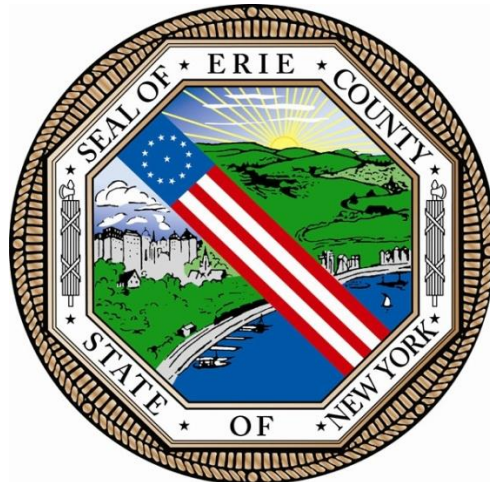


October 2020

**Audit of the Erie County Division of Budget and
Management's ECMC Retiree Health Premiums for
the Period of July 1, 2019 to December 31, 2019**



**STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER**

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



September 22, 2020

Erie County Legislature
92 Franklin Street, 4th 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 ECMC Retiree Health Premiums for the period of July 1, 2019 to December 31, 2019.

Management of the Erie County Division of Budget and Management is responsible for establishing and maintaining a system of internal control. 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 expenditure transactions in the operating budget and evaluate internal controls over expenditure 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 the estimated ECMC Retiree Health premiums are adequately designed and 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.

BACKGROUND

Under the terms of the agreement to sell the Erie County Medical Center (“ECMC”) to the Erie County Medical Center Corporation, the County agreed to be responsible for retiree health insurance premiums for employees of ECMC hired prior to January 1, 2004.

The annual appropriation is based on an actuarial calculation jointly developed by the Erie County Division of Budget and Management (“Budget”), the Erie County Department of Personnel, and Labor-Management Healthcare Fund. The annual estimate is budgeted each year in Budget Book A, fund 110, business area 500, a County-wide account administered by Budget.

Each month, the Comptroller’s Office Accounting Division records a portion of the estimated cost established by Budget. This monthly estimate is calculated using the annual estimate divided by twelve. This amount represents the County’s share of the premiums.

The estimated County share for ECMC Retirees’ Healthcare transactions are recorded in fund 110, business area 500, cost center 5000001, general ledger account 502070 Hospital & Medical - Retirees’.

AUDIT RESULTS AND RECOMMENDATIONS

For the period of July 1, 2019 through December 31, 2019, eight transactions were recorded in SAP for the estimated County share of ECMC Retiree Health Care premiums, in general ledger account 502070 – Hospital & Medical Retirees’.

SAP Entries to Supporting Documentation

Six of six transactions tested were traced from SAP to the corresponding upload entry documents with no exceptions noted.

AUDITOR COMMENTS

1. Upload Files to Month-end Checklists

The details of the upload hard copies were compared against the details of the month-end checklists. We noted the following during testing:

a. Month-end Checklists:

- i. 6 of 6 month-end checklists tested did not record the SAP document number for the month’s upload entry.
- ii. 6 of 6 month-end checklists tested indicated who prepared the upload entry, who approved the upload entry, and the date the entry was posted in SAP.

The month-end closing transactions on the month-end checklists cannot be traced to the final SAP output.

b. Upload hard copies:

- i. 6 of 6 upload hard copies tested have the corresponding SAP document number recorded.
- ii. 6 of 6 upload hard copies tested did not have evidence of who prepared the entry, who approved the entry, and the date the entry was posted in SAP.

The hard copy records cannot be traced to the month-end checklists for the details of who prepared the upload entry, who approved the upload entry, and the date the upload was posted.

We recommend that the Comptroller's Office, Accounting Division, record the following details on both the hard copy of the upload and the month-end checklist:

- Document number
- Posting date
- Preparer of the upload
- Approver of the upload

RESULTS OF EXIT CONFERENCE

An exit conference was held via WebEx with the Director of Budget and Management ("Director") and a member of his staff on October 21, 2020. The draft of the audit report was reviewed and discussed. The Director was in general agreement with the report. A written response to the audit report from the Director was received by the Comptroller's Office on October 22, 2020. The auditee's response is included in this report as Appendix A.

ERIE COUNTY COMPTROLLER'S OFFICE

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

APPENDIX A

Auditee Response to Audit Report



OCT 22 2020 09:04

COUNTY OF ERIE

MARK C. POLONCARZ
COUNTY EXECUTIVE

October 22, 2020

Hon. Stefan I. Mychajiw
Erie County Comptroller's Office
Division of Audit & Control
95 Franklin St.
Buffalo, New York 14202

Re: Audit of the Erie County Division of Budget and Management's ECMC Retiree Health Expenditures for the period of July 1, 2019 to December 31, 2019

Dear Comptroller Mychajiw:

I am writing in response to the draft audit report for your office's audit of ECMC Retiree Health Expenditures. My team and I are pleased that you found that internal controls over this unique account are "adequately designed" and "operating effectively."

Sincerely yours,

A handwritten signature in blue ink, appearing to read "R. Keating".

Robert Keating
Director of Budget and Management