

COUNTY OF ULSTER

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REPORT ON BANK ACCOUNTS HELD

BACKGROUND:

The Ulster County Charter as well as New York State County Law call for the County Comptroller to obtain bank statements directly from the banks and other depositories of the County for any and all funds for which the County is responsible.

As of October 31, 2012 Ulster County had approximately \$105 million deposited into 50 accounts with eleven banks. With this large amount of cash on deposit it is imperative that the County periodically review these bank accounts for the following:

- Are moneys held only in banks and trust companies as mandated by NYS General Municipal Law and New York State Banking Law?
- Are moneys held only in depositories designated by the Ulster County Executive and the County Legislature, in accordance with the County Charter?
- Are all deposits adequately collateralized in accordance with Ulster County's investment policy as required by NYS General Municipal Law?
- Are there any unauthorized accounts being maintained?
- Are authorized signors on these accounts current employees of Ulster County?
- Is there a proper amount of authorized signors and within the proper hierarchy?

PROCEDURES:

In order to answer the above questions the following tasks were conducted during this review:

- We sent out 36 confirmations to banks within Ulster County inquiring whether the County had funds deposited with them. We did this in order to find any bank accounts that may have been opened as to which we were not getting statements at the Comptroller's Office, and to identify any accounts of which that the County was unaware of.
- We sent out 39 confirmations to various County departments in order to identify their awareness of the accounts for which they were responsible as well as to identify who the signatories on the account were. Another purpose of these confirmations was to

document the signatories' signatures, initials and the amount of approvals they were authorized for.

- Once we received back these 75 confirmations we checked that the authorized signatories identified by the banks and the departments matched.
- We reviewed the collateral calculation sheet which is prepared by the Finance Department on a monthly basis in order to identify if the County is maintaining the proper amount of collateral.

WHAT DID WE FIND?

The following summary are items that we noted during this review process and are discussed in more detail.

- Unauthorized bank accounts opened
- Retired and/or separated employees still being listed as an authorized signatory of the account
- Too many individuals listed as an authorized signatory
- Lack of a current Investment Policy
- Under collateralized accounts
- Accounts with no or limited activity

UNAUTHORIZED BANKS

We identified that the Sheriff's Office had an account with Walkkill Valley Federal Savings and Loan, an unauthorized financial institution. Upon calling the bank we were informed that this bank account had been opened for a number of years and had basically been inactive except for earning roughly \$2 per year in interest. Because of this inactivity the bank has started charging the county a \$5 per month inactivity fee.

The Sheriff's Office was unaware of this account and upon further investigation they determined that the account was opened approximately seven years prior when they received a donation from Target.

This finding opens up three concerns for us: i.) the ability of an employee to open up an account without the knowledge of the Executive's Office, Comptroller's Office, or the Finance Department, ii.) per General Municipal Law §5-A, a county is only allowed to open an account with a national banking association or trust company (not a savings and loan), and iii.) the person listed as an authorized representative has never been an employee of the County.

We recommend that this account be closed as soon as possible and the balance be returned to the Office that opened it.

We are also adopting a procedure and form which will be a prerequisite to open a County bank account which must be reviewed by the Commissioner of Finance and a copy of which is submitted to our office, prior to doing so, indicating the bank name, account number, authorized

signors, and other items as deemed necessary, so that County officials are aware of all accounts and that they may be properly audited.

RETIRED/PAST EMPLOYEES

We identified nine accounts that had the past Commissioner of Finance, who retired almost one year ago, as an authorized signatory. It is important that when a County employee who is identified as an account signor and/or authorized to do transfers they are removed from all bank accounts. A recent Deputy Commissioner of Finance has retired during this review and is listed on a number of the accounts and should be removed and/or replaced with a suitable replacement.

TOO MANY SIGNORS

Upon review of the authorized signors of these bank accounts we identified the “inmate account” which falls under the jurisdiction of the Sheriff’s Office as having nine employees authorized to sign checks. We were informed that this large number was due to the fact that when an inmate is released there had to be someone available to cut a check to the inmate being released.

We suggest that the Sheriff’s Department research if by law the check has to be cut at the time of release or if there is a stated amount of time that the inmate’s funds have to be returned to them. We also question why the check cannot be prepared the day before release if the Sheriff’s Department is aware of it.

The only reason why we bring up this point is that when there are a large number of authorized signors on a checking account it just adds to the possibility of unauthorized purchases, transfers, and increases the threat of misuse. In our opinion anything over four signatories is too many.

INVESTMENT POLICY

As per New York State General Municipal Law, local governments are required to adopt an investment policy and review it on an annual basis. As per Amending Resolution No. 2 of the Ulster County Legislature dated January 3, 2012, this duty was assigned to the Ways and Means Committee along with other policies (ex. Procurement/Purchasing, Capital Assets, Revenue Recognition, and Fund Balance policies).

We are informed that the Ways and Means Committee has not formally adopted an investment policy since the County has gone to a Charter form of government, a fact confirmed by the external auditors who have commented on the lack of one for the past couple of years. We were provided a working copy of an Investment Policy, but it is our understanding that it has not been adopted by the Legislature.

It is imperative that the Legislature officially adopt a policy as soon as possible as it will define acceptable forms of collateral, authorized banks, limits on the amount invested at each bank, as well as who is authorized to set up these authorized accounts.

Upon review of the “un-official Investment Policy” (“Investment Policy”) we became aware of two items that should be mentioned:

1.) Section VII of the Investment Policy states “Pursuant to §A3-4 of the Ulster County Code and §C-24 of the Charter, the Ulster County Executive shall designate one or more official depositories located within Ulster County for the deposit of County funds.” We were informed that this requirement is accomplished by the Commissioner of Finance giving the Executive a listing of bank accounts on a yearly basis. Prior to the charter change this duty was documented into the official records via a resolution during the re-organizational meeting, a procedure which has not been done since January of 2008.

2.) Section XI of the Investment policy states “The County of Ulster shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments, which can be made with each financial institution or dealer.” This section was also accomplished via a resolution in the “pre-charter days” which has also not been done since January of 2008.

LIMITED OR NO ACTIVITY ACCOUNTS
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Upon review of the activity in these 50 accounts we noted that there were approximately a dozen accounts that had little or no activity other than an interest posting during the month we reviewed. There should be a thorough review of the bank accounts to access whether or not there is a reason for having a segregated account as it adds to the reconciliation and review process every month. This detailed review should be combined with an analysis of interest earnings and to determine if these investment and Certificate of Deposit accounts if combined would yield a higher rate of interest.

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