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FOLLOW UP ON 2014 AUDIT FINDINGS

The Office of the Ulster County Comptroller has conducted a follow-up regarding audit report findings and recommendations made during 2014, pursuant to the Office's Follow-Up Audit Protocol. The objectives of the inquiry were to:

- 1.) Identify audit report findings communicated to the department that had issues requiring management attention, and to inform Ulster County ("County") about the follow-up review of those findings; and
- 2.) Identify and provide information as to the current status of each recommendation reviewed.

To obtain such information, we have inquired of those departments audited as to the status of any recommendations made by our Office. This report summarizes the recommendations made and the responses to our inquiries.

PROCUREMENT AUDIT REPORT JUNE 2014

This report examined the practices of the County's Purchasing Department ("Purchasing") with respect to its oversight and administration of the procurement of governmental goods and services. The report focused especially on the important practices of soliciting bids, issuing "Requests for Proposals" ("RFP"), and determining the vendors who are awarded bids.

The report found that Purchasing's adherence to County policy was satisfactory, but discussed findings and made recommendations that would change existing policy in order to improve Purchasing's performance.

- **Recommendation:**

It was recommended that the use of proper commodity codes be emphasized to staff with procurement responsibilities. It was further recommended that County agencies comply with Purchasing in its request and suggestions of sufficient planning in procurements for the year so that goods may be purchased on a County-wide basis. The administration was encouraged to actively engage the agencies in ensuring such compliance.

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- **Status:**
This issue has been corrected with the implementation of the new financial system that improves the process by which requisitions are completed. The new system has also improved communications between Purchasing and other County departments, allowing for the use of economies of scale in County purchases.
- **Recommendation:**
We recommended that the administration and Legislature consider the adoption of changes to the Standard Operation Procedures (“SOP”) and County policy that standardize the types of purchases and vendors for which non-purchase order processes are authorized, as well as associated departmental approval forms and procedures for such purchases.
- **Status:**
Purchasing contends that the SOP is clear that the only purchases to be made without a purchase order are to be made using a procurement card. Procurement card purchases are evaluated on a monthly basis, and proper safeguards and penalties are in place to govern their use. All procurement cards now have a one thousand dollar single transaction limit to reflect the need for Executive approval on those purchases exceeding that threshold.
- **Recommendation:**
It was recommended that in order to be in full compliance with Procurement Laws, the Legislature adopt a resolution giving Purchasing authorization to accept electronically formatted bids and offers on behalf of the County.
- **Status:**
On July 25, 2014, the Legislature passed Resolution 270, which established a policy to accept bids electronically.
- **Recommendation:**
In order to ensure the County is getting the best quality goods and services at the best economic value, it was recommended that the County issue bids each year, or at least on a two year mandatory basis, instead of rolling contracts over from year to year.
- **Status:**
Purchasing contends that contracts are not currently “rolled-over” as suggested in our recommendation and that the option to extend is at the sole discretion of the buyer responsible. As many factors play a role in the extension of the contract, including the vendor’s performance, price and availability, the decision to extend contracts most appropriately rests with the buyer.

HEALTH BENEFIT AUDIT REPORT JUNE 2014

This report summarized an audit by the Comptroller’s Office that sought to verify the eligibility of employee dependents. All County employees are eligible for health care coverage. However, employee dependents are only eligible if they meet certain criteria. The findings associated with this audit raised issues concerning proper documentation and follow up.

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- **Recommendation:**
The Personnel Department (“Personnel”) should notify participants who did not verify dependent eligibility that their dependents’ coverage will be terminated if they fail to respond to the request for verification. We recommended that such written notification be sent immediately and that participants’ dependents be given no more than 30 days to provide the requested dependent eligibility verification.
- **Status:**
Due to an “Improper Practice Charge” filed against Personnel and subsequent litigation, all progress on the eligibility audit conducted by Personnel has been halted.
- **Recommendation:**
Participants should be required to provide accurate and up to date documentation to Personnel when any changes to their eligible dependents occur (i.e. marriage, divorce, birth, death, etc.). It is also important that Personnel require any changes to be made to a participant’s dependent coverage be requested in writing so that the document can be filed appropriately. Further, we recommended Personnel follow up with the four participants who stated they requested to remove the dependents.
- **Status:**
Personnel benefit staff has followed up with the four participants noted in the above recommendation. Personnel has since adopted a policy that all changes be requested with the appropriate accompanying documentation.
- **Recommendation:**
We also recommended that, in addition to providing participants their benefit information booklet, an affidavit for each participant is annually provided to be notarized, indicating the dependents that should still be covered under the employee’s policy (“Annual Eligibility Verification”).
- **Status:**
Personnel may implement the recommendation requiring affidavits from participants, depending on the outcome of the Improper Practice Charge, noted above.
- **Recommendation:**
All unverified participant dependents should be dropped if the accurate, unaltered documents requested are not received within 30 days of notice to terminate coverage.
- **Status:**
Personnel plans to develop a policy for unverifiable dependents and subsequent loss of coverage after the Improper Practice Charge is resolved.
- **Recommendation:**
Personnel files should include the initial documentation necessary to provide coverage. We recommended that in its first “Annual Eligibility Verification” process, Personnel request from all enrolled participants, documentation providing proof of eligible coverage under the County’s health benefit plan, and maintain those documents within the employee file.

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- **Status:**
Personnel has and will continue to request all necessary documentation for new and returning employees. Depending on the outcome of the Improper Practice Charge, the department plans to request the appropriate documentation from those employees who have not yet provided proof of eligibility.
- **Recommendation:**
Personnel should implement a policy and procedure related to verification of dependents. This documentation, in addition to the enrollment documents (marriage license, birth certificate, etc.), would serve as a reasonable, cost effective verification method.
- **Status:**
Personnel plans to develop a reasonable and cost effective procedure to verify dependent eligibility, pending resolution of the Improper Practice Charge mentioned above.

HOTEL BED TAX CREDIT AUDIT REPORT APRIL 2014

This report highlighted two concerns that stem from County law by which the tax is authorized: (1) the language of the law is confusing and does not facilitate accurate calculation of the tax by operators; and (2) ambiguities in the method of budgeting and accounting for the tax by the County exist because the law is pre-Charter and has not been adjusted accordingly.

The audit found frequent miscalculation of the occupancy tax by operators, with 80% of returns audited not properly calculated. In addition, findings were made related to the calculation of penalties and interest associated with the tax and practices related to budgeting and accounting for the tax.

- **Recommendation:**
A schedule detailing each occupant claiming exemption and the non-taxable entity with which they are affiliated should be provided with each establishment's quarterly filing.
- **Status:**
It is the position of the Department of Finance ("Finance"), that the Law, as it is currently written, does not require such supporting documentation.
- **Recommendation:**
Finance should require supporting documentation when exemptions are claimed.
- **Status:**
It is the position of Finance that the Law, as it is currently written, does not require such supporting documentation.
- **Recommendation:**
The Commissioner of Finance ("Commissioner") should address by rule or regulation, as granted by Local Law Number 5 of 1991, the confusion caused by the misapplication of the room and board percentage breakdown schedules.

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- **Status:**
The Commissioner contends that while the Law does permit the Commissioner to make, adopt, and amend these rules and regulations, the Commissioner defers such policy-making authority to the Ulster County Legislature. Further, Finance feels the room and board breakdown schedules are worthwhile and should remain in the law.
- **Recommendation:**
Finance should enforce the tax according to the strict letter of the Local Law or adopt written procedures codifying the waiver of penalties and interest in amounts under \$10.
- **Status:**
It is the position of Finance that the additional staff time needed to enforce these penalties and interest will create costs that exceed the potential benefit.

We agree that this cost benefit consideration is valid, but recommend that Finance adopt a written procedure regarding the waiver of such interest and penalties, as communicated in our original recommendation.

- **Recommendation:**
A specific revenue and expenditure line should be set up within the Tourism Department's budget annually to account for the contribution of \$150,000 and related expenditures for convention promotion and development.
- **Status:**
The Department of Finance feels that adding the additional accounts would further complicate the Tourism Department's budget. Further, as noted in the Comptroller's original report, the current method of budgeting and accounting has been reviewed by the County Attorney and meets the requirements of the State and Local Law post-Charter.

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