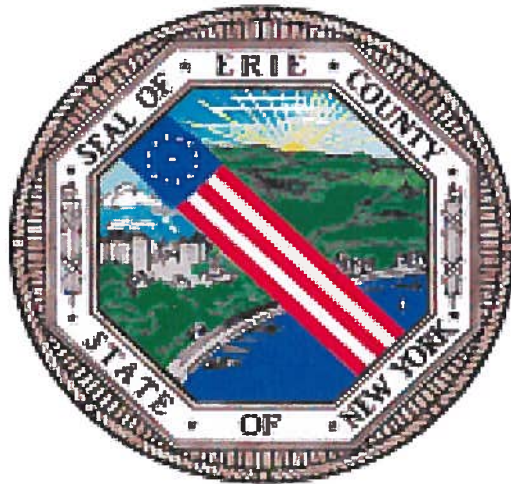


January 2013

**QUALITY ASSURANCE REVIEW  
DIVISION OF AUDIT AND CONTROL**



**TERESA M. FRAAS  
ERIE COUNTY DEPUTY - COMPTROLLER  
AUDIT AND CONTROL**

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January 18, 2013

Hon. Stefan I Mychajliw  
Erie County Comptroller's Office  
92 Franklin Street, 11th Floor  
Buffalo, New York 14202



Dear Hon. Mychajliw,

At your request, I have completed a quality assurance review of the Erie County Division of Audit and Control to evaluate the overall effectiveness of the operations and compliance with relevant policies and standards.

Following is a brief outline of my key findings.

Sincerely,

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**Teresa M. Fraas**  
**Erie County Deputy Comptroller – Division of Audit and Control**

cc: Erie County Legislature

## **BACKGROUND**

Because Erie County continues to face fiscal challenges and the Erie County Comptroller's desire to return Erie County to a path of fiscal stability, the Comptroller's priorities will include identifying and eliminating fraud, waste, and abuse by those entrusted with public responsibilities, reforming ineffective and wasteful programs, and taking every opportunity to achieve cost savings. If taxpayers are to obtain the returns they deserve on their tax dollars, programs must be driven by performance and focused on results. All of these actions and more are essential to restoring Erie County to good financial health. To this end, the Division of Audit and Control is responsible with conducting audits and reviews to provide the Executive and Legislative branches, as well as the public, with an independent and objective view of how county government can operate more efficiently and effectively. Audits and reviews also increase transparency and accountability for taxpayer-funded operations and services. To ensure that audits are completed efficiently and are effective, the Comptroller requested the Deputy Comptroller - Audit and Control perform a quality assurance review of the department operations.

## **EXECUTIVE SUMMARY**

I completed a quality assurance review of the Division of Audit and Control department operations to determine the overall effectiveness of the operations and to ensure that we are following the standards set by the Institute of Internal Auditors and the Generally Accepted Government Auditing Standards. My information was obtained through discussions with current audit staff and other employees of the County familiar with past audit activities. I reviewed prior year workpapers and audit reports issued by this department. I collected and reviewed all department policies, procedures and manuals. I also considered the recommendations for improvements contained in a peer review report dated December 19<sup>th</sup>, 2012 issued by Bonadio & Co., LLP and the management letter comments issued June 27<sup>th</sup>, 2012 by the external auditors Drescher and Malecki. I followed the Administrative Review Checklist included in the Government Auditing Standards. Below is a listing of the key findings. It is not all-inclusive.

## **KEY FINDINGS**

### **1. Organizational Responsibilities, Planning and Quality Control**

- a. There is no audit department charter that details the responsibility and authority of the audit department.
- b. The current Audit Manual has not been updated since 2009. It is not comprehensive and does not include key topics such as mission statement, administrative policies and procedures, personnel policies and procedures, all audit policies and procedures and quality control policies and procedures.
- c. There is no system in place for planning and controlling individual assignments.
- d. There is a lack of internal review or periodic internal quality control review to identify ways of achieving more effective, efficient and economical performance or to test audit reports and workpapers to ensure compliance with accepted audit standards.

### **2. Independence**

- a. Past practices did not allow for audits to be conducted and/or results reported free from interference, control or influence from the entity under audit or other departments of the County.
- b. The audit department did not pursue legal or administrative means to obtain records and documents needed to do an audit.
- c. Current audit organizational practices do not promote the exercise of professional judgment by audit team members.

### **3. Qualifications**

- a. We will continue to work collaboratively with the Commissioner of Personnel to determine whether or not current audit staff has the education, experience, ability and skills required to perform professional audits.
- b. The continuing education program does not comply with industry standards.

### **4. Performance Evaluations**

- a. Performance and proficiency criteria in the job description are not sufficient to select the best-qualified individuals.

- b. There is no formalized employee performance evaluation process and no requirement for periodic evaluation.

**5. Supervision**

- a. There are no written policies and procedures regarding the supervision of audit work
- b. Current staffing levels include one senior auditor who has not been assigned any supervisory responsibilities.
- c. Audit status reports do not exist and time budgets were not established for audit projects.

**6. Evidence and Workpapers**

- a. There is no written guidance on obtaining and documenting evidence.
- b. No written instructions for preparing workpapers.

**7. Internal Controls**

- a. Audit steps have not been designed to assess the presence, effectiveness or adequacy of internal control procedures or practices.

**8. Legal Compliance**

- a. There is no requirement that auditors design program steps and procedures that will provide reasonable assurance that an audited entity adhered to the requirements of law and regulation.
- b. Current procedures do not require auditors to assess the risk that abuse and/or illegal acts could occur or require that audit procedures be extended when abuse and/or illegal acts are suspected.

**9. Reporting**

- a. Prior audit report findings may not be based on sufficient objective evidence.
- b. No written guidance covering how to develop a finding nor on report preparation.
- c. No requirement for an independent reviews of the workpapers to verify that the report facts and conclusions are supported by the workpapers.

## **CORRECTIVE ACTION PLAN**

Because of this thorough review I am developing a corrective action plan to address each of the deficiencies identified above. The plan will include specific tasks and expected results. I will review the status of the completion of each of the items with the Comptroller on a monthly basis. Most action plan items will be completed by December 31<sup>st</sup>, 2013.