



of the
Office of the City Auditor
City of Oakland, California

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**

for the period January 1, 2010 through
December 31, 2012



Association of Local Government Auditors

July 26, 2013

City Auditor Courtney Ruby
Office of the City Auditor
City of Oakland
One Frank H. Ogawa Plaza, 4th Floor
Oakland, California 94612

Dear Auditor Ruby:

We have completed a peer review of the Office of the City Auditor, City of Oakland, California, for the period January 1, 2010 through December 31, 2012. 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).

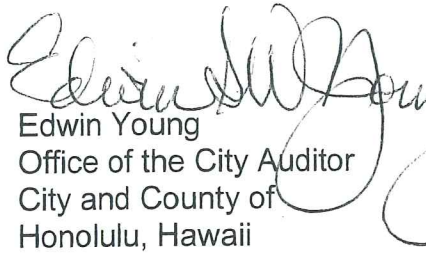
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States.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

- Reviewing the audit organization's written policies and procedures
- Reviewing internal monitoring procedures
- Reviewing a sample of audit and non-audit engagements and working papers
- Reviewing documents related to independence, training, and development of auditing staff
- Interviewing auditing staff, management, and support staff to assess their understanding of and compliance with relevant quality control policies and procedures.

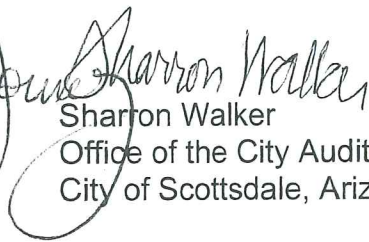
Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Office of the City Auditor, City of Oakland, California internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and non-audit engagements during the period January 1, 2010 through December 31, 2012.

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



Edwin Young
Office of the City Auditor
City and County of
Honolulu, Hawaii



Sharron Walker
Office of the City Auditor
City of Scottsdale, Arizona



Joaquin (Ken) Diaz
Office of the County Auditor
Clark County, Nevada



Association of Local Government Auditors

July 26, 2013

City Auditor Courtney Ruby
Office of the City Auditor
City of Oakland
One Frank H. Ogawa Plaza, 4th Floor
Oakland, California 94612

Dear Auditor Ruby:

We have completed a peer review of the Office of the City Auditor, City of Oakland, California, for the period January 1, 2010 through December 31, 2012, and issued our report thereon dated July 26, 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.

- The audit reports are well supported and during the three-year review period the office has continually worked to improve its processes and results.
- The City Auditor's Office promotes transparency and access to municipal government through writing an online blog, posting audit-related videos, and sponsoring a fraud, waste and abuse hotline.

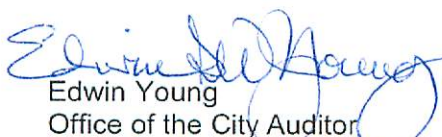
We offer the following observations and recommendations to enhance your organization's demonstrated adherence to *Government Auditing Standards*:


- Standard 3.76 requires that auditors performing work in accordance with GAGAS complete 80 hours of continuing professional education in every two year period, with at least 24 hours directly related to government auditing. The standard further states auditors required to take the total 80 hours must complete at least 20 hours in each of the two year periods and auditors hired during the two year period complete a prorated number of hours. We found full compliance with these CPE requirements, except for one person who was short three hours. We also noted record keeping issues which did not change the overall results. We recommend periodic review of CPE documentation to ensure the CPE hours are correctly classified, calculated, documented, and reported.


- Standard 3.82 requires "Each audit organization performing audits in accordance with GAGAS must establish and maintain a system of quality control that is designed to provide the audit organization with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements". The 2011 revision of Government Auditing Standards became effective for performance audits beginning on or after December 15, 2011. Although no audits issued during the review period were required to comply with the 2011 version, the Office of the City Auditor delayed updating its audit manual until June of 2013. We recommend the Office of the City Auditor ensure its current processes and future audit documentation reflect the 2011 requirements.
- Standard 3.95 states that an audit organization should analyze and summarize the results of its quality control monitoring process at least annually. The standard further requires that systemic or repetitive issues needing improvement be identified and communicated to appropriate personnel, along with recommendations for corrective action. In reviewing the Office's quality control system we observed that a review was performed in 2012, but not in 2010 and 2011. We recommend that the City Auditor's Office ensure a quality control assessment is performed annually in accordance with departmental and GAGAS requirements.
- Standard 6.11 – 6.12 require that auditors assess risk and significance of several factors such as gaining an understanding of the nature of programs and needs of users; the design and implementation of information technology controls; and the potential for fraud, waste and abuse. Although audit plans addressed some elements, we noted the plans did not specifically address each required area. GAGAS 6.47 also states that objectives, scope, and methodology, as well as timing and planned reporting should be communicated to those charged with governance. We noted this requirement was not documented. We recommend ensuring audit planning documentation clearly addresses all required areas.

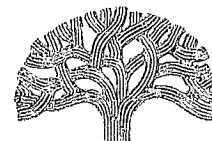
We extend our thanks to you, your staff and the City of Oakland for the hospitality and cooperation extended to us during our review.

Sincerely,


Edwin Young
Office of the City Auditor
City and County of Honolulu,
Hawaii


Sharron Walker
Office of the City Auditor
City of Scottsdale, Arizona


Joaquin (Ken) Diaz
Office of the County Auditor
Clark County, Nevada



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Courtney A. Ruby, CPA
City Auditor

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August 19, 2013

Edwin Young, City Auditor, Honolulu, HI
Sharron Walker, City Auditor, Scottsdale, AZ
Ken Diaz, Internal Auditor, Clark County, NV

Dear ALGA Peer Review Team:

I would like to acknowledge the professionalism, expertise, and courtesy that you, the Association of Local Government Auditors peer review team, extended to us during this engagement. I am pleased that the independent peer review team concluded that Oakland's Office of the City Auditor (Office) conducted audit work in full compliance with Government Auditing Standards (GAGAS) for the period January 1, 2010 through December 31, 2012.

In addition to finding the Office in full compliance with GAGAS, we are pleased that the peer review team also found that the Office excels at having well supported audit reports, continually working to improve processes, and promoting transparency and access to municipal government. The peer review offered some suggestions to further enhance the Office's demonstrated adherence to Government Auditing Standards. The Office is wholly committed to continuous improvement at all levels – from individual staff members to office-wide systems. The following are our responses to your recommendations:

Recommendation 1: Tracking of Continuing Professional Education

We concur. We recognize the importance of maintaining a strong process to ensure that we fulfill the continuing professional education (CPE) requirement in GAGAS. We have already implemented additional controls to help ensure that all staff meet CPE requirements: we updated the Comprehensive Audit Manual to provide clarity, changed the tracking period to be the same for all staff rather than tracking by individual hire dates, and implemented quarterly reviews of CPE records to ensure that CPE hours are correctly classified, calculated, documented, and reported.

Recommendation 2: Updates to Audit Manual

We concur. The Office agrees that it will update its audit manual for future GAGAS revisions in a timelier manner. Before the 2011 revision to GAGAS took effect, the Office sent its staff to training on the updated standards. Audit staff have conducted their work in compliance with the updated standards even though the Office had to delay updating its Comprehensive Audit Manual due to resource limitations.

Recommendation 3: Annual Monitoring Process

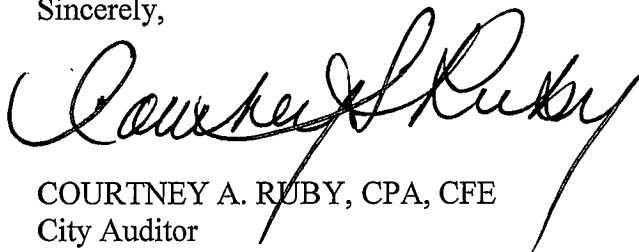
We concur. The Office agrees that it will continue to perform annual reviews of our quality control system and make improvements based on these reviews. In 2012 we conducted a review of our quality control system and subsequently made improvements to our system. The system improvements identified in 2012 were also addressed in our 2013 revisions to the Office's Comprehensive Audit Manual.

Recommendation 4: Audit Survey Work and Communication

We concur. The Office agrees that its audit survey work will more consistently and clearly document our assessment of background information such as the nature of the program, the needs of users, information technology controls, and the potential for fraud, waste and abuse. The Office will also more clearly document its communication of objectives, scope, methodology, timing, and planned reporting. The Office has already updated its Comprehensive Audit Manual as well as its automated audit work plan template to include these as required steps in every audit. These changes will improve the consistency of how and where this work is documented within the audit file.

Our Office found the ALGA peer review process to be extremely constructive and valuable. We appreciate your willingness to take time away from your own work to evaluate our operation. Thank you for the thoroughness of your work and the opportunity to share ideas that we can apply in our organization.

Sincerely,

A handwritten signature in black ink, appearing to read 'Courtney A. Ruby', written over a horizontal line.

COURTNEY A. RUBY, CPA, CFE
City Auditor