



ULSTER COUNTY COMPTROLLER'S ANNUAL REPORT 2023

**Office of the
Ulster County Comptroller
March S. Gallagher**



2023 IN REVIEW

Building Trust Through Diligent Oversight

The Ulster County Comptroller's Office released four audits during 2023. These audits included a Real Property Tax Audit, an audit of the "CARES 2" small business grant program, a follow up audit of our investment policy compliance audit, and an audit of the County's Solar Payment in Lieu of Taxes (PILOT) agreements. It was our privilege to be able to work with each of the County departments and agencies to identify opportunities for cost savings, new revenues, and more effective delivery of service.

In addition to performing audits, the Comptroller's Office consistently reviews financial data and distributes reports to support policymakers in making informed decisions and to educate the public about their government's financial status. In 2023, we maintained this dedication by providing regular updates on sales tax and quarterly financial reports. Additionally, our Office published a report addressing Short Term Rental Tax Compliance.

Although our staff primarily focuses on auditing and financial reporting, we are also equipped to address relevant issues as they emerge. For example, we discovered inaccuracies in income tax calculations at the Ulster County Economic Development Alliance and errors in a calculation of interest due to the Kingston City School District. Both corrections saved money for Ulster County taxpayers.

The Ulster County Comptroller's Office provided significant feedback on improvements for transparency and accountability to the Ulster County Charter Revision Commission. Some of these recommendations were passed by the Ulster County Legislature and sent to the voters who ultimately adopted the changes this past November.

Finally, the Ulster County Charter gives the Comptroller the ability to convene citizens commissions which we did for the pursuit of broadband and cellular service throughout the County. Established in 2022, the Citizens Commission for Digital Inclusion assembled members from wide geographical and professional backgrounds, persisting in its efforts to advocate for and advance digital inclusion initiatives throughout 2023. It is our honor and pleasure to serve the taxpayers and elected officials of Ulster County. We look forward to continuing this work into 2024 as we strengthen transparency and accountability for our shared resources.

Real Property Tax Audit

The County is responsible for the enforcement of real property taxes in accordance with New York State Real Property Tax Law (RPTL). The County's annual real property tax revenues of approximately \$76 million are a vital revenue source needed to support County operations. Weaknesses identified in the internal controls over the County's real property tax system could result in financial loss to taxpayers when the County is unable to recoup uncollected taxes. As one of the County's most essential duties that supports one of the County's largest revenues, the establishment of adequate controls by the Executive and the Legislature is paramount.

As a result of our audit, the County has recouped more than \$380k in interest overpaid to the Kingston City School District, foreclosed on a property with nearly \$11 million in tax arrears and developed a new process for paying school taxes on County owned properties, reducing future costs related to interest for late payments.

Ulster County CARES 2 Audit

The audit found that approximately half of the CARES 2 grant awardees were not eligible to receive a grant based on the terms of the contract between the Ulster County Economic Development Alliance (UCEDA) and Ulster County. The audit also found that the language within the contract was unclear, inaccurate information with respect to the program's eligibility requirements was communicated to the public, and ineligible applications were provided to the scoring committee. Additionally, there were errors in the final aggregation of all the data to determine the scores for all the applications. These findings, as well as previous governance and financial management issues at the UCEDA highlighted by the Comptroller's office led us to conclude that it would not be prudent to extend additional grant funding for the UCEDA at this time.

Solar PILOT Audit

The audit identified issues related to inconsistent rates for solar PILOT agreements and the incorrect application of interest and penalties. These issues stem from the absence of standardized policies and guidelines, leading to potential advantages or disadvantages for solar energy companies and a lack of accuracy and equity in PILOT agreements. To address these issues, we recommended that the Legislature institute a standard policy to establish consistent rates. Additionally, the Department of Finance should document interest and penalty calculations once the 30-day grace period ends. By implementing these recommendations, Ulster County can promote transparency and accountability in the solar PILOT program while fostering a level playing field and equitable tax application for all stakeholders involved.

Investment Follow Up Audit

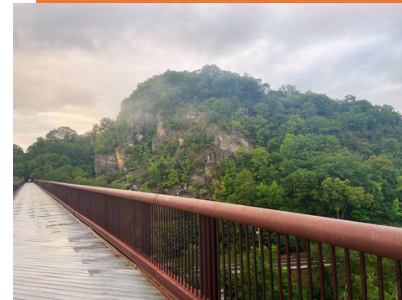
Our follow up audit revealed noncompliance with several sections of Ulster County's new Investment Policy. Specifically, an Investment Advisory Board has yet to be convened as required by the Policy. Since the prior audit, Ulster County has transferred a total of \$128 million from a lower interest-bearing account to a higher interest-bearing account within the Bank of Greene County ("BOGC") and generated \$4.21 million more in interest revenue as a result. While this is a shift in the right direction, this follow up audit reveals that interest revenues realized are still not being maximized within the current investment structure. This is because surplus cash remained in the Deposit Account which could have produced an additional \$2.4 million in supplementary interest revenue. This audit also revealed that there is a lack of diversification of investment of County funds, and that over 96% of the County's cash was held by Bank of Greene County.



ULSTER COUNTY COMPTROLLER'S AUDIT OF DELINQUENT REAL PROPERTY TAX COLLECTION

2023

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AUDIT OF ULSTER COUNTY CARES 2 GRANT PROGRAM

Office of the
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ULSTER COUNTY SOLAR PILOT AUDIT - REVIEW OF BILLING AND COLLECTIONS

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ULSTER COUNTY COMPTROLLER'S INVESTMENT FOLLOW UP AUDIT

2023

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REPORTS

Short-Term Rental Tax Compliance Snapshot

Ulster County is forgoing revenue for short-term rentals that book through platforms other than Airbnb and fail to register with the County to pay occupancy tax. This report identified 948 properties not compliant with occupancy tax requirements, 58% of which had rented within the last 60 days. We recommended that the County pursue those properties individually and levy penalties where appropriate. The County should consider contracting for compliance to ensure that all unregistered properties listed on a short-term rental platform receive a compliance letter requiring registration for occupancy tax and follow up.

Ulster County Sales Tax Snapshot

Ulster County sales tax revenues collected exceeded budgeted figures by \$22.4 million in 2022, 16% of the total budgeted revenue for the year. Based on the information reported by OSC, automobile dealers, which are the largest single source of sales tax revenue in Ulster County, saw a 1% decline when compared to the prior year period. However, restaurants saw an 8% increase, and electronic shopping was up 5% year over year. Gasoline stations, saw an 11% decline over the same period, and building materials declined 1% as increased costs caused by supply chain issues began to settle. Traveler accommodation saw a significant increase in revenues, 17% when compared to the prior year. This is likely due to both an increase in the volume of Airbnb and other short-term rental providers in the County, as well as increased collections realized through improved tax compliance. And finally, Electric Power Generation saw the single largest increase amongst the top ten industries reporting a 33% increase in revenues when compared to the prior year.

MEMORANDA

Enterprise West

The Comptroller's Office issued a memorandum regarding expenditures on the Tech City/iPark campus made without legislative approval. The Comptroller's Office expressed concerns about UCEDA's oversight of the transaction and a lack of up-to-date financials for the UCEDA organization.

Internal Controls

The former Ulster County Commissioner of Finance resigned after he was confronted about his theft from a local nonprofit that he served as treasurer. Upon learning of this, the Comptroller's Office issued a memorandum recommending several measures to strengthen internal controls. Suggestions included improvements in segregation of duties, improved transparency, and reconciliations between the main financial system and ancillary systems. While the County has made progress towards some of the recommendations, many of them have yet to be implemented and are discussed below in the Risks section of this report.

Fund Balance

The Comptroller's Office issued a memorandum with suggestions for amendments to Resolution 2023-213. Specifically, we recommended including a definitions section in the Fund Balance Policy as well as narrowing the limitations and thresholds to unrestricted fund balance only in keeping with state law. Many of these changes were adopted in the final version of the resolution.

Governance and Finance at UCEDA

Throughout 2023, The Comptroller's Office continued to have concerns about the transparency and accountability of the UCEDA organization. We issued a memorandum detailing these concerns for the Board, the Legislature and the Administration. One issue identified was the lack of accurate and timely financial information being presented to the UCEDA Board of Directors. Another concern raised was the submission and payment of inappropriate expenditures. Some of the other concerns raised have still not been addressed and are further discussed in the Risks section of this report.

Tracking of Monthly Vacation Accruals

The resignation of the former Commissioner of Finance along with the resignation of other long-standing employees of the Finance Department created an opportunity for the Comptroller's Office to review the payout procedures upon employee separation. Through that review it became clear that the County credits employees with vacation time earned on an annual rather than a monthly basis. This delay in allowing employees to access time earned can be a detriment to employees facing personal issues, makes it difficult to recruit new employees and is in contradiction to collective bargaining agreements and other contracts with employees. The agreements say that employees should earn access to their benefit time monthly, but past practice has been to only allow employees to use the time they have reached on the date of the anniversary of their employment.

Charter Revision Memoranda

The Comptroller's Office issued six memoranda with recommendations on Charter Revisions. These potential amendments were proffered in an effort to improve internal controls, transparency and accountability. Specifically, memorandums published included memos on bank reconciliations, access for the Legislature and Comptroller's Office to Departmental budget estimates, the line of succession, and many of the recommendations were included in the Charter Revision Commission's Final Report. Four of the changes were adopted by the voters at the November election in Ballot Initiative #4.

COST AVOIDANCE, COST RECOVERY, AND ENHANCED REVENUES

Ulster County voters chose to create the Office of the Comptroller to save taxpayer money and ensure that services are delivered in the best way possible. The Comptroller's Office routinely captures and documents cost avoidance, cost recovery and enhanced revenues attributable to the work of the Office.

This table includes costs avoidance, cost recovery, and revenue enhancement for 2023. It is important to note that, without willing and active partnership by the County Executive and the County Legislature none of these savings or revenues would be realized. Collaboration to achieve the best services at the lowest cost is what serves the best interests of the people of Ulster County and we take pride highlighting such efforts as evident in these numbers.

Ulster County Comptroller's Office Cost Avoidance, Cost Recovery, and Revenue Enhancement			
Type	Description	Actual	Year
Revenue Enhancement	Better investment of County funds	\$ 4,200,000	2023
Cost Avoidance	Call Center Operation Savings	\$ 341,287	2023
Cost Recovery	KCSD interest recovery	\$ 379,199	2023
Cost Avoidance	Erroneous Wire Transfers Prevented	\$ 680,000	2023
Cost Avoidance	UCEDA rental tax UBTI	\$ 8,403	2023
	TOTAL	\$ 5,608,889	

CLAIMS PROCESSING

The Ulster County Charter enumerates the claims audit function as an essential element of the powers and duties of the Comptroller's Office.¹ This role provides the County with an independent advocate who can assure that meaningful internal controls and processes are in place, so tax dollars are spent efficiently and reasonably.

[1] See Ulster County Charter: § C-57(D): [The Comptroller shall] certify the availability of funds for all requisitions, contracts, purchase orders and other documents by which the County incurs financial obligations or for the expenditure of funds for which the County is responsible; and § C-57(F): [The Comptroller shall] audit and certify for payment all lawful claims or charges against the County, whether for payroll or otherwise, or against funds for which the County is responsible in whole or in part.

Two full-time auditors primarily oversee this function with support of other staff members when necessary. The auditors examine each invoice, payroll warrant, wire payment request, or other claims submitted for comptroller approval to determine the claim is accurately calculated with sufficient supporting documentation to verify the lawfulness and appropriateness.

This essential analysis assures that every claim paid is for a legitimate County purpose, that required approvals and authorizations have been obtained, adequate budgetary appropriations are available, and validates the accuracy of any calculations that are relied upon. These auditors also certify that a claim meets both state and local laws and policies, that competitive bidding was sought where required and contractual terms were met. Prompted by the pandemic the processing of claims has taken a more significantly digital role over the last two years which has improved efficiency, documentation abilities and the safety of our staff.

CLAIMS AUDIT 6 YEAR SUMMARY						
	2018	2019	2020	2021	2022	2023
Contracts Count	831	1,002	674	860	962	998
Contracts Expenditure \$ Amount	\$ 80,800,561	\$ 83,104,808	\$ 44,160,169	\$ 82,473,698	\$ 88,620,939	\$ 77,142,211
Contracts Revenue \$ Amount	\$ 11,879,497	\$ 29,622,651	\$ 18,241,381	\$ 32,323,273	\$ 29,147,243	\$ 26,574,426
Wires Count	1,249	1,296	1,282	1,295	1,349	1,292
Wires \$ Amount	\$ 186,626,735	\$ 216,451,188	\$ 211,774,351	\$ 201,119,192	\$ 224,674,150	\$ 209,696,024
Employee Reimbursements Count	3,273	3,262	1,413	2,068	2,490	1,429
Employee Reimbursements \$ Amount	\$ 585,721	\$ 681,849	\$ 217,520	\$ 665,882	\$ 589,586	\$ 278,000
Batches Invoice Count	28,343	28,533	23,844	24,934	27,125	29,002
Batch \$ Amount	\$ 165,059,682	\$ 163,555,213	\$ 147,329,574	\$ 156,798,799	\$ 192,805,398	\$ 182,742,599
Payroll Transactions	39,563	40,984	41,413	40,388	41,960	41,183
Payroll \$ Amount	\$ 83,761,365	\$ 85,975,996	\$ 86,320,810	\$ 89,061,835	\$ 95,234,626	\$ 99,488,596

The compilation of the monthly taxpayer checkbook published by our Office is an additional responsibility of our claims audit team, which details the payments issued to each vendor every month. This material is shared within days of the end of the monthly period and allows the people of Ulster County to see where their tax dollars are being spent on a timely basis. In addition to the Taxpayer Checkbook, the claims auditors are responsible for approving contracts entered into by Ulster County and have made the approvals transparent through a publicly available monthly Contract Log available on the County Comptroller's website at the following location:

<https://comptroller.ulstercountyny.gov/audit-reports/taxpayer-checkbook-wire-transfer-contract-log>

Highest Paid Vendors and Taxing Jurisdictions in 2023		
Vendor	# of Invoices	Total Invoice Amount
City of Kingston	204	\$ 20,609,257.83
Ulster County Community College	30	\$ 6,641,466.81
Onteora Central School District	63	\$ 5,140,643.94
Callanan Industries Inc	115	\$ 4,921,544.77
Kingston City School District	105	\$ 4,270,809.42
Rondout Valley Central School District	5	\$ 3,379,277.46
Gateway Hudson Valley	45	\$ 3,110,609.09
Tri-Valley Central School District	7	\$ 2,935,952.34
New Paltz Central School District	3	\$ 2,877,560.82
Saugerties Central School District	3	\$ 2,741,350.31

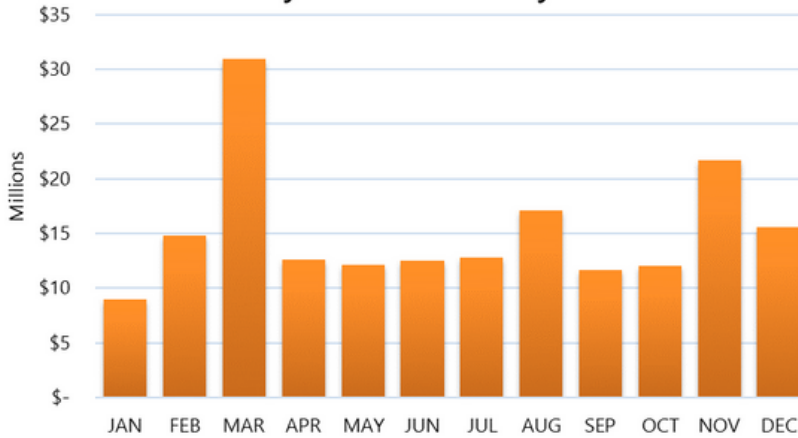
The claims auditing function is not only an indispensable component of the Office of the Comptroller in enforcing internal controls, but it also serves as a vital part in maintaining the integrity and transparency of governmental best practices. Claims auditing has evolved to mean much more than just a review of invoices, as our claims auditors also highlight and track fluctuations in expenditures that provide the opportunity for additional analysis, proactive responses to changes occurring in our community and economy and identify opportunities for improvement or scrutiny if needed.



DEPTS WITH MORE THAN \$1M IN CLAIMS AUDITED

DEPARTMENT	\$ TOTAL
1310 Finance	\$ 81,418,810
1490 DPW	\$ 29,351,479
6010 Social Services	\$ 23,076,900
4310 Mental Health	\$ 11,053,246
3110 Sheriff	\$ 8,985,382
1680 Information Services	\$ 4,736,611
1910 Insurance	\$ 4,192,520
1430 Personnel	\$ 3,725,754
1450 Elections	\$ 2,171,034
5630 UCAT	\$ 1,916,029
6772 Office for Aging	\$ 1,819,645
3020 Emergency Management	\$ 1,496,507
4010 Health	\$ 1,432,149

Total Payment Amount by Month



Expenditures made through the separate financial system operated by NYS called Welfare Management System are not claims audited by the Comptroller's Office. These payments include temporary assistance payments, Medicaid, HEAP, foster care payments and other forms of social services payments. Primary audit responsibility for WMS claims lies with New York State. In 2023, the County Comptroller's Office audited over \$23 million in DSS claims outside of the WMS system and included claims generated through contracts between DSS and outside vendors for services such as pre-school and emergency housing.

In addition to approving payments to outside vendors for services, the claims audit team also reviews passthrough payments of sales tax made to the City of Kingston and the towns, and property tax to the towns, villages, and school districts.

Finally, the claims team is responsible for auditing employee vouchers and payroll processing – that is all payments to employees including those that are reimbursements for mileage or other expenses discussed in greater detail in the following section.

PAYROLL

Claims auditors certify each payroll warrant the County issues by verifying that all calculations are correct and agree to personnel records and the appropriate backup documentation has been provided. Payroll auditing took on special significance in 2023 with several large payouts for employees leaving County service.

The Ulster County Comptroller's Office audited each payroll for 2023 that included 26 bi-weekly, 52 weekly, 12 monthly, 4 quarterly, 13 election worker, 6 COVID-19 vaccine employee and 7 OFA neighbor to neighbor payroll for a total of 120 payroll audits. The total payroll audited was \$99.4 million in 2023. Payroll audits are carried out primarily by the Claims Auditors with the Senior Auditors as back up.

2023 Payroll Summary		
Payroll	Amount YTD	Count YTD
Weekly - Highway	\$ 9,218,082	5,969
Bi-Weekly - Regular	\$ 88,335,674	32,214
Monthly - Legislature, Arson & Fire Coord.	\$ 449,796	390
Quarterly - Retiree HI Buyback	\$ 1,090,950	1,690
Pod Volunteers	\$ 9,950	81
Election Workers	\$ 381,144	821
RSVP Volunteers	\$ 3,000	18
Grand Total	\$ 99,488,596	41,183

We verify individual department time tracking information against what is put into the general county system. We look for any employees that are not being paid their standard hours, for any pay adjustments or other unusual pays and verify them to back-up provided, as well as rate increases that are matched to an authorization of the change. We also track employee reimbursements paid against the total reimbursements paid over all warrants for that payroll. Some of the most common issues found are mistakes regarding shift pay, some incorrect standard hours paid, and data entry errors regarding the employee reimbursements.

BANK RECONCILIATIONS

The County Comptroller's Office was mandated under the Ulster County Charter to reconcile the County's bank accounts in accordance with the County's Bank Reconciliation Policy that was developed by the Comptroller's Office and adopted by the County Legislature as Resolution No. 466 of 2020.

The Comptroller's Office reconciles 24 of the County's bank accounts within the County's financial software monthly and reviews an additional 15 "off book" accounts that are maintained within separate financial systems outside of the County's primary system. Those accounts are maintained by the Department of Social Services, the Sheriff's Department, Probation and County Clerk's Office. The Comptroller's Office has no access to or oversight authority over Estate accounts opened by the Commissioner of Finance in the role of Public Administrator.

The Comptroller's Office had long contested that the act of performing bank reconciliations should not be under their auspices as it is a threat to our independence from an accounting perspective and is specifically barred as an activity appropriate for auditors. The independence issue arises because while performing bank reconciliations we must recommend appropriate adjusting journal entries to the Counties financial records. As such, we proposed to the Charter Revision Commission to move primary responsibility for bank reconciliations to the Department of Finance with the Comptroller's Office then providing reconciliation reviews. Resolution No. 375 of 2023 adopted local law No. 8 of 2023, which amended the Ulster County Charter to make the change to the charter that was recommended by the Comptroller's office.

The Comptroller's Office is currently working with the Department of Finance staff to finalize the December 2023 bank reconciliations and facilitate a smooth transfer of this critical internal control over financial reporting.

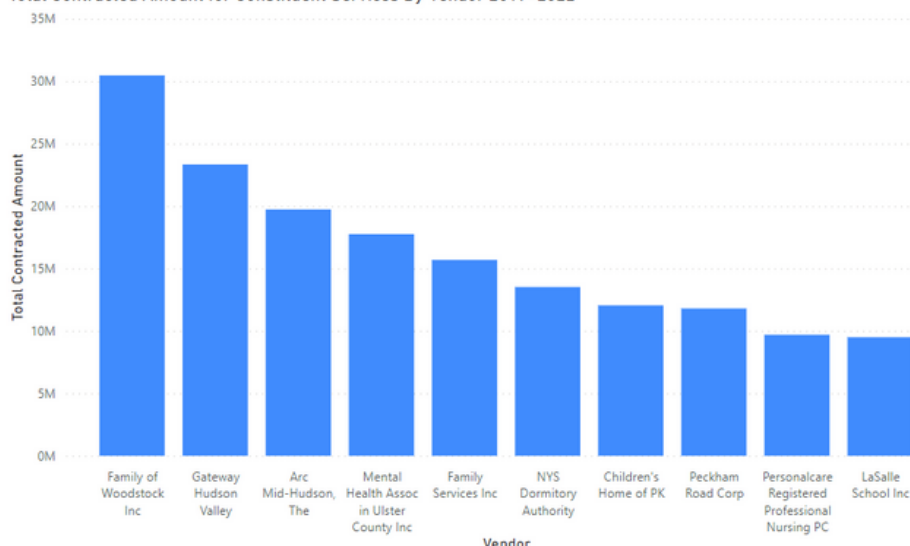
DIGITAL COMMISSION

The Ulster County Digital Citizens Commission was convened by Comptroller March Gallagher on May 4, 2022 under §C-57(H) of the Ulster County Charter. The mission of the Commission is to bring universal connectivity to all Ulster County residents and businesses with equitable, affordable access to high-speed cable fiber broadband and cellular service. The Commission has made digital access information public to inform policy discussions to improve infrastructure through public private partnerships. The Commission met 6 times in 2023 and hosted 2 broadband Town Halls. In 2022, working with geographic information services and the town supervisors, the Commission created the Ulster County cable fiber broadband map. This map was continuously updated in 2023 by the Commission and the members also assisted individuals in filing challenges on the FCC National Broadband Map. In 2023, through the relationships fostered by the Commission members, Margaretville Telephone Company deployed high speed fiber broadband to the hamlet of Phoenicia.

QUALITY ANALYSIS AND PAYROLL DASHBOARD

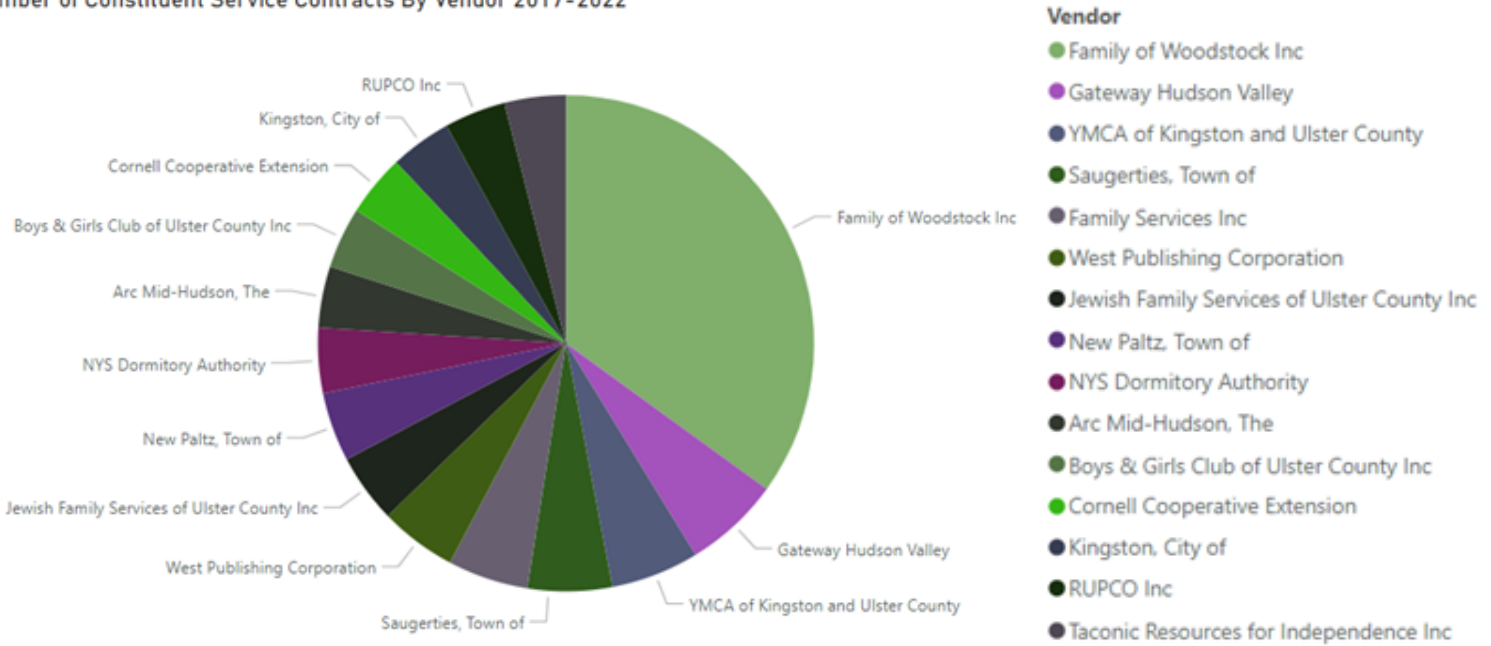
The Ulster County Legislature created a new position in the Comptroller's Office for budget year 2023. That position, Quality Analyst, was filled in March of 2023. The purpose of the position is to evaluate the quality of services being provided to Ulster County constituents by outside agencies under contract to deliver those services. The Comptroller's Office tasked the Quality Analyst with reviewing the scope of contracts, identifying the agencies with close constituent engagement service (high touch) contracts, engaging in the contract approval process, evaluating existing contracts for reporting requirements, and gathering reporting from various departments.

Total Contracted Amount for Constituent Services By Vendor 2017-2022



This initial work identified that as of August 2023 there were over 2,500 open contracts in the County's financial system flagged as service contracts, more than 1,200 of which were expired and should be closed to ensure no funds are spent against them. Of these contracts that have expired, 14% were never invoiced. The open contracts we identified are from 2017-2023. In addition, the Quality Analyst identified the largest contract vendors both by number of contracts and amount.

Number of Constituent Service Contracts By Vendor 2017-2022



Top 15 Vendors of the County by number of Contracts 2017-2022

The work of the Quality Analyst identified that current reporting takes a variety of forms, and many contracts did not require reporting. Of the reporting required, some reporting is quarterly, some monthly and some annually. The Quality Analyst identified the following issues with current reporting:

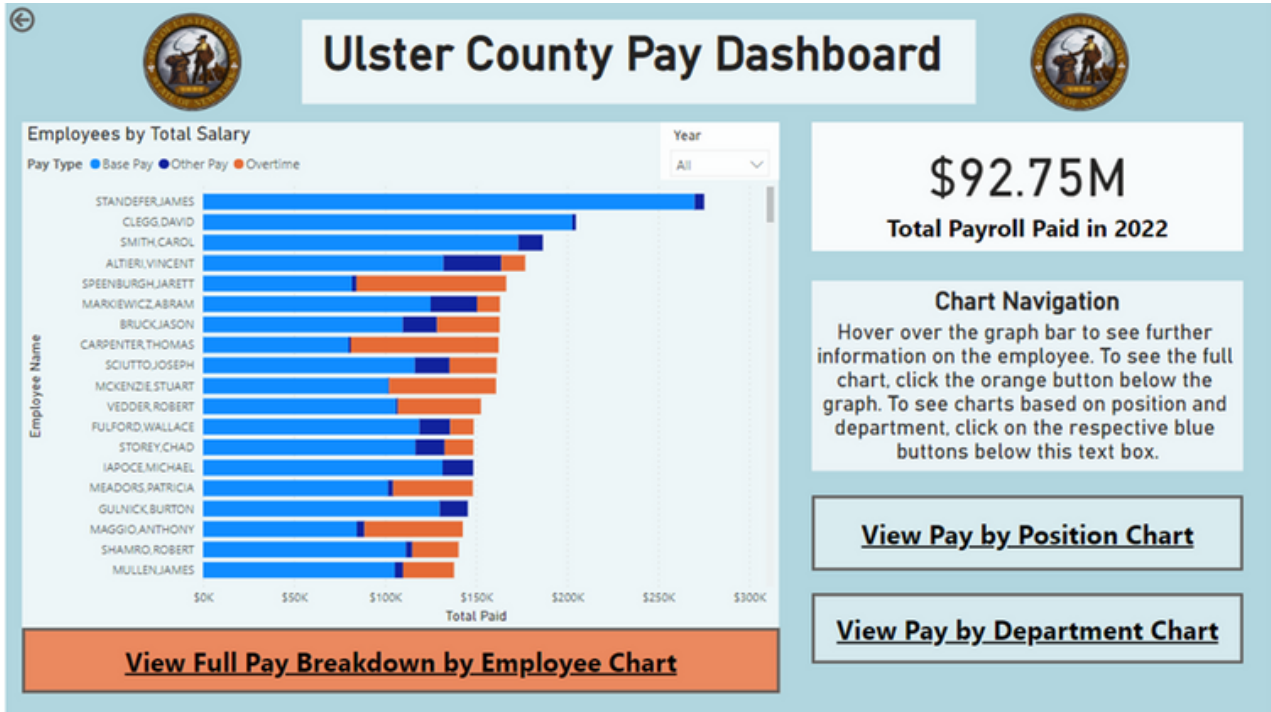
- Varying Reporting Requirements:** Different contracts have different expectations regarding reporting. Some require daily listing of calls received, while others expect County staff to collect data. This lack of uniformity makes it difficult to streamline reporting processes.
- Inconsistent Data Collection:** Even for agencies providing similar services, the questions asked in reporting differ, leading to inconsistent data collection methods. This inconsistency can result in data that is not comparable or reliable.
- Inconsistent Data Presentation:** The way data is presented varies greatly across contracts and agencies. Some reports break down data into duplicated and unique individuals served, while others provide a total number within the same contract. This inconsistency hinders accurate analysis and comparison.
- Zero Reporting:** Some reports indicate that zero people were served, which could either be due to the question not being applicable to the service provided or to record-keeping errors. This inconsistency in reporting makes it challenging to assess the actual impact of services.
- Lack of Standardization:** Due to the absence of standardized outcome and output reporting procedures, it is difficult to compare metrics across agencies, even for simple measures such as the cost of service per participant. This lack of standardization limits the ability to evaluate and improve services effectively.

The process of gathering the reporting from departments also identified areas of improvement. Many contracts rely on the vendor to create the format for reporting which leads to delays in submission and inconsistent reporting from different vendors. Some departments failed to receive the reporting by the required deadline and in many instances, departments requested vendor reporting, months late, only after the Comptroller's quality analyst inquired about reporting requirements.

The Quality Analyst has conducted a test site visit with an outside agency and is working with legislators to identify contracts of concern. They also began to connect with outside agencies to understand pain points with working with the county. The work of the Quality Analyst is continuing into 2024 when the first major reporting items will be shared with the Legislature and the taxpayers.

Pay Dashboard

This past year, the Comptroller's Office added a new transparency function by creating the [Ulster County Public Pay Dashboard for 2022](#). The Comptroller's Office promotes transparency and openness with the public in all possible areas. The intent behind the Public Pay Dashboard is to provide greater insight into county personnel costs. Certain pay codes were aggregated to protect private personnel information. Public facing data provides a deeper understanding of local government operations and enables policy makers and community partners to make informed decisions.



BALLOT INITIATIVE

This past November the voters of Ulster County adopted changes to the Ulster County Charter to strengthen the Comptroller's Office in four important ways.

1. Confirmed and clarified that the Comptroller's Office has the right to clear access to all digital records of the County.
2. Authorized the Comptroller's Office to have audit authority over all component units of the County, including agencies such as the Ulster County Resource Recovery Agency.
3. Established that any vacancy in the position of the Comptroller must be filled by someone who meets government accounting requirements to be independent (meaning they cannot audit their own work).
4. Changed the process of reconciling the County's bank accounts, moving the responsibility to the Department of Finance, with oversight by the Comptroller's Office (this allows the Comptroller's Office to audit the bank reconciliations instead of preparing them in the first instance).

We are so appreciative that the people of Ulster County adopted Proposition 4 to make these changes!

RISKS IDENTIFIED IN 2023

The Ulster County Comptroller's Office conducts an ongoing risk assessment program that includes surveying of county departments, document review and interviews in some cases. The Comptroller's Office also uses analysis of financial and other numerical metrics to identify departments and programs of the County that present the greatest risks. That risk analysis can spur an audit, but more often is the basis for initiation of dialogue with the Executive Branch and other elected offices to improve internal controls.

In the past, the Comptroller's Office made the decision not to publish all risks identified but rather to share the criteria used in the risk analysis process. The previous method of risk communication resulted in an intermittent adoption of recommended internal controls as not all concerns about identified risks to the County resulted in change. This year, the Comptroller's Office has chosen to share selected risks in an upfront and transparent way to highlight their importance. This shift in direction is imperative due to changes in leadership (which is itself a risk factor) as well as the impact of the resignation of the former Commissioner of Finance, his guilty plea to grand larceny charges, and an ongoing investigation into County finances by the New York State Office of State Comptroller. The Comptroller's Office identified the following risks:

IT Security:

The County's external auditors have repeatedly identified the lack of an information technology security policy as a risk and the County has yet to adopt such a policy. The effort to adopt a policy was initially brought before the County Legislature's Ways and Means Committee in 2022. It was subsequently postponed at every committee meeting following the original recommendation and to date there have been no resolutions put forth in 2024 to adopt a policy. This presents a significant risk to the County, as cyber-attacks are unfortunately a reality of the present day and have a potential for significant monetary loss. It's crucial to have a well-defined policy that outlines measures for both preventing and responding to cyber-attacks. Clearly defining roles and responsibilities in the event of an attack is essential.

Financial Accounting and Management:

We have identified the following risks in relation to the financial accounting and financial management policies, practices, and procedures of the County:

- **Lacking Revenue Support.** While the County attaches appropriate support for disbursement transactions within the financial system, no backup is currently attached to revenue transactions. We recommend that supporting documents, such as tax bills given to property taxpayers or correspondence received from the state when a wire transfer is received, be attached to the financial system.
- **Lack of Monthly or Quarterly Soft Closing.** The County closes its books once on an annual basis and the County Legislature is not provided any monthly financial accounting reporting. Transactions often go unrecorded in the County's financial system for months after they occur. We strongly recommend that the County implement a monthly or quarterly soft financial close procedure, which requires reporting to the County Legislature's Ways and Means Committee. At a minimum, the periodic reports provided should include Bank Reconciliations, Budget Performance Reports, and Balance Sheets for every fund of the County.
- **Lack of Diversification for Bank Deposits.** As noted in our investment audits, the County keeps most of its cash in one relatively small financial institution although some effort has been made to spread the risk of some of the funds through the IntraFi program. We strongly recommend that the County convene the investment advisory board as soon as possible.
- **Lack of Cashflow Analysis.** The County does not have a process in place for evaluating cash available for investment and cash needed in the near term. We recommend that a cash flow analysis be performed on at least a quarterly basis to assess what the cash requirements are and how much cash is available for investment. If the County lacks appropriate expertise, a third-party vendor could assist.
- **Installment Contracts.** There is no policy to address the conflicts of interest of the Commissioner of Finance when executing installment agreements for payment of property taxes. We noticed that our former Commissioner of Finance signed installment agreements with members of his family and note that this is inappropriate.
- **Encumbrances are Not Fully Utilized.** As noted by the Legislative Budget Analyst, the County does not use encumbrances to their full potential. We strongly recommend that the County post all Purchase Orders when they are prepared to get more accurate budgetary reporting out of the County financial system.
- **Lack of Cross-Training Within Departments.** The absence of cross-training represents a significant financial risk. Without cross-training, departments may struggle to cover for absent or overwhelmed staff, resulting in overtime expenses. The inability to share knowledge and resources across departments can lead to redundant expenditures and missed opportunities for cost-saving initiatives. Ultimately implementing cross-training programs can help mitigate financial risks by fostering a more agile and collaborative workforce capable of optimizing resources and delivering services efficiently within county government.

Vendors of the County:

We have identified the following risks in relation to the vendors of the County:

- **Significant Concentration of Service Providers.** The County heavily relies on a small number of nonprofit vendors to provide critical services. This high concentration presents an inherent risk, as failure at one of these vendors would result in a lack of available services for residents.
- **Limited Data Collection.** There is limited collection and review of 990s or audits for nonprofit vendors of the county. We strongly recommend that all nonprofit vendor contracts with the County require that the vendor provide their most recent annual tax returns and copies of their audited financial statements, if applicable.
- **Audit Exceptions Noted.** A vendor of the County providing critical safety net services received financial statement audits indicating potential misappropriation of assets. We strongly recommend that the County cease working with any vendor that has any inference of misappropriation of assets or becomes involved in any criminal investigations.
- **Outsourcing Operations.** Outsourcing functions of the county to vendors instead of utilizing County staff could result in waste. By paying external vendors for services that could be handled internally, the County might incur additional costs that may not be necessary. We recommend that the County conduct a cost benefit analysis to determine if work should be completed by County staff or external vendors.

Contracts Process:

We have identified the following risks in relation to the contract process:

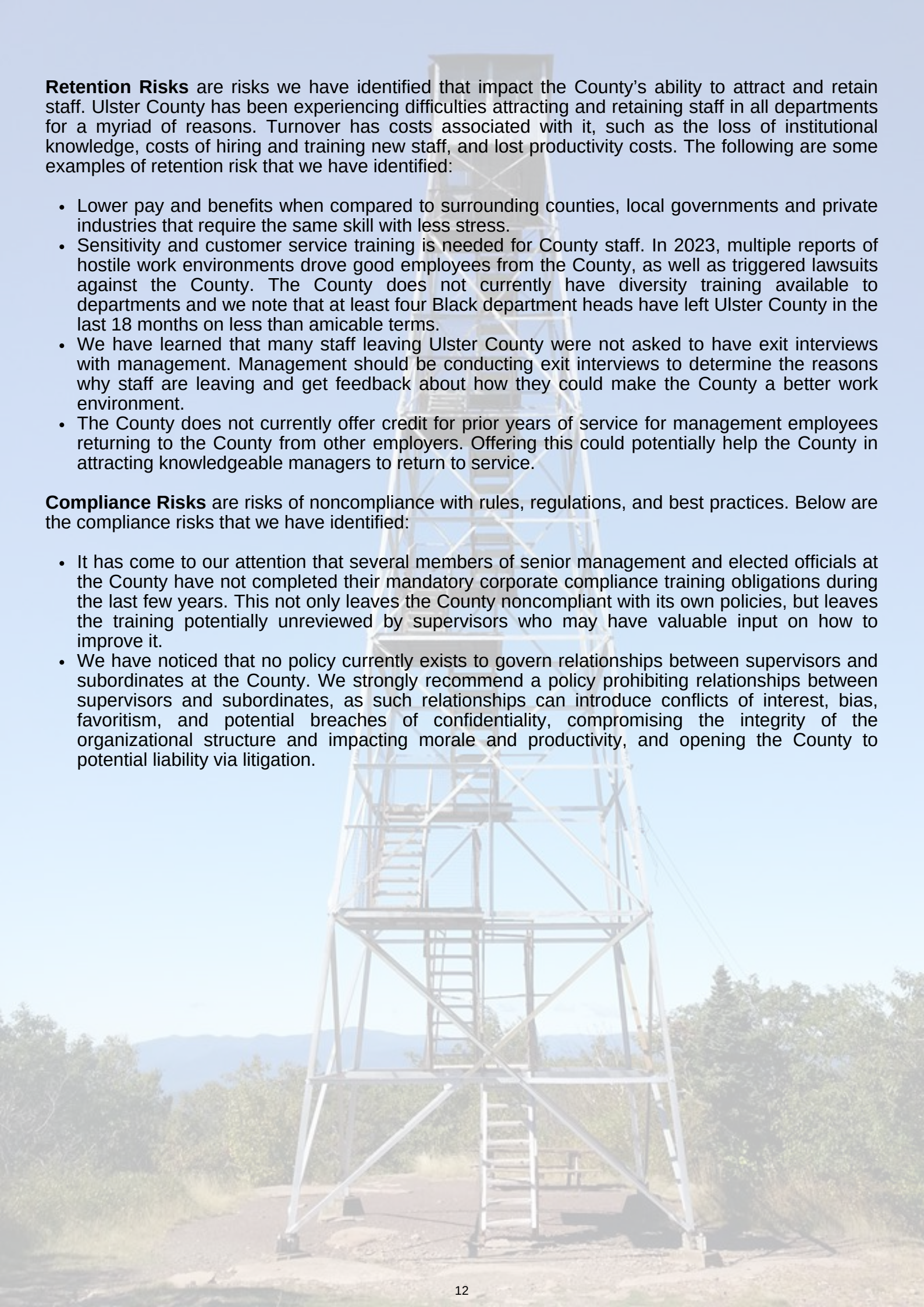
- **Contracts Not Closed.** There are currently many expired contracts marked "open" in the County's financial system, which could allow spending on a contract that has expired.
- **Services Provided with no Contract.** We have noticed several vendors have provided services in advance of receiving an executed contract. This leaves the County potentially open to legal liability should something occur at one of these vendors.
- **No Approval for Insurance Contracts.** Insurance policies are massive contracts, but they do not receive legislative approval. We believe that general liability as well as medical insurance policies should require legislative approval.
- **No Approval for Emergency Housing Vendor Relationships.** The County works with multiple for profit and nonprofit partners for the provision of emergency housing for Ulster County residents in need. While these payments can be hundreds of thousands of dollars, other than Family of Woodstock, these arrangements do not receive legislative or Comptroller's Office approvals.

Payroll and Staffing:

We have identified three types of risk with respect to payroll and staffing: financial risk, compliance risk, and turnover risk.

Financial Risks are risks we have identified as errors or improper practices that have a direct and immediate impact on the County's finances. The following are some examples of financial risk that we have identified with respect to payroll and staffing:

- We have identified opportunities for time theft and have received complaints about employees being paid for time that they have not worked.
- The County lacks a Remote Work Policy that would set parameters around the way time is recorded for employees working from home and would better prevent employees from working for entities other than Ulster County while on the clock.
- Payroll warrants coming out too late precludes a thorough review especially in the case of certain departments which have a very high number of changes made after the warrant is released. This leaves the County open to potential payroll errors.
- Health Insurance buyouts have not been adjusted in 20 years; no analysis has been done with respect to potential cost savings by increasing the amount offered.



Retention Risks are risks we have identified that impact the County's ability to attract and retain staff. Ulster County has been experiencing difficulties attracting and retaining staff in all departments for a myriad of reasons. Turnover has costs associated with it, such as the loss of institutional knowledge, costs of hiring and training new staff, and lost productivity costs. The following are some examples of retention risk that we have identified:

- Lower pay and benefits when compared to surrounding counties, local governments and private industries that require the same skill with less stress.
- Sensitivity and customer service training is needed for County staff. In 2023, multiple reports of hostile work environments drove good employees from the County, as well as triggered lawsuits against the County. The County does not currently have diversity training available to departments and we note that at least four Black department heads have left Ulster County in the last 18 months on less than amicable terms.
- We have learned that many staff leaving Ulster County were not asked to have exit interviews with management. Management should be conducting exit interviews to determine the reasons why staff are leaving and get feedback about how they could make the County a better work environment.
- The County does not currently offer credit for prior years of service for management employees returning to the County from other employers. Offering this could potentially help the County in attracting knowledgeable managers to return to service.

Compliance Risks are risks of noncompliance with rules, regulations, and best practices. Below are the compliance risks that we have identified:

- It has come to our attention that several members of senior management and elected officials at the County have not completed their mandatory corporate compliance training obligations during the last few years. This not only leaves the County noncompliant with its own policies, but leaves the training potentially unreviewed by supervisors who may have valuable input on how to improve it.
- We have noticed that no policy currently exists to govern relationships between supervisors and subordinates at the County. We strongly recommend a policy prohibiting relationships between supervisors and subordinates, as such relationships can introduce conflicts of interest, bias, favoritism, and potential breaches of confidentiality, compromising the integrity of the organizational structure and impacting morale and productivity, and opening the County to potential liability via litigation.