



External Quality Control Review

of the
City of Austin
Office of the City Auditor

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period May 1, 2009 to April 30, 2012



Association of Local Government Auditors

June 29, 2012

Mr. Kenneth J. Mory, City Auditor
301 West 2nd Street, Suite 2130
Austin, Texas 78701

Dear Mr. Mory,

We have completed a peer review of the City of Austin Office of the City Auditor for the period May 1, 2009 through April 30, 2012. In conducting our review, we followed the standards and guidelines contained in the applicable *Peer Review Guides* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and nonaudit 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.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Austin Office of the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit engagements during the May 1, 2009 through April 30, 2012.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Sheila M. Roberts
Comptroller, Orange County, Florida

Bob MacKay
City of Portland, Oregon

Carolyn Phu
City of Long Beach, California



Association of Local Government Auditors

June 29, 2012

Mr. Kenneth J. Mory, City Auditor
301 West 2nd Street, Suite 2130
Austin, Texas 78701

Dear Mr. Mory,

We have completed a peer review of the City of Austin Office of the City Auditor (OCA), for the period May 1, 2009 through April 30, 2012 and issued our report thereon dated June 29, 2012. 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 excels:

- OCA works with local universities and colleges, offering internship positions, as well as working with professors instructing internal auditing curriculum and coordinating to utilize enrolled students on certain audits. This demonstrates OCA's commitment to promoting internal audit functions in local governments.
- Implementation of TeamMate software application to improve audit documentation completeness and standardization.
- We commend the OCA's efforts in maintaining a competent staff, through robust procedures to provide staff with timely performance evaluations via project appraisals and annual appraisals, including training plans to provide professional growth and competencies.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Standard 3.02 requires independence of the audit organization and the individual auditor. As also noted in the 2009 Peer Review, we observed in one engagement that an audit team member had not signed the Independence Statement form. In another audit, student auditors were not required to complete that standard independence form but did sign acknowledging the Ethics Policy. The OCA Ethics Policy does refer to independence and professional behavior with external personnel.

We suggest that with the use of TeamMate templates and supervisory reviews, each audit team member's independence be appropriately documented for their assigned projects.

- Standard 7.30 requires when auditors comply with all applicable standards that specific language citing compliance be included in each report. We observed in reviewing one of the sampled reports, that only the first sentence of the required language was included. The work papers did not support modification of the required language.

We suggest quality assurance reviews continue to include verification prior to issuance so that reports include the appropriate required language citing standards.

OCA continues to demonstrate a long-term commitment to the peer review process. Significant leadership and staff changes as well as revisions to *Government Auditing Standards* occurred during the peer review period. OCA took efforts to resolve issues identified in the 2009 Peer Review, documenting revised policy and procedures including quality control processes, striving for continued improvement.

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

Sincerely,



Sheila M. Roberts
Comptroller, Orange County, Florida



Bob MacKay
City of Portland, Oregon



Carolyn Phu
City of Long Beach, California



City of Austin

Office of the City Auditor

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Date: June 29, 2012

To: Sheila Roberts, ALGA Peer Review Team Leader
Bob MacKay, ALGA Peer Review Team Member
Carolyn Phu, ALGA Peer Review Team Member

Subject: Response to 2012 Office of the City Auditor Peer Review Results

I have reviewed your report of June 29, 2012 containing the results of your external quality control review of the City of Austin Office of the City Auditor. I am pleased that the team found that our office continues to conduct our work in full compliance with government auditing standards.

I appreciate your comments about the areas where you found our office excels, and your observations and suggestions to further enhance our operations, including continued review for proper citation of standards in every audit and enhanced procedures to ensure documentation of consideration of independence for engagements. I agree with your recommendations and will ensure that we remain attentive to those areas as we conduct our work.

I would also like to extend my thanks to each of you. I appreciate your participation in the peer review process and the time you took to review our office. I plan to share your report with the City of Austin Mayor and Council and make it available to the public on our website.

Regards,


Kenneth J. Mory
City Auditor