

# Audit Committee

## Regular Meeting Minutes

**DATE & TIME:** April 22, 2019 – 5:30 PM  
**LOCATION:** KL Binder Library, 6<sup>th</sup> Floor, County Office Building  
**PRESIDING OFFICER:** Joseph Maloney, Chairman  
**LEGISLATIVE STAFF:** Fawn Tantillo  
**PRESENT:** Legislators Lynn Archer, Richard Gerentine, Herbert Litts, III and Hector S. Rodriguez; Comptroller's designee Alicia DeMarco  
**ABSENT:** None  
**QUORUM PRESENT:** Yes  
**OTHER ATTENDEES:** Legislator Laura Petit; Jeremy Russel

- Chairman Maloney called the meeting to order at 5:31 PM and called the roll.
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**Motion No. 1:** To approve the Minutes of October 16, 2018

**Motion Made By:** Legislator Gerentine  
**Motion Seconded By:** Legislator Archer

**Discussion:** None

**Voting In Favor:** Legislators Maloney, Archer, Gerentine, Litts and Rodriguez  
**Voting Against:** None  
**No. of Votes in Favor:** 5  
**No. of Votes Against:** 0  
**Disposition:** Approved

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Chairman Maloney opened the discussion of the Drescher & Malercki LLP (D&M) Management letter of September 20, 2018 regarding their audit of the basic financial statement as and for the year ended December 31, 2017. He noted that the committee could agree or disagree with their findings but should discuss the next steps to address each and set goals. He recognized that the county has many procedures to manage the budget and D&M is recommending the Legislature codify these procedures into a written policy.

### Revenue Recognition

Chairman Maloney noted that in this case D&M is referring to the 60-day cut off for revenue

Chairman Maloney reached out to Burt Gulnick, Commissioner of Finance and Jose DiLeon, Director of Information Services. Mr. Gulnick replied that the county uses Generally Accepted Accounting Principles (GAAP) as per the Government Accounting Standards Board (GASB). Chairman Maloney agreed these are sound procedures but noted a department head may deviate from procedures but not from policy therefor the Legislature should establish these procedures as a formal policy.

Chairman Maloney pointed out that once the County Executive's choice of a department head (DH) is approved by the legislature, the legislature had no oversight and little influence over that DH. The legislature does set policy. By setting policy the legislature has influence over various functions of departments and this policy making responsibility is an important role in this form of government.

Chairman Maloney noted that in this case D&M referred to the 60-day cut off for revenue from one calendar year to the next.

Legislator Archer pointed out that these recommendations were a continuation of the recommendations from 2015 and 2016 and questioned why the Legislature has not acted on these recommendations before now.

Legislator Gerentine noted that current procedures in practice are working well and recommended focusing on areas that are not working.

Legislator Rodriguez agreed that current procedures work well but as the County transitions to a new County Executive it would be prudent to codify procedures.

Ms. DeMarco explained in the past revenue had no formal cut off. When the County received revenues from the prior year they were recorded in the prior year. Using general accounting principles D&M said that is not what they are auditing against. She said the Finance Department has adjusted procedures to reflect D&M suggestion for a 60-day cut off but D&M would like to see that adopted as part of a formal policy.

The committee had a brief discussion regarding if there was a need to address this if the procedure is working.

Legislator Litts recommended asking Commissioner Gulnick to submit the current procedures, review it and institute it as a policy.

Chairman Maloney will ask Commissioner Gulnick describe the current GAAP procedures in practice.

Legislator Litts asked that it be circulated to the committee before the next meeting.

### **Information technology disaster recovery plan and risk assessment**

Chairman Maloney introduced the second D&M recommendation to formalize an information technology disaster recovery plan. He discussed this with IT Director DeLeon who shared a draft they are working on. Chairman Maloney reminded members that the county contracted for a \$40,000 draft plan in 2012. The current draft, IT is working on, is essentially the same as the 2012 draft. Chairman Maloney felt it needed to be a priority to finalize the current working draft, formally adopt it as a policy, communicate it to department heads and include it in annual department head training.

Legislator Rodriguez suggested inviting Director DeLeon to a future meeting to walk the committee through the plan so they understand it and discuss how it can be updated to keep up with changes in technology.

Legislator Archer said an Eisner Amper (EA) report identified cyber security as an issue and the Economic Development committee asked Director DeLeon to incorporate the EA recommendations into one copy and they hope to have that within a month or so. She suggested they ask Director DeLeon to do the same with this draft disaster recovery plan.

Chairman Maloney has no problem with Economic Development working on this but observed it will be very involved.

The committee discussed the challenges of setting policy to keep up with every changing technology. They agreed a policy should include a requirement for regular updates be required on a specified time frame. The committee agreed to let Economic Development committee work on this policy and will follow up with them.

### **Construction in Progress**

Chairman Maloney said the counties Capital Asset policy should include a Capital Work in Progress (CWIP) report. In an email, Commissioner Gulnick agreed the current Capital Asset policy could be amended to include CWIP.

The committee discussed asking staff to work with Commissioner Gulnick to write an amendment to include CWIP in the Capital Asset Policy.

### **Debt Management**

Chairman Maloney would like to get examples of what other counties Debt Management Policy.

Ms. DeMarco suggested that any debt management policy should be general enough to be versatile.

Several members made reference to the Dutchess County Debt Management policy. The committee discussed W&M working on this policy with Commissioner Gulnick.

### **Succession Planning**

D&M pointed out that the County does not have a formal succession plan for key positions throughout the County. The committee discussed the importance of maintaining institutional knowledge and grooming individuals under existing DH for future leadership roles; many employees are subject to Civil Service requirements for promotion; the challenges of an unexpected DH departure and the occasional to seek a DH from outside the current department.

Legislator Rodriguez suggested this applied to DH and not all positions. In a case where the departing DH is available to help a new DH transition into the position the legislature could approve a budget amendment to cover the salary for the departing DH to remain when the situation is appropriate to do so. He emphasized that while the legislature may vote to approve a new DH, the choice of DHs falls under the purview of the County Executive.

Chairman Maloney will contact D&M to request examples of the policies they referenced.

Legislator Litts suggested each department submit an organizational chart. This was discussed during the budget process and they did not receive the requested information.

Chairman Maloney will reach out to the County Executive's Office for a list of key positions that office anticipates will need succession plans. He also wants to get specific examples of what key positions they were talking about and give us examples of policies from other counties.

Legislator Archer described succession planning as an ongoing process where individuals are groomed and trained to take on a leadership role.

Legislator Rodriguez noted the county has done succession planning informally. He understands why D&M brought it up but does not feel it is an issue for the legislature to deal with. The D&M Management letter went to the administration. In an Executive form of government, the authority lies with the Executive.

Legislator Litts discussed private sector vs. private industry. The NYS Retirement system requires a minimum of 30 days' notice of retirement. He noted that sometimes a temporary title can be used to allow overlap and training and perhaps the legislature should consider a policy that would allow or encourage temporary titles rather than leaving a 4 to 6-week gap of leadership.

The committee discussed civil service vs. management confidential positions; the benefits of ongoing training; what is the plan if key leaders suddenly leave.

Chair Maloney suggested emailing Drescher & Malecki for examples from other counties of best practices and email departments to see what key positions they identify.

Legislator Petit suggested asking personnel for guidance.

The committee discussed requests to the County Executive for organizational charts that have gone unanswered.

**Software Utilization**

Chair Maloney reported there was a concern regarding scanning in journal entry reports and that Commissioner Gulnick said is being done now; HUB a new user friendly tool being developed for the New World user system is still under

**Bank Reconciliation**

Chair Maloney pointed out that this discussion involved the Comptroller’s office, he recused himself and asked Legislator Archer to cover this in Ways and Means.

Legislator Archer and Ms. DeMarco said the program is in place and being used, entries are being made and a policy will be put in place to discuss the expectation and timing of entries.

**Drescher & Malecki**

Chair Maloney asked if there were any other items on the report that the committee wanted to discuss. There was a brief discussion of the timing of their work in 2019.

**New/Old Business**

**Targeted Audits**

Legislator Rodriguez wanted to follow up on the requests from various legislators for targeted audits on various groups like Family of Woodstock programmatic audits and the Sheriff Commissary.

Chair Maloney felt it was appropriate for the chairs of the standing committee to make recommendations for Specialized Audits they would like.

Chair Maloney summarized that Ways and Means would oversee the Debt Management Policy and the Economic Development Committee would oversee Information Technology. He felt progress could be made quickly on a policy for Construction in Progress and Revenue Recognition.

**Old Business:** None

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There being no further business before the Committee,

**Motion to Adjourn**

**Motion Made By:** Legislator Litts  
**Motion Seconded By:** Legislator Rodriguez  
**No. of Votes in Favor:** 5  
**No. of Votes Against:** 0  
**Time:** 6:37 pm

**Respectfully submitted by:** Fawn Tantillo  
**Minutes Approved:** July 24, 2019