

December 20, 2021

Stefan I. Mychajliw, Comptroller
County of Erie, New York
Erie County Office Building
95 Franklin Street
Buffalo, New York 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 - December 31, 2020. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA). Organizations can receive a rating of pass, pass with deficiency, or fail. The Division has received a rating of pass with deficiencies.

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the Division's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

We noted the following deficiencies in your internal quality control system that resulted in recurring nonconformance with aspects of *Government Auditing Standards* and make the following recommendations to help your organization achieve full compliance with *Government Auditing Standards*:

- GAS 4.02. In reviewing the Division's workpapers we observed a lack of documented evidentiary review of audit workpapers by the supervising or lead auditor on a timely basis. We noted that the timeliness issue related to audits completed during 2018 but did note improvements to the timeliness in the 2019 and 2020 audits completed subsequent to the last peer review. We recommend that the supervising or lead auditor continue to ensure the review is completed on a timely basis.

- GAS 8.63 – 8.67c. It is not evident that the Division is properly considering Information Systems Controls in the context of the audit objective when planning and performing the audits. We noted that system controls were not observed due to limitations of the auditor’s privileges in the system. This was prevalent in the 2018 audit period, but not during the 2019 and 2020 period in part due to the reduced complexity of the audits selected during for review from those periods. We recommend that the Division review the Yellow Book section related to Information System Controls and consider alternative means of obtaining that information during the planning process. The Division should never be hindered by limitations related to auditor’s system privileges and steps should be taken to obtain the necessary credentials, or to request assistance as necessary from counsel or the Legislature to provide access to complete the engagements.
- GAS 8.68. Procedures were documented on the audit program and, per discussion with personnel, were designed and performed to detect noncompliance with laws and regulations. However, over the course of the review period there was no formal assessment of the risk of noncompliance with laws and regulations performed and documented. We recommend that the Division include the assessment of the risk of noncompliance with laws and regulations as part of their risk assessment.
- GAS 8.90-8.92. We also noted that sampling documentation did not demonstrate how the selection and design of the sampling method appropriately addressed the auditor’s ability to rely on the sample to obtain reasonable assurance that the evidence was sufficient and appropriate to support the auditor’s findings and conclusions in relation to the audit objectives, and to reduce audit risks to an appropriate level. We noted that this was the case for audits performed in 2018; however, the audits selected from 2019 and 2020 appropriately documented the sampling method. We recommend that the Division continue its current process for documenting the sampling procedures used to obtain the evidence needed to support the opinion formed.

Based on the results of our review, it is our opinion that, except for the deficiencies noted above, the Division’s internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits and attestation engagements during the period of January 1, 2018 - December 31, 2020. Due to variances in individual performance and judgement, compliance does not imply adherence to standards in every case but does imply adherence in most situations.

We have prepared a separate letter providing other useful observations and suggestions for strengthening your internal quality control system.

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Bmalis & Co, LLP