



THE CITY OF SAN DIEGO

DATE: October 25, 2013
TO: Honorable Members of the Audit Committee
FROM: Eduardo Luna, CIA, CGFM, City Auditor
SUBJECT: **City Auditor's Peer Review Results**

Enclosed is the Association of Local Government Auditors' peer review report and management letter. I am very pleased that the independent peer review team found the City of San Diego Office of the City Auditor has conducted work in full compliance with Government Auditing Standards for the period July 1, 2010 through June 30, 2013. To reach full compliance reflects my staff's dedication to audit excellence and my own desire to be the best audit organization possible. I have reviewed the management letter provided by the peer review team, and also attached is my response to the comments they made regarding the areas the Office excels in and their recommendation to even further demonstrate our adherence to Government Auditing Standards.

Respectfully submitted,

Eduardo Luna
City Auditor

cc: Honorable Interim Mayor Todd Gloria
Honorable City Council Members
Scott Chadwick, Assistant Chief Operating Officer
Jan Goldsmith, City Attorney,
Andrea Tevlin, Independent Budget Analyst



External Quality Control Review

of the

**City of San Diego
Office of the City Auditor**

Conducted in accordance with guidelines of the

**Association of Local
Government Auditors**

for the period July 1, 2010 through June 30, 2013



Association of Local Government Auditors

October 25, 2013

Eduardo Luna, City Auditor
Office of the City Auditor
City of San Diego
1010 Second Ave, Suite 1400
San Diego, CA 92101

Dear Mr. Luna,

We have completed a peer review of the Office of the City Auditor, City of San Diego for the period July 1, 2010 through June 30, 2013. 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).

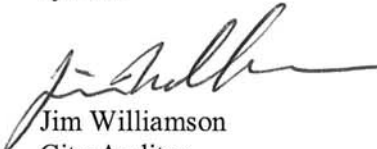
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United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

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, office management, and members of the Audit Committee.


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 Office of the City Auditor, City of San Diego 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 of July 1, 2010 through June 30, 2013.


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



Jim Williamson
City Auditor
Oklahoma City, OK



Susan Hall
Deputy City Auditor
City and County of
Honolulu, HI



Cynthia Birney
Auditor
Clark County, NV



Association of Local Government Auditors

October 25, 2013

Eduardo Luna, City Auditor
Office of the City Auditor
City of San Diego
1010 Second Ave, Suite 1400
San Diego, CA 92101

Dear Mr. Luna,

We have completed a peer review of the Office of the City Auditor, City of San Diego for the period July 1, 2010 through June 30, 2013 and issued our report thereon dated October 25, 2013. 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:

- **High Impact Audit Results:** The Office of the City Auditor conducts audits with the potential for significant impact that are responsive to the needs and concerns of decision-makers and/or the public. Related audit conclusions are persuasive and supported by evidence gathered using appropriate research methods and tools. Audit recommendations are feasible and designed to make government programs more effective and efficient. Audit results are then communicated in a clear, concise way.
- **Engagement Quality Control:** The Audit Standards Plan form employed by the Office of the City Auditor is an excellent tool for assuring compliance with applicable auditing standards on each engagement. The form combines requirements under *Government Auditing Standards*, a description of the Office's procedures for complying with each standard, and a space for auditors to indicate the working paper location of documentation evidencing compliance with each applicable standard.
- **Continuous Improvement:** The Office of the City Auditor demonstrates a commitment to continuous improvement. Recommendations from the previous peer review were addressed timely, process improvements such as employing the Audit Project Status Report form were noted during the review period, and a team of auditors recently completed a comprehensive review of the Audit Handbook in preparation of moving to a more efficient, standardized and automated working paper process.

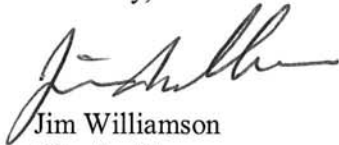
We offer the following observation and suggestion to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

Annual Monitoring of Quality

Standards 3.93, 3.94, and A310.c require audit organizations to establish policies and procedures for monitoring quality in the audit organization. The purpose of this requirement includes providing management with reasonable assurance that established policies and procedures are being carried out. While an annual review is performed of the Office of the City Auditor's Audit Handbook to provide ongoing assurance that the Office's system of internal control is adequately designed, we suggest strengthening the annual monitoring process by including reviews of engagement working papers and relevant administrative files to provide assurance that established policies and procedures are being carried out in practice.

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.

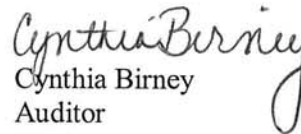
Sincerely,



Jim Williamson
City Auditor
Oklahoma City, OK



Susan Hall
Deputy City Auditor
City and County of
Honolulu, HI



Cynthia Birney
Auditor
Clark County, NV



THE CITY OF SAN DIEGO

October 25, 2013

Jim Williamson, City Auditor, Oklahoma City, OK
Susan Hall, Deputy City Auditor, City and County of Honolulu, HI
Cynthia Birney, Auditor, Clark County, NV

I am very pleased that the independent peer review team found the City of San Diego Office of the City Auditor has conducted work in full compliance with Government Auditing Standards for the period July 1, 2010 through June 30, 2013. To reach full compliance reflects my staff's dedication to audit excellence and my own desire to be the best audit organization possible.

I have reviewed the management letter you provided, and I agree with your assessment that my Office excels in three areas 1) high impact audit results 2) engagement quality control, and 3) continuous improvement. Utilizing our Annual Citywide Risk Assessment process and input from the City's Audit Committee members has helped to ensure we focus our audit resources on areas of high impact and results. I believe we have developed an engagement quality control process that is very effective, and my office is committed to continually improving. Additionally, I am very fortunate to have recruited such talented, well educated, and credentialed audit staff members. It was through their efforts that we were able to reach full compliance with Standards.

I very much appreciate the observation and suggestion you have provided for my Office to further demonstrate our adherence to Standards. I agree with your recommendation to strengthen our annual monitoring process by including reviews of engagement working papers and relevant administrative files to provide even more assurance that established policies and procedure are being carried out in practice.

We have already started to review our documented annual monitoring procedures and adding steps to our audit handbook to implement this recommendation to ensure full compliance with Government Auditing Standards 3.93, 3.94, and A310.c. We will develop steps to review engagement working papers and relevant administrative files on an annual basis.

ALGA Review Team

October 25, 2013

Page 2 of 2

I would like to sincerely thank the ALGA peer review team for their work. This peer review has provided important feedback to further enhance the quality of our audit process. I want to thank each peer review team member for his/her time and commitment to ensuring government auditors adhere to Government Auditing Standards, providing the public with high quality audit reports.

Respectfully submitted,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive, flowing style.

Eduardo Luna
City Auditor