

NASSAU COUNTY

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Nassau County Departments' Cash/Revenue Receipt Workflow Processes

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Background

The Comptroller's Office conducted a review of Nassau County departments' cash/revenue receipt workflow processes.

The primary purpose of this review was two-fold:

- To document current processes and procedures while concurrently identifying and reviewing any process gaps or inefficiencies; and
- To inform decision making regarding the design of the new Countywide enterprise resource planning (ERP) financial system.

The County has many types of receivables. Cash receipts include cash currency, checks and credit card charges received in payment for a variety of departmental fees, such as park entrance, concessions, licenses, various County clerk application/service fees, fines, bail and other revenue receipts. These come from various sources, including state and federal aid, intergovernmental transfer payments, sales taxes, property taxes, mortgage taxes, event taxes, and Medicaid and other reimbursements.

The timely processing of the receipt of these receivables is critical to the cash flow and financial reporting of the County.

The review began in September of 2023 with an initial analysis of all 38 County departments that manage receivables. Based on this initial analysis, for purposes of audit sampling and sizing, the review focused on the following 15 departments, which cumulatively process 85% of all General Fund cash receipt transactions:

- Assessment
- Civil Service
- Consumer Affairs
- Health
- Information Technology
- Medical Examiner
- Parks, Recreation & Museums
- Probation
- Public Administrator
- Public Works
- Shared Services
- Social Services
- Traffic & Parking Violations
- Treasurer
- Veteran Services

The findings in this report are respective to these 15 departments, while the recommendations are applicable to all departments.

An internal County Directive issued by the Comptroller's Office (Directive 3) provides guidance to departments on how to process and manage cash receipts. The Comptroller's Accounting Division frequently emphasizes to all County departments the importance of following this Directive so that the Comptroller's Office can effectively maintain the County's financial records.

There are 14 applications used by nine departments to receive cash, checks, and credit card payments (see Appendix 1). Regardless of how funds are received, each department is responsible for recording, reporting, and monitoring their cash receipts and entering receipts into the financial system following the processes set forth by the Comptroller's Office.

Current Processes and Procedures

Revenue that has not yet been received but has a value that can be reasonably estimated and is collectible within 60 days of the end of the County fiscal year (December 31st) must be recognized and recorded as a “receivable” in the County’s financial system. In accounting terms these are revenues which are “measurable” (can be reasonably estimated) and “available” (are collectible in the fiscal year). For example, Nassau County imposes a Hotel/Motel Occupancy Tax on hotel/motel stays, which is used to fund tourism and cultural events. The amounts collected can be reasonably estimated for each fiscal quarter based on prior year collections and the amounts are due within the fiscal year. As such, for each quarter of the current year a receivable for the Hotel/Motel Tax revenue is recorded in the financial system prior to the actual revenue being received. Other revenue items that are not measurable or available are recorded when received.

The following summarizes the procedures and controls set forth by the Comptroller’s Office for all departmental revenue receivables, regardless of method of collection or type of receivable.

- Once it is determined that revenue is measurable and available, a Revenue Receivable (RR) document should be recorded in the financial system.
- When actual funds are received, the funds must be deposited into the appropriate bank account. Receipts must be deposited at least once per week (County Charter §2205). Electronically scanned/deposited checks should be retained for 60 days after deposit.
- After the deposit, a Cash Receipt (RC) document should promptly be created to record the actual receipt in the financial system. Prompt recording of the RC ensures the financial system is in balance and reconciled to cash on hand. The RC document must indicate (using the document reference field) the Revenue Receivable (RR) the funds are being applied against.
- For non-measurable revenues, a Cash Receipt (RC) document must be created in the financial system when the cash is received, without a corresponding RR.
- Revenue Receivables (RRs) that are deemed not collectible should be adjusted down, using a Revenue Receivable Adjustment (RJ) document against the RR. All uncollectable RRs should be closed out before year-end (December 31st).
- When funds are collected in an amount higher than the associated RR, the RR should be adjusted up using an RJ, before recording the RC.

Review Findings & Results

Documented Procedures

To ensure the integrity of cash receipts, departments should have comprehensive written procedures for collections, processing and reporting of all cash and revenue receipts. Having written procedures assists departments with training employees, bringing uniformity to entries into the financial system, and ensuring compliance with the Comptroller Directive and procedures.

Findings

Five out of the 15 departments reviewed did not have written procedures for managing cash receipts: Public Works, Shared Services, Social Services, Traffic & Parking Violations, and Veteran Services.

Results

The Comptroller's Field Audit Division created detailed write-ups and process workflow diagrams of current cash receipting procedures for all 15 departments reviewed. These documents were provided to each of these departments.

All of these departments reported that they distributed these documents to staff to be used as guidelines. The 10 departments with existing written procedures instructed employees to reference these process flows as well as their current written procedures when recording transactions in the financial system. The five departments without written procedures indicated that they would use these process flows and Comptroller Directive 3 as a basis to formulate written procedures.

The Comptroller's Office workflow documentation was also provided to the development team for the County's new financial system. These were used by the team to understand the County's current processes, identify gaps in the current process, and make decisions regarding the design of a more efficient new enterprise resource planning (ERP) financial system.

Segregation of Duties

Cash receipt and processing duties should be spread among multiple employees to reduce the risk of errors or fraudulent activity. No one employee should have full control over the receipt of cash and/or checks, recording transactions in the County's financial system, and depositing of cash and/or checks at the bank. This is particularly important when handling actual cash currency. If segregation of duties is not possible, a compensating control such as requiring department head approval must be put in place.

Findings

Three of the 15 departments reviewed were found to lack segregation of duties: Assessment, Parks, Recreations & Museums, and the Public Administrator.

Results

These departments generally indicated to Auditors that staffing issues affected their ability to segregate duties. As a result of these findings all departments were able to implement corrective actions:

- Assessment provided training and access to the County financial system to additional staff members,
- The Public Administrator indicated that with the addition of a Deputy they will be able to segregate department head approval functions, and
- Parks indicated they will develop procedures with their cash management team to segregate entry and approval functions.

Timely Booking of Cash Receipts/Revenues

Failure to record a receivable when it is determined that the revenue is measurable and available could lead to understating the revenue reported in the County's financial system and undermines the County's ability to anticipate future revenue and monitor cash flow. Departments should not wait until funds are received to create a Revenue Receivable (RR) document to record a receivable and contemporaneously create a Cash Receipt (RC) document to book the revenue.

Similarly, when revenue is received departmental staff must look for an existing RR to apply receipts to before recording the RC. If the cash received is not correctly applied to an existing open RR and a new RR is created in error, a duplication of revenue is created in the financial system. This error must be corrected by the Comptroller's Office, resulting in unnecessary work for the Comptroller's Accounting Division to monitor, find and make correcting entries.

Findings

Two of the 15 departments reviewed did not timely record receivables: Information Technology and Probation.

Results

When presented with these issues, Information Technology indicated that in the future they would do the necessary analysis as to the measurability and availability of anticipated revenue so that they can properly record RRs.

The Department of Probation indicated that they are hesitant to book RRs for State Aid revenue (which is where these issues were found), because of the many adjustments (RJs) that need to be made based on actual revenues received. Auditors recommended that they seek guidance from the Comptroller's Accounting Division on how to manage this adjustment issue, so that they can properly record RRs for the anticipated revenue as required, and then make any necessary adjustment based on actual revenues received.

Timely Depositing of Funds

The County Treasurer manages all County bank accounts. Departments are responsible for depositing funds to the bank or giving funds to the Treasurer to deposit. Funds received must be deposited to banks promptly (at least once per week pursuant to the County Charter and should include all receipts since the last deposit). Without timely deposits the County's financial system cannot accurately reflect actual funds available.

Findings

Two of the 15 departments reviewed failed to deposit funds timely: Social Services and Civil Services.

Results

Social Services indicated that staffing issues hampered their ability to make timely deposits. As a result of this review, they have put in place procedures to ensure compliance.

Civil Service indicated that they were not aware of the requirement. Once informed, they also implemented processes to effectuate timely deposits. This included the receipt of an electronic check scanning machine from the Treasurer, which relieved them of the need to go to the bank.

During the review, auditors met with the County Treasurer to discuss the staffing issues reported by various departments and the effect on cash receipting processes. The Treasurer then conducted an analysis of the need and ability for departments to use electronic check scanners. As a result, three additional departments were provided with scanners.

Conclusion & Recommendations

For purposes of audit sampling and sizing, this review focused on 15 departments, which cumulatively process 85% of all General Fund cash receipt transactions. Eleven of the 15 departments reviewed were deficient in at least one area: not having written procedures, lacking segregation of duties, not booking receipts timely, and/or failing to timely deposit funds. Once highlighted by this review, however, these departments were easily able to implement corrective action to meet the directives of the Comptroller's Office concerning cash/revenue receipting.

With respect to the departments not reviewed, it is recommended that:

- These departments review the extent to which their current procedures are documented and then develop written procedures to fill in any documentation gaps.
- These departments review whether their processes comply with Comptroller's Directive 3 with respect to proper segregation of duties, timely recording of entries, avoiding duplicate entries, and timely depositing of funds. Appropriate process changes should be made to fill any process gaps. Staff should be monitored to ensure ongoing compliance.
- The Treasurer work with these departments to improve revenue depositing and check scanning procedures to ensure all departments deposit receipts at least once per week and that electronically scanned/deposited checks are retained for 60 days after deposit.

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APPENDIX 1

Current Applications Used for Cash Receipting

Application	Application Notes/Description	Department
American Traffic Solutions - ATS	Processes online or check payments and sends the money to Nassau Integrated Financial System (NIFS)	Traffic Parking Violations Agency
Avenue 20/20	Cashiering of Fee and Tax Revenue	County Clerk
CC3 / Surecourt	Used for financial reporting of daily deposits and cash receipts as well as integrations with Surecourt for online payments and payment processing, and Chase Bank to import Lockbox payments	Traffic Parking Violations Agency
CivicRec	Cashiering for Parks related services	Parks
Consumer Affairs Case Management	Online license application and payment processing tool	Consumer Affairs
ADAPT - Delinquent Tax Payments	Payment collections for delinquent taxes and feeding data to appropriate settlement bank accounts.	Treasurer's Office
APEX- Entertainment Surcharge Tax Payments	Electronic filing of Entertainment Surcharge Tax Return and Payment processing; Payments are collected and data fed to appropriate settlement bank account.	Treasurer's Office
Golf App	Online registration for use of golf course and payment processing	Parks
APEX- Hotel & Motel Occupancy Tax	Electronic Filing of Hotel & Motel Occupancy Tax Returns and Payment Processing. Payments are collected and data fed to appropriate settlement bank account.	Treasurer's Office
APAPT- Land Record Viewer	Allows County residents to request tax map verification letters and process payment online.	Assessment
McGinnis	Processes payments for Early Intervention & Pre- School service provider invoices. Once verified and approved, payment details are interfaced with NIFS for direct payment.	Health
NeoGov	Processes Civil Service Examination Applications and related payments.	Civil Service
Real Auction	Third party service provider, a web-hosting services for Treasurer's annual tax lien certificate sale.	Treasurer's Office
NYS Benefit Issuance Control System (BICS)	Converts NYS BICS payment codes to NIFS coding by Responsibility Center and sub-object codes. Total transactions are posted in NIFS and allows for processing of checks.	Social Services