

OFFICE OF THE NASSAU COUNTY COMPTROLLER



**Limited Review of Friends of
Nassau County Recreation, Inc.**

**(A Not For Profit Corporation
Working to Benefit Nassau County
Parks and Promote Their Use)**

July 21, 2020

**JACK SCHNIRMAN
COMPTROLLER**

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OFFICE OF THE NASSAU COUNTY COMPTROLLER FRIENDS OF NASSAU COUNTY RECREATION, INC.

REPORT SUMMARY

WHY WE DID THIS REPORT

The “Friends of Nassau County Recreation, Inc.” (“Friends”) was created as a non-profit charitable organization to foster and promote the public’s appreciation of Nassau County parks, and to encourage their use for leisure and recreational purposes, as well as contribute to restoration, beautification and assist in the development of recreational and cultural programming in Nassau County parks facilities. Friends’ revenues exceeded \$1 million a year throughout the audit period.

This audit was initiated to determine if Friends, under the prior administration, was assisting the Nassau County’s Department of Parks, Recreation and Museums (“Parks”) in a manner consistent with its purpose as set forth by its corporate charter, to evaluate the internal controls over Friends’ operations and revenues, and to follow up and ensure that the corrective actions from the previous Comptroller’s report issued in 2013 were implemented. The audit period was the two-year time frame from January 2016 through December 2017.

WHAT WE FOUND

Auditors found multiple examples of fiscal mismanagement, lack of fiscal oversight, possible misuse of non-profit charitable funds, and a lack of an effective organizational structure. A lack of accountability was observed, and coupled with a lack of discipline, which allowed a well-intentioned organization to be used by former County Officials to avoid internal controls and disguise questionable transactions, including use of charitable funds for what may have been political purposes.

We also found that previous audit findings issued in 2013 were not resolved, and many were repeated.



We found that Parks and/or previous County officials had too much spending influence over how Friends’ funds were collected and spent. Friends was directed to make questionable/improper payments at times, such as to pay for Parks’ staff luncheons and parties, bereavement flowers and meals associated with County employee’s/relatives’ funerals. Funds which went to Friends’ bank accounts were used for many purposes that Parks or County officials requested, from legitimate purchases such as the emergency replacement of a park’s stadium lights for night baseball games, to the inappropriate payment for a DJ at a Parks’ employee party.

The lines of differentiation between the public funds of the Parks Department and the charitable funds of the non-profit Friends group were frequently blurred or unclear. Parks’ administrators at times independently determined which funds would be remitted to the County Treasurer and which would go to the Friends’ bank accounts. Fees collected by the Parks Department and remitted to the County Treasurer are part of the overall revenue collections of the County and may be used not only for Parks but also for other general County needs. Funds diverted to Friends and then spent on inappropriate uses indirectly short-changed County taxpayers.

Major findings include:

- Almost \$40,000 of Friends’ funds were improperly spent on staff and holiday parties, staff lunches, the purchase of alcohol and bereavement flowers and bereavement catering for Parks’ employees or their family’s funerals. This included birthday parties, BBQ lunches for Parks’ staff, breakfast catering, and in one instance, backstage catering for 130 guests at a Parks’ summer concert.
- Friends did not file or filed incomplete federal and state tax documents for multiple years (2013–2017) and did not maintain adequate financial statements, jeopardizing their non-profit status. In one year, the ending cash balance was off by almost \$250,000. Note that Friends took *in over \$1 million in revenue annually* from the LI Marathon and other activities.
- Friends possibly violated IRS regulations by using donations to benefit an elected official from 2014 – 2017. The former County Executive’s name was promoted on a variety of Friends’ sponsored events.
- Friends gave a no-bid contract for promotional services to a marketing firm owned by a former employee of the former County Executive and paid \$125,000 of the \$150,000 contract before the Friends’ Board terminated the agreement for lack of performance. Additionally, one check for the firm was picked up by a Parks’ employee who was a sibling of the vendor, which is a potential conflict of interest.
- Friends paid \$6,000 in expenses for the wedding of a County vendor’s daughter.



OFFICE OF THE NASSAU COUNTY COMPTROLLER
FRIENDS OF NASSAU COUNTY RECREATION, INC.
REPORT SUMMARY ~ CONTINUED

Major findings (continued):

- Friends did not have a budget to track revenues/expenditures and plan for the proper use of charitable funds – adequate financial records were not kept; bank accounts were not interest bearing and Friends had inadequate FDIC insurance.
- Friends did not properly maintain records for various events, especially golf outings, where the lack of a proper audit trail resulted in a golf outing appearing to be a political event rather than a non-profit fundraising event.
- Friends did not operate in compliance with their By-Laws filed with New York State, by not having the required number of Board members, not having Board Minutes, and not holding annual meetings, among other violations of the By-Laws.
- Auditors could not find Legislative authority for Friends to collect monies for various County Parks' events.
- Fixed assets purchased with Friends' funds were not properly monitored. A security camera purchased with Friends' funds for a County park was not accounted for during the audit inspection; Parks now claims all cameras are installed.
- An excessive amount of \$14,000 was paid to rent golf carts, which the County was already leasing. While Parks has stated that these golf carts were purchased, the audit trail indicates they were rented, and either way, the County was already paying for the lease of these same golf carts on another contract.
- Reports to taxing authorities of vendor and professional service payments (Form 1099-MISC) were not prepared for numerous vendors. Parks did not require all vendors to complete IRS W-9 Forms as required.
- Friends lacks public visibility by not having its own website to accept donations and seek members/volunteers.
- Friends did not reimburse Nassau County for administrative support provided by County staff as recommended in the previous audit.
- Auditors also observed that a Parks' employee, related to a former vendor of Friends, received a substantial rent reduction for an apartment at a County preserve and that advertising for private vendors was linked to a County parks' website.

WHAT WE RECOMMENDED

Major recommendations include:

- Friends follow best practices for the operation of a parks conservancy, to assure that the newly formed Nassau Parks Conservancy (which was formed after this Audit was initiated, and has taken the place of the Friends of Nassau County Recreation, Inc.) operates effectively and ethically.
- Friends avoid the appearance of benefiting an individual or endorsing an elected official, serving only the public interest.
- A responsibility determination be conducted of potential Friends' vendors to assure that those hired do not have judgements against them or other legal concerns.
- Procedures be established to ensure that Parks' employees do not oversee or distribute a payment check to a vendor who is a family member.
- Friends' funds not to be used for employee parties; the Friends' Board establish written guidelines that detail which food and equipment expenses are eligible for payment by Friends.
- Friends hire a bookkeeper and hire a new Certified Public Accounting firm to ensure that:
 - audited financial statements are prepared timely, are attached to the NYS CHAR 500 and filed with the Attorney Generals' Charities Bureau in NY State;
 - IRS Form 990s are prepared timely using accurate financial information; and
 - Federal and State returns be amended and filed with accurate information.
- Friends consider establishing an Audit Committee to assist in the independent audit process.
- Friends prepare an annual budget with both planned expenditures and revenues and then compare the budget to actual expenditures as the year progresses so that corrective actions may be taken if required.
- The Friends' Board establish a full and detailed list of programs that Friends will assist with within the scope of Friends' mission and clearly indicate on promotional material the organization's involvement.
- Friends require vendors to complete Form W-9s, and issue Form 1099-MISC to all vendors.



OFFICE OF THE NASSAU COUNTY COMPTROLLER FRIENDS OF NASSAU COUNTY RECREATION, INC.

REPORT SUMMARY ~ *CONTINUED*

- Friends and the Parks department develop a plan outlining the revenue to be collected for each program by Friends and/or Nassau County and seek the approval of the Nassau County Legislature for all fees collected. This will include written procedures that have Legislative approval outlining Friends' role in wedding events held at Nassau County Parks.
- Friends create a functional webpage and social media presence to allow for a public presence and encourage fundraising and volunteering.
- The County Administration, Parks and Friends delineate what County personnel costs will be paid by Friends.

WHAT WAS THE RESPONSE?

The Parks Department & the Friends' Board agreed with the majority of the recommendations and ceased the questionable practices of using Friends funds for staff lunches, bereavement catering and funeral flowers, upon notification by our Auditors.

Most importantly, Friends and the Parks Department have worked collaboratively and sincerely to improve their overall operations by first creating a new Nassau Parks Conservancy and rebuilding the Board of Directors to include eight members. This action resolves a number of findings and allows Friends the ability to hold an Annual Meeting.

The new Conservancy plans to hire a bookkeeper and CPA to help resolve multiple accounting related findings. This is critically important to implementing sound fiscal oversight in the organization. A new Memorandum of Agreement for the Nassau Parks' Conservancy is pending review by the Nassau County Legislature. ***We are encouraged by the Parks Department and Friends' Board's interest in making operational improvements and strengthening internal controls as recommended throughout this Audit.***

WHY IS THIS REPORT IMPORTANT?

Donations to a non-profit organization directly associated with the County of Nassau must be treated ethically and appropriately, and not used as a fund for employee parties, favors and for the benefit of specific politicians. The issues we identified with the operations of Friends in the prior administration are a clear breach of the public trust. It is important that the types of practices we found be uncovered, challenged and brought to the public with corrective actions, so that this needed organization can operate effectively in a time of scarce government resources, and to assure that these practices do not happen again.

There are still unanswered questions raised during this audit, including:

- Why did Friends make payments directly to a florist and photographer for a Parks vendor's daughter's wedding?
- Why didn't government officials know that using charitable funds to pay for employee lunches and parties was inappropriate?
- Why upon original inspection was a security camera purchased with Friends funds missing from a County preserve?
- Why would the County pay to rent the same golf carts that it now states it owns?

We look forward to conducting a follow-up review of the corrective action plan implemented by Parks and the Nassau Parks Conservancy (formerly Friends) and reporting our assessment to the public.

Executive Summary

Purpose:

The purpose of this review was

- to ensure that the non-profit organization, the Friends of Nassau County Recreation, Inc. is assisting Nassau County's Department of Parks, Recreation and Museums in a manner consistent with its purpose as set forth by its corporate charter;
- to verify that the organization complied with the tax requirements of not-for-profits;
- to assess the effectiveness of the agency's operations and internal controls; and
- to follow-up on the status of open recommendations made in the prior Friends of Nassau County Audit report issued by the Nassau County Comptroller.

Introduction:

The Friends of Nassau County Recreation, Inc. ("Friends") was created to foster and promote the public's appreciation of Nassau County parks and to encourage their usage for leisure and recreational purposes, as well as contribute to restoration, beautification and assist in the development of recreational and cultural programming in Nassau County's Park facilities.¹

A five-year Memorandum of Agreement ("MOA") was executed between Nassau County (acting on behalf of Nassau County's Department of Parks, Recreation and Museums ("Parks")) and Friends in 2007, which expired in May of 2012. Auditors were informed that a new MOA will be presented to the Nassau County Legislature and that Friends is operating under the terms of their expired MOA until the new MOA is executed.

Friends' principal office is at the Parks Department's Administration Building in Eisenhower Park.

A Summary of Findings and Recommendations is shown on the next page.

¹ Certificate of Incorporation of Friends of Nassau County Recreation, Inc., March 11, 1981

Executive Summary

Summary of Audit Findings and Recommendations

Audit Finding	Audit Recommendation(s)
<p>1 Friends of Nassau County Recreation Lacks the Organizational Structure Needed to Ensure its Mission is Carried Out in Accordance with its Corporate Bylaws and its Memorandum of Agreement with Nassau County: County Officials had Too Much Spending Influence</p>	<p>The new Nassau Parks Conservancy should consider the guidance provided by the Trust for Public Land in their Public Spaces/Private Money report issued in 2015 and other noteworthy park system conservancies and update their by-laws to reflect conservancy best practices and the audit recommendations detailed throughout this report.</p>
<p>2 Friends of Nassau County Recreation Possibly Violated IRS Regulations by Using Donations to Benefit an Elected Official from 2014 through 2017</p>	<p>We recommend that Friends avoid the appearance of benefiting an individual or endorsing an elected official and/or providing free advertising. Friends should serve only the public interest by “<i>enhancing Nassau County recreational facilities</i>” and not appear to serve the interests of an elected official or County employee.</p>
<p>3 In 2014, Friends Gave a No-Bid Contract for Promotional Services to a Marketing Firm Owned by a Former Employee of the Then County Executive’s Office</p>	<p>We recommend that Friends and/or the Department of Parks, Recreation and Museums:</p> <ul style="list-style-type: none">a) conduct a responsibility determination by researching the background of prospective contractors to ensure that there are no outstanding judgements against them, or additional legal concerns, before finalizing contractual agreements, and evidence such research. Friends may wish to consider hiring an Executive Director and or Accountant/Bookkeeper to address this and other tasks on behalf of the Board of Directors;b) develop a project timeline for contracted promotional services and regularly review the progress reported by the contractor to ensure that the project is meeting its established goals, and take prompt action if a contractor fails to meet their contract’s deliverables; andc) avoid the potential for appearance of a conflict of interest by establishing procedures to ensure that a Department of Parks, Recreation and Museums employee does not review or approve work performed by a contractor who is a family member.
<p>4 Parks' Officials Directed Friends to Make Questionable Payments of Over \$26,000 to a Catering Company for Events Not Associated with the Non-Profit’s Purpose, Including Purchase of Alcoholic Beverages</p>	<p>We recommend that Friends and the Parks Department:</p> <ul style="list-style-type: none">a) cease using Friends’ funds to pay for employee parties and any alcohol related expenses;b) establish written guidelines that detail which food and equipment expenses are eligible for payment by Friends, including identification of which programs Friends will pay catering company costs for;c) include an attendance list and/or event announcement with payment vouchers where applicable;d) hire a bookkeeper/accountant to review all expenses;e) work together to update the voucher format to ensure expenditures receive proper review prior to approval and payment; andf) create written volunteer guidelines.

Executive Summary

Summary of Audit Findings and Recommendations	
Audit Finding	Audit Recommendation(s)
<p>5 Friends Used over \$9,000 of Charitable Funds for Nassau County Parks' Staff Luncheons</p>	<p>We recommend:</p> <ul style="list-style-type: none"> a) that the Parks Department verify that they have ceased paying for employee luncheons and parties with Friends' funds; and b) that the Board of the Friends of Nassau County Recreation review IRS Regulations, County ordinances and other Federal guidance such as those found in Federal Regulations Appendix B Part 230, and develop a written policy for meal reimbursement for the limited times that food may be served and include proper supporting documentation.
<p>6 Friends Paid a Parks' Invoice for an Excessive Amount of \$14,000 to Rent the Same Golf Carts That Were Already Being Leased by the County</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> a) Friends & Parks maintain a log of events for which Friends is making payments on behalf of Parks; b) if Friends sponsors a golf outing, they should review the current Nassau County Golf Cart Leasing contract before making payments to obtain more golf carts, to assure the vendor is not paid twice for rental of the same golf carts; and c) Friends & Parks hire a bookkeeper to ensure that Friends is not paying for equipment already in possession of Nassau County, and to monitor the pricing of purchases made by Friends.
<p>7 Friends' Accounting Records Were Inadequate, Resulting in Auditors being Unable to Match Revenues and Expenses to Specific Golf Events</p>	<p>We recommend that Friends improve their record keeping. Payments should be properly documented and made only for approved Friends' events.</p>
<p>8 Friends Paid \$6,000 in Expenses for the Wedding of a County Vendor's Daughter</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> a) Friends and the Parks Department develop written procedures that have Legislative approval outlining Friends' role in wedding events held at Nassau County parks and include such procedures in the MOA; b) the County investigate this vendor receiving free Parks' usage for his daughter's wedding and investigate why a charity would accept a tax-deductible donation and use the money to pay a wedding photographer and florist; and c) the New York State Attorney General's Charity Bureau review this matter.
<p>9 Friends used over \$3,200 of Charitable Funds for Bereavement Flowers and Bereavement Meals</p>	<p>As the Parks Department has stated that they will no longer use Friends' funds to pay for such expenses, we recommend that Friends consult Title 2 Code of Federal Regulations (CFR) Part 200 to ensure that all expenditures are in compliance with Federal Law.</p>
<p>10 Auditors Could Not Find Legislative Authority for Friends to Collect Monies for County Park Events</p>	<p>We recommend that the Parks Department and Friends develop a plan outlining the revenue to be collected for each program by Friends and/or Nassau County, and seek the approval of the Nassau County Legislature for all fees collected. The Parks Department should not be independently determining if funds should be remitted to the Nassau County Treasurer or should be collected by the Parks' non-profit organization.</p>

Executive Summary

Summary of Audit Findings and Recommendations

Audit Finding	Audit Recommendation(s)
<p>11 Friends Did Not File and/or Complete Accurate Federal & State Tax Documents for Years 2013-2017, Jeopardizing their Nonprofit Status</p>	<p>We recommend that the Board take corrective actions and communicate with their independent CPA firm to ensure that the:</p> <ul style="list-style-type: none"> a) audited financial statements are prepared timely; b) audited financial statements are attached to the CHAR 500 and filed with the Attorney General’s Charities Bureau in New York State; c) IRS Form 990s are prepared using accurate financial information; d) amended Federal and State Returns are prepared and filed with updated financial information when required; e) Board consider hiring an employee to handle bookkeeping, as recommended in the prior audit, to facilitate communication with the CPA firm, coordinate the independent audit and ensure timely filing of returns; and f) Board consider establishing an Audit Committee to assist in the independent audit process, including hiring, evaluating and assisting the independent auditors.
<p>12 Friends Did Not Prepare a Budget to Track Revenues and Expenses, Had Inadequate Financial Statements, and Lacked Fiscal Oversight of Operations</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> a) a budget be prepared by the Board on a timely basis and compared to actual results throughout the year; b) the Board take the appropriate action when there is an indication of significant budgetary deviation and explain discrepancies; c) the Board establish a full and detailed list of the programs that Friends will assist with within the scope of Friends’ mission and clearly indicate on promotional material the organization’s involvement. The list should be reviewed and updated on an annual basis, based on a review of each program’s effectiveness and financial results; and d) the Board analyze expenses and revenues for each program and determine what adjustments should be made to operations to reduce losses.
<p>13 The Friends’ Board Has Not Been Operating in Compliance with their Organization’s Bylaws Filed with New York State: Lacks the Required Number of Board Members, Lacks Board Minutes, and is Non-Compliant with Other Administrative Requirements</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> a) corrective actions be taken to ensure that Board Minutes: <ul style="list-style-type: none"> i. are prepared in a timely manner and approved by resolution of the Board; ii. are readily available to the public; and iii. indicate the presence of a required quorum at Board meetings; b) Friends hold an annual meeting, with the required quorum of members required by their Bylaws present; and c) Friends ensure that an Annual Report, containing the financial results of its operations, be available for members and other interested persons in a timely manner.
<p>14 Restricted Funds are Not Reported Separately on the Financial Statements per Generally Accepted Accounting Principles (GAAP) and are not Separated on the Federal Tax Returns or State Filings</p>	<p>We recommend that the Friends’ Board:</p> <ul style="list-style-type: none"> a) implement policies and procedures to ensure restricted donations are monitored and expended according to any restrictions attached; and b) report restricted funds appropriately in Friends’ financial statements and Federal tax filings.
<p>15 Friends is Not Verifying or Monitoring Fixed Assets Purchased for the Parks Department – Missing Equipment Was Noted</p>	<p>We recommend that the Board of the Friends of Nassau County Recreation:</p> <ul style="list-style-type: none"> a) establish a Fixed Assets policy for all assets purchased with Friends’ funds, which includes a periodic inventory; b) closely verify the purchasing of Fixed Assets as well as ensuring the Fixed Assets are properly monitored and maintained; and c) follow-up on the missing security camera.

Executive Summary

Summary of Audit Findings and Recommendations	
Audit Finding	Audit Recommendation(s)
<p>16 Reports to Taxing Authorities of Vendor and Professional Service Payments Were Not Prepared for Numerous Vendors</p>	<p>We recommend Friends:</p> <ul style="list-style-type: none"> a) require vendors complete Form W-9 or require such information on their internal vendor application for Form 1099-MISC reporting purposes; b) issue Form 1099-MISC to all vendors (including attorneys) utilized by Friends who received over \$600 in a calendar year; and c) utilize their pre-existing QuickBooks application, or other similar software, to track 1099 eligible vendor payments and generate 1099s to ensure accuracy and reduce costs paid to the outside accountant.
<p>17 Friends is not Earning Interest on their Bank Accounts and does not have Adequate FDIC Insurance as Required by the County Memorandum of Agreement (MOA)</p>	<p>We recommend that Friends:</p> <ul style="list-style-type: none"> a) comply with the prior and newly drafted but not yet adopted pending MOA, by depositing contributions in an FDIC-insured interest-bearing account in order to safeguard contributions raised for County programs and/or property improvements; and b) ensure that the balances in their bank accounts be monitored to assure that they remain below the threshold covered by the FDIC. If there is an excess of \$250,000 in Friends' bank accounts, the accounts should be set up at multiple banks, with no one account exceeding \$250,000.
<p>18 Friends Failed to Obtain a Fidelity Bond and Workers' Compensation Insurance as Required by the Memorandum of Agreement (MOA)</p>	<p>We recommend that Friends obtain the required insurance as stated in the MOA.</p>
<p>19 Friends Failed to Research Outstanding Checks in a Timely Manner, Take Appropriate Action and Perform Appropriate Accounting Entries</p>	<p>We recommend that Friends:</p> <ul style="list-style-type: none"> a) investigate checks outstanding for six months or more to determine why they had not been cashed, issue stop payments and reissue checks as appropriate; and b) hire a bookkeeper to ensure that the bank reconciliations are prepared in accordance with standard business practice.
<p>20 Friends Failed to Comply with their Memorandum of Agreement ("MOA") with Nassau County by Failing to Provide Audited Financial Statements in a Timely Manner</p>	<p>We recommend:</p> <ul style="list-style-type: none"> a) Friends ensure the annual financial statements are prepared and audited in a timely manner; and b) Parks monitor the MOA with Friends more diligently.
<p>21 Friends of Nassau County Does Not Have Its Own Webpage for Public Visibility to Accept Donations and Seek Members / Volunteers</p>	<p>We recommend that the Parks Department and Friends;</p> <ul style="list-style-type: none"> a) create a functional webpage and social media presence for Friends, which will allow for a public presence, online donations to the organization, attracting volunteers, providing greater benefit in the long term compared to spending large amounts on marketing companies that do not produce; and b) assure that future events be advertised as being sponsored by Friends, to enhance the organization's public presence.
<p>22 As Recommended in the Previous Audit, Friends Has Not Reimbursed the County for Administrative Support Provided by Parks Department Employees since 2011</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> a) The County Administration, Parks and Friends should delineate in the new MOA what County personnel costs should be paid by Friends; and b) going forward, County employees should keep track of their time spent on Friends' programs and the County Parks Department bill Friends for the cost of employee time.

Executive Summary

The following two “Audit Observations” were made during the audit process. These Observations are not the responsibility of the Friends of Nassau County Recreation. The County Parks Department and/or County Management should address these Observations.

Summary of Audit Observations & Conclusions	
Audit Observation	Audit Conclusion(s)
1 A Parks' Employee Related to a Former Vendor of Friends Received a Substantial Rent Reduction for an Apartment at a County Preserve	We believe these matters warrant an investigation and follow-up by the County: a) for the matter of a related party to a former Friends' vendor receiving a reduced rent at the Muttontown Preserve; and b) to ensure that the County follows IRS regulations in the matters where all reduced rent arrangements involving County employees are reported to the Comptroller's Payroll Division to ensure that proper tax reporting is implemented.
2 Advertising for Private Vendors was Linked to A County Parks' Website	We believe these matters warrant further investigation and follow-up: a) to clarify ownership and maintenance of the Chelsea Mansion website and if it should be a link on the Parks' page; and b) to obtain the approvals required prior to the placement of any advertising on a County linked page.

Executive Summary

The matters covered in this report have been discussed with the officials of the Friends of Nassau County Recreation, Inc. and the Nassau County Department of Parks, Recreation & Museums. On February 21, 2020 we submitted a draft report to the Friends' Board & the Parks Department for their review. An Exit Conference was held on April 15, 2020, and a 2nd draft was provided on April 23, 2020. The Friends' Board and the Parks Department both provided their separate responses on May 13, 2020. Their responses and our follow up to their responses are included at the end of this report.

Table of Contents

	<u>Page</u>
INTRODUCTION.....	1
Background	1
Audit Scope, Objectives and Methodology	5
FINDINGS AND RECOMMENDATIONS	6
(1) Friends of Nassau County Recreation Lacks the Organizational Structure Needed to Ensure its Mission is Carried Out in Accordance with its Corporate Bylaws and its Memorandum of Agreement with Nassau County: County Officials had Too Much Spending Influence.....	6
(2) Friends of Nassau County Recreation Possibly Violated IRS Regulations by Using Donations to Benefit an Elected Official from 2014 through 2017.....	9
(3) In 2014, Friends Gave a No-Bid Contract for Promotional Services to a Marketing Firm Owned by a Former Employee of the Then County Executive’s Office	10
(4) Parks’ Officials Directed Friends to Make Questionable Payments of Over \$26,000 to a Catering Company for Events Not Associated with the Non-Profit’s Purpose, Including Purchase of Alcoholic Beverages	14
(5) Friends Used over \$9,000 of Charitable Funds for Nassau County Parks’ Staff Luncheons.....	21
(6) Friends Paid a Parks’ Invoice for an Excessive Amount of \$14,000 to Rent the Same Golf Carts That Were Already Being Leased by the County	24
(7) Friends’ Accounting Records Were Inadequate, Resulting in Auditors being Unable to Match Revenues and Expenses to Specific Golf Events.....	30
(8) Friends Paid \$6,000 in Expenses for the Wedding of a County Vendor’s Daughter. 	34
(9) Friends used over \$3,200 of Charitable Funds for Bereavement Flowers and Bereavement Meals.....	36
(10) Auditors Could Not Find Legislative Authority for Friends to Collect Monies for County Park Events.....	38
(11) Friends Did Not File and/or Complete Accurate Federal & State Tax Documents for Years 2013-2017, Jeopardizing their Nonprofit Status	39
(12) Friends Did Not Prepare a Budget to Track Revenues and Expenses, Had Inadequate Financial Statements, and Lacked Fiscal Oversight of Operations.....	47
(13) The Friends’ Board Has Not Been Operating in Compliance with their Organization’s Bylaws Filed with New York State: Lacks the Required Number of Board Members, Lacks Board Minutes, and is Non-Compliant with Other Administrative Requirements.....	56
(14) Restricted Funds are Not Reported Separately on the Financial Statements per Generally Accepted Accounting Principles (GAAP) and are not Separated on the Federal Tax Returns or State Filings	58

Table of Contents

(15) Friends is Not Verifying or Monitoring Fixed Assets Purchased for the Parks Department – Missing Equipment Was Noted..... 60

(16) Reports to Taxing Authorities of Vendor and Professional Service Payments Were Not Prepared for Numerous Vendors 61

(17) Friends is not Earning Interest on their Bank Accounts and does not have Adequate FDIC Insurance as Required by the County Memorandum of Agreement (MOA)..... 63

(18) Friends Failed to Obtain a Fidelity Bond and Workers’ Compensation Insurance as Required by the Memorandum of Agreement (MOA)..... 65

(19) Friends Failed to Research Outstanding Checks in a Timely Manner, Take Appropriate Action and Perform Appropriate Accounting Entries..... 65

(20) Friends Failed to Comply with their Memorandum of Agreement (“MOA”) with Nassau County by Failing to Provide Audited Financial Statements in a Timely Manner 66

(21) Friends of Nassau County Does Not Have Its Own Webpage for Public Visibility to Accept Donations and Seek Members / Volunteers 67

(22) As Recommended in the Previous Audit, Friends Has Not Reimbursed the County for Administrative Support Provided by Parks Department Employees since 2011 68

AUDIT OBSERVATIONS 70

(1) A Parks’ Employee Related to a Former Vendor of Friends Received a Substantial Rent Reduction for an Apartment at a County Preserve..... 70

(2) Advertising for Private Vendors was Linked to A County Parks’ Website 72

APPENDIX A 74

Friends of Nassau County Event Flyers Presented by Ed Mangano Nassau County Executive..... 74

APPENDIX B 81

Advertisements on County Website 81

APPENDIX C 91

Auditors’ Follow Up Comments on Friends of Nassau County Recreation Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses 91

APPENDIX D 117

Friends of Nassau County Recreation Inc.’s Response 117

APPENDIX E 126

Nassau County Department of Parks, Recreation and Museums’ Response..... 126

Introduction

Background

The Nassau County Department of Parks, Recreation and Museums (“Parks”) manages more than 70 parks, preserves, museums, historic properties and athletic facilities comprised of 6,000 acres throughout the County².

Five of the County’s museums are independently run:

1. Bailey Arboretum (part of Friends of Nassau County Bailey Arboretum in Locust Valley);
2. Cradle of Aviation;
3. Holocaust Memorial and Education Center;
4. the Long Island Children’s Museum; and
5. the Nassau County Museum of Art.

The Friends of Nassau County Recreation, Inc. (“Friends”) was established in 1980 and created with the following goals in mind³:

- To foster and promote appreciation of Nassau County parks and encourage their greater use for leisure and recreational purposes;
- To contribute to the restoration and beautification of the parks;
- To foster and promote public use of Nassau County owned park property;
- To foster, promote and develop sound recreation concepts for residents of Nassau County; and
- To assist in the development of recreation and cultural programming in Nassau County park facilities.

The organization received its Certificate of Incorporation under Section 402 of the New York State Not-For-Profit Corporation Law in March of 1981 and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.⁴ Upon its organization, the Nassau County Department of Parks, Recreation and Museums consented to its formation with the expectation that Friends would work to achieve the above listed goals.

A five-year Memorandum of Agreement (“MOA”) was executed between Nassau County (acting on behalf of the Department of Parks, Recreation and Museums) and Friends in 2007, which expired in May of 2012. The MOA outlines certain guidelines regarding funding, advertising, expenditures, accounting procedures, indemnity and insurance as well as the Friends’ agreement to provide administrative support regarding the Long Island Marathon. Auditors were informed that a new MOA will be presented to the Nassau County Legislature and that Friends is operating under the terms of their expired MOA until the new MOA is executed.

² <https://www.nassaucountyny.gov/1768/About-Parks>

³ Certificate of Incorporation of Friends of Nassau County Recreation, Inc., March 11, 1981

⁴ Ibid

Introduction

Pursuant to the MOA, Friends agreed to “conduct its activities in a manner consistent with the operations and best practices of comparable not-for-profit and cultural institutions in the New York metropolitan area.” Included with these activities is the Long Island Marathon.

Revenues received by Friends exceeded \$1 million a year during 2015-2017. Exhibit I below shows Friends’ Revenues for years 2015-2017, including Marathon revenues.

Exhibit I

Friends Revenues				
	2015	2016	2017	Total
Contributions	\$ 139,427	\$ 311,862	\$ 187,884	\$ 639,173
Program Service Revenue	\$ 968,535	\$ 935,366	\$ 875,150	\$ 2,779,051
Fundraising Loss	\$ (6,123)	\$ (70,126)	\$ (52,306)	\$ (128,555)
Other Income ¹	\$ -	\$ -	\$ 49,010	\$ 49,010
Total Revenue	\$ 1,101,839	\$ 1,177,102	\$ 1,059,738	\$ 3,338,679

¹ Other Income was unidentified on Form 990.

Source: 2015-2017 IRS Form 990 filed by Friends

Long Island Marathon

The Long Island Marathon is a competitive marathon run annually in Nassau County, New York, organized and coordinated by Nassau County and the Department of Parks, Recreation and Museums. The long-standing event has been held the first weekend in May for 46 years. Over time, additional options such as a half marathon, expo and food truck festival have been added.

In the 2007 MOA, Friends agreed to provide administrative support for the Long Island Marathon. As required by the MOA, Friends maintains a separate bank account for Marathon revenues and expenditures. Three Parks’ employees provide accounting and recordkeeping assistance to Friends and reconcile the Marathon bank account.

During the period 2015-2017, the revenues and expenditures incurred by Friends for the Long Island Marathon were as follows:

Exhibit II

Marathon Revenues and Expenses				
2015 - 2017				
	2015	2016	2017	Total
Revenues	\$ 414,602	\$ 419,312	\$ 299,454	\$ 1,133,368
Expenses	460,543	389,813	367,100	1,217,456
Net Income (Loss)	\$ (45,941)	\$ 29,499	\$ (67,646)	\$ (84,088)

Source: 2015 - 2017 General Ledgers supplied by Nassau County Parks Department.

Introduction

The primary source of Friends' Marathon revenues was entrance fees, which under the terms of the MOA are to be administered by Friends. Friends also received funds for sponsorships by both for-profit and not-for-profit organizations, including local businesses and financial institutions.

Marathon related expenditures paid by Friends included advertising, tents and tables, food and water; shirts, blankets and towels for participants and volunteers; awards and give-a-ways for runners, medical supplies and ambulances, trash disposal, and entertainment on the course and at the starting and finishing lines. During the period 2015-2017, Friends contracted with a media company to provide production design and video services.

Previous Audit

The Comptroller's Office previously performed an audit of Friends for the period of January 1, 2010 through December 31, 2011, issuing a report in February of 2013. This previous audit noted numerous deficiencies including: untimely filing of required tax returns, non-conformity with corporate charter and bylaws, lack of internal controls over cash receipts, weak internal controls, an expired MOA, non-issuance of Internal Revenue Service Form 1099s, exceeding FDIC Insurance limits, and failure to utilize sales tax exemption status.

Auditors have been informed that a new MOA has been drafted but has not yet been presented for adoption by the Nassau County Legislature.

Exhibit III below summarizes the previous audit findings:

Introduction

Exhibit III

Summary of Follow-up Review of Findings from the 2/28/13 Report		
#	02/28/13 Audit Finding	Resolved?
1	The Organization Failed to File a Federal Tax Form 990 with the IRS for the Year 2011, Jeopardizing its Status as a Non-Profit Organization	Partially
2	The Organization Does Not Comply with its Not-For-Profit Bylaws, Which Provide for a Board of Least Three Directors and to Hold Regularly Scheduled Meetings	Partially
3	There is a Lack of Internal Control over Cash Receipts, Particularly for the Annual Long Island Marathon	No
4	The Memorandum of Agreement ("MOA") between Nassau County and Friends has Expired and Does Not Provide Reimbursement for the Use of County Employees	No
5	Friends did not Require W-9 Forms nor did it Issue 1099s as Necessary	Partially
6	Friends Does Not have Adequate FDIC Insurance on Bank Balances, Because it is Utilizing One Bank	No
7	The Organization Failed to Utilize its Sales Tax Exemption Status when Making Purchases	Yes
8	Friends did not obtain Fidelity Bond to Ensure Against Losses	No

Introduction

Audit Scope, Objectives and Methodology

The time period covered by the audit was **January 2016** through **December 2017**. Two matters came to the attention of the Auditors after the conclusion of field work. These matters took place in April of 2018 and February of 2019 and are included as “Observations” after the “Findings and Recommendations” section of this report. The purpose of the audit was to:

- determine if Friends is assisting Parks in a manner consistent with its purpose as set forth by its corporate charter;
- determine if Friends operates in compliance with relevant governing laws and guidelines;
- determine if Friends performs the numerous functions of its mission, as stated in the Memorandum of Agreement (MOA);
- evaluate the internal controls over Friends’ operations and revenues;
- follow up and ensure that corrective actions were taken by Friends to address the findings noted in the Comptroller’s previous audit report dated February 28, 2013.

We reviewed the Memorandum of Agreement (MOA) between Friends and Nassau County, applicable New York State and County laws, ordinances, resolutions, and directives. We interviewed the President of Friends, the Parks’ Commissioner, key employees of the Parks Department who perform tasks for Friends and the independent certified public accounting firm hired by Friends, to obtain an understanding of internal operations.

We examined cash receipts and disbursements to determine if records were accurately kept, assets were safeguarded, and if collections and disbursements had proper controls in place. The cash account balances and required Federal and New York State tax forms were reviewed for completeness and timely filing.

Data was obtained from Friends’ paper files: invoices, deposit slips and bank statements, Parks’ electronic files and accounting software databases kept for Friends.

We believe our review provides a reasonable basis for the findings and recommendations and observations contained herein.

Findings and Recommendations

AUDIT FINDING (1)

(1) Friends of Nassau County Recreation Lacks the Organizational Structure Needed to Ensure its Mission is Carried Out in Accordance with its Corporate Bylaws and its Memorandum of Agreement with Nassau County: County Officials had Too Much Spending Influence

Friends needs significant structural and organizational changes to ensure that it can fulfill its corporate mission and comply with its proposed new Memorandum of Agreement (MOA) with Nassau County.

In 2018 a new organization, the Nassau Parks Conservancy, Inc., was created to continue Friends' mission of promoting appreciation, use, and enjoyment of the Nassau County parks. The By-Laws of the new Nassau County Parks Conservancy are essentially the same as the 1981 Friends of Nassau County Recreation By-Laws.

Lack of Organizational Structure

Many of the audit findings detailed in this report resulted from Friends' lack of organizational structure and absence of basic fiscal controls. The small size of Friends' Board and their reliance on services from the Parks Department, led to a lack of structure, delayed actions, and questionable funding decisions.

- Parks or County officials instructed Friends to make questionable/improper payments for events and items, which included the purchase of alcoholic beverages, Parks' staff luncheons, and bereavement flowers and meals associated with some County employees'/relatives' funerals. Friends questionably paid \$6,000 in expenses for the wedding of a County vendor's daughter and paid \$14,000 to lease golf carts which were already being leased by the County.
- Additionally, the lines of differentiation between the public funds of the Parks Department, and the charitable funds of the non-profit Friends' organization were frequently blurred or unclear.
 - Fees collected by the Parks Department and remitted to the County Treasurer are part of the overall revenue collections of the County, and may be used not only for Parks, but also for other general County needs.
 - Funds which went to the Friends' bank accounts were used for any purpose Parks officials requested from the emergency replacement of a light bulb at a night baseball game, to potentially inappropriate uses, such as paying for Parks' employee parties. All expenses were approved by a Friends' Board member.
- Parks' administrators at times independently determined which funds would be remitted to the County Treasurer and which would go to Friends' bank accounts. This funding therefore would not be available for general County purposes.

Findings and Recommendations

The Friends' organization allowed improper practices to occur because it:

- did not ensure that accurate federal and state tax documents were filed for the years 2013-2017, which jeopardized its nonprofit status;
- did not establish a budget, did not keep adequate accounting records, and failed to match revenues and expenditures to determine if the programs it funded should be continued;
- failed to verify or monitor fixed assets purchased for the Department of Parks: Auditors found security camera equipment missing;
- was not visible to the public as it did not maintain a website or social medial presence, did not publicize the events it assisted in funding, leaving the public unaware of its role and its efforts to fulfill its mission, and missing the opportunity to build public support and potential contributions to the organization; and
- was not operating in accordance with its bylaws, lacked the required number of directors, did not maintain Board Minutes, and failed to hold annual meetings.

Park Conservancies

The Trust for Public Land in a 2015 report⁵ has noted that park conservancies protect parks and lands for people, ensure healthy, livable communities, and enhance the social, ecological and economic benefits of parks for both residents and visitors.

According to the Trust for Public Land report, conservancies are private, nonprofit park-benefit organizations that raise money independent of the municipality and spend it under a plan of action mutually agreed upon with their government officials. With respect to Conservancies:

- They generally have large boards and small staffs.
- Board size reflects the diversity of park constituencies as well as the need for broad financial reach.
- Staff generally focuses on outreach, fundraising, and contractor management, with only the very largest conservancies hiring significant numbers of maintenance and program workers.
- They are typically created to fund large capital projects such as repairs to a building, monument, fountain, pathway system, major lawn, forest, or lake.
- They may evolve to oversee the actual construction and even to provide additional management and programming for the park. A few move up all the way to handling park

⁵ The Trust for Public Land is a U.S. nonprofit organization which creates parks and protects parkland. Its report, titled *Public Spaces/Private Money: The Triumphs and Pitfalls of Urban Park Conservancies*, was issued in February 2015.

Findings and Recommendations

administration—from maintaining parkland to coordinating concessions to providing security.

- They generally take on a single signature park, but a few have expanded to several or even assumed a city-wide mandate.

The Trust for Public Land also discusses what is not a Conservancy. Not every park-support organization is a conservancy, including “friends of the park” groups, which generally are all-volunteer groups focused on hands-on cleanup and grassroots advocacy. Depending on the circumstance, a friends’ organization may lobby in favor of a parks department or criticize it.

Significant “best practice” recommendations promulgated by the Trust for Public Land include:

- Conservancies should be for one park or project, although Auditors found in several locales a conservancy which covers an entire park system.
- Conservancies should have large Boards of Directors, which are strong and active.
- Conservancies should have a masterplan for their organization.
- The Memorandum of Agreement (MOA) or Memorandum of Understanding (MOU) between the conservancy and the municipality should be clear as to the role of the conservancy.
- Funding for programs and activities should not be tied to concessions or to coordinated events.

The new County Administration and a reconstituted Friends’ Board is working to improve the organization’s operations. They have increased the number of Directors for the Nassau Parks Conservancy from three (under Friends) to nine and filled all nine Board positions. We commend the County Administration and Conservancy Board members for the making progress to improve operations.

Audit Recommendations:

The new Nassau Parks Conservancy should consider the guidance provided by the Trust for Public Land in their Public Spaces/Private Money report issued in 2015 and other noteworthy park system conservancies and update their by-laws to reflect conservancy best practices and the audit recommendations detailed throughout this report.

Findings and Recommendations

AUDIT FINDING (2)

(2) Friends of Nassau County Recreation Possibly Violated IRS Regulations by Using Donations to Benefit an Elected Official from 2014 through 2017

Former County Executive Ed Mangano's name was used on a variety of Friends' sponsored events. Mr. Mangano was not part of the charity and Auditors did not find that he made any donations to Friends during the audit period.

The IRS Regulations for Tax Exempt Organizations has prohibitions for charities that:

- prohibit a non-profit organization "from directly or indirectly participating in, or intervening in any political campaign on behalf of (or in opposition to) any candidate for elective public office,"⁶
- state "*no part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private stockholder or individual,*"⁷ and:
- stipulate, "*If the organization engages in an excess benefit transaction with a person having substantial influence over the organization, an imposition of certain excise taxes⁸ may be imposed on the person and any organization managers agreeing to the transaction.*"⁹

Advertising on Event Flyers:

Events sponsored and paid for by the charity Friends of Nassau County Recreation, were advertised on flyers as presented by Ed Mangano, Nassau County Executive (See Appendix A).

For example, rather than stating events were sponsored by Friends of Nassau County Recreation and the Nassau County Parks Department, the former County Executive's name was printed on various flyers for events such as:

- "*Ed Mangano presents Oktoberfest*" (2014);
- "*Ed Mangano invites you to the Gingerbread Workshop*" (2015 & 2017);
- "*Ed Mangano Presents Youth Soccer Clinic*" (2014); and
- "*Ed Mangano invites you to "Cruise to the Show" Car show* (2015 & 2017).

The former County Executive's name was printed on promotional giveaways paid for by Friends, such as adult and youth T-shirts for the Victory Challenge (previously known as the Empire Games

⁶ IRS, www.irs.gov/charities-non-profits/charitable-organizations/the-restriction-of-political-campaign-intervention-by-section-501c3-tax-exempt-organizations

⁷ IRS, www.irs.gov/charities-non-profits/charitable-organizations/inurement-private-benefit-charitable-organizations

⁸ IRS, www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excise-taxes

⁹ IRS, www.irs.gov/charities-non-profits/charitable-organizations/intermediate-sanctions-excess-benefit-transactions

Findings and Recommendations

for the Physically Challenged) and pens imprinted with “*County Executive Ed Mangano presents Games for the Physically Challenged.*”

Friends is considered a charitable non-profit organization, and as noted above, pursuant to IRS rules should not be used for the benefit of a private interest. Per the National Council of Nonprofits¹⁰, in return for its favored tax-status, a charitable nonprofit promises the federal government that it will not engage in “political campaign activity” and if it does, IRS regulations mandate that the charitable non-profit will lose its tax-exempt status.¹¹

Advertising and Promotion per Memorandum of Agreement (MOA)

The MOA between Nassau County, acting on behalf of the County Department of Parks, Recreation & Museums (Parks) and the Friends of Nassau County Recreation **requires publications, including but not limited to posters, flyers, print advertisements, and invitations to conspicuously acknowledge the Department (Parks) and prominently feature the County’s name and logo.** Auditors note that former County Executive Ed Mangano’s name is prominently displayed on advertising and promotion for Friends’ activities, detracting from the logos of both Nassau County and the Department of Parks, Recreation and Museums.

Nassau County Executive Laura Curran, who took office on January 1, 2018, set a new policy to not include her name on signs around the County. Ms. Curran stated “*these are your parks.... They’re not mine. You pay for them.*”¹²

Audit Recommendation:

We recommend that Friends avoid the appearance of benefiting an individual or endorsing an elected official and/or providing free advertising. Friends should serve only the public interest by “*enhancing Nassau County recreational facilities*” and not appear to serve the interests of an elected official or County employee.

AUDIT FINDING (3)

(3) In 2014, Friends Gave a No-Bid Contract for Promotional Services to a Marketing Firm Owned by a Former Employee of the Then County Executive’s Office

Friends entered into and paid for a contract with a marketing firm which did not appear to be competitively bid, failed to provide some of the contractual services, and involved former County employees (“related parties.”)

¹⁰ The *National Council of Nonprofits* is a resource and advocate for America's charitable *nonprofits*. www.councilofnonprofits.org.

¹¹ National Council of Nonprofits, <https://www.councilofnonprofits.org/tools-resources/political-campaign-activities-risks-tax-exempt-status>. “*All charities...are absolutely prohibited from intervening in a political campaign for or against any candidate for an elective public office. If a charity does intervene in political campaigning, it will lose both its tax-exempt status and its eligibility to receive tax-deductible charitable contributions.*”

¹² Newsday, “Laura Curran Replaces Signs Featuring Officials Names,” April 28, 2018.

Findings and Recommendations

In December 2014, Friends entered into a contractual agreement with a marketing firm to provide assistance to the Department of Parks, Recreation and Museums in the promotion of events sponsored, administered or produced by the Department. The agreement commenced on January 1, 2015 and terminated on December 31, 2015. The marketing firm was to provide the following services for the Nassau County Empire State Games for the Physically Challenged (currently known as the “Victory Challenge”):

- Procurement of sponsors;
- Promotional assistance to Parks’ employees at event sites;
- Coordinate with independent contractors providing similar promotional and/or advertising services for Parks; and
- Provide other related services as directed by the Parks’ Commissioner or their authorized designee.

Parks could not explain the process by which this particular marketing firm was selected for the contract and it does not appear the contract was subject to a formal bidding or procurement process.

The Friends’ agreement with the marketing firm provided for payment of \$150,000. A review of Friends’ records indicates that the marketing firm was paid a total of \$125,000, as detailed below. It should be noted attached to the first payment to the marketing firm was a time sheet covering work from December 1, 2014 through December 31, 2014, prior to the start of the contract (January 1, 2015).

Exhibit IV below lists the marketing firm’s Contractual Services for the Empire Games:

Findings and Recommendations

Exhibit IV

Marketing Firm's Contractual Services for the Empire Games				
Invoice Date	Check Number	Payment Number	Voucher Date	Payment Amount
01/01/15	7109	1st*	12/31/14	\$ 12,500
02/01/15	7161	2nd	01/28/15	\$ 12,500
03/01/15	7213	3rd	03/02/15	\$ 12,500
04/01/15	7250	4th	03/30/15	\$ 12,500
05/01/15	7272	5th	04/29/15	\$ 12,500
06/01/15	7302	6th	06/02/15	\$ 12,500
07/01/15	7332	7th	06/16/15	\$ 12,500
08/01/15	7410	8th	07/31/15	\$ 12,500
09/01/15	7444	9th	08/28/15	\$ 12,500
10/01/15	7516	10th	09/25/15	\$ 12,500
				\$ 125,000
*First Voucher Made Prior to Contract Start Date				

The marketing firm was established in July 2012 by a former employee of Nassau County, who ¹³ was a former Special Assistant in the Office of the Nassau County Executive from December 2010 through February 2012. A sibling of the owner was a Parks Department employee between 2012¹⁴ and September 2019. Please see Audit Observation (1) at the end of this report. It is noted that this vendor was also used by a local political committee. ¹⁵

During a review of the establishment of the marketing firm, the contract for services with Friends, and the supporting claim vouchers, the following exceptions were noted:

- **Vendor Responsibility:** Friends entered into the contract with the marketing firm in December 2014; in February 2014 a judgement against the firm from the New York State Workers' Compensation Board for \$88,000 was recorded with the Nassau County Clerk. There is no indication that Friends was aware of the judgement or had ensured that it was resolved by the firm prior to their entry into the contract.
- The contract provided for the firm to create a new 501(c)(3) charitable organization that would be responsible for the administration of the Games for the Physically Challenged. The organization would be responsible for all aspects of the games, including paying all

¹³ Certificate of Incorporation filed with the Nassau County Clerk.

¹⁴ The employee's Civil Service title was "Museum Associate".

¹⁵ New York State Board of Elections Financial Disclosure Reports indicate that in 2013 the Hicksville Republican Committee made payments to the marketing firm totaling \$26,250 for golf outings and fundraising events.

Findings and Recommendations

expenses, fundraising and other associated duties. The firm did not create this organization. The current Parks' Administrators noted that the firm's services under the contract were ended due to this failure.

- In accordance with IRS regulations for non-profit agencies, Friends' 2015 IRS Form 990 should have listed any independent contractors paid over \$100,000. It appears that Friends paid \$125,000 to this marketing firm in 2015, however the amount was not listed on their IRS Form 990.
- On the June 2, 2015 payment voucher to the marketing firm for \$12,500, it was noted that a County Parks Department employee, a sibling to the owner of the marketing firm, picked up the check. This involvement is concerning: a County employee should not be involved with a firm operated by their sibling, as it at the very least represents the appearance of a conflict of interest (related parties/nepotism). Friends' checks should not be distributed to vendor's relatives that are County workers.
- Parks' officials indicated that Friends hired an attorney to form a new charitable organization to administer the Empire Games after the marketing firm failed to do so. The new organization was never established. Friends paid \$960 for these legal services. Parks noted that the new organization was to repay Friends; however, the individuals who had committed to creating the organization dropped-out.

Audit Recommendations:

We recommend that Friends and/or the Department of Parks, Recreation and Museums:

- a) conduct a responsibility determination by researching the background of prospective contractors to ensure that there are no outstanding judgements against them, or additional legal concerns, before finalizing contractual agreements, and evidence such research. Friends may wish to consider hiring an Executive Director and or Accountant/Bookkeeper to address this and other tasks on behalf of the Board of Directors;
- b) develop a project timeline for contracted promotional services and regularly review the progress reported by the contractor to ensure that the project is meeting its established goals, and take prompt action if a contractor fails to meet their contract's deliverables; and
- c) avoid the potential for appearance of a conflict of interest by establishing procedures to ensure that a Department of Parks, Recreation and Museums employee does not review or approve work performed by a contractor who is a family member.

Findings and Recommendations

AUDIT FINDING (4)

(4) Parks' Officials Directed Friends to Make Questionable Payments of Over \$26,000 to a Catering Company for Events Not Associated with the Non-Profit's Purpose, Including Purchase of Alcoholic Beverages

Analysis of expenditures made by Friends revealed that the organization used their non-profit funds to pay for events and expenses which were not associated with the mission of the agency, including County staff parties, events where alcohol was served, and events that may have had benefits to the former County Executive.

As stated in the Friends' MOA, the organization "*shall provide administrative and other professional services to the County for purposes of developing, promoting, programming, assisting, supporting, implementing and coordinating various activities at Nassau County Parks, facilities, museums, preserves and historic buildings for the benefit of the residents of Nassau County. Such activities shall include without limitation, athletic events, festivals, theatre events, concerts, fireworks, special events and all such activities related thereto ("Park Events").*"

Friends utilized a catering company which has a longstanding contractual relationship with Nassau County. Auditors identified several questionable catering payments to this vendor, which has multiple contracts with the County's Parks Department to provide various services at a number of locations throughout the County. The two main contracts this vendor has with the County are as follows:

- A Parks Department's food and beverage concessions contract gives the catering company an exclusive license to operate snack bars, vending machines, ice cream trucks and various other food and beverage services at a wide variety of County properties. This contract commenced on January 1, 2010 and expired on December 31, 2019. The terms of the agreement state that the catering company shall compensate the County monthly for a license fee. The amount of compensation to the County shall be the greater of \$90,000 annually or various percentages of gross receipts determined by the nature of the sale.
- A personal service contract states that the catering company shall be the sole provider of catered¹⁶ food and beverages, and rental equipment for the County's annual and special events that are held at various County parks. This agreement was effective from January 1, 2017 through December 31, 2018.¹⁷ The maximum amount to be paid to the catering company for services under this agreement shall not exceed \$110,000 in each calendar year.

¹⁶ It is our understating that if someone obtains a permit from the County to use a picnic area etc. they may bring their own food, however if the individual is having a catered event, they must use the pre-screened caterer who has been vetted and is monitored by the Department of Health and has the catering contract with the County.

¹⁷ This personal service contract was preceded by two separate contracts for the same services. The contracts were in effect from May 1, 2016 through December 31, 2016. One contract covered services at the Empire Games and the second agreement covered services at the Lakeside Theatre and other special events at Nassau County.

Findings and Recommendations

The Auditors noted that throughout the audit period, Friends had 39 separate payments to the catering company and its subsidiaries, totaling \$99,823. Friends paid the following amounts to the catering company¹⁸ throughout the audit period:

- 2015 - 17 payments to the catering company, totaling \$45,274,
- 2016 - 8 payments to the catering company, totaling \$25,815, and
- 2017 - 14 payments to the catering company, totaling \$28,734.

Questionable Payments:

During the review of Friends' expenses, Auditors identified several questionable catering payments. The Auditors referred 14 payment vouchers to Parks for additional information and/or documentation valued at \$26,134. Auditors requested the attendee list and public event announcement for several of the payment vouchers in order to determine the purpose of the expenditures.

The payment vouchers in question included catered food and equipment rentals. The Parks Department's representatives could not justify these expenditures, and were unable to provide any attendee lists, or copies of most of the public announcements for these events. Parks Department responses to the Auditor's questions were also insufficient. After receipt of Parks' explanations provided, the following exceptions were noted by the Auditors:

- Parks' Holiday Parties:
 - Friends paid \$1,500 to a catering hall/historic inn in Jericho, which is a subsidiary of the County's contracted catering company, for expenses related to holiday parties for County workers. Friends paid \$1,000 to rent a venue for a Parks Department holiday party in 2016 and \$500 for a disc jockey's services at the holiday party that appeared to be for Parks Department employees in 2017. Auditors questioned this practice. The current Commissioner stated the Parks Department has discontinued funding staff events, parties and lunches.
- Parks' Improvement Project "Thank You" Events

There were two payments to the catering company that were for events that are not on the list of Parks Department's approved Friends' programs:

- One BBQ event held was for staff and/or volunteers who worked on new baseball fields at Eisenhower Park. The event cost \$16 per person for 60 people, or \$960 in total. Without attendance lists or announcement documents, Auditors could not verify that 60 people worked on these fields, if these attendees were in fact County employees and/or volunteers working on the Eisenhower Park Fields, or if this actually represented a private event.

¹⁸ The contracts with the catering company have expired and are currently the subject of litigation.

Findings and Recommendations

- A second event was held to thank the staff who constructed a light house and rebuilt a picnic area at Wantagh Park. The cost of this event was \$650. This purpose is not included on Friends' list of approved programs. It appears that Friends does not have any guidelines on the use of volunteers.

Exhibit V is the completed Lighthouse and Picnic Area at Wantagh Park.

Exhibit V



Findings and Recommendations

- Alcohol served at Event not Listed on Friends' Program List

Friends paid for alcoholic beverages at an event called "Tiki Time" held at Wantagh Park. **Friends paid a total of \$1,079 in April of 2015 for catered food and beverages for an event held in August 2014 at Wantagh Park.** The payment voucher shows that Friends paid:

- **\$827 for 105 alcoholic beverages, and**
- **\$252 for food and non-alcoholic beverages.**

Parks' officials indicated this event was held for Parks' staff members. Providing County employees with alcohol on County property is a violation of the County's Drug and Alcohol-Free Workplace Policy¹⁹.

Another Tiki Time event was held on July 28, 2013 and a flyer for that event stated, "*Nassau County Executive Ed Mangano presents Tiki Time.*"

Exhibit VI displays the invoice from the catering company to Friends for the TIKI Time event.

Exhibit VI

TIKI TIME AT WANTAGH PARK	
Sunday, August 17, 2014	
Food:	
15 Drinks @ \$2.50	\$37.50
9 Pretzels @ \$3.00	\$27.00
2 Hot Dogs @ \$3.00	\$ 6.00
5 Cheeseburger @ \$4.00	\$20.00
1 Burger @ \$3.50	\$ 3.50
4 Fries @ \$3.00	\$12.00
1 Lobster Quesadillas @ \$8.00	\$ 8.00
8 Lobster Roll @ \$8.00	\$64.00
8 Chicken Finger/Fries @ \$6.50	\$52.00
1 Hot Wings @ \$6.75	\$ 6.75
2 Candy @ \$1.25	\$ 2.50
2 Ice Cream @ \$3.00	\$ 6.00
1 Slushie @ \$3.50	\$ 3.50
1 Nacho/Cheese @ \$3.50	\$ 3.50
Food Sub Total	\$252.25
Drinks	
19 Domestic Beer @ \$5.00	\$ 95.00
22 Imported Beer @ \$6.00	\$132.00
34 Specialty Drink @ \$10.00	\$340.00
5 Wine @ \$7.00	\$ 35.00
25 Drinks @ \$9.00	\$225.00
Drink Sub Total	\$827.00
Grand Total	\$1,079.25

¹⁹ County-wide Procedure - Drug and Alcohol-Free Workplace Policy, issued July 2007.

Findings and Recommendations

Exhibit VII displays the Tiki Time public event announcement for the event held on July 28, 2013.

Exhibit VII

Nassau County Executive **ED MANGANO** presents

TIKI-TIME
at WANTAGH PARK

• **DECK PARTY • DRINKS**
• **LIVE MUSIC**
2:00pm-8:00pm

EVERY SUNDAY STARTING
Sunday, July 28, 2013

Wantagh Park
Observation Deck • Merrick Road, Wantagh • 516-572-0200

 NASSAU COUNTY EXECUTIVE
ED MANGANO
www.nassaucountyny.gov

 **NASSAU COUNTY**
DEPARTMENT OF PARKS,
RECREATION AND MUSEUMS

     Follow Ed Mangano on Facebook, Twitter and www.nassaucountyny.gov, and/or download the NassauNow App for iPhone and Android. The place to find local jobs is www.nassauworks.com.

- Unusual Event Request

While many theater and musical event contracts require certain food items be available backstage for the performers, Auditors noted a voucher for \$2,080 submitted by Friends by the former Parks' Commissioner for an event held in 2015, "100 Years of Sinatra," listed backstage catering for **130 people**. Auditors were not provided with any attendance or invitee lists.

Findings and Recommendations

- Friends paid for Items that Used to be in Departmental Budgets

The Auditors noted a payment voucher for \$4,622 for 2,311 soft drinks. In addition, the payment voucher included a note from a Parks Department employee that stated “*We seriously paid \$2 per drink for soft drinks? That’s more than a vending machine!*”

When questioned by the Auditors, Parks explained they needed additional drinks for the Veterans annual POW MIA ceremony which is held every year. Auditors spoke with the Director of the County Veterans Affairs who noted that budgets for his Department used to include funds to run three important events, but this has continually been reduced. The Veteran Services Agency seeks donations from the American Legion, VFWs and Friends to fund these events.

Exhibit VIII below is a copy of the note from the Park’s employee regarding the price of soft drinks.

Findings and Recommendations

Exhibit VIII

Catering Contract



Customer Name
 FRIENDS OF NASSAU COUNTY
 RECREATION
 1899 Hempstead Turnpike
 East Meadow, NY 11554

Invoice #	513
Event Day	THURSDAY
Event Date	9/7/2017

Park / Venue	EISENHOWER
Event Time	12-4pm
I/C Truck Time	NONE

Quantity	Description	Rate	Amount
2,311	NASSAU COUNTY VETERANS PICNIC ASSORTED SOFT DRINKS	2.00	4,622.00

We seriously paid
 \$2 per drink for
 soft drinks?
 That's more than
 a vending machine.

Half of the contract price is due upon signing of contract. Final payment is to be paid in full ten (10) days prior to the event. Final payment will be contingent upon final head count number, also due ten (10) days prior to event. Final payment must be made with cash or a certified check only.

NOTE: The Administration Fee does not represent a gratuity or tip for the service employees of [REDACTED] will supply your guests with Food Bracelets. This will allow our catering staff to distinguish your guests from outsiders. No one will be served unless they are wearing the bracelets.

Please sign a copy of this contract and return it with a check for 1/2 of the contract price. Cancellations must be made 48 hours in advance. If in fact you do cancel in the proper time frame your deposit will be held by [REDACTED] and will be applied on the next available date. If for any reason, you fail to cancel within the 48-hour period, your deposit will go to all food and labor costs. If you fail to notify the office at all of your cancellation, you forfeit 100% of all monies received. CANCELLATION CLAUSE: if your event is cancelled due to inclement weather, your "credit" for a rescheduled event is only valid in a park facility at which [REDACTED] Corporation regularly provides service.

Agreed and Accepted: _____ Date: _____

Subtotal	\$4,622.00
Sales Tax (0.0%)	\$0.00
Total	\$4,622.00
Payments/Credits	\$0.00
Balance Due	\$4,622.00

W-COMPRES [REDACTED] 9/7/17

Findings and Recommendations

- Events without Adequate Detail

Auditors reviewed a payment of \$5,333 related to equipment rental for a July 2015 Health Expo. According to a rental agreement attached to the Friends' payment voucher, this represents a down payment towards \$10,666 in charges for a variety of items to be provided by a company which is a division of the County's designated catering company. Items included clowns, a disc jockey, tables, chairs, tents and inflatable slides. However, the invoice included no detailed breakdown of the costs. Auditors requested more information regarding this voucher from Parks, which had requested Friends pay these costs, but were told that a detailed breakdown of rental expenses was not received for this Health Department event.

Friends' payment vouchers, which are assembled by Parks and requested by the Parks' Commissioner for Friends' review and approval, should include adequate detail regarding the costs to be paid, and should include an attendee list and an event announcement, if applicable.

Audit Recommendations:

We recommend that Friends and the Parks Department:

- a) cease using Friends' funds to pay for employee parties and any alcohol related expenses;
- b) establish written guidelines that detail which food and equipment expenses are eligible for payment by Friends, including identification of which programs Friends will pay catering company costs for;
- c) include an attendance list and/or event announcement with payment vouchers where applicable;
- d) hire a bookkeeper/accountant to review all expenses;
- e) work together to update the voucher format to ensure expenditures receive proper review prior to approval and payment; and
- f) create written volunteer guidelines.

AUDIT FINDING (5)

(5) Friends Used over \$9,000 of Charitable Funds for Nassau County Parks' Staff Luncheons

Under the previous Parks' Commissioner, Friends paid for 24 staff luncheons held by the Nassau County Parks Department totaling \$9,033 between 2015 and 2017.

Auditors reviewed all payment vouchers that Friends has paid on behalf of Nassau County, and found many were related to County employee staff luncheons. None of these vouchers had any

Findings and Recommendations

supporting documents nor additional information stating the purpose of the luncheon or who was in attendance.

Federal Regulations Appendix B Part 230²⁰ - Selected Items of Cost, provides principles for non-profits to apply when establishing what costs are allowable to be purchased with non-profit funds. Section 14 on Entertainment costs, states the following: “*Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.*”

The Auditors questioned the Parks Department regarding these lunches, asking who attended the lunches, what was the reason for each of the lunches and for the minutes, agendas or write-ups from each of the luncheons. No documents were provided, and the Department did not fully answer the questions. An explanation provided by the Secretary to the Commissioner of Parks for all the vouchers stated the following:

“Previous Commissioner held Staff meetings where lunch was provided to the Staff. The intent of the lunch meetings was to gather the Staff for some team building while having lunch and open discussion. The purpose was to provide better service for Parks’ patrons. This is no longer the practice.”

The Auditors asked Park’s fiscal staff members who perform accounting work on behalf of Friends for additional details of these events but were told they were not in attendance and were unaware of the purpose of the lunches.

It appears that County rules prohibiting the expenditure of funds for County employee meals were circumvented by Friends. County Ordinance No 94-1985, Section 1 b, Regulations Governing Reimbursements of Expenses for Business Lunches and Dinners, allows the purchase of food with County funds when employees are “... prevented from leaving a meeting on County business because of a pressing need to complete the business at hand and the food is only incidental to the meeting...” All County claims for lunch/ dinner reimbursement require adequate documentation which includes the Nassau County business requiring the meeting, and a list of attendees with their business affiliations. The IRS also requires this documentation on all business food expenses.

The only example found of proper adherence to County Ordinance No 94-1985 for the purchase of food was for Parks’ employees working at the Long Island Fair in Old Bethpage, who were provided with a meal bracelet at that event. This expense, however, should be a budgeted expense for the Parks Department and not a Parks’ request for Friends to fund.

It is also noted that some of the employee luncheons paid for by Friends, were labeled as “Birthday lunch” which fall into the Entertainment category mentioned above and is an unallowable expense.

Exhibit IX below details the staff catering and venue rental fee which were paid for by Friends.

²⁰ Code of Federal Regulations, Chapter II, Part 230, Cost Principles for Non-Profit Organizations

Findings and Recommendations

Exhibit IX

Friends of Nassau County Recreation Vouchers for Parks Department Staff Catering 2015-2017 All Invoices Made out to Nassau County Department of Parks					
#	Date	Restaurant Type	Expense Description	Amount	Note on Expense
1	01/20/15	Italian Bistro	Staff Catering	\$ 700	Staff lunch for 50 people
2	03/03/15	Gourmet Deli	Catering for Event	\$ 175	Coffee & Cookies for 50 people
3	03/03/15	Tavern	Staff Catering	\$ 595	Parks Admin @ Eisenhower Park
4	03/27/15	Italian Bistro	Staff Catering	\$ 110	Staff lunch
5	04/08/15	Italian Bistro	Staff Catering	\$ 70	Staff lunch
6	04/17/15	Gourmet Deli	Staff Birthday Luncheon	\$ 600	Birthday lunch for 50 people
7	06/17/15	Take Out Chicken	Staff Catering	\$ 490	Staff lunch for 50 people
8	10/29/15	Bagels	Staff Catering	\$ 306	Staff breakfast
9	11/12/15	Gourmet Deli	Catering for Birthday Lunch	\$ 210	Birthday lunch
10	01/06/16	Bagels	Staff Catering	\$ 458	Staff breakfast
11	02/16/16	Italian Bistro	Staff Catering	\$ 275	Staff lunch
12	04/06/16	Italian Bistro	Staff Catering	\$ 475	Staff lunch
13	04/22/16	Gourmet Deli	Staff Catering	\$ 90	Staff lunch for 10 people
14	06/01/16	Italian Bistro	Staff Catering	\$ 430	Staff lunch
15	07/28/16	Italian Bistro	Staff Catering	\$ 275	Staff lunch for 8-12 people
16	08/04/16	Gourmet Deli	Staff Catering	\$ 135	Staff lunch
17	10/05/16	Italian Bistro	Staff Catering	\$ 285	Catering for October staff meeting
18	10/17/16	Gourmet Deli	Staff Catering	\$ 180	Staff lunch for 20 people
19	11/17/16	Tavern	Catering for 4 separate events	\$ 1,450	Catering for 06/16/16 beverages for BBQ Lunch at Parks Admin on 07/22/16 Ice for Veterans Ceremony on 08/14/16 Veterans BBQ on 09/10/16
20	11/23/16	Bagels	Staff Catering	\$ 324	Catering for staff working at the Oktoberfest and a staff meeting
21	06/14/17	Italian Bistro	Staff Catering	\$ 673	2 Separate catered staff lunches
22	07/19/17	Take Out Chicken	Staff Catering	\$ 489	Catering for luncheon meeting
23	10/23/17	Italian Bistro	Staff Catering	\$ 238	Staff lunch
Total Amount of Staff Catering Payment Vouchers				\$ 9,033	

The Auditors found that these lunches were not supported in any way by proper documentation which would consist of:

- the nature of the purpose related to Friends' mission; and
- a list of attendee names.

These were therefore an improper use of Friends' donated funds.

Findings and Recommendations

Audit Recommendations:

We recommend:

- a) that the Parks Department verify that they have ceased paying for employee luncheons and parties with Friends' funds; and
- b) that the Board of the Friends of Nassau County Recreation review IRS Regulations, County ordinances and other Federal guidance such as those found in Federal Regulations Appendix B Part 230, and develop a written policy for meal reimbursement for the limited times that food may be served and include proper supporting documentation.

AUDIT FINDING (6)

(6) Friends Paid a Parks' Invoice for an Excessive Amount of \$14,000 to Rent the Same Golf Carts That Were Already Being Leased by the County

During review of payments made by Friends, Auditors discovered an unusual payment of \$14,000 for golf carts leased by the Parks Department and paid by Friends. Auditors questioned Friends and Parks regarding golfing events held at Nassau County parks and did not receive an explanation of which event this payment was for.

Auditors' review determined that the cost of the golf cart rentals was high, at \$1,400 each. The invoice did not specify a time period on the invoice, only the date of June 26, 2017. Additional analysis revealed that the County was already paying leasing fees for golf carts with the exact same decal numbers, at a cost of \$60-\$120 per month.

In 2017, the Nassau County Office of Purchasing issued a competitive bid on behalf of the Parks Department for Leasing of Golf Carts and Maintenance and Repair Service for Golf Carts. (This replaced a previous bid and agreement from 2013.) The contract was awarded to the same company which had this contract since 2004. According to the bid, the company was to provide 238 Gas and Electric Powered 2017 Club Car Golf Carts to Eisenhower Park, Cantiague Park, C. Morley Park, N. Woodmere Park, and Bay Park.

Exhibit X is a breakdown of decals and the locations where the golf carts are distributed.

Findings and Recommendations

Exhibit X

Golf Cart Decals		
Nassau County Park	Number of Golf Carts	Decal Number
Eisenhower Park	190	1-190
Cantiague Park	15	191-205
C. Morley Park	8	206-213
N. Woodmere Park	14	214-227
Bay Park	11	228-238

Source: 2017 Nassau County Golf Cart Contract With Vendor

Exhibit XI below is a copy of the invoice paid by Friends to this same golf company for \$14,000 for the rental of 10 Used Club Car Golf Carts, billed to the Nassau County Parks & Recreation Department, at different pricing than the County's accepted bid.

Findings and Recommendations

Exhibit XI

FNR

Invoice

Phone #		Fax #		Date	Invoice #
[REDACTED]		[REDACTED]		6/26/2017	57709

Bill To	Ship To
NASSAU COUNTY DEPT. RECREATION & PARKS EISENHOWER PARK WAREHOUSE "A" EAST MEADOW, N.Y. 11554	[REDACTED]

P.O. Number	Terms	Rep	Ship	Via	F.O.B.
			6/26/2017		

Quantity	Item Code	Description	Price Each	Amount
10	CLUB CAR	USED PRECEDENT GAS POWERED GOLF CARS EQUIPPED WITH CANOPY TOPS & WINDSHIELDS DECAL # 10 S/N 892106 DECAL # 55 S/N 892012 DECAL # 58 S/N 892045 DECAL # 194 S/N 892132 DECAL # 195 S/N 892537 DECAL # 197 S/N 892520 DECAL # 199 S/N 892564 DECAL # 204 S/N 892130 DECAL # 206 S/N 892008 DECAL # 211 S/N 892017	1,400.00	14,000.00
Total				\$14,000.00

The decal numbers listed on the invoice above match the decals listed in the Nassau County Contract for leased golf carts. It is unclear why the vendor was paid twice for rental of the same golf carts, and why the prices were different.

See Exhibit XII below for a breakdown of the monthly lease rates charged to Nassau County under this contract, which differs from the invoice paid by Friends.

Findings and Recommendations

Exhibit XII

Monthly Price Breakdown of Golf Carts to Nassau County	
Description	Monthly Lease Price
110 Gasoline Powered 2017 Club Golf Carts (Eisenhower Golf Course)	\$ 88
48 Gasoline Powered 2013 Club Golf Carts (Four 9-Hole Courses)	\$ 60
80 Electric Powered 2017 Club Golf Carts (Eisenhower Golf Course)	\$ 84
4 2017 Gasoline Powered Cushman Hauler 800 Utility Vehicles	\$ 120
Daily Rental Cost for Each Reserved Golf Cart	\$ 40
Regular Hourly Rate to Repair (as required due to acts of vandalism or accident)	\$ 80
Each Additional Quarter Hour	\$ 20

Source: 2017 Nassau County Golf Cart Contract With Vendor

A review of the golf cart vendor's contract with Nassau County dated April 7, 2017 indicates that the vendor listed a "Friends of Nassau County Golf Outing at Eisenhower Park" on the County's required "Political Campaign Contribution Disclosure Form." This form asks the vendor to list any contributions made to campaign committees of a number of Nassau County elected offices such as the County Executive but would not include contributions made to a non-profit organization. Exhibit XIII below states that the vendor sponsored a Friends of Nassau County golf outing at Eisenhower Park.

Findings and Recommendations

Exhibit XIII



COUNTY OF NASSAU

POLITICAL CAMPAIGN CONTRIBUTION DISCLOSURE FORM

1. Has the vendor or any corporate officers of the vendor provided campaign contributions pursuant to the New York State Election Law in (a) the period beginning April 1, 2016 and ending on the date of this disclosure, or (b), beginning April 1, 2018, the period beginning two years prior to the date of this disclosure and ending on the date of this disclosure, to the campaign committees of any of the following Nassau County elected officials or to the campaign committees of any candidates for any of the following Nassau County elected offices: the County Executive, the County Clerk, the Comptroller, the District Attorney, or any County Legislator? If yes, to what campaign committee?

[REDACTED] sponsored - friends of Nassau County golf outing at Eisenhower Park

2. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

The undersigned further certifies and affirms that the contribution(s) to the campaign committees identified above were made freely and without duress, threat or any promise of a governmental benefit or in exchange for any benefit or remuneration.

Dated: 4.7.17

Vendor: [REDACTED]

Signed: [REDACTED]

Print Name: [REDACTED]

Title: [REDACTED]

Rev. 3-2016

This is unusual as Friends of Nassau County Recreation is a non-profit 501(c) (3) corporation and not a political campaign committee and therefore should not have been included on this form. Auditors were informed by a Friends' Board member that the organization did not sponsor Nassau County golf outings.

The vendor ten days later updated the original Political Campaign Contribution Disclosure Form and replaced it with form shown in Exhibit XIV below, with no political contributions listed.

Findings and Recommendations

Exhibit XIV



COUNTY OF NASSAU

POLITICAL CAMPAIGN CONTRIBUTION DISCLOSURE FORM

1. Has the vendor or any corporate officers of the vendor provided campaign contributions pursuant to the New York State Election Law in (a) the period beginning April 1, 2016 and ending on the date of this disclosure, or (b), beginning April 1, 2018, the period beginning two years prior to the date of this disclosure and ending on the date of this disclosure, to the campaign committees of any of the following Nassau County elected officials or to the campaign committees of any candidates for any of the following Nassau County elected offices: the County Executive, the County Clerk, the Comptroller, the District Attorney, or any County Legislator? If yes, to what campaign committee?

none

2. VERIFICATION: This section must be signed by a principal of the consultant, contractor or Vendor authorized as a signatory of the firm for the purpose of executing Contracts.

The undersigned affirms and so swears that he/she has read and understood the foregoing statements and they are, to his/her knowledge, true and accurate.

The undersigned further certifies and affirms that the contribution(s) to the campaign committee(s) identified above were made freely and without duress, threat or any promise of a governmental benefit or in exchange for any benefit or remuneration.

Dated: 4.17.17 Vendor: [Redacted] Signed: [Redacted] Print Name: [Redacted] Title: [Redacted]

Rev. 3-2016

Audit Recommendations:

We recommend that:

- a) Friends & Parks maintain a log of events for which Friends is making payments on behalf of Parks;
b) if Friends sponsors a golf outing, they should review the current Nassau County Golf Cart Leasing contract before making payments to obtain more golf carts, to assure the vendor is not paid twice for rental of the same golf carts; and

Findings and Recommendations

- c) Friends & Parks hire a bookkeeper to ensure that Friends is not paying for equipment already in possession of Nassau County, and to monitor the pricing of purchases made by Friends.

AUDIT FINDING (7)

(7) Friends' Accounting Records Were Inadequate, Resulting in Auditors being Unable to Match Revenues and Expenses to Specific Golf Events

Friends' accounting records and practices do not provide enough information for the proper matching of expenses with approved events. Without such records and controls, the possible misuse of charitable funds may have taken place and may have gone undetected.

Auditors asked Parks for a calendar of County Events in 2016. An event on the list provided was shown as "County Executive Golf Classic" but a date was not provided. **Friends paid \$7,800 in September 2016 towards a Golf Event titled "County Executive Golf Outing."** Auditors could not determine if this payment was associated with the "County Executive Golf Classic." As discussed in several other Findings in the report, it is not clear why this golfing event was named after the County Executive, nor was any documentation attached that detailed if this was a public Parks' event.

The \$7,800 voucher paid by Friends for this golf outing covers catering costs at a restaurant located in Eisenhower Park. Friends paid the same restaurant the prior year (2015) however, the invoice listed the event as "Fall Golf Classic" with no mention of the County Executive on the invoice. The contact name on the 2015 invoice was a Parks' employee, whereas the contact listed on the 2016 invoice is the County Executive and lists the former County Executive as the "Guest of Honor."

The Friends' Board President informed Auditors that the organization did not recall if they sponsored any golf outings, which conflicts with other information received and the payment vouchers reviewed.

See Exhibit XV below for the voucher cover sheet and Exhibit XVI for the contract page.

Findings and Recommendations

Exhibit XV

Friends PAYMENT VOUCHER
Of

Nassau County DATE:
Recreation, Inc.

Recreation Administration Bldg.
East Meadow, New York 11554

AMOUNT: \$ 7,800.00

ITEM DESCRIPTION: catering for golf outing 9/22/14

CHECK PAYABLE TO:

PAYMENT AUTHORIZED BY:

CHECK NUMBER: 8067

ACCOUNT DISBURSEMENT: Golf

JUSTIFICATION:

Method of Distribution

Check one:

Return to: [redacted]

Mail to: _____

Findings and Recommendations

Exhibit XVI



Catering Contract

Client/Organization Ed Mangano Golf Outing	Account # [REDACTED]	Booking Contact [REDACTED]	Event Date 9/22/2016 (Thu)	Event # E07583
Booking Contact Address **		Sales Rep [REDACTED]	Booking Tel	Grid Guests 325
Party Name Golf Outing-Ed Mangano	Theme	Booking Email	Guest Of Honor Ed Mangano	

<u>Venue</u>	Description	Start	End	Banquet Room	Setup Style
	Golf Outing	11:00 am	3:00 pm	Ballroom	SET UP

<u>Venue</u>	Description	Start	End	Banquet Room	Setup Style
	Golf Outing	3:00 pm	6:00 pm	Ballroom/Drawi ng Room/Patio	Rounds

<u>Food/Service Items</u>	Qty	Price	Total
Three Hour Event	325	24.00	7,800.00

Guests Greeted by Staff & Valets
Beer, Wine & Sift Drinks Included (Throughout Entire Event)

Cash Bar for all other Liquor

Passed Hors D' oeuvres
 Chef's Selection

Fresh Vegetables with Assorted Homemade Dips

DINNER
Captain Stations

Pasta Station
 Rigatoni A La Vodka, Penne Amatriciana& Tortellini with Garlic & Oil with Fresh Broccoli

Carving Station
 Fresh Roasted Turkey with Fresh Cranberry Sauce
 Haricot Vert & Roasted Red Bliss Potatoes

Attached to the 2016 voucher was an unsigned copy of the Catering Contract. The Auditors were unable to obtain a signed copy of the contract.

Exhibit XVII below details all payments Friends made on behalf of Parks under the expense category "Golf Fund."

Findings and Recommendations

Exhibit XVII

Friends Payments Through Golf Fund 2015-2017				
Check Date	Reason	Check #	Amount	Annual Totals
06/12/15	Erangle Reader	7308	\$ 1,519	\$ 21,410
09/24/15	T shirts for Outing	7501	\$ 1,151	
09/28/15	Catering for Golf Outing 10/1/15	7506	\$ 6,600	
09/28/15	Catering for Golf Outing 9/29/15	7507	\$ 6,600	
09/29/15	Balloon Décor 9/29	7514	\$ 1,700	
10/02/15	Catering at 10/1 Outing	7526	\$ 1,800	
10/06/15	Catering at 9/29 Outing	7530	\$ 1,800	
10/22/15	POS Integration Pin License Cant Golf	7557	\$ 240	
09/19/16	Catering for "Ed Mangano Golf Outing" 9/22/16	8067	\$ 7,800	\$ 10,671
09/23/16	Catering	8082	\$ 1,950	
10/12/16	T-Shirts Summer Outing	8129	\$ 921	
04/04/17	Eisenhower Security Cameras	8419	\$ 712	\$ 31,493
06/23/17	Services Performed 5/26-6/8/17	8514	\$ 906	
06/27/17	10 Golf Carts	8520	⁽¹⁾ \$ 14,000	
07/26/17	Golf Svcs 6/23-6/29/17	8595	\$ 540	
07/26/17	Golf Svcs 4/24-4/27/17	8599	\$ 316	
09/05/17	Golf Cart Conversion Kits	8761	\$ 1,800	
09/19/17	Fall Classic	8821	\$ 9,750	
10/04/17	T-Shirts & Supplies	8848	\$ 1,369	
10/12/17	Golf Classic Catering	8870	\$ 2,100	
Grand Total				

Source: Check Register supplied by Parks Employee

⁽¹⁾ See Finding (6) for more information on this payment.

As noted in the above schedules, Friends also paid for a golf event in 2017, but the Auditors were unable to obtain the supporting documentation and vouchers for these payments. The Auditors requested a copy from the Friends' Director again on 6/12/19 but the Secretary to the Parks' Commissioner responded stating they were not able to locate the 2017 Voucher.

Friends received \$18,360 for 2015 "Summer Golf Outings," but did not make any Summer Golf payments. It is not clear how the decision was made for Friends to receive revenue when they did not run any Golf Events.

Per Exhibit XVII above, Friends made golf related payments on:

- 09/29/15 - \$6,600 and \$1,800, and

Findings and Recommendations

- 10/01/15 - \$6,600 and \$1,800.

Both invoices in the amount of:

- \$1,800 were for breakfasts on 09/29/15 and 10/01/15, which appears to be for 100 people each; and
- \$6,600 were for dinners on 09/29/15 and 10/01/15, which are for 300 people each.

In 2016 & 2017 the deposits (both in the General Ledger and the Deposit register) contained no descriptions, thus the Auditors couldn't determine if deposits were received for Summer Golf Outings.

Audit Recommendation:

We recommend that Friends improve their record keeping. Payments should be properly documented and made only for approved Friends' events.

AUDIT FINDING (8)

(8) Friends Paid \$6,000 in Expenses for the Wedding of a County Vendor's Daughter

Auditors found that the Parks Department allocated a portion of wedding revenues from Nassau County to the Friends' account, and that \$6,000 in private funds appeared to be passed through Friends' non-profit account to pay for private wedding expenses for the daughter of a County vendor.

The Auditors examined wedding agreements for two County venues and found that they contained payment sections as follows:

OBVR (Old Bethpage Village Restoration)

- 50% fee payable to Friends
- 50% fee payable to Nassau County

Chelsea Mansion

- 50% fee due on signing to Friends
- 50% fee final payment to Friends

Auditors were told by a Parks Department employee that in 2011 the former County Executive reduced funding to Chelsea Mansion and OBVR events, so Parks looked to Friends to assist funding events at these venues. In return, Parks agreed to allow Friends to receive wedding venue revenue, as this money would go towards Chelsea Mansion and OBVR events.

Findings and Recommendations

Friends and Parks did not supply Auditors with:

- formal written procedures to document the allocation of wedding revenue between Friends and Parks; nor
- any Legislative approval for Friends to receive wedding revenue.

Additionally, such procedure was not covered in the MOA.

The Legislature approves other Parks' fees under fee ordinances promulgated pursuant to the New York State Municipal Home Rule Law²¹.

Exhibit XVIII below summarizes Friends' revenue related to weddings for 2015-2017.

Exhibit XVIII

Total Deposits to Friends 2015 - 2017			
	Chelsea		
Year	Mansion	OBVR	Total
2015	\$ -	\$ 41,450	\$ 41,450
2016	\$ 30,000	\$ 64,950	\$ 94,950
2017	\$ 20,000	\$ 40,938	\$ 60,938
Total	<u>\$ 50,000</u>	<u>\$ 147,338</u>	<u>\$ 197,338</u>

During a review of deposits into the Friends' bank account, Auditors noted an unusual transaction:

- A \$6,000 check made out to Friends for a Chelsea Mansion wedding was received on behalf of the daughter of a County vendor;
- The same day, Friends made two payments totaling \$6,000 to outside vendors for the wedding: \$3,000 was paid to a wedding photographer and \$3,000 was paid for wedding decorations.
- There were no other fees paid to Friends for this wedding. The entire \$6,000 donation to Friends was spent on the donor's wedding. It is unclear if the funds were given to Friends simply to pass through the non-profit.

²¹ New York Annotated Home Rule Law section 10(1)(ii)(a)(9-a) (ii) every local government, as provided in this chapter, shall have power to adopt and amend local laws not inconsistent with the provisions of the constitution or not inconsistent with any general law, relating to the following subjects, whether or not they relate to the property, affairs or government of such local government, except to the extent that the legislature shall restrict the adoption of such a local law relating to other than the property, affairs or government of such local government.

Findings and Recommendations

As Friends of Nassau County is a 501 (c)(3), any individual having a wedding at Chelsea Mansion or OBVR who makes their check payable to Friends of Nassau County may be eligible for a tax deduction.

Audit Recommendations:

We recommend that:

- a) Friends and the Parks Department develop written procedures that have Legislative approval outlining Friends' role in wedding events held at Nassau County parks and include such procedures in the MOA;
- b) the County investigate this vendor receiving free Parks' usage for his daughter's wedding and investigate why a charity would accept a tax-deductible donation and use the money to pay a wedding photographer and florist; and
- c) the New York State Attorney General's Charity Bureau review this matter.

AUDIT FINDING (9)

(9) Friends used over \$3,200 of Charitable Funds for Bereavement Flowers and Bereavement Meals

Auditors found that expenses related to bereavement flowers and meals for Parks Department employees and other individuals were paid for with funds from Friends.

Title 2 Code of Federal Regulations (CFR) Part 200²² establishes cost principles for not-for-profit organizations. Section 12 of the MOA between Nassau County (acting on behalf of the Department of Parks, Recreation and Museums) and Friends states that Friends must comply with the accounting guidelines set forth in this Federal Regulation. Friends had several expenditures for sympathy gifts and meals that are unallowable under this Federal Law.

Throughout the audit period, Friends expended a total of \$3,290 for bereavement flowers and bereavement related catering. These were ordered by the former Parks' Commissioner, who previously worked in former County Executive Ed Mangano's office. There were 11 transactions, for 22 separate recipients of bereavement flowers totaling \$2,710.

Additionally, there were two separate bereavement catering expenses: one for an Italian bistro in Westbury and one for a deli in Garden City, totaling \$580. The recipients of these sympathy gifts appear to be the relatives of deceased Nassau County employees or relatives of employees.

Exhibit XIX below is an example of one of these expenses, a receipt for bereavement flowers ordered by the Parks Department and paid for by Friends, for a \$150 standing spray floral

²² Formally known as Office of Management and Budget Circular A-122, Revised October 1, 2016, "Cost Principles for Non-Profit Organizations."

Findings and Recommendations

arrangement for a funeral. The notation indicates that these flowers were from Parks Department employees.

Exhibit XIX

Florist

ORDER NO: [REDACTED]
 DELIVERY DATE: Wed, 05/03/2017
 DELIVERY TIME: BEFORE 5PM

\$ _____
 AMOUNT REMITTED

INVOICE

SOLD TO:
 [REDACTED]
 NASSAU COUNTY PARKS
 1899 HEMPSTEAD TPKE
 EAST MEADOW, NY 11554-1099

DELIVERED TO:
 [REDACTED] FUNERAL HOME

P.N.A. [REDACTED]
 ACCT. NO: [REDACTED] ORDER NO: [REDACTED]
 PAYMENT: House ORDER DATE: 5/2/2017 3:56PM DELIVERY DATE: **Wed, 05/03/2017**
 CLERK: [REDACTED] ORDERED BY: [REDACTED] DELIVERY TIME: BEFORE 5PM

COPY NO: 2
 PRINTED: 1/2/2019 3:02PM

PRODUCT	QUANTITY	PRICE/UNIT	DISCOUNT	EXTENDED
Delivery Charge	1	13.99		13.99
Spray - Standing Spray	1	150.00		150.00

CREDIT CARD INFORMATION
 [REDACTED]

CARD/OCCASION
 Sympathy
 With Deepest Sympathy
 Your Friends At Nassau County

ORDER NOTES:
 [REDACTED]

SUB-TOTAL	163.99
Sales Tax	0.00
TOTAL	163.99

ORDER NO: [REDACTED] DELIVERY DATE: **Wed, 05/03/2017**
053389/1 of 1 [REDACTED] FUNERAL HOME BEFORE 5PM.
 DELIVERY ZONE: EAST 3 [REDACTED]

Wed, 05/03/2017 COPY NO: 2
 RECEIVED BY: [REDACTED]

With Deepest Sympathy
 Your Friends At Nassau County Parks,
 Recreation
 & Museums

[REDACTED] FUNERAL HOME

[REDACTED]

NASSAU COUNTY PARKS
 1899 HEMPSTEAD TPKE
 EAST MEADOW, NY
 11554-1099

The Parks Department was unable to provide Auditors with explanations for these expenses. ***Representatives from the Parks Department acknowledged that these purchases were not allowable and agreed to not make similar purchases in the future.***

Findings and Recommendations

Audit Recommendation:

As the Parks Department has stated that they will no longer use Friends' funds to pay for such expenses, we recommend that Friends consult Title 2 Code of Federal Regulations (CFR) Part 200 to ensure that all expenditures are in compliance with Federal Law.

AUDIT FINDING (10)

(10) Auditors Could Not Find Legislative Authority for Friends to Collect Monies for County Park Events

Funds collected by Friends for certain recreational programs and weddings on County property do not appear to have the required Legislative authorization and are not mentioned in the operating terms of the MOA with Nassau County.

Auditors examined the 2017 County's Revenue manual.²³ prepared by the Office of Management and Budget, which details approved fees for County services and facility use.

The following County facility fees which are collected by Friends are not listed in the Revenue Manual:

- Chelsea Mansion: According to the "Event Terms and Conditions" for Chelsea Mansion, the full payment for the use and occupancy of the premises is paid to Friends. The party renting the venue should make the first half of the payment upon the signing of the permit and the second half of the payment is due 30 day prior to the event date. All payments must be by certified check or bank check made out to Friends of Nassau County Recreation.
- The Barn at Old Bethpage Village Restoration ("OBVR"): According to the "Event Terms and Conditions" for The Barn at OBVR, half of the fee to rent the venue is paid to Friends and half is paid to the Treasurer of Nassau County. The full payment is due upon execution of the permit.
- Nassau County Summer Recreation Program: The Summer Recreation Program brochure states the County is paid the tuition fee of \$900 and Friends receives a registration fee of \$50 for returning campers and \$75 for new campers.
- Nassau County Pond Hockey: The brochure for Nassau County "4 on 4 Pond Hockey" states \$200 is payable to Nassau County and \$50 to Friends.

Representatives from the Parks Department stated that Friends began receiving the wedding and event revenues from venue rentals in 2011. Auditors could not find any evidence that the Nassau County Legislature was aware of, and approved, these fees, for wedding venue use. A County

²³ Parks has hundreds of different fees which are generally set by Legislative ordinance. A complete listing of all approved fees and their Legislative authority are available in the County Revenue Manual, which can be found at https://www.nassaucountyny.gov/DocumentCenter/View/18417/2017-Revenue-Manual_FV?bidId=.

Findings and Recommendations

employee should not be independently determining which fees should be remitted to the County Treasurer and which should be allocated to Friends.

Auditors note that special use permits are required for use of County Park areas for wedding photos, wedding ceremonies and other special events on County Parkland, under the 2017 Nassau County Revenue Manual. The revenue manual did not list the receptions and catering discussed above. The special use permit fees range from \$50 to \$3,000 and can be paid by cash, credit card or check to the Parks Department.

Audit Recommendation:

We recommend that the Parks Department and Friends develop a plan outlining the revenue to be collected for each program by Friends and/or Nassau County, and seek the approval of the Nassau County Legislature for all fees collected. The Parks Department should not be independently determining if funds should be remitted to the Nassau County Treasurer or should be collected by the Parks' non-profit organization.

AUDIT FINDING (11)

(11) Friends Did Not File and/or Complete Accurate Federal & State Tax Documents for Years 2013-2017, Jeopardizing their Nonprofit Status

Non-profit organizations in New York State are required to annually file a Federal tax return and if registered with the New York State Charities Bureau, a NY State return. Many non-profits retain an independent certified public accountant to prepare an annual audited financial statement, when an audit must be included with the New York State filing. Auditors found that Friends did not always file accurate Federal IRS Form 990 Returns and NY State CHAR 500 filings in multiple years and did not have audited financial statements prepared annually.

Auditors obtained and examined all tax filings for Friends between 2013 and 2017. Exhibit XX below summarizes the tax filing issues identified:

Findings and Recommendations

Exhibit XX

ISSUES FOR TAX FILINGS	YEAR ENDED DECEMBER 31,				
	2013	2014	2015	2016	2017
IRS Form 990 filed	Yes	Yes	Yes	Yes	Yes
Filed with Accurate Audited Financial Information	No	No	No	No	No
Amended 990 Filed with Corrected Information	Yes	No	No	No	No
NYS CHAR 500 Filed	Yes	Yes	Yes	Yes	Yes
Filed with Accurate Audited Financial Information	No	No	No	No	No
Audited Financial Statements Attached to CHAR 500 as Required	No	No	No	No	No
Amended CHAR 500 Filed with Corrected Information	Yes	No	No	No	No
Audited Financial Statements Completed	Yes	Yes	No	No	No
<p><i>Source: 990's and CHAR 500 tax forms and Audited Financial Statements obtained from Friends' Accountants, NYS Charities Bureau and GuideStar (or Candid), a Non-Profit search website.</i></p>					

New York State Tax Filings

Non-profit organizations registered with the New York State Charities Bureau are required to file a NY State CHAR 500 annually²⁴ and attach audited financial statements if a filing threshold is met. According to this Law:

“an annual financial report must include an annual financial statement with an independent certified public accountant’s audit report containing an opinion that the financial statements are presented fairly in all material respects and in conformity with generally accepted accounting principles, including compliance with all pronouncements of the financial accounting standards board and the American Institute of Certified Public Accountants that establish accounting principles relevant to not-for-profit organizations.”

If a non-profit organization has gross annual revenue exceeding the filing threshold, it is required to attach audited financial statements to the CHAR 500. Friends’ revenues of approximately \$1.4 million annually exceeded these thresholds, which were \$250,000 prior to 2014, \$500,000 beginning in 2015 and \$750,000 beginning in 2017.²⁵

New York State filing requirements were not met, as Friends did not include an independent certified audit report with their tax returns, for years 2013 through 2017.

²⁴ New York Consolidated Laws, Executive Law – EXC §172-B

²⁵ Ibid

Findings and Recommendations

A review of Friends' New York State Filings revealed the following major issues:

2013

- The Friends' CHAR 500 was filed with New York State for 2013 on November 14, 2014, by the extension date²⁶, without Audited Financial statements attached.
- The Audited Financial statements for 2013 were prepared by the independent CPA contracted by Friends and the Independent Auditor's Report accompanying the Financial Statements was signed on June 30, 2015, **227 days after the extended due date** of the return.
- The Auditors were provided with an amended 2013 CHAR 500 with the June 30, 2015 Report and Audited Financial Statements attached; however, it was not signed or dated and did not include an amended Federal tax form as required per the CHAR 500 instructions. The Auditors were not provided with proof that the amended return was filed with the State.
- Two members of the Board of Directors signed the originally filed CHAR 500 for 2013 without the Financial Statements attached. According to the New York Consolidated Laws, the financial report must be signed by the president or other authorized officer and the chief fiscal officer of the organization who shall certify under penalties for perjury that the statements therein are true and correct to the best of their knowledge, and shall be accompanied by an opinion signed by an independent public accountant that the financial statement and balance sheet therein present fairly the financial operations and position of the organization.

2014

- The CHAR 500 for 2014 was filed without Audited Financial statements attached since the Audited Financial statements were not completed for 2014 until July 24, 2017, **one year and 251 days after the extended due date of the return**.
- The Auditors were provided with an amended 2014 CHAR 500, however the audited financial statements dated July 24, 2017 were not attached as required.
- Two members of the Board of Directors signed the originally filed CHAR 500 for 2014 without the Financial Statements attached, attesting to the accuracy of the filing.

²⁶NY State and Federal Tax returns are due by the 15th day of the 5th month after the end of the organization's accounting period. The year end for Friends is December 31st; therefore, the due date to file tax returns is May 15th. The filing of a 6-month automatic extension would bring that date to November 15th. <https://www.irs.gov/charities-non-profits/return-due-dates-for-exempt-organization-annual-return>.

Findings and Recommendations

2015, 2016 and 2017

- Auditors were not provided with New York State CHAR 500 filings for 2015 & 2016 and the forms are not posted on the New York State Charities Bureau website, possibly indicating that the forms **have not been filed**.
- It should be noted that the CHAR 500 for 2017 is listed on the New York State Charities Bureau registry as being received on November 20, 2018.

Federal Tax Filings

Friends filed federal tax forms with inaccurate financial data.

Most federally tax-exempt organizations, except for churches and state institutions are required by the Internal Revenue Service (“IRS”) to file an annual reporting return, *Federal Tax Form 990, Return of Organization Exempt from Income Tax*. This form provides information on the filing organization’s mission, programs, and finances, and submission is required to maintain the organization’s tax-exempt status.

By not filing Form 990 or an amended Form 990 with accurate information, Friends’ tax-exempt status is jeopardized and runs the risk of the organization having to pay taxes on their income, in the same fashion as a for-profit organization. Friends contracted with an independent CPA firm, which filed the 990 forms prior to completing their audit.

A finding in the prior audit of Friends for the period of January 1, 2010 through December 31, 2011 was that Friends did not file their 2011 Federal Form 990, Return of Organization Exempt from Income Tax on a timely basis, **resulting in the loss of their non-profit status**. Friends was required to apply for reinstatement of their non-profit status, which was successful.

While Friends filed their Federal Form 990s for 2013 through 2017 on time, Auditors found that the independent CPA firm did not complete the Audited Financial Statements at the time the Federal Tax 990 forms were due. **The Federal Tax 990 forms were filed with inaccurate financial data** and would have benefited from the information provided by timely audited financial statements.

2013

The Audited Financial statements for December 31, 2013 were signed June 30, 2015, **227 days after** the Federal Form 990 for 2013 was dated and signed on November 11, 2014. The amounts reported on the tax forms have changed significantly and an amended return was prepared; however, the amended return was not signed, dated, and no proof of filing was provided.

Exhibit XXI summarizes the differences between the Original Form 990 and the Independent Audited Financial Statements for 2013. There are multiple reclassifications that appear on the Audited Financial Statements that were not represented on the Form 990, indicating that the Form 990 was submitted with grossly inaccurate financial data.

Findings and Recommendations

Exhibit XXI

Differences Between the Federal Form 990 and the Audited Financial Statements for 2013			
	2013 Federal Form 990 Dated 11/14/14	2013 Audited Financial Statements Dated 06/30/15	Difference
Balance Sheet:			
Cash	\$ 400,170	\$ 411,745	\$ (11,575)
Prepaid Expenses	2,870	1,485	1,385
Total Assets	403,040	413,230	(10,190)
Accounts Payable	(29,786)	(43,866)	14,080
Deferred Revenue	(11,895)	(6,098)	(5,797)
Total Liabilities	(41,681)	(49,964)	8,283
Unrestricted Net Assets	(185,030)	(363,266)	178,236
Temporarily Restricted Net Assets	(176,329)	-	(176,329)
Total Liabilities and Fund Balances	\$ (403,040)	\$ (413,230)	\$ 10,190
Statement of Revenue:			
Contributions and Grants	430,456	430,456	-
Program Service Revenue	1,274,173	850,171	424,002
Loss from Fundraising Events	-	(203,992)	203,992
Other Income	-	9,427	(9,427)
Investment income	622	622	-
Expenses	(1,755,462)	(1,134,988)	(620,474)
Revenue less Expenses	\$ (50,211)	\$ (48,304)	\$ (1,907)

2014

The Audited Financial statements for 2014 were signed July 24, 2017 after the Federal Form 990 for 2014 was dated and signed on November 16, 2015. Although the amounts reported on the tax forms have changed significantly, the amended tax forms for 2014 have not been filed as of July 2018.

Exhibit XXII summarizes the differences between the Federal Form 990 and the Independent Audited Financial statements for 2014. Of note, over \$250,000 in cash in the bank was left out of the Form 990 filing.

Findings and Recommendations

Exhibit XXII

Differences Between the Federal Form 990 and the Audited Financial Statements for 2014			
	2014 Federal Form 990 Dated 11/16/15	2014 Audited Financial Statements Dated 07/24/17	Difference
Balance Sheet:			
Cash	\$ 243,870	\$ 495,855	\$ (251,985)
Prepaid Expenses	2,870	-	2,870
Total Assets	246,740	495,855	(249,115)
Accounts Payable	(29,786)	(39,225)	9,439
Deferred Revenue	(11,895)	(11,614)	(281)
Total Liabilities	(41,681)	(50,839)	9,158
Unrestricted Net Assets	(205,059)	(445,016)	239,957
Temporarily Restricted Net Assets	-	-	-
Total Liabilities and Fund Balances	\$ (246,740)	\$ (495,855)	\$ 249,115
Statement of Revenue:			
Contributions and Grants	183,984	136,309	47,675
Program Service Revenue	636,359	151,472	484,887
Other Income	-	222	(222)
Investment income	3,828	-	3,828
Expenses	(982,378)	(206,253)	(776,125)
Revenue less Expenses	\$ (158,207)	\$ 81,750	\$ (239,957)

The Auditors found that the ending balances on the 2014 Federal Form 990 were not the same as the opening balances on the 2015 Federal Form 990. The ending balances from the prior year should be the same as the opening balance for the current year. **Most significant is that the 2014 ending cash balance is off from the 2015 opening balance by \$246,732.**

Exhibit XXIII shows the differences on the Federal Form 990 from 2014 to 2015.

Findings and Recommendations

Exhibit XXIII

Differences Between the Federal Form 990 From 2014 to 2015			
Federal Form 990 - Balance Sheet			
	2014 Ending Balance	2015 Opening Balance	Difference
Cash	\$ 243,870	\$ 490,602	\$ (246,732)
Prepaid Expenses	2,870	-	2,870
Total assets	\$ 246,740	\$ 490,602	\$ (243,862)
Accounts Payable and Accrued Expenses	29,786	26,000	3,786
Deferred Revenue	11,895	11,614	281
Total Liabilities	\$ 41,681	\$ 37,614	\$ 4,067
Unrestricted Net Assets	205,059	452,988	(247,929)
Total Liabilities and Net Assets/Fund Balance	\$ 246,740	\$ 490,602	\$ (243,862)
Federal Form 990, Summary Part I			
	2014 Ending Balance	2015 Opening Balance	Difference
Contributions and Grants	\$ 183,984	\$ 111,309	\$ 72,675
Program Service Revenue	636,359	946,518	(310,159)
Other Revenue	3,828	186,161	(182,333)
Total Revenue	\$ 824,171	\$ 1,243,988	\$ (419,817)
Other Expenses	982,378	1,154,266	(171,888)
Revenue less Expenses	\$ (158,207)	\$ 89,722	\$ (247,929)
Total Assets	246,740	490,602	(243,862)
Total Liabilities	41,681	37,614	4,067
Net Assets or Fund Balance	\$ 205,059	\$ 452,988	(247,929)

The 2014 Federal Tax Form 990 and NYS CHAR 500 were filed with incorrect financial data and have yet to be amended. The Audited Financial Report was dated July 24, 2017.

Responsibility of the Board

The responsibility of fiscal oversight for a non-profit organization rests with the Board of Directors. The publication "*Right from the Start: Responsibilities of Directors of Not-For-Profit*

Findings and Recommendations

Corporations” is guidance presented by the Office of the New York State Attorney General Charities Bureau. According to these guidelines, the duties of the Board of Directors includes a “Duty of Care” which requires a director to be familiar with the organization’s finances. It also includes a “Duty of Obedience” which is to ensure that the organization complies with all appropriate laws, including filing annual reports with the New York State Attorney General’s Charities Bureau and the IRS.

The Friends’ organization has alternately answered “yes” and “no” on the 990s as to having an Audit committee, a committee given authority by the board of directors to provide accountability for the nonprofit’s independent audit and oversee the independent audit process including hiring, evaluating and assisting the independent auditor(s). The organization does not have enough members to create an audit committee or perform its own internal audit for reassurance that the financial information is accurate and complete. The organization does not have a Finance Committee to oversee and take responsibility for the financial performance and reporting and ensure the organizations tax filings are timely.

Friends’ Board should have reviewed the organization’s annual reports and its tax forms. The delay in obtaining Audited Financial Statements from the CPAs equates to a lack of proper fiscal oversight. Upon interviewing the Friends’ Board President, the Parks’ accountants and the CPA, the Auditors observed poor communication between the three parties pertaining to the exchange of information required to complete the independent audits.

Audit Recommendations:

We recommend that the Board take corrective actions and communicate with their independent CPA firm to ensure that the:

- a) audited financial statements are prepared timely;
- b) audited financial statements are attached to the CHAR 500 and filed with the Attorney General’s Charities Bureau in New York State;
- c) IRS Form 990s are prepared using accurate financial information;
- d) amended Federal and State Returns are prepared and filed with updated financial information when required;
- e) Board consider hiring an employee to handle bookkeeping, as recommended in the prior audit, to facilitate communication with the CPA firm, coordinate the independent audit and ensure timely filing of returns; and
- f) Board consider establishing an Audit Committee to assist in the independent audit process, including hiring, evaluating and assisting the independent auditors.

Findings and Recommendations

AUDIT FINDING (12)

(12) Friends Did Not Prepare a Budget to Track Revenues and Expenses, Had Inadequate Financial Statements, and Lacked Fiscal Oversight of Operations

Friends did not prepare an annual budget of their expenditures and annual operating revenues. This is unusual, especially for an organization with revenues exceeding \$1 million a year, and puts donated funds at risk of waste and mismanagement. A general lack of fiscal oversight was observed, and many Friends' programs operated at a loss.

Lack of an Annual Budget:

According to guidance provided by the New York State Attorney General's Charity Bureau for non-profits, every organization should have procedures in place to monitor and keep records of assets received, held and expended, including an annual income and expense budget.²⁷

Auditors were informed by the Parks Department's accountants, Friends' independent accounting firm, and the Board that the organization did not prepare budgets. Organizational budgets are critical for several reasons, including:

- providing financial transparency;
- monitoring income and expenses, including comparison of planned and actual expenses;
- strategic planning to ensure that the goals of the organization are being met;
- accountability of those administering agency funds; and
- facilitating performance measurement.

The New York State Attorney General Charities Bureau guidance for non-profits recommends that budgets and periodic reports, at least quarterly, preferably monthly, be prepared and that actual receipts and expenditures to the budget are compared with timely explanations of variances.

Inadequate Financial Statements:

Fiscal oversight of an organization is negatively impacted by inadequate financial statements. As noted in Audit Findings (11) and (20) in this report, Friends did not prepare annual financial statements timely or at all. Accurate financial statements, which indicate the amount of spending and the amount of revenue collected, allow for the preparation of an accurate and meaningful budget.

Information reviewed by the Auditors, including Audited Financial Statements for 2013 and 2014, and the deposit and check register supplied by the Parks' accountants for 2015-2017, noted Friends' income and expenses have fluctuated significantly. A comparison of actual expenditures and revenues to budgeted expenditures and revenues, which is a standard financial analysis, was

²⁷ https://www.charitiesnys.com/pdfs/Charities_Internal_Controls.pdf

Findings and Recommendations

not prepared by Friends, therefore this information was not available to be presented timely and reviewed by the Board in order to monitor and take appropriate actions.

A non-profit organization's Board of Directors has certain fiscal responsibilities:

- According to guidelines from the Office of the New York State Attorney General Charities Bureau, "*Right from the Start: Responsibilities of Directors of Not-For-Profit Corporations*," the duties of the Board of Directors includes a "Duty of Care" which requires the board director to make sure that financial reports are available to the board and that there is an ongoing actual to budget comparison with discrepancies explained. The Board is responsible for 'policy' which includes the budget.
- A primary responsibility of a nonprofit's Board of Directors is to ensure that the organization is accountable for its programs and finances to its contributors, members, the public and government regulators.

Friends' Board of Directors did not provide such fiscal oversight.

Friends' Program List:

The Parks Department provided the Auditors with a list of 33 programs for which Friends provides assistance and funding. Exhibit XXIV below identifies the "approved" programs for Friends, which include sports such as baseball and travel hockey, museums and preserves, and recurring annual events, such as the Summer Recreation Program, which offers a structured outdoor activity program to children aged 5-12 at various County parks.

Findings and Recommendations

Exhibit XXIV

Parks Department - Approved Friends' Programs List	
Program Name	Note (If Applicable)
African-American	
Aquatics	
Baseball	
Basketball	
Basketball League	
Car Show	
Cedarmere	
Chelsea	
Cradle of Aviation	
DSS	
Empire Games	
Golf	
Hockey	
Holiday Classic - Track and Field Meet	
Lacrosse	
Memorial Benches	Program where people can pay for a bench in someone's name with a dedication plaque at various Nassau County Parks.
Memorial Event	For a former summer Recreation Program attendee that passed away, funded by the attendee's family.
Minor Events (Health Expo)	"Minor Events" was added to account for short-term/small events such as the Health Fair, the Job Fair, and the Flags of Honor Program.
Museums Collections	
Muttontown Preserve	
Nassau Hall	
Nickerson	
9/11 Memorial	
OBVR	
Performing Arts	
Rifle Range	
Sands Point	
Senior Citizens (Over The Hill Gang)	Softball league for 40 and over men who live in the Town of Oyster Bay or Farmingdale.
Soccer Clinic	
Softball	
Summer Rec Program	
Tackapausha	
Travel Hockey	
Source: 04/10/18 Email from the Deputy Commissioner of Parks, Recreation & Museums.	

Findings and Recommendations

Auditors found the following when reviewing this program list and programs which Friends funded:

- The schedule does not clearly and comprehensively identify the programs that Friends should be collecting revenues for and which expenses Friends should be paying.
- Since Friends did not prepare a budget for strategic planning, the lack of a detailed programs list meant that it is not clearly defined what Friends should or should not pay for, in order for them to accomplish their stated goal of fostering and promoting the public's appreciation and enjoyment of County parks.²⁸
- Events sponsored by Friends were not always included on their list of approved programs. One event not on the 2017 Friends' Program was a "Fright Night" at Old Bethpage Village Restoration ("OBVR"). See Exhibit XXV illustrating the flyer promoting the event.

²⁸ Per Friends Certificate of Incorporation, page 4.

Exhibit XXV

Nassau County Executive **ED MANGANO** presents

FRIGHT NIGHTS

AT OLD BETHPAGE VILLAGE RESTORATION

Friday, Saturday & Sunday

OCTOBER 20, 21 & 22
OCTOBER 27, 28 & 29

6:00pm - 11:00pm Last Ticket Sold at 9:30pm

- Haunted House
- Zombie Maze
- 6 Haunted Tales
- Jack-O-Lantern Walk
- Fire Juggler
- Bonfire
- Coney Island Side Shows

Old Bethpage Village Restoration
1303 Round Swamp Road, Old Bethpage • 516-572-8400
LIE exit 48, south 1 mile

 NASSAU COUNTY EXECUTIVE
ED MANGANO
www.nassaucountyny.gov

 **\$30**
per person
ages 12 and up

\$25 DISCOUNT TICKETS
available online at
www.obvrnassau.com
Recommended for ages 12+

One key responsibility of a Board is to secure appropriate funding for their organization to carry out its mission.²⁹ In utilizing the simple, undetailed program list prepared by the Parks Department, Friends did not provide clear guidance on what projects should be funded, what funds were being raised for and the connection of those projects to the goals of the organization.

Boards should also monitor and strengthen, and if appropriate, eliminate programs and services.³⁰ With such limited program information, Friends' Board was unable to ensure that the expenditures they paid related to the listed programs, were appropriate for a non-profit organization to pay, and

²⁹ The Nonprofit Guide to Effective Board Membership: A Best Practice Resource for Nonprofit Leaders, page 6.

³⁰ Ibid, page 6

Findings and Recommendations

that expenses for the programs did not exceed revenues to an extent that the program should be considered for elimination.

Lack of Fiscal Oversight – Programs Operating at a Loss

Lack of fiscal oversight of Friends' operations by the Board and the Parks Department is demonstrated not only by the lack of an annual budget and inadequate financial statements, but also by analysis of program costs revealing repeated losses in some programs. While the programs operated by a non-profit organization are not driven by profit, continuous oversight and evaluation of program performance allows adjustments to be made to maximize resources.

Auditors analyzed the revenues (receipts) and expenses (disbursements) from the deposit and check register supplied by the Parks Department and compared expenses to revenue by fund. Exhibit XXVI below shows the net operations of each of Friends' "Funds" for the audit period by year. Many funds operated at a deficit for each of the years in the audit period.

Findings and Recommendations

Exhibit XXVI

Friends of Nassau County Recreation Excess or Deficiency of Receipts over Disbursements 2015-2017				
Name of Fund	Receipts Net of Disbursements			Receipts Over (Under)
	2015	2016	2017	Disbursements
Admin Hispanic Heritage	\$ (750)	\$ -	\$ -	\$ (750)
Administration	\$ (80,890)	\$ (63,227)	\$ (122,339)	\$ (266,456)
African-American	\$ -	\$ 500	\$ -	\$ 500
Aquatics	\$ 300	\$ -	\$ (7,181)	\$ (6,881)
Baseball	\$ 26,921	\$ (8,953)	\$ -	\$ 17,968
Basketball	\$ (2,156)	\$ -	\$ -	\$ (2,156)
Car Show ¹	\$ 22,744	\$ (36,514)	\$ 4,819	\$ (8,951)
Cedarmere	\$ -	\$ (1,000)	\$ -	\$ (1,000)
Chelsea	\$ 13,615	\$ 31,897	\$ 30,624	\$ 76,136
DSS	\$ (100)	\$ 215	\$ -	\$ 115
Empire Games	\$ 33,474	\$ 39,925	\$ 12,926	\$ 86,325
Golf ²	\$ 14,770	\$ 11,539	\$ (11,873)	\$ 14,436
Health Fair	\$ (1,100)	\$ (8,000)	\$ (430)	\$ (9,530)
Hockey ³	\$ (14,162)	\$ 1,738	\$ 15,219	\$ 2,796
Lacrosse	\$ 13,260	\$ 20,641	\$ 3,065	\$ 36,966
Memorial Benches	\$ -	\$ -	\$ 4,970	\$ 4,970
Minor Events - Health	\$ (691)	\$ 10,220	\$ 163	\$ 9,692
Muttontown	\$ 235	\$ 3,255	\$ 410	\$ 3,900
Nassau Hall	\$ 175	\$ -	\$ -	\$ 175
Nickerson	\$ (1,776)	\$ 5,375	\$ (1,032)	\$ 2,567
Old Bethpage Restoration Village ⁴	\$ 73,278	\$ 154,251	\$ (23,104)	\$ 204,425
Over the Hill Gang	\$ (325)	\$ -	\$ (100)	\$ (425)
Performing Arts	\$ (82,548)	\$ (77,664)	\$ (17,929)	\$ (178,142)
Rifle Range	\$ 1,244	\$ 9,607	\$ 7,669	\$ 18,521
Sands Point	\$ (1,598)	\$ (4,032)	\$ (7,058)	\$ (12,688)
Soccer	\$ 40	\$ -	\$ (1,390)	\$ (1,350)
Softball	\$ 37,420	\$ -	\$ -	\$ 37,420
Summer Rec Program	\$ (18,408)	\$ (6,653)	\$ (42,068)	\$ (67,129)
Tackapausha	\$ 16,659	\$ 22,300	\$ 1,209	\$ 40,168
Travel Hockey	\$ 44,965	\$ 26,749	\$ 26,626	\$ 98,340
Total Receipts Over (Under) Disbursements	\$ 94,596	\$ 132,169	\$ (126,806)	\$ 99,959

Source: Emailed spreadsheet from Park's Accountant.

¹ The former County Executive ran this event yearly and spent \$25,670 on advertisements in 2016.

² Friends funded \$14,000 for the rental of Golf Carts in 2017, this was not done in 2015 or 2016.

³ Friends funded \$14,606 for scheduling Ice Rinks in 2015, this was not done in 2016 or 2017.

⁴ "Fright Night" event held in 2017 lost net \$64,127, this event was not held in 2015 or 2016.

Findings and Recommendations

It should be noted that while the net totals (revenues minus expenses) are by calendar year, occasionally Friends did not pay invoices in the year the event took place. For example, as shown in Audit Finding (4) in this report, “Tiki Time” in Wantagh Park was held on August 17, 2014 but Friends did not pay this Voucher until April 2015.

Exhibit XXVII on the next page details the total revenues (receipts) and expenses (disbursements) by program over the three-year audit period.

Findings and Recommendations

Exhibit XXVII

Friends of Nassau County Recreation Receipts and Disbursements by Fund Combined 3 Year Totals for 2015 - 2017			
Combined Totals for 2015-2017			
Name of Fund	Receipts	Disbursements	Receipts Over (Under) Disbursements
Admin Hispanic Heritage	\$ -	\$ 750	\$ (750)
Administration ¹	\$ 257,338	\$ 523,794	\$ (266,456)
African-American	\$ 500	\$ -	\$ 500
Aquatics	\$ 3,137	\$ 10,018	\$ (6,881)
Baseball	\$ 79,000	\$ 61,032	\$ 17,968
Basketball	\$ 5,600	\$ 7,756	\$ (2,156)
Car Show	\$ 122,407	\$ 131,359	\$ (8,951)
Cedarmere ²	\$ -	\$ 1,000	\$ (1,000)
Chelsea	\$ 151,274	\$ 75,139	\$ 76,135
DSS	\$ 2,350	\$ 2,235	\$ 115
Empire Games	\$ 314,690	\$ 228,365	\$ 86,325
Golf	\$ 78,010	\$ 63,574	\$ 14,436
Health Fair	\$ -	\$ 9,530	\$ (9,530)
Hockey	\$ 106,660	\$ 103,864	\$ 2,796
Lacrosse	\$ 130,740	\$ 93,774	\$ 36,966
Memorial Benches	\$ 47,335	\$ 42,366	\$ 4,970
Minor Events - Health	\$ 39,793	\$ 30,101	\$ 9,692
Muttontown	\$ 3,900	\$ -	\$ 3,900
Nassau Hall	\$ 175	\$ -	\$ 175
Nickerson	\$ 10,950	\$ 8,383	\$ 2,567
Old Bethpage Restoration Village	\$ 1,050,813	\$ 846,389	\$ 204,425
Over the Hill Gang	\$ 1,400	\$ 1,825	\$ (425)
Performing Arts ³	\$ 132,291	\$ 310,433	\$ (178,142)
Rifle Range	\$ 21,469	\$ 2,948	\$ 18,521
Sands Point ²	\$ -	\$ 12,688	\$ (12,688)
Soccer	\$ 40	\$ 1,390	\$ (1,350)
Softball	\$ 44,700	\$ 7,280	\$ 37,420
Summer Rec Program ⁴	\$ 126,993	\$ 194,122	\$ (67,129)
Tackapausha	\$ 73,115	\$ 32,947	\$ 40,168
Travel Hockey	\$ 702,346	\$ 604,006	\$ 98,340
Total Receipts Over (Under) Disbursements	\$ 3,507,025	\$ 3,407,066	\$ 99,959

Source: Emailed spreadsheet from Park's Accountant.

¹ Includes multiple different categories examples include Legal Fees, Contract Payments, & Equip. Rentals.

² Cedarmere and Sands Point have their own "Friends" organization.

³ Friends contributed to many concerts and events, but received little to no deposits for this fund.

⁴ Friends paid \$62,167 in Counselor services in 2017, they only paid a total of \$22,620 combined for 2015 & 2016.

It appears that Friends is not monitoring the amount of donations and service fees taken in by fund versus the disbursement amount they are funding, as there are 12 funds where the disbursements were greater than the receipts.

Findings and Recommendations

- The Commissioner of Parks informed Auditors that the Car Show was an event created by the previous County Executive. As Nassau County lost money in the past from this event, the new administration issued a Parks' permit to a third party to run it.
- As previously noted, events sponsored by Friends were not always included on their list of approved programs, such as a "Fright Night" at Old Bethpage Village Restoration ("OBVR"), which was not on the 2017 Friends' Program list. Two promotional companies were paid for this event as well as 11 actors for a total of \$85,217. Total sponsorships and admission fees received were \$21,090, resulting in a net cost to Friends of \$64,127 for this event. The flyer promoting this event read the Former "County Executive presents Fright Night," and did not indicate that Friends bore the associated costs.

Audit Recommendations:

We recommend that:

- a) a budget be prepared by the Board on a timely basis and compared to actual results throughout the year;
- b) the Board take the appropriate action when there is an indication of significant budgetary deviation and explain discrepancies;
- c) the Board establish a full and detailed list of the programs that Friends will assist with within the scope of Friends' mission and clearly indicate on promotional material the organization's involvement. The list should be reviewed and updated on an annual basis, based on a review of each program's effectiveness and financial results; and
- d) the Board analyze expenses and revenues for each program and determine what adjustments should be made to operations to reduce losses.

AUDIT FINDING (13)

(13) The Friends' Board Has Not Been Operating in Compliance with their Organization's Bylaws Filed with New York State: Lacks the Required Number of Board Members, Lacks Board Minutes, and is Non-Compliant with Other Administrative Requirements

Friends was non-compliant with the basic requirements of their Bylaws, which were filed with New York State, by not keeping Board Minutes, not operating with a minimum number of Board Members and not holding required annual meetings.

Lack of the Required Number of Board Members (Quorum)

According to the Bylaws of Friends, (5) five members shall be present to constitute a quorum, which is necessary to conduct the business of the non-profit corporation. At the end of 2018,

Findings and Recommendations

Friends had only three members, and therefore was lacking an official quorum at membership meetings.

The lack of a quorum is a repeat audit finding from the previous Nassau County Comptroller audit of Friends, for the period of January 1, 2010 through December 31, 2011. The Bylaws called for a minimum of three directors, however only one, the President, was in place.

Lack of Board Minutes

The Auditors made several requests to both Friends and the County Parks' accountants for Minutes to the Board of Directors Meetings of Friends. No Board Minutes have been provided.

According to the Bylaws of Friends, an annual membership meeting shall be held on the 15th day of September each year. The Secretary of the Board is charged with notifying all Board members of the time and place of the annual meeting. Regular meetings are to be held on a quarterly basis.

New York State Attorney General's guidelines entitled: *Right from the Start: Responsibilities of Directors of Not-for-Profit Corporations* list primary duties of Board Members as duties of care, loyalty and obedience. Some of the responsibilities under their duties of care are as follows:

- Attend board meetings and actively participate in discussions and decision-making, such as setting of policies;
- Carefully read the material prepared for board and committee meetings prior to the meetings and note any questions they raise;
- Read the minutes of prior meetings and all reports provided, including financial statements;
- Make sure there is a clear process for approval of major obligations such as fundraising, professional fees (including auditors), compensation arrangements and construction contracts; and
- Make sure any dissenting vote is expressed in writing by letter to the board and that absent board members do this promptly in writing.

An organization's minutes may be reviewed by the IRS, the New York State Attorney General's Charities Bureau, and the courts, to confirm that the organization is acting in compliance with its mission and the law. Minutes record compliance with quorum and voting rules and reflect any dissenting votes in action taken by a board.

Other Issues Related to Bylaws:

- Lack of Annual Meetings: According to the Bylaws of Friends, a regular annual meeting shall be held each year. Friends did not hold this annual meeting in any of the years we reviewed.

Findings and Recommendations

- No evidence of a membership roll from meetings: According to the Bylaws of Friends, for voting purposes, a membership roll showing the list of members as of the record date, certified by the secretary, shall be produced at any meeting of members upon request.
- No evidence of written consent: According to the Bylaws of Friends, Board members may take action by vote without a meeting; however, written consent is required, stating the action taken and must be signed by all the members entitled to vote. Friends did not obtain this written consent.
- The Organization's Annual report is not readily available to members and other interested persons: Friends did not make their annual report available to the public. Friends should make annual reports and financial reports available to demonstrate the operations of the organization and the proper stewardship of non-profit funds.

Audit Recommendation(s):

We recommend that:

- a) corrective actions be taken to ensure that Board Minutes:
 - i. are prepared in a timely manner and approved by resolution of the Board;
 - ii. are readily available to the public; and
 - iii. indicate the presence of a required quorum at Board meetings;
- b) Friends hold an annual meeting, with the required quorum of members required by their Bylaws present; and
- c) Friends ensure that an Annual Report, containing the financial results of its operations, be available for members and other interested persons in a timely manner.

AUDIT FINDING (14)

(14) Restricted Funds are Not Reported Separately on the Financial Statements per Generally Accepted Accounting Principles (GAAP) and are not Separated on the Federal Tax Returns or State Filings

Funds received by Friends for specific purposes or uses were not identified with the required restrictions, in accordance with Generally Accepted Accounting Principles (GAAP).

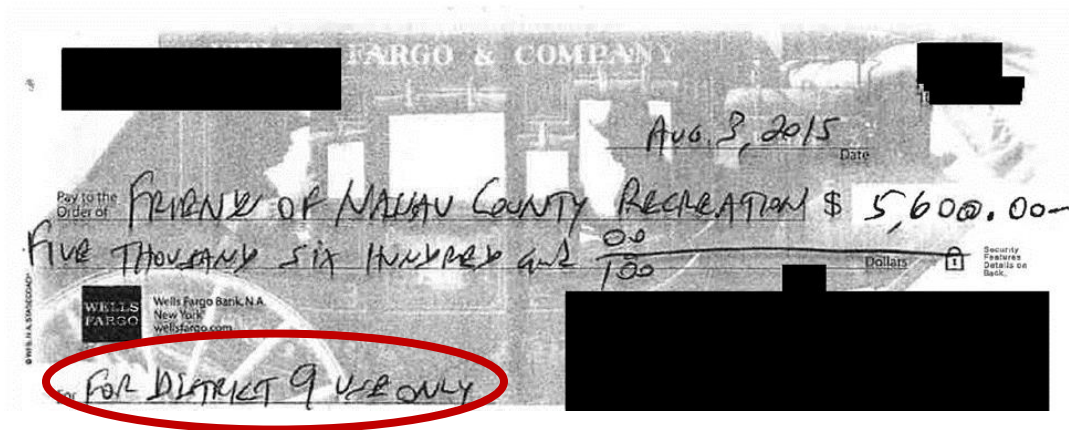
Donors to a nonprofit organization may designate or "restrict" the use of their donations to a particular purpose or project. Funds donated for specific purposes are considered *restricted*. Auditors found no evidence that Restricted Funds are accounted for in Friends' financial statements or Federal tax filings.

Findings and Recommendations

Deposits are entered into an electronic spreadsheet by Friends' program category by Parks Department accountants. Auditors found a deposit slip with a note attached requesting that \$5,600 in donated funds be used exclusively for specific costs related to the Games for the Physically Challenged, and that these funds be monitored yearly until depleted. The deposit was received in August of 2015 to be used for an event held in June of 2016, a clearly recognizable restricted purpose for the funds at the 12/31/15 year end.

A note attached to a donation check Friends received states for "District 9's housing and meals only." The check, shown in Exhibit XXVIII below includes the note "For District 9 Use Only." District 9 is part of the Games for the Physically Challenged, formally known as The Empire Games.

Exhibit XXVIII



- These funds should have been shown as restricted on Friends' financial statements and in their Federal Form 990, however Friends did not prepare financial statements for 2015 & 2016, and the 2015 & 2016 Form 990 did not indicate any restricted funds.
- Friends' independent CPA informed Auditors that Friends did not have any restricted funds during the audit period.

Internal controls should include clear monitoring of asset restrictions. Since restrictions are purpose-based, it's important to monitor how well that purpose is accomplished. This also helps communicate the impact of a particular gift to the donors and potential new supporters.

According to the standards of the Financial Accounting Standards Board ("FASB"), nonprofits are required to report finances in a way that clearly establishes which funds have donor restrictions. The language used to solicit contributions can be interpreted as a donor restriction. The National Council of Nonprofits recommends retaining any correspondence the organization receives when it was notified of the gift. "The award letters or grant agreements or even the notes on a contribution envelope are all evidence of the donor's intent for how your organization is expected to use the money."³¹ If the fundraising appeal features one program specifically, the organization

³¹ <https://www.councilofnonprofits.org/tools-resources/understanding-the-new-fasb-accounting-standards-overview>

Findings and Recommendations

may be inadvertently restricting gifts received in response to that appeal. *“It’s all about being clear what you are asking for and being clear what the donor intends.”*

Audit Recommendations:

We recommend that the Friends’ Board:

- a) implement policies and procedures to ensure restricted donations are monitored and expended according to any restrictions attached; and
- b) report restricted funds appropriately in Friends’ financial statements and Federal tax filings.

AUDIT FINDING (15)

(15) Friends is Not Verifying or Monitoring Fixed Assets Purchased for the Parks Department – Missing Equipment Was Noted

Neither Friends nor the Parks Department have had procedures in place to verify and monitor fixed assets purchased with Friends’ funds.

After a review of purchases made by Friends that were funded for the Parks Department, Auditors visited several parks and questioned employees of the Department regarding some of these assets, that were paid for by Friends, including security cameras.

Security Cameras – Six Purchased, Only Five Installed

Auditors visited one park to physically verify security cameras purchased with Friends’ funds in 2016 for this park. **While six security cameras were purchased for this park, Auditors observed only five cameras at this location.** A County employee at the park informed Auditors that they have only five cameras and showed the Auditors the security monitor displaying five live cameras.

A Parks’ employee picked up the equipment and signed the invoice for receipt of six cameras. The Auditors then questioned the Parks’ employee who picked up and installed the cameras, and he stated that six cameras were installed at the park.

Audit Recommendations:

We recommend that the Board of the Friends of Nassau County Recreation:

- a) establish a Fixed Assets policy for all assets purchased with Friends’ funds, which includes a periodic inventory;
- b) closely verify the purchasing of Fixed Assets as well as ensuring the Fixed Assets are properly monitored and maintained; and

Findings and Recommendations

- c) follow-up on the missing security camera.

AUDIT FINDING (16)

(16) Reports to Taxing Authorities of Vendor and Professional Service Payments Were Not Prepared for Numerous Vendors

Auditor review of Friends' compliance with IRS Regulations regarding miscellaneous income reporting on Form 1099-MISC ("1099") found that 1099s were not prepared for numerous vendors. This could result in severe IRS monetary penalties.

Auditors estimated that vendor payments included in Friends' 1099 filings to the IRS for the period 2015-2017 were understated by a minimum of \$187,000. Non-issuance of 1099 filings resulted in these earnings not being reported to the IRS. Friends is required to issue a Form 1099-MISC for all payments made to a vendor for services which exceed \$600 in a calendar year.³²

Friends does business with a variety of vendors whose services range from providing historic costumes for programs at Old Bethpage Village Restoration to furnishing trophies for junior hockey programs. The Long Island Marathon utilizes multiple services from vendors, which provide everything from banners and lighting to provisions for runners such as water and sports drinks.

Parks did not require all vendors to complete IRS W-9 Forms, when providing services. IRS Form W-9, *Request for Taxpayer Identification and Certification*:

- Is used to gather information about a contractor to determine their taxable status so that their earnings can be reported at year end.
- Includes the following information: name, address, taxpayer identification number, which is either a social security number or employer identification number, and the entity's tax classification, which is the type of business such as sole proprietorship, C or S corporation, Limited Liability Corporation, Partnership or Trust/Estate.
- Includes a certification that the entity attests to the accuracy of their tax identification number and that they are not subject to backup withholding. Backup withholding requires a payer to withhold tax from payments where tax would not normally be withheld, such as interest or dividend payments.

IRS Form W-9's should have been received by Friends prior to any vendor payments, as this is the most effective way to obtain the information needed to prepare Form 1099 MISC.

³² About Form 1099-MISC, Miscellaneous Income. <https://www.irs.gov/forms-pubs/about-form-1099-misc->

Findings and Recommendations

Friends provided only 39 W-9s for approximately 164 individuals potentially requiring a 1099. Without a completed W-9 Form on file, it is difficult to determine the type of organization that is providing the service and whether it is subject to backup withholding³³.

Auditors reviewed vendor payment transaction detail reports from the Friends' accounting software application (QuickBooks) for both the General account and the Marathon account for the years 2015-2017. QuickBooks has built-in functionality to generate and file Form 1099-MISC; however, Friends does not use QuickBooks to its fullest capacity. The QuickBooks databases used by Friends were not populated with the specific vendor information (i.e. type of business) needed to perform these functions within the software.

Auditors performed an analysis of vendor payments from the detail reports from QuickBooks. These vendors were then compared to 1099s filed and W-9s received by Parks.

Based on this analysis, Auditors initially identified a potential \$571,624 paid for vendor services that should have been reported on 1099s. This review noted \$384,582 (67%) was reported on 1099s resulting in 187,042 (33%) of under-reporting.

Exhibit XXIX below summarizes the total estimated amount under-reported for each year.

Exhibit XXIX

Friends of Nassau County Recreation Form 1099-Miscellaneous Amounts Under-Reported 2015-2017				
	2015	2016	2017	Total
Payments to Individuals over \$600	\$ 162,065	\$ 143,516	\$ 240,705	\$ 546,286
Attorney Fees	16,155	9,183	-	25,338
Total Potential 1099 Filings	178,220	152,699	240,705	571,624
Less 1099 Forms Filed by Friends	136,468	99,470	148,644	384,582
Potential Under-Reporting	\$ 41,752	\$ 53,229	\$ 92,061	\$ 187,042

Our review also noted that Attorneys were incorrectly excluded from receiving 1099s.

Friends hired outside attorneys to perform legal services during the audit period totaling \$25,338. The IRS instructions for issuing Form 1099-MISC³⁴ state that all attorneys, regardless of whether they are incorporated or not, must receive a 1099 for services rendered. Auditors found that Friends did not issue 1099s to any attorneys that provided legal services on their behalf.

³³ "Back up withholding" may be required for issuances of 1099s when a payee does not have a Taxpayer Identification Number (TIN) or refuses to provide a TIN, or if the TIN provided to the IRS is incorrect.

³⁴ <https://www.irs.gov/instructions/1099-MISC>

Findings and Recommendations

Parks' accountants provided a list of vendors to its independent CPA to prepare 1099s. It is our opinion that the Friends' independent CPA, who prepared the 1099s for Friends, should have been familiar with the organization's business practices and should have been aware of the requirement to issue 1099s.

Audit Recommendations:

We recommend Friends:

- a) require vendors complete Form W-9 or require such information on their internal vendor application for Form 1099-MISC reporting purposes;
- b) issue Form 1099-MISC to all vendors (including attorneys) utilized by Friends who received over \$600 in a calendar year; and
- c) utilize their pre-existing QuickBooks application, or other similar software, to track 1099 eligible vendor payments and generate 1099s to ensure accuracy and reduce costs paid to the outside accountant.

AUDIT FINDING (17)

(17) Friends is not Earning Interest on their Bank Accounts and does not have Adequate FDIC Insurance as Required by the County Memorandum of Agreement (MOA)

Friends did not take corrective action and monitor the bank balances as recommended in the Comptroller's previous audit for the period of January 1, 2010 through December 31, 2011. As a result, the combined cash balances for 2015 through 2017 for Friends' two accounts at one bank exceeded the \$250,000 standard Federal deposit insurance threshold per the Federal Deposit Insurance Corporation ("FDIC").

The FDIC is an independent agency of the United States government that protects the funds depositors place in banks and savings associations. The current standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category.

The MOA requires Friends to safeguard contributions raised for County programs and/or property improvements in an FDIC-insured interest-bearing account. Friends has two bank accounts; general and Long Island Marathon, both are within the same financial institution. Friends has two non interest bearing accounts.

Exhibit XXX shows the average monthly cash balances in the bank accounts and Exhibit XXXI shows the cash balances as of year-end:

Findings and Recommendations

Exhibit XXX

Friends of Nassau County Average Monthly Cash Balance			
	2015	2016	2017
General	\$ 508,866	\$ 593,341	\$ 611,437
LI Marathon	212,007	179,424	153,930
Combined Balance	720,873	772,766	765,367
FDIC Limit	250,000	250,000	250,000
Uninsured Cash Balance	\$ 470,873	\$ 522,766	\$ 515,367

Source: Bank Statements

Exhibit XXXI

Friends of Nassau County Cash Balance as of Year End			
	2015	2016	2017
General	\$ 452,281	\$ 553,345	\$ 505,376
LI Marathon	145,979	175,477	122,981
Combined Balance	598,259	728,822	628,357
FDIC Limit	250,000	250,000	250,000
Uninsured Cash Balance	\$ 348,259	\$ 478,822	\$ 378,357

Source: Year End (12/31) Bank Statements

Audit Recommendations:

We recommend that Friends:

- a) comply with the prior and newly drafted but not yet adopted pending MOA, by depositing contributions in an FDIC-insured interest-bearing account in order to safeguard contributions raised for County programs and/or property improvements; and
- b) ensure that the balances in their bank accounts be monitored to assure that they remain below the threshold covered by the FDIC. If there is an excess of \$250,000 in Friends' bank accounts, the accounts should be set up at multiple banks, with no one account exceeding \$250,000.

Findings and Recommendations

AUDIT FINDING (18)

(18) Friends Failed to Obtain a Fidelity Bond and Workers' Compensation Insurance as Required by the Memorandum of Agreement (MOA)

Friends' MOA with the County³⁵ states that Friends shall obtain and maintain bond/crime insurance (fidelity bond) for a minimum of \$1,000,000, throughout the term of their agreement with the County, at their own expense. Friends did not purchase any bond/crime insurance during the audit period. A previous Comptroller's Office Audit included the same finding, that Friends failed to obtain a fidelity bond. Friends did obtain the required amount of officers and directors liability insurance throughout the audit period.

The MOA³⁶ requires Friends to obtain and maintain workers' compensation insurance in accordance with the New York State Workers' Compensation Law. It further says that Friends must maintain the insurance throughout the term of the MOA, at their expense. However, Friends did not acquire worker's compensation insurance during the audit period.

Although Friends does not have any employees, they did hire individuals to perform services on County property and are required under the MOA to have compensation insurance in compliance with the New York State Worker's Compensation Law.³⁷ The Auditors noted during the audit period, there were approximately 164 individuals (potentially requiring a form 1099) that were performing work for Friends

Audit Recommendation:

We recommend that Friends obtain the required insurance as stated in the MOA.

AUDIT FINDING (19)

(19) Friends Failed to Research Outstanding Checks in a Timely Manner, Take Appropriate Action and Perform Appropriate Accounting Entries

Auditors found instances where Friends did not follow routine accounting procedures and did not properly reconcile bank accounts by investigating outstanding checks written by Friends. Outstanding checks represent funds which are still owed to Friends' vendors. As a result, Friends' financial statements understate both cash and accounts payable balances.

As of the December 2017 bank reconciliation, 40 checks issued by the organization totaling \$29,230 were outstanding (not cashed) for more than six months. Thirty of these checks valued at \$22,165 were outstanding for more than a year, and there are other checks on the bank

³⁵ MOA between Friends of Nassau County Recreation and Nassau County, §17. While the MOA expired in 2012, Friends has continued operating under the terms of the 2007 MOA.

³⁶ Ibid, §17.

³⁷ New York State Worker's Compensation Law (www.wcb.ny.gov)- Nonprofit Organizations and Independent Contractor.

Findings and Recommendations

reconciliation that have been outstanding for over 3 years. Standard business practice³⁸ is that checks outstanding more than six months should be investigated so that stop payments can be instituted and amounts restored to cash balances.

Exhibit XXXII identifies the amounts and periods of time that checks have been outstanding for Friends' general checking account:

Exhibit XXXII

Outstanding Checks as of December 2017		
Length of Time Outstanding	Count	Amount
0 - 6 Months	57	\$ 89,545
> 6 Months - 1 Year	10	7,065
> 1 Year - 2 Years	17	13,264
> 2 Years - 3 Years	9	6,764
> 3 Years	4	2,137
Totals	97	\$ 118,775

Source: Friends December 2017 Bank Reconciliation

Audit Recommendations:

We recommend that Friends:

- a) investigate checks outstanding for six months or more to determine why they had not been cashed, issue stop payments and reissue checks as appropriate; and
- b) hire a bookkeeper to ensure that the bank reconciliations are prepared in accordance with standard business practice.

AUDIT FINDING (20)

(20) Friends Failed to Comply with their Memorandum of Agreement (“MOA”) with Nassau County by Failing to Provide Audited Financial Statements in a Timely Manner

Friends did not provide Annual Financial Statements timely, in violation of their MOA, which jeopardized their non-profit status, as noted in another finding in this report.

³⁸ Uniform Commercial Code (UCC), Section 4-404. Bank Not Obligated to Pay Check More Than Six Months Old.

Findings and Recommendations

According to the MOA³⁹, Friends must submit financial statements for the current fiscal year to the County, prepared in accordance with GAAP, including an audit report from an independent CPA. The audited financial report must be **submitted (180) days** after the close of the fiscal year to the County. An extension for submission of financial statements to the County could be granted by written request with an unaudited financial statement attached and sent to the County Comptroller. There is no evidence of a written request or submission of unaudited financial statements to the County Comptroller.

Friends either did not have Audited Financial Statements prepared timely, or did not prepare them at all:

- For 2013, the financial statements were prepared late and signed on June 30, 2015.
- For 2014, the financial statements were prepared late, and were not completed until July 24, 2017.
- For 2015, 2016 & 2017, the financial statements were not prepared at all.

In addition to being required according to the terms of the MOA, a non-profit should have audited financial statements to provide financial transparency and accountability for funds received.

Audit Recommendations:

We recommend:

- a) Friends ensure the annual financial statements are prepared and audited in a timely manner;
and
- b) Parks monitor the MOA with Friends more diligently.

AUDIT FINDING (21)

(21) Friends of Nassau County Does Not Have Its Own Webpage for Public Visibility to Accept Donations and Seek Members / Volunteers

Friends of Nassau County does not have its own webpage, does not have a social media presence, and is not advertised on event publicity/notifications that they have funded. Auditors have found other similar organizations have a well-functioning webpage that explains the following:

- Purpose of the organization;
- Upcoming events and programs;
- Galleries of events previously held;

³⁹ While the MOA expired in 2012, Friends has continued operating under the terms of the 2007 MOA.

Findings and Recommendations

- News and updates; and
- Donation section that allows the public to donate towards the organization.

Friends of Nassau County is helping sponsor Park events, improve Parks' facilities and the County taxpayer's enjoyment of the County parks, thus it is important the public is aware of the causes and events they are funding. A more public presence could generate more funding/donations which would allow the organization to hold more events and enrich the Nassau County Parks/Museums.

According to practices recommended by fundraising professionals *“One way 501(c)(3) organizations can increase fundraising efforts is by having a strong Web presence. A good website is a must for nonprofits and any other charitable organizations. Technology has created an e-commerce environment where people have become accustomed to making online transactions using either personal computers or mobile devices. A charitable organization can tap into this new consumer behavior by creating a website that is informational and includes a portal for online giving that is also supported on smartphones and tablets.”*⁴⁰

Audit Recommendations:

We recommend that the Parks Department and Friends;

- a) create a functional webpage and social media presence for Friends, which will allow for a public presence, online donations to the organization, attracting volunteers, providing greater benefit in the long term compared to spending large amounts on marketing companies that do not produce; and
- b) assure that future events be advertised as being sponsored by Friends, to enhance the organization's public presence.

AUDIT FINDING (22)

(22) As Recommended in the Previous Audit, Friends Has Not Reimbursed the County for Administrative Support Provided by Parks Department Employees since 2011

The Memorandum of Agreement states that the County shall designate employees to provide assistance to Friends as may be necessary from time to time. In 2011, Friends remitted \$18,161 from the Marathon account to Nassau County for a Parks' employee (who at the time was very involved in organizing the Marathon) for his overtime incurred during the Marathon. There is no formalized agreement for Friends to reimburse the County for these employee's services.

A finding in the previous Nassau County Comptroller's audit of Friends released in 2013 was that Friends did not provide the County reimbursement for services provided by County employees. Auditors recommended that a new MOA⁴¹ include a financial agreement whereby Friends would reimburse the County for Parks' accountants writing Friends' checks, depositing Friends' funds,

⁴⁰ <https://www.allegiancefundraising.com/why-having-an-online-presence-is-important-for-nonprofits/>.

⁴¹ The prior MOA covering 2007 – 2012 expired in 2012.

Findings and Recommendations

preparing the Quick book entries for Friends and working with the outside CPA for the charity, while on the County payroll.

The independent CPA for Friends recorded a total of \$87,000 for donated service on the Friends' audited financial statements for each year in 2013 and 2014. A basic principle of accounting is the revenues should be matched with the associated expenses in the same time period. In this case, Friends is taking the revenues and County employees are doing Friends related work during normal County business hours. Auditors did not have support for the \$87,000 estimates by the CPA. Also, Auditors could not find Legislative approval for the Parks' employees to donate their time during County business hours to Friends.

Auditors have been informed that a new MOA has been drafted for presentation to the Nassau County Legislature. Based on the independent CPA's estimates of \$87,000 for one year of use of County employees, Auditors estimate that between 2012 and 2018, over \$600,000 would have been reimbursed to Nassau County by Friends for County personnel related costs.

Audit Recommendations:

We recommend that:

- a) The County Administration, Parks and Friends should delineate in the new MOA what County personnel costs should be paid by Friends; and
- b) going forward, County employees should keep track of their time spent on Friends' programs and the County Parks Department bill Friends for the cost of employee time.

Audit Observations

The following two “Audit Observations” were made during the audit process. These Observations are not the responsibility of the Friends of Nassau County Recreation. The County Parks Department and/or County Management should address these Observations.

Audit Observation (1)

(1) A Parks’ Employee Related to a Former Vendor of Friends Received a Substantial Rent Reduction for an Apartment at a County Preserve

Auditors discovered a County Parks Department employee was receiving reduced rent to live in an apartment on County parkland, the Muttontown Preserve⁴² in East Norwich. The rental amount was \$850 per month, which is substantially lower than the rental amounts paid by previous occupants of that apartment. County records indicate that the employee had resided at the preserve since March 2018.

During the audit, the Comptroller’s Office determined that this employee was a sibling of the owner of a marketing firm which was a former contractor of Friends. (See Audit Finding (3) for additional details.) Nassau County utilizes a property management firm to manage rentals of living and office space at the preserve and other Parks Department locations.

Exhibit XXXIII shows the rent roll from 2013 to 2019 for the apartments located at the Muttontown Preserve:

Exhibit XXXIII

Property Manager Rent Roll				
4 Apartments at the Muttontown Park & Preserve - Nassau Hall				
2013-2019				
Date of Rent Roll	Apartment			
	1	2	3	4*
10/01/13	\$ 1,450	\$ 1,500	\$ 1,350	\$ 1,150
10/01/14	\$ 1,500	\$ 1,500	\$ 1,350	\$ 1,150
10/01/15	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,150
10/01/16	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,150
10/01/17	\$ 1,500	\$ -	\$ 1,600	\$ 1,150
10/01/18	\$ 1,500	\$ 850	\$ 1,600	\$ 1,150
02/01/19	\$ 1,650	\$ 850	\$ 1,600	\$ 1,275

* Apartment of former caretaker

⁴² The Muttontown Preserve is Nassau County’s largest nature preserve. It contains several historic structures, including Nassau Hall, a 1904 mansion, and the Chelsea Estate, which is listed on the National Register of Historic Places.

Audit Observations

The rental amount of \$850 per month paid by this employee for one of the four apartments at the Muttontown Park & Preserve is 56% of the average rent paid by the other three tenants. The original listing for the Muttontown Preserve location set by the property manager was \$2,100 per month. The 2013 monthly rent of the apartment was \$1,500 per month, much higher than the \$850 paid by this Parks Department employee.

The property manager advised the Comptroller's Office in 2018 that the reduced rental amount had been requested by the former Acting Commissioner of the Parks Department. The Nassau County 'Permit for Use and Occupation of County Owned Property' for this location lists caretaker responsibilities, including overseeing events at Nassau Hall, supervising the maintenance of Nassau Hall and the surrounding grounds and first burglar/fire responder for Nassau Hall. According to the property manager, a reduced rent allowance is usually delineated in a written agreement, but Auditors did not find a written agreement for this reduced rent.

The Comptroller's Office interviewed other residents that reside within the Nassau County Parks and Museums' properties with caretaker responsibilities and they were not aware of a reduction in rent associated with caretaker duties:

- Tenant A pays \$1,500 with caretaker responsibilities that include mowing the lawn, trimming hedges and snowplowing the sidewalk.
- Tenant B pays \$ 1,300 with caretaker responsibilities which include opening and closing gates, meeting contractors and vendors, making sure dumpsters are empty and providing 24-hour security.

According to United States Code Title 26 (26 USC119), lodging for the convenience of the employer can be excluded from the gross income of an employee if the employee is required to accept such lodging on the business premises of the employer as a condition of employment. This employee was previously hired; therefore, it is not a condition of employment and should be included in gross income and reported to the Comptroller's Office for inclusion on a W-2. The Parks' Commissioner did not know if the difference between the normal rent and the reduced amount was reported on the employee's W-2.

Auditors' Conclusion:

We believe these matters warrant an investigation and follow-up by the County:

- a) for the matter of a related party to a former Friends' vendor receiving a reduced rent at the Muttontown Preserve; and
- b) to ensure that the County follows IRS regulations in the matters where all reduced rent arrangements involving County employees are reported to the Comptroller's Payroll Division to ensure that proper tax reporting is implemented.

AUDIT OBSERVATION (2)

(2) Advertising for Private Vendors was Linked to A County Parks' Website

Auditors found that the County Parks' website included links to the County facility, Chelsea Mansion which included advertisements for local wedding vendors (displayed in Appendix B) The County was providing free advertising for certain vendors.

Chelsea Mansion⁴³ is located in the Muttontown Preserve and is owned and operated by Nassau County. During the audit period (2016-2017), Chelsea Mansion revenues of \$50,000 were being deposited into the Friends' account (see Exhibit XVIII). There is a link to the Chelsea Mansion website on Nassau County Park's website.⁴⁴ As of October 2019 this link is still there but no longer active.

Prior to the Auditors inquiry, in February 2019, Chelsea Mansion's website had a section titled "Vendor Collection," which listed recommended vendors and displayed advertisements for the vendors listed. Under "Vendor Collection" it states, "*We are pleased to present our selection of trusted professionals, available to assist in planning your event at Chelsea Mansion.*" The "Vendor Collection" had several categories, such as:

- cakes & desserts,
- catering,
- décor & rehearsal dinners,
- entertainment,
- event planning,
- florists,
- guest accommodations,
- rentals,
- transportation, and
- wedding resources.

There were private company advertisements displayed that included, the business name, location and contact information for each business listed under "Vendor Collection." After the Auditors began questioning Parks about wedding revenues, the website became inactive, and then became active two weeks later, without the advertising. The Vendor Collection ads that appeared on the Chelsea directed link from the Parks' page are displayed in Appendix B.

⁴³ Chelsea Mansion is also known as the Benjamin Moore Estate.

⁴⁴ The link to the Chelsea Mansion website can be found on the County's website in the Department of Parks, Recreation and Museums by selecting Chelsea Mansion from the "Preserves" drop down list under the "Where to go" section. The link to www.chelseamansion.com can be found on the right side of this page, by clicking on the link titled "Email."

Audit Observations

Auditors reviewed Friends' revenues and there were no Chelsea Mansion advertising revenues on Friends' deposit register or general ledger.

Nassau County's Department of Information Technology (IT) advised the Auditors that www.chelseamansion.com⁴⁵ is not owned or operated by Nassau County. IT said that although they support the Chelsea Mansion phones, computers, and provide them a linked webpage, Nassau County does not own or maintain the site. IT was unable to tell us who authorized the Chelsea Mansion webpage link to be on the Nassau County's webpage.

Auditors' Conclusion:

We believe these matters warrant further investigation and follow-up:

- a) to clarify ownership and maintenance of the Chelsea Mansion website and if it should be a link on the Parks' page; and
- b) to obtain the approvals required prior to the placement of any advertising on a County linked page.

⁴⁵ As of July 2019, the link to Chelsea Mansion Website has been down and directs you to a Google Search of "gold coast mansions".

Appendix A – Friends of Nassau County Event Flyers Presented
by Ed Mangano Nassau County Executive

Friends of Nassau County Event Flyers Presented by Ed Mangano Nassau County Executive

Nassau County Executive
EDWARD P. MANGANO
PRESENTS

"Youth Soccer Clinic"

At Christopher Morley Park

500 Searingtown Road, Roslyn NY 11576

- ❖ Fall 14' Soccer Program (All Levels - Boys & Girls 4-12 Years Old)
- ❖ One-Hour Sessions of Soccer Fun & Development!!!
- ❖ Receive a Free T-Shirt!!!
- ❖ LIMITED SPACE AVAILABLE!!

Thursday Youth Soccer Clinic: 5-6PM - \$105.00

Boys & Girls - Ages 4 - 12 Years Old
(Groups will be divided by gender, age & ability)

DATES: Sept: 18th, 25th Oct. 2nd, 9th, 16th, 23rd

Special Discount (Multiple Siblings) \$95 Per Each Additional Sibling

REGISTRATION

Boy Girl

Name: _____

Address: _____

Email: _____ Cell: _____

D.O.B: _____ Current Grade: _____ T-Shirt Size (Circle One) Youth: YS YM YL YXL Adult: AS AM AL

***Register at www.SoccerNassauCounty.com

Or complete & return via Mail, Fax or E-Mail by September 15, 2014***

For more info please contact us: T: (516) 572.0233 / F: (516) 572.0236 / E: NCECSoccer@nassaucountyny.gov

Registration Fees:

\$ 105 Registration Fee, Check Payable To: "Friends of Nassau County Recreation"

MAIL TO: Eisenhower Park
Administration Building - NC Soccer
East Meadow, NY 11554

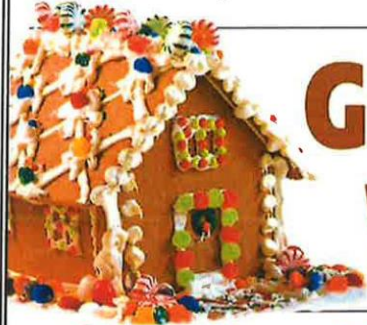


NASSAU COUNTY EXECUTIVE
ED MANGANO



NASSAU COUNTY
DEPARTMENT OF PARKS,
RECREATION AND MUSEUMS

Nassau County Executive **ED MANGANO** invites you to enjoy our



GINGERBREAD WORKSHOP

Sunday, December 6, 2015

Two Workshop Sessions • 10:00am & 2:00pm



-  Decorate Your Own Gingerbread House
-  Have Your Picture Taken With Santa
-  Visit Old Bethpage Village

Retail value of the house is \$34.95

Gingerbread University at Old Bethpage Village Restoration

1303 Round Swamp Road • Old Bethpage, N.Y. • 516-572-8401

LIE exit 48, south 1 mile • Open Wednesday-Sunday, 10am to 4pm



NASSAU COUNTY EXECUTIVE
ED MANGANO
www.nassaucountyny.gov


Bethpage
Federal Credit Union
You'll love banking here



RESERVATION & PAYMENT REQUIRED no later than November 27th

Name _____
Address _____
Phone _____ Circle Session 10:00am | 2:00pm # of houses _____

Return to: GINGERBREAD, Administration Bldg., Eisenhower Park, East Meadow, NY 11554

Checks payable to: **Friends of Nassau County Recreation Inc.**

Nassau County Executive **ED MANGANO** presents



SATURDAY & SUNDAY
October 11th & 12
12:00pm – 5:00pm

FREE ADMISSION

• Food • Beer • Music • Vendors

Harry Chapin Lakeside Theatre

Eisenhower Park

East Meadow • Parking Field 6

For info call: **516 572-0200**

www.nassaucountyny.gov/parks



NASSAU COUNTY EXECUTIVE
ED MANGANO

www.nassaucountyny.gov



NASSAU COUNTY
DEPARTMENT OF PARKS,
RECREATION AND MUSEUMS



Follow Ed Mangano on Facebook, Twitter and www.nassaucountyny.gov,
and/or download the NassauNow App for iPhone and Android.
The place to find local jobs is www.nassauworks.com.

Nassau County Executive **ED MANGANO** invites you to enjoy our



GINGERBREAD WORKSHOP

Sunday, December 3, 2017

Two Workshop Sessions • 10:00am & 1:00pm

200 people per session maximum • Seating limited

- **Decorate Your Own Gingerbread House**
product may contain nuts
- **Have Your Picture Taken With Santa**
- **Make a Card for the Soldiers**
- **Visit Old Bethpage Village**
- **Mail Your Letter to Santa**



Old Bethpage Village Restoration

1303 Round Swamp Road • Old Bethpage

LIE exit 48, south 1 mile



NASSAU COUNTY EXECUTIVE

ED MANGANO

www.nassaucountyny.gov

Bethpage 

Federal Credit Union



RESERVATION & PAYMENT REQUIRED no later than November 22nd
OR first 450 houses reserved and paid for

Decorator's Name _____ # of houses _____

Address _____

Phone _____ Circle Session 10:00am 1:00pm # of people in your party _____

Return to: GINGERBREAD, Administration Bldg., Eisenhower Park, East Meadow, NY 11554 • (516) 572-0200

Checks payable to: Friends of Nassau County Recreation Inc.

PA3.F

**Appendix A – Friends of Nassau County Event Flyers Presented
by Ed Mangano Nassau County Executive**

4/26/2018

NCESGFTPC - Home Page

Nassau County Empire State Games for the Physically Challenged

VICTORY Challenge

Nassau County Executive **Edward P. Mangano**

[Home](#) [Become a Sponsor](#) [Press & Events](#) [Athlete Registration](#)
[Volunteer Registration](#) [Meet the Athletes](#) [Contact Us](#) [Our Sponsors](#)

Up Coming Events

Model Train Show
November 19-20, 2016
[More Info](#)

Nassau County Empire State Games for the Physically Challenged

June 2 - June 4, 2016

Mitchel Athletic Complex
and
Nassau Community College

Opening Ceremonies June 2nd at 6:30pm

Athlete and Volunteer Registration must be completed by April 15, 2016



Email: victorychallenge@nassaucountyny.gov

Phone: (516) 903-1139

Hosted by [Zaks.com](#)

<https://www.nassaucountypcgames.com/default.html>

1/1


Appendix A – Friends of Nassau County Event Flyers Presented
by Ed Mangano Nassau County Executive

Nassau County Executive **ED MANGANO** invites you to

Nassau County Executive's 9th Annual
Cruise to the Show
Parade & Car Show



Saturday, September 26th
10am to 6pm
MOPARS IN EISENHOWER PARK
(Exclusive MOPAR/JEEP show)
FREE LIVE CONCERT at the Harry Chapin Lakeside Theater
JOHN MUELLER'S WINTER DANCE PARTY



Sunday, September 27th
10am to 5pm
7 MILE CRUISE AND SHOW
featuring
2000+ VEHICLES ALL MAKES & MODELS
Many of Long Island's race, performance and restoration shops will be in attendance.

SARANT
Cadillac
www.sarantcadillac.com

AutoMat
Customizing & Restoration

WEST

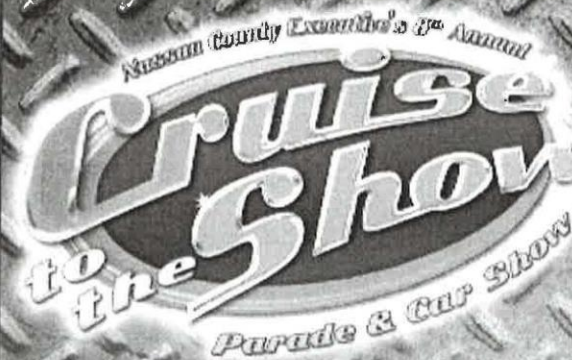
HURRICANE
GRILL & WINGS

MAN PRODUCES
PART OF STEEL, PART TO SAVE!

FOR GENERAL INFORMATION (516) 315-6397 • www.CRUISETOTHESHOW.com

**Appendix A – Friends of Nassau County Event Flyers Presented
by Ed Mangano Nassau County Executive**

REGISTER ONLINE TODAY AT CRUISETOTHESHOW.net




CRUISE TO THE SHOW
EISENHOWER PARK, FIELDS 6 AND 6A
1809 HEMPSTEAD TURNPIKE
EAST MEADOW, NY 11554


SATURDAY, SEPTEMBER 23, 2017

- 10AM - 3PM: MODERN MUSCLE MADNESS IN EISENHOWER PARK - EXCLUSIVE 2005+ AMERICAN MUSCLE SHOW
- LIVE MUSIC

SUNDAY, SEPTEMBER 24, 2017

- 7AM: PARADE REGISTRATION AND LINE UP (BRIARCLIFFE COLLEGE, 1055 STEWART AVENUE IN BETHPAGE)
- 9AM: PARADE BEGINS
- 10AM - 5PM: CAR SHOW (CAR SHOW AT EISENHOWER PARK, FIELD 6 AND 6A)





Facebook.com/NassauCarShow @NassauCarShow

PLEASE CLIP, COMPLETE FORM, ENCLOSE CHECK AND RETURN BY SEPTEMBER 4, 2017

FIRST _____ LAST _____

PHONE _____ EMAIL _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

MAKE _____ MODEL _____ YEAR _____

ORIGINAL MODIFIED CLUB AFFILIATION _____

REGISTER FOR: SATURDAY'S EVENT - \$15 (MODERN MUSCLE) SUNDAY'S EVENT - \$15 (ALL MAKES & MODELS) BOTH DAYS - \$25

HOLD HARMLESS AGREEMENT:
The undersigned, desiring to enter and participate in Nassau County Executive's Cruise to the Show Parade and Car Show, does hereby tender his/her application to participate. If this application is accepted, the undersigned participant(s), having their own automobile insurance, assumes the liability for, and shall indemnify and hold harmless the Friends of Nassau County Recreation and Nassau County and its officials from and against any and all liabilities arising from said event to the extent arising directly or indirectly out of or in connection with THE UNDERSIGNED participation in said event. Show committee reserves the right to consolidate or divide any class or reclassify any entered vehicle.

SIGNED _____ DATE _____

EARLY BIRD CAR SHOW REGISTRATION:
ADVANCED REGISTRATION:
\$15.00 ONE DAY / \$25.00 BOTH DAYS
PRE-REGISTRATION ENDS 9 AM/2017
DAY OF SHOW REGISTRATION: \$25.00 EACH DAY

MAKE CHECKS PAYABLE TO:
FRIENDS OF NASSAU RECREATION

RAIN OR SHINE EVENT - NO REFUNDS

SEND TO:
CRUISE TO THE SHOW
C/O FRIENDS OF NASSAU COUNTY RECREATION
EISENHOWER PARK - ADMINISTRATION BUILDING
1809 HEMPSTEAD TURNPIKE, 6A FT MEADOW, NY 11554

Appendix B – Advertisements on County Website

Advertisements on County Website

Copies of the advertisements included in the Vendor Collection, which appeared on the Chelsea directed link from the Parks Department’s website, are displayed in this Appendix.

PLANNING ON HAVING AN AFFAIR?



delicious cuisine, stylish presentation, impeccable service

ELEGANT AFFAIRS

OFF-PREMISE CATERING & EVENT DESIGN for your HOME, BUSINESS or VENUE
Southampton 631 324 9825 · Glen Cove 516 676 8500 · Manhattan 212 991 0078

ElegantAffairsCaterers.com

Outback Portable Toilets

Luxury Restroom Trailers

The restroom trailers offered by Outback Portable Toilets provide a spectacular and upscale experience guaranteed to impress even the toughest critics. We set the standard for exquisite features in a restroom trailer from crown molding and recessed lighting to custom cabinetry and more. These units are perfect for weddings, fundraisers and upscale parties where durability counts and style is a must.



info@OutbackPTS.com
www.OutbackPTS.com
1-800-591-8711
1-631-207-7689



Appendix B – Advertisements on County Website



MESSINA
MARKET & CATERING






LEAVE IT TO MESSINA AFFAIRS, A DIVISION OF MESSINA MARKET,
TO CATER YOUR NEXT EVENT

corporate events | cocktail parties | weddings | birthdays | anniversaries

We use the finest and freshest ingredients and work within your budget to create a successful and memorable event.
Serving the food industry since 1976 | "Voted best Off premise caterer" - Long Island food critic

516.624.6800 | www.messinamarket.com







Congratulations, you finally set the date!

Now that you said "yes", let us do what we do best...



Leave the details in accommodating your friends and family to the professionals at

THE ANDREW
GREAT NECK'S BOUTIQUE HOTEL

LUXURY • ELEGANCE • COMFORT
STYLE • CONVENIENCE

Located in the heart of Great Neck, where chic sophistication meets the timeless essence of Long Island's Gold Coast.

- Exceptional personalized service that sets us apart from the rest!
- Flexible & affordable contracts
- Transportation coordination at discounted prices
- Personalized group inserts for your invitations





75 NORTH STATION PLAZA, GREAT NECK, NY 11021 | 516.482.2900

www.andrewhotel.com

12

Appendix B – Advertisements on County Website



above all
EVENTS

Above All Events is a design boutique that specializes in artfully styled weddings. Unload your inspirations on us and we'll execute the wedding of your dreams!

Stalk Us!


631.241.4948
 PLANNERS@ABOVEALLEVENTSNY.COM
 ABOVEALLEVENTSNY.COM

www.CamelotLimo.com (516) 731-LIMO (5466)

Camelot Specialty Limos is a Family Owned Business located in Central Long Island. At Camelot, Quality and Personalized Customer Service Truly Matter!



"Your Chariot Awaits"











13

P E D E S T A L S
FLORAL DECORATORS



To schedule an appointment on site at one of our convenient showrooms contact us today:

516.248.5300 / 212.684.9090 | 125 Herricks Road, Garden City Park, New York 11040
817 Broadway Avenue (Between 12th & 13th St) 4th Fl, Suite 7, New York, NY 10003 | www.pedestalsflorist.com . info@pedestalsflorist.com



VIANA
HOTEL & SPA

3998 Brush Hollow Road • Westbury, NY 11590 • (516) 338-7777 • vianahotelandspa.com

From the moment you arrive let the tranquility of our feng shui atmosphere take over mind, body and soul....
Indulge in our full service spa & salon, enjoy the exquisite fusion cuisine at our restaurant Marco Polo & cap off the night with one of our signature cocktails in our state of the art game room. The Viana Hotel and Spa has everything to offer you and your guests for an unforgettable weekend.
No detail is too small, or request too large.

It's not just a hotel, it's an experience.

Appendix B – Advertisements on County Website

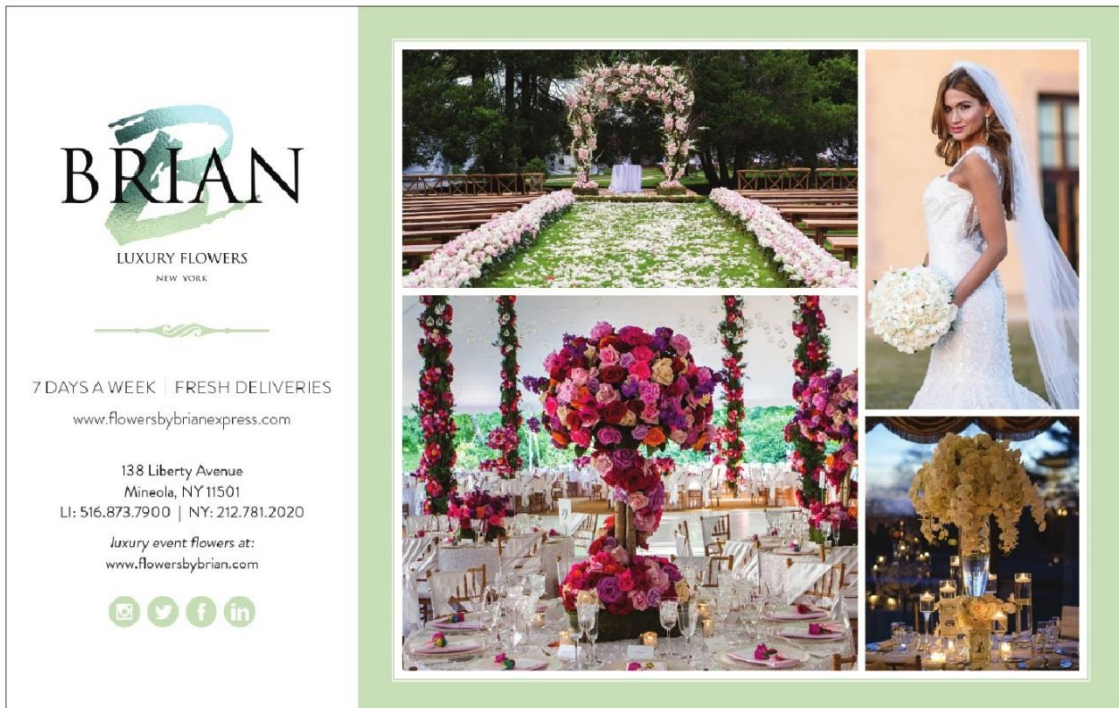


Farm to Table
CATERING
by Filomena

Farm to Table Catering by Filomena is a full-service, Long Island-based catering company serving the New York metropolitan area and Long Island. We provide you with outstanding hand-crafted local and seasonal cuisine, presented in an extraordinary way to complement a wide range of events.

At Farm to Table Catering by Filomena, we believe that the most delicious food begins with the freshest ingredients.

631.406.6742 | www.farmtotablecatering.com




BRIAN
LUXURY FLOWERS
NEW YORK

7 DAYS A WEEK | FRESH DELIVERIES
www.flowersbybrianexpress.com

138 Liberty Avenue
Mineola, NY 11501
LI: 516.873.7900 | NY: 212.781.2020

luxury event flowers at:
www.flowersbybrian.com

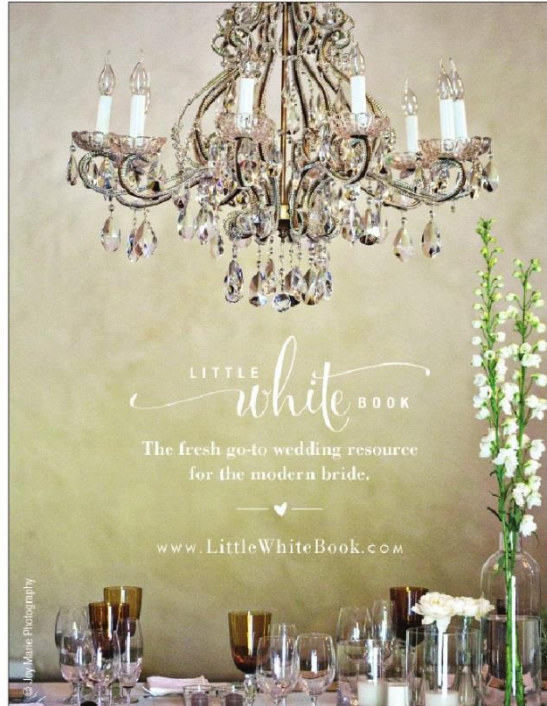


Appendix B – Advertisements on County Website



Chic
a floral boutique

imagine the possibilities
516.362.3662 | liweddingflowers.com
Wedding & Event Decor
SERVING LONG ISLAND & NYC



LITTLE *white* BOOK
The fresh go-to wedding resource
for the modern bride.
www.LittleWhiteBook.com



YOU'VE FOUND
YOUR PERFECT PARTNER.
Now you need the perfect place.


SUPERIOR SERVICE | ON SITE CATERING | GROUP RATES | SHUTTLE SERVICE AVAILABLE



333 South Service Road Plainville, New York 11803
Fax: 516.694.47181
www.fourpoints.com/plainview

For information & reservations call 516.694.6506
or email: redigaz@fourpointl.com

FOUR POINTS
BY SHERATON
Plainview Long Island




from modern

make your event
incredible with...

Decco
BY PARTY UP PRODUCTIONS
• nycdecco.com • partyupproductions.com •
631.988.9579 • partyup@partyupproductions.com

SPECIALIZING IN:
• Event Production • Furniture Rentals • Lighting • & More!



to rustic

Appendix B – Advertisements on County Website

LESSING'S
1890 **125** YEARS 2015
631.656.6899
lessingsweddings.com

125 YEARS
of
EXCEPTIONAL EVENTS
Catering for lavish events with
extraordinary edibles.

© Matthew Adam Photography

© Matthew Adam Photography

Contact Nancy Gilmartin at 631.979.9182 x108 or ngilmartin@nytent.com

NEW YORK TENT
EST. 1994
nytent.com

17

Appendix B – Advertisements on County Website



T H R E E D I S T I N C T I V E L I F E S T Y L E C A T E R I N G B R A N D S

PHILIP STONE CATERERS

Today's **Philip Stone Caterers** is a **sexy, modern** catering brand thanks in part to its brand leaders and their **nontraditional** approach to the everyday. With a half-century worth of hospitality experience, long known for its great food and service, today's Philip Stone Caterers is **new and fresh**. Its personality is **unexpected**, its menus are **inventive** and its events are **more than refreshing**.

ROBBINS WOLFE EVENTEURS

From NYC to the Hamptons, **Robbins Wolfe** has always been recognized by its **celebrity and social clientele** as a caterer with a **unique edge**. A little bit of whimsy combined with a total commitment to **professionalism** mark the Robbins Wolfe brand. And, the names Ken Wolfe and Christopher Robbins are synonymous with not only **style and class**, but with unbounded **energy and enthusiasm**.

REGAL KOSHER CATERERS

Glatt kosher and certified **KOF-K**, **Regal Caterers** continually challenges the conventional perception of a kosher catering company. Regal Caterers is **current and on-trend**. Its menus are contemporary and its approach to kosher events is rare and inimitable. Regal Caterers is the perfect balance of **old-world culture, modern taste and unexpected style**.

LEARN MORE ABOUT OUR CATERING BRANDS, OUR TEAM AND OUR VENUES

CULINARTCATERINGCOLLECTION.COM 844.285.6278

 @culinartcateringcollect  @culinartcateringcollection  @culinartcollect

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Appendix C contains an analysis of the Friends of Nassau County Recreation, Inc.’s & the Nassau County Department of Parks, Recreation and Museums’ responses to the Draft Audit report and the Auditors’ follow up comments to the Friends & Parks’ responses. Note that Friends & Parks submitted separate responses. Friends’ full response letter as submitted is included in Appendix D, Parks’ full response letter as submitted is included in Appendix E. Please also note that typographical errors contained in the responses were not corrected in the Auditors’ response analysis below.

AUDIT FINDING (1)

(1) Friends of Nassau County Recreation Lacks the Organizational Structure Needed to Ensure its Mission is Carried Out in Accordance with its Corporate Bylaws and its Memorandum of Agreement with Nassau County: County Officials had Too Much Spending Influence

Audit Recommendation:

The new Nassau Parks Conservancy should consider the guidance provided by the Trust for Public Land in their Public Spaces/Private Money report issued in 2015 and other noteworthy park system conservancies and update their by-laws to reflect conservancy best practices and the audit recommendations detailed throughout this report.

Friends’ Response to Recommendation 1

“The newly established Nassau Parks Conservancy, Inc., has eight (8) board members, including the Chairman, all of whom will be involved in the operations of the Conservancy. The Board will take the initiative to review the existing by-laws immediately after the approval of the MOA by the County Legislature, if deemed necessary, to be relevant to the vision and best practices of the Nassau County Parks System. The MOA is being revisited for clarity on the role of the Conservancy.”

Additionally, the Conservancy plans to hire immediately after the approval of the MOA by the county legislature both a bookkeeper and a new certified public accounting firm to manage both the day to day expenses of the Conservancy and the prompt filing of all tax documents and financial statements.

Starting in 2018, Friends and Parks began using a justification memorandum in support of all requests for funding. The Conservancy intends on holding regular meetings including an annual meeting where board members will approve a list of programs and a budget.”

Parks’ Response to Recommendation 1

“Starting in 2018, Parks began providing budgets and justification memorandums with all requests for program funding.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 1

Auditors are pleased that Friends is accepting our recommendation.

AUDIT FINDING (2)

(2) Friends of Nassau County Recreation Possibly Violated IRS Regulations by Using Donations to Benefit an Elected Official from 2014 through 2017

Audit Recommendation:

We recommend that Friends avoid the appearance of benefiting an individual or endorsing an elected official and/or providing free advertising. Friends should serve only the public interest by “*enhancing Nassau County recreational facilities*” and not appear to serve the interests of an elected official or County employee.

Friends’ Response to Recommendation 2

“(a) Starting in 2018, the Conservancy and the Parks’ Commissioner verbally agreed to and adopted the policy of not allowing endorsement or enhancement of elected officials at Conservancy sponsored events.

*(b) the items cited in the audit purportedly demonstrating a violation of IRS regulations were clearly County Events (emphasis added). The audit is misleading by stating the flyers state "Ed Mangano presents Oktoberfest", "Ed Mangano invites you to the Gingerbread Workhouse", and "Ed Mangano presents Youth Soccer Clinic", when in fact, as demonstrated by the flyers for these events attached as exhibits, has" **Nassau County Executive ..**" (emphasis added) before "Ed Mangano". This clearly illustrates that the former County Executive was acting in his capacity as a County official promoting a CountyEvent.”*

Parks’ Response to Recommendation 2

“Starting in 2018, the Conservancy and the Parks Commissioner verbally agreed to and adopted the policy of not allowing endorsement or enhancement of elected officials at Conservancy sponsored events.”

Auditors’ Follow Up Comments to Recommendation 2

We are pleased that the Conservancy and the Parks’ Commissioner verbally agreed to and adopted the policy of no longer allowing endorsements or enhancements of elected officials at Conservancy sponsored events.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

AUDIT FINDING (3)

(3) In 2014, Friends Gave a No-Bid Contract for Promotional Services to a Marketing Firm Owned by a Former Employee of the Then County Executive’s Office

Audit Recommendations:

We recommend that Friends and/or the Department of Parks, Recreation and Museums:

- a) conduct a responsibility determination by researching the background of prospective contractors to ensure that there are no outstanding judgements against them, or additional legal concerns, before finalizing contractual agreements, and evidence such research. Friends may wish to consider hiring an Executive Director and or Accountant/Bookkeeper to address this and other tasks on behalf of the Board of Directors;
- b) develop a project timeline for contracted promotional services and regularly review the progress reported by the contractor to ensure that the project is meeting its established goals, and take prompt action if a contractor fails to meet their contract’s deliverables; and
- c) avoid the potential for appearance of a conflict of interest by establishing procedures to ensure that a Department of Parks, Recreation and Museums employee does not review or approve work performed by a contractor who is a family member.

Friends’ Response to Recommendation 3

“Friends proactively terminated this contract when the Board determined that the vendor had not complied with the terms of the agreement. However, while not subject to the County Procurement Policy Friends most recently procured the services of the Marathon Race Administrator through an RFP process. The hiring of any employee or contractors will use Standard prudent business practices.

The Conservancy will require program schedules for all contracts implemented. All Contracts with vendors will have a revocable clause allowing cancellation if the target dates are not met.”

Parks’ Response to Recommendation 3

“Parks will continue to enforce its current policy of only having authorized personnel sign and date payment requests prior to submitting them to the Conservancy.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 3

- a) Auditors emphasize that Friends should be researching the background of prospective contractors to ensure that there are no outstanding judgements against them, or additional legal concerns, before finalizing contractual agreements, and evidence such research.
- b) Auditors are pleased that Friends is accepting our recommendation and will be monitoring their contracts using prudent business practices.
- c) Friends & Parks did not address this recommendation. Auditors reiterate that Friends should avoid the appearance of a conflict of interest by not allowing Parks’ employees to distribute checks to a company owned by a family member.

AUDIT FINDING (4)

(4) Parks’ Officials Directed Friends to Make Questionable Payments of Over \$26,000 to a Catering Company for Events Not Associated with the Non-Profit’s Purpose, Including Purchase of Alcoholic Beverages

Audit Recommendations:

We recommend that Friends and the Parks Department:

- a) cease using Friends’ funds to pay for employee parties and any alcohol related expenses;
- b) establish written guidelines that detail which food and equipment expenses are eligible for payment by Friends, including identification of which programs Friends will pay catering company costs for;
- c) include an attendance list and/or event announcement with payment vouchers where applicable;
- d) hire a bookkeeper/accountant to review all expenses;
- e) work together to update the voucher format to ensure expenditures receive proper review prior to approval and payment; and
- f) create written volunteer guidelines.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Friends’ Response to Recommendation 4

“The Conservancy and the Parks Department ceased all such practices commencing in 2018. The Conservancy policy will establish and document guidelines for appropriate use of funds as per the Federal Guidelines and how they relate to a 501(c)(3) immediately after the approval of the MOA by the County Legislature.”

Parks’ Response to Recommendation 4

“The Conservancy and the Parks Department ceased all such practices commencing in 2018. If a meal and or beverage expense is deemed to be related to an approved Conservancy program, the invitation list, list of attendees and justification statement will be provided along with the payment requests to the Conservancy.”

Auditors’ Follow Up Comments to Recommendation 4

Auditors are pleased that Friends agreed with the majority of our recommendations (a, b, c, d, & e).

Auditors reiterate recommendation (f) that states Friends should create written volunteer guidelines.

Audit Finding (5)

(5) Friends Used over \$9,000 of Charitable Funds for Nassau County Parks’ Staff Luncheons

Audit Recommendations:

We recommend:

- a) that the Parks Department verify that they have ceased paying for employee luncheons and parties with Friends’ funds; and
- b) that the Board of the Friends of Nassau County Recreation review IRS Regulations, County ordinances and other Federal guidance such as those found in Federal Regulations Appendix B Part 230, and develop a written policy for meal reimbursement for the limited times that food may be served and include proper supporting documentation.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Friends’ Response to Recommendation 5

“The Conservancy and the Parks Department ceased all such practices commencing in 2018. The Conservancy will adopt the Federal Regulations App B Part 230 and document policy to identify proper use of funds for reimbursement of meals immediately after the approval of the MOA by the County Legislature. If workshops are offered, the Conservancy is willing to attend.”

Parks’ Response to Recommendation 5

“The Conservancy and the Parks Department ceased all such practices commencing in 2018. Parks will adhere any Conservancy's documented policy for the proper use of charitable funds.”

Auditors’ Follow Up Comments to Recommendation 5

Auditors are pleased that Friends has accepted our recommendations (a & b) and that the Conservancy and the Parks Department ceased all such practices commencing in 2018. The Conservancy will adopt the Federal Regulations Appendix B Part 230 and document its policy to identify proper use of funds for reimbursement of meals immediately after the approval of the MOA by the County Legislature.

Audit Finding (6)

(6) Friends Paid a Parks’ Invoice for an Excessive Amount of \$14,000 to Rent the Same Golf Carts That Were Already Being Leased by the County

Audit Recommendations:

We recommend that:

- a) Friends & Parks maintain a log of events for which Friends is making payments on behalf of Parks;
- b) if Friends sponsors a golf outing, they should review the current Nassau County Golf Cart Leasing contract before making payments to obtain more golf carts, to assure the vendor is not paid twice for rental of the same golf carts; and
- c) Friends & Parks hire a bookkeeper to ensure that Friends is not paying for equipment already in possession of Nassau County, and to monitor the pricing of purchases made by Friends.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Friends’ Response to Recommendation 6

“Friends was requested to purchase 10 used golf carts to support the Parks’ Summer Programs. Friends was presented with the invoice and paid for the purchase. The Conservancy already requires more detail than Parks’ requests for funding than existed at the time of the purchase of the used golf carts. Additionally, the Conservancy will look to the newly hired bookkeeper to ensure compliance with requirement.”

Parks’ Response to Recommendation 6

“This expense of \$14,000 noted was for the purchase of 10 gold carts from the County Cart vendor. At the end of the lease, 10 carts were purchased to be used for the Parks’ Summer Recreation Program. As can be seen on the invoice, the payment was for purchase of “USED” golf carts. While the invoice does not specifically identify this as a sale, Parks’ research shows that the \$1,400 was a fair market value for the sale of used Club Car golf carts. Please see the attached of sales of similar carts as Exhibit “A”.

Going forward, the Parks Department will create a more detailed log of all expenses that are aligned with approved Program budgets before submitting them to the Conservancy for payment.”

Auditors’ Follow Up Comments to Recommendation 6

Friends and Parks responded that they *purchased* these Golf Carts rather than *renting* them, however the Audit trail does not support this. The additional documentation provided by Parks during the draft audit review process does not verify the purchase of these Golf Carts.

- a) Friends and Parks did not respond to this recommendation that they maintain a log of events for which Friends is making payments on behalf of Parks.
- b) Auditors investigated and found that the **current County Golf Cart Lease contract still contains the decal numbers of the golf carts that Parks’ claims were purchased, indicating the County is still paying lease costs for these golf carts.**

Auditors also note that the **Friends’ general ledger states that the Golf Carts were rentals and not purchased. The Friends’ financial records do not have inventory or fixed assets listed.**

Parks claimed to have purchased these Golf Carts in June 2017, however Parks failed to enter these on the County’s Fixed Asset inventory.

- c) Auditors are pleased that Friends have accepted this recommendation and will hire their own bookkeeper.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

AUDIT FINDING (7)

(7) Friends’ Accounting Records Were Inadequate, Resulting in Auditors being Unable to Match Revenues and Expenses to Specific Golf Events

Audit Recommendations:

We recommend that Friends improve their record keeping. Payments should be properly documented and made only for approved Friends’ events.

Friends’ Response to Recommendation 7

“The Golf Outing was a Friends’ Fundraiser honoring the CE to increase the participation. All participant’s checks were made payable to "Friends of Nassau County Recreation, Inc." Pursuant to Section 5(B) of the current expired MOA, Parks’ golf employees assisted in the oversight of the Friends’ Golf Outings. Being a Friends Fundraiser, Friends was responsible for the payment of relevant expenses, including the catering of the meal that is regularly a part of golf outing.

As previously mentioned, the Conservancy is hiring both a bookkeeper and a new certified public accounting firm to manage both the day to day expenses of the Conservancy and the prompt filing of all tax documents and financial statements.”

Parks’ Response to Recommendation 7

“Parks has no response to this finding.”

Auditors’ Follow Up Comments to Recommendation 7

Auditors are pleased that Friends have accepted this recommendation and will hire their own bookkeeper and reiterate that payments should be properly documented and justified and made for only approved Friends’ events.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

AUDIT FINDING (8)

(8) Friends Paid \$6,000 in Expenses for the Wedding of a County Vendor’s Daughter

Audit Recommendations:

We recommend that:

- a) Friends and the Parks Department develop written procedures that have Legislative approval outlining Friends’ role in wedding events held at Nassau County parks and include such procedures in the MOA;
- b) the County investigate this vendor receiving free Parks’ usage for his daughter’s wedding and investigate why a charity would accept a tax-deductible donation and use the money to pay a wedding photographer and florist; and
- c) the New York State Attorney General’s Charity Bureau review this matter.

Friends’ Response to Recommendation 8

“Friends’ research shows that the permit fee paid by the vendor was entered into Friends’ account as “Permit Fee income, not a donation/contribution. Deposits are categorized pursuant to the nature of the deposit and listed into a specific category. Please see attached Exhibit “A”, Description of Deposit Categories. As is plainly seen, there are separate categories for contributions and permit fees. Only contributions would be listed as a tax-deductible donation. In this case, as evidenced by the attached Exhibit “B”, Deposit for Chelsea Wedding, the deposit was entered as Permit Fees.”

Parks’ Response to Recommendation 8

“The MOA that will be submitted for Legislative approval, to be routed by Parks within a reasonable time after the receipt of the Comptroller’s final audit, will include language outlining fees authorized to be paid to the Conservancy for permitted events on County Properties.

Post audit, Parks’ research determined the vendor did not claim a tax deduction for the permit fee. Please see attached Exhibit “C”, letter from vendor stating no deduction taken.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 8

- a) Auditors are pleased that Friends and Parks have accepted this recommendation that they will submit for Legislative approval through the MOA language, which details the wedding fees authorized to be paid to the Conservancy and/or to Nassau County for permitted events on County properties.
- b) Friends failed to respond to why they paid for an individual’s Wedding Florist and Photographer for a total of \$6,000 for the daughter of a County Vendor.
- c) Auditors reiterate that the New York State Attorney General’s Charity Bureau review this matter.

Audit Finding (9)

(9) Friends used over \$3,200 of Charitable Funds for Bereavement Flowers and Bereavement Meals

Audit Recommendations:

As the Parks Department has stated that they will no longer use Friends’ funds to pay for such expenses, we recommend that Friends consult Title 2 Code of Federal Regulations (CFR) Part 200 to ensure that all expenditures are in compliance with Federal Law.

Friends’ Response to Recommendation 9

“The Conservancy and the Parks Department ceased all such practices commencing in 2018. The Conservancy will also rely on the future bookkeeper to report to the Board any improper requests for payment.”

Parks’ Response to Recommendation 9

“The Conservancy and the Parks Department ceased all such practices commencing in 2018.”

Auditors’ Follow Up Comments to Recommendation 9

Auditors are pleased that the Conservancy and the Parks Department ceased all such practices commencing in 2018.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

AUDIT FINDING (10)

(10) Auditors Could Not Find Legislative Authority for Friends to Collect Monies for County Park Events

Audit Recommendations:

We recommend that the Parks Department and Friends develop a plan outlining the revenue to be collected for each program by Friends and/or Nassau County, and seek the approval of the Nassau County Legislature for all fees collected. The Parks Department should not be independently determining if funds should be remitted to the Nassau County Treasurer or should be collected by the Parks’ non-profit organization.

Friends’ Response to Recommendation 10

“Friends has no response to this finding.”

Parks’ Response to Recommendation 10

“The MOA that will be submitted for Legislative approval, to be routed by Parks within a reasonable time after the receipt of the Comptroller's final audit, will include language outlining fees authorized to be paid to the Conservancy for permitted events on County Properties.”

Auditors’ Follow Up Comments to Recommendation 10

Auditors are pleased that Parks has accepted our recommendation.

AUDIT FINDING (11)

(11) Friends Did Not File and/or Complete Accurate Federal & State Tax Documents for Years 2013-2017, Jeopardizing their Nonprofit Status

Audit Recommendations:

We recommend that the Board take corrective actions and communicate with their independent CPA firm to ensure that the:

- a) audited financial statements are prepared timely;
- b) audited financial statements are attached to the CHAR 500 and filed with the Attorney General’s Charities Bureau in New York State;
- c) IRS Form 990s are prepared using accurate financial information;

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

- d) amended Federal and State Returns are prepared and filed with updated financial information when required;
- e) Board consider hiring an employee to handle bookkeeping, as recommended in the prior audit, to facilitate communication with the CPA firm, coordinate the independent audit and ensure timely filing of returns; and
- f) Board consider establishing an Audit Committee to assist in the independent audit process, including hiring, evaluating and assisting the independent auditors.

Friends’ Response to Recommendation 11

“As previously mentioned, the Conservancy will retain a CPA firm familiar with 501c3 Financial Statements to prepare the required annual IRS filings. The Chair will take under advisement establishing an Audit Committee to assist in the independent audit process.”

Parks’ Response to Recommendation 11

“Parks has no response to this finding.”

Auditors’ Follow Up Comments to Recommendation 11

Auditors are pleased that Friends have addressed our recommendations (a, b, c, d, & e) and will retain a new CPA firm familiar with 501(c)(3) Financial Statements to prepare the required annual IRS filings.

Auditors are pleased that Friends will take recommendation (f) under advisement by considering establishing an Audit Committee to assist in the independent audit process.

Audit Finding (12)

(12) Friends Did Not Prepare a Budget to Track Revenues and Expenses, Had Inadequate Financial Statements, and Lacked Fiscal Oversight of Operations

Audit Recommendations:

We recommend that:

- a) a budget be prepared by the Board on a timely basis and compared to actual results throughout the year;
- b) the Board take the appropriate action when there is an indication of significant budgetary deviation and explain discrepancies;

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

- c) the Board establish a full and detailed list of the programs that Friends will assist with within the scope of Friends’ mission and clearly indicate on promotional material the organization’s involvement. The list should be reviewed and updated on an annual basis, based on a review of each program’s effectiveness and financial results; and
- d) the Board analyze expenses and revenues for each program and determine what adjustments should be made to operations to reduce losses.

Friends’ Response to Recommendation 12

“Conservancy, with the assistance of the Bookkeeper and CPA, will monitor cash flow and adherence to the related program budgets. The Conservancy will approve the establishment of programs as proposed by the Commissioner of Parks. Additionally, the Conservancy Board will establish and formally approve their list of programs to help support the Parks system.”

Parks’ Response to Recommendation 12

“Starting as soon as practicable after the legislative approval of the MOA, Parks will work with the Conservancy in the preparation and coordination of proposed programs and expense budgets relevant thereto.”

Auditors’ Follow Up Comments to Recommendation 12

Auditors are pleased that the Conservancy & Parks have accepted our recommendations (a, b & d) and as soon as practicable Parks will work with the Conservancy in the preparation and coordination of proposed programs and expense budgets relevant thereto.

Auditors reiterate that the budget should be adopted by the Conservancy Board and documented in their Board Minutes.

Auditors reiterate under recommendation (c) that Friends should clearly indicate on promotional material the organization’s sponsorship.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

AUDIT FINDING (13)

(13) The Friends’ Board Has Not Been Operating in Compliance with their Organization’s Bylaws Filed with New York State: Lacks the Required Number of Board Members, Lacks Board Minutes, and is Non-Compliant with Other Administrative Requirements

Audit Recommendations:

We recommend that:

- a) corrective actions be taken to ensure that Board Minutes:
 - i. are prepared in a timely manner and approved by resolution of the Board;
 - ii. are readily available to the public; and
 - iii. indicate the presence of a required quorum at Board meetings;
- b) Friends hold an annual meeting, with the required quorum of members required by their Bylaws present; and
- c) Friends ensure that an Annual Report, containing the financial results of its operations, be available for members and other interested persons in a timely manner.

Friends’ Response to Recommendation 13

“The Board has taken the initiative to establish a new Board with 8 Members, including the chairman. Efforts will be instituted to become compliant to the bylaws of the Conservancy including the documenting of minutes of the meetings and all formal procedures for a quorum.

The Conservancy will hold multiple meetings of which one will be deemed an Annual meeting. Conservancy Board Members will have full disclosure of all financials by requiring the bookkeeper and/or CPA to report at each meeting year to date program expenses against established budgets.”

Parks’ Response to Recommendation 13

“Parks has no response to this finding.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 13

- a) Auditors are pleased that the Friends’ Board has accepted our recommendation. They have taken the initiative to establish a new Board with eight members, including the chairman. They state efforts will be instituted to become compliant to the bylaws of the Conservancy including the documenting of minutes of the meetings and all formal procedures for a quorum.
- b) Auditors are pleased that the Conservancy has stated they will hold multiple meetings of which one will be deemed an annual meeting.
- c) Auditors are pleased that the Conservancy Board Members will have full disclosure of all financials by requiring the bookkeeper and/or CPA to report at each meeting year to date program expenses against established budgets.

AUDIT FINDING (14)

(14) Restricted Funds are Not Reported Separately on the Financial Statements per Generally Accepted Accounting Principles (GAAP) and are not Separated on the Federal Tax Returns or State Filings

Audit Recommendations:

We recommend that the Friends’ Board:

- a) implement policies and procedures to ensure restricted donations are monitored and expended according to any restrictions attached; and
- b) report restricted funds appropriately in Friends’ financial statements and Federal tax filings.

Friends’ Response to Recommendation 14

“Proper accounting of Funds received, including those with restricted used, will be determined and documented in procedures by the CPA to be followed by the Conservancy. This should be completed immediately after the approval of the MOA by the county legislature.”

Parks’ Response to Recommendation 14

“Parks has no response to this finding.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 14

Auditors are pleased that Friends has accepted our recommendations (a & b) for proper accounting of funds received, including those with restricted use, and this will be documented in and be followed by the Conservancy.

Audit Finding (15)

(15) Friends is Not Verifying or Monitoring Fixed Assets Purchased for the Parks Department – Missing Equipment Was Noted

Audit Recommendations:

We recommend that the Board of the Friends of Nassau County Recreation:

- a) establish a Fixed Assets policy for all assets purchased with Friends’ funds, which includes a periodic inventory;
- b) closely verify the purchasing of Fixed Assets as well as ensuring the Fixed Assets are properly monitored and maintained; and
- c) follow-up on the missing security camera.

Friends’ Response to Recommendation 15

“The Conservancy purchased the cameras pursuant to the current MOA. The current MOA states that all expenditures made by Friends is a gift which is accepted by the County. It is Parks obligation to account for, safeguard, and monitor the proper use of the gift.

Going forward, the Conservancy will require additional detail regarding the justification and use of fixed assets that are requested by Parks for any of the approved programs.”

Parks’ Response to Recommendation 15

“It is Parks’ responsibility to ensure that all items funded by the Conservancy are properly used. In this case, six cameras were purchased by Friends. As can be seen by the photos, attached as Exhibit “B”, six cameras were installed at the park in question.

Parks will utilize the existing policy for the acceptance, safeguarding and disposal of donated fixed assets as is currently used by Parks for its own assets.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 15

At the time of the Audit field work only five security cameras were observed by Auditors on site. The Parks department has stated that there are currently six cameras.

- a) Auditors reiterate that Friends establish a Fixed Assets policy for all assets purchased with Friends’ funds, which includes a periodic inventory.
- b) Auditors reiterate that Friends closely verify the purchasing of Fixed Assets as well as ensuring the Fixed Assets are properly monitored and maintained.
- c) Auditors visited one park in December 2018 to physically verify security cameras purchased. While six security cameras were purchased for this park, Auditors observed only five cameras at this location. A County employee at the park informed Auditors that they have only five cameras and showed the Auditors the security monitor displaying five live cameras.

On January 17, 2019, Auditors spoke with the Parks’ employee who had picked up and installed the cameras, and he stated that six cameras were installed at the park.

Auditors found only five cameras installed and operational to the Security Monitors in December 2018; Parks’ response supplied documentation on April 30, 2020 that there are now six cameras installed and operational to the Security Monitor. It is unclear why there are discrepancies in the number of cameras at different times, however having a Fixed Assets policy and a periodic inventory review will help assure items purchased with Friends’ funds are safeguarded.

Audit Finding (16)

(16) Reports to Taxing Authorities of Vendor and Professional Service Payments Were Not Prepared for Numerous Vendors

Audit Recommendations:

We recommend Friends:

- a) require vendors complete Form W-9 or require such information on their internal vendor application for Form 1099-MISC reporting purposes;
- b) issue Form 1099-MISC to all vendors (including attorneys) utilized by Friends who received over \$600 in a calendar year; and
- c) utilize their pre-existing QuickBooks application, or other similar software, to track 1099 eligible vendor payments and generate 1099s to ensure accuracy and reduce costs paid to the outside accountant.

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Friends’ Response to Recommendation 16

“Effective immediately, the Conservancy will require W-9 forms to be completed by all vendors. The Conservancy will require the future CPA to generate Form 1099 Misc. forms for all vendors the Conservancy made payments to.”

Parks’ Response to Recommendation 16

“Parks has no response to this finding.”

Auditors’ Follow Up Comments to Recommendation 16

Auditors are pleased that Friends has accepted all recommendations (a, b & c) in that effective immediately, the Conservancy will require W-9 forms to be completed by all vendors. The Conservancy will require the CPA to generate Form 1099 Misc. forms for all vendors the Conservancy made payments to.

AUDIT FINDING (17)

(17) Friends is not Earning Interest on their Bank Accounts and does not have Adequate FDIC Insurance as Required by the County Memorandum of Agreement (MOA)

Audit Recommendations:

We recommend that Friends:

- a) comply with the prior and newly drafted but not yet adopted pending MOA, by depositing contributions in an FDIC-insured interest-bearing account in order to safeguard contributions raised for County programs and/or property improvements; and
- b) ensure that the balances in their bank accounts be monitored to assure that they remain below the threshold covered by the FDIC. If there is an excess of \$250,000 in Friends’ bank accounts, the accounts should be set up at multiple banks, with no one account exceeding \$250,000.

Friends’ Response to Recommendation 17

“The Conservancy has followed recommendations and opened a new second account at a different Bank so to have the funds in a FDIC insured interest-bearing account. All accounts will be interest bearing. The Conservancy has taken the initiative to correct. Going forward the Bookkeeper/CPA will be responsible for monitoring and reconciling account balances.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Parks’ Response to Recommendation 17

“Parks has no response to this finding.”

Auditors’ Follow Up Comments to Recommendation 17

- a) Auditors are pleased that the Conservancy has followed recommendations and opened a new second account at a different bank so to have the funds in a FDIC insured interest-bearing account. All accounts will now be interest bearing.
- b) Auditors are pleased that going forward the Bookkeeper/CPA will be responsible for monitoring and reconciling account balances.

AUDIT FINDING (18)

(18) Friends Failed to Obtain a Fidelity Bond and Workers’ Compensation Insurance as Required by the Memorandum of Agreement (MOA)

Audit Recommendations:

We recommend that Friends obtain the required insurance as stated in the MOA.

Friends’ Response to Recommendation 18

“The Conservancy is in compliance with the MOA Workers Compensation provision in that they are required to have coverage for employees pursuant to NY Law. The Conservancy has no employees. All Conservancy contracts for services (entertainers, etc.) include the following language:

Independent Contractor. The Contractor is an independent contractor of the Friends. The Contractor shall not, nor shall any officer, director, employee, servant, agent or independent contractor of the Contractor (a "Contractor Agent"), be (i) deemed a Friends employee, (ii) commit the Friends to any obligation, or (iii) hold itself, himself, or herself out as a Friends employee or Person with the authority to commit the Friends to any obligation. As used in this Agreement the word "Person" means any individual person, entity (including partnerships, corporations and limited liability companies), and government or political subdivision thereof (including agencies, bureaus, offices and departments thereof).

The Conservancy is currently receiving quotes on bond coverages and will obtain these coverages as required by the current MOA as soon as is commercially practical.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Parks’ Response to Recommendation 18

“Parks has no response to this finding.”

Auditors’ Follow Up Comments to Recommendation 18

Auditors reiterate our recommendation that Friends seek the County Attorney’s Office guidance in regard to obtaining Workers’ Compensation Insurance as Required by the Memorandum of Agreement (MOA).

Auditors are pleased that Friends is in the process of receiving quotes on bond coverages and will obtain these coverages as required by the current MOA as soon as is commercially practical.

Audit Finding (19)

(19) Friends Failed to Research Outstanding Checks in a Timely Manner, Take Appropriate Action and Perform Appropriate Accounting Entries

Audit Recommendations:

We recommend that Friends:

- a) investigate checks outstanding for six months or more to determine why they had not been cashed, issue stop payments and reissue checks as appropriate; and
- b) hire a bookkeeper to ensure that the bank reconciliations are prepared in accordance with standard business practice.

Friends’ Response to Recommendation 19

“As previously mentioned, the Conservancy is retaining a Bookkeeper for all record keeping in order to minimize the number of outstanding checks.”

Parks’ Response to Recommendation 19

“Parks has no response to this finding.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 19

- a) Auditors are pleased that Friends has accepted our recommendation that the Conservancy is retaining a bookkeeper for all record keeping in order investigate the outstanding checks.
- b) Auditors are pleased that Friends is hiring a bookkeeper who will handle bank reconciliations.

AUDIT FINDING (20)

(20) Friends Failed to Comply with their Memorandum of Agreement (“MOA”) with Nassau County by Failing to Provide Audited Financial Statements in a Timely Manner

Audit Recommendations:

We recommend:

- a) Friends ensure the annual financial statements are prepared and audited in a timely manner; and
- b) Parks monitor the MOA with Friends more diligently.

Friends’ Response to Recommendation 20

“As previously indicated, both a bookkeeper and a new certified public accounting firm will be employed by immediately after the approval of the MOA by the County Legislature in order to manage both the day to day expenses of the Conservancy and the prompt filing of all tax documents and financial statements.”

Parks’ Response to Recommendation 20

“Once the proposed MOA is approved by the Legislature, Parks will look forward to reviewing the Conservancy’s audited annual financial statement.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 20

- a) Auditors are pleased that Friends has accepted our recommendation and both a bookkeeper and a new certified public accounting firm will be employed after the approval of the MOA by the County Legislature in order to manage both the day to day expenses of the Conservancy and the prompt filing of all tax documents and financial statements.
- b) Auditors are pleased that the Parks department has accepted our recommendation and once the proposed MOA is approved by the Legislature, Parks will be reviewing the Conservancy’s audited annual financial statement.

AUDIT FINDING (21)

(21) Friends of Nassau County Does Not Have Its Own Webpage for Public Visibility to Accept Donations and Seek Members / Volunteers

Audit Recommendations:

We recommend that the Parks Department and Friends:

- a) create a functional webpage and social media presence for Friends, which will allow for a public presence, online donations to the organization, attracting volunteers, providing greater benefit in the long term compared to spending large amounts on marketing companies that do not produce; and
- b) assure that future events be advertised as being sponsored by Friends, to enhance the organization’s public presence.

Friends’ Response to Recommendation 21

“The Conservancy Board is in design stage of for the creation of their new website. They have acquired a new domain and anticipates the website to be up and running by immediately after the approval of the MOA by the County Legislature. Additionally, the Conservancy has a Facebook page that will include, includes, among other things, the ability to make a donation to the Conservancy and links to the Parks’ website.”

Parks’ Response to Recommendation 21

“Parks is currently referenced on the Conservancy Facebook page. Once the Conservancy starts sponsoring events, Parks is prepared to cross market the events on its webpage. Events sponsored by the Conservancy and posted on the Parks webpage will include the Conservancy’s “new” logo.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 21

- a) Auditors are pleased that Friends has acquired a new web domain and will implement it immediately after the approval of the MOA by the County Legislature. Additionally, the Conservancy has a Facebook page that they state will include the ability to make a donation to the Conservancy and links to the Parks’ website.
- b) Auditors are pleased that Friends will advertise future events on their new webpage and their Facebook page.

Audit Finding (22)

(22) As Recommended in the Previous Audit, Friends Has Not Reimbursed the County for Administrative Support Provided by Parks Department Employees since 2011

Audit Recommendations:

We recommend that:

- a) The County Administration, Parks and Friends should delineate in the new MOA what County personnel costs should be paid by Friends; and
- b) going forward, County employees should keep track of their time spent on Friends’ programs and the County Parks Department bills Friends for the cost of employee time.

Friends’ Response to Recommendation 22

“The Friends have continued to act as if we had an existing agreement with the County and the agreement did not require reimbursement. The proposed MOA that will be presented to the Legislature for approval has reimbursement language included.”

Parks’ Response to Recommendation 22

“The County and Friends continue to abide by the terms and conditions of the existing MOA that expired in 2012. The MOA, Section 5(B), states “The County shall designate County employees to provide assistance to FNCR as may be necessary from time to time to further the purposes of this MOA.”

No re-imbursement was contemplated or required in the MOA. The proposed MOA, to be approved by the Legislature, states that the Conservancy will reimburse the County “for use of County personnel for those activities that are not directly connected to County events, programs or the like, in such amounts as agreed to by the County and the Conservancy. In the event the County assigns employees to perform services for the Conservancy that are not directly connected to County events and decides to bill the Conservancy, will remit to the Conservancy an invoice with supporting time records.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Recommendation 22

- a) Auditors understand that the County and Friends continued to abide by the terms and conditions of the existing MOA that expired in 2012.
- b) Although Friends had reimbursed for County Employees working on the Marathon in the past, it was not required in the written MOA. Per Friends the proposed MOA, awaiting approval by the Legislature, states that the Conservancy will reimburse the County "for use of County personnel for those activities that are not directly connected to County events, programs or the like, in such amounts as agreed to by the County and the Conservancy."

Audit Observation (1)

(1) A Parks’ Employee Related to a Former Vendor of Friends Received a Substantial Rent Reduction for an Apartment at a County Preserve

Auditors’ Conclusion:

We believe these matters warrant an investigation and follow-up by the County:

- a) for the matter of a related party to a former Friends’ vendor receiving a reduced rent at the Muttontown Preserve; and
- b) to ensure that the County follows IRS regulations in the matters where all reduced rent arrangements involving County employees are reported to the Comptroller’s Payroll Division to ensure that proper tax reporting is implemented.

Friends’ Response to Audit Observation 1 Conclusion

“Friends was not involved in the renting of a Parks unit to a Parks employee and was only made aware of this fact during the audit. Friends has never been involved in finding housing for anyone and the Conservancy intends to maintain this position.”

Parks’ Response to Audit Observation 1 Conclusion

“This observation has no place in this audit. This was a use and occupancy agreement, made by a Parks’ employee, through the managing agent for the Parks’ Landmark portfolio, at the request of the then Chief Deputy Commissioner of Parks (per audit language). Friends had no involvement in this matter at all. The connection the Auditors use for this inclusion is that the Parks employee is the sibling of a vendor that was fired by Friends more than two (2) years prior to the occupancy.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Audit Observation 1 Conclusion

Parks has the responsibilities for the Parks’ landmark property rentals and should have internal controls in place that do not allow one person the ability to arbitrarily reduce a standard rental agreement.

This situation has an appearance of a conflict of interest involving a County employee, a County Vendor and payments made by Friends for the County vendor’s daughter’s wedding.

- A Parks’ employee who was involved in booking weddings received a discounted rent.
- The County has a property management company that oversees these County landmark properties that rent County venues for events. The property managers daughter had a wedding on County property.
- This daughter paid \$6,000 to Friends for a wedding permit, but then Friends paid \$3,000 for her Wedding photographer and \$3,000 for her Wedding florist.

Audit Observation (2)

(2) Advertising for Private Vendors was Linked to A County Parks’ Website

Auditors’ Conclusion:

We believe these matters warrant further investigation and follow-up:

- a) to clarify ownership and maintenance of the Chelsea Mansion website and if it should be a link on the Parks’ page; and
- b) to obtain the approvals required prior to the placement of any advertising on a County linked page.

Friends’ Response to Audit Observation 2 Conclusion

“Friends had no connection with linking vendors to a County website, and as in Audit Observation (1) was only made aware of this fact during the audit.”

Parks’ Response to Audit Observation 2 Conclusion

“The Friends were not involved with this event. Parks is in the process of revamping the Nassau County Parks website and the related links to our facilities. The Parks Department obtains approval from the CE Communications Office prior to posting.”

Appendix C – Auditors’ Follow Up Comments on Friends of Nassau County Recreation, Inc.’s and Nassau County Department of Parks, Recreation and Museums’ Responses

Auditors’ Follow Up Comments to Audit Observation 2 Conclusion

Auditors are pleased that during the Audit process the wedding vendors advertisements connected to the County website were removed from the website.

Auditors are pleased that Parks has a new control in place regarding obtaining approval from the County Executive’s office prior to posting on the County website.

Appendix D –Friends of Nassau County Recreation Inc.’s Response



Nassau Parks Conservancy
1576 Front St
East Meadow, NY 11554

<https://www.facebook.com/NassauParksConservancy/>

May 13, 2020

Jack Schnirman, Comptroller
Nassau County Office of the Comptroller
240 Old Country Road
Mineola, NY 11501
Re: Audit Draft of Friends of Nassau County Recreation, Inc.

Dear Mr. Schnirman:

Please accept the Friends of Nassau County Recreation, Inc.’s response to the audit performed by your office.

AUDIT FINDING (1)

Friends of Nassau County Recreation Lacks the Organizational Structure Needed to Ensure its Mission is Carried Out in Accordance with its Corporate Bylaws and its Memorandum. County Officials had Too Much Spending Influence

The newly established Nassau Parks Conservancy, Inc., has eight (8) board members, including the Chairman, all of whom will be involved in the operations of the Conservancy. The Board will take the initiative to review the existing by- laws immediately after the approval of the MOA by the County Legislature, if deemed necessary, to be relevant to the vision and best practices of the Nassau County Parks System. The MOA is being revisited for clarity on the role of the Conservancy.

Appendix D –Friends of Nassau County Recreation Inc.’s Response

Additionally, the Conservancy plans to hire immediately after the approval of the MOA by the county legislature both a bookkeeper and a new certified public accounting firm to manage both the day to day expenses of the Conservancy and the prompt filing of all tax documents and financial statements.

Starting in 2018, Friends and Parks began using a justification memorandum in support of all requests for funding. The Conservancy intends on holding regular meetings including an annual meeting where board members will approve a list of programs and a budget.

AUDIT FINDING (2)

Friends of Nassau County Recreation Possibly Violated IRS Regulations by Using Donations to Benefit an Elected Official from 2014 through 2017

(a) Starting in 2018, the Conservancy and the Parks Commissioner verbally agreed to and adopted the policy of not allowing endorsement or enhancement of elected officials at Conservancy sponsored events.

(b) The items cited in the audit purportedly demonstrating a violation of IRS regulations were clearly **County Events** (emphasis added). The audit is misleading by stating the flyers state "Ed Mangano presents Oktoberfest", "Ed Mangano invites you to the Gingerbread Workhouse", and "Ed Mangano presents Youth Soccer Clinic", when in fact, as demonstrated by the flyers for these events attached as exhibits, has "**Nassau County Executive ...**" (emphasis added) before "Ed Mangano". This clearly illustrates that the former County Executive was acting in his capacity as a County official promoting a County Event.

AUDIT FINDING (3)

In 2014, Friends Gave a No-Bid Contract for Promotional Services to a Marketing Firm Owned by a Former Employee of the Then County Executive's Office

Friends proactively terminated this contract when the Board determined that the vendor had not complied with the terms of the agreement. However, while not subject to the County Procurement Policy, Friends most recently procured the services of the Marathon Race Administrator through an RFP process. The hiring of any employee or contractors will use Standard prudent business practices.

The Conservancy will require program schedules for all contracts implemented. All Contracts with vendors will have a revocable clause allowing cancellation if the target dates are not met.

AUDIT FINDING (4)

Parks Officials Directed Friends to Make Questionable Payments of Over \$26,000 to a Catering Company for Events Not Associated with the Non-Profit's Purpose, Including Purchase of Alcoholic Beverages.

Appendix D –Friends of Nassau County Recreation Inc.’s Response

The Conservancy and the Parks Department ceased all such practices commencing in 2018. The Conservancy policy will establish and document guidelines for appropriate use of funds as per the Federal Guidelines and how they relate to a 501(c)(3) immediately after the approval of the MOA by the County Legislature

AUDIT FINDING (5)

Friends Used over \$9,000 of Charitable Funds for Nassau County Parks’ Staff Luncheons.

The Conservancy and the Parks Department ceased all such practices commencing in 2018. The Conservancy will adopt the Federal Regulations App B Part 230 and document policy to identify proper use of funds for reimbursement of meals immediately after the approval of the MOA by the County Legislature. If workshops are offered, the Conservancy is willing to attend.

AUDIT FINDING (6)

Friends Paid a Parks Invoice for an Excessive Amount of \$14,000 to Rent the Same Golf Carts That Were Already Being Leased by the County.

Friends was requested to purchase 10 used golf carts to support the Parks’ Summer Programs. Friends was presented with the invoice and paid for the purchase. The Conservancy already requires more detail than Parks’ requests for funding than existed at the time of the purchase of the used golf carts. Additionally, the Conservancy will look to the newly hired bookkeeper to ensure compliance with requirement.

AUDIT FINDING (7)

Friends Accounting Records Were Inadequate, Resulting in Auditors being Unable to Match Revenues and Expenses to Specific Golf Events.

The Golf Outing was a Friends’ Fundraiser honoring the CE to increase the participation. All participant’s checks were made payable to “Friends of Nassau County Recreation, Inc.” Pursuant to Section 5(B) of the current expired MOA, Parks’ golf employees assisted in the oversight of the Friends’ Golf Outings. Being a Friends Fundraiser, Friends was responsible for the payment of relevant expenses, including the catering of the meal that is regularly a part of golf outing.

As previously mentioned, the Conservancy is hiring both a bookkeeper and a new certified public accounting firm to manage both the day to day expenses of the Conservancy and the prompt filing of all tax documents and financial statements.

AUDIT FINDING (8)

Friends Paid \$6,000 in Expenses for the Wedding of a County Vendor’s Daughter.

Appendix D –Friends of Nassau County Recreation Inc.’s Response

Friends' research shows that the permit fee paid by the vendor was entered into Friends' account as "Permit Fee income", not a donation/contribution. Deposits are categorized pursuant to the nature of the deposit and listed into a specific category. Please see attached Exhibit "A", Description of Deposit Categories. As is plainly seen, there are separate categories for contributions and permit fees. Only contributions would be listed as a tax-deductible donation. In this case, as evidenced by the attached Exhibit "B", Deposit for Chelsea Wedding, the deposit was entered as "Permit Fees".

AUDIT FINDING (9)

Friends used over \$3,200 of Charitable Funds for Bereavement Flowers and Bereavement Meals

The Conservancy and the Parks Department ceased all such practices commencing in 2018. The Conservancy will also rely on the future bookkeeper to report to the Board any improper requests for payment.

AUDIT FINDING (10)

Auditors Could Not Find Legislative Authority for Friends to Collect Monies for County Park Events.

Friends has no response to this finding.

AUDIT FINDING (11)

Friends Did Not File and/or Complete Accurate Federal & State Tax Documents for Years 2013-2017, Jeopardizing their Nonprofit Status.

As previously mentioned, the Conservancy will retain a CPA firm familiar with 501c3 Financial Statements to prepare the required annual IRS filings. The Chair will take under advisement establishing an Audit Committee to assist in the independent audit process.

AUDIT FINDING (12)

Friends Did Not Prepare a Budget to Track Revenues and Expenses, Had Inadequate Financial Statements, and Lacked Fiscal Oversight of Operations.

Conservancy, with the assistance of the Bookkeeper and CPA, will monitor cash flow and adherence to the related program budgets. The Conservancy will approve the establishment of programs as proposed by the Commissioner of Parks. Additionally, the Conservancy Board will establish and formally approve their list of programs to help support the Parks system.

AUDIT FINDING (13)

Appendix D –Friends of Nassau County Recreation Inc.’s Response

The Friends Board Has Not Been Operating in Compliance with their Organization's Bylaws Filed with New York State: Lacks the Required Number of Board Members, Lacks Board Minutes, and is Non-Compliant with Other Administrative Requirements.

The Board has taken the initiative to establish a new Board with 8 Members, including the chairman . Efforts will be instituted to become compliant to the bylaws of the Conservancy including the documenting of minutes of the meetings and all formal procedures for a quorum.

The Conservancy will hold multiple meetings of which one will be deemed an Annual meeting. Conservancy Board Members will have full disclosure of all financials by requiring the bookkeeper and/or CPA to report at each meeting year to date program expenses against established budgets.

AUDIT FINDING (14)

Restricted Funds are Not Reported Separately on the Financial Statements per Generally Accepted Accounting Principles (GAAP) and are not Separated on the Federal Tax Returns or State Filings.

Proper accounting of Funds received, including those with restricted used, will be determined and documented in procedures by the CPA to be followed by the Conservancy. This should be completed immediately after the approval of the MOA by the county legislature

AUDIT FINDING (15)

Friends is Not Verifying or Monitoring Fixed Assets Purchased for the Parks Department – Missing Equipment Was Noted.

The Conservancy purchased the cameras pursuant to the current MOA. The current MOA states that all expenditures made by Friends is a gift which is accepted by the County. It is Parks' obligation to account for, safeguard, and monitor the proper use of the gift.

Going forward, the Conservancy will require additional detail regarding the justification and use of fixed assets that are requested by Parks for any of the approved programs.

AUDIT FINDING (16)

Reports to Taxing Authorities of Vendor and Professional Service Payments Were Not Prepared for Numerous Vendors

Effective immediately, the Conservancy will require W-9 forms to be completed by all vendors. The Conservancy will require the future CPA to generate Form 1099 Misc. forms for all vendors the Conservancy made payments to.

AUDIT FINDING (17)

Appendix D –Friends of Nassau County Recreation Inc.’s Response

Friends is not Earning Interest on their Bank Accounts and does not have Adequate FDIC Insurance as Required by the County Memorandum of Agreement (MOA)

The Conservancy has followed recommendations and opened a new second account at a different Bank so to have the funds in a FDIC insured interest-bearing account. All accounts will be interest bearing. The Conservancy has taken the initiative to correct. Going forward the Bookkeeper /CPA will be responsible for monitoring and reconciling account balances.

AUDIT FINDING (18)

Friends Failed to Obtain a Fidelity Bond and Workers' Compensation Insurance as Required by the Memorandum of Agreement (MOA)

The Conservancy is in compliance with the MOA Workers Compensation provision in that they are required to have coverage for employees pursuant to NY Law. The Conservancy has no employees. All Conservancy contracts for services (entertainers, etc.) include the following language:

Independent Contractor. The Contractor is an independent contractor of the Friends. The Contractor shall not, nor shall any officer, director, employee, servant, agent or independent contractor of the Contractor (a "Contractor Agent"), be (i) deemed a Friends employee, (ii) commit the Friends to any obligation, or (iii) hold itself, himself, or herself out as a Friends employee or Person with the authority to commit the Friends to any obligation. As used in this Agreement the word "Person" means any individual person, entity (including partnerships, corporations and limited liability companies), and government or political subdivision thereof (including agencies, bureaus, offices and departments thereof).

The Conservancy is currently receiving quotes on bond coverages and will obtain these coverages as required by the current MOA as soon as is commercially practical.

AUDIT FINDING (19)

Friends Failed to Research Outstanding Checks in a Timely Manner, Take Appropriate Action and Perform Appropriate Accounting Entries

As previously mentioned, the Conservancy is retaining a Bookkeeper for all record keeping in order to minimize the number of outstanding checks

AUDIT FINDING (20)

Friends Failed to Comply with their Memorandum of Agreement ("MOA") with Nassau County by Failing to Provide Audited Financial Statements in a Timely Manner

Appendix D –Friends of Nassau County Recreation Inc.’s Response

As previously indicated, both a bookkeeper and a new certified public accounting firm will be employed by immediately after the approval of the MOA by the County Legislature in order to manage both the day to day expenses of the Conservancy and the prompt filing of all tax documents and financial statements.

AUDIT FINDING (21)

Friends of Nassau County Does Not Have Its Own Webpage for Public Visibility to Accept Donations and Seek Members / Volunteers

The Conservancy Board is in design stage of for the creation of their new website. They have acquired a new domain and anticipates the website to be up and running by immediately after the approval of the MOA by the County Legislature . Additionally, the Conservancy has a Facebook page that will include, includes, among other things, the ability to make a donation to the Conservancy and links to the Parks' website.

AUDIT FINDING (22)

As Recommended in the Previous Audit, Friends Has Not Reimbursed the County for Administrative Support Provided by Parks Department Employees since 2011

The Friends have continued to act as if we had an existing agreement with the County and the agreement did not require reimbursement. The proposed MOA that will be presented to the Legislature for approval has reimbursement language included.

AUDIT OBSERVATION (1)

Friends was not involved in the renting of a Parks unit to a Parks employee and was only made aware of this fact during the audit. Friends has never been involved in finding housing for anyone and the Conservancy intends to maintain this position.

AUDIT OBSERVATION (2)

Friends had no connection with linking vendors to a County website, and as in Audit Observation (1), was only made aware of this fact during the audit.

Sincerely,



Walter Skinner
Chairman
Nassau Parks Conservancy

Appendix D – Friends of Nassau County Recreation Inc.’s Response

EXHIBIT A
DESCRIPTION OF DEPOSIT CATEGORIES

	3900 - Retained Earnings	Equity
	4000 - Marathon Revenues	Income
	4001 - Runners Fees	Income
	4002 - Expo Vendor Fees	Income
	4003 - Contributions-Marathon	Income
	4004 - Interest-Mar a/c	Income
3992	4009 - Misc Inc-Marathon	Income
3993	5000 - Program Revenues	Income
CHK	5001 - Contributions	Income
3994	5002 - Registrations	Income
CHK	5011 - Bounced Check	Income
3995	5003 - Permit fees	Income
CHK	5004 - Concession Income	Income
	5005 - Museum Shop Income	Income
DEP	5006 - Carnival Income	Income
	5007 - Booth Rentals and fees	Income
DEP	5008 - Rifle Range Fees	Income
	5009 - Refunds	Income
DEP	5012 - Rental Fee	Income
Number	5010 - Other Income	Income
DEP	5050 - General Revenues	Income
	5051 - Interest	Income
DEP	5052 - Misc. Income	Income
	50000 - Cost of Goods Sold	Cost of Goods Sold

Appendix D – Friends of Nassau County Recreation Inc.’s Response

EXHIBIT B
DEPOSIT FOR CHELSEA WEDDING

DATE	NUMBER	TYPE	ACCOUNT	PAYEE	MEMO	PAYMENT	DEPOSIT	BALANCE
11/16/2017	8992	CHK	6096	Chris Braglia	Travel Hockey	3,000.00		416,430.99
11/16/2017	8993	CHK	6096	Carl Rappa	Travel Hockey	3,750.00		412,680.99
11/16/2017	8994	VOID	6096	Coaches Stipend	Travel Hockey			412,680.99
11/16/2017	8995	CHK	6013	Miscellaneous		0.00		412,680.99
11/16/2017	8995	CHK	6096	Chris Braglia	Travel Hockey	452.26		412,228.73
11/17/2017	DEP	5001	Contributions	CBS filming donation			10,000.00	422,228.73
11/17/2017	DEP	5002	Registrations	Travel Hockey			4,867.50	427,096.23
11/17/2017	DEP	5006	Carnival Income	LI Fair			500.00	427,596.23
11/17/2017	DEP	5003	Permit fees	Chelsea wedding			6,000.00	433,596.23
11/21/2017	DEP	5006	Carnival Income	Fright Night			2,720.00	436,316.23
11/21/2017	DEP	5006	Carnival Income	Fright Night			5,420.00	441,736.23
11/21/2017	DEP	5006	Carnival Income	Fright Night			6,070.00	447,806.23
								659,779.11

Appendix E –Nassau County Department of Parks, Recreation and Museums’ Response

LAURA CURRAN
County Executive



EILEEN KRIEB
Commissioner

COUNTY OF NASSAU
DEPARTMENT OF PARKS, RECREATION & MUSEUMS
EISENHOWER PARK - EAST MEADOW, NEW YORK 11554
www.nassaucountyny.gov/parks

May 13, 2020

Jack Schnirman, Comptroller
Nassau County Office of the Comptroller
240 Old Country Road
Mineola, NY 11501

Re: Audit Draft of Friends of Nassau County Recreation, Inc.

Dear Mr. Schnirman:

The Nassau County Department of Parks, Recreation and Museums (“Parks”) has reviewed the draft of your audit respecting the Limited Review of the Friends of Nassau County Recreation “Friends”) dated April 23, 2020. As requested, Parks is providing its written response to each finding of the draft audit below. Parks intends for the MOA being submitted for Legislative approval, will be routed by Parks within a reasonable time after the receipt of the Comptroller’s final audit.

AUDIT FINDING (1)

Friends of Nassau County Recreation Lacks the Organizational Structure Needed to Ensure its Mission is Carried Out in Accordance with its Corporate Bylaws and its Memorandum. County Officials had Too Much Spending Influence

Starting in 2018, Parks began providing budgets and justification memorandums with all requests for program funding.

AUDIT FINDING (2)

Friends of Nassau County Recreation Possibly Violated IRS Regulations by Using Donations to Benefit an Elected Official from 2014 through 2017

Starting in 2018, the Conservancy and the Parks Commissioner verbally agreed to and adopted the policy of not allowing endorsement or enhancement of elected officials at Conservancy sponsored events.

AUDIT FINDING (3)

In 2014, Friends Gave a No-Bid Contract for Promotional Services to a Marketing Firm Owned by a Former Employee of the Then County Executive’s Office

Parks will continue to enforce its current policy of only having authorized personnel sign and date payment requests prior to submitting them to the Conservancy.

AUDIT FINDING (4)

Parks Officials Directed Friends to Make Questionable Payments of Over \$26,000 to a Catering Company for Events Not Associated with the Non-Profit’s Purpose, Including Purchase of Alcoholic Beverages.

The Conservancy and the Parks Department ceased all such practices commencing in 2018. If a meal and or beverage expense is deemed to be related to an approved Conservancy program, the invitation list, list of attendees and justification statement will be provided along with the payment requests to the Conservancy.

AUDIT FINDING (5)

Friends Used over \$9,000 of Charitable Funds for Nassau County Parks’ Staff Luncheons.

The Conservancy and the Parks Department ceased all such practices commencing in 2018. Parks will adhere any Conservancy’s documented policy for the proper use of charitable funds.

AUDIT FINDING (6)

Friends Paid a Parks Invoice for an Excessive Amount of \$14,000 to Rent the Same Golf Carts That Were Already Being Leased by the County.

This expense of \$14,000 noted was for the purchase of 10 gold carts from the County Cart vendor. At the end of the lease, 10 carts were purchased to be used for the Parks’ Summer Recreation Program. As can be seen on the invoice, the payment was for purchase of “USED” golf carts. While the invoice does not specifically identify this as a sale, Parks’ research shows that the \$1,400 was a fair market value for the sale of used Club Car golf carts. Please see the attached of sales of similar carts as Exhibit “A”.

Going forward, the Parks Department will create a more detailed log of all expenses that are aligned with approved Program budgets before submitting them to the Conservancy for payment.

AUDIT FINDING (7)

Friends Accounting Records Were Inadequate, Resulting in Auditors being Unable to Match Revenues and Expenses to Specific Golf Events.

Parks has no response to this finding.

AUDIT FINDING (8)

Friends Paid \$6,000 in Expenses for the Wedding of a County Vendor’s Daughter.

The MOA that will be submitted for Legislative approval, to be routed by Parks within a reasonable time after the receipt of the Comptroller’s final audit, will include language outlining fees authorized to be paid to the Conservancy for permitted events on County Properties.

Post audit, Parks’ research determined the vendor did not claim a tax deduction for the permit fee. Please see attached Exhibit “C”, letter from vendor stating no deduction taken.

AUDIT FINDING (9)

Friends used over \$3,200 of Charitable Funds for Bereavement Flowers and Bereavement Meals

The Conservancy and the Parks Department ceased all such practices commencing in 2018.

AUDIT FINDING (10)

Auditors Could Not Find Legislative Authority for Friends to Collect Monies for County Park Events.

The MOA that will be submitted for Legislative approval, to be routed by Parks within a reasonable time after the receipt of the Comptroller’s final audit, will include language outlining fees authorized to be paid to the Conservancy for permitted events on County Properties.

AUDIT FINDING (11)

Friends Did Not File and/or Complete Accurate Federal & State Tax Documents for Years 2013-2017, Jeopardizing their Nonprofit Status.

Parks has no response to this finding.

AUDIT FINDING (12)

Friends Did Not Prepare a Budget to Track Revenues and Expenses, Had Inadequate Financial Statements, and Lacked Fiscal Oversight of Operations.

Starting as soon as practicable after the legislative approval of the MOA, Parks will work with the Conservancy in the preparation and coordination of proposed programs and expense budgets relevant thereto.

AUDIT FINDING (13)

The Friends Board Has Not Been Operating in Compliance with their Organization’s Bylaws Filed with New York State: Lacks the Required Number of Board Members, Lacks Board Minutes, and is Non-Compliant with Other Administrative Requirements.

Parks has no response to this finding.

AUDIT FINDING (14)

Restricted Funds are Not Reported Separately on the Financial Statements per Generally Accepted Accounting Principles (GAAP) and are not Separated on the Federal Tax Returns or State Filings.

Parks has no response to this finding.

AUDIT FINDING (15)

Friends is Not Verifying or Monitoring Fixed Assets Purchased for the Parks Department – Missing Equipment Was Noted.

It is Parks’ responsibility to ensure that all items funded by the Conservancy are properly used. In this case, six cameras were purchased by Friends. As can be seen by the photos, attached as Exhibit “B”, six cameras were installed at the park in question

Parks will utilize the existing policy for the acceptance, safeguarding and disposal of donated fixed assets as is currently used by Parks for its own assets .

AUDIT FINDING (16)

Reports to Taxing Authorities of Vendor and Professional Service Payments Were Not Prepared for Numerous Vendors

Parks has no response to this finding.

AUDIT FINDING (17)

Friends is not Earning Interest on their Bank Accounts and does not have Adequate FDIC Insurance as Required by the County Memorandum of Agreement (MOA)

Parks has no response to this finding.

AUDIT FINDING (18)

Friends Failed to Obtain a Fidelity Bond and Workers’ Compensation Insurance as Required by the Memorandum of Agreement (MOA)

Parks has no response to this finding.

AUDIT FINDING (19)

Friends Failed to Research Outstanding Checks in a Timely Manner, Take Appropriate Action and Perform Appropriate Accounting Entries

Parks has no response to this finding.

AUDIT FINDING (20)

Friends Failed to Comply with their Memorandum of Agreement (“MOA”) with Nassau County by Failing to Provide Audited Financial Statements in a Timely Manner

Once the proposed MOA is approved by the Legislature, Parks will look forward to reviewing the Conservancy’s audited annual financial statements.

AUDIT FINDING (21)

Friends of Nassau County Does Not Have Its Own Webpage for Public Visibility to Accept Donations and Seek Members / Volunteers

Parks is currently referenced on the Conservancy Facebook page. Once the Conservancy starts sponsoring events, Parks is prepared to cross market the events on its webpage. Events sponsored by the Conservancy and posted on the Parks webpage will include the Conservancy’s “new” logo.

AUDIT FINDING (22)

As Recommended in the Previous Audit, Friends Has Not Reimbursed the County for Administrative Support Provided by Parks Department Employees since 2011

The County and Friends continue to abide by the terms and conditions of the existing MOA that expired in 2012. The MOA, Section 5(B), states "The County shall designate County employees to provide assistance to FNCR as may be necessary from time to time to further the purposes of this MOA."

No re-imbusement was contemplated or required in the MOA. The proposed MOA, to be approved by the Legislature, states that the Conservancy will reimburse the County "for use of County personnel for those activities that are not directly connected to County events, programs or the like, in such amounts as agreed to by the County and the Conservancy. In the event the County assigns employees to perform services for the Conservancy that are not directly connected to County events and decides to bill the Conservancy, will remit to the Conservancy an invoice with supporting time records.

AUDIT OBSERVATION (1)

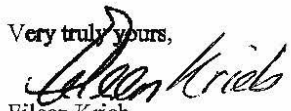
This observation has no place in this audit. This was a use and occupancy agreement, made by a Parks’ employee, through the managing agent for the Parks’ Landmark portfolio, at the request of the then Chief Deputy Commissioner of Parks (per audit language). Friends had no involvement in this matter at all. The connection the auditors use for this inclusion is that the Parks employee is the sibling of a vendor that was fired by Friends more than two (2) years prior to the occupancy.

AUDIT OBSERVATION (2)

The Friends were not involved with this event. Parks is in the process of revamping the Nassau County Parks website and the related links to our facilities. The Parks Department obtains approval from the CE Communications Office prior to posting.

Please feel free to contact me with any questions or advises.

Very truly yours,



Eileen Krieb
Commissioner
Department of Parks, Recreation and
Museums

EXHIBIT A
USED GOLF CART SALES



23
1

LOT #: 6861

[Save](#)

CLUB CAR CARRYALL 1

Gas Golf Carts

Battery operated, comes with charger, 45" x 22 1/2" box on rear, board removable as a tailgate, lights work ***sells

absolute Power Type: Electric

Price: USD \$1,600

Sale Ended: Wed, Aug 15, 2018 11:26 AM

[Financial Calculator](#)

Serial Number: UNKNOWN

Condition: Used

Stock Number: Auction 8-15-18

Updated: Wed, Aug 15, 2018 11:42 AM



Appendix E –Nassau County Department of Parks, Recreation and Museums’ Response

 1

LOT #:

[Save](#)


CLUB CAR CARRYALL 1

Gas Golf Carts

Club Car cart, *447976, 48v, windshield, charger Thomas Auctions - 9/15 To bid please copy and paste link into tab -- <https://equipmentfacts.bid/m/lot-details/index/catalog/451/lot/97675?url=%2Fm%2Fview-auctions%2Fcatalog%2Fid%2F451%2F> Power Type: Electric

Price: USD \$1,300.00

Auction: Sat, Sep 15, 2018

 [Financial Calculator](#)

Serial Number: 447976

Condition: Used

Stock Number: 27

Updated: Mon, Oct 8, 2018 1:30 PM

[Financing](#)



 6
 1

LOT #: 7196

[Save](#)

CLUB CAR CARRYALL 1

Gas Golf Carts

Price: USD \$1,400.00

Auction: Sat, July 13, 2019

 [Financial Calculator](#)

Condition: Used

Stock Number: 7196

Updated: Sat, July 13, 2019 11:18 AM

 On-Site Auctions

Windstar Equipment & Auction LLC

Magnolia, Texas

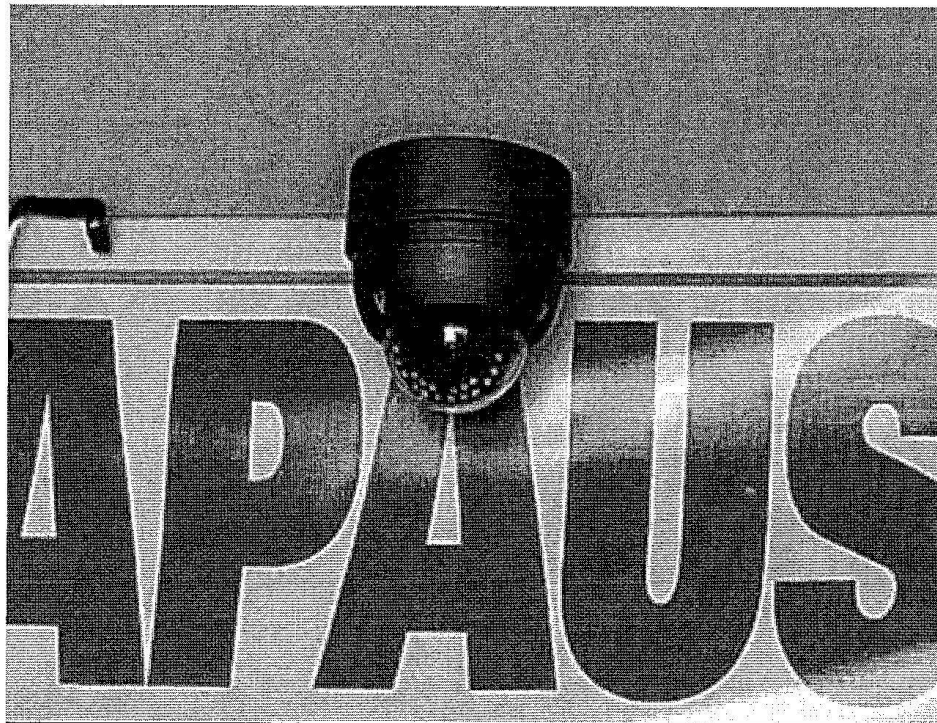
Phone: (281) 356-9633

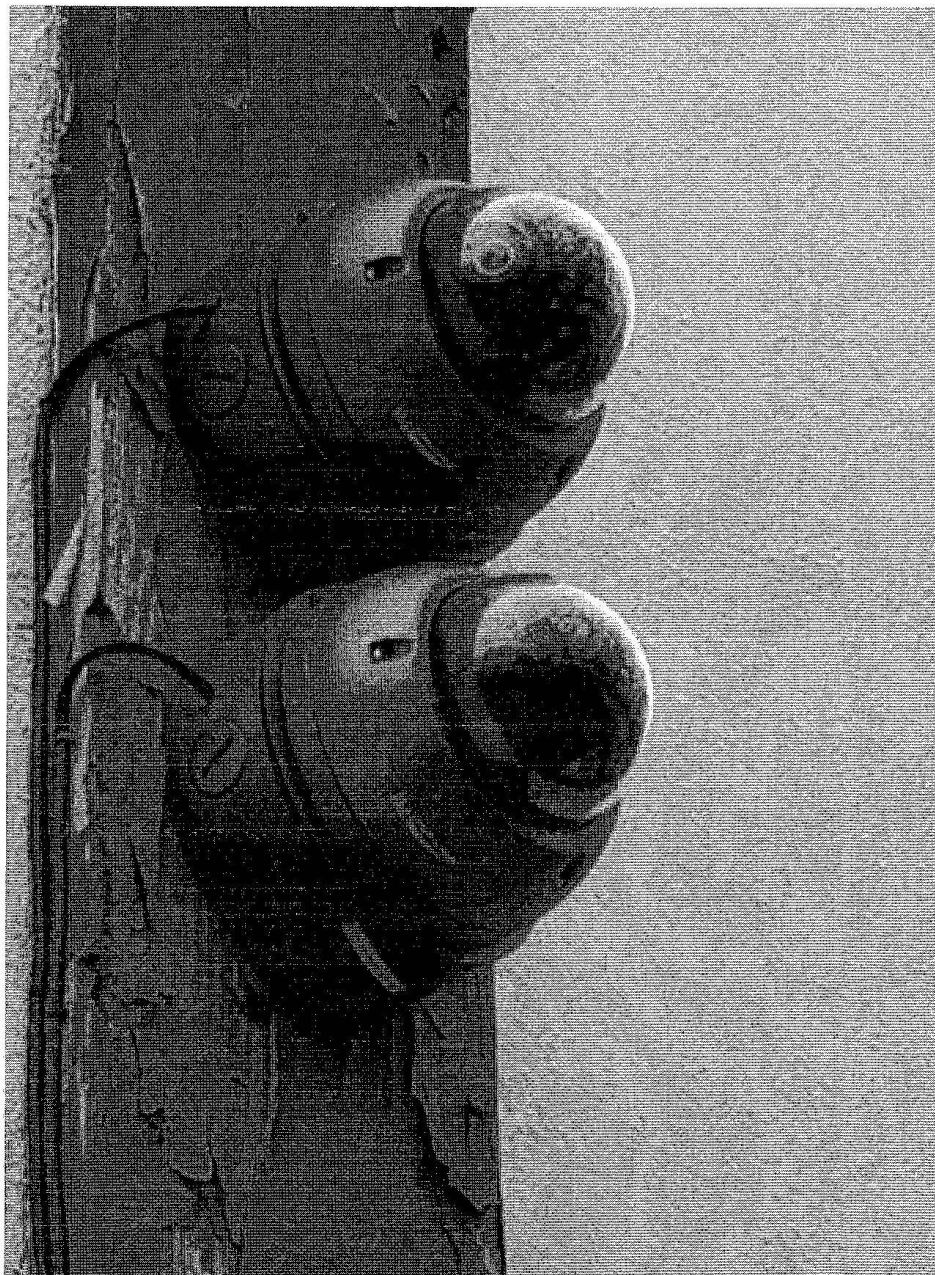
[Seller Information](#)

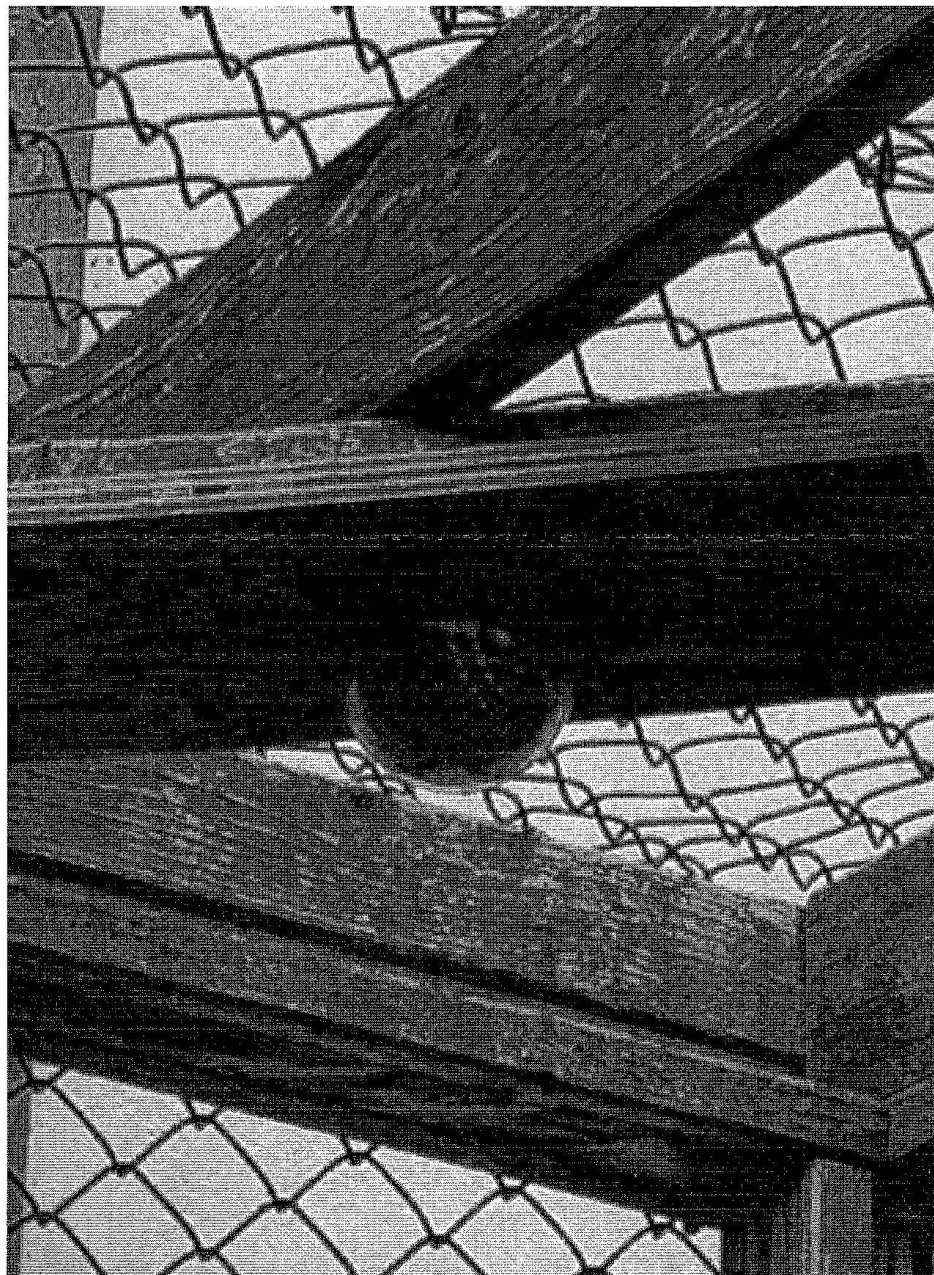
[View My Watchlist](#)

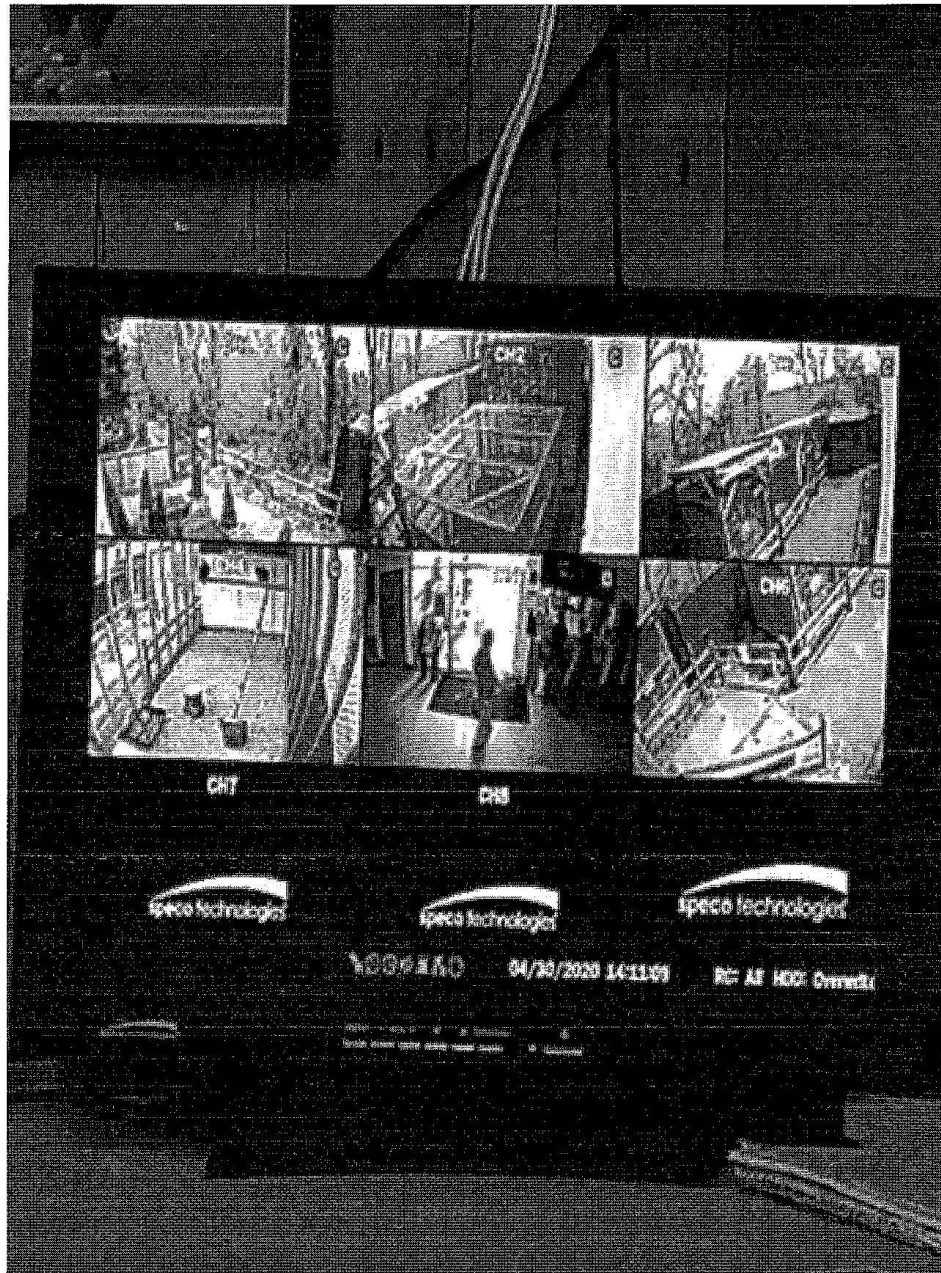
[Email Seller](#) [View Details](#)

EXHIBIT B
TACKAPAUSHA CAMERAS









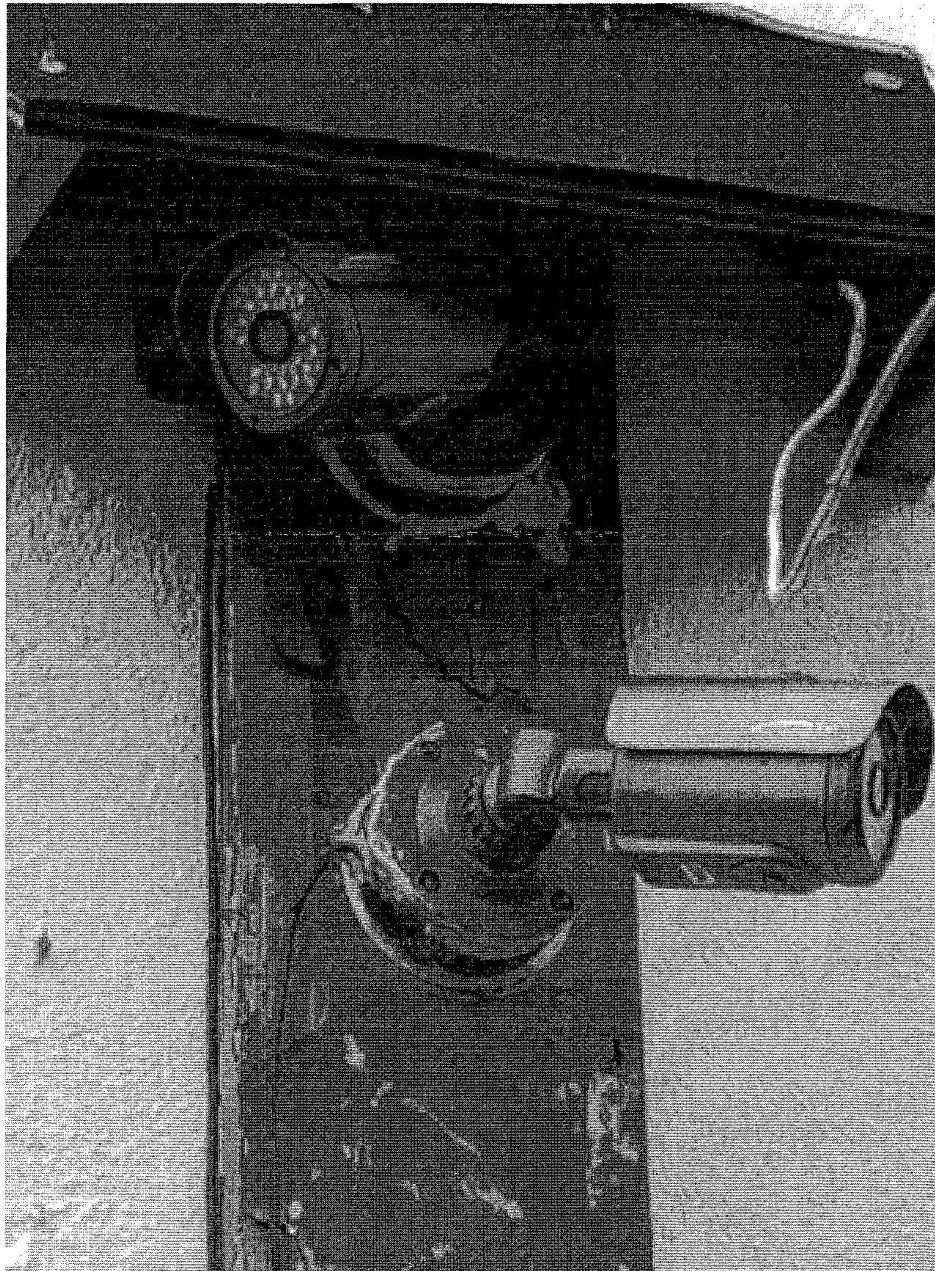


EXHIBIT C
VENDOR LETTER

May 11, 2020

Commissioner Eileen A. Krieb
Nassau County Department of Parks, Recreation & Museums
Eisenhower Park
East Meadow, NY 11557

Re: Wedding at Chelsea Mansion

Dear Commissioner Eileen A. Krieb:

Reference is made to the above-mentioned wedding of our daughter at Chelsea Mansion on June 2, 2018. Please note that the Event Agreement executed by my wife for the wedding included a payment that we recognized as a Permit Fee. We did not claim the payment as a charitable or any other kind of deduction on our tax returns.

Sincerely,

A black rectangular redaction box covering the signature of the sender.

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