



Office of the City Auditor  
Jenny Wong, City Auditor

## INFORMATION CALENDAR

January 22, 2019

To: Honorable Mayor and Members of the City Council  
From: Jenny Wong, City Auditor  
Subject: City Auditor's Office 2018 Peer Review Results

### INTRODUCTION

The Association of Local Government Auditors (ALGA) has once again issued an opinion that the City Auditor's Office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for the period of November 1, 2015 to October 31, 2018.

### CURRENT SITUATION AND ITS EFFECTS

Auditors from the City of Toronto and the Los Angeles Unified School District completed an External Quality Control Review (peer review) of our internal quality control system. They followed the *ALGA Peer Review Guide* standards and guidelines in examining our system, including our efforts for ongoing monitoring and improvement.

The peer reviewers examined six projects representing 40% of our audits and 58% of our auditing hours over the peer-review period. They reviewed a selection of our non-audit service assessments in which we evaluated the impact of those services on our audits and identified safeguards for maintaining independence. It is in the opinion of the peer review team, that our internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for the period of November 1, 2015 to October 31, 2018.

#### *City Leadership's Delayed Response to Audit Recommendations*

While reviewing our office's efforts, the peer reviewers noticed an issue impacting the City: The length of time that some of our audit recommendations remain unaddressed by those responsible for taking action. Implementation of our audit recommendations rests with City management under the direction of City Council, and the peer reviewers commented that Berkeley leadership has not taken action on recommendations going back as far as 2009.

We share those concerns. We regularly communicate with City leadership the need to address our audit recommendations. We also issue quarterly reports on the number of open audit recommendations, releasing our last [report](#) on November 27, 2018.<sup>i</sup> We are currently working on methods to extend our public reporting and further encourage City leaders to prioritize taking action on our audit recommendations.

### *City Auditor's Office Areas of Excellence*

The peer review team recognized our commitment to a high-standard of audit quality by identifying areas in which we excel:

- Having detailed audit policies and procedures that provide clear direction and practical, how-to approaches for applying *Government Auditing Standards*.
- Developing workpaper templates that assist audit staff in preparing audit documentation that demonstrates adherence to *Government Auditing Standards*.
- Providing strong supervisory oversight and ongoing monitoring of audit quality.
- Providing staff with continuous on-the-job feedback and regular performance evaluations that clearly emphasize the importance of adhering to *Government Auditing Standards*.

The efforts of many led to the peer reviewer's positive opinion and our ability to demonstrate a commitment to audit excellence. We would like to thank the following for their current and past contributions:

- Ann-Marie Hogan, Former City Auditor whose unwavering belief in the value of *Government Auditing Standards* provided continuous support of a well-designed and effective internal quality control system.
- Harriet Richardson, Former Audit Manager whose exceptional knowledge and skills designed the strong foundation supporting our existing quality control system.
- Claudette Biemeret, Audit Manager; Tracy Yarlott-Davis, Auditor II; Farkhad Askarov, Auditor II; Erin Mullin, Auditor I; Caitlin Palmer, Auditor I; Frank Marietti, Former Senior Auditor; Matt Grady, Former Senior Auditor; Lincoln Bogard, Former Auditor II; Myrna Ortiz, Former Auditor I; and Shalyn Pugh-Davis, Former Auditor I who remained committed to upholding our internal system of quality control.

### BACKGROUND

The Berkeley City Charter requires our audits to be performed in accordance with government auditing standards and those standards require that we undergo a peer review every three years. The City Auditor's Office has consistently passed peer reviews since its first review in 1997.

Government Auditing Standards help ensure that government auditors maintain competence, integrity, objectivity, and independence in planning, conducting, and reporting their work. Auditors enhance their credibility by following standards so their work leads to improved government management, decision making, and oversight.

### ENVIRONMENTAL SUSTAINABILITY

The peer review team maintained workpapers in electronic format, which greatly reduced the use of paper and ink. There are no other identifiable environmental effects or opportunities associated with the subject of this report.

POSSIBLE FUTURE ACTION

Due to the influence that nonaudit services have on our ability to remain independent and the increasing restrictions of *Government Auditing Standards* regarding independence requirements, we may propose reasonable and suitable courses of action to permanently eliminate or significantly reduce our City Charter mandated nonaudit activities.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

None known at this time.

CONTACT PERSON

Jenny Wong, City Auditor (510) 981-6750

Attachments:

1: 2018 External Quality Control Review of the Berkeley City Auditor's Office with City Auditor Response and Certificate of Compliance

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<sup>i</sup> City Auditor's Snapshot: Quarterly Summary Report on Audit Recommendations 1<sup>st</sup> Quarter Fiscal Year 2018: <http://bit.ly/2UQQmS8>



# External Quality Control Review

of the  
**Berkeley City Auditor's Office**

Conducted in accordance with guidelines of the  
**Association of Local Government Auditors**  
for the period November 1, 2015 to October 31, 2018



## Association of Local Government Auditors

December 13, 2018

Ms. Jenny Wong  
Berkeley City Auditor  
2180 Milvia Street, 3rd Floor  
Berkeley, CA 94704

Dear Ms. Wong,

We have completed a peer review of the Berkeley City Auditor's Office for the period from November 1, 2015 to October 31, 2018. 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 auditing staff, management, and members of the Audit Committee 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 Berkeley 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 from November 1, 2015 to October 31, 2018.

Ina Chan  
Auditor General's Office  
City of Toronto

Kien Hong, CPA  
Office of the Inspector General  
Los Angeles Unified School District



Office of the City Auditor  
Jenny Wong, City Auditor

December 13, 2018

Ina Chan, Assistant Auditor General, City of Toronto  
Kien Hong, Senior Auditor, Los Angeles Unified School District  
Lori Brooks Jaquess, City Auditor, City of Arlington

Dear ALGA Peer Review Team:

Thank you for conducting an external review of the City of Berkeley City Auditor's Office system of quality control. We are pleased that the Association of Local Government Auditors has once again issued an opinion that our office's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for the period of November 1, 2015 to October 31, 2018.

We are committed to excellence and exemplifying transparency and accountability in government. We appreciate your recognition of our efforts by identifying these areas in which we excel:

- Having detailed audit policies and procedures that provide clear direction and practical, how-to approaches to applying *Government Auditing Standards*.
- Developing workpaper templates that assist staff in preparing audit documentation that demonstrates adherence to *Government Auditing Standards*.
- Providing strong supervisory oversight and ongoing monitoring of audit quality.
- Providing staff with continuous on-the-job feedback and formal performance evaluations that clearly emphasize the importance of adhering to *Government Auditing Standards*.

We would like to express our sincere appreciation to the peer review team and the Association of Local Government Auditors for their work and commitment to ensuring that government auditors adhere to *Government Auditing Standards*.

Respectfully,

Jenny Wong, City Auditor  
City Auditor



The Association of Local Government Auditors  
Awards this

***Certificate of Compliance***

to

***Berkeley City Auditor's Office***

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 November 1, 2015, through October 31, 2018.

*Paul Geib*

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Paul Geib  
ALGA Peer Review Committee Chair

*Kristine Adams-Wannberg*

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Kristine Adams-Wannberg  
ALGA President