

# Town of Perinton

## Financial Management and Information Technology

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JUNE 2018

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

# Contents

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- Report Highlights . . . . . 1**
  
- Financial Management. . . . . 2**
  - What is Effective Financial Management? . . . . . 2
  - The Town Has Accumulated Significant Reserve Balances . . . . . 2
  - The Board Adopted Unrealistic Budgets and Funded Reserves with Surpluses.. . . . . 3
  - What Do We Recommend? . . . . . 8
  
- Information Technology . . . . . 9**
  - What IT Policies Should the Board Adopt to Safeguard Town Data? . . . . . 9
  - The Board Did Not Adopt Sufficient IT Policies and Procedures . . . . . 9
  - Town Officials Did Not Maintain a Comprehensive Software Inventory. . . . . 9
  - Town Employees Have Not Received IT Security Training . . . . . 10
  - The Board Has Not Adopted a Formal Disaster Recovery Plan . . . . . 10
  - Officials Did Not Adequately Manage or Monitor Active Network Accounts . . . . . 11
  - What Do We Recommend? . . . . . 12
  
- Appendix A – Reserve Balances . . . . . 13**
  
- Appendix B – Response From Town Officials . . . . . 14**
  
- Appendix C – Audit Methodology and Standards . . . . . 15**
  
- Appendix D – Resources and Services. . . . . 17**

# Report Highlights

## Town of Perinton

### Audit Objective

Determine whether Town officials:

- Implemented adequate budgeting and financial practices.
- Safeguarded computerized assets and data.

### Key Findings

The Board:

- Adopted unrealistic budgets and accumulated \$24 million in unsubstantiated reserves.
- Has not developed comprehensive multiyear financial and capital plans.
- Did not adopt IT policies or provide IT security awareness training to employees.

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

### Key Recommendations

- Adopt realistic budgets that reflect the Town’s true operating needs and prior results.
- Develop comprehensive multiyear financial and capital plans to substantiate reserves.
- Develop comprehensive IT policies and a disaster recovery plan.

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

### Background

The Town of Perinton (Town) is located in Monroe County. The Town Board (Board) is responsible for managing the Town’s financial affairs. The Town Supervisor (Supervisor) is responsible, along with other administrative staff, for the day-to-day management under the Board’s direction. The Board appointed a Finance Director to maintain the Town’s accounting records.

#### Quick Facts

Employees	340
Population	46,500
2018 Appropriations	\$27.5 million

### Audit Period

January 1, 2015 – May 22, 2017. We extended the scope back to December 31, 2013 and out to December 31, 2017 to review budgeting trends and reserves.

# Financial Management

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## What is Effective Financial Management?

The board is responsible for making sound financial decisions that balance the level of services desired and expected by the town's residents with their ability and willingness to pay for them. The board may retain a reasonable portion of fund balance, referred to as unrestricted fund balance. The board is also permitted by law<sup>1</sup> to establish and fund reserves to finance future costs for a variety of purposes (e.g., capital projects, workers' compensation expenditures). While towns are generally not limited as to how much money can be held in reserves, the balances should be reasonable. Therefore, the board should develop and periodically update comprehensive multiyear financial and capital plans to ensure that the money accumulated in reserves and unrestricted fund balance is reasonable and substantiated for residents' information and understanding, and that property taxes are not unnecessarily high.

## The Town Has Accumulated Significant Reserve Balances

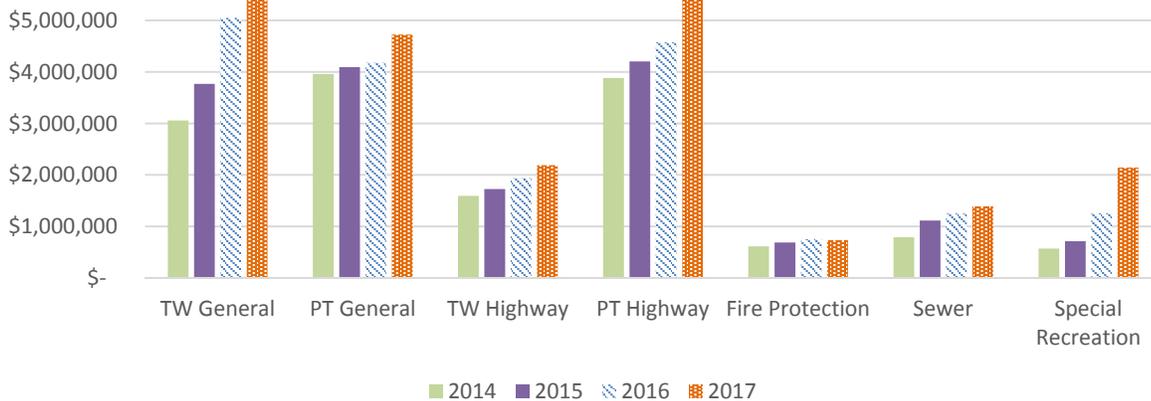
As of December 31, 2017, the Town had accumulated approximately \$24 million in reserves (\$22 million in 19 reserves across its various funds, and \$2.1 million in a special recreation account<sup>2</sup>). This amounted to 89 percent of the Town's 2018 budget appropriations, and a \$12.3 million increase over the last four years.<sup>3</sup> The Board had not developed a comprehensive multiyear financial and capital plan to substantiate the need to accumulate these funds and demonstrate its plans for expected future use of its growing reserves. Lacking documented needs and plans for use of such large balances, the Board may be levying more taxes than needed.

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1 General Municipal Law Sections: 6-c for capital reserves, 6-j for workmen's compensation reserves and 6-n for insurance reserves.

2 Funding resolutions referred to this as a capital reserve, however, the Town reported it in the townwide general fund's other restricted fund balance. The Board established this account in 1960 to be used for acquiring or equipping recreational sites, and established a lot fee to be paid into the account, for each new building permit. In addition to these fees (\$340,000 from 2014 to 2016), the Board authorized sizeable transfers of surplus fund balance in 2015, 2016 and 2017.

3 See Appendix A for more detailed information on reserves maintained in each operating fund.

**FIGURE 1****Reserve Balances**

In addition, the Town generally does not use its reserves. The Board annually budgeted to fund four specific reserves in four operating funds,<sup>4</sup> totaling \$2.12 million from 2014 to 2017. Of that, \$1.32 million was actually transferred to the reserves.<sup>5</sup> In addition, the Board annually budgeted to expend money from five specific capital reserves,<sup>6</sup> totaling \$7.4 million from 2014 to 2017. However, the Board made unbudgeted year-end transfers of surplus fund balance to replenish and further fund these same reserves by \$7.8 million. Thus, while the Board implied in its budgets that it was using the reserves for capital expenditures, it actually increased the reserves each year by an average of \$1.4 million. In the 2018 budget, the Board did not budget to fund or use its reserves.

### The Board Adopted Unrealistic Budgets and Funded Reserves with Surpluses.

We compared the Town’s budgeted revenues and appropriations with actual results of operations from 2014 to 2017<sup>7</sup> to determine if the Board adopted reasonable budgets based on prior years’ operations. We found the Board routinely underestimated revenues in its various operating fund budgets, which

4 TW general – recreation equipment; PT general – DPW equipment; TW highway – DPW equipment; PT highway – road repair.

5 The budget included funding of the PT Highway Road Repair reserve from both the PT general and highway funds; but the town only transferred the budgeted amounts from the PT general fund.

6 TW general – recreation equipment; PT general – DPW equipment and sidewalks; TW highway – DPW equipment; PT highway – road repair

7 We analyzed financial information for 2014 through 2016 during our audit fieldwork, and obtained and added unaudited 2017 information, after fieldwork, for an up-to-date perspective.

generated operating surpluses. It used the surplus funds at year-end to fund reserves with \$16 million over fiscal years 2014 through 2017.

Townwide (TW) funds – Figures 2 and 3 show the Town’s budget to actual revenue variances, and the resulting operating surpluses and unbudgeted transfers to reserves, in the TW general<sup>8</sup> and highway funds.

**Figure 2: TW General Fund – Revenue Variances, Operating Surpluses and Reserve Funding**

	2014	2015	2016	2017	Total
<b>Estimated Revenues</b>	\$9,038,697	\$9,432,912	\$9,629,578	\$9,989,157	<b>\$38,090,344</b>
<b>Actual Revenues</b>	\$9,488,927	\$10,665,096	\$11,791,517	\$14,496,822	<b>\$46,442,362</b>
<b>Revenue Variance</b>	\$450,230	\$1,232,184	\$2,161,939	\$4,507,665	<b>\$8,352,018</b>
<b>Percentage Revenues Over Budget</b>	5%	13%	22%	45%	<b>22%</b>
<b>Operating Surplus (Deficit)</b>	(\$379,925)	\$561,581	\$2,059,383	\$3,247,577	<b>\$5,488,616</b>
<b>Unused Appropriated Fund Balance</b>	\$165,075	\$315,000	\$315,000	\$315,000	<b>\$1,110,075</b>
<b>Unbudgeted Year-End Transfers to Reserves</b>	\$277,000	\$1,430,000	\$1,880,000	\$4,150,000	<b>\$7,737,000</b>

The TW general fund revenue variance increased substantially from 2014 to 2017. The most significant variances were for refuse and garbage charges (totaling \$2.7 million), mortgage taxes (\$1.3 million), and interest and penalties on real property taxes (\$352,000, more than 100 percent of budget). The underestimated revenues caused operating surpluses totaling nearly \$5.5 million from 2014 to 2017, and enabled the Board to fund reserves by \$7.7 million. While the Board increased 2017 budget estimates for these three revenues, they exceeded the budget by a total of \$1.4 million (45 percent). The Town’s 2018 budget appears to be closer to recent actual revenues, with the exception of refuse and garbage charges, which the Board decreased by \$450,000 due to an anticipated decrease in landfill revenues.

<sup>8</sup> As of December 31, 2017, the Town began reporting its special recreation account in a separate special revenue fund, per our verbal recommendation - to the extent that the account is funded by building permit fees for specific park use (see Footnote 2). However, we included the 2017 special recreation account financial activity and balances in the general fund for our analysis in this report, for comparability to the prior three years.

**Figure 3: TW Highway Fund – Revenue Variances, Operating Surpluses and Reserve Funding**

	2014	2015	2016	2017	Total
<b>Estimated Revenues</b>	\$3,440,500	\$3,772,000	\$3,773,000	\$3,919,500	<b>\$14,905,000</b>
<b>Actual Revenues</b>	\$3,862,694	\$4,090,097	\$3,607,256	\$3,968,265	<b>\$15,528,312</b>
<b>Revenue Variance</b>	\$422,194	\$318,097	(\$165,744)	\$48,765	<b>\$623,312</b>
<b>Percentage Revenues Over/Under Budget</b>	12%	8%	(4%)	1%	<b>4%</b>
<b>Operating Surplus (Deficit)</b>	\$300,172	\$131,426	\$125,891	\$220,317	<b>\$777,806</b>
<b>Unused Appropriated Fund Balance</b>	\$50,000	\$50,000	\$50,000	\$50,000	<b>\$200,000</b>
<b>Unbudgeted Year-End Transfers to Reserves</b>	\$400,000	\$150,000	\$400,000	\$200,000	<b>\$1,150,000</b>

The TW highway fund had positive revenue variances in three of the last four years. The largest positive variances occurred in snow removal services for other governments, which totaled nearly \$500,000 over four years, and equipment sales which totaled over \$350,000, but were unbudgeted each year. While the fund had a negative revenue variance in 2016, it had its first positive expenditure variance in four years, resulting in another operating surplus. The TW highway unrestricted fund balance has decreased to \$1.3 million or 33 percent of the 2018 budget, from 44 percent at December 31, 2013. However, the current level, when considered with nearly \$2 million in capital reserves and the lack of documented Board explanation of its need to maintain fund balance at these levels, could still be considered excessive.

Part-Town (PT) funds – Figures 4 and 5 show the Town’s budget to actual variances and the resultant operating surpluses and unbudgeted transfers to reserves in the PT general and highway funds. These funds are used to account for services provided for the benefit of the residents in the area of the Town outside of the Village, and are the funds that benefit from sales tax distributions. The Board may, by resolution, authorize the transfer of surplus money from the PT general fund to the PT highway fund. However, there are restrictions on transfers from the highway to the general fund. Therefore, it is common for towns to budget for most or all sales tax revenue in the PT general fund. However, during the budget process, it is important that the Board either include budgeted transfers from the PT general fund to the PT highway fund, or allocate sales tax revenues to the PT highway fund, to adequately fund highway fund operations and avoid over-taxing residents.

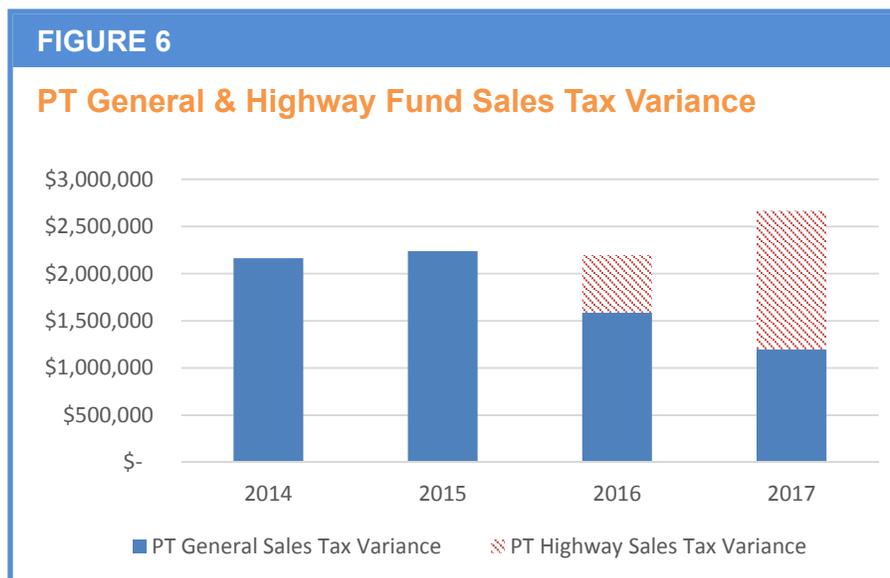
**Figure 4: PT General Fund - Budget Variances, Operating Surpluses, and Reserve Funding**

	2014	2015	2016	2017	Total
<b>Estimated Revenues</b>	\$1,988,148	\$2,017,301	\$2,284,445	\$2,219,445	<b>\$8,509,339</b>
<b>Actual Revenues</b>	\$5,063,139	\$4,296,427	\$4,002,374	\$3,618,635	<b>\$16,980,575</b>
<b>Revenue Variance</b>	\$3,074,991	\$2,279,126	\$1,717,929	\$1,399,190	<b>\$8,471,236</b>
<b>Percentage Revenues Over Budget</b>	155%	113%	75%	63%	<b>100%</b>
<b>Over/(Under) Estimated Expenditures</b>	(\$1,925,503)	(\$1,693,524)	(\$1,681,232)	(\$87,016)	<b>(\$5,387,275)</b>
<b>Total Budget Variance</b>	\$1,149,488	\$585,602	\$36,697	\$1,312,174	<b>\$3,083,961</b>
<b>Operating Surplus (Deficit)</b>	\$884,488	\$320,602	(\$228,303)	\$1,047,174	<b>\$2,023,961</b>
<b>Unused Appropriated Fund Balance</b>	\$265,000	\$265,000	\$36,697	\$265,000	<b>\$831,697</b>
<b>Unbudgeted Transfers to PT General Reserves</b>	\$654,000	\$350,000	\$280,000	\$500,000	<b>\$1,784,000</b>
<b>Unbudgeted Transfers to PT Highway Road Repair Reserve</b>	\$1,490,000	\$1,500,000	\$1,500,000	\$50,000	<b>\$4,540,000</b>

**Figure 5: PT Highway Fund - Budget Variances and Operating Surpluses**

	2014	2015	2016	2017	Total
<b>Estimated Revenues</b>	\$2,382,000	\$2,371,040	\$2,398,000	\$2,458,000	<b>\$9,609,040</b>
<b>Actual Revenues</b>	\$4,319,588	\$4,128,692	\$4,838,685	\$5,041,926	<b>\$18,328,891</b>
<b>Revenue Variance</b>	\$1,937,588	\$1,757,652	\$2,440,685	\$2,583,926	<b>\$8,719,851</b>
<b>Percentage Revenues Over Budget</b>	81%	74%	102%	105%	<b>91%</b>
<b>Over / (Under) Estimated Expenditures</b>	(\$169,566)	(\$202,106)	(\$242,987)	\$20,690	<b>(\$593,969)</b>
<b>Total Budget Variance</b>	\$1,768,022	\$1,555,546	\$2,197,698	\$2,604,616	<b>\$8,125,882</b>
<b>Operating Surplus (Deficit)</b>	\$518,022	\$205,546	\$847,698	\$1,172,616	<b>\$2,743,882</b>
<b>Unused Appropriated Fund Balance</b>	\$20,000	\$20,000	\$20,000	\$20,000	<b>\$80,000</b>
<b>Real Property Taxes</b>	\$1,808,648	\$1,817,841	\$1,858,945	\$1,853,945	<b>\$7,339,379</b>

From 2014 to 2017, the PT funds had combined operating surpluses totaling \$4.8 million and positive revenue variances totaling more than \$17 million. This enabled the Board to transfer \$6.3 million to reserves<sup>9</sup> and increase PT reserved fund balance to \$10.2 million, or 147 percent of 2018 budgeted expenditures. Much of the budgetary and operating surpluses resulted from underestimating sales tax revenues by more than \$9.2 million, as shown in figure 6. Because sales tax was so significantly underestimated, the Board raised more property taxes than were needed to fund PT highway fund operations.



In its 2018 budget, the Board increased its sales tax estimates in both the PT general (\$1.98 million) and highway (\$1.87 million) funds to a total of \$3.85 million, which is 86 percent of 2017 actual sales tax revenues. While this is a step in the right direction, it will again likely result in revenues exceeding estimates.

The Board can provide further clarity by including its plans to fund reserves in the adopted budgets. Town officials can ensure they do not raise more property taxes than needed by determining the maximum amount to sufficiently fund reserves and by developing and routinely updating comprehensive multiyear financial and capital plans. The Board can then, for example, consider reducing the PT highway fund tax levy to the extent that sales tax revenues will cover operations and necessary reserve funding. Property tax reductions may also be possible in the TW funds, if the Board has already funded its reserves to sufficient levels to support its documented financial and capital needs.

<sup>9</sup> The annual unbudgeted transfers to the PT highway fund's road repair reserve caused the majority of the PT general fund's negative expenditure variance (figure 4) as well as the PT highway fund's positive revenue variance (figure 5).

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## What Do We Recommend?

The Board should:

1. Review all reserves at least annually to determine whether the amounts are necessary and reasonably funded. Any excess should be transferred to unrestricted fund balance (where allowed by law) or to other established reserves and maintained in compliance with statutes.
2. Adopt budgets that reflect the Town's true operating needs, include realistic revenue estimates based on historical trends or other known factors, and accurately incorporate the Board's plans to fund or use reserves.
3. Discontinue the practice of appropriating fund balance that is not needed to fund operations.
4. Ensure reserves are used for appropriate purposes, in accordance with budgets and financial plans.
5. Develop, and periodically monitor and update, written comprehensive multiyear financial and capital plans to document the goals and objectives for funding multiyear operating and capital needs, the estimated timeline for spending to meet those goals and objectives, revenue and expenditure trends and planned funding and uses of reserve fund balances.

# Information Technology

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The Town's IT system is a valuable and essential part of operations, used for accessing the Internet, communicating by email, processing and storing data, maintaining financial records and reporting to State and federal agencies. Therefore, it is imperative that the Town's computerized data is properly safeguarded.

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

The Board should adopt and Officials should implement and monitor suitable IT use and security policies to cover the complexity of their IT environment. For example, IT policies should provide for effective management of software and licenses to ensure only appropriate business software is installed on Town computers to reduce the risk of exposure to malicious software (malware)<sup>10</sup> such as computer viruses. Officials should also provide detailed IT use and security training to all Town staff who use Town computers and IT equipment. In addition, Officials should develop a disaster recovery plan to prevent the loss of computerized data and assets and ensure that operations can resume in the event of a power outage or disaster. In addition, Officials should have sound procedures in place to routinely review user accounts to verify that accounts are enabled only for active employees, with only the access levels required to perform their assigned duties.

## **The Board Did Not Adopt Sufficient IT Policies and Procedures**

Although the Board included limited computer use policies in its employee handbook, it has not ensured the policies are enforced or monitored. The Board also did not include provisions or adopt other IT policies addressing key areas such as data backups, online banking, user accounts, access rights, passwords, remote access, personal, private and sensitive information (PPSI), mobile and personal computing and storage devices, or hardware and software inventories.

## **Town Officials Did Not Maintain a Comprehensive Software Inventory**

Although the Town's IT consultant provided us with a software inventory of Town-owned software programs, it was not comprehensive or sufficiently updated. For instance, the Town uses various versions of a particular software, but only one version was listed on the inventory. In addition, our review of software located on 15 Town computers identified five non-business programs installed on these computers, such as coupon printer, exercise tracker and music purchase/playing

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<sup>10</sup> Malware refers to software programs that are specifically designed to harm computer systems and electronic data. Malware often causes this harm by deleting files, gathering sensitive information and making systems inoperable. Computer users can inadvertently install malware on their computers in many ways, including opening email attachments, downloading free software from the Internet or merely visiting infected websites.

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software. Allowing Town employees to install applications on Town computers without approval or a business purpose puts the Town's network at increased risk of malware infections and other security concerns.

In addition, our review found anti-malware software on certain Town computers. This suggests that there were malware infections in the past due to IT security weaknesses. The Town's IT consultant said that Town computers were infected by viruses in the past and he installed these anti-malware programs to remove the malware. This raises concerns because these computers are used to conduct financial transactions. It is essential that Officials implement sound IT security policies and provide detailed IT security awareness training to Town employees to decrease the vulnerability of the Town's IT assets to loss and misuse.

### **Town Employees Have Not Received IT Security Training**

Town Employees have not received computer use or IT security and awareness training. We reviewed the web browsing history for the 15 computers. We did not identify any exposed PPSI or inappropriate websites visited. However, we identified questionable Internet usage in violation of Town policies. These included employees visiting social networking, shopping and entertainment sites, potentially for non-business purposes, and performing other Internet research and browsing of a personal nature using the Town's IT assets, and often during working time.

Failure to provide IT security training to raise employee awareness increases the risk that users will inadvertently expose the data and computer resources entrusted to them to unauthorized access, misuse, or abuse. Protecting IT assets is especially important as the number of instances of people with malicious intent trying to harm computer networks or gain unauthorized access to information through malware and other types of attacks continues to rise. Thus, it is important to provide updated IT security training periodically to address new technologies, threats and any changes to the Town's computing environment.

### **The Board Has Not Adopted a Formal Disaster Recovery Plan**

The Board has not adopted a comprehensive disaster recovery plan to address potential disasters. This is of particular importance given the current prevalence of ransomware attacks. If a Town employee's computer becomes infected with ransomware,<sup>11</sup> and the malicious program encrypts all data accessible to it, the employee would not have guidance to rely on in responding to the incident, including who to contact and whether or not to pay the ransom. While the Town does have a backup system in place, only the Town's IT consultant and IT vendor

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<sup>11</sup> Ransomware is a type of malware that restricts access to a computer it infects or the data that computer contains and then demands that a ransom be paid to regain access.

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are aware of how the system works. Town personnel have no guidelines or plan to appropriately recover data if a disaster occurs. Without a comprehensive disaster recovery plan, the Town could lose important data and suffer a serious interruption in operations if a catastrophic event occurred.

### **Officials Did Not Adequately Manage or Monitor Active Network Accounts**

Officials should improve their management of network user accounts. The Town had 157 network user accounts as of May 8, 2017. We analyzed these accounts and identified various security weaknesses where Officials did not reasonably limit access:

- We identified 44 user accounts (28 percent) that had not been used to logon to the Town network in at least six months. Of these, 20 had never been used and another eight had not been used since between 2007 and 2010. These accounts may no longer be necessary and disabling or removing them would decrease the risk of unauthorized access because any user account on a network is a potential entry point for attackers.
- We found 66 user accounts (42 percent) were generic and/or shared, meaning they are not associated with a unique user and may be used by more than one individual. The use of shared accounts can prevent Officials from successfully tracing suspicious activity to a specific individual, thus presenting difficulties in holding the responsible user accountable for any inappropriate actions.
- We identified 12 individual (i.e., not generic and/or shared) user accounts (13 percent of 91 individual accounts) that do not match any current employees. Unnecessary accounts create additional work to manage network access, along with the risk of errors that could result in users being inadvertently granted more access than needed. In addition, user accounts of former employees that have not been removed could potentially be used by those individuals for malicious activities.

We addressed all of these concerns with appropriate Officials and the IT consultant. They were very responsive and were actively following up to determine which user accounts were necessary or could be eliminated or which access levels should be altered.

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## What Do We Recommend?

Officials should:

6. Develop comprehensive IT use and security policies to protect data and information systems and define appropriate user behavior, and periodically review the policies, update them as needed and stipulate who is responsible for monitoring and enforcing them.
7. Put together a comprehensive inventory of all software programs installed on Town computers, and formalize procedures to periodically review software installed on the computers and compare the results to this inventory.
8. Ensure that Officials and employees receive adequate Internet security awareness training and training on the Town's IT policies.
9. Adopt a comprehensive disaster recovery plan and ensure the plan is distributed to all essential personnel, periodically tested and updated as needed.
10. Evaluate existing network and local user accounts, remove or disable any deemed unnecessary and ensure these accounts are periodically reviewed for necessity and appropriateness.
11. Limit network and local administrative permissions to those users who need such permissions to perform their job duties.

# Appendix A: Reserve Balances

Figure 7: Reserve Balances

Fund	Reserve	12/31/13 Balance	12/31/17 Balance	Unbudgeted Year-end Transfers
<b>Town-wide (TW) General</b>	Workers Compensation	\$533,656	\$503,610	\$100,000
	Insurance	\$81,001	\$81,001	\$0
	Capital – IT	\$50,000	\$218,452	\$250,000
	Capital - Open Space	\$815,551	\$495,985	\$227,000
	Capital - Building Acquisition/Construction	\$142,110	\$142,110	\$0
	Capital - Building Improvements	\$1,262,142	\$3,912,053	\$2,850,000
	Capital – Drainage	\$0	\$1,637,546	\$2,200,000
	Capital - Recreation Equipment	\$486,746	\$760,795	\$260,000
<b>Part-Town (PT) General</b>	Workers Compensation	\$463,762	\$507,655	\$120,000
	Insurance	\$68,335	\$68,335	\$0
	Capital - DPW <sup>(a)</sup> Equipment	\$900,168	\$948,668	\$344,000
	Capital – Sidewalks	\$1,192,119	\$3,199,389	\$1,320,000
<b>TW Highway</b>	Capital - DPW Equipment	\$1,122,149	\$2,189,336	\$1,300,000
<b>PT Highway</b>	Capital - Road Repair	\$3,239,397	\$5,517,662	\$4,540,000
<b>Fire Protection</b>	Workers Compensation (three combined)	\$544,625	\$734,226	\$227,000
<b>Sewer</b>	Workers Compensation	\$201,617	\$284,617	\$83,000
	Capital - Sewer Equipment	\$428,240	\$1,104,815	\$625,000
<b>TW General<sup>(b)</sup></b>	Special Recreation	\$653,358	\$2,143,142	\$1,700,000
<b>Total Reserves and Special Recreation Account</b>		<b>\$12,184,976</b>	<b>\$24,449,397</b>	<b>\$16,146,000</b>

a) Department of Public Works

b) As of December 31, 2017, the Town began reporting its special recreation account in a separate special revenue fund, per our verbal recommendation – see footnotes 2 and 8. However, we included the 2017 special recreation account financial activity and balances in the general fund for our analysis in this report, for comparability to the prior three years.

# Appendix B: Response From Town Officials

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## TOWN OF PERINTON

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### SUPERVISOR

June 18, 2018

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

Re: Response to Draft Report of Examination 2017M-232

Dear Mr. Grant:

We have received and reviewed your draft copy of the Financial Management and Information Technology Report of Examination for the Town of Perinton.

We are in agreement with the key recommendations in the report, and, in fact, had already been in the process of implementing several of these. As this progress continues, our Town Board also has begun creating plans to address the other recommendations.

I would like to also commend the auditors for the competent and professional manner in which they conducted themselves while visiting here.

Sincerely,

Michael G. Barker, Supervisor  
Town of Perinton

## Appendix C: 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 objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Officials and reviewed Board meeting minutes, Board resolutions and policies to obtain an understanding of the Town's financial management operations.
- We analyzed changes in fund balance and revenue and expenditure trends for the general, PT and highway funds for 2014 through 2016 and evaluated major factors contributing to operating results for those years.
- We compared budget estimates to actual revenues, expenditures and use of appropriated fund balance for 2014 through 2016 to determine whether those estimates were reasonable.
- We received 2017 year-end figures post audit and reviewed them for similar trends from previous years.
- We verified that the Town's use of the reserve funds was for appropriate Town expenditures.
- We interviewed Officials and the IT consultant to gain an understanding of the IT environment and internal controls.
- We obtained and reviewed Town IT policies and procedures.
- We ran an IT tool on a sample of 15 computers to identify installed software. We selected 10 computers randomly and the remaining five based on biased judgmental sampling because they were used for on-line banking.
- We ran a web script on the same 15 computers to determine if Town computers were being used for appropriate Town activities.

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 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 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

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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 D: 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

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](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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

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