



THE CITY OF SAN DIEGO

DATE: December 19, 2019

TO: Honorable Members of the Audit Committee

FROM: Kyle Elser, Interim 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, 2016 through June 30, 2019. 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 attached is my response to the comments they made regarding the areas the Office excels in and their recommendations to even further demonstrate our adherence to Government Auditing Standards.

Respectfully submitted,

Kyle Elser
Interim City Auditor

cc: Honorable Mayor Kevin Faulconer
Honorable City Council Members
Honorable City Attorney Mara Elliott
Kris Michell, Chief Operating Officer
Andrea Tevlin, Independent Budget Analyst

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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, 2016 through June 30, 2019



Association of Local Government Auditors

December 19, 2019

Kyle Elser, Interim City Auditor
Office of the City Auditor
City of San Diego
600 B Street, Suite 1350, MS 605 B
San Diego, CA 92101

Dear Mr. Elser,

We have completed a peer review of the San Diego Office of the City Auditor for the period of July 1, 2016 through June 30, 2019. 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 San Diego Office of the City Auditor'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, management, and the Audit Committee Chair 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 San Diego Office of the City Auditor'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 July 1, 2016 through June 30, 2019.

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

Amarilis Hernandez, CPA, CIA
Deputy City Auditor
Richmond, VA

Tina Adams, CPA, CIA
Deputy City Auditor
Charlotte, NC

Zatina Mapes, CFE
Senior Contracts Auditor
San Gabriel Valley Council of
Governments



Association of Local Government Auditors

December 19, 2019

Kyle Elser, Interim City Auditor
Office of the City Auditor
City of San Diego
600 B Street, Suite 1350, MS 605B
San Diego, CA 92101

Dear Mr. Elser,

We have completed a peer review of the San Diego Office of the City Auditor for the period of July 1, 2016 through June 30, 2019 and issued our report thereon dated December 19, 2019. 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:

- **Impactful Audits** - The San Diego Office of the City Auditor (the Office) conducts impactful audits that are responsive to the needs and concerns of decision makers and the public. Audit conclusions are persuasive and supported by evidence gathered using appropriate research methods and tools. Audit recommendations are feasible, relevant, and well received by management.
- **Staff Development** - The Office demonstrates a commitment to staff development by actively engaging staff throughout the audit process as well as providing auditors with high-quality training and support in pursuit of professional certification. This results in the delivery of higher quality audit services.

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

Standard 7.13 states "When sampling significantly supports the auditors' findings, conclusions, or recommendations, describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population." Audit workpapers included documentation regarding sampling methodology; however, we observed that in some instances, the audit reports did not include information about sample design, why the sample was chosen, and whether the results could be projected to the intended population.

Recommendation: We recommend that when sampling significantly supports the auditors' findings, conclusions, or recommendations, the audit report should describe the sample design and state why the design was chosen, including whether the results can be projected to the intended population.

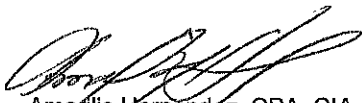
Standard 3.76 requires "Auditors performing work in accordance with GAGAS, including planning, directing, performing audit procedures, or reporting on an audit conducted in accordance with GAGAS, should maintain their professional competence through continuing professional education (CPE)." The standard also states "Auditors who are involved in any amount of planning, directing, or reporting on GAGAS audits and auditors who are not involved in those activities but charge 20 percent or more of their time annually to GAGAS audits should also obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2-year period) that enhances the auditor's professional proficiency to perform audits. Auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in

each year of the 2-year periods." In reviewing the Office's CPE documentation, we observed that one auditor did not complete at least 20 hours of CPE in each of the 2-year periods and another auditor did not complete 80 hours of CPE in a 2-year period. This employee completed 79 hours.

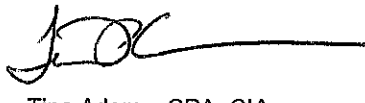
Recommendation: We recommend that the Office refine its monitoring process to include measures to ensure that all staff comply with CPE requirements.

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,



Amarilis Hernandez, CPA, CIA
Deputy City Auditor
Richmond, VA



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Amarilis Hernandez, Deputy City Auditor, Richmond, VA
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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, 2016 through June 30, 2019. To reach full compliance reflects my staff's dedication to audit excellence and my own desire for the Office to be the best audit organization possible.

I have reviewed the management letter you provided, and I agree with your assessment that some of the areas my Office excels include 1) high impact audit results, and 2) staff development. Utilizing our Annual Citywide Risk Assessment process and input from the City's Audit Committee and Council Members has helped to ensure we focus our audit resources on areas of high impact and results. Also, we understand the importance of providing our staff with excellent training, so we can continue to deliver high quality audit services. I am very fortunate to have such talented, well educated, and credentialed audit staff members. It was through their efforts that we were able to reach full compliance with Government Auditing Standards, and continue to produce audits that result in significant benefits for City residents and taxpayers.

I very much appreciate the observations and suggestions you have provided for my Office to further demonstrate our adherence to Standards. I agree with your recommendation that we should always clearly describe the sample design, why the sample was chosen, and whether the results could be projected to the intended population in our reports when the sampling significantly supports our findings, conclusions, or recommendations. As you noted, this information is thoroughly documented in our workpapers, and to ensure it is properly carried forward to our reports, we plan to add an item to our quality control checklist that is completed at the before the report is finalized that will specifically address proper reporting on our sample results in our reports.

Additionally, I agree with your recommendation that our office should refine our monitoring process to include measures to ensure that all staff comply with continuing professional education (CPE) requirements. During our internal Annual Monitoring review,



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we noted an employee was not in compliance with CPE requirements and we quickly augmented our monitoring procedures with Audit Management sending out a mid-year notification to staff asking that they review their CPE records and to provide the supporting documentation for completed trainings. When staff has not yet documented that they have met the minimum annual CPE requirements, we require them to respond with their plan to ensure they will meet the minimum requirements prior to the end of the Fiscal Year. Additionally, our Administrative Support staff assists Audit Management by reviewing our CPE log quarterly to make sure all CPE entries have the appropriate supporting documentation. Also, one staff member did not meet the minimum CPE requirement because too many CPE hours were claimed for preparing for a conference presentation. We will reiterate to staff the rules for measuring CPE hours when preparing for training presentations to ensure this does not happen again.

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 her time and commitment to ensuring government auditors adhere to Government Auditing Standards, providing the public with high quality audit reports.

Respectfully submitted,



Kyle Elser
Interim City Auditor