

December 20, 2021

Stefan I. Mychajliw, Comptroller
County of Erie, New York
Erie County Office Building
95 Franklin Street
Buffalo, NY 14202

Dear Mr. Mychajliw:

We have completed a peer review of the Erie County Comptroller's Division of Audit and Control (the Division) for the period January 1, 2018 through December 31, 2020 and issued our report thereon dated December 17, 2021. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office does well or has made improvements from our previous peer review:

- The Interim Audit Memorandums developed in the audit working papers are comprehensive and contain a concise explanation of the issue(s), cause(s), and impact of the issue(s), as well as recommendations to address the root cause(s).
- The Division employed experienced, competent, and qualified staff.
- The Division made significant improvements in documentation and consistency through the use of electronic workpapers and the standardization of workpapers since the last peer review.

We offer the following observations and suggestions to help your organization achieve full compliance with *Government Auditing Standards*.

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The following observations are relevant to all years reviewed (2018-2020):

- We noted a process for dating the reports issued that creates confusion and uncertainties surrounding the audit completion. Currently the cover page of the report is dated when posted on the County's website. The cover letter to the report is dated as of the completion of the audit procedures. And lastly, if provided, the response from the auditee is typically dated as of when they draft their response and typically falls between the dates of the cover letter and report. As noted in the bullet above, at times we noted workpaper signoffs after the date of the report and prior to the cover page, which indicates that the audit was in fact not completed. Furthermore, the receipt and evaluation of the auditee response is in and of itself an audit procedure and as such the report should not pre-date the receipt of the auditee response. The date of the cover page and the date of the letter to the Legislature should be consistent and should represent the date upon which the report is actually being presented to the Legislature and therefore complete.
- GAS 8.71 – 8.72 requires that the Division gather and assess information to identify the risk of fraud related to the audit objectives. If fraud may have occurred, the Division is required to extend audit steps and procedures to determine whether fraud has likely occurred and the effect on the audit findings. Based on our review of the file, we noted that considerations of fraud were not documented. Based on discussions with Division personnel, the Division doesn't specifically identify fraud as they are more concerned with what they referred to as a "theft of assets"; however, nothing is documented unless there is a concern. If such instances arise, this assessment would be included in the control section. Theft of assets is considered fraud, and therefore should be documented and considered. We recommend that the Division document this consideration during planning.
- System control questionnaires, walkthroughs, and assessments of internal controls as well as the audit risk assessment were documented; however, we noted that these were not always related back to the audit objectives.
- Overall, we noted instances wherein the documentation within the workpapers did not agree to the work performed by the Division. An example is noted below. We recommend that the Division review their current process to ensure that all considerations surrounding the audits are being documented within the workpapers.
 - We noted two instances in which the Division did not document their consideration regarding the use of a specialist. Based on discussions with personnel, it was noted that these steps were removed from the planning documents as part of an effort to streamline the planning process; however, it was communicated that the Division is not allowed to use specialists on their engagements. Therefore, we recommend that the Division revise the planning documents to note that the use of specialists is prohibited.

- Although it is mentioned in the Division’s Audit Manual, we noted no instances where there was coordination with the County’s external auditors. As described in the manual, coordination with the external audit firm ensures adequate audit coverage with minimal duplication of efforts. Further discussion with the Division’s audit staff indicated that there has been no coordination of efforts either from the external auditors to the Division, or from the Division to the external auditors for at least fourteen (14) years. We recommend that the Division document their consideration regarding coordinating these efforts as part of planning for each engagement.
- We noted that as part of the streamlining process the Division has undergone in recent years, the audit planning memorandum was condensed down to a one page document. However, we noted that this form may have been oversimplified in the process. We recommend that the Division review the necessary requirements and ensure that all necessary components are being included.
- The Division is properly completing all independence forms on an annual basis. While the planning checklist includes a step for consideration, it was not clear for three of the audits selected, what was done specifically on an engagement-by-engagement basis to ensure that new independence conflicts did not arise between the time the annual form was completed and when the audit was selected. We noted that in two instances (the most recent reports selected for peer review), this was being assessed for each engagement as part of the Audit Planning Memorandum.

The following observations are related specifically to the audits started prior to 2019:

- There were numerous workpapers where the date the work performed reported only the month and year. This level of documentation does not meet the requirement of the audit standards to document who performed the audit work and the date such work was completed. We noted that this was corrected in more recent workpapers; however, we recommend that both the preparer and reviewer continue to sign off and completely date the workpapers and Audit Review Checklist.
- There were numerous instances wherein the workpapers were reviewed months or even up to a year after it had been prepared. Additionally, we noted a significant delay between the report dates and the finalization and publication of the reports. As such, there were some workpapers that were prepared and/or reviewed after the report date but prior to finalization. For example, one report selected was dated February 23, 2018 but was not finalized until 2020 and we noted signoffs during 2020. Although we noted that the delays decreased significantly over the peer review period, we recommend that the Division continue to work to ensure more timely review of workpapers and issuance of reports to ensure all findings remain relevant.

- We noted an instance where the Division had completed a previous audit, yet the file documented that *“We did not verify if the recommendations were implemented as the Eden-Evans Center Road Project was completed prior to our scope period”*. Additionally, the conclusion of the workpaper noted *“As the Auditee did not provide written response to the report, we were unable to follow up on their extent of implementation”*. The Division’s audit planning checklist includes a question specifically addressing prior audit findings in connection with the initial planning procedures. Therefore, we recommend that the Division ensure that they are following up on previous audit findings, regardless of when the prior audit was completed, during the planning process.
- Overall, we noted instances wherein the documentation within the workpapers did not agree to the work performed by the Division. Examples are noted below. We recommend that the Division review their current process to ensure that all considerations surrounding the audits are being documented within the workpapers.
 - We noted one instance in which the team did obtain and document an understanding of the policies and procedures of the auditee; however, the audit program stated to obtain the documented processes of the auditee and the Division responded “N/A” as the Division didn’t obtain the auditee’s formally documented processes.
 - We noted that there were conclusions on workpapers but there was no link of these conclusions to the audit objectives. The conclusions did, however, support the findings in the report.
 - The Division is required to identify and evaluate the effect of in-process legal proceedings or investigations. We noted that the Audit Planning Checklist completed by the team states that the implications of legal requirements have been considered. However, we note that these considerations were not clearly documented, or not documented at all. Per discussion with Division personnel, the team took this step as asking about legal requirements surrounding the selected area, not legal proceedings or investigations. The team had documented the legal requirements.
 - We noted in some instances that procedures performed weren’t part of the objectives of the engagement. Based on discussions with personnel, additional procedures were added based on the results of the planned procedures. However, these changes in procedures weren’t documented. When audit objectives change, those should be documented in the planning workpapers and also communicated to the auditee accordingly.
 - We noted instances in which the program steps didn’t agree exactly to the audit work performed and the conclusion reached during the procedures. We recommend that the Division ensure there is a clear link between the program and the work being performed.

- We noted an instance in which an auditee department didn't provide the Division with everything that they needed in order to perform the testing. No additional procedures were documented in response to this.
- The audit program referenced the findings documents instead of referencing the testing workpapers where the findings should be documented.
- We noted some instances in which responses were provided by an auditee but there was no documentation regarding what was done to corroborate what was verbally provided by the auditee. Based on discussions with personnel, the team was unable to get support for what the auditee had claimed and simply accepted verbal confirmation as to accuracy and performed no further procedures. Verbal evidence alone is not sufficient to satisfy an audit objective. We noted that the walkthroughs, questionnaires, and auditee responses for the report were treated similarly.
- In one report, we noted that the objectives noted in the report did not agree to the audit scope documented and communicated in the Entrance Letter. There was no evidence of communicating that change in objective to the auditee.

We extend our thanks to you, your staff, and the other officials we met for the hospitality and cooperation extended to us during our review.

Very truly yours,

THE BONADIO GROUP



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Partner