

September 18, 2025

KEVIN R. HARDWICK

Honorable Members Erie County Legislature 92 Franklin Street, Fourth Floor Buffalo, New York 14202

Mark C. Poloncarz, Esq. Erie County Executive 95 Franklin Street, 16<sup>th</sup> Floor Buffalo, New York 14202

Dear Honorable Members and County Executive Poloncarz:

Enclosed is a copy of the external auditor's (Drescher & Malecki LLP) Management Letter (M/L) for Erie County for the year ended December 31, 2024.

Please be advised that although the M/L is dated June 16, 2024, this represents the date that the external auditors completed their audit and field work for the 2024 audit. The letter was issued September 17, 2025, by Drescher & Malecki.

If you have any questions regarding the 2024 M/L, please contact me at 858-8400.

Very truly yours,

Kevin R. Hardwick, Ph.D. Erie County Comptroller

Enclosure

cc: Mark Cornell, Director, Budget and Management Erie County Audit Committee Members Drescher & Malecki LLP (without Enclosure)



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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.

June 16, 2025

Drescher + Malechi LLP

### 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.