



EC LEG DEC 30 '21 PM 3:30

## STEFAN I. MYCHAJLIW

ERIE COUNTY COMPTROLLER

December 30, 2021

Erie County Legislature  
92 Franklin Street – 4<sup>th</sup> Floor  
Buffalo, New York 14222

### Re: Peer Review

Dear Honorable Members:

The certified public accounting firm of Bonadio & Co., LLP (“Bonadio”) has completed a peer review of the Erie County Comptroller’s Office Division of Audit and Control (“Audit”) for the period January 1, 2018 through December 31, 2020.

This letter highlights the key findings in the accompanying peer review report, issued by Bonadio. In addition, corrective action implemented by Audit during the three-year review period is described. As in past peer reviews, the Division rating for the review period was pass with deficiencies. The deficiencies noted were observed in a report commenced prior to 2018, with field work completed in February 2018, before Bonadio’s recommendations in the previous peer review report. As described in the report, most deficiencies noted were corrected in audits started in 2019 going forward.

A summary of the reported deficiencies are stated below:

- GAS 4.02 – work papers were not reviewed on a timely basis. The report noted that the timeliness was improved on audits started in 2019 and 2020.
- GAS 8.63 – 8.67c – the Division was not properly considering Information Systems Controls. The report noted that this issue was not prevalent on audits started in 2019 and 2020.
- GAS 8.68 - no formal assessment of the risk of noncompliance with laws and regulations was performed, although tests of compliance were performed and documented. The negative effects of this deficiency were mitigated since tests of compliance were performed and documented, as noted in the report.
- GAS 8.90 – 8.92 - the sampling method was not appropriately documented. The report noted that the sampling method was appropriately documented on audits started in 2019 and 2020.

Improvements in the performance of the Division were the results of correction action implemented in 2019 and 2020, subsequent to the recommendations made in the 2018 peer review report, which included the following:

- Significant SAP training for audit staff.
- Implementation Of 2018 Government Auditing Standards.
- Development of standardized work papers.
- Modified work paper format including enhanced content.
- Transitioned from paper to electronic audit files.

These improvements in policies and procedures, as suggested in this year's peer review report, have placed Audit in a strong position moving forward.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Mychajliw, Jr.", with a stylized flourish at the end.

Stefan I. Mychajliw, Jr.  
Erie County Comptroller

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.

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- 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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*Bernalis & Co, LLP*