



THE CITY OF SAN DIEGO

DATE: June 30, 2020
TO: Audit Committee
FROM: Kyle Elser, Interim City Auditor
SUBJECT: **Office of the City Auditor FY 2020 Improvements**

Our FY 2020 Workplan included an item to address several internal OCA needs, including revising OCA policies and procedures to comply with recent updates to Government Auditing Standards; tasks related to the Office's peer review; and improvements to OCA's guidance for audit staff. I wanted to provide you with an update on the results, and I would also like to thank my dedicated and talented staff for their excellent work on these projects.

Updated Government Auditing Standards and OCA Policies and Procedures

The San Diego City Charter requires OCA to follow Government Auditing Standards (the "Yellow Book"). In 2018, the United States Government Accountability Office issued an update to the Yellow Book, which became effective for all audits initiated after June 30, 2019. We revised our policies and procedures to incorporate these updates to the Yellow Book. For example, the updated Yellow Book requires auditors to more clearly tie our work to specific elements of internal control. To address this, we revised our risk assessment process to require an evaluation of how COSO's 5 Internal Control Components and 17 related Control Principles are relevant to our audit objectives, and incorporate testing of relevant controls into our audit fieldwork. In addition, we updated our Audit Standards Plan template, which is a checklist we complete on every audit to ensure compliance with the standards.

Peer Review

OCA also underwent a peer review in December 2019. During peer review, the Association of Local Government Auditors assigned a team to review audits conducted by OCA over a 3-year period. As the Audit Committee was previously informed, the peer review team found that OCA conducted work in full compliance with Government Auditing Standards for the period of July 1, 2016 through June 30, 2019.¹ The peer review team noted that some of the areas where OCA excels are 1) producing impactful audits that are responsive

¹ ALGA's peer review report is available at:

https://www.sandiego.gov/sites/default/files/peer_review_report_fiscal_year_2017_through_fiscal_year_2019.pdf



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to the needs of decision makers and the public, and 2) developing audit staff through continuous engagement in the audit process as well as providing high-quality training opportunities. The peer review team also made two suggestions to further demonstrate OCA's adherence to standards, pertaining to how sample selection and evaluation is described in our reports, and how Continuing Professional Education (CPE) credits are tracked. We appreciate the peer review team's observations and have strengthened our policies and procedures in these areas.

OCA Staff Training and Guidance

In addition, as part of our commitment to continuous improvement, our Senior Performance Auditors and Senior IT Auditor worked together to create and/or revise OCA's internal training and guidance materials. Specific topics include:

- Audit report writing;
- Standardization of OCA audit workpapers;
- Data analysis and graphics;
- Conducting audit interviews; and
- IT basics for performance auditors.

These enhanced training and guidance materials will further ensure the quality and consistency of OCA work products and adherence to Government Auditing Standards, and will also improve OCA's efficiency. As we move into FY 2021, our Senior Auditors will be providing trainings to all audit staff to facilitate their professional development.

I appreciate the Audit Committee's support in pursuing these improvements. Please contact me with any questions on these items.

Respectfully submitted,



Kyle Elser
Interim City Auditor