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MEMORANDUM

To: Deputy Commissioner of Finance CJ Rioux

Cc: Commissioner of Finance Burt Gulnick

From: March Gallagher, Comptroller
Chris Quirk, Deputy Comptroller

Date: April 27, 2020

Re: **Recommendations for Paperless Workflow Finance Procedures**

When Ulster County implemented New World and OnBase for document management a goal was to move to paperless workflows where possible. For the most part, this has not occurred. Paper workflows present financial costs and health risks we cannot afford at this time. Accordingly, it is imperative that Ulster County move to paperless workflow wherever possible. The Comptroller's Office has been working since the end of February to move as many of the financial workflows of the County to digital only, particularly where paper must be passed between personnel, departments and offices.

This Memorandum focuses on the financial workflows of the County. The Comptroller's Office may in the future analyze the legislative committee agenda and resolution process or other areas the Executive's Office recommends for savings related to paperless workflow. If all the recommendations here were implemented it would save the County more than 140,000 pieces of paper and 50,000 envelopes annually. We recognize that some of these recommendations can only be partially implemented at this time.

Financial Procedure	Pieces of Paper	Number of Envelopes
Batches	75,000	
Payroll Backup	3,900	
Vouchers	10,000	
Check Runs	10,821	10,821
Pay checks/stubs	41,000	41,000
Total	140,721	51,821

Although bank reconciliations and contract approvals are conducted digitally, many of the workflows associated with the payroll and claims payment processes are paper based. At this

time Ulster County cannot issue a payroll or vendor check run without multiple people touching paper. There is resistance to scanning materials and reliance on continued hand delivery even though scans take little time and would eliminate paper workflows. More importantly, many of the components of these batches of payment paperwork originate from digital sources. Thus, digital records are being printed out, aggregated and then passed along in paper form.

One misunderstanding that has stifled the elimination of paper workflow is that paper provides better documentation from an internal controls perspective. Audit and internal control standards have changed over the last decade. Documentation on paper is not considered necessary or best practice to maintain adequate internal controls.¹

The Comptroller's Office has identified the following financial paper workflows that have been or can be moved to digital workflow:

- 1) **Batches of vendor invoices** - Batches consist of the Batch Edit Sheet, vendor statements, invoices, packing slips and any other relevant documentation to substantiate the charges. The Accounts Payable Unit of the Finance Department aggregates these batches and delivers them to the Comptroller's Office, but this information is drawn out of New World. For the year, 2019, there were roughly 5,751 batches paying a total of 28,533 invoices, for an average of almost 5 invoices per batch. Figuring at least 3 pages for the Batch Edit Sheet, and at least 2 pages per invoice, we estimate moving to paperless workflow eliminates more than 75,000 pieces of paper annually. **The Comptroller's Office moved to digital workflow of batches in early March and at our request no longer receives batches from Finance.**

- 2) **Payroll backup** - Payroll backup comes to the Comptroller's Office now from the Payroll unit of the Department of Finance, but it originates from departments some of whom cc the Comptroller's Office on any changes. The Payroll unit currently aggregates these changes, prints them out and requests we now pick them up (they used to deliver them). Some reports like the FSA report (a digital .xls file being printed out and hand delivered) come from the Personnel Department. On average the payroll back up for the County's bi-weekly payroll is 150 pages, resulting in 3900 pages annually. **Over the coming weeks, the Comptroller's Office will be engaging the departments to cc the Comptroller's Office on payroll related changes or explanations in order to eliminate duplicate and wasteful workflow.**

¹ The Ulster County Comptroller's Office will accept digital copies of receipts and signatures. Audit fieldwork standards require that auditors obtain sufficient competent evidence to support the audit opinion, but the characteristics of sufficient and competent audit evidence have drastically changed with the technological advances. In today's environment, auditors are given the use of judgement in the allowance of electronic evidential matter AICPA 1859. AU Section 326. Audit Evidence. (Supersedes SAS No. 31.) Source: SAS No. 106 available at <https://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-00326.pdf>.

- 3) **Employee reimbursements/vouchers** - these come from all the other departments. The currently used .xls forms for travel and expenses that was originally designed by the Comptroller's Office and incorporated into the SOP. We estimate paper documentation of employee reimbursements create at least 10,000 pieces of paper a year. **The Comptroller's Office will be requesting other departments to scan or digitize these forms and back up to send over.**



- 4) **Check runs** - Eventually the county should consider moving to digital payments of vendors as much as possible through an online payment platform with our banking partner for our Deposit and Payables accounts at Bank of Greene County. The Comptroller's Office may in the future study the cost of our current system of producing paper checks. In 2019 Ulster County distributed 10,821 vendor checks by mail. That is envelopes, postage and handling for 10,821 payments. **The Comptroller's Office seeks to a digital review of the check run with the cooperation of the DOF by scanning the batch of checks, no harder than putting the batch of checks into a copy machine and pressing scan rather than copy. Scanned versions of original documents provide an added benefit because the scan makes a searchable document.**
- 5) **Paycheck and paystub distribution** - The County currently provides a paper check to any employee not signed up for direct deposit. New York State Labor Law Article 6 § 192 requires that employers obtain employee consent to make payments via direct deposit. Regardless of whether an employee receives a paper check, a paper pay stub is generated and distributed for each employee of the county. In 2019, we issued roughly 41,000 stubs and envelopes. Paystub distribution occurs directly out of the Payroll unit of the Department of Finance. Before COVID-19 many of the departments were hand delivered their paystubs. Now many of these packets are being transported by inter-office mail. Pay stubs should be emailed to county employees whenever possible. **The IS department should be tasked with creating a macro to link pay record to employee and the paystub distribution process could be conducted electronically.**