



Association of Local Government Auditors

September 24, 2009

Mr. Taylor Dudley
Acting City Auditor
301 West 2nd Street, Suite 2130
Austin, TX 78767-8808

Dear Mr. Dudley:

We have completed a peer review of the Office of the City Auditor (OCA) for the period May 1, 2006, through April 30, 2009. 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 if 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. 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 OCA's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period under review.

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

Beth Breier
City of Tallahassee, FL

Carol Smith
City of Dallas, TX

Tanya Baize
Jackson County, OR



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Acting City Auditor
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Austin, TX 78767-8808

Dear Mr. Dudley:

We have completed a peer review of the Office of the City Auditor (OCA) for the period May 1, 2006, through April 30, 2009 and issued our report thereon dated September 25, 2009. 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:

- We commend the OCA's efforts and work with the City of Austin Audit and Finance Committee. Our observations and interviews indicate that the Audit Committee is involved and engaged in the OCA's audit efforts of city departments and programs.
- OCA's policies and procedures provide excellent guidance for the implementation of and compliance with *Government Auditing Standards*.
- Based on our interactions with staff members, review of policies and procedures, and review of project types and reports, the OCA has conducted value-added audits of City departments and programs.
- The reports we reviewed were well written and easy to read and understand.

Additionally, The OCA continues to demonstrate a long-term commitment to the peer review process, as shown by the actions OCA has taken to respond to the 2006 Peer Review recommendations. Examples include the implementation of:

- Periodic internal reviews of continuing professional education (CPE) hours earned by each employee during the reporting period to identify deficiencies and ensure compliance with *Government Auditing Standards*.
- Processes that require the periodic review of work papers to determine compliance with *Government Auditing Standards* shows an earnest effort toward identifying and improving potential deficiencies within the OCA's audit documentation.

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

During our review of OCA work papers, we noted some inconsistencies with the application of OCA Policies, specifically, Policy 3.1.9, related to the sufficiency of evidence, and Policy 3.1.2, related to certifying auditor independence. Examples where improvements could be made relate to:

- Documentation such as evidence of the supervisor's verification of cross-references to supporting work papers.
- Completion and cross-references for OCA required work papers, such as surveys.
- Documentation of the work papers' source, purpose, steps taken, and conclusion.
- Documentation of the external specialists' qualifications and OCA's determination of the sufficiency, relevance and competence of the specialists' evidence.
- In two of the seven audit workpapers reviewed, we noted there was not a complete Auditor Assignment & Independence Form. (i.e., the form did not have all required signatures or were signed after the audit report was released).

We noted that the OCA has recently implemented internal review processes designed to identify similar deficiencies. Additionally, OCA provided staff training to encourage better work papers and audit documentation. OCA management indicated that they were planning to acquire an electronic workpaper solution in the near future which would assist them in to better standardize and streamline documentation of audit work performed. We support such internal reviews and encourage OCA to continue these efforts.

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.

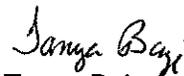
Sincerely,



Beth Breier
City of Tallahassee, FL



Carol Smith
City of Dallas, TX



Tanya Baize
Jackson County, OR



City of Austin

MEMO



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September 24, 2009

Beth Breier
City of Tallahassee, FL

Carol Smith
City of Dallas, TX

Tanya Baize
Jackson County, OR

Dear Peer Review Team:

Thank you for performing an external quality control review of the Office of the City Auditor in Austin, Texas. We appreciate your recognition of areas where our office excels and appreciate your observations and suggestions on areas where we could strengthen controls. We intend to implement all of the improvements indicated in your management letter.

Specifically we will ensure that we include necessary elements and references on workpapers to facilitate review, retain evidence of supervisory review for key documents, capture qualifications of external specialists in our workpapers, and document our review of evidence obtained by specialists. We are also hoping to implement an electronic workpaper system in the near future to improve our ability to prepare, review, and track our audit documentation.

We also intend to continue performing our internal quality review process designed to detect areas that we can improve in prior to our next external quality review.

Thank you for the professionalism and commitment to quality work that you demonstrated during this review.

Sincerely,

Taylor Dudley, CIA, CFE, CGAP
Acting City Auditor
Austin, Texas