

MEMORANDUM FROM THE

# ULSTER COUNTY OFFICE OF THE COMPTROLLER

March S. Gallagher, Esq.  
Comptroller



Charles Dinstuhl, CPA  
Deputy Comptroller

## MEMORANDUM

To: County Executive Jen Metzger  
Commissioner of Finance Roseann Daw

Cc: Deputy County Executive Jamie Capuano  
Ways and Means Chair John Gavaris  
Financial Deputy Clerk of the Legislature Amber Feaster  
Deputy Finance Commissioner Max Cordella  
Deputy Finance Commissioner Chris Jaros

From: Comptroller March Gallagher

Date: October 7, 2024

Re: Internal Controls Surrounding Cash Collections

Immediately following the departure of the former Ulster County Commissioner of Finance, our office intended to launch an audit of cash collections across all County departments. Staff from the Investigations Division of the Office of the New York State Comptroller (OSC) directed my office to not conduct this audit until after their investigation was complete and their report released. As we await the findings and recommendations of the OSC investigation, we find it necessary to make the following internal controls recommendations to enhance the County's controls over cash collections. This Memorandum is meant to expand upon cash related items included in the March 23, 2023, Memorandum on Internal Controls.

### Segregation of Duties

We believe it is necessary for the County to improve segregation of duties for cash handling in the Department of Finance. The same staff who sometimes physically takes cash to the bank also can record a journal entry to a cash general ledger account. This allows for the possibility of misappropriation of assets. The staff who take cash to the bank should not have any control over recording transactions to general ledger cash accounts. The Comptroller Office observed staff responsible for journal entries returning from the bank with the cash bag last week.

### **Electronic Point of Sale Systems**

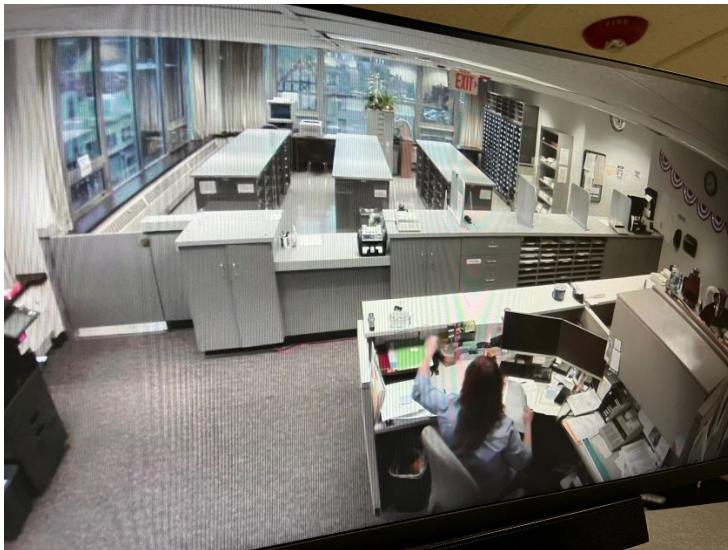
County Departments that handle cash collections should have electronic point of sale systems in place at all stations where cash is collected. These systems should provide both detailed and summary information about the cash collected, and receipts generated at a given station. The cash register drawer connected to the point-of-sale system should not open unless a transaction has been initiated. There should be a daily reconciliation of the cash collections recorded in the point of sales system, and any differences should be investigated promptly.

### **Adequate Supervision for End of Day Reconciliations**

Two employees should be present when cash is counted at the end of a day. Ideally a supervisor will be present as well as the staff who operated the point-of-sale system.

### **Use of Surveillance Cameras**

There should be surveillance cameras monitoring all cash collection stations, and the feed should be maintained until a periodic internal audit of cash collections has been conducted. While there are cameras in the tax area, those are for the purpose of safety not internal control. Only one workstation is visible on camera.



Other department locations where cash is received are not monitored with surveillance cameras.

### **Limiting Cash Transactions**

The County should limit the amount of cash that a taxpayer can pay at a collection station to no more than \$500. This prevents both the inherent risks of cash handling and the potential for money laundering. The

County routinely receives payment in cash for various transactions including large sums more than five figures for delinquent real property taxes.

Because the County accepts cash in sums greater than \$10,000, is not required to file IRS Form 8300, and does not file Form 8300, acceptance of cash may provide legitimacy to illegitimate funds obtained through illegal means.

The County should encourage the use of electronic payments and expand the ability to make online payments for all forms of tax collections. Currently, you are not able to pay your property taxes or hotel, motel, and short-term occupancy taxes online in Ulster County. We believe that offering this option to the public would reduce the amount of cash that is brought to the County.

### **Random Internal Audits**

Once adequate internal controls are in place to facilitate internal audit, the County Comptroller's office will be conducting periodic random internal audits of collection stations to ensure internal controls over cash are operating effectively.