ERIE COUNTY AUDIT COMMITTEE MINUTES

Meeting held on September 20, 2023

Present: Honorable John Mills, Aaron Saykin, Josh Heim, Dr. Timothy Callan, Mary Nytz-Hosler, Luke Malecki (D&M), Corey Sveinsson (D&M)

Excused: Honorable April McCants-Baskin, Steven Sanders

Discussion of Agenda Items:

Meeting called to order at 2:05 pm by Mr. Saykin

1. Approved meeting minutes held on May 24, 2023 – Mr. Heim made the motion to approve, seconded by Legislator Mills and carried unanimously.

2. Update on County Audit and Management Letter - D & M released Management Letter on 9/13/23

   Discussion regarding Management Letter and Committee Recommendations:
   a) **Real Property Tax Services**
      Need for departmental procedure manual for Real Property Tax Services. Scott Bylewski responded to D & M stating that a comprehensive plan is coming together, and PILOT procedures will be added. In addition, the reconciliation process between the Govern System and SAP was being discussed, and it was noted that currently Bob Keating is handling the reconciliation of property tax collection, and he plans to retire in the near future and who would take over that process? Training and succession planning is needed. Lastly, sign off procedures are being established. Luke Malecki explained that while sign offs are being done, it's unclear what the sign off is for, therefore, reasons for sign-off should be documented.

      Committee Recommendation
      The Audit Committee agrees with D & M's recommendations for the Department of Real Property Tax Services along with the Budget Director to continue to develop and formalize procedures for the Department's accounting processes. These procedures should incorporate the County's internal control policy that will safeguard the integrity of the system and its data and ensure proper oversight is in place. Further, the necessary SAP and Govern System training should be provided to the employees of the Department to ensure that activities within the Department are being handled timely and accurately.

b) **Sheriff's Office**
There is a need for a departmental procedure manual for accounting activities within the Sheriff's Office. The Sheriff's Office did not respond to D & M's concerns. The Comptroller's Office tried to facilitate a response; however, it was unsuccessful.

D & M noted that bank reconciliations are inconsistent and there are no formalized procedures for receipts and disbursements, and no internal controls or segregation of duties. Currently one person controls all aspects of the accounting activities for the Sheriff's Office, and it was mentioned that her family member works in the same office. Without proper procedures that incorporate some form of internal controls and segregation of duties, there is an increased opportunity for fraud.

Committee Recommendation
The Audit Committee agrees with D & M's recommendations and stresses the importance of developing a procedure manual incorporating the County's internal control policy to ensure segregation of duties to safeguard County assets from acts of fraud.

c) **SAP Accounting Software Support and Training**

There is a need for a plan to ensure that System support and training are in place for the continuity of the accounting operations for the County.

Committee Recommendation
The Audit Committee agrees with D & M's recommendations to develop and implement a continuity plan on the use and support of the County's SAP accounting software. It should be noted that the current maintenance agreement is in place until 2025 and SAP is providing support for the County's version of the System until at least 2030 presently. Should the County need or want to consider new accounting software, the request for proposal process would need to start in 2024.

d) **American Rescue Plan Act ("ARPA")**
The County should stay diligent with its existing detailed plan to use the funds under the allowable uses to ensure all deadlines are met for committing and spending the funds. The remaining balance of $104.3 million must be committed by December 31, 2024.

Committee Recommendation
The Audit Committee agrees with D & M's recommendations for the County to continually review the existing ARPA plan to ensure all guidelines are met regarding the use of funds being spent. The County must also monitor the progress of the existing plan expenditures to ensure that all ARPA funds are committed by December 31, 2024 and on track to be fully expended by December 31, 2026.

    e) Loan Repayment Agreement
    The County should formalize a loan repayment plan for the Utilities Aggregation Fund's receivable due of $11,870,000 from ECMCC. Several questions were posed regarding the receivable:
        1) Should this be categorized as "bad debt"?
        2) What is currently being done to collect the aged receivable?

    Committee Recommendation
    The Audit Committee agrees with D & M's recommendations that the Division of Budget and Management establish a formalized repayment agreement between the County and ECMCC. The agreement should include an amortization schedule including repayment of the principal amount and interest, for interfund loans.

    f) Succession Planning
    The County needs to assess and develop a succession plan for the County wide workforce.

    Committee Recommendation
    The Audit Committee agrees with D & M's recommendation that the County should review the information provided by GFOA regarding developing strategies concerning succession planning for County departments. Immediate attention should be given to those departments that have long-standing employees who are eligible to retire.

3. **Other discussion** – The Comptroller's Office is still working on obtaining read-only access to the Sheriff's Office's bank accounts. The Sheriff's Office has agreed to give Comptroller's Office access; however, access has not been granted.

4. Next scheduled meeting is set for December 13, 2023 at 2:00 pm in the Legislative conference room.

5. The motion for adjournment was made at 2:54 pm by Legislator Mills and seconded by Mr. Heim.

Respectfully submitted,

Mary K. Nytz-Hosler
Erie County Audit Committee Secretary