



External Quality Control Review

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, 2016 through December 31, 2018



Association of Local Government Auditors

April 17, 2019

Ms. Courtney A. Ruby, CPA, CFE
City Auditor
Office of the City Auditor, City of Oakland
1 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612

Dear Ms. Ruby:

We have completed a peer review of the Office of the City Auditor for the City of Oakland, California for the period January 1, 2016 through December 31, 2018. In accordance with generally accepted government auditing standards peer review requirements, 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 was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and nonaudit services engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management, 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. Organizations can receive a rating of pass, pass with deficiencies, or fail. The Office of the City Auditor, City of Oakland, California, has received a rating of pass.

Further, based on the results of our review, it is our opinion that the Oakland City Auditor's Office's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits during the January 1, 2016 through December 31, 2018.

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



Van Lee, CRMA, CICA
Office of the City Auditor
City and County of
Honolulu, HI



Matthew Ervin, CIA
Office of the City Auditor
Atlanta, GA



Lynn Bashaw, CIA, CISA,
CRMA
City Auditor's Office
Sacramento, CA



Association of Local Government Auditors

April 17, 2019

Ms. Courtney A. Ruby, CPA, CFE
City Auditor
Office of the City Auditor, City of Oakland
1 Frank Ogawa Plaza, 4th Floor
Oakland, CA 94612

Dear Ms. Ruby:

We have completed a peer review of the Office of the City Auditor (OCA), City of Oakland, CA, for the period January 1, 2016 to December 31, 2018 and issued our report thereon dated April 18, 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:

- OCA has a well-developed training program to ensure that staff received appropriate and sufficient training to satisfy GAS CPE requirements and ensure a properly trained and qualified audit staff.
- The template *Management's Response to City Auditor's Report* is a very effective way to solicit consistent, focused management responses to the audit report and provides an effective vehicle for follow-up status checks.
- The office has a very supportive, collegial atmosphere which creates a very productive work environment.

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

GAS 3.34: Before an auditor agrees to provide a nonaudit service to an audited entity, the auditor should determine whether providing such a service would create a threat to independence, either by itself or in aggregate with other nonaudit services provided with respect to any GASAG audit it performs. GAS 3.59a provides that the auditor shall document threats to independence that require the application of safeguards, along with safeguards applied, in accordance with the conceptual framework for independence as required by paragraph 3.24. We found that the OCA did not consistently document the assessment of potential threats to independence of all nonaudit services performed. We recommend that the OCA ensure that all nonaudit services to be performed are identified and an assessment on the threat to independence be completed before the assignment is undertaken.

GAS 7.19 Auditors should include in the audit report (1) the scope of their work on internal control and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed. The previous peer review, dated October 17, 2016 found that OCA did not report these items on some of their performance audits. In our current review, we found that OCA is not consistently describing the scope of work on internal control in a clear manner within their reports. There is evidence from the reports that consideration of internal controls is taking place, but we believe that GAS 7.19 is specific in its

reporting requirements and recommend that this be specifically included in the *Statement of Compliance, Audit Objectives, Scope and Methodology* section of the audit reports.

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

Sincerely,



Van Lee, CRMA, CICA
Office of the City Auditor
City and County of
Honolulu, HI



Matthew Ervin, CIA
Office of the City Auditor
Atlanta, GA



Lynn Bashaw, CIA, CISA,
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April 17, 2019

Van Lee, Office of the City Auditor, City and County of Honolulu
Lynn Bashaw, City Auditor's Office, City of Sacramento
Matthew Ervin, Office of the City Auditor, Atlanta

Dear ALGA peer review team:

Thank you for the opportunity to respond to your peer review report regarding the Office of City Auditor's (Office) compliance with Government Auditing Standards for the period January 1, 2016 through December 31, 2018. I have reviewed the report and agree with its conclusions and recommendations.

I'm pleased to learn that your team concluded the Office's quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards.

In addition, your team also noted:

- the Office has a well-developed training program to both ensure staff received sufficient training to satisfy Government Auditing Standards Continuing Professional Education requirements and properly trained staff are assigned to each audit;
- the Office's matrix template for obtaining management's response is an effective way to solicit consistent, focused management responses to the audit report and provides an effective vehicle for following up on audit recommendations; and
- the Office has a very supportive, collegial atmosphere which creates a very productive work environment.

I appreciate the feedback and suggestions to improve the effectiveness of the Office and I concur with the team's two findings and recommendations. The following is the Office's plan to implement these recommendations.

Assessing threats to independence on all non-audit work

The peer review team observed that the Office did not consistently document the assessment of potential threats to independence on all non-audit services. The peer review team recommends

the Office ensure all non-audit services are identified and an assessment of the threats to independence be completed before the assignment is undertaken.

We concur. The Office will ensure that we identify all non-audit services provided and we document our assessment of the threats to independence before the assignments are undertaken.

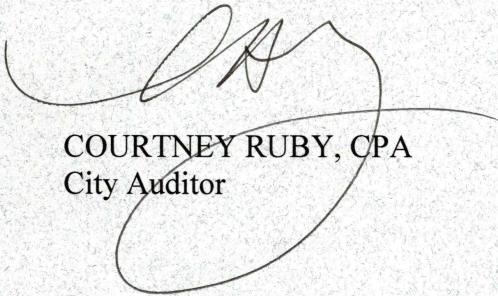
Reporting on the scope of work on internal controls

The peer review team observed that the Office did not consistently report on the scope of work on internal controls. The peer review team recommends that the scope of work on internal controls be consistently and specifically defined in the Objectives, Scope and Methodology section of our audit reports.

We concur. The Office will ensure that we consistently and specifically define the scope of work on internal controls in each of our audit reports.

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 audit work. Thank you for the thoroughness of your work and the opportunity to share ideas that we can use to improve our organization.

Sincerely,



COURTNEY RUBY, CPA
City Auditor