a plan for periodic review of reserves. The Town ended 2018 with unassigned fund balance in the town-wide general fund of 69 percent of the next year's budgeted appropriations, while the percentages in the town-outside-village and highway town-outside-village funds were 211 percent and 77 percent, respectively. As of July 31, 2019, the Town had a single reserve, for highway equipment, which totaled approximately \$21,000. The highway fleet includes 1995 and 1998 dump trucks, and a 2003 loader and van that the Superintendent indicated should be replaced. Town officials have not increased the highway equipment reserve to fund the replacement costs.

In addition, in 2018, the County contracted with the Town to provide snow removal on designated County roads within the Town. This contract resulted in additional revenue totaling \$111,420 for the town-wide highway fund. Rather than fund reserves in 2019 and pay for the increased operating costs associated with this contract, the Board chose to reduce the tax levy by approximately \$72,000 and appropriate fund balance of \$64,000 in the town-wide highway fund. By doing so, the Board planned for an operating deficit without budgeting for the purchase of large equipment or providing for future replacement. Town officials also did not properly plan for the additional expenditures that would be necessary to plow County roads. For example, the salt budget was over-expended by \$31,020 early in the year, resulting in budget adjustments to cover these overages. Furthermore, without a long-term plan and better accounting of the additional costs attributable to snow removal on County roads, Town officials have difficulty fully estimating the financial outcomes of the snow removal contract.

Without long-term plans for all Town operations, including the required highway inventory and infrastructure agreements, it is difficult for the Board to assess alternative approaches to financial issues, such as accumulating fund balance or using surplus funds to finance annual operations, purchase equipment or fund reserves.

What Do We Recommend?

The Board should:

1. Develop and adopt comprehensive long-term financial and capital plans for a three- to five-year period that address the anticipated funding and use of reserve funds; anticipated capital improvement projects and funding

sources; costs of long-term maintenance on capital improvements; and any economic or environmental factors which could affect the plans.

2. Adopt a fund balance and reserve plan that provides guidance on optimal funding levels for fund balance and reserves, along with plans for circumstances when these funds may be used.
3. Use the long-term financial and capital plans to develop the Town's annual budgets.

The Highway Superintendent should:

4. Annually provide the Board with the required inventory list and infrastructure repair and improvement agreement, including any supplemental information.
5. Utilize planning tools to develop a more accurate operating budget and plan for equipment replacement.
6. Account for all costs attributable to the removal of snow on County roads.

Information Technology

The Town uses IT to initiate, process, record and report transactions. Officials also rely on IT systems for Internet access, email and maintaining financial information. Town officials use data sticks to share electronic data and computer resources. Officials pay an IT consultant to manage the Town's network and IT resources upon request. The consultant assists officials with setting up new computers and troubleshooting problems. If IT systems are compromised, the results could range from an inconvenience to a catastrophe and could require extensive effort and resources to evaluate and repair.

How Should IT Data Be Safeguarded?

An effective process for safeguarding the IT system includes an acceptable computer use policy that defines the procedures for computer, Internet and email use and holds users accountable for properly using and protecting resources. The acceptable use policy should also include IT security awareness training requirements for employees.

New York State Technology Law⁴ requires towns to have a breach notification policy that requires notification be given to certain individuals in the event of a system security breach, as it relates to private information. The policy should detail how officials would notify individuals whose private information was, or is reasonably believed to have been, acquired without valid authorization. The disclosure should be made in the most expedient time possible, consistent with legitimate needs of law enforcement or any measure necessary to determine the breach's scope and restore data system integrity. Finally, all IT policies and procedures should be periodically reviewed and updated to reflect changes in technology and the town's computing environment.

The board should also adopt a comprehensive disaster recovery plan and backup procedures to prevent the loss of computerized data and assets and ensure that operations can resume in the event of a power outage or disaster.

The Board Did Not Adopt Adequate Security Policies and Procedures

The Board included acceptable use principles in its employee handbook. However, employees were unaware that the handbook was in effect. One employee stated that he had never seen an employee handbook. The Board did not provide security awareness training to staff. Additionally, the Board did not adopt a breach notification policy. Therefore, if private information is compromised, Town officials and employees may not be prepared to notify affected individuals.

⁴ New York State Technology Law, Section 208

While communicating IT principles will not guarantee the system's safety, a lack of appropriate and known policies significantly increases the risk that data, hardware and software systems may be lost or damaged by inappropriate use or access. Without formal communication of policies that explicitly convey appropriate computer use and practices to safeguard data, officials cannot ensure that employees understand their roles and responsibilities.

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

Town officials did not develop and implement a disaster recovery plan to address potential disasters. Consequently, in the event of a disaster, officials do not have guidelines to minimize or prevent the loss of equipment and data or to appropriately recover data. Town officials told us that they backup data periodically, but did not test it to ensure it could be recovered. Without a disaster recovery plan and regular backup procedures, officials could lose important financial and other data and suffer a serious interruption to operations, such as not being able to process checks to pay vendors or appropriately bill for water services.

The Board Did Not Provide IT Security Awareness Training

The Board did not provide employees with IT security awareness training to ensure they understood security measures needed to protect the network because the Board did not realize its importance.

The IT cybersecurity community identifies people as the weakest link in the chain to secure data and IT systems. The Board cannot protect the confidentiality, integrity and availability of data and computer systems without ensuring that users, or those who manage IT, understand the IT security policies and procedures and their roles and responsibilities related to IT and data security. Without IT security awareness training, users may not understand their responsibilities and are more likely to be unaware of a situation that could compromise IT assets. As a result, data and personal, private or sensitive information could be at a greater risk for unauthorized access, misuse or loss.

What Do We Recommend?

The Board should:

7. Ensure officials and employees receive a copy of the employee handbook and understand the IT policies within the handbook.
8. Adopt written IT policies and procedures not covered by the employee handbook including breach notification, disaster recovery and backups.

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9. Provide employees with IT security awareness training.
 10. Periodically review and update all IT policies and procedures to reflect changes in technology and the Town's computing environment.

Appendix A: Response From Town Officials

**Town of Fayette
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Waterloo, NY 13165
315-585-6282**

April 21, 2020

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

Re: Town of Fayette Report of Examination
2019M-234

Dear Mr. Grant,

On behalf of the Fayette Town Board, I would like to thank the State Comptroller's Office for working with the Town to recommend improvements. The State auditors were extremely helpful answering questions as they conducted the audit.

After reviewing the draft report, the Fayette Town Board and Highway Superintendent agree with the audit findings. The Town Board will look into the creation of multi-year financial and capital plans, as well as proceed to develop and implement better written IT policies and procedures. The Highway Superintendent's inventory is in place. He will work with the Board to plan for the replacement of equipment and repairs.

The Town appreciates the auditors' willingness to keep the door open for future questions and guidance, when needed.

Sincerely,

Cindy Lorenzetti
Supervisor

Appendix B: Audit Methodology and Standards

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 interviewed Town officials and employees to gain an understanding of the Town's financial operations and long-term plans.
- We reviewed relevant policies and procedures for adequacy and adopted budgets to gain perspective and background.
- We reviewed the Town's highway inventory documents.
- We reviewed reserve balances as of December 31, 2018.
- We reviewed Board minutes, resolutions, policies and agreements.
- We reviewed the employee handbook.
- We interviewed Town officials and employees to gain an understanding of the Town's IT controls and the IT environment.
- We reviewed bank reconciliations and withdrawal activity for November 2018 and April 2019. We randomly selected November and selected April because it was the month prior to notifying the Town of our upcoming audit.

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.

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 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

Regional Office Directory

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

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

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#lmgm

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

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/pubs/cyber-security-guide.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

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

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

Contact

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www.osc.state.ny.us/localgov/index.htm

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