



External Quality Control Review

of the
City of Austin's
Office of the City Auditor

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

For the period May 1, 2012 to April 30, 2015



Association of Local Government Auditors

June 12, 2015

Corrie Stokes, City Auditor
200 West Cesar Chavez Street
Austin, Texas 78701

Dear Ms. Stokes,

We have completed a peer review of the City of Austin Office of the City Auditor for the period May 1, 2012 through April 30, 2015. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* 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, management, and a member of the Audit and Finance Committee 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 audits and nonaudit engagements during May 1, 2012 through April 30, 2015.

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

Lynn Stokes, CPA
City of Clarksville,
Tennessee

Cynthia Birney, CPA, CFE
Clark County, Nevada

Carmen Miller, MS Accounting
DFW Airport, Dallas, Texas



Association of Local Government Auditors

June 12, 2015

Corrie Stokes, City Auditor
200 West Cesar Chavez Street
Austin, Texas 78701

Dear Ms. Stokes,

We have completed a peer review of the City of Austin Office of the City Auditor, for the period May 1, 2012 through April 30, 2015, and issued our report thereon dated June 12, 2015. 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:

- The Office of the City Auditor Academy for new employees provides standardized training for new hires that helps familiarize them with the policies and procedures of the office. It is taught by upper management of the office and enables the new hires to become acquainted with management level personnel as well as the office protocol.
- The Office of the City Auditor has creative methods of updating employees on standards and policies including contests and brown bag lunches. Employees seem to enjoy the opportunities to compete and interact with one another.
- The use of Teammate software and the associated templates standardizes and organizes the OCA's projects.

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

- Standard 7.19 requires that the scope of work on internal control be included in reports. We noted that this requirement is not included in your policies and procedures and observed that this information was not specifically included in five of the six audits reviewed.

We recommend that you add the requirement to your written policies and procedures and include the required reporting on internal control to your reports.

- Standards 3.33 – 3.59 require that nonaudit services be assessed in relation to the GAGAS conceptual framework of independence. The standards also require the audit organization to document the assessment for each service performed. In reviewing the OCA's workpapers for five nonaudit services performed during the review period, we noted that two projects did not contain documentation of the assessment performed.

We recommend that you clarify in your written policies and procedures the requirement to assess nonaudit services performed in accordance with the GAGAS conceptual framework and document the assessment on the engagement level as each nonaudit service is accepted or not accepted.

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,



Lynn Stokes, CPA
City of Clarksville,
Tennessee



Cynthia Birney, CPA, CFE
Clark County, Nevada



Carmen Miller, MS Accounting
DFW Airport, Dallas, Texas



City of Austin

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Date: June 12, 2015

To: Lynn Stokes, Peer Review Team Leader
Cynthia Birney, Peer Review Team Member
Carmen Miller, Peer Review Team Member

Subject: Response to 2015 Office of the City Auditor Peer Review Results

I have reviewed your report of June 12, 2015 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 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. We agree with your recommendations and plan to implement them by:

- Adding the requirement to report on the scope of work on internal control to our policies and procedures and ensuring the required reporting on internal control is reflected in our reports, and
- Clarifying the requirement to assess engagements considered non-audit services using the conceptual framework contained in Government Auditing Standards and documenting that assessment for each non-audit engagement.

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 Austin City Council and make it available to the public on our website.

Sincerely,

Corrie Stokes, City Auditor