OSC Audits: Common County Audit Findings

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Division of Local Government and School Accountability
Our Mission

• Improve the condition of local governments and the communities they serve.
  – Risk Assessments
  – Audits
  – Reviews (Budget/Tax Cap/Consolidation)
  – Information
  – Training
Performance Audits

• Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.
Performance Audits

• Provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria.
  – What is supposed to be? (Criteria)
  – What actually is? (Condition)
    • What evidence is there to support differences?
  – What could happen or what did happen as a result of the differences? (Effects)
  – Why is there a difference? (Cause)
Common Audit Findings

- Financial Management
- Financial Condition Management
- Departmental Operations
- Information Technology
- Procurement and Claims Audit
- Employee Leave Time
Financial Management
Financial Management

• Objective
  – Determine whether County officials maintained accurate and complete financial information to adequately manage operations.

• Background
  – The Board/Legislature is responsible for the general management and control of operations. Generally, the chief fiscal officer is responsible for maintaining accounting records and submitting required reports.
Financial Management

• Criteria
  – Board Policies and Procedures
  – County Law, County Charter
  – General Municipal Law
  – Good Business Practices

• Audit Procedures
  – Interview Board members, officials and employees.
  – Review Board meeting minutes.
  – Verify accuracy of balance sheet accounts.
  – Verify accuracy of Annual Financials Reports filed with OSC.
  – Review all bank statements and reconciliations for accuracy.
  – Evaluate financial condition of entity.
  – Evaluate if adopted budgets were realistic.
Financial Management

• Findings
  – Failed to address deficiencies identified in previous audits and will pay hundreds of thousands to several accounting firms to correct the accounting records.
  – Officials did not ensure that they received critical financial information, such as budget-to-actual reports or annual financial reports during our audit period, nor did they have policies in place to ensure other managers received these reports.
Financial Management

• Recommendations
  – Address deficiencies identified in previous audits to ensure the accuracy of the accounting records.
  – Update and/or develop policies and procedures to ensure the Legislature and County officials are provided with accurate and complete financial information.
Financial Condition
Financial Condition

• Objective
  – Determine whether the Legislature and County officials effectively managed the County’s financial condition.

• Background
  – The Legislature is responsible for the overall management and oversight of the County’s financial operations, including adopting the annual budget and establishing financial policies and procedures.
Financial Condition

• Criteria
  – County Law, County Charter
  – General Municipal Law
  – Best Practices for Budget Adoption
  – Board Policies and Procedures

• Audit Procedures
  – Verify budget vs. actual and determine differences.
  – Review Board meeting minutes.
  – Review multiyear plans and results.
Financial Condition

• Findings
  – The County’s financial position has been strained for several years.
  – The County relied on revenue anticipation notes and general fund interfund advances to cover deficit cash balances.
  – The County does not have sufficient general fund balance to mitigate significant revenue shortages or unanticipated expenditures.
Financial Condition

• Recommendations
  – Identify ways to increase recurring revenues or decrease recurring expenditures to improve the County’s financial condition.
  – Take measures to ensure the County generates and maintains adequate fund balance and cash flow in all funds.
  – Develop a sustainable plan to phase out the general fund’s subsidizing of the solid waste fund.
Departmental Operations - Probation Restitution
Probation Restitution

• Objective
  – Determine whether County Probation Department (Department) officials enforced restitution orders, notified the court when a probationer violated the court order and disbursed victim restitution payments promptly and appropriately.

• Background
  – Department officials should ensure the collection and enforcement of restitution is in accordance with State laws, rules and regulations, Department policies and procedures, court-issued restitution orders and any applicable guidelines set forth by the Office of Probation and Correctional Alternatives. The timely collection and enforcement of court-ordered restitution from probationers helps ensure that victims receive the compensation to which they are entitled.
Probation Restitution

• Criteria
  – Board Policies and Procedures
  – County Law, County Charter
  – New York State Criminal Procedure Law, and rules and regulation
  – General Municipal Law
  – Good Business Practices

• Audit Procedures
  – Interviews with Department officials and employees.
  – Reviewed relevant State laws, rules and regulations and County policies and procedures.
  – Reviewed relevant payment reports and court documents.
  – Review select number of restitution cases for last payments made and actions taken.
Probation Restitution

• Findings
  – More than half of the probationers tested were behind on their restitution payments by a total of $XXX. The courts were often not notified because Department policies did not always require court notification or officials failed to follow their policy and notify the court that the probationer failed to pay restitution as ordered.
  – Restitution payments were not always disbursed to victims promptly or appropriately and reasonable efforts were not made to locate victims to disburse as much as $XX million the Departments had on deposit, with some undisbursed restitution being held for 27 years.
  – Nearly half of the Departments tested did not maintain complete lists of unsatisfied restitution orders and more than 75 percent of the Departments cannot identify the source of all the money on deposit in their restitution accounts.
  – As a result, some victims will never receive the payments to which they are entitled.
Probation Restitution

• Recommendations
  – Establish adequate written restitution policies and procedures for enforcing and monitoring restitution obligations.
  – Make payments from the undisbursed restitution account to the crime victims whose restitution orders have remained unsatisfied for the longest period in a timely manner.
Information Technology
Information Technology

• Objective
  – Determine whether officials ensured information technology (IT) systems were adequately secured and protected against unauthorized use, access and/or loss.

• Background
  – The Board/Legislature is responsible for adopting written procedures for storing, classifying accessing, and disposing of personal, private, or sensitive information (PPSI). Officials should also develop comprehensive written procedures for managing system access that include periodic reviews of user access to ensure compliance with acceptable use and limit access to pertinent personnel.
Information Technology

• Criteria
  – Board Policies and Procedures
  – County Law, County Charter
  – New York State Technology Law
  – Good Business Practices

• Audit Procedures
  – Interviews with Board members, officials and employees.
  – Review of Board meeting minutes.
  – Review of IT-related policies and procedures.
  – Walk-through of County to identify IT weaknesses.
  – Review of County computers, devices and networks.
Information Technology

• Findings

– County Legislators did not monitor compliance with the County’s acceptable use policy, and did not adopt IT policies, including: Breach notification policy, Disaster recovery plan, and PPSI.

– County officials did not provide cyber security training to IT personnel and County employees or provide periodic training on County acceptable use policies.

– Note: Additional sensitive IT control weaknesses are communicated confidentially to officials.
Information Technology

• Recommendations
  – Adopt comprehensive IT policies, communicate them to all employees, and review and update routinely or when significant changes in the environment occur.
  – Provide adequate cyber security training to IT personnel and County employees.
Procurement and Claims Audit
Procurement and Claims Audit

• Objective
  – Determine whether County officials procured goods and services in accordance with the procurement policy and statutory requirements.
  – Determine whether claims were adequately supported and properly audited before payment.

• Background
  – Under New York State General Municipal Law (GML) counties are generally required to advertise for competitive bids when procurements exceed certain dollar thresholds. GML requires the governing board to adopt written procurement policies and procedures for procuring goods and services not required by law to be competitively bid, such as professional services.
  – New York State County Law (County Law) requires the governing board to audit all claims before they are paid. A legislature also may appoint a county auditor to assume its powers and duties to examine and approve or disapprove claims.
Procurement and Claims Audit

• **Criteria**
  – Board Policies and Procedures
  – County Law, County Charter
  – General Municipal Law
  – Good Business Practices

• **Audit Procedures**
  – Interviews with Board members, officials and employees.
  – Review of Board meeting minutes.
  – Review procurement policies and procedures.
  – Selected and reviewed purchases, professional services and related documentation.
  – Review of claims audit processes.
Procurement and Claims Audit

• Findings
  – Did not seek competition for aggregate purchases from XX vendors totaling approximately $XXX or from XX professional service providers totaling $XX million.
  – Allowed the credit card company to directly withdraw payments totaling $XXX from the bank account.
  – Did not audit XX claims totaling $XXX before payment and approved XX claims totaling $XXX that were not adequately supported.
Procurement and Claims Audit

• Recommendations
  – Consider the aggregate amount to be expended for the same or similar type of goods or services when determining whether competitive bidding is required and develop procedures for procuring professional services.
  – Ensure all claims are adequately supported and audited before payment.
  – Discontinue allowing third-party access to directly withdraw funds from County bank accounts.
Employee Leave Time
Employee Leave Time

• Objective
  – Determine whether the Board established and enforced policies and procedures for time, attendance and employee leave time.

• Background
  – The Board is responsible for establishing policies for time, attendance and leave accruals. Department heads and management are responsible for reviewing time records.
Employee Leave Time

• Criteria
  – Employment/ Union Contracts
  – Board Policies and Procedures
  – Good Business Practices

• Audit Procedures
  – Interviews with Board members, officials and employees.
  – Review of payrolls and supporting documents.
  – Auditor observation of workday habits.
  – Review of Board meeting minutes, contracts and policies.
Employee Leave Time

• Findings
  – The Board did not establish policies and procedures for time and attendance and employee leave time.
  – Officials did not accurately maintain time and attendance records and employee leave records. Leave used and earned was not always properly recorded or supported by County records.
Employee Leave Time

• Recommendations
  – The Board should implement procedures that ensure leave earned, used and carried over is supported by time and attendance records and leave request forms.
  – Review and update employee handbook and policies.
  – Ensure officials and employees follow established policies and procedures.
Common Audit Topics

- Board/ Legislature Oversight
- Financial Management/ Financial Condition
- Procurement and Claims Audit
- Budgeting
- Departmental Operations
  - Receipts and Disbursements
- Payroll/Benefits/Employee Leave Time
- Information Technology
- Court and Trust Funds
OSC Resources

• Financial Toolkit for Local Officials
  – https://www.osc.state.ny.us/local-government/financial-toolkit

• Fiscal Stress Monitoring System
  – https://www.osc.state.ny.us/local-government/fiscal-monitoring

• Audits of Local Governments
  – https://www.osc.state.ny.us/local-government/audits

• Publications
  – https://www.osc.state.ny.us/local-government/publications

• Training
  – https://www.osc.state.ny.us/local-government/academy
Questions?

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