



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

REPORT SUMMARY

WHY WE DID THIS REPORT

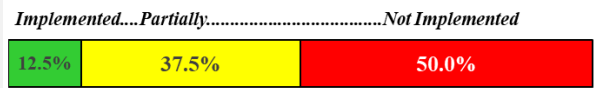
The “Friends of Nassau County Recreation, Inc.” (“Friends”) was created as a non-profit charitable organization to foster and promote the public’s appreciation of Nassau County parks, and to encourage their use for leisure and recreational purposes, as well as contribute to restoration, beautification 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.



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**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.



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- 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.