AUDIT COMMITTEE FOR ERIE COUNTY

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ANNUAL REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2024

AUDIT COMMITTEE FOR ERIE COUNTY

Contents

AUDIT COMMITTEE FOR ERIE COUNTY

December 10, 2025

Honorable Members of the County Legislature and
the County Executive of the County of Erie, NY

Ladies and Gentlemen:

The Audit Committee for Erie County (the "Committee") is pleased to present its annual report for Erie County's (the "County's") fiscal year ended December 31, 2024.

The Committee was established in 1985 pursuant to Section 2517 of the Erie County Charter (the "Charter"). The establishment of this committee was approved by the citizens of the County in the November 1984 general election. The major functions of the Committee are described in the Charter as follows:

- Prepare Requests for Proposals for audits of the County;
- Evaluate responses and make a recommendation to the Erie County Legislature (Legislature) for the selection of an accounting firm for the County's independent annual audit;
- Review the annual audits with the independent accountants;
- Prepare and submit an annual report to the County Executive and the Legislature. The annual report is to contain findings, comments, and recommendations with respect to each audit of financial statements; and
- Monitor implementation of the recommendations contained in the Management Letter.

County management is responsible for the financial reporting process; the preparation of basic financial statements in accordance with accounting principles generally accepted in the United States of America; the system of internal controls, including the internal controls over financial reporting; and procedures designed to ensure compliance with accounting standards and applicable laws and regulations.

Our Committee has oversight responsibilities only, and our role is not to act as experts in accounting and auditing. We rely without independent verification on the information provided to us and on the representations made by County management regarding the effectiveness of internal controls over financial reporting, and that the financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

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The Committee also relies on the opinions of the independent auditors regarding the basic financial statements and the effectiveness of internal controls over financial reporting.

Committee Responsibilities

The Committee did not act or perform the functions of the type of an Audit Committee required under the Sarbanes Oxley Act of 2002, the rules and the regulations of the Securities and Exchange Commission, or any similar laws, rules, or regulations. The Committee performed only those limited functions as are described in this report.

The Committee reviewed and discussed limited aspects of year-end results contained in the financial statements and reports.

Because the Committee has limited responsibilities and relies on the representations of County management and the independent auditors, the Committee does not provide an independent basis to determine that the County's financial statements have been prepared with accounting principles generally accepted in the United States or that the audit of the County's financial statements by the independent auditors has been carried out in accordance with auditing standards generally accepted in the United States.

County management has represented that the County's financial statements were prepared in accordance with accounting principles generally accepted in the United States. The Committee has acted in accordance with the requirements established by the Statement on Auditing Standards No. 114, *The Auditor's Communication with Those Charged with Governance.*

Although the Sarbanes Oxley Act applies primarily to publicly traded companies, and not to government entities, we have recommended and continue to recommend that all component units of County government review the provisions of this and similar laws, rules, and procedures regulating governance matters generally, and take action to implement any appropriate provisions of such governance laws, rules, and/or procedures. As a minimum, both the CEO and CFO of each government unit involved with the preparation of financial statements should certify the accuracy, correctness, and completeness of the financial statements relating to his/her respective units.

The Committee selects the County's external auditors in accordance with Section 2517 of the Erie County Charter. On September 9, 2021, the Erie County Legislature approved a three-year contract with Drescher & Malecki, LLP ("D&M") for audit services covering fiscal years 2021 through 2023, with optional extensions for 2024 and 2025.

On September 18, 2024, the Committee voted unanimously to exercise these extensions and continue D&M's engagement for 2024 and 2025. The Committee will issue a Request for Proposal (RFP) in 2026 to solicit audit services for subsequent fiscal periods.

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Management Letter Concerns from Drescher & Malecki

1) Concern of D & M – SHERIFF'S OFFICE

Drescher & Malecki (D&M) noted that the Erie County Sheriff's Office should strengthen its controls related to bookkeeping, journal entries, and the bank reconciliation process. Currently, cash receipts and disbursements are compiled at month-end and entered into the SAP system at the same time the bank statement is reviewed, rather than being recorded as transactions occur. This practice creates significant delays between when transactions take place and when they are reflected in the accounting system.

D&M also found no evidence of a formal monthly review of bank reconciliations or a formal review process for journal entries. These deficiencies increase the risk of errors and create opportunities for fraud.

Accordingly, D&M recommends that the Sheriff's Office develop a comprehensive procedures manual covering cash receipts, cash disbursements, journal entries, and bank reconciliations. The manual should clearly define responsibilities for preparing journal entries and reconciliations, outline required timeframes and identify who is responsible for review and approval. Additionally, the Office should record receipts and disbursements on a daily basis to ensure timely and accurate financial reporting.

The Comptroller's Office – Division of Audit completed two performance audits, with reports issued in September 2025. The first audit examined the Jail Management Division's Inmate Escrow Account for the period January 1, 2021 through December 31, 2023. The second audit reviewed the Jail Management Division's Inmate Commissary Fund for the same period. Both reports included additional recommendations to strengthen internal controls, establish procedures that ensure proper segregation of duties, improve the reconciliation process, and enhance overall oversight.

Sheriff's Response:

In 2024, a new Chief of Administration was appointed, marking the beginning of a renewed focus on strengthening internal controls and enhancing operational efficiency. Since then, the administration has implemented several strategic improvements, including the reassignment of responsibilities to better align with best practices and support the evolving needs of the Sheriff's Office. The County's commitment to continuous improvement remains strong, and all findings and recommendations will be carefully considered as part of ongoing efforts to advance transparency, accountability, and performance.

Committee Recommendation: Departmental Policies and Procedures

The Audit Committee concurs with the recommendations presented by both D&M and the Comptroller's Audit Division. The Committee emphasizes the importance of developing a comprehensive procedures manual that incorporates the County's internal control policies to ensure appropriate segregation of duties and effective management oversight. Such measures are essential to safeguarding County assets and reducing the risk of fraud.

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2) Concern of D & M – SAP ACCOUNTING SOFTWARE AND TRAINING

D&M noted that currently the County uses accounting software for the general ledger (the "System") that has been adapted to conform to the County's specific fund and account structure. As a result, the System support that is required is specific to the County and if support for this version of the System were discontinued, the continuity of accounting operations could be threatened. Further, due to the uniqueness of the customized System, a generic training platform is not accessible and, therefore, the training provided to the County must come from individuals from the System provider who are familiar with adaptions made. As a result, the sustainability of the available training is dependent on individuals familiar with the System as it is adapted for the County.

D & M recommends the County implement a plan to ensure that System support and training are in place to ensure continuity of the accounting operations for the County.

County's Response:

The County, in 2025 appropriated $2,000,000 and for 2026 preliminarily approved $2,625,000 in capital funding for a full migration to SAP HANA Host SAS Environment, including HR module functionality, estimated to be completed in 2027. Currently, the County is in the process of a general ledger migration to allow for the SAP transition. Additionally, as part of the 2025 Adopted Budget, two "ERP Trainer" positions were added to support this SAP migration and provide employee training once completed.

Committee Recommendation: SAP Accounting Software and Training

The Audit Committee agrees with D & M's recommendations to develop and implement a continuity plan for 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.

3) Concern of D & M – GRANT POLICY

D&M noted that the County does not currently have a formal, county-wide policy governing the acceptance of grants. While individual departments may follow informal practices or program-specific guidelines, there is no standardized process to ensure that all grant opportunities are evaluated consistently for alignment with County objectives, compliance requirements, and potential fiscal impacts.

D&M recommends that the County establish a formal, county-wide grant acceptance policy. Such a policy should include criteria for evaluating grant opportunities, required approvals prior to acceptance, documentation of any matching fund requirements or ongoing program commitments, and clearly defined responsibilities for compliance monitoring and reporting. Implementing a standardized policy would help ensure that all grants are assessed in a consistent and transparent manner, and that the County fully understands any financial or operational obligations prior to acceptance.

County's Response

In light of recent federal actions to eliminate longstanding grant programs, the County Executive has directed all departments to vet all grant applications through the Division of Budget and Management to ensure no fiscal liability to the County when pursuing grant funding. Additionally, the acceptance of grant funding requires Legislative approval; through the routine vetting of Legislative Resolutions, both the County Executive's Office and the Division of Budget and Management inherently review all grants prior to their submission to the Legislature.

Committee Recommendation: Grant Policy

The Audit Committee concurs with the recommendations made by D & M and emphasizes the need for the County to establish a formal, county-wide grant acceptance policy. Such a policy should include criteria for evaluating grant opportunities, required approvals prior to acceptance, documentation of any matching fund requirements or ongoing commitments, and clear responsibilities for compliance monitoring and reporting. Implementing a standardized policy will help ensure that all grants are evaluated consistently and transparently and that the County is fully informed of any financial or operational obligations prior to acceptance.

4) Accounting Function and Organizational Chart

D&M noted that the County does not maintain a current organizational chart for the accounting function that clearly outlines positions, reporting relationships, and assigned duties. Without a documented structure and defined responsibilities, the risk increases for duplication of effort, gaps in key processes, and difficulties in ensuring adequate segregation of duties.

D&M recommends that management develop and maintain a formal organizational chart for the accounting function, including detailed descriptions of each position's responsibilities. This documentation should be reviewed and updated regularly to reflect staffing changes, evolving job duties, and best practices. Clearly defined roles and responsibilities will enhance accountability, improve workflow efficiency, and strengthen internal controls.

County's Response

The County will develop and maintain a formal organizational chart for the accounting function.

Committee Recommendation: Accounting Function and Organizational Chart

The Audit Committee concurs with the recommendations made by D & M. The Committee emphasizes the importance of developing and maintaining a formal organizational chart for the accounting function, including detailed descriptions of each position's responsibilities. This documentation should be reviewed and updated regularly to reflect staffing changes, evolving job duties, and best practices. Clearly defined roles and responsibilities will improve accountability, enhance workflow efficiency, and strengthen internal controls.

5) Concern of D & M – AMERICAN RESCUE PLAN ACT ("ARPA") SPENDING

D&M noted that as of December 31, 2024, the County had received $178.4 million of ARPA funds and recognized a total of $140.5 million in revenues related to negative economic impacts of the pandemic for the provision of government services. As this federal funding stream winds down, we recommend the County perform a comprehensive wrap-up process that includes:

- Final reconciliation of ARPA grant revenues and related expenditures.
- Ensuring all expenditures are in compliance with U.S. Treasury guidelines.
- Submission of any required final reporting to the U.S. Treasury via the Treasury Reporting Portal.
- Proper accounting and classification of ARPA-related activity in accordance with GASB guidance.
- Retention of supporting documentation for all ARPA expenditures, as required under federal guidelines.
- Evaluation of whether any unspent funds must be returned or reallocated within allowable deadlines.

Failure to complete a thorough close-out process could result in audit findings or potential clawback of funds. We encourage the County to maintain detailed records and ensure compliance with federal Uniform Guidance and ARPA-specific requirements.

County's Response:

The County is aware of the deadlines related to the ARPA program and has been diligently monitoring and performing compliance reporting to the U.S. Treasury regarding all spending on a quarterly basis. The County successfully obligated all funds by

Committee Recommendation: American Rescue Plan Act ("ARPA") Spending

The Audit Committee concurs with D&M's recommendations and emphasizes the importance of completing a comprehensive ARPA close-out process. This should include final reconciliation of ARPA revenues and expenditures, confirmation that all spending complies with U.S. Treasury requirements, submission of required final reports, proper accounting and classification in accordance with GASB guidance, and retention of all supporting documentation.

The Committee also recommends that the County review any remaining funds to determine whether they must be reallocated or returned within federal deadlines.

6) Concern of D & M – SUCESSION PLANNING

D&M noted that many governments face the challenge of ensuring continuity and consistency of service delivery due to employee turnover. In instances where several long-tenured government employees are eligible to retire, there is a concern that not enough qualified or available workers will be prepared to replace them. The Government Finance Officers Association (the "GFOA") encourages governments to address the following key issues and develop strategies concerning succession planning, including:

- Continually assess potential employee turnover. Making career planning discussions as part of a regular and ongoing performance review process assists in assessing potential turnover. Department heads are a good resource for helping to identify employees that may be planning to leave.

- Develop written policies and procedures to facilitate knowledge transfer. Knowledge transfer is a critical component of succession management. There should be written procedures in place to formalize the knowledge transfer and meetings should be held with departing staff to document job responsibilities.

- Encourage personal professional development. Personal professional development benefits the organization over the long term by helping employees gain the skills they need to assume increased responsibilities.

- Consider non-traditional hiring strategies. Options such as part-time work, job-sharing, flexible schedules and flexible-place arrangements provide mechanisms to both meet the needs of the organization and employees.

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County's Response:

The County acknowledges that like many employers, there are ongoing challenges in the recruitment and retention of employees, particularly when long-tenured staff retire with decades of institutional knowledge. To address these challenges, the County has participated in New York State's Hiring for Emergency Limited Placement (HELP) program to fill vacancies and transition more employees into permanent status. The County has begun to implement new types of career ladders that provide high-performing employees—who may not have certain educational credentials—with opportunities to advance into positions that were previously out of reach. The County is also partnering with its collective bargaining units on targeted amendments to collective bargaining agreements designed to attract a broader candidate pool and to enhance succession planning outcomes.

Committee Recommendation: Succession Planning

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 government departments. Immediate attention should be given to those departments that have long-standing employees who are eligible to retire.

The County should consider the continued assessment of employee turnover, developing policies and procedures within departments to assist with the transfer of knowledge, encourage professional development and look for non-traditional hiring strategies.

Future Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted new pronouncements, which may have a future impact upon the County. These should be evaluated to determine the extent the County will be impacted in future years.

GASB Statement No. 102 - The County is required to implement GASB Statement No. 102, Certain Risk Disclosures, effective for the fiscal year ending December 31, 2025. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding EXHIBIT I - 6 - certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

GASB Statement No. 103 - The County is required to implement GASB Statement No. 103, Financial Reporting Model Improvements, effective for the fiscal year ending December 31, 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

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GASB Statement No. 104 - The County is required to implement GASB Statement No. 104, Disclosure of Certain Capital Assets, effective for the fiscal year ending December 31, 2026. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

Internal Control

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entirety of the entity's internal control over financial reporting. As part of its audit, D & M considered the internal control of the County solely for the purpose of determining D & M's audit procedures and not to provide any assurance concerning such internal control. Given these limitations, D & M did not identify any deficiencies in internal control that they would consider to be a material weakness.

Auditor's Opinion

Drescher & Malecki has rendered an opinion that the financial statements of the County of Erie for the year ending December 31, 2024 present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County.

The Audit Committee for Erie County is not responsible for any matters relating to the budget preparation and approval. Accordingly, we make no comment regarding the budget.

Should you have any questions regarding the contents of this report, please contact me at 716-848-1345 or Mary Nytz-Hosler at 858-6927.

Respectfully submitted,
AUDIT COMMITTEE FOR ERIE COUNTY

Aaron M. Saykin, Esq.
Chair

EXHIBIT ONE
REPRESENTATION LETTER

ERIE COUNTY COMPTROLLER
KEVIN R. HARDWICK

June 16, 2025

Drescher & Malecki LLP
2721 Transit Road, Suite 111
Elma, New York 14059

This representation letter is provided in connection with your audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Erie, New York (the "County"), as of December 31, 2024 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operation, cash flows, where applicable, and the respective budgetary comparison of the General Fund, of the various opinion units of the County in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of June 16, 2025:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 10, 2024, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.

- The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information and notes to the basic financial statements.

- We acknowledge our responsibility for the design, implementation, and maintenance of the system of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

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- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.

- We have reviewed, approved, and taken responsibility for the financial statements and related notes.

- We have a process to track the status of audit findings and recommendations.

- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP.

- All related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- There are no identified material uncorrected misstatements.

- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.

- All funds and activities are properly classified.

- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.

- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.

- Our policy regarding whether to first apply restricted or unrestricted resources when an expense/expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.

- All revenues within the statement of activities have been properly classified as program revenues or general revenues.

- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.

- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated/amortized.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
    - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
    - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
    - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
    - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
    - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
    - Management;
    - Employees who have significant roles in internal control; or

    - Others where the fraud could have a material effect on the financial statements.

- We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.

- We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.

- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

- We have disclosed to you the identity of all the entity's related parties and the nature of all the related party relationships and transactions of which we are aware.

- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.

- The County has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

- We have disclosed to you all guarantees, whether written or oral, under which the County is contingently liable.

- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.

- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.

- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no:

    - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

    - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

    - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

    - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).

- The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements, including Management's Discussion and Analysis:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.

- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.

- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are reasonable and appropriate in the circumstances.

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the supplementary information in accordance with U.S. GAAP.

- We believe that the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.

- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are reasonable and appropriate in the circumstances.

- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.

- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Other Specific Representations

- We have not completed the process of evaluating the impact that will result from adopting the remainder of GASB Statement No. 102, *Certain Risk Disclosures*, effective for the year ending December 31, 2025; and No. 103, *Financial Reporting Model Improvements*; and No. 104, *Disclosure of Certain Capital Assets*, effective for the year ending December 31, 2026. The County is, therefore, unable to disclose the impact that adopting GASB Statements No. 102, 103, and 104 will have on its financial position and results of operations when such statements are adopted.

- Management has appropriately recognized all significant leases and subscription-based information technology arrangements.

- During the year ended December 31, 2024, the County implemented GASB Statement No. 101, *Compensated Absences*. As a result of the implementation, the County's long-term liabilities were restated as of December 31, 2023. Accordingly, net position for governmental activities at December 31, 2023 has been restated. In addition, the County's discretely presented component unit, the Library, also restated beginning net position at December 31, 2023 due to the implementation of GASB Statement No. 101. The effect of this implementation is shown in the table below.

	Reporting Units Affected by Restatements of Beginning Balances	
		Component Unit
	Governmental Activities	Library
Net position/fund balance–December 31, 2023, as previously stated	$ (338,279)	$ (58,308)
Implementation of GASB Statement No. 101	(58,980)	(3,481)
Net position/fund balance–December 31, 2023, as restated	$ (397,259)	$ (61,789)

- Management has disclosed whether, subsequent to December 31, 2024, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses), have occurred.

- The County is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, interfund receivables, and accounts receivables, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.

- No department or agency of the County has reported a material instance of noncompliance to us.

- We agree with the work of specialists in evaluating the liabilities for workers' compensation, judgments and claims, other postemployment benefits obligation and the net pension liability/(asset), and have adequately considered the qualifications of the specialists in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

- We have received and approved the adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements. The proposed adjusting journal entries are prescribed in Exhibit I.

- We have no intention of withdrawing from multi-employer pension plans, or taking any other action that could result in an effective termination or reportable events for any of the plans. We are not aware of any occurrences that could result in the termination of any of our multi-employer pension plans to which we contribute. We believe the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purpose are appropriate in the circumstances.

- We are unable to determine the possibility of a withdrawal liability in a multi-employer benefit plan.

- The New York State Association of Counties ("NYSAC") and the State Division of the Budget agreed upon a methodology to bring additional federal revenues to county nursing facilities. This methodology, known as the Intergovernmental Transfer Program ("IGT"), provides for certain Medicaid rate enhancements to non-state operated, publicly sponsored nursing facilities, excluding public nursing facilities operated by a town or city within a county.

  Under this methodology known as IGT, counties are required to advance a percentage of the total Intergovernmental Transfer payments, which is determined by the Federal Matching Rate approved by the Centers for Medicare & Medicaid Services ("CMS"). The qualifying nursing homes are entitled to 100% of the share amount which was allocated based upon the ratio of each facility's reported Medicaid days divided by the total reported Medicaid days for all eligible facilities.

  Due to the uncertainty of timing of the IGT payments on an annual basis, any revenues or expenditures related to IGT made by the County are recorded in the fiscal year in which they are received and expended.

- The County's labor agreements provide for sick leave, vacations, and miscellaneous other paid absences. The County's policy is to pay employees for unused vacation, compensatory time, and sick time based on the union agreements when there is separation from service. For governmental activities, the amount is accrued in the government-wide statement of net position as long-term liabilities. For business-type activities, the full liability is recognized in both the government-wide statement of net position and the proprietary fund financial statements. Estimated sick leave and compensatory time accumulated by governmental fund type employees has been recorded. Payment of sick leave and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. The value recorded in the government-wide financial statements at December 31, 2024 for governmental activities is $91,528,006 classified as a long-term liability in the financial statements, which includes $17,339,292 due within one year. Compensated absences of $3,770,522 have been reported for business-type activities which includes $290,245 due within one year. Management believes that sufficient resources will be made available for the payments of sick leave and compensatory time when such payments become due.

- The County's total OPEB obligation at December 31, 2024 is estimated to be $878,708,728 and $148,373,823 for governmental activities and business-type activities, respectively. The County's governmental activities reported $37,964,000 as due within one year.

- The governmental activities reported a total net position deficit of approximately $429,991,000 at December 31, 2024 resulting primarily from the effect of GASB required recognition of other postemployment benefits annually as well as from ETASC's net deficit of $327,312,562 that is caused by its recognition of bonds payable with no offsetting capital assets. This deficit is planned to be remedied through scheduled payments on the outstanding debt. Tobacco settlement bonds are payable only from the assets of ETASC and are not legal obligations of the County.

- The County considers items identified as discounts and cost of issuance reported within Due from Erie County on the ECFSA financial statements as issuance costs and, accordingly, expenses these items at the time of the respective debt issuance.

- Although the Buffalo and Erie County Industrial Land Development Corporation, Inc. ("ILDC") does not meet the GASB requirements to be presented as a major business-type activity fund, the County has elected to show ILDC as a major fund.

- The County's primary government reports restricted cash and cash equivalents and investments of $352,008,000 and $42,230,000, respectively, to support restricted fund balance, amounts with constraints placed on their use by either external parties and/or statute, amounts held on behalf of others, and for unspent bond proceeds.

- The County reports nonspendable, restricted, assigned and unassigned fund balances. The County has nonspendable balances of $20,865,000, restricted balances of $347,940,000, assigned balances of $290,630,000 and unassigned balances of $148,743,000 within its governmental funds for the year ended December 31, 2024.

- With respect to Drescher and Malecki LLP's assistance in preparing the County's basic financial statements for the year ended December 31, 2024, we have performed the following functions:

  - Made all management decisions and performed all management functions.
  - Assigned a component individual, Tim Callan, Deputy Comptroller, to oversee the services.
  - Evaluated the adequacy of the services performed.
  - Evaluated and accepted responsibility for the results of the services performed.
  - Established and maintained controls, including a process to monitor the system of internal control.

- County management understands that Drescher & Malecki, LLP has not performed any management functions or made management decisions on behalf of the County. Any nonattest services were performed in accordance with the applicable professional standards issued by the American Institute of Certified Public Accountants.

Mark C. Poloncarz, Esq., County Executive

Dr. Kevin R. Hardwick, County Comptroller

Jeremy C. Toth, County Attorney

Tim Callan, Deputy County Comptroller

EXHIBIT TWO
MANAGEMENT LETTER

DRESCHER & MALECKI LLP
2721 Transit Road, Suite 111
Elma, New York 14059
Telephone: 716.565.2299
Fax: 716.389.5178

June 16, 2025

Honorable County Executive
Honorable County Comptroller
Honorable Members of the County Legislature and
Audit Committee
County of Erie, New York:

In planning and performing our audit of the basic financial statements of the County of Erie, New York (the "County") as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the County's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we identified certain matters involving the internal control, other operational matters, and future reporting requirements that are presented for your consideration. This letter does not affect our report dated June 16, 2025 on the financial statements of the County. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The County's response to the matters identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Drescher & Malecki LLP

June 16, 2025

Sheriff's Office

The Sheriff's Office should improve internal controls surrounding bookkeeping, journal entries, and bank reconciliation process. Currently, the cash receipts and disbursements are compiled at month end and inputted into the SAP system while the review of the bank statement is performed rather than as transactions occur. This results in large lags in time between when the receipt/disbursement is deposited/spent versus when it is reflected in the accounting software. Additionally, we found no evidence of a formal review of the bank reconciliations each month and no formal review of journal entries. The existence of these deficiencies creates an opportunity for fraud.

We recommend that the Sheriff's Office develop a comprehensive procedures manual for their processes and procedures, including cash receipts, cash disbursements, journal entries and bank reconciliations. These should include who is responsible for preparing journal entries and bank reconciliations, when they should be performed and who is reviewing them. Additionally, the Office should be recording receipts/disbursements daily to reflect the activity within the Office.

County's Response: In 2024, a new Chief of Administration was appointed, marking the beginning of a renewed focus on strengthening internal controls and enhancing operational efficiency. Since then, the administration has implemented a series of strategic improvements, including the reassignment of responsibilities to better align with best practices and support the evolving needs of the Sheriff's Office. Our dedication to continuous improvement remains unwavering. We will carefully consider all findings and recommendations presented as part of our ongoing efforts to advance transparency, accountability, and performance.

SAP Accounting Software Support and Training

During the year ended December 31, 2024, the County used accounting software for the general ledger (the "System") that has been adapted to conform to the County's specific fund and account structure. As a result, the System support that is required is specific to the County and if support for this version of the System were discontinued, the continuity of accounting operations could be threatened. Further, due to the uniqueness of the customized System a generic training platform is not accessible and, therefore, the training provided to the County must come from individuals from the System provider that are familiar with adaptions made. As a result, the sustainability of the available training is dependent on individuals familiar with the System as it is adapted for the County.

We recommend the County implement a plan to ensure that System support and training are in place to ensure continuity of the accounting operations for the County.

County's Response: The County, in 2025 appropriated $2,000,000 and for 2026 preliminarily approved $2,625,000 in capital funding for a full migration to SAP HANA Host SAS Environment, including HR module functionality, estimated to be completed in 2027. Currently, the County is in the process of a general ledger migration to allow for the SAP transition. Additionally, as part of the 2025 Adopted Budget, two "ERP Trainer" positions were added to support this SAP migration and provide employee training once completed.

Grant Policy

Currently, the County does not have a formal, county-wide policy governing the acceptance of grants. While individual departments may follow informal practices or program-specific guidelines, there is no standardized process to ensure that all grant opportunities are evaluated consistently for alignment with County objectives, compliance requirements, and potential fiscal impacts.

We recommend that the County establish a formal, county-wide grant acceptance policy. Such a policy should include criteria for evaluating grant opportunities, required approvals prior to acceptance, documentation of any matching fund requirements or ongoing program commitments, and clear responsibilities for compliance monitoring and reporting. Implementing a standardized policy will help ensure that all grants are assessed in a consistent, transparent manner and that the County is aware of any financial or operational obligations prior to acceptance.

County's Response: Considering recent Federal actions to eliminate longstanding grant programs, the County Executive has directed all departments to vet all grant applications through the Division of Budget and Management to ensure no fiscal liability exists to the county when in the pursuit of grant funding. The acceptance of grant funding requires Legislative approval, and so through the routine process of vetting Legislative Resolutions, the County Executive's Office and Division of Budget and Management inherently review all grants prior to submission to the Legislature.

Accounting Function and Organizational Chart

Currently, the County does not maintain a current organizational chart for the accounting function that clearly outlines positions, reporting relationships, and assigned duties. Without a documented structure and defined responsibilities, there is an increased risk of duplication of effort, gaps in key processes, and challenges in ensuring adequate segregation of duties.

We recommend that management develop and maintain a formal organizational chart for the accounting function, including detailed descriptions of each position's responsibilities. This documentation should be reviewed and updated regularly to reflect staffing changes, evolving job duties, and best practices. Clearly defined roles and responsibilities will enhance accountability, improve workflow efficiency, and strengthen internal controls.

County's Response: The County will develop and maintain a formal organizational chart for the accounting function.

Succession Planning

Many governments face the challenge of ensuring continuity and consistency of service delivery due to employee turnover. In instances where several long-tenured government employees are eligible to retire, there is a concern that not enough qualified or available workers will be prepared to replace them. The Government Finance Officers Association (the "GFOA") encourages governments to address the following key issues and develop strategies concerning succession planning, including:

- **Continually assess potential employee turnover.** Making career planning discussions as part of a regular and ongoing performance review process assists in assessing potential turnover. Department heads are a good resource in helping to identify employees that may be planning to leave.

- **Develop written policies and procedures to facilitate knowledge transfer.** Knowledge transfer is a critical component of succession management. There should be written procedures in place to formalize the knowledge transfer and meetings should be held with departing staff to document job responsibilities.

- **Encourage personal professional development.** Personal professional development benefits the organization over the long term by helping employees gain the skills they need to assume increased responsibilities.

- **Consider non-traditional hiring strategies.** Options such as part-time work, job-sharing, flexible schedules and flexible-place arrangements are providing mechanisms to both meet the needs of the organization and employees.

County's Response: The County acknowledges that like many employers, there are ongoing challenges in the recruitment and retention of employees, particularly when long-tenured staff retire with decades of institutional knowledge. To address these challenges, the County has participated in New York State's Hiring for Emergency Limited Placement (HELP) program to fill vacancies and transition more employees into permanent status.

The County has begun to implement new types of career ladders that provide high-performing employees—who may not have certain educational credentials—with opportunities to advance into positions that were previously out of reach. The County is also partnering with its collective bargaining units on targeted amendments to collective bargaining agreements designed to attract a broader candidate pool and to enhance succession planning outcomes.

American Rescue Plan Act ("ARPA") Spending

As of December 31, 2024, the County has received $178.4 million of ARPA funds and has recognized a total of $140.5 million in revenues related to negative economic impacts of the pandemic for the provision of government services. As this federal funding stream winds down, we recommend the County perform a comprehensive wrap-up process that includes:

- Final reconciliation of ARPA grant revenues and related expenditures.
- Ensuring all expenditures are in compliance with U.S. Treasury guidelines.
- Submission of any required final reporting to the U.S. Treasury via the Treasury Reporting Portal.
- Proper accounting and classification of ARPA-related activity in accordance with GASB guidance.
- Retention of supporting documentation for all ARPA expenditures, as required under federal guidelines.
- Evaluation of whether any unspent funds must be returned or reallocated within allowable deadlines.

Failure to complete a thorough close-out process could result in audit findings or potential clawback of funds. We encourage the County to maintain detailed records and ensure compliance with federal Uniform Guidance and ARPA-specific requirements.

County's Response: The County is aware of the deadlines related to the ARPA program and has been diligently monitoring and performing compliance reporting to the U.S. Treasury regarding all spending on a quarterly basis. The County successfully obligated all funds by the 12/31/2024 deadline and foresees no issues in fully spending all funds by the 12/31/2026 deadline.

Future Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted new pronouncements, which may have a future impact upon the County. These should be evaluated to determine the extent the County will be impacted in future years.

GASB Statement No. 102—The County is required to implement GASB Statement No. 102, *Certain Risk Disclosures*, effective for the fiscal year ending December 31, 2025. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

GASB Statement No. 103—The County is required to implement GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending December 31, 2026. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

GASB Statement No. 104—The County is required to implement GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the fiscal year ending December 31, 2026. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

EXHIBIT THREE
AUDIT CONTRACT

THIS AGRE.EMENT made the_ day of _________2021, by and

between

THE COUNTY OF ERIE, a municipal corporation of the State of New York, having its offices and principal place of business at 95 Franklin Street, Buffalo, New York 14202

(hereinafter referred to as the "County",)

and

DRESCHER & MALECKI LLP., a New York limited liability partnership, having its offices and principal place of business at 3083 William Street, Suite 5, Cheektowaga, New York 14227.

(hereinafter referred to as the "Accountant")

WHEREAS the County desires to engage an Accountant for the independent audit of its Basic Financial Statements for its fiscal years ending December 3 l. 2021, 2022 and 2023, with an option to extend the contract for its fiscal years 2024 and 2025.

WHEREAS, the County Legislature, based on the recommendations of the Erie County Audit Cornrnittee ("Audit Committee"), has authorized the Erie County Executive to engage the Accountant by resolution dated September 9, 2021 (attached hereto as Schedule "A").

NOW, THEREFORE, the County and the Accountant, in consideration of the mutual covenants hereinafter set forth, agree as follows:

FIRST: (a) The Accountant shall perform an audit of all funds for the County's fiscal years ending December 31, 2021, 2022 and 2023 as outlined in the Audit Committee's **RFP** (attached hereto as Schedule **"B")** and the outline of the general work to be performed as set forth in Section Four of the Accountant Proposal dated July 23, 2021 (attached hereto as

Schedule "C"). The County, in its sole discretion, may extend the agreement beyond its initial term for its fiscal years 2024 and 2025 with consistent and corresponding price adjustments and upon the same conditions. The Accountant will perform the Services related to the audits of financial statements as specified in Schedule C and the annual Engagement Letter, an example of which is attached hereto as Schedule D of this Agreement. The Services will be conducted in accordance with the standards set forth in Schedule D. Subject to the Accountant's professional standards, as well as the cooperation of the County, the Accountant will endeavor to complete each annual audit covered by this Agreement by June 30th of the following year. Annually, in December, or earlier if mutually agreed, of the year being audited, the County Comptroller ("Comptroller"), and the Accountant, will meet to plan the ensuing audit and outline a specific list of supporting schedules and year end closing events.

(b) The Accountant shall perform interim fieldwork for each year of this Agreement. This interim fieldwork will assist the County in its preparation for closing. All such fieldwork should include testing the County's existing internal control procedures to the extent deemed necessary by the Accountant to render an opinion on the County's financial statements.

(c) The Accountant shall audit the County in accordance with both generally accepted auditing standards (GAAS) and *Government Auditing Standards* issued by the Comptroller General of the United States, where applicable, and render an opinion as to whether the financial statements arc presented in conformity with generally accepted accounting principles (OAAP).

(d) The Accountant acknowledges that the County may seek to obtain a Certificate of Achievement for Excellence in Financial Reporting by the issuance of an Annual Comprehensive Financial Report (ACFR) and a Distinguished Budget Presentation Award from the Government Finance Officers Association, should the County decide to participate in these programs. Such additional procedures to be performed by the Accountant as it relates to the ACFR, included within the proposed audit fee, include the review of the introductory and statistical sections, issuance of an audit opinion specific to the ACFR, and the audit of the combining and individual fund financial statements.

(e) The Accountant shall prepare a management letter in conjunction with its audit of the fiscal years ending December 31, 2021 through 2025 in accordance with Schedule D. The management letter shall be provided in letter form, as well as electronically or on USB drive, and shall describe reportable conditions or material weaknesses in internal control, if any, and will also contain recommendations for financial and program management improvement. The Accountant shall, prior to release, review a draft of the management letter with the Comptroller and the County Budget Director ("Budget Director").

(f) The Accountant shall furnish all adjusting entries to the Comptroller during the period allowed for completion of fieldwork and discuss all proposed audit adjustments that the Accountant may consider to be material either individually or in the aggregate, with the Comptroller and Budget Director. The County may submit additional information to the Accountant when there is less than full agreement with any proposed adjustment. Any disagreement that cannot be resolved will be discussed with the Audit Committee. The Accountant will work with the County to facilitate line-item level posting of all proposed adjusting entries. The Comptroller is responsible for ensuring that all adjusting entries are processed.

(g) After posting adjusting journal entries, the Comptroller will provide the Accountant with financial statements and schedules which include any and all audit adjustments and reclassification entries.

(h) The Accountant is responsible for reproduction of the Basic Financial Statements, and the Comptroller's Office is responsible for its distribution.

If the County decides to issue an ACFR for any or all of the fiscal years, the Comptroller's Office will be responsible for its reproduction and distribution.

(i) The Accountant shall maintain a relationship with the County's Audit Committee as outlined in the American Institute of Certified Public Accountants' AU-C section 260 ("AU-C §260 letter"). An AU-C §260 letter is to be provided to the Audit Committee at the conclusion of the County audit, with a copy of this letter to the Comptroller. The Accountant shall, meet the request of the Audit Committee, meet to review and discuss the final financial statements and independent auditors' report, management letter, and AU-C §260 letter.

(j) The Accountant will perform the required certifications of various Health Department and Mental Health Department fiscal reports that have to be filed with New York State.

(k) The Accountant shall, to the extent practicable, make relevant local training seminars sponsored by the firm available to Comptroller's Office personnel.

(1) The Accountant shall provide an additional audit service pertaining to federal grant requirements pursuant to the provisions of the Single Audit Act of 1984, as amended and in accordance with applicable publications of the federal Office of Management and Budget. The Accountant shall review the draft of this rep011 with the Comptroller and shall provide all required copies of the final report (approximately 20 copies) by on or about September 30th due date following each year-end.

<u>SECOND:</u> (a) The County agrees to pay the Accountant the amount not to exceed the foes set forth in Schedule "A" for the annual audits, to include the Single Audit and Management

Letter, as set forth on page 19 of the Accountant Proposal dated July 23, 2021 (attached hereto as Schedule "C") and specified in the annual engagement letter.

(b) In conjunction with County bond or note sales, the Accountant will minimally be required to perform various procedures to evaluate whether it shall provide its consent for inclusion of the audited financial statements for the 2021 to 2025 fiscal years in the related official statement. Charges shall be for each review as shown in Schedule A.

(c) Charges for certification of Health Department, Mental Health Department and Other Department rcpo1ts shall be at a per report cost as shown in Schedule A. Such fees will also apply in the event New York State assigns special reporting requirements to other County departments.

(d) Billings by the .Accountant for services rendered in conjunction with out of scope and ()their· negotiated services shall be based on hourly rates as specified in Schedule C and specified in the annual engagement letter.

(e) The payments by the County shall be due and payable to the Accountant within thirty (30) days of interim and final billings.

(f) This Agreement shall commence upon execution and shall continue until the audit and work described in paragraph I is completed and accepted by the County.

<u>THIRD:</u> The Accountant's opinion letter on the County's audited financial statements shall be addressed to the Erie County Executive, the Comptroller, and the Erie County Legislature.

<u>FOURTH:</u> The County agrees to cooperate with and assist the Accountant in carrying out its obligations under this Agreement by providing necessary information and reasonable cooperation and assistance from County personnel during the period of the fieldwork each year.

FIFTH: The Accountant and the County agree that the Accountant and its officers, employees, agents, contractors, subcontractors and/or consultants are independent contractors and not employees of the County or any department, agency or unit thereof. In accordance with their status as independent contractors, the Accountant covenants and agrees that neither the Accountant nor any of its officers, employees, agents, contractors, subcontractors and/or consultants will hold themselves out as, or claim to be, officers or employees of the County or any department, agency or unit thereof.

SIXTH: The Comptroller shall have the right, on ten (10) days written notice to Accountant to review any non-proprietary records of payments for invoices or other expenses made by the County to the Accountant under this Agreement to ascertain that they are consistent with the terms of this Agreement provided that, any such records available to the County under this section may be redacted by the Accountant to the extent necessary to protect its proprietary and confidential information and to avoid any invasion of personal privacy.

SEVENTH: The Accountant will forward all invoices to the Comptroller :for certification.

Eighth The Accountant shall comply, at its own expense, with the provisions of all applicable local, state and federal Jaws, rules and regulations. The Accountant shall further comply, at its own expense, with all applicable rules, regulations and licensing requirements pertaining to its professional status and that of its employees, partners, associates, subconsultants and others employed to render the Work hereunder.

NINTH: Failure of the County to insist, in any one or more instances, upon strict performance of any term or condition herein contained shall not be deemed a waiver or relinquishment of such term or condition, but the same shall remain in full force and effect.

Acceptance by the County of any Work or the payment of any foe or reimbursement due hereunder with knowledge of a breach of any term or condition hereof, shall not be deemed a waiver of any such breach and no waiver by the County of any provision hereof shall be implied.

TENTH: The Accountant shall not delegate any duties or assign any of its rights under this Agreement without the prior express written consent of the County. The Accountant shall not subcontract any part of the Work without the written consent of the County, subject to any necessary legal approvals. Any purported delegation of duties, assignment of rights or subcontracting of Work under this Agreement without the prior express written consent of the County is void. All subcontracts that have received such prior written consent shall provide that subconsultants are subject to the terms and conditions set forth in this Agreement. [tis recognized ,and understood by the Accountant for the purposes of this Agreement, all Work performed by a County-approved subcontractor shall be deemed Work performed by the Accountant and the Accountant shall insure that such .subcontracted work is subject to the material terms and conditions of this Agreement.

ELEVENTH: This Agreement and its attachments constitute the entire Agreement between the parties with respect to the subject matter hereof and shall .supersede all previous negotiations, commitments and writings. It shall not be released, discharged, changed or modified except by an instrument in writing signed by a duly authorized representative of each of the patties.

TWELFTH: The parties recognize and acknowledge that the obligations of the County under this Agreement are subject to annual appropriations by the Erie County Legislature. Therefore, this Agreement shall be deemed executory only to the extent of the monies appropriated and available. The County shall have no liability under this Agreement beyond funds appropriated and available for payment pursuant to this Agreement. The parties understand and intend that the obligation of the County hereunder shall constitute a current expense of the County and shall not in any way be construed to be a debt of the County in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the County, nor shall anything contained in this Agreement constitute a pledge of the general tax revenues, funds or moneys of the County. The County shall pay amounts due under this Agreement exclusively from legally available funds appropriated for this purpose. The County shall retain the right, upon the occurrence of the adoption of any County Budget by the County Legislature during the term of this Agreement or any amendments thereto, and for a reasonable period of time after such adoptio1i(s), to' conduct an analysis of the impacts of any such county Budget on County finances. After such analysis, the County shall retain the right to either terminate this Agreement or to renegotiate the amounts and rates set forth herein. If the County subsequently offers to pay a reduced amount to the Accountant, then the Accountant shall have the right to terminate this Agreement upon reasonable prior written notice.

THIRTEENTH: (a) The County Executive and Comptroller may jointly terminate this Agreement without cause at any time by giving written notice to the Accountant of its intention to terminate. Termination without cause shall be effective fourteen (14) calendar days from the date of such notice. In the event of termination without cause, the County and the Accountant shall be released of all liability under this Agreement except that the County shall pay the Accountant for all work performed prior to the termination date. The Accountant shall comply with professional standards as it relates to successor auditor working paper review.

(b) The County Executive and Comptroller may jointly terminate this Agreement for cause by serving written notice of its intention to do so. Said notices shall be effective upon receipt. Should this Agreement be terminated for cause, the County shall have no further liability to the Accountant except that the County shall pay the Accountant for all work performed in accordance with this Agreement and the applicable Schedule prior to the termination date.. Such termination shall be without limitation of any cause of action, right or remedy the County may otherwise have.

For purpose of this Agreement, cause shall include, but not be limited to: (1) any breach by the Accountant of any term, condition or provision of this Agreement which is curable or remediable and which is not cured or remedied by the Accountant within a reasonable time after written notice thereof, or (2) any substantial breach by the Accountant of this Agreement which is not curable or remediable or any breach which, in light of any prior breaches by the Accountant, established a course of conduct of willful or negligent disregard by the Accountant of its obligations under this Agreement.

(c) The Accountant may terminate this Agreement for cause by serving written notice of its intention to do so. For the purpose of this section, cause shall include, but not be limited to: (1) any substantial breach by the County of any term, condition or provision of this Agreement which is not cured or remedied in a reasonable time after notice to the County, or (2) any breach by the County of any term, condition, or provision of this Agreement which in light of prior breaches by the County, establishes a course of conduct of willful or negligent disregard by the County of its material obligation under this Agreement.

(d) Notwithstanding any other provision in this Agreement, the Accountant may resign as the County's auditor at any time in accordance with the laws, regulations and professional standards applicable to the Services provided under this Agreement and any Schedule.

l; OURTEENTH; All notices of any nature referred to in this Agreement shall be in writing and either sent by registered or certified mail postage pre-paid, or delivered by hand or overnight courier, or sent by facsimile (with acknowledgment received and a copy of the notice sent by registered or certified mail postage pre-paid), as set forth below or to such other addresses as the respective parties hereto may designate in writing. Notice shall be effective on the date of receipt. Notices shall be sent to the following:

Drescher & Malecki LLP 3083
William Street, Suite 5
Cheektowaga, NY 14227

Eric County Comptroller
95 Franklin Street, Room 1100
Buffalo, New York 14202

A copy of any such notice will also be forwarded to:

Erie County Executive
95 Franklin Street. 16th floor
Buffalo, New York 14202

Erie County Attorney
95 Franklin Street, Room 1634
Buffalo, New York 14202

FIFTEENTH; This Agreement, including the schedules referred to and made a parr hereof, contains the entire agreement between the County and the Accountant. Wherever the provisions of this Agreement and its schedules may be in conflict, the parties acknowledge and agree that the order of precedence shall be the Agreement, Schedule B, Schedule C, and

Schedule D (as issued annually). This Agreement shall be interpreted under the laws of the State of New York, without regard to its conflict of laws principles. Any judicial action or proceeding with respect to this Agreement shall have its venue in New York State Supreme Court for the County of Erie.

SIXTEENTH; This Agreement may be executed simultaneously in several counterparts, each of which shall be original and all of which shall constitute but one and the same instrument. This Agreement shall be construed and enforced in accordance with the laws of the State of New York. In addition, the parties hereby agree that for any cause of action arising out of this Agreement shall be brought in the County of Erie.

If any term or provision of this Agreement is held by a com1 of competent jurisdiction to be invalid or void or unenforceable, the remainder of the terms and provisions of this Agreement shall in no way be affected, impaired, or invalidated, and to the extent permitted by applicable law, any such term, or provision shall be restricted in applicability or reformed to the minimum extent required for such to be enforceable. This provision shall be interpreted and enforced to give effect to the original written intent of the parties prior to the determination of such invalidity or unenforceability.

Seventeenth The Accountant agrees to procure and maintain insurance naming the County as additional insured, as provided and described in Schedule "E", entitled "Standard Insurance Provisions", which is attached hereto and made a part hereof. In addition Lo, and not in limitation of the insurance provisions contained in Schedule "E", the Accountant agrees: that except for the amount, if any, of damage contributed to, caused by, or resulting· from the negligence of the County, (a) the Accountant shall indemnify and hold harmless the County, its officers, employees and agents from and against any and all liability, damage, claims, demands, costs, judgments, fees, attorney's fees or loss arising directly or indirectly out of the performance or failure to perform hereunder by the Accountant or third parties under the direction or control of the Accountant; and (b) to provide defense for and defend, at its sole expense, any and all claims, demands or causes of action directly or indirectly arising out of this Agreement and lo bear all other costs and expenses related thereto.

Eighteenth The Accountant shall comply with Erie County Executive Order 13 (2014) and agrees to complete the Certificate collectively attached hereto as Schedule "F" and made a part hereof. The Accountant shall make such records available, upon request, to the County's Division of Equal Employment Opportunity for review. The County shall have the right, upon reasonable notice and at reasonable times, to inspect the books and records of the Accountant, its offices arid facilities, for the purpose of verifying information supplied in the Erie County Equal Pay Certification and for any other purpose i:easonably related to confirming the Accountant's compliance with Erie County Executive Order 13 (2014). Notwithstanding the termination provisions contained herein, violation of the provisions of Executive Order 13 (2014) , may constitute grounds for the immediate termination of this Agreement and may constitute grounds for determining that the Accountant is not qualified to patriciate in future County contracts.

NINETEENTH: The Accountant expressly agrees that neither it nor any consultant, subconsultant, employee, or any other person acting on its behalf shall discriminate against or intimidate any employee or other individual on the basis of race, creed, religion, color, gender, age, national origin, ethnicity, alienage or citizenship status, disability, marital status, sexual orientation, familial status, genetic predisposition or carrier status or any other status protected by New York State or Federal laws during the term of or in connection with this Agreement.

TWENTIETH: The Accountant shall use all reasonable means to avoid any conflict of interest with the County and sha11 immediately notify the County in the event of a conflict of interest. The Accountant shall also use all reasonable means to avoid any appearance of impropriety.

TWENTY-FIRST: This Agreement shall not be enforceable until signed by all parties. and approved by the Office of the County Attorney.

IN WITNESS WHEREOF, the parties have set their hands and seals the day and year first written above.

COUNTY O:F ERIE

By:________________________
County Executive

DRESCHER & MALECKI LLP

By:________________________
Luke R. Malecki, Partner

APPROVED AS TO CONTENT

____
Erie County Comptroller

APPROVED AS TO FORM

____
Assistant County Attorney
Document. No. Date:

SEP 14 2021 PM1:23

STATE OF NEW Y'ORK

LEGISLATURE OF ERIE COUNTY

CLERK'S OFFICE

BUFFALO, N.Y., September 9, 2021

TO WHOM IT MAY CONCERN:

I **HEREBY CERTIFY,** *That at the **16th** Session of the Legislature of Erie County, held in the Legislative Chambers, in the City of Buffalo, on the **9t/r** day of **September, 2021 A.D.,** a Resolution was adopted, of which the following is a true copy:*

A RESOLUTION TO BE SUBMITTED BY
CHAIR BASKIN AND LEGISLATOR MILLS

Selection of Firm to Conduct Annual Audit

WHEREAS, the contract for the audit of Erie County expires with the completion of the audit for the fiscal year ended December 31, 2020; and

WHEREAS, the Audit Committee for Erie County prepared and forwarded requests for proposal (RFP) to national and regional certified public accounting firms requesting proposals for the audits of the County for fiscal years 2021 through 2023, with an option to continue in year 2024 and 2025; and

WHEREAS, the winning proposal is as follows:

For the Year Ended December 31	Audit of Financial Statements	Single Audit
2021	$81,400	$45,000
2022	$82.100	$45,500
2023	$82,800	$46,000

Prices of a "Due Diligence" letter will vary from $5,000 through $12,500; and

WHEREAS, that the independent accountant will audit the state required reports of the Mental Health and Health Departments at a per-report cost as follows:

For the Year Ended December 31	Mental Health	Health Department	Other Departments
2021	$4,650	$4,650	$4,650
2022	$4,675	$4,675	$4,675
2023	$4,700	$4,700	$4,700

and

WHEREAS the firm Drescher & Malecki LLP was the lowest responsible bidder; and

WHEREAS, the response from Drescher & Malecki LLP complied with all aspects of the Audit Committee's RFP,

NOW, THEREFORE, BE IT

RESOLVED, that the County Executive is authorized to enter into a contract for the audit of Erie County's financial statements, to include the Federal Single Audit for fiscal years 2021 through 2023; and be it. further

ATTEST

ROBERT M. GRABER
Clerk of the Legislature of Erie County

STATE OF NEW YORK

SEP 14 2021 PM3:28

LEGISLATURE OF ERJE COUNTY

CLERK'S OFFICE

BUFFALO, N.Y., September 9, 2021

TO WHOM IT MAY CONCERN:

I **HERKBY CERTIFY,** *That at the* ***16th*** *Session of the Legislature of Erie County, held in the Legislative Chambers, in the Ci y of B11ffalo, on the* ***9th*** *day of* ***September, 2021 A.D.,*** *a Resolution was adopted, of ,which the following is a true copy:*

RESOLVED, that the contract for the audit of Erie County's financial statements shall be paid from the Comptroller's dues and fees account and will be negotiated to select the lowest possible cost for each audit each year; and be it further

RESOLVED, and that such fees will also apply in the event that New York State assigns special reporting requirements to other County Departments; and be it further

RESOLVED, that should the County wish to extend the contract through the years 2024 and 2025, the fees agreed are as follows:

For the Year Ended December 31	Audit of Financial Statements	Single Audit
2024	$84,500	$47,000
2025	$86,000	$48,000

Prices of a "Due Diligence" letter will vary from $2,500 through $12,500; and be it further

RESOLVED that the independent accountant will audit the state required reports of the Mental Health and Health Departments at a per-report cost as follows:

For the Year Ended December 31	Mental Health	Health Department	Other Departments
2024	$4,750	$4,750	$4,750
2025	$4,800	$4,800	$4,800

and be it further

RESOLVED that certified copies of this resolution be provided to the County Executive, Budget Director, Comptroller and County Attorney.

REFERENCE: **INTRO. 16-3 (2021)**

ATTEST

ROBERT M. GRABER

Clerk of the Legislature of Erie County

THE COUNTY OF ERIE

By:____
MARK C. POLONCARZ / MARIA R. WHYTE
County Executive/ Deputy County Executive
Approved as to content

By: Electronically Signed
STEFAN I. MYCHAJLIW
Erie County Comptroller
Approved as to form

By: Electronically Signed
MARTIN A. POLOWY
Erie County Attorney
Approved as to form

Doc. No. _______________________________________

Date _______________________________________

Drescher & Malecki LLP

By: ____
Luke R. Malecki, CPA
Engagement Partner