

ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller



October 31, 2017

Accountability Compliance and Efficiency Department Program Review

The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.

ULSTER COUNTY OFFICE OF THE COMPTROLLER

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October 31, 2017

Dear County Officials:

Based on our inquiry of the A.C.E Department regarding the preparation of programmatic and departmental reviews, we have determined that no such reports exists and are therefore unable to complete our review based on the original objectives. It is our conclusion that the roles and responsibilities of the A.C.E. Department are limited to those related to the implementation and operation of New World Systems software, and therefore suggest that the Department revise their objectives to more accurately reflect their contribution to County operations.

The reports issued by this Office are an important component in accomplishing the development and promotion of short and long-term strategies to achieve reduced costs, improved service delivery, and to account for and protect the County's assets. These reports are expected to be a resource and are designed to identify current emerging fiscally related problems and provide recommendations for improvement.

The Office of the Ulster County Comptroller conducted this audit and produced this Report in accordance with the Comptroller's authority as set forth in Article IX, Section 57, first paragraph, and Sections 57(A) and (G) of the Ulster County Charter, as well as applicable State laws, rules and regulations.

If we can be of assistance to you, or if you have any questions concerning this Report, please feel free to contact us.

Respectfully submitted,

Ulster County Comptroller

BACKGROUND

The 2014 Executive Budget Proposal included the establishment of a new County entity responsible for “operational accountability, compliance & efficiency” of all departments and programs under the direction of the County Executive. The A.C.E. (“Accountability, Compliance, and Efficiency”) division, as proposed, was developed while reorganizing the Golden Hill Transition Team and was not intended to add costs or positions to the County budget.

A.C.E. is a component of the Department of Finance, and its stated mission is “to strengthen good government and best practices through intense oversight of all operational areas under the Executive purview and enforcing the County Executive’s goals of accountability, compliance and efficiency.” As listed on Ulster County’s website, A.C.E. is responsible for the following:

- Standard Operating Procedure Compliance;
- Program Performance Evaluation;
- Enhanced Internal Controls Development & Monitoring;
- Department Efficiency Evaluation;
- Financial Forecasting;
- Corporate Compliance;
- Procurement Control;
- Grant Monitoring; and
- Capital Project Monitoring.

Additionally, A.C.E. has played an integral role in the implementation of the County’s updated financial software system, New World. In April 2014, Ulster County launched this new platform in which the majority of the County’s financial transactions and recordkeeping activities are performed. As this conversion required involvement from virtually every County department, A.C.E. coordinated the setup of the New World System to optimize program performance, departmental efficiencies, and internal control activities. Since the launch of New World over three and one-half years ago, A.C.E. has assisted County personnel with non-IT related troubleshooting, trainings, reporting and security features, and other operational issues on a routine basis.

The five positions originally allotted to A.C.E. (i.e. three managerial and two civil service employees) were “budget neutral” due to the Golden Hill transition and resulted in carry-over positions in 2014. These positions have since been modified as shown on the following two charts, which also include the unit’s expenses from its creation.

<i>ACE Division</i>				
Budgeted FTE Salary History				
Title	2014	2015	2016	2017
Director	91,350	91,423	92,893	92,893
Deputy Director	79,639	82,818	84,157	84,157
Fiscal Officer	69,864	60,455	-	-
Fiscal Manager	63,707	64,932	-	-
Financial Analyst	57,000	59,304	67,722	67,722
Accountant	-	-	51,081	51,303
Senior Account Clerk	-	-	-	-
Total	361,560	358,932	295,853	296,074

<i>ACE Division</i>								
<i>Budgeted vs. Actual Expenses</i>								
	2014		2015		2016		2017	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	YTD
Regular Pay	361,560	320,897	358,932	306,008	295,853	295,918	296,074	187,698
Part Time Pay	12,403	18,443	20,000	9,784	16,266	15,761	16,204	9,555
Contractual Pay	6,500	6,500	-	-	-	-	-	-
Professional Services	24,000	80,931	20,000	17,832	15,000	14,400	15,000	4,100
Social Security/FICA	-	25,620	28,988	23,664	23,877	23,276	23,889	9,211
<i>Division Total</i>	<i>404,463</i>	<i>452,391</i>	<i>427,920</i>	<i>357,288</i>	<i>350,996</i>	<i>349,355</i>	<i>351,167</i>	<i>210,564</i>

As A.C.E. is a unit of the Department of Finance, the costs associated with running the division are not specifically identified. Expenditures such as office equipment, supplies, travel and conferences, and health insurance are rolled into the Department of Finance’s total budget.

OBJECTIVE

At the onset of this report, our Office sought to conduct a programmatic review of A.C.E. based upon the following objectives, which corresponded with duties of the division as described on the County website:

- To determine which “Program Performance Evaluations” have been accomplished to date and to gain an understanding of the general procedure by which performance evaluations are conducted;
- To determine what internal control development and monitoring initiatives have been completed to date;
- To determine which “Department Efficiency Evaluations” have been accomplished to date and to gain an understanding of the general procedure by which efficiency evaluations are conducted; and
- To determine what cost savings the County has enjoyed as a result of A.C.E.’s initiatives.

After our initial meeting with A.C.E., it appeared that the unit’s mission and objectives – as we understood them – have changed to be mostly related to ongoing oversight of the County’s financial software program. Therefore, our engagement objective is to share with taxpayers the functions of A.C.E.

METHOD OF REVIEW

An introductory meeting was held amongst the Comptroller’s Office and several management members from the Department of Finance and the Budget Department. This discussion gave Comptroller’s staff the opportunity to learn more about the duties performed by A.C.E. and gain a better understanding as to the benefit it provides to the County.

Several documents were originally requested of A.C.E. by the Comptroller’s Office in order to analyze performance. However, it was quickly conveyed that A.C.E. does “not [act] as an auditing or reporting unit” but instead serves “an essential [daily] management function of county government.” As such, A.C.E. “does not routinely produce formal reports,” which resulted in virtually no deliverables available for audit or analysis as part of our review. Due to the fact that A.C.E.’s role rests more in “real time corrections” and “operational management” than in actual reporting, the outcome of our examination focused on descriptions and narratives provided to our Office by A.C.E., regarding the unit’s self-stated responsibilities and accomplishments since inception.

OUTCOME

Based on our original objectives outlined above, we have made the following determinations in light of the materials and information actually presented for our inspection:

- In regard to “Program Performance Evaluations” performed by A.C.E., none have been documented or completed to date, according to the division. For more information, please see A.C.E.’s response in the Appendix to this report.
- Internal control development and monitoring initiatives have been focused on the software functions made available through the implementation of New World. More appropriately, A.C.E. provides individual departments with the ability to supervise and track financial activities by way of New World software, but does not regularly conduct monitoring activities itself because performance tracking is largely left to the respective department. For more information, see A.C.E.’s response in the Appendix to this report.
- To date, A.C.E. has not formally documented any “Department Efficiency Evaluations.” According to the division’s response included in the Appendix to this report, efficiencies have been created through the implementation of New World’s platform. Unfortunately, we are unable to determine the scope or outcome of such evaluations because it is our understanding that none have been formally documented.
- In response to our inquiry regarding cost savings attributable to A.C.E., the division provided no record of cost savings achieved.
- As far as A.C.E.’s role in assisting County personnel with New World related issues, this service is in addition to the paid software maintenance and telephone support provided by Tyler Technologies, Inc. (formerly known as New World Systems Corporation).

CLOSE

Based on what the Comptroller was actually able to review, as far as A.C.E.’s mission and objectives as listed on the Ulster County website and its response to our questions regarding such responsibilities, we conclude that the vast majority of the division’s duties and accomplishments are intimately related to the utilization of New World Systems’ software.

While many of the objectives stated on the County website can be loosely linked to the operation of the New World platform, the Comptroller’s Office suggests that A.C.E.’s responsibilities at least be revised to more clearly indicate that the division’s primary role is associated with the ongoing operations of New World Systems’ software. In the interest of transparency and accountability, the division should also strive to more formally and publicly document its activities, successes, and collaborations.

As the initial objective of our report was to review pertinent documents prepared by the division and none were available, we were unable to complete our examination as originally intended. For the complete response provided by A.C.E., please see the Appendix to this report.

Appendix A: Response from A.C.E.

ULSTER COUNTY DEPARTMENT OF FINANCE

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Accountability, Compliance and Efficiency

To: Elliot Auerbach, Ulster County Comptroller
From: Burton Gulnick, Jr., Commissioner of Finance *BSD*
Date: 7/31/2017
Re: ACE Department Program Review Audit Announcement

This memo is in response to your original memo dated July 7, 2017. Please note that there was no date in that memo that was asked for my response to be to you by, therefore I directed my staff to compile all necessary information and have information available by August 1, 2017, the proposed date of the start of your audit.

The purpose of this memo is to explain the functions of ACE, not as an auditing or reporting unit of the County, but rather an essential management function of county government.

The ACE division of the Department of Finance provides daily, operational management oversight which results in evaluations of program performance as well as departmental efficiency, and allows for real time corrections, when needed, to enhance operational efficiency. As this operational role of ACE is an integral daily responsibility, the Division does not routinely produce formal reports. Additionally, since the role of ACE is operational in nature, as opposed to audit-centered, no specific or standard parameters are used in reviewing and assisting county departments. ACE is also tasked with coordinating corporate compliance across county departments and reviewing internal controls as necessary. ACE has successfully improved the County's internal controls through the utilization of the New World Financial System that ACE successfully implemented and remains responsible for its daily operations.

I look forward to meeting with you to discuss the ACE division of the Department of Finance. Please contact my office directly to schedule a time to meet with me, as my availability is very limited between July 31st and August 4th.

If you have any further questions or concerns prior to our meeting, please do not hesitate to contact my office.

Accountability, Compliance and Efficiency (ACE) Division of the Department of Finance

- ACE is involved in every aspect of the implementation and continued daily operations of the New World financial management system.
- ACE is the primary resource for all New World users to troubleshoot non-IT related problems.
- ACE is not a reporting or auditing unit of the County – although it will produce reports if directed to by the County Executive or Commissioner of Finance.
- ACE's role in the implementation of project accounting and contract management in the New World Financial System has assisted the departments in improving and ensuring program performance standards are met.
- ACE's success is measured by the County's overall success in managing its finances and budget, as it is responsible for ensuring the County's financial system is operating, the users are well trained, and the system of internal controls as related to the New World financial system is properly functioning.

New World Financial System, Program Performance, Department Efficiencies and the Enhancement of Internal Controls

The ACE Division of the Department of Finance is primarily responsible for enhancement of the County's system of internal controls through the use of the New World financial management system, and to assist departments with troubleshooting related issues.

ACE was intimately involved in implementing all aspects of New World which included system understanding, analysis, and setup for maximizing program performance, department efficiency and internal control activities.

ACE is the primary resource for users of New World and is responsible for troubleshooting non-IT issues. The institutional, financial, and software system knowledge at ACE make it an invaluable resource in the County's implementation and use of the New World financial management system.

ACE leads the implementation of expanded and enhanced use of the tools available within New World which provide efficiencies, accountability, reliable financial reporting and compliance with various requirements.

ACE is responsible for training all departments and personnel on their function in the New World financial system. ACE provides ongoing support to all New World users regarding process, financial activity, reporting functions, and capabilities as well as troubleshooting when errors occur during data entry.

The implementation of New World was used as an opportunity to enhance the County's system of internal controls, drive program performance and work efficiencies including the following:

- New World includes a complex set of security matrixes which were implemented to document departmental and County-wide administrative approvals, and have been maintained and improved to date.

- Significant efficiencies have been realized by using electronic documents attached to relevant transactions. All departments now have access to the same information instantaneously as users can access documents within minutes from their computer. This makes their work more efficient and eliminates the need for multiple copies and their associated storage.
- Access to information in the financial system is in real time for all users. Within a user's security parameters, they can review transactions and run reports thereby strengthening internal controls by eliminating gatekeepers of financial information. Since information is widely accessible it reduces the likelihood that a person trying to commit fraud would expect to go undetected.
- Due to the availability of supporting documentation and the ability to customize reporting, the control environment in the County is enhanced. When information is no longer siloed, independent oversight is made easier and accountability is enhanced as a result.
- Due to the system's capabilities for security and approval documentation, New World enables the County to enhance its control environment through the approval structures built into the software to document authority and responsibilities.
- ACE has been active in the continued implementation of project accounting for tracking grant performance to ensure program compliance.
- New World requires constant monitoring and review of transactions to ensure appropriate management of budgets, finances, and programs.
- The implementation of New World has decreased the dependence on external programs, spreadsheets, databases and operational redundancies leading to program and department efficiencies throughout the County.

General Ledger

ACE, as a division of the Department of Finance, provides support to the Commissioner of Finance in maintenance and structure of the chart of accounts. The structure has been set to provide efficient aggregation of the financial activity for year-end County-wide reporting and budget purposes. The structure also allows all users to generate financial reports which are summarized in a multitude of ways to enable decision makers to understand the financial results of operations. Detailed reports and inquiries are easily accessible as well. When general ledger accounts are associated with project accounting for accountability purposes, the account's relationship to individual projects is set and makes it mandatory in many cases.

Journals

The fields available in the journal entry display are used to provide information regarding the entries and consistent use provides inquiry and reporting opportunities. ACE educates users about the efficiencies derived from utilizing various fields. In addition, the journal function is linked to the document management system enabling attachment of supporting documentation for journals providing efficiencies and enhancing program performance as previously mentioned.

Procurement

Items, which are required in New World for purchase orders, contracts and invoice payment, is the tool that provides procurement and contract accountability, and financial tracking. ACE, as a division of the Department of Finance, is responsible for maintaining *Items* in New World to help ensure the integrity of their use. An integral part of the effectiveness of these internal control activities is dependent upon the use of the correct item when purchasing, paying invoices, and contracting. The check on use is designed to be provided by the claims audit and other internal audit functions.

ACE is the second entry level approver in the contract preparation process in New World. Any purchases are associated with the relevant 'contract' in New World whether the transaction is initiated by requisition, purchase order, or direct payment of an invoice. This helps ensure that the agreed to pricing is being used by all departments and provides financial information about the actual use of the contract through the reporting capabilities. The reliability of these internal control activities is dependent upon the association of purchases with the 'contracts' which is designed to be checked during the claims audit and other internal audit functions.

ACE maintains the vendor set up and files on all non-WMS vendors leading to a more efficient process for departments in managing contracts. New World requires vendors in the system for all purchase orders, contracts, and accounts payable invoice entries. ACE, as an independent division which is not involved in processing procurement transactions or vendor payments, receives information for vendor set up in New World. New World documents any changes made to the vendor set up records.

- **Requisitions & Purchase Orders**

ACE reconciles the open POs to encumbrance balances recorded in the general ledger at year end to ensure the amounts are supported by the subsidiary records and periodically throughout the year.

- **Contracts**

With the implementation of New World, contract management from a financial standpoint, was implemented for the first time county-wide. To accomplish this ACE handled entering of all existing contracts into New World for go-live. The New World system provides a single repository for all contracts in the County whether expenditure, revenue, inter-departmental, or MOUs accessible to the departments. ACE has responsibility for ensuring that all contracts are in New World. All new County contracts are entered into New World by the responsible department. The system records the routing and approval process.

This system allows for consistent and active tracking of project performance against the scope of services contained within the contract.

The ACE review helps ensure that the New World tracking is consistent with the contract and thereby provides the basis for the internal control check on whether the vendor is billing and the County is paying in accordance with the terms of the contracts.

- **Accounts Payable Invoice Processing**

ACE is in the review and approval process for changes requested by departments to previously processed accounts payable invoices. ACE reviews the request and documentation submitted to support the change(s). They are often made for reasons such as correcting the general ledger account or associating projects. Such requested changes then move on to other Finance reviewers in New World.

Project Accounting

ACE, as a division of the Department of Finance, is responsible for all project set up as well as approval of project journal entries. The project accounting module is a flexible reporting and tracking tool that can be used in very diverse situations including the tracking of grants, creating department efficiencies and program performance. The ability to track activity differently than it is in the County budget/general ledger simultaneously with a single entry is very important in terms of efficiency and reliability of the information reported. This also allows users to actively track the performance of their grant programs as expenditures are made.

The flexibility of this tool provides the most opportunity for enhanced use of the financial system to make duplicate entry of financial data, for example grant tracking, completely unnecessary. Until New World was implemented, departments had no option other than to duplicate efforts elsewhere to meet tracking and reporting obligations. Projects have been set up for several different scenarios to date including capital projects, cost allocation plan expense tracking, grant/funding tracking, and expense reimbursement/budgetary tracking.

- **Capital Projects**

The use of the project accounting module to account for capital projects was implemented with New World replacing a system of departmental and countywide spreadsheets leading to department efficiencies. This new tool provides detailed posting to capital project accounting as a result of accounts payable invoices being processed and reimbursement requests being prepared. No additional postings are normally required to have a full accounting of the project activity.

Projects were set up by ACE as part of the implementation of the New World financial system for most of the County's infrastructure assets and buildings to enable tracking of substantial investments in those assets over several years. Under each asset, the individual capital projects are set up by ACE with pertinent details for accountability purposes.

ACE secures the supporting project budget information provided by the department handling the project and the documents related to the contract. The structure of the individual projects is set up by ACE in accordance with accountability requirements for the project. The capital project budgets are established by resolution of the Legislature. Any new general ledger accounts for capital projects require association with established capital projects. When the resolutions modifying the budgets are posted by Finance, the project accounting budgets are posted at the same time with single data entry in consultation with ACE. ACE evaluates each project as part of the year end processes for capitalization.

The ease of access to reliable information to track and drill down on the County's capital projects over their life, including their ultimate capitalization upon completion, provides major internal control benefits, accountability and department efficiency. The rigor that ACE applies to capital projects working with all the departments involved sets a tone for the control environment of the County of integrity and accountability. In addition, the use of the integration ability of the financial system improves the control activities through the processes employed for gathering and posting information while documenting segregation of duties as a result.

- **Cost Allocation Plan Expense Tracking**

The County is required to have a cost allocation plan due to the diversity of its funding streams. One of the department's expenses that must be consistently tracked and allocated across County operations is the Information Service department. ACE developed, implemented and helps monitor, a project accounting tool to capture all of Information Services' General Fund non-personnel costs leading to department efficiencies and enhanced program performance. All expenses can only be charged to one 'project' and must be coded as such. This helps ensure that no expenses are missed or double counted. The reliability and completeness of the information have been significantly increased by using project accounting to capture all of the financial activity posted to Information Services' budgetary general ledger accounts for non-personnel expenses.

- **Grant/Funding Tracking**

ACE works with departments to identify opportunities to use the project accounting tool to replace extensive spreadsheets or other methods to track grant activity creating departmental efficiencies.. The County has embraced the goal of eliminating the need to have personnel enter the same financial activity into spreadsheets that they do into the financial system. It saves time providing more efficient use of staff time, decreases the risk of clerical error, and houses the financial information in one system, New World.

A structure for the project(s) is developed by ACE considering the funding sources requirements, department reporting needs, the County budget lines, and ease of use by departmental data entry personnel. This enables users to have information available to measure their program performance. ACE will also review the reporting needs of the department and evaluate the New World options to develop the best tool(s) for meeting their needs. ACE will discuss any changes in the internal processes to gain maximum benefits from the use of New World. ACE will work with the department and IS as necessary when efficiencies can be gained by having transactions generated in some other system that can be imported into New World's project accounting module, particularly with personnel costs. ACE works with the department and others to help ensure program performance and provides daily support to users as needed.

Fixed Asset Management

ACE, a division of the Department of Finance, develops procedures which take full advantage of the New World software, as well as provide for strong internal control activities around fixed asset recording and tracking. ACE provides support to fellow Finance personnel who handle the fixed asset subsidiary system transactions. In addition, as previously mentioned ACE evaluates capital projects at year end for potential capitalization of completed projects as well as recording/updating Construction Work In Progress (CWIP) for unfinished capital projects. ACE also assists with depreciation calculation spot checking of the New World figures.

ACE implemented detailed recording of assets including make, model, serial number, County tag number, location etc. and the association of all invoices in New World, as well as more detailed tracking of infrastructure assets. This use provides for long term tracking of those assets including recording of their disposal.

The implementation of New World provides a much more accurate tool for recording, management and financial reporting of the County's major assets strengthening internal controls and leading to a more efficient tracking process for the County.

CWIP had been tracked in a spreadsheet previously. ACE set these assets up in the fixed asset module which enhances the accountability. ACE's current system provides for more accurate recording of the County's CWIP and other capital assets.

Miscellaneous Billings Invoices

ACE, as a division of the Department of Finance, is responsible for maintaining the setup of all miscellaneous billing invoice types, billing codes, customer set up for bill invoicing leading to a more efficient billing process for the County. ACE works with all departments across the

County and within the Department of Finance to ensure that the billing codes post to the correct revenue and receivable accounts for budgetary and other financial reporting purposes. The implementation of this module has strengthened internal controls by increasing the likelihood that revenue collected is posted to accounts consistently and in accordance with County and state reporting guidelines. Such billings can also be posted automatically to projects where appropriate by way of the setup maintained by ACE. This subsidiary system provides the detailed backup for financial reporting and is a significant internal control improvement over the previously used system of spreadsheets and decentralized departmental tracking.

Revenue Collections

Almost all cash receipts are entered through the revenue collection module. All payment codes used in the revenue collection module are maintained by ACE.

Any cash receipts for open miscellaneous billing invoices are entered using the AR codes which automatically posts to the correct accounts receivable accounts.