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**COUNTY OF ERIE**  
**STEFAN I. MYCHAJLIW**  
**COMPTROLLER**

September 10, 2014

The Honorable  
Erie County Legislature  
92 Franklin Street  
Buffalo, New York 14202

**RE: Authorization to Contract for Co-Sourced Internal Audit Services and Risk Assessment**

Dear Honorable Legislators:

Pursuant to your Legislative Rules of Order and the Erie County Code, attached you will find a resolution for your consideration and the necessary information to support it. The resolution provides the County Executive with the authorization to enter into an agreement with Freed Maxick CPAs, PC for co-sourced internal audit services as well as the completion of a county-wide risk assessment.

My staff and I look forward to the opportunity to discuss this resolution at your next Finance and Management Committee meeting. Thank you, in advance, for your consideration of this request.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan I. Mychajliw", with a long horizontal line extending to the right.

STEFAN I. MYCHAJLIW  
Erie County Comptroller

## MEMORANDUM

**To:** Honorable Members of the Erie County Legislature  
**From:** Erie County Comptroller Stefan I. Mychajliw  
**RE:** Authorization to Contract for Co-Sourced Internal Audit Services and Risk Assessment  
**Date:** September 10, 2014

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### SUMMARY

On Friday, August 1, 2014 the Erie County Comptroller issued an RFP seeking the input of qualified firms to perform co-sourced internal audit services as well as conduct a comprehensive, county-wide risk assessment. Nine firms responded and all of them were scored on a variety of factors relating to their ability to serve the county's needs. That scoring process is detailed in an attachment to this request. Freed Maxick CPAs, PC achieved the highest score in the scoring process, and they were selected by the RFP Committee to conduct this work. At this junction, the Comptroller's Office is working to re-align our 2015 budget request to fund the co-sourced arrangement, and we are seeking your approval to move available funds in our 2014 budget to fund the risk assessment. The resolution also authorizes the County Executive to enter into the necessary agreements in order to implement both the co-sourced internal audit arrangement and the risk assessment.

### FISCAL IMPLICATIONS

This reorganization of the way the Comptroller's Office manages our charter function to audit the county will lead to a savings to taxpayers. The co-sourced arrangement for internal audit will be included in our 2015 budget proposal which your honorable body will receive in a few weeks. With your approval, the risk assessment will be funded with 2014 budget savings that were achieved through vacancy control. This (not to exceed) \$40,000 appropriation only represents 14% of the total 2014 vacancy savings being realized in the Comptroller's Office this year.

### REASONS FOR RECOMMENDATION

It is the Comptroller's intention to bolster the resources available to our Audit Division. By partnering with a large private sector firm that is part of the national McGladrey Alliance, we will significantly strengthen our office's ability to properly audit the county.

Freed Maxick is ranked in the Top 100 CPA Firms in the nation and is the largest CPA Firm in Erie County. A co-sourced internal audit arrangement with them provides the County access to over 300 individuals with professional certifications such as Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Project Management Professional (PMP), Certified Fraud Examiner (CFE) and Certified Information Systems Auditor (CISA). Freed Maxick also provides the County with auditor assistant software, several automated tools, staff trainings and vastly improves our access to needed subject matter expertise.

### BACKGROUND INFORMATION

Enhancing the ability of the Comptroller's Audit Division to do their job more effectively and efficiently meant that we needed access to greater auditing tools and software, specialists in various fields and the completion of a comprehensive risk assessment to guide an internal audit plan. Many of these concerns are brought to the County's attention on an annual basis in the management letter issued by our external auditors. Solving these concerns internally is far too expensive; therefore the Comptroller issued an RFP to explore co-sourcing our internal audit function. Combining the tools and resources held by private sector accounting firms with the knowledge of government accounting in our Audit Division creates a terrific partnership for the taxpayer. Having outside auditors working in county

government is a standard practice in many county departments and offices, including Social Services, the Clerk's Office and the Comptroller's Office.

**CONSEQUENCES OF NEGATIVE ACTION**

Failure to approve this resolution will deny the County access to the needed resources an arrangement like this can provide.

**STEPS FOLLOWING APPROVAL**

The Comptroller's Office will work with the County Attorney to draft the proper agreements to conduct both the risk assessment and the co-sourced internal audit. The risk assessment agreement will be drafted and executed as soon as possible, with work beginning this year. The agreement to co-source will follow, with work expected to begin on January 1<sup>st</sup>.

**A RESOLUTION TO BE SUBMITTED BY:  
ERIE COUNTY COMPTROLLER STEFAN I. MYCHAJLIW**

**RE: Authorization to Contract for County-Wide Risk Assessment and Audit Services**

WHEREAS, Article 18, Section 1802a of the Erie County Charter identifies the Erie County Comptroller as the Chief Fiscal, Accounting and Auditing Officer of the County; and

WHEREAS, Article 18, Section 1802g of the Erie County Charter grants the Comptroller the power to conduct management and performance audits of county administrative units and county funded programs in conformity with generally accepted auditing standards as prescribed by the American Institute of Certified Public Accountants and the Comptroller General of the United States and submit such audit reports to your honorable body; and

WHEREAS, in accordance with Section 19.08 of the Erie County Code, County Comptroller Stefan I. Mychajliw issued a request for proposal(s) (#1428VF) for the provision of co-sourced internal audit services, which requested firms to separately price the completion of a thorough risk assessment; and

WHEREAS, in accordance with Section 19.08 of the Erie County Code, a committee was formed to review and score the qualified firms that responded and the results of that process have been provided (Attachment A) to your honorable body; and

WHEREAS, Comptroller Stefan I. Mychajliw believes strongly that Erie County must contract with a qualified firm to complete a risk assessment and bolster our internal audit efforts; and

NOW, THEREFORE, BE IT

RESOLVED, that the Erie County Legislature does hereby authorize the County Executive to enter into an agreement with Freed Maxick CPAs, PC to perform co-sourced internal audit services for the County; and be it further

RESOLVED, that the Erie County Legislature does hereby authorize the County Executive to enter into an agreement, not to exceed a cost of \$40,000, with Freed Maxick, LLP to perform a comprehensive risk assessment of county operations; and be it further

RESOLVED, that the County Comptroller has identified within the current 2014 budget the following funds to fund the risk assessment:

<u>REVENUE</u>	<u>DECREASE</u>
500000 Full Time – Salaries	\$25,000
502000 Fringe Benefits	\$15,000
 <u>EXPENSE</u>	 <u>INCREASE</u>
516020 Prof Svcs Contracts & Fees	\$40,000

and be it further

RESOLVED, that certified copies of this resolution be sent to the County Executive, the County Comptroller, the Director of Budget and Management and the County Attorney



## Erie County Comptroller Stefan I. Mychajliw

**Attachment A: Scoring Sheet for RFP#: 1428VF – Co-Sourced Internal Audit Services**

### Demonstrated knowledge and experience in auditing government

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
12	9	12	9	15	12	5	10	13

### Accessibility of experienced internal audit personnel

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
13	11	13	14	15	13	8	8	12

### Risk Assessment Proposal

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
13	5	8	14	15	13	6	9	10

### Ability to provide as needed subject matter experts

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
12	5	7	14	14	9	6	8	9

### Quality of internal audit practice qualifications and firm's commitment to client service

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
13	11	13	13	15	14	8	8	12

Firm's commitment to the (Erie County) community

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
4	9	11	8	14	14	3	7	12

Outline of a co-sourced structure

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
12	9	11	7	14	11	6	10	11

Price

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
6	7	9	5	14	8	5	6	11

Sufficient information provided about core team members that will serve Erie County

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
14	13	14	14	14	14	10	12	14

Average of Total Scores, rounded

Bonadio	Chiampou	Dopkins & Co.	Ernst & Young	Freed Maxick	Lumsden McCormick	Project Control Companies	Toski & Co.	Tronconi & Segerra
11	9	11	11	14	12	6	9	11.5