

Village of Hastings-on-Hudson

Board Oversight

OCTOBER 2018



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

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Report Highlights

Village of Hastings-on-Hudson

Audit Objective

Determine whether the Board provided adequate oversight to ensure that Village resources are safeguarded.

Key Findings

The Board did not:

- Appoint a Treasurer to oversee financial operations as required by New York State Village Law, Section 3-301.
- Seek competition for six professional services totaling approximately \$559,311.
- Grant annual vacation leave in accordance with its policy. As a result, 14 current employees' vacation leave exceeded the maximum amount they were allowed to carryover to 2017 by 4,510 hours with an estimated value of \$213,058.

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

Key Recommendations

- Appoint a Treasurer, as required, and design policies and procedures to clearly state job responsibilities.
- Use competitive methods such as RFPs or quotes to select professional service providers.
- Enforce policies on annual accrued leave and periodically reconcile leave balances to ensure employees do not exceed carryover limits.
- Address the IT recommendations communicated confidentially.

Village officials disagreed with certain aspects of our findings and recommendations, but indicated they have initiated corrective action. Appendix B includes our comments on issues raised in the Village's response letter.

Background

The Village of Hastings-on-Hudson (Village) is located in the Town of Greenburgh in Westchester County.

The Village is governed by a five member Board of Trustees (Board), composed of four Trustees and a Mayor. The Board appoints a Village Manager (Manager) to oversee day-to-day operations. The Manager is the chief executive officer, acts as the purchasing agent and is responsible for enforcing policies.

The Village provides various services, including police protection, street maintenance, a Justice Court, parks and recreation and a cable access network.

Quick Facts

2016 Budget	\$12.3 million
Employees	484
Population	7,849
Area Square Miles	2.9

Audit Period

June 1, 2016 – August 28, 2017

Board Oversight

What Is Effective Board Oversight?

A board is obligated to serve the community and protect the public interest. To that end, it is responsible for the fiscal management and oversight, including responsibility for the assets and village finances. Accomplishing these responsibilities requires the board to develop and adopt policies that establish control procedures and other requirements for daily financial and other operations.

New York State Village Law Section 3-301 requires the board to appoint a treasurer. The treasurer should have custody of all money and keep accounts of all receipts and expenditures. Additionally, the Board-adopted purchasing policy states that the Treasurer is the purchasing agent, and is responsible for certifying that purchased goods and services were received in the correct quality and quantity before payment.

New York State General Municipal Law (GML) Section 104-b requires a board to adopt written policies and procedures for the procurement of goods and services, such as professional services, that are not subject to competitive bidding requirements. GML states that goods and services that are not required by law to be bid must be procured in a manner to assure the prudent and economical use of public funds in the best interests of taxpayers.

GML further requires the board to include in its policies and procedures, with certain exceptions, that the village secure request for proposals (RFPs) or quotes for goods and services, including professional services. The appropriate use of competition provides assurance that services are procured in the most prudent and economical manner without favoritism, extravagance, fraud, or abuse.

Written agreements or contracts between the village and professional service providers provide both parties with a clear understanding of the services expected to be provided and the compensation for those services. Therefore, it is important for the board to enter into written agreements with professional service providers that indicate the contract period, the services to be provided and the basis of compensation for those services.

Accrued leave represents paid time-off earned by employees. Village officials should periodically verify the accuracy of employee leave records including leave time earned and used. Sufficient records should be kept to ensure employees accrue, use and receive pay for time to which they are entitled. Procedures should ensure that accrued leave is earned and carried over from year-to-year in accordance with village policies and collective bargaining agreements (CBAs) and leave used is properly deducted from leave balances.

In addition, village officials should establish internal controls to ensure that employees are accurately paid. This includes segregating duties to prevent one

individual from controlling all phases of a transaction without oversight. When it is not practical or cost-effective to segregate duties, compensating controls, such as providing supervisory oversight, are necessary. Written or formal supervisory approval should be required for overtime to ensure the overtime is for valid and needed purposes.

The board should adopt written policies providing guidance and procedures to establish and maintain control over assets and a comprehensive IT security plan to safeguard IT assets. Policies should identify the types of inventory records to maintain and positions responsible to maintain the records.

A comprehensive IT plan should include a disaster recovery plan and acceptable computer use and breach notification policies, at a minimum. A disaster recovery plan helps prevent or minimize the loss of computerized equipment and data, and provide procedures for recovery in the event of an actual loss. These procedures are particularly important given the current and growing threat from ransomware attacks. A disaster could be any unplanned event that compromises the integrity and the data of the IT systems. Even small disruptions can require extensive effort and cost to evaluate and repair. Typically, disaster recovery planning involves an analysis of business processes and continuity needs, and defines the roles of key individuals. It also may include a significant focus on disaster prevention.

The breach notification policy¹ must detail how employees would notify individuals whose personal, private or sensitive information (PPSI) was, or is reasonably believed to have been, acquired by a person without valid authorization. It is important for the disclosure to be made in the most expedient time possible and without unreasonable delay, consistent with the legitimate needs of law enforcement or any measures necessary to determine the scope of the breach and restore the reasonable integrity of the data system. In addition, computer users should be aware of security risks and properly trained in practices that reduce the internal and external threats to the network.

Further, generic user accounts are not associated with unique individuals and can prevent officials from tracing suspicious activity, thus presenting difficulties in holding the responsible user accountable for inappropriate actions. Unnecessary accounts create additional risk of errors that could result in users being inadvertently granted more access than needed, and former employee user accounts that have not been removed could potentially be used by those individuals for malicious purposes. Officials should periodically review the enabled accounts on the network to ensure they are appropriate and in accordance with the board's policy.

¹ New York State Technology Law Section 208

The Board Did Not Appoint a Treasurer

The Board did not appoint a Treasurer, as required by law. Instead, it tasked other employees, such as the Manager, Village Clerk, Deputy Treasurer/IT Director and the bookkeeper with the Treasurer’s duties. For example, the Manager is the purchasing agent, although the policy states that the Treasurer is the purchasing agent. The IT Director serves as deputy treasurer. Additionally, other duties, such as reviewing bank reconciliations and payroll leave accrual balances for accuracy, were not performed. By not having an appointed Treasurer, there is a lack of accountability over financial duties resulting in financial records that are not properly overseen by a designated fiscal officer.

Officials Did Not Seek Competition for Professional Services

The purchasing policy (policy) does not provide guidance for obtaining professional services. Due to the lack of guidance, Village officials did not always seek competition, such as using RFPs for professional services. We reviewed all 10 professional service purchases totaling \$738,807 made during the audit period and found that officials did not seek competitive proposals for six providers who were paid \$559,311.

Figure 1: Professional Services Without Competition

Service	Total
Design	\$25,283
Engineering	\$65,736
Insurance	\$423,036
Landscape Architecture	\$24,056
Legal	\$ 21,200
Total	\$559,311

When Village officials do not seek competition to procure professional services, they cannot assure taxpayers that they procured the most economically beneficial and qualified service providers without favoritism.

Professional Service Providers Did Not Have Written Agreements

We reviewed the 10 professional service providers paid during our audit period to determine whether the Board entered into written agreements or contracts with these providers. Due to the lack of Board oversight, written agreements were not entered into with five providers (including one with an expired contract) with contract payments totaling approximately \$535,255. Services included engineering (\$65,736), design (\$25,283), Insurance (\$423,036), and legal

services (\$21,200). Officials were unable to provide current contracts to support the payments to these service providers.

Without written agreements, there could be confusion over the amount of compensation these providers are entitled to and the scope of services to be provided.

Officials Did Not Use a Competitive Bidding Process

The policy requires that purchase contracts for materials, equipment and supplies involving an estimated annual expenditure exceeding \$10,000 and public work contracts involving an expenditure of more than \$20,000 be awarded only after bids have been received in response to a public advertisement. Although this policy includes procedures for the acquisition of goods and services in accordance with the competitive bidding and procurement statutes,² Village officials did not always follow these procedures.

We reviewed purchasing transactions with nine vendors totaling \$776,235 to determine whether Village officials requested bids in accordance with the policy. Village officials paid \$155,640 to four vendors for capital improvements (\$62,200), sewer repairs (\$34,840), park rehabilitation (\$21,262) and general maintenance (\$37,338) without competitively bidding.

Acquiring goods and services without bidding in accordance with the Board's procurement policy resulted because the Board is not properly monitoring operations to ensure procedures are followed. Without following the policy officials cannot be sure that goods and services were acquired with the most favorable terms available.

Officials Did Not Properly Monitor Accrued Leave or Review Payroll

In accordance with the Village policy manual (manual), Village officials grant annual paid vacations for full- and part-time permanent employees. Additionally, all vacation time must be used within the year earned, unless the employee obtains written authorization from the Village Manager to allow unexpended time to be carried over to the next year. In addition, full-time employees receive personal leave that cannot be carried over to the following year. Officials also offer compensatory time to employees, but it is not to be carried over to the next year.

The payroll clerk (clerk) is solely responsible for processing leave and maintaining an annual leave calendar with no oversight or other controls such as records kept by department heads that could be reconciled with the payroll clerk's

² GML Section 104-b

records. Officials do not periodically review accrued leave totals and leave used for accuracy. Further, officials had not established control procedures to ensure compliance with the manual and CBAs vacation balance carryover limits.

We reviewed the 2016 and 2017 accrued leave calendars for 17 full-time employees and determined that 14 current employees exceeded the maximum amount of vacation that they were allowed to carryover by 4,510 hours, with an estimated cost of \$213,058. This includes the Deputy Treasurer/IT Director, whose excess vacation accumulated to 2,142 hours valued at \$79,811.

Figure 2: Exceeded Vacation Carryover

Departments	Number of Employees	Exceeded Hours	Cost	Percentage
Main Office	4	2,732.50	\$130,209	61%
Public Works	4	902.50	\$55,408	26%
Recreation Dept.	3	563.50	\$14,704	7%
Building Dept.	2	231	\$10,277	5%
Court	1	80.50	\$2,460	1%
Grand Total	14	4,510	\$213,058	100%

Village officials did not maintain documentation to show that employees received written or formal approval to exceed carryover limits for vacation leave. In addition, officials did not monitor accrued leave or develop written procedures to provide guidance to employees for requesting, approving, using and recording leave time. For example, the clerk used accrued leave during all the pay periods we tested,³ but did not have supervisory signatures to indicate approval on any time sheets during this period. We also identified three employees who submitted 12 time sheets with a total of 63 hours of leave charged without supervisory approval. The clerk told us that she did not retain any leave documentation, including leave request forms.

We recalculated the compensatory leave balances and compared our results to the clerk’s calculated balances. We found that the leave totals for seven employees were inaccurate. Recorded employee balances had a variance of 53.55 hours (valued at \$2,423) more than the calculated leave totals, due to errors or failure to record expended compensatory time. For example, one employee used eight hours of compensatory time that was not recorded on the clerk’s annual leave calendar and one employee was credited with 14.5 hours of compensatory time to which he was not entitled.

³ Refer to Appendix C for information on our sampling methodology.

Without proper oversight of accrued leave, Village officials have no assurance that the time used was properly deducted from employee accrued leave balances, increasing the risk that employees will receive payment for more accrued leave than they are entitled to when they leave Village service.

Furthermore, officials did not implement payroll and overtime control procedures to ensure time and attendance records were accurately maintained and the work hours recorded were accurately reported. Officials also did not adequately segregate the clerk's duties, have a treasurer in place to provide oversight or provide any alternate form of oversight. Additionally, department heads did not always sign employee time records or time sheets.

We reviewed the payroll from July 1 through September 23, 2017 for 10 employees and found the following discrepancies:

- For two employees, overtime hours shown on three time sheets did not match the time paid. As a result, these employees were overpaid \$1,558.
- Payments were made to four employees totaling \$1,399, when 16 time sheets were not approved by the supervisor.
- Payment for 11 hours of overtime to one employee totaling \$544, was made without appropriate support.
- Overtime payments totaling \$741, as shown on eight time sheets for two employees, were not made in accordance with the CBAs.

The clerk processed her own time sheets, which were not reviewed and approved by her supervisor (the Deputy Treasurer/IT Director) or the Manager, and was paid for 23 hours of overtime totaling \$699 and credited with 11 hours of compensatory time valued at \$542. This occurred because the IT Director did not directly supervise the clerk. In addition, the Manager allowed her to work flexible hours (coming in early and working through lunch) and assumed she was busy with payroll duties. While we found that some employee overtime was approved, no evidence was available to show that the clerk's overtime was approved.

Because the Deputy Treasurer/IT Director did not monitor employees' computer use and overtime was not always approved, the overtime and compensatory time paid may have been inappropriate. We found a high frequency of personal online computer use on days when overtime and compensatory time was earned. Some examples of personal sites the clerk and other employees visited are shown in Figure 3.

Without proper supervisory review or oversight of overtime, officials have no assurance that overtime hours worked are accurate, and there is the potential for employees to be paid for time not worked or earned. Further, without appropriate segregation of duties, the clerk could pay herself for time not earned.

Officials Did Not Monitor Assets or Properly Safeguard IT Assets

Village officials did not have policies and procedures for effective inventory management of fixed, walkable, and consumable assets. As a result, officials were unable to monitor or track assets for accountability.

Officials did not maintain complete up-to-date inventory records, conduct a periodic physical inventory or adequately assign users for vehicles, or fuel keys located in the vehicles, to ensure accountability. In addition, officials did not document which vehicles were disposed of or track fuel use. Furthermore, we found that they did not maintain any inventory of IT assets (computers and peripheral devices) and equipment used by the parks and recreation departments.

Officials relied on their external auditors to estimate the value of assets, instead of maintaining internal inventory records to monitor these assets. Without effective monitoring, there is an increased risk of loss or theft of valuable assets, and the potential for over or under insuring assets.

Additionally, the Board did not adopt a comprehensive IT security plan to safeguard computer assets, including a disaster recovery plan and breach notification and acceptable computer use policies. Further, because officials did not monitor internet use or provide users with security awareness training, the network is at risk for internal and external threats.

Lack of IT Policies – Village officials did not develop a disaster recovery plan. Therefore, in the event of a disaster, personnel have no guidance to follow to prevent the loss of equipment and data or procedures for data recovery. The lack of a disaster recovery plan could lead to the loss of important financial and non-financial data and serious interruptions to operations, such as not being able to process checks to pay vendors or employees, should a disaster occur.

In addition, the Board has not developed and adopted a breach notification policy. As a result, officials may not be able to notify individuals in a timely manner in the event that their private information was accessed. Further, the Board did not adopt a policy to set the standards and expectations for the responsible use of computer resources to address the terms and conditions for acceptable network, Internet and email use. As a result, there is an increased risk that resources could be misused or that data could be lost or corrupted.

Unnecessary User Accounts – Our testing⁴ disclosed that 31 user accounts (61 percent) have not been used in more than six months. We found that 15 user accounts (29 percent) are generic and/or shared and three user accounts (6 percent) did not match current employee records. Some generic accounts

⁴ See Appendix C for information on our sampling methodology.

appeared to be unnecessary. Officials did not periodically review the 51 enabled user accounts on the network to determine whether they were in accordance with policy. Additionally, there are no other compensating controls, because the IT Director manages all user accounts and reviews them only when a department head informs him of a problem.

Internet Monitoring – We examined five computers and identified questionable Internet use by employees. We found instances where employees engaged in activities for personal gain such as job searching, stock market research, social media, online shopping, visiting travel web sites and browsing news and personal web sites. In particular, the clerk engaged in high frequency of online shopping or browsing of news and entertainment websites, while simultaneously claiming overtime worked on her time sheets. Examples of personal use we found by various Village employees are as follows:

Figure 3: Examples of Personal Internet Use

Shopping	Amazon Prime
Personal Research	ClinicalTrials.gov
Travel	NY Cruise
News Browsing	Drudge Report
Job Search	Indeed.com
Social Media	Facebook
Stock Market Research	E-trade

These types of websites are commonly used to spread malicious software and such use unnecessarily exposes the network to external threats. Furthermore, employees should spend time working, rather than engaging in personal internet use.

What Do We Recommend?

The Board and Village officials should:

1. Appoint an individual to the position of Treasurer as required by law.
2. Take a more active role in managing operations to include establishing clear and comprehensive policies, updating them periodically and implementing procedures to ensure adherence to them.
3. Revise the Village’s procurement policy to ensure that it provides guidance for procuring professional services in the best interest of taxpayers.
4. Enter into written contracts that clearly stipulate the services to be performed and the compensation for all current and future professional services.

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5. Ensure that all required purchases are competitively bid in accordance with statutes and policy.
 6. Enforce policies on annual accrued leave, reduce the leave balance of any employee with excess vacation leave and ensure that leave balances are periodically reconciled so employees do not exceed allowed carryover limits.
 7. Ensure that Village officials review and approve accrued leave, adequate documentation is maintained and leave balances (including compensatory time) are properly calculated and recorded. Correct the compensatory leave balances of employees identified in this report.
 8. Review the overtime and compensatory time issues identified in this report and determine whether recovery for overpayments can be obtained from those employees and ensure the Deputy Treasurer/IT Director monitors employee internet use.
 9. Establish more effective overtime policies on how it should be recorded, approved and verified.
 10. Ensure that department heads or supervisors and payroll personnel review and sign time sheets and verify additional time recorded.
 11. Ensure that Village officials adequately oversee the clerk's work and activities to ensure that payrolls are accurately calculated.
 12. Establish policies and written procedures documenting the types of inventory that will be monitored and ensure inventory is adequately accounted for annually, including a comprehensive inventory policy that requires updated inventory records, periodic physical inventories and established guidelines on disposal of obsolete or outdated assets.
 13. Designate an individual responsible for accounting for inventory each year, and updating the records to ensure the assets are accurately accounted for when comparing to external CPA reports and insurance records.
 14. Develop and implement a formal written disaster recovery plan to maintain or restore critical operations as quickly as possible in the event of a disaster. The plan should be distributed to all responsible parties.
 15. Adopt policies and procedures for acceptable computer use, breach notification and PPSI protection and ensure all network users receive IT security training.
 16. Disable any unnecessary generic user accounts and adjust website content filtering to ensure that staff are in compliance with the acceptable use policy.

Appendix A: Response From Village Officials



VILLAGE OF HASTINGS-ON-HUDSON
Municipal Building
7 Maple Avenue
Hastings-on-Hudson, New York 10706

September 20, 2018

Mr. Tennah Blamah
Chief Examiner
Office of the New York State Comptroller
Division of Local Government and School Accountability
33 Airport Center Drive, Suite 103
New Windsor, NY 12553-4725

Re: Village of Hastings-on-Hudson Board Oversight Report Examination 018M-92

Dear Mr. Blamah:

In response to the above-captioned matter we offer these comments:

To begin, we have supplied your office with a series of exhibits in evidence offering proof that the draft audit received electronically on August 15, 2018, in fact, contained errors. These mistakes we pointed out during the exit conference held on August 29, 2018 with [REDACTED] along with the Village Clerk/Treasurer, the Technology Director/Deputy Treasurer and myself. During that conversation, we explained, based upon our review of the draft report, where errors in fact existed and we were advised to forward evidence to substantiate these observations. This response to the draft report is based upon the understanding of the evidence we offered (August 30th and 31st) which has caused the draft report to be modified reflective of the supplemental information provided, albeit to a small extent.

We were disappointed to learn during a conference call held on September 12, 2018, that despite the evidence we supplied to the department, our efforts resulted in only small changes to the draft report. We request the supplemental information we provided electronically be attached to this response to the final report.

We will provide a corrective action plan under separate cover which will outline how the Village will implement several of the recommendations contained in the examination resulting in changes in operations intended to improve oversight.

As reported, the Board of Trustees appointed a Treasurer effective June 1, 2018. As noted, in the past, financial management rested with the Village Manager and the Deputy Treasurer. The Village added to the financial management team the Village Clerk and has broadened his responsibilities. The position is now Village Clerk/Treasurer.

In the majority of occasions when outside professional services are required, either a request for qualifications or a request for services are prepared, publicly advertised, and opportunities are provided for consultants /bidders to consider submittal of proposals. New York State law does not require this process to be followed, but in every case except for specialized environmental engineering or legal counsel, this practice has been adhered.

The responsibility for administration of employee's annual vacation leave rests with the Village Manager. The policy requires approval whenever an employee has not taken all of his/her earned vacation leave

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Note 1
Page 14

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Note 1
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Note 2
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Note 3
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Note 4
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during the calendar year and to permit it to be credited towards the next year. This policy, with exceptions, has been followed. The approvals have been given verbally by the Village Manager. The observation has been made through this examination that a written approval is necessary; hence going forward, in all occasions, written approval will be provided which will offer an assurance to the employee that his/her earned vacation time will be allowed to be forwarded into the next calendar year without risk of loss.

See
Note 5
Page 14

Observations raised about the information technology administration will be addressed in the corrective action plan. The Village has a data disaster recovery plan; however, technology evolves very quickly and as such the maintenance of a written plan is difficult. The history of the management of the village information technology is evidenced by a series of redundancies:

See
Note 6
Page 15

- First backup system was tape backup drives;
- Cost of Hard Drive storage decreases, leads to creation of [REDACTED] server backups in different buildings and locations on the network;
- Conversion of standalone Servers to [REDACTED] Virtualized servers. Implanted daily back-up of our servers using [REDACTED] software on multiple backup servers;
- Servers and desktop data backed up off-site via [REDACTED];
- Redundant Internet sources keep our network connected to internet for cloud services
- These procedures allow us to recover data and operations in the event of an emergency;

See
Note 7
Page 15

With respect to comments made regarding use domain servers and user accounts:

- IT department learns [REDACTED] is more secure than older operating systems;
- By February 2016, most computers upgraded to [REDACTED];
- Decentralization of our network to [REDACTED] based computers; best security and ant-virus currently available;
- Subscription with [REDACTED] with the exchange server in the cloud. Active directory is less needed;
- Most accounts only go to public server shares.

See
Note 8
Page 15

Our policy is to implement these changes as the technology advances and becomes more cost effective in an effort to save taxpayer's money.

While we believe the procedures in place are sound and safeguard Village assets, the recommendations contained in the report offer an opportunity to strengthen and further safeguard information technology. It should be pointed out, that with the state-of-the-art and best management techniques presently in place, there has never been a breach of information technology of Village records. However, there always exists opportunities to improve and we will continue in that endeavor.

See
Note 9
Page 15

There are other items contained in the report which we believe contain factual errors. And while we can dispute them, we would be better served by modifying current practices by implementing the suggestions contained in the report. The corrective action plan will enumerate how we will approach the need to make modifications to the operation.

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Note 10
Page 15

We wish to indicate that we do have an inventory of fixed assets.

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Note 11
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Note 12
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We do monitor motor vehicle fuel inventory and distribution.

See
Notes 1
and 13
Pages
14 and
16

We do review and reconcile payroll records. In fact, the example cited in the report, supplied to the auditor in a supplemental report, reflects the fact that if an error occurs in payroll, it is corrected, in-house no later

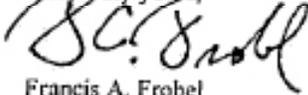
than the next payroll. It should be stressed that the Village Manager reviews and signs every payroll. There are redundancies practiced ensuring the accuracy of each payroll to the highest degree possible.

We do believe that the report contains an error and a misunderstanding, as it relates to a \$68 per day stipend paid to a garbage collector; it is not overtime and should not be calculated on that basis. Evidence to support that misunderstanding by the audit has been offered, but not considered.

We also wish the record to show that as part of the comprehensive review of the village's governmental operations, the state comptroller's office audit reviewed the financial practices and procedures. Specifically, the auditor reviewed financial reports, fund balance, capital and operating budgets, outside auditor's report and management letters, bank accounts, administration of the collective bargaining contracts, cash management and internal financial controls. None of these areas were cited in need for improvement. We will continue to strive to maintain the strength and integrity of the financial record-keeping and will look for ways to improve personnel and purchasing procedures.

In closing, we believe the suggestions contained in the audit report will serve to enhance the procedures and practices currently in place to further safeguard Village assets, to protect the taxpayer, and to strengthen the organization.

Very truly yours,



Francis A. Frobel
Village Manager

FAF/jlp

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Appendix B: OSC Comments on the Village's Response

Note 1

Subsequent to the exit conference, Village officials provided documentation showing that competitive proposals were obtained from two legal services providers paid \$115,855 and a written agreement was signed with another provider paid \$27,905, which were not made available to us during our fieldwork or when we reviewed our preliminary findings with officials upon completion of fieldwork. In addition, we determined that one employee whose overtime hours shown on the time sheet did not match the time paid was corrected in the subsequent pay period. We have amended the appropriate sections of our report to reflect this information.

Note 2

The Village's response letter refers to supplemental information to support the response letter that was provided to us before the response letter was submitted. The Village's response letter did not contain attachments and because it provides sufficient detail of its actions, we did not include the exhibits in Appendix A.

Note 3

We commend the Board for appointing a Treasurer in compliance with the statutory requirement. We did not amend our report because the appointment was made after our audit was completed.

Note 4

The Board is required by New York State General Municipal Law Section 104-b (GML) to adopt internal policies and procedures for the procurement of goods and services not required to be competitively bid. GML further provides that included in its policies and procedures, with certain exceptions, the Board secure alternative proposals or quotations for such goods and services. The Board may set forth in its policy circumstances when, or types of procurements for which, it has determined obtaining alternative proposals or quotes will not be in the Village's best interests.

The Village's procurement policy did not include provisions or procedures for the procurement of professional services not required to be competitively bid.

Note 5

The Village is implementing corrective action to require written documentation or approval for the carryover of leave accruals. However, as of the end of the audit period, the Village allowed one employee to accumulate 2,142 hours of vacation time. Should the employee leave, the Village could be required to pay about \$80,000 in separation payment.

Note 6

Although we requested to see the disaster recovery plan, Village officials did not provide us with a plan during our audit. We agree with the statement that technology changes quickly and believe that makes it even more important to have a current and documented plan.

Note 7

While it is interesting to see the evolution of procedures from tape backup to redundant internet sources, the lack of a disaster prevention and recovery plan is a serious weakness. Village officials still need to develop a comprehensive disaster recovery plan to provide adequate guidance to follow to restore data or resume critical operations in a timely manner in the event of a disaster. This is particularly important given the current threat of viruses and malware such as ransomware.

Note 8

Although the Village has installed a new network operating system, the IT Director should still ensure that user accounts that are not needed are disabled. In addition, the IT Director should ensure that users have their own accounts, which are not shared and rename generic accounts.

Note 9

Adopting a breach notification policy provides clear directives and procedures for notifying individuals in a timely manner in the event that their private information was compromised.

Note 10

We corrected the errors Village officials identified in our draft report for which they provided sufficient supporting documentation, which was not provided to us during fieldwork.

Note 11

Village officials provided us with a list of vehicles owned by the Village. However, no other assets, including IT equipment, were included on the list.

Note 12

Village officials did not perform a reconciliation of fuel purchased with the amounts used. Officials recorded only the number of gallons of fuel used monthly, without accounting for the number of gallons at the beginning of each month and the amounts purchased. Documentation provided by Village officials showed that one key to the fuel tank was missing, indicating a lack of control over the gas use.

Note 13

The time sheets we reviewed during our audit showed that department heads did not always sign and approve time sheets. Although the Village Manager signed payrolls, department heads should also review time sheet records and certify that time employees reported was actually worked.

Note 14

We considered the evidence Village officials provided to us subsequent to the exit conference and reduced the amount of overtime paid to this employee in our report.

Note 15

We use a risk based auditing approach and as a result did not select these areas for audit. Therefore, we did not include these areas of operation in our report and do not report any conclusion on these areas.

Appendix C: 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 Village officials and employees, and reviewed Board minutes to gain an understanding of the Board's oversight over asset management, procurement of professional services, competitive bidding, payroll and IT operations.
- From a population of 27 professional service providers paid \$1.02 million during 2016-17, we judgmentally selected a sample of 10 providers paid \$738,807. We based our sample selection on the total amount paid (greater than \$20,000 or \$35,000) and the type of services provided. We documented whether RFPs or quotes were obtained by the purchasing agent. We also determined whether competition was sought for these services and a current contractual agreement was on file for each provider.
- From a population of 87 vendors with an aggregate amount paid over \$20,000 for a total of \$16.4 million during 2016-17, we judgmentally selected a sample of nine vendors, paid \$776,235. We based our sample selection on the total amount paid (greater than \$20,000 or \$35,000) and the type of services provided (e.g., capital improvement). We documented whether RFPs were used and quotes were obtained by the purchasing agent.
- From a population of 484 employees, we judgmentally selected a sample of 10 employees (eight non-union, two union) based on their position and the type of overtime pay received over three months during our audit period. We documented the employee's hourly pay, type of overtime received (comp time or paid overtime), and overtime hours worked per time sheets. We compared the calculated amount paid to payroll reports. From this, we determined whether timesheets supported overtime recorded, if the timesheets were signed by a supervisor, if the overtime was in accordance with the contract, and if overtime was paid in accordance with the timesheets. We selected July, August and September 2016 because employees would be more likely to earn overtime and/or comp time during these months.
- We judgmentally selected 10 of 88 full-time employees paid during six pay periods (December 2016 through February 2017) and all seven current and recently retired department heads who carried over accrued leave into the 2017 calendar year. We documented vacation, sick, personal, and comp-time leave reported as well as carryover leave earned and used during these pay periods. We compared each accrued leave type to determine whether the leave accrued on the time sheets match the leave recorded on the leave calendars. We reviewed time sheets for supervisory approval. We

also reviewed retained accrued leave forms and traced to time sheets when available. We compared maximum leave carryovers allowed and calculated amount of leave hours that exceeded our result.

- We calculated comp time balances and documented the 2017 comp time carryover from the 2017 leave calendars. We documented the amount of comp time used or earned and calculated the total compensatory hours accrued. We documented any differences between time records and calculated amounts.
- From a population of 40 desktop and 5 laptop computers, we selected a judgmental sample of five computers. We used the Web Browsing tool to export the web browser history files and generate lists of the webpages visited, along with the dates and times of the visits. We based our sample selection on the computers used by full-time employees who had diverse job duties and access to software with PPSI. We then examined the compiled lists, noting any page that indicates inappropriate Internet use, personal, non-business or otherwise high-risk nature, malware infection or a potentially unwanted program or that exposes PPSI.
- For our previously selected sample, we ran audit software to evaluate significant software applications and determine whether those installed on these computers were still supported.
- We scanned one server with the Active Directory audit script. We compiled a list of all enabled user accounts for password parameters, and group assignments.

Our audit also examined the adequacy of certain information technology 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 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 relevant population size 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 Village Clerk's office.

Appendix D: 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/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

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

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

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

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

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