

MEMORANDUM FROM THE

# ULSTER COUNTY OFFICE OF THE COMPTROLLER

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Comptroller



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## MEMORANDUM

To: Roseann Daw, Ulster County Commissioner of Finance

Cc: Jen Metzger, Ulster County Executive; Jamie Capuano, Deputy County Executive

Date: January 25, 2024

Subject: Request for Payroll Tax Returns and Supporting Documentation

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In 2020, the Department of Finance made an overpayment on a quarterly NY 45 filing of which the Comptroller's Office only became aware as a result of a newspaper article. This fall, it came to our attention that the Department of Finance has received notices from the Internal Revenue Service indicating potential payroll tax penalties for the failure to file required tax returns.

Considering these issues, we are hereby requesting that the Department provide our office with copies of all quarterly payroll tax returns and supporting documentation for the fiscal years 2022 and 2023. Please let us know a reasonable timeframe in which this can be completed.

Going forward, we are requiring that our office be provided with copies of all quarterly and annual tax returns filed, as well as supporting reports used to prepare said returns, within three business days of filing.

The purpose of this new requirement is to ensure timely and accurate reporting to appropriate authorities. Additionally, it allows for proper oversight and transparency in payroll tax payments made to both state and federal authorities, ensuring that any overpayments or underpayments are properly addressed, and any necessary refunds or adjustments are processed efficiently. The Ulster County charter § C-57-A bestows upon the Comptroller the authority to establish these new requirements.

Going forward, we require the following information be provided to our office:

1. **Filed Payroll Tax Returns:** Copies of all filed payroll tax returns filed for the fiscal year 2022 and subsequent years, including all relevant forms and schedules submitted to both the New York State Department of Taxation and Finance and the IRS.
2. **Payroll Tax Payments:** Detailed records of payroll tax payments made to both state and federal authorities during the specified fiscal years, including payment dates, amounts, period that the payment is applied to, and confirmation receipts.
3. **IRS and State Notices:** Copies of all notices received from the New York State Department of Taxation and Finance and the IRS regarding potential overpayments, along with any responses or actions taken in response to these notices. When a notice from a taxing authority is received by any County Department, a copy must be immediately provided to the County Comptroller. As an example, the County Department of Finance received a notice of appointment from the IRS on August 7, 2023. The Comptroller's office did not learn of this notice until more than a month later during review of a claim for payment from a vendor for assistance with that notice. A copy of this notice should have been provided to the Comptroller's office upon receipt.
4. **Deduction Records:** Documentation related to any deductions made from employee salaries, such as retirement contributions, healthcare premiums, and other withholdings.
5. **Reconciliation of payroll returns to underlying records:** Any differences between gross wages shown on payroll reports and form 941 line 2, line 5a, and line 5b wages must be demonstrated to be reported accurately to the Comptroller's office. A reconciliation of the postings to the County's general ledger and all trial balance accounts where payroll is recorded to the underlying gross wage reports available in the County's payroll software must also be provided to the Comptroller's office on both a quarterly and an annual basis. These reconciliations must be provided within one month of the period end.

To facilitate a swift and accurate review, please ensure documentation noted above is provided in an organized and secure manner, preferably in electronic format. If you require any clarification or have questions regarding this request, please do not hesitate to contact the Comptroller.

The timely submission of this information is crucial in addressing the issues that have been identified so far, preventing further loss of public trust in the County, and ensuring that our County's financial records remain accurate and compliant with tax regulations.

Thank you for your prompt attention to this matter and your commitment to fiscal responsibility and accountability.