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County of Otsego
County Treasurer Financial Operations Audit
Period Covered: January 1, 2005 – July 17, 2006

CORRECTIVE ACTION STATEMENT

Background Statement:

The time period of this audit covers the full year prior to my taking office of Treasurer effective January 1, 2006 through the first six months of my 4 year elected term, concluding in the 7th month, July 2007. Due to other staff turnovers in the office at the same time, I initially appointed one new Deputy Treasurer and 3 months later, a second Deputy Treasurer was appointed from within.

General Response Statement:

Our decision to abandon the old unsupported financial software and implement a new integrated multi-user financial software system, posed quite a large challenge for a reduced staff count and new management. However, we implemented the general software, Budget module and Accounts Payable module over a 4 month period. Microsoft projected it to be a 1 year project. Since then we have implemented the Purchasing module and rolled it out to the department heads with full training and support. We have planned the implementation of the Payroll module for this 2007 year, with a go live date of January 1, 2008. I mention this as demonstration of the aggressive nature that we have sought out problems and their resolutions since my taking office January 2006.

A response to the resultant audit report, was submitted and made part of the Final report. Following is my corrective action statement based on the separate and distinct findings and recommendations of the audit report.

Very Truly Yours,

Myrna A. Thayne
Treasurer, State of New York County of Otsego

ACCOUNTING AND REPORTING

- Recommendation #1:** **The Board should monitor the Treasurer’s accounting system conversion process to ensure that the accounting system, financial recording, and financial reporting deficiencies are corrected as expeditiously as possible.**
- Corrective Action #1: N/A. This is directed to the Board of Representatives.
- Recommendation #2:** **The Treasurer should establish a plan to provide needed direction to and supervision for, office staff, to help ensure that accounting records and reports are complete, accurate and up-to-date. Training on the new accounting system should be provided as appropriate.**
- Corrective Action #2: Since the start of my administration, I do not believe direction and supervision have been an issue; however, we have made some changes to enhance current leadership. To date, we have established an Accountant position, reporting directly to the Treasurer. We have filled this position with a seasoned professional, who will operate under the general direction of the Treasurer and two Deputy Treasurers to oversee all accounting Standards and practices in the office. Among other tasks, the Accountant is responsible for establishing deadlines for account/ledger balancing, ensuring accuracy, and generating/distributing required reports. We have also filled an open Senior Account Clerk Typist position, who will act as a floater for and backup to our Banking, Payroll, and Accounts Payable staff members. This is a critical position; giving us depth in those areas and filling a void since my taking office. We have had one recent resignation, our primary Accounts Receivable Account Clerk Typist. Working with our Personnel Director, we have upgraded this position to Principal Account Clerk Typist and have successfully filled this position. The upgraded position allowed us to bring in a more seasoned staff member. In-house CBT and instructor delivered training is available and required of all staff who utilize the new accounting system. Additionally, we have secured access to Microsoft online education for this new software.
- Recommendation #3:** **The Treasurer should provide the Board and department heads with accurate and timely financial information including budgetary analyses, after verifying that the accounting records are up-to-date and cash balances are reconciled.**
- Corrective Action #3: To date, July 25th, all accounts/ledger are up-to-date and balanced through the end of June 2007. Month-by-month revenue and expense reports have been provided to each Department head and a to-date budgetary revenue/expense report provided to the Administration Committee and the members of the Board. A 5-year financial plan/projection is in the works, with an anticipated completion date of August 30th. Once completed, this will be provided to members of the Board for reference during our upcoming 2008 budgetary season. Monthly financial and budgetary reports will be distributed by the end of each month for the prior month-end going forward.

Recommendation #4: **The Board should provide appropriate oversight over the Treasurer's operations to ensure that financial information is timely and useful.**

Corrective Action #4: N/A. This is directed to the Board of Representatives. It should be noted that we have recently been awarded a SARA grant by NYS, in efforts to inventory and organize our required historical records in preparation for document imaging. This will enable us to enhance our data retrieval for certain requests received.

Recommendation #5: **The Treasurer should provide for an adequate segregation of duties so that no one person prepares, reviews and approves journal entries. This responsibility will fall to one of the Treasurer or one of the Deputy Treasurers should the Accountant not be available.**

Corrective Action #5: Now that we have an Accountant position, it will be one responsibility of the Accountant to review and approve journal entries prior to those entries being posted.

INVESTMENT MANAGEMENT PROGRAM

Recommendation #6: **The Treasurer should limit the use of non-interest bearing bank accounts and seek the highest interest rates commensurate with acceptable risk levels when investing monies.**

Corrective Action #6: Securing highest interest rates on our accounts is already addressed and is continually evaluated. Current investments and strategies were provided in our initial response. Since that writing, we have additionally made modifications to our Cash Receipt policy, to include a requirement for accounts to be interest bearing unless prohibited by local, state, federal, or some other regulation or policy. A copy of this policy is attached.

Recommendation #7: **The Treasurer's Office staff should prepare an annual cash flow projection and update the projection monthly to project available funds for investment purpose.**

Corrective Action #7: A Cash Flow spreadsheet has been developed and has been updated with monthly debit and credit data for each month of 2006 to-date in 2007. This will be used to analyze each candidate investment account with the anticipation of being able to project trends and periods of cash availability for investment purposes. Based on the Cash Flow spreadsheet(s), initial targeted account reviews have been completed. Thoughts and Actions resulting from those reviews are attached.

Recommendation #8: **The Board should review and update the Investment Policy and include provisions such as the development of detailed written investment procedures and guidelines.**

Corrective Action #8: N/A. This is directed to the Board of Representatives, however, the Treasurer Office offers any cooperation with regard to this recommendation.

Recommendation #9: **The Board's Administration Committee should, at least annually, review existing, new, and potential investments, and discuss investment opportunities with the Treasurer.**

Corrective Action #9: N/A. This is directed to the Administration Committee, however, the Treasurer Office is prepared to provide a spreadsheet report of current and past investments to the committee upon request or another defined frequency.

PAYROLL

Recommendation #10: **The Treasurer should provide for an adequate segregation of duties so that no one person controls all aspects of the payroll process.**

Corrective Action #10: As noted in our initial response, one Deputy Treasurer has assumed responsibility for coordinating segregation of duties and additionally coordinating backup and shifting duties when the Payroll Coordinator is out of the office. Both the new Senior Account Clerk Typist staff, mentioned earlier, and the implementation of the Payroll module to our new financial software, planned for this year, will enable this segregation of duties to be more streamlined, by allowing multi-user access to the system. Our Payroll and Human Resources module kickoff session with the vendor took place on Thursday, July 19th. Our targeted go-live implementation date is January 1, 2008.

Recommendation #11: **The Board should consider installing better payroll software that would create a more efficient payroll process to eliminate duplication of effort and the use of manual records.**

Corrective Action #11: N/A. This is directed to the Board of Representatives, however, this issue should be addressed with the implementation of the Payroll module previously mentioned.

Recommendation #12: **The Board should require that Personnel Office staff maintain complete personnel files for all County employees.**

Corrective Action #12: N/A. This is directed to the Board of Representatives.

Recommendation #13: **The Treasurer should limit computer system access so that no one employee can manipulate data in the payroll system, print checks and distribute checks to employees.**

Corrective Action #13: As noted in our initial response, payroll checks are still requested for printing by the Payroll coordinator, but will be addressed with the new software implementation. Distribution of Payroll checks is already segregated within the office. Checks are bundled for pickup from remote areas with only certain designated persons able to pick up. They must show ID and sign for the checks upon pickup. Other checks are hand delivered within the main County Office Building. Both of these tasks are handled by persons other than the Payroll Coordinator. To date, we have eliminated access to Payroll files for everyone who is not required at this point. One of our Principal Account Clerk Typists still has access to Payroll, as noted in our initial response, as she has yet to turn over our second Payroll process (JTPA). Now that we have employed a new Senior Account Clerk Typist, this turnover has begun. Once complete, the Principal's access will be removed as well. It is our goal with the new system capabilities, to only provide access to the Payroll Coordinator, her backup, and both Deputies. Both Deputies will continue to require access to obtain other personal and financial information related to employees to fulfill duties in other areas that require this information. In our environment, the data in our Payroll system is equivalent to our employee master.