COUNTY OF ERIE

MARK C. POLONCARZ
COUNTY EXECUTIVE

December 17, 2013

Honorable Members
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Re: Response to Comptroller Audit of Department of Parks, Recreation and Forestry Cash Handling and Collection For the Period January 1, 2013 through June 30, 2013

Dear Honorable Members:

On December 6, 2013 the Office of the Erie County Comptroller ("Comptroller") issued an audit ("Audit") of the Department of Parks, Recreation and Forestry's ("Parks") Cash Handling and Collection for the period January 1, 2013 through June 30, 2013. Below is Parks' formal written response to the Audit report.

The Comptroller announced the Audit in an entrance letter dated August 5, 2013. On August 19, 2013, Parks and a representative from the Division of Budget and Management ("Budget") held an entrance conference with representatives from the Office of Comptroller including then-Associate Deputy Comptroller Douglas Riffel, Senior Auditor David Kinda, and Accountant Auditor Delores Webb. Parks was also informed that then-Deputy Comptroller-Audit Teresa Fraas would also be working on the Audit.

Audit Maintained a Limited Scope

At the exit conference, when we asked why the audit scope was limited only to a six month period in 2013, and not prior periods, including prior to 2012, the Comptroller's Office did not provide an answer. The Comptroller's decision, without explanation, to severely limit his audit scope seemed arbitrary. After consulting with Budget, it is my understanding that audits usually feature longer audit scope periods, including time studies that encompass different management for comparison purposes. In this instance, the Comptroller chose not to examine operations during the prior administration. And yet, the Comptroller's staff noted a prior March 2005 audit of Parks by the Comptroller's Office and stated that they would review the prior audit for recommendations and to determine if prior deficiencies were addressed.

Interim Audit Memoranda Found Minor Issues

On September 24, 2013, the Comptroller's Office issued two Interim Audit Memoranda ("IAM") communicating minor findings. The first IAM reported on (1) customer payments via check and a lack of restrictive endorsements placed on the checks by Parks; (2) the timetable under which Parks deposits customers' checks and cash; (3) reconciliation of camping/shelter fees at Sprague Brook Park; and (4) reporting of customer permits and reservations and payment deposits. The second IAM stated that "a perpetual inventory of maple syrup is not maintained." On October 8, 2013, Parks responded in writing to the two IAM's noting several slight discrepancies and minor errors in the draft findings and expressing general agreement with the minor findings. Documentation was provided by Parks to the Comptroller supporting our responses and requesting modest edits to the eventual draft audit document.

Separately, the Comptroller sought a legal opinion from the Department of Law concerning sales tax collections on golf cart rentals, golf club rentals and range ball rentals at the two golf courses. During the field work, it was discovered that for decades, Parks had not been charging golfers with state and county sales taxes for the rental of golf carts, clubs and range balls, and that such taxes were required to be imposed. The Comptroller did not communicate this finding to Parks via an IAM, but we became aware of it during the fieldwork. Corrective action has already been initiated to address the finding.

Parks Expressed General Agreement at Exit Conference

On October 30, 2013, Parks and Budget held the Audit exit conference with Mr. Kinda and Ms. Webb. At the exit conference, we expressed general agreement with the Audit report, while noting several minor errors and requesting several minor changes to the report to clarify inaccuracies. For instance, the initial Audit report stated in some sections that certain cash handling procedures were not in place, when in fact, procedures did exist. In addition, I requested that the Audit document mention that based on the IAM's and auditor field work, Parks had already made some procedural and other changes to address audit findings. Mr. Kinda and Ms. Webb agreed to make such changes in the final report and our comments from the exit conference were incorporated into the final Audit report.

All Recommendations from Prior 2005 Audit were Addressed

Importantly, the auditors found that all of the deficiencies and issues identified in the Comptroller's March 2005 parks audit had been addressed and recommendations implemented, including development of written policies and procedures. I am pleased to note that since becoming Commissioner of Parks in January 2012, many of these policies and procedures have been developed or improved and codified under my auspices. I am committed to continuous improvement and will continue to strengthen policies and controls in the Department of Parks, Recreation and Forestry, including cash handling.

Final Audit Document was Altered and Violates Government Auditing Standards

At the exit conference on October 30th I was told that the Audit report would be issued within several days. However, three weeks passed, and no report was issued by Mr. Mychajliw.

On November 22, 2013 and again on December 3, 2013, I sent letters to the Comptroller seeking an update on the status of the Audit. Mr. Mychajliw failed to acknowledge or respond to both of my letters.

On Friday, December 6, 2013, the Comptroller finally issued the Audit. Much to my surprise and dismay, the final Audit report had been significantly and fundamentally edited from the Audit report which was presented to me and discussed on October 30th, and for which I had expressed general agreement. This is a violation of Government Auditing Standards, Sections 7.33 and 7.34, which require government auditors to consult with the auditee, to fairly include and represent comments from the auditee in the report and to provide the auditee with an opportunity to comment on the final Audit report.

After the exit conference the Comptroller's Office rewrote the Audit report to include new, heretofore undisclosed data and to make insinuations and personal opinion that are not supported by their field work. The final report inserted supposition and opinion in the final Audit report including the repeated use of the word "theft" that was not present in the audit report discussed at the exit conference, nor discovered by the Comptroller during fieldwork.

The Audit report states that "Parks was in general agreement with our findings, auditor's comments and recommendations." This is not true and it is not accurate. We were in general agreement with the initial audit report which we reviewed with Mr. Kinda and Ms. Webb on October 30th – not the final document issued on December 6th which was altered by the Comptroller's Office. This false representation violates Government Auditing Standards Section 7.37.

Alleged Theft at Elma Meadows Golf Course was Not Discovered by the Comptroller

In September 2013, Parks was directly contacted by a golfer who regularly plays at Elma Meadows Golf Course who communicated concerns regarding a part-time seasonal employee at the course. In the "whistleblower" tip, the golfer expressed specific information that a specific employee was not providing a computerized receipt for golf sessions and the customer expressed concerns about the employee potentially being involved in theft.

I immediately conducted an internal investigation, and then, based on the data obtained internally I contacted the Erie County Sheriff's Office and requested the involvement of law enforcement. Within a short period of time, the Sheriff's Office determined upon questioning of the employee that he was in fact, engaging in theft of golf fees. The Sheriff's Office arrested the employee on October 15th and I terminated his employment that same day. As a result, the Erie County District Attorney's Office has an open file on this matter, which they are presently investigating, in order to determine how to best prosecute this individual.

Despite the insinuations made by the Comptroller in his final Audit report and his press release, the fact remains that the Comptroller did not discover this theft and was completely unaware of it until I disclosed the development on October 16th. The alteration of the final Audit report to repeatedly reference "theft" is not based on auditor fieldwork, as required by Government Auditing Standards. The Comptroller is only aware of this issue based on my self-reporting of this action and my actions in involving law enforcement, requesting prosecution of the individual and terminating his employment.

Please be assured that I take this matter seriously and have already met with my employees and issued a written communication to all Parks employees in October 2013 reiterating my zero tolerance policy for any similar actions.

Thank you for the opportunity to respond to the cash handling Audit report. I am available to attend a legislative committee meeting to discuss this matter further and to answer any questions related to this Audit.

Sincerely,

Troy P. Schinzel

Troy P. Schinzel, Commissioner
Department of Parks, Recreation and Forestry

cc: Mark C. Poloncarz, Erie County Executive
Stefan I. Mychajliw, Erie County Comptroller
Robert W. Keating, Director of Budget and Management