

**Meeting Date: 6/4/2013**

**Report Type:** Consent

**Report ID:** 2013-00482

**Title: City Auditor's 2013 Peer Review Results**

**Location:** Citywide

**Issue:** According to City Code Chapter 2.18, the City Council should be kept apprised of the City Auditor's work. This report documents the results of the City Auditor's 2013 Peer Review.

**Recommendation:** Pass a Motion accepting the results of the City Auditor's 2013 Peer Review.

**Contact:** Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

**Presenter:** None

**Department:** Mayor/Council

**Division:** Office of the City Auditor

**Dept ID:** 01001201

**Attachments:**

1-Description/Analysis

2-Background

3-Sacramento City Auditor's Peer Review 2013

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### **City Attorney Review**

Approved as to Form

Matthew Ruyak

5/24/2013 1:56:49 PM

### **Approvals/Acknowledgements**

Department Director or Designee: Jorge Oseguera - 5/23/2013 4:57:37 PM

## Description/Analysis

**Issue Detail:** According to City Code Chapter 2.18, the City Council should be kept apprised of the City Auditor's work. This report documents the results of the City Auditor's 2013 Peer Review.

**Policy Considerations:** The City Auditor's presentation of the Association of Local Government Auditors Peer Review Report is consistent with the Mayor and City Council's intent to have an independent audit function for the City of Sacramento.

**Economic Impacts:** None

**Environmental Considerations:** None

**Sustainability:** None

**Commission/Committee Action:** The Audit Committee unanimously accepted this report on April 30, 2013 and forwarded it to the full City Council for approval (Council Member Angelique Ashby was absent).

**Rationale for Recommendation:** This staff report provides the Audit Committee with information that may be used to meet its responsibility to provide oversight and supervision of the City Auditor.

**Financial Considerations:** The costs of the Peer Review were funded out of the 2012/13 Office of the City Auditor Budget.

**Emerging Small Business Development (ESBD):** Not applicable.

## **Attachment 02 – Background**

According to Generally Accepted Government Auditing Standards, “the audit organization should obtain an external peer review at least once every 3 years that is sufficient in scope to provide a reasonable basis for determining whether, for the period under review, the reviewed audit organization’s system of quality control was suitably designed and whether the audit organization is complying with its quality control system in order to provide the audit organization with reasonable assurance of conforming with applicable professional standards.”

The attached report is the results of our external quality control review for the January 1, 2011 to December 31, 2012. Based on the result of the review, it is the opinion of the Peer Review team that the Sacramento City Auditor’s Office internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.



# External Quality Control Review

of the  
Office of the City Auditor  
Sacramento, California

March 2013

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



## Association of Local Government Auditors

March 14, 2013

Jorge Oseguera  
City Auditor, Office of the City Auditor  
City of Sacramento  
915 I Street, 3<sup>rd</sup> Floor  
Sacramento, CA 95814

Dear Mr. Oseguera:

We have completed a peer review of the City of Sacramento's Office of the City Auditor for the period January 1, 2011 to December 31, 2012. 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 engagements and working papers
- Reviewing documents related to independence, training, and development of auditing staff
- Interviewing audit 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 Sacramento City Auditor's Office 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 January 1, 2011 to December 31, 2012.

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

Brian Estes  
Team Leader  
King County's Auditors Office

Sally Barber  
Team Member  
City of Colorado Springs

Cc: Sacramento City Council



## Association of Local Government Auditors

March 14, 2013

Jorge Oseguera  
City Auditor, Office of the City Auditor  
City of Sacramento  
915 I Street, 3<sup>rd</sup> Floor  
Sacramento, CA 95814

Dear Mr. Oseguera:

We have completed a peer review of the City of Sacramento's Office of the City Auditor for the period January 1, 2011 to December 31, 2012 and issued our report thereon dated March 14, 2013. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention areas where your office excels:

- The audit projects undertaken by your office are significant in scope and assess critical risk areas within Sacramento city government;
- For a relatively new audit office, your policies and procedures are thorough and your internal quality control system helps ensure your reports are objective, factually accurate, and are prepared following applicable government auditing standards;
- Your office has a high level of credibility with the City Council's Audit Committee as well as City departments, with management having agreed to implement 100% of the 213 audit recommendations you have made to date since 2010; and
- Your 2011 audit report on Employee Health and Pension Benefits was judged an exemplary audit report, having been selected as a 2011 Knighton Bronze Award winner.

While we acknowledge areas of significant accomplishment by your office, we offer the following observations and suggestions to enhance your organization's demonstrated adherence to Government Auditing Standards:

- Standard 3.106 - 3.107 states information in peer review reports may be relevant to decisions on procuring audits and auditors using another audit organizations work should request a copy of the audit organizations peer review. We noted that two performance audits during the review period were completed by contractors; however, the peer review results of such organizations were not reviewed as part of the procurement process. We

suggest on future procurements for performance audit services such peer review results be reviewed as part of the contracting process.

- Standard 6.53 – 6.55 and 6.83c states that supervisors must properly supervise audit staff. We noted during our work that, while supervisory review occurred at various engagement phases, it was not always clearly documented or was unclear when such supervisory review occurred. We suggest that future audits have better documentation of the extent and date of supervisory review of audit documentation.
- Standard 7.19 requires that auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed.

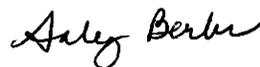
In the reports reviewed we observed that the objectives, scope, and methodology section did not always mention the scope of work on internal controls, nor was this topic mentioned in other report sections although the risk assessment documentation assessed internal controls or, in some cases, report findings addressed such controls. We recommend that future audit reports specifically address the scope of work on internal controls.

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,



Brian Estes  
Team Leader  
King County Auditor's Office



Sally Barber  
Team Member  
City of Colorado Springs



OFFICE OF THE  
CITY AUDITOR

JORGE OSEGUERA  
AUDITOR

CITY OF SACRAMENTO  
CALIFORNIA

March 14, 2013

Mr. Brian Estes:  
Ms. Sally Barber:

Thank you for performing as part of the Association of Local Government Auditor's Peer Review Program, the external quality control review of the Sacramento City Auditor's Office. I recognize the importance of our compliance with Government Auditing Standards. Further, I am pleased with your conclusion that my Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.

I appreciate the time that you took from your own offices to conduct this review. I also appreciate your professionalism and the thorough manner in which the work was completed.

I value the suggestions you made to enhance my office's adherence to Government Auditing Standards. The suggestions you made are well taken, and I will work quickly to address the recommended changes. Specifically, I will ensure that future procurements for performance audits conducted in compliance with Government Auditing Standards include our verification that the contractor has been peer reviewed. I will also update our policies and procedures to improve our documentation of supervisory review and to better disclose in our Scope and Methodology section of our audit reports the work we performed reviewing internal controls.

Thank you again for your review and suggestions.

Sincerely,

Jorge Oseguera,  
Sacramento City Auditor



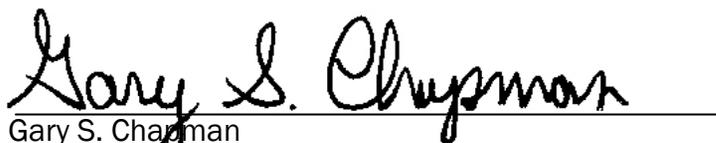
The Association of Local Government Auditors  
Awards this

# *Certificate of Compliance*

to

*City of Sacramento, Office of the City Auditor*

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit and attestation engagements during the period January 1, 2011, through December 31, 2012.

  
Gary S. Chapman  
ALGA Peer Review Committee Chair

  
Drummond Kahn  
ALGA President