



CITY OF ORLANDO

MEMORANDUM

To: The Honorable Buddy Dyer, Mayor

From: Beryl H. Davis, Audit and Evaluation Director

Date: January 27, 2005

Subject: External Quality Control Review of The Office Of Audit And Evaluation

The Office of Audit and Evaluation has received an external quality control review for audits issued during the period January 1, 2002 to December 31, 2004. This review was conducted under the standards and guidelines published by the National Association of Local Government Auditors (N.A.L.G.A.) as the N.A.L.G.A. Quality Control Review Guide. As prescribed by the N.A.L.G.A. guide, the review team assessed the internal quality control system of the Office and tested a sample of audits for compliance with Government Auditing Standards issued by the Comptroller General of the United States. City Policies and Procedures state that our audits will be conducted according to these standards.

Attached is the report of the review team, which was made up of auditors from two peer city governments. The team concluded that the system of internal quality control in the Office of Audit and Evaluation operates to provide reasonable assurance that the applicable standards are followed. These standards pertain to the auditor's professional qualifications, the quality of the audit effort, and the characteristics of professional and meaningful audit reports.

The review team commended the Office for its professional and competent staff and its concise but comprehensive Audit and Evaluation Manual. The review team also made recommendations to enhance our quality control system. Our responses to these recommendations for improvement are included in the attachments. We will make every effort to improve our processes to ensure that we continue to provide quality service to the City of Orlando.

BHD/am

Attachment

c: Jose I. Fernandez, Jr., Chief of Staff
Joseph Robinson, Deputy Chief of Staff
Richard L. Levey, AICP, Chief Administrative Officer
G. Michael Miller, Chief Financial Officer
Deborah Girard, Management, Budget and Accounting Director
City of Orlando Audit Board Members



National Association of Local Government Auditors

January 27, 2005

Beryl H. Davis, Audit and Evaluation Director
Office of Audit and Evaluation
City of Orlando, Florida
400 South Orange Avenue
P.O. Box 4990
Orlando, Florida 32802

Dear Ms. Davis

We have completed a peer review of the City of Orlando's Office of Audit and Evaluation for the period January 1, 2002 through December 31, 2004. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, by the National Association of Local Government Auditors (N.A.L.G.A.).

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 City of Orlando's Office of Audit and Evaluation 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, 2002 through December 31, 2004.

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

Sincerely,

Jerry Shaubel
Office of the Auditor General
City of Toronto, Ontario

Mike Widner
Office of the Auditor
City and County of Denver, Colorado



National Association of Local Government Auditors

January 27, 2005

Beryl H. Davis, Audit and Evaluation Director
Office of Audit and Evaluation
City of Orlando, Florida
400 South Orange Avenue
P.O. Box 4990
Orlando, Florida 32802

Dear Ms. Davis:

We have completed a peer review of the City of Orlando's Office of Audit and Evaluation (OAE) for the period January 1, 2002 through December 31, 2004 and issued our report thereon dated January 27, 2005. 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 OAE has attracted and retained a very professional and competent staff.
- Our team was impressed by your Audit and Evaluation Manual. We found it to be concise but comprehensive in covering the elements of the Government Auditing Standards (GAS), and as such provides an effective tool for ensuring quality in accordance with those standards.
- We note that the Office is leveraging its resources by facilitating control self-assessment projects. The first such project was completed with staff of the Recreation Division in 2004.
- OAE has implemented the recommendations made from its previous peer review.

Additionally, the City of Orlando is to be commended for recognizing the value of having and supporting an independent audit office.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to government auditing standards:

Continuing Professional Education

OAE uses one standard reporting period for measuring and monitoring professional education (CPE) for its staff. The standard period begins on July 1 and covers 24 months ending June 30. Based on our review we confirm that all staff received the minimum requirement of 80 hours training over the two year period ended June 30, 2004. However, two of the professional staff did not meet GAS 3.45 requiring a minimum of 20 CPE hours in each of the 12-month periods over the two years. While a staff member is assigned to document and track CPE for all staff, this tracking does not include ensuring the minimum annual training is met.

In order to ensure that CPE requirements are met, OAE's tracking of CPE should ensure that the minimum annual requirement of 20 hours is met

Independence Statements

Independence statements, signed by staff, are required in order to ensure that any impairments or potential impairments to independence are identified as soon as possible so that appropriate steps can be taken to eliminate or minimize the impairment.

The peer review for the period ending December 31, 2001 recommended that staff sign Independence Statements on a project by project basis. OAE has implemented this recommendation as evidenced by our review of files for the years 2002, 2003 and 2004. However, in two of the 10 files we reviewed, the Independence Statements were not prepared within a time frame to allow effective corrective action to be taken should such steps have been required. In one case, the Statement was signed only after fieldwork was substantially complete, and in the other case, the Statement was only signed after the audit report was issued. These Statements should ideally be completed and reviewed early in the planning phase of each project. Our review of the Audit and Evaluation Manual noted that it was silent on the timing of the preparation of Independence Statements.

We recommend that Independence Statements be signed by staff as soon as possible for each project and that the Audit and Evaluation Manual be amended to provide direction on the timing of the preparation of these Statements.

Non-Audit Services

OAE does not currently perform a significant amount of non-audit work. As such, there was no requirement to review non-audit services during this peer review. However, at the request of the Audit and Evaluation Manager, we reviewed the one significant non-audit project completed by OAE in 2004, (Control Self Assessment, Recreation Division – Internal Controls Over Cash Collections). The purpose of our review was to determine the potential need for changes to OAE policies and procedures to ensure compliance with GAS related to the performance of a significant level of non-audit services.

As noted above, OAE does not perform a significant amount of non-audit services, although we have been informed the by Audit and Evaluation Manager that it is possible that the level of non-audit services could increase over the next number of years. Given the current volume of non-audit services performed by OAE, no attempt has been made to revise the Audit and Evaluation Manual to include procedures necessary to ensure compliance with GAS related to the provision of significant non-audit services.

Given the possibility of an increase in the non-audit services provided, we recommend that the Audit and Evaluation Manual be revised to take into account GAS 3.10 to 3.18 with particular reference to GAS 3.17.

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,

Jerry Shaubel
Office of the Auditor General
City of Toronto, Ontario

Mike Widner
Office of the Auditor
City and County of Denver, Colorado

January 27, 2005

Jerry Shaubel
Office of the Auditor General
City of Toronto, Ontario

Mike Widner
Office of the Auditor
City and County of Denver, Colorado

Dear Peer Review Team:

Thank you for your work in performing an external quality control review of the Office of Audit and Evaluation in the City of Orlando. We appreciate your comments and suggestions for improvement. We offer the following responses to your specific recommendations.

We concur with your recommendation to improve our tracking of Continuing Professional Education.

We will formally review our training and professional development reported hours every three months to ensure that the minimum number of hours for each one year period is reached.

We concur with your recommendation regarding the timely completion of the Independence Statement.

We will include guidance in our Audit Manual and a step in our audit planning programs to require completion of the Independence Statement prior to beginning audit fieldwork.

We concur with your recommendations regarding Non-Audit Services.

We appreciate your review into this new program being offered by the Office of Audit and Evaluation. We agree that guidance is needed for our staff performing and documenting these reviews. We will revise our Audit Manual to include a chapter on Non-Audit Services and this chapter will utilize the guidance in *Government Auditing Standards* to design required procedures and documentation for such reviews. In addition, we will create tools (checklists, forms, etc.) to ensure that the audit staff adheres to these procedures for each engagement.

We appreciate your comments and suggestions to improve our practices. The implementation of your suggestions will demonstrate our commitment to quality and to the high standards we expect from all City departments when we conduct our audits.

Thank you for your time and effort spent on the external quality control review. We appreciate your insights, recommendations and commitment to our profession. We believe this quality control review will further enhance the effectiveness of our office and add value to City government.

Sincerely,

Beryl H. Davis, CPA, CGFM
Audit and Evaluation Director

BHD/am

c: N.A.L.G.A. Peer Review Committee Chairman
N.A.L.G.A. Peer Review Region II Coordinator