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ERIE COUNTY COMPTROLLER

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AUDIT: YOUTH SERVICES DEPARTMENT IMPROPERLY “COMMINGLED” CAPITAL FUNDS

Money earmarked for capital projects should not be deposited into General Fund, but that in fact took place according to an audit by the Office of Erie County Comptroller

(ERIE COUNTY, NY) – The Erie County Comptroller’s Office released its findings of an audit conducted of Erie County Youth Services operating budget and found the department improperly commingled capital funds by incorrectly depositing the revenue into Erie County’s General Fund. This commingling of money is improper and an incorrect way county departments deposit revenue. Among the dangers of commingling funds is the risk of spending funds on items for which they were not designated, resulting in penalties and budget shortfalls for the government. A similar situation happened in the Town of Evans a few years ago.

The audit also uncovered inadequate internal controls, or checks and balances, which also led to Youth Services accepting aid from New York State without the Legislature even approving to accept the revenue.

According to some of the audit findings, two accounts receivables transactions totaling \$104,000 were not recorded properly in SAP (Erie County’s software system), were claimed possibly without a legal right to the aid, and without proper prior legislative authorization to accept that revenue.

“Youth Services needs to work with the Legislature right away to determine whether or not they accepted state funds they may or may not have been entitled to. Many financial transactions by Youth Services did not even have documentation to support where money came from and how it was spent. While this problem is quite serious, my office pledges to offer whatever support is needed for Youth Services to get its financial house in order,” said Erie County Comptroller Stefan I. Mychajliw Jr.

The Comptroller’s Office recommends Youth Services immediately obtain written and signed contacts or agreements with New York State for any state aid funds and prepare appropriate documentation.

“My team is here to help. Youth Services must clean up its act. They should get their financial house in order quickly, or it will lead to serious consequences with New York State down the road. We are happy to assist them to create an action plan to clean up this serious financial mess,” added Comptroller Mychajliw,

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The audit randomly reviewed ten transactions made in three accounts in Erie County government's accounting software associated with State Aid-Detention for the period January 1, 2019 - June 30, 2019.

In addition, the audit division tested two accounts receivables transactions. The audit found that internal controls over operating budget revenue are inadequately designed and are not effective.

Erie County Youth Services oversees juvenile detention, which can vary from non-secure to secure detention. The New York State Office of Children and Family Services (OCFS) provides reimbursement for eligible costs associated with administering and providing detention programs and services.

The Comptroller's Office recommends that Youth Services submit a report to the Erie County Legislature explaining all actions related to reimbursement claims for the capital project. It is also suggested Youth Services describe in detail how they had a right to accept the state aid in the first place.

Once that is established, a report to the Legislature should also include the total dollar amount awarded thus far, why the funding was accepted without first approval from their Honorable Body, and the methodology used to claim aid for a project that included no budget line to properly accept it.

The Comptroller's Office also recommends reclassifying all capital funds that were deposited into the general fund operating budget account into a proper capital fund.

The audit is also being shared with the Office of New York State Comptroller Thomas DiNapoli.

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