



OFFICE OF THE ULSTER COUNTY COMPTROLLER

2018

THE ANNUAL AUDIT PLAN IS THE COMPTROLLER'S COMMITMENT TO ENHANCING THE VALUE, PRODUCTS, COMMUNICATIONS, AND OVERALL IMPACT OF THE OFFICE OF THE ULSTER COUNTY COMPTROLLER ON BEHALF OF COUNTY RESIDENTS, BUSINESSES, AND VISITORS. THE 2018 AUDIT PLAN FOCUSES ON STRENGTHENING AND IMPROVING ORGANIZATIONAL GOVERNANCE, INTERNAL CONTROL ENVIRONMENTS, TRANSPARENCY, QUALITY OF SERVICES, AND FRAUD PREVENTION.

Annual Audit Report and Risk Assessment



PLANNED AUDITS

2018

2017 Audits in Progress

Department of Personnel

Health Insurance

The audit reviewed the internal controls over the administration of the Ulster County self-funded health benefit plan. The review sought to determine if adequate controls were in place to ensure that health benefits in general are budgeted appropriately, financially supported, and properly overseen.

Department of Social Services

Foster Care Contracts

The audit will seek to determine whether financial transactions were related to the program, reasonable, and recorded properly. Additionally, the audit will evaluate the adequacy of the department's fiscal monitoring of provider contracts, delivered outcomes by providers, and uniformity of rates and billing practices.

Planning Department

Ulster County Economic Development Alliance "UCEDA"

The goals of this audit were to analyze the mission of UCEDA, its corporate governance structure, and its relation to municipal governments and other local authorities. Further, we will attempt to measure UCEDA's progress in meeting listed performance goals or fulfilling its purpose related to supporting and/or increasing the visibility of economic development in Ulster County.

Department of Health

Medical Examiner

While analyzing the Budget, the Comptroller observed anomalies in the financing of the Medical Examiner's Office. Specifically, appropriations for this Office increased by 275% – or \$610k – from 2016 to 2017. This significant growth in budget, along with numerous budget amendments throughout 2017, prompted a further evaluation of the budgeted expenditures and overall structure of the Medical Examiner's Office.

Operational Audits

Insurance Department

Overlapping Services

This review will seek to identify any overlapping administrative services or inefficiencies that exist among the County's Insurance Department, Safety Office, County Attorney, Personnel Department, and/or third-party vendor(s).



Financial Audits

Department of Finance

PILOT Billing & Collection

The audit will review the Department of Finance's responsibilities and internal controls surrounding the billing and collection of Payments In Lieu of Taxes (PILOTs).

Countywide

Petty Cash Review

This audit will evaluate the internal controls over reporting, recordkeeping, and administration of petty cash funds for various County departments and offices. The audit will verify the existence and accuracy of all established petty cash funds on record; ensure that they were appropriately authorized by the County Legislature; verify that sufficient controls exist and are followed; and evaluate the reasonable use and necessity for such funds.

Compliance Audits

Public Defender

*Counsel at First
Appearance Grant*

In 2016, the Office of Indigent Legal Services (ILS) granted funds to Ulster County to develop new, innovative programs and processes designed to measurably improve the delivery of indigent defense services afforded at a defendant's first appearance. This grant was awarded so that Ulster could produce a replicable model or practice that could be usable and adaptable by other localities or counties throughout the State. This audit will assess the progress of this goal and the compliance with the parameters set forth by this grant.

Performance Audits

Office of the Sheriff

Payroll Procedures

This audit will examine the Sheriff's payroll policies, procedures, and practices to determine whether adequate controls are in place to prevent fraud, waste, or abuse of county resources.

Special Projects

Countywide

County Owned Properties

This report will provide an accounting and assessment of County owned properties. It will determine the quantity and location of properties the County owns, as well as the functions provided to the taxpayer and at what cost.



Office of Employment & Training

Renting Office Space

The movement of the Ulster County Family Court to the Business Resource Center has called for the physical relocation of the Office of Employment and Training. The solution has been to rent a space for the Office at an additional cost. This report will outline the finances, accommodations, and accessibility surrounding this move.

Follow-Up Audits

Ulster County's Hotel/Motel Room Occupancy Tax Review (2014 Audit)

This report reviewed the Department of Finance's administration of Ulster County's Hotel and Motel Room Occupancy Tax, as well as general compliance by Operators, for the period of June 1, 2012 through May 30, 2013. The audit's objectives were to determine whether: the proper amount of tax collected was being calculated accurately by Operators; penalties and interest for non-compliant Operators were being calculated and charged accordingly by the County; and tax collections were properly recorded and budgeted. The follow-up audit will review the first two objectives, applying them to a different sample of Operators. Additionally, the audit will examine the extent to which any previous suggestions and recommendations have been implemented or addressed.

Review of Internal Controls over Information Technology (IT) Equipment (2015 Audit)

The original audit sought to assess whether protocols were in place to ensure that: inventory records were complete and accurate; adequate oversight existed over departments in possession of IT inventory; IT equipment purchases during 2014 received appropriate approvals and were updated properly in the asset management system; and obsolete IT equipment was disposed of in accordance with County policy, including proper updates within the asset inventory management system. The follow-up audit will determine if Information Services continued its modernization efforts that overlapped with the original audit, as well as the adequacy of controls implemented that may address our past concerns.

DPW's Small Equipment Inventory Control Audit (2016 Audit)

The original audit sought to determine whether DPW maintained adequate controls over its inventory of small "handheld" equipment. The follow-up audit will assess whether newly implemented inventory control software has addressed the audit's concerns and whether DPW has strengthened its controls over correctly recording information, documenting procedures, and increasing oversight.



Quarterly Reports

In the past, the Office of the Ulster County Comptroller has focused on relevant fiscal topics for each quarter that applied to County operations or practices in an effort to educate taxpayers and policymakers while potentially identifying efficiencies that could be realized.

For 2018, the Comptroller will employ a more comprehensive approach to quarterly reporting by encompassing national, state, and local economic updates. Additionally, a quarterly analysis of expenditures and revenues will provide a comparative look at where departments stand on their actual versus intended budgets.

Annual Report

The annual audit report is a duty charged to the Office of the Comptroller by the Ulster County Charter. The report primarily details the scheduled audit plan for the year by department, program, or practice, resulting in part from analysis of responses to our annual risk assessment.

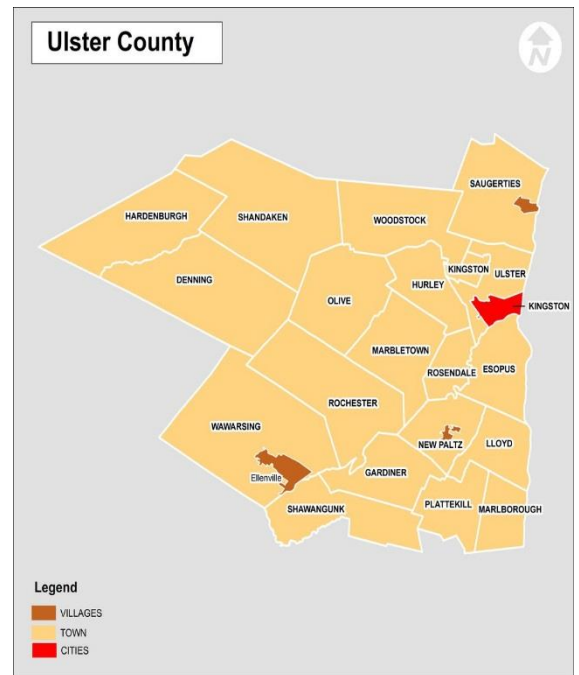


PLAN DESCRIPTION

The Office of the Comptroller’s mission is to be the taxpayers’ and residents’ eyes on Ulster County government. This vision is mainly effectuated through the audit process, which brings valuable scrutiny, transparency, and accountability to County operations. Our role is to be ever vigilant in examining how tax dollars are collected, spent, invested, and protected. A central way in which we discharge this duty is by monitoring emerging issues in County fiscal policy or specific operations, as well as the larger economic climate, and conducting independent researching and reporting of those issues that impact the County’s fiscal health.

Comptroller’s Annual and Periodic Audit Reports

The Ulster County Charter § C-57(A) charges the Office of the Ulster County Comptroller with submitting “an annual audit report[,] including a risk assessment of the accounting methods utilized by the County [...] to the County Legislature and the County Executive by April 1 of each year.” In addition to this responsibility, our Office regularly produces reports and audits that reflect upon the County’s financial status and its managerial performance, including the dual goals of (1) empowering County administrators and lawmakers and (2) informing Ulster taxpayers as to the issues impacting the expenditures of their tax dollars. All of our Office’s reports and audits are made available on our website (www.youreyesonulster.com).



The Audit Role & Plan

According to the Institute of Internal Auditors, the Chief Auditing Officer should use a risk-based approach to prioritize internal audit functions in developing an annual audit plan. Specifically, “[t]he internal audit activity’s plan of engagements must be based on a documented risk assessment[.]”¹ In conformance with these standards and the Ulster County Charter, the

Comptroller performed a countywide Risk Assessment Survey to identify audit priorities as part of the development of the 2018 Audit Plan.

¹ See *gen* Standard 2010.A1 of the “International Standards for the Professional Practice of Internal Auditing (Standards),” by the Institute of Internal Auditors (revised October 2012). Available at <https://na.theiia.org/standards-guidance/Public%20Documents/IPPF%202013%20English.pdf>



Integrated Auditing

The Office of the Ulster County Comptroller approaches its annual audit planning with a bit of flexibility. As the ultimate decision to perform an audit is at the discretion of the Comptroller, audits and reports may change as other material and timely topics arise. Traditionally, audits include the gathering of financial and operational information to assess the accomplishments or efficiency of an organization. Historically, the Office of the Comptroller has focused more on non-financial subject areas dealing with performance and the value of proper oversight. The 2018 Audit Plan reflects the importance of *integrated auditing*, which includes examination of elements related to performance, finances, contract compliance, and information technology. Our audits always remain attentive to strengthening and improving governance, internal controls, transparency, quality of services, financial reporting, and prevention of mismanagement and fraud. We utilize our capabilities to align our audit activities with this focus, assuring the County is operating in the most efficient manner possible.

Integrated auditing combines many approaches to achieve comprehensive coverage:

Performance Auditing – With an objective to improve public services fully in mind, performance audits examine the effectiveness, economy, or efficiency of County departments and programs. The 2018 Audit Plan will: analyze certain outcomes of departments and programs by comparing practices they use with practices dictated by law or policy, seek to find possible cost savings, and identify outcomes achieved by the services offered.

Financial Auditing – Focusing on the overall fiscal management activities of the County, the 2018 Audit Plan will assess the general financial control environment including critical areas such as governance, reporting practices, and revenue collection.



Contract Compliance Auditing – Ulster County has many business relationships with vendors that help carry out the County's responsibilities, goals, and services for taxpayers and residents. These agreements are mostly contractual in nature, which set forth specific terms and conditions that are to be accomplished. To safeguard taxpayers' dollars, the 2018 Audit Plan will assess the scope of work, efficiency, and timeliness of services delivered by third parties.

Information Technology Auditing – This examination involves an evaluation of the County's information technology infrastructure, policies, and operations. The 2018 Audit Plan will follow up on inventory records and procedures, as well as review the effectiveness of the County's business continuity and disaster recovery plan with regard to the impact of an emergency on operations.



Audit Resources

An audit plan must take into consideration the resources available to devote to engagements before developing an overall strategy. Our 2018 Audit Plan is based on perceived and probable risks to the County, encompassing those matters we consider to be the highest priority but limiting the scope of our work to what can be realistically completed using the staff, capabilities, and time available. The main challenge faced by internal auditors is how to most effectively focus and allocate limited resources when selecting audit subjects for examination. This Office's capacity to assess the degree to which the operations of departments, programs, or functions of County government are economical, efficient, and/or effective is a direct extension of the resources it is allotted. While the Office of the Comptroller strives each year to complete the audit plan it has developed, the Comptroller remains mindful of and responsive to the dynamic environment in which the County conducts its business. We are constantly considering new areas to audit as they reveal themselves to us through our work and recommendations from various sources.

Purpose of the County's External Audit

Several responses to our 2018 Risk Assessment Survey indicated that a department/office was "audited in conjunction with the annual external audit." We feel it is important to highlight the scope and purpose of the external audit of the County, which is primarily a financial statement focused examination. The arching objective of this type of audit is to determine that *financial information* has been properly reported. Therefore, the external audit mainly concentrates on the duties of fiscal staff as their jobs relate to the objective reporting of fiscal information within the County's software system. The review does not greatly consider the performance of County departments, offices, or programs in relation to their stated objectives. Audits conducted in this fashion do not mirror those completed by the Comptroller's Office, as we intentionally try to limit the financial data we audit to compensate for those areas not addressed by external auditors. As the external audit primarily tests financial data on a sample basis, the duties and functions of an individual department, office, or program may not actually undergo any testing of any kind during the audit's completion.



AUDIT SELECTION

In fulfilling the mission set forth by the Office of the Comptroller, a high-quality and transparent audit plan is vital. The Plan is an ongoing process – developed in large part by collecting ideas from numerous sources, examining County activities through the claims review process, and assessing risk factors during the annual risk assessment.

Risk Assessment

Assessing risk across all known auditable areas of the County allows auditors to identify and prioritize potential fields for review that pose: the greatest degree of exposure to loss or damage, the possibility of mismanagement or fraud, and/or the opportunity for liability to the County. Accordingly, the Office of the Comptroller developed a risk assessment model that has allowed the Office to streamline our risk analysis, update questions asked of departments as necessary, and provide an objective foundation for our final Annual Audit Plan. This approach allows us to contemporaneously evaluate an assorted list of departments, programs, activities, and contracts to determine the extent to which they are operating efficiently, effectively, and in accordance with requirements.

On January 8, 2018, the Office of the Comptroller issued its Risk Assessment Survey to the heads of all departments and offices of the County for completion pertaining to the past year's activities from their perspective, as well as their input on any potential problems regarding internal controls. Although a few departments/offices submitted professional and useful responses, we must regrettably report that the majority of governmental units did not provide complete and/or accurate responses to many of the inquiries. Several of the concerns we have are as follows:

- *Late responses after the original requested deadline*
County departments/offices had four weeks to answer the contents of a three-page questionnaire. Out of 34 questionnaires that we sent, 7 were still outstanding by the requested due date and required follow-up that spanned an additional 3 weeks.
- *Pre-recorded responses provided*
In response to a number of questions, nearly every department/office provided – word for word – an identical answer. These answers were often incomplete and/or left the Comptroller's Office unable to glean any useful information as part of the assessment.
- *Non-responsive answers*
Several departments/offices reported “as necessary” and “when appropriate” to questions that should have elicited answers with greater detail. These vague responses are considered insufficient by the Comptroller's Office, as they provide no useful information to aid in the assessment.
- *Responsibility of Information Services Department (“IS”) to maintain computer equipment inventory*
While the IS Department is primarily responsible for the maintenance of County computer equipment, departments/offices should ideally be aware and keep track of



their own equipment. While IS can periodically record inventory and monitor County equipment on a more global level, individual departments/offices should demonstrate responsibility for this equipment on a day-to-day basis by keeping records of what equipment is assigned to whom.

- *Lack of information regarding 2017 actual results*

While 2017 financial information may not yet be finalized and audited by the external auditors, department heads and supervisors should be aware of the preliminary information resulting from the 2017 calendar year. These individuals should be able to utilize data in the County's "new and improved" financial software, which is able to compile a "Budget Performance" report in addition to the many other reporting capabilities available to assist County Management in this task. They should be regularly assessing their department's/office's performance throughout the year (i.e. not just during the construction of the Budget) and should have an indication of how the prior year's performance lined up with expectations by February of the following year. Additionally, regular assessment of departmental budgetary performance should allow management to use this information in the determination of the 2018 Budget. The inability to make this assessment is not acceptable and should be immediately addressed. If management does not have access to the aforementioned reports, access should be provided at once.

- *Lack of job descriptions provided*

The vast majority of departments/offices did not provide job descriptions for their employees when requested. It is extremely important that both managers and employees have a clear understanding of their responsibilities and expectations. A common human resources practice suggests that job descriptions are frequently reviewed and communicated, which is why the large-scale unavailability of this material indicates an issue from this standpoint. It is impossible to gauge an employee's performance when no formalized expectations have been shared. This void also leaves the County susceptible if disciplinary actions are necessary, as duties and responsibilities should have been clearly expressed to the employee before taking action due to nonperformance. If an employee's duties are not regularly reviewed for adequacy, the County may be not performing optimally.

- *Performance Evaluations are not regularly completed*

- Per the County Standard Operating Procedures (SOP), performance evaluations should be completed as follows: "The head of each department or administrative unit must evaluate each employee. There must be a minimum of one (1) evaluation annually to be completed on or about the employee's anniversary date of hire. Departments and administrative units are encouraged to conduct evaluations more often during an employee's first two (2) years of employment, particularly in relation to performance. All actions and comments made in the evaluation must be supported. Unsatisfactory ratings may not reflect an issue exceeding 18 months. After 10 years of satisfactory service of an employee, a minimum of one (1) evaluation every 2 years is required." Unfortunately, many departments/offices reported that performance evaluations were completed "as necessary" or "upon request." In conjunction with our last comment, job descriptions should be regularly reviewed and communicated,



*Office of the Ulster County Comptroller
2018 Annual Audit Report*

and a great time to do that would be during regular evaluations. Performance evaluations should be regularly conducted in accordance with the SOP to ensure the County is working properly.

The information obtained from the Survey provided input (albeit minimal) on a governmental unit-by-unit basis on how departments/offices assess their levels of risk. Moreover, financial information relating to everyday procedures within each governmental unit was compiled to help identify the riskiest areas. The rating we assigned to each risk factor is based on timely information that is dependent upon the type and significance of every unit's operational effects on the County and the public.



Risk Factors

The following risk factors are considered as part of our Annual Audit Plan, being periodically evaluated and modified as necessary:

Factor	Definition and Guidelines
<i>Budgeted Expenditures</i>	Expenditures per the 2018 Adopted Budget
<i>Budgeted Revenues</i>	Revenues per the 2018 Adopted Budget
<i>% Change between 2017 & 2018 Budgeted</i>	A measure to assess a unit's operations based on fluctuation in budgetary requirements
<i>Payroll Expense</i>	Payroll expenditures for 2017 as tracked by payroll warrants
<i>No. of Invoices processed</i>	Number of invoices processed for 2017 in New World
<i>\$ of Invoices Processed</i>	Dollar value of invoices processed for 2017 in New World
<i>No. of Open Contracts</i>	Number of Open Contracts in Contract Management
<i>Complexity of Transactions</i>	A measure of exposure or loss due to the nature and process of recording transactions and maintaining account balances and the presence or absence of proper internal controls to regulate such transactions effectively.
<i>Questionnaire on Risk Assessment</i>	A measure to gather relevant and useful input to draw conclusions on the unit's control environment. The survey gives preliminary indicators of how adequate the unit's risk assessment, control activities, information and communication systems, and monitoring is working.

We supplement the aforementioned risk factors with additional research that may offer practical guidance in determining which audits to pursue:

Factor	Definition and Guidelines
<i>Significant Reorganization</i>	Major changes in duties; creation or loss of personnel; creation, loss, or modification of new titles; and/or consolidations of functions
<i>Inventory Control</i>	The absence or presence of an internally maintained record of all County owned equipment, as well as the regular review and maintenance of such records
<i>Computer and Software Equipment</i>	Whether the respective unit had any significant changes in software or equipment; and/or, whether the unit has policies/procedures in place regarding backup of data and equipment
<i>Physical Security</i>	The absence or presence of reliable safeguards to physically protect the unit, its records, and County property
<i>Policy Review and Update</i>	In addition to internal controls, these written guidelines must be communicated to employees on a consistent basis to be truly effective; how often are employees made aware of policies and in what manner are such policies presented?
<i>Management of Programs</i>	Does the unit in question outsource tasks under their purview? Does the unit oversee any state or federal programs?
<i>Audits by Outside Entities</i>	Is the unit subject to audit by federal or state agencies?



2017 Reports Recapped

Accountability, Compliance, Efficiency Division Review

Postage Meter & County Mailing Audit

Not-for-Profits Review

Family of Woodstock Contract Audit

Health Benefit Dependent Eligibility Audit Follow-Up

Purchasing Department Bid Process Follow-Up

Board of Elections – Costs of Final Phase-in of County Takeover Report

**URGENT – Review of Cash Box and Related Procedures*

*(*To protect sensitive material as part of this review, this report was not published to our website)*

Claims Auditors Year-in-Review Spending Tracker

Tax Lien Foreclosure Report

Quarterly Reports:

- (1) Unfilled Vacancies, Turnover Savings, and Budget Transfers;*
- (2) Fiscal Stress Assessment;*
- (3) Budget Analysis; and*
- (4) Debt Analysis*

To View Complete Reports please visit:

www.youreyesonulster.com

Conclusion

We encourage County lawmakers, administrators, and taxpayers to contact our Office with questions about the Annual Audit Report, issues regarding any of our duties and functions, and concerns as to the operation of County government. It is our goal to be a resource to every facet of government, an advocate for the residents of Ulster, and an agent of better governance. Accordingly, we welcome input from any and all stakeholders and look forward to a productive year ahead.

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