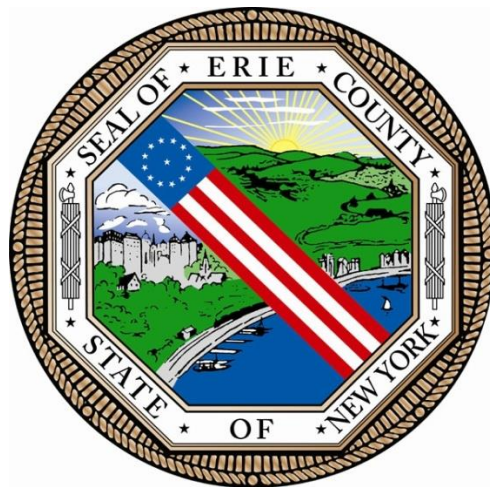


**December 2021**

**Audit of the Erie County  
Division of Budget and Management's  
Community College Charge-back Expenditures  
July 1, 2019 through December 31, 2019**



**STEFAN I. MYCHAJLIW  
ERIE COUNTY COMPTROLLER**

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**HON. STEFAN I. MYCHAJLIW  
ERIE COUNTY COMPTROLLER'S OFFICE  
DIVISION OF AUDIT & CONTROL  
95 FRANKLIN STREET  
BUFFALO, NEW YORK 14202**



January 25, 2021

Erie County Legislature  
92 Franklin Street, 4<sup>th</sup> Floor  
Buffalo, New York 14202

Dear Honorable Members:

The Erie County Comptroller's Office has completed an audit of the Erie County Division of Budget and Management's County-wide Community College Charge-back Expenditures for the period of July 1, 2019 through December 31, 2019.

The Management of Erie County Division of Budget and Management ("Budget") is responsible for establishing the budget for charge-back expenditures. Management of the Comptroller's Office is responsible for the administration of the charge-back expenditure. Budget and the Comptroller's Office are responsible for establishing and maintaining a system of internal control for the community college charge-back expenditures. The objectives of such a system are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and are recorded properly. Because of inherent limitations in the system of internal control, errors or irregularities may nevertheless occur and not be detected.

Our responsibility is to express an opinion based on our audit. We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Our objectives were to test and evaluate charge-back transactions in the operating budget and evaluate the internal controls over charge-back transactions. We believe that the evidence obtained provides a reasonable basis for our findings and recommendations based on our audit objectives.

**Opinion**

In our opinion, the internal controls over charge-back expenditures are not adequately designed and not operating effectively.

No other specific matters adversely affecting compliance and procedures came to our attention. Our audit was made for the purpose previously discussed, and would not necessarily disclose all instances of noncompliance with respect to areas of operations not audited.

## REPORTING REQUIREMENTS

A draft copy of this report was provided to the Division of Budget and Management (“Budget”) for their review. Their comments were considered in the preparation of this report. A copy of their response to this report is included in Appendix B.

## BACKGROUND

Erie County (“County”) residents can attend community colleges outside of Erie County. The resident’s county is required to pay the other county’s portion of the tuition’s local share for the resident under New York State Education Law. The payment of that local share cost is referred to as a charge-back.

Budget is responsible for budgeting the amount of the appropriation. The operational functions of processing County resident charge-backs are the responsibility of the Office of the Erie County Comptroller – Division of Accounting, Reporting, Collections and Fiscal (“Accounting”).

## AUDIT RESULTS AND RECOMMENDATIONS

The audit findings were discussed with the Director of Budget and Management (“Budget Director”). The audit findings were also discussed with Accounting with the consent of the Budget Director. The details of the significant results and findings are presented in this section. The testing methodology’s explanation is documented in Appendix A.

### 1. Segregation of Duties

Incompatible duties were performed by a supervisor in Comptroller’s Office Division of Accounting. The testing of transactions and responses to the internal control questionnaire revealed an Accounting supervisor was responsible for data entry, recalculating the vendor invoice, recording the entry in the County’s accounting system (“SAP”), and authorized the same SAP entry approving the vendor invoice to be paid. We found no evidence of supervisory review when the Accounting supervisor performs data entry.

We recommend that Accounting review the charge-back expenditure process and segregate incompatible duties.

### 2. Information System Controls

We noted an SAP system issue related to processing charge-back transactions. Testing revealed that seven of thirty-four transactions were parked by and posted by the same individual.

We recommend that the Division of Budget and Management and the Comptroller’s Office work with the Erie County Division of Information and Support Services to determine if measures can be implemented for the system to prevent a user from performing both the entry function and the approval function.

### **3. Supporting Documentation**

#### **a. Adequacy of Documentation**

We noted that accrual transactions were not supported by sufficient documentation, lacked related source documents, and lacked supervisory review.

- 5 of 5 accrual transactions tested did not include sufficient supporting documentation.
- The documentation provided did not support the details of the transactions in SAP.

We recommend that supporting documentation for each transaction is attached to the transaction.

#### **b. Confidentiality of Document Contents**

Testing of the supporting documentation revealed a possible issue related to confidentiality, which has not been disclosed in the report for security reasons.

We recommend that the Comptroller's Office review supporting documentation and take steps to ensure confidentiality of the document's contents.

## **RESULTS OF EXIT CONFERENCE**

An exit conference was held with the Director of Budget and Management ("Director") and a member of his staff on December 1, 2021. The audit draft report was reviewed and discussed. The Director indicated that a written response to the report will be provided. The written response to the audit report from the Director was received by the Comptroller's Office on December 2, 2021 and is included in this report as Appendix B.

The Erie County Comptroller's Office would like to thank the Director and staff of the Division of Budget and Management for the courtesy extended to us during the audit.

### **ERIE COUNTY COMPTROLLER'S OFFICE**

Cc: Hon. Mark C. Poloncarz, County Executive  
Hon. Stefan I. Mychajliw, Erie County Comptroller  
Robert W. Keating, Director of Budget and Management  
Erie County Fiscal Stability Authority

## APPENDIX A

### AUDIT METHODOLOGY

The goals of this audit were to test and evaluate charge-back transactions in the operating budget and evaluate the internal controls over charge-back expenditure transactions, general ledger account 500020. The Community College Charge backs are recorded in fund 110, business area 140, cost center 1403010 and were are budgeted in fund 110, business area 140.

To achieve these goals, we assessed the internal controls in place over community college charge-back expenditures.

Questionnaires and walkthroughs were utilized to document discussions with staff from both the Erie County Division of Budget and Management and the Erie County Comptroller's Office related to the expenditure process and the recording of financial transactions in the accounting system. Written procedures were reviewed for adequacy. Tests of controls were designed and executed with the strengths and weaknesses of the control systems identified. Tests were performed on a sample of transactions, the corresponding payments, and the corresponding invoices.

Tests of transactions were designed based on the assessment of the internal controls. The transactions were tested for proper approval and adequate supporting documentation. The supporting documentation was inspected and the details of the recorded transactions were confirmed with the details of the supporting documentation. The supporting documentation included invoices from community colleges outside of Erie County, The Office of the Comptroller's – Division of Accounting, Reporting, Collections and Fiscal's records, and SAP document journals.

The evidence, taken as a whole, was used to form an opinion based on our objectives.

## APPENDIX B

### AUDITEE'S RESPONSE TO THE REPORT



## COUNTY OF ERIE

MARK C. POLONCARZ

COUNTY EXECUTIVE

December 2, 2021

Hon. Stefan I. Mychajliw  
Erie County Comptroller  
95 Franklin St, Floor 11  
Buffalo, NY 14202

**RE: Response to Draft Audit of Erie County Division of Budget and Managements Community College Charge-back Expenditures**

Dear Comptroller Mychajliw:

The Erie County Division of Budget and Management (B&M) writes to respond to the Draft Report of the Audit of the Erie County Division of Budget and Management's Community College Charge-back Expenditures July 1, 2019 through December 31, 2019.

It is important to note upfront that as your draft report states, the Comptroller's Office Accounting staff is responsible for performing the functions association with Community College charge-backs. This is ultimately a joint function with the Division of Budget and Management bearing responsibility for developing a projected annual charge-back figure for the budget, but specific functions handled by the Comptroller.

Our responses follow the audit and use the same section titles.

#### **Segregation of Duties**

We concur with your recommendation that a separate supervisor should be in charge of the review and approval of vendor payments associated with the charge-back process.

#### **Information System Controls**

We concur with your recommendation that SAP should be configured to not allow the same individual to both enter and approve charge-back payment transactions.

**Supporting Documentation**

We concur with your recommendation that documentation be attached for all charge-back transactions.

We strongly concur with your recommendation that the confidentiality issues discussed during the exit conference need to be addressed to avoid any risk of data theft.

I look forward to working with the Comptroller's Office to address these issues and to assist the Accounting Division toward developing stronger procedures.

Sincerely yours,



Robert W. Keating,  
Director of Budget and Management