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CITY OF  
**PORTLAND, OREGON**

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OFFICE OF THE CITY AUDITOR  
Audit Services Division

**Gary Blackmer, City Auditor**  
Drummond Kahn, Director of Audit Services  
1221 S.W. 4<sup>th</sup> Avenue, Room 310  
Portland, Oregon 97204

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August 28, 2008


Mayor Tom Potter  
Commissioner Sam Adams  
Commissioner Nick Fish  
Commissioner Randy Leonard  
Commissioner Dan Saltzman

Dear Mayor and Commissioners:

The City Auditor's Office is proud to follow national standards for government auditing. The standards provide assurances to the public that the office conducts its work professionally. The attached letter and report contain the results of our most recent "external quality control review," also known as a "peer review." This month, a team of government auditors from three other jurisdictions came to our office for one week, reviewed our reports and working papers and interviewed our staff. This peer review was coordinated through the Association of Local Government Auditors, which assigned government auditing professionals from the governments of Phoenix (AZ), Long Beach (CA), and Frederick County (MD). The peer review team found that our office fully complies with Generally Accepted Government Auditing Standards. Their review period was from July 1, 2005 through June 30, 2008.

Government audit offices nationwide – and at the federal, state, and local level – are required by these standards to maintain systems of internal quality control and to have an external quality review once every three years. Successful completion of reviews like this one allow our office to state in each of our reports that we conducted our work in accordance with generally accepted government auditing standards. Each report meets the requirements for issues like auditor independence, due care, professional education, fieldwork, and audit reporting.

Please contact me if you have any questions about the peer review process or our office. While we always look for ways to further improve, we are pleased to have our office's professionalism confirmed by other auditors.

  
GARY BLACKMER  
City Auditor

Attachments





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# External Quality Control Review

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of the  
Audit Services Division  
Office of the City Auditor  
Portland, Oregon

Conducted in accordance with guidelines of the  
**Association of Local Government  
Auditors**  
for the period July 2005 through June 2008

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## Association of Local Government Auditors

August 28, 2008

Mr. Drummond Kahn, Audit Services Director  
Office of the City Auditor  
Portland, Oregon

Dear Mr. Kahn,

We have completed a peer review of the City of Portland's Audit Services Division for the period July 2005 through June 2008. 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. 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 City of Portland's Audit Services Division internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits during the period July 2005 through June 2008.

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

Bill Greene  
City of Phoenix, AZ

Janet T. Day  
City of Long Beach, CA

Kelly M. Hammond  
Frederick County, MD





## Association of Local Government Auditors

August 28, 2008

Mr. Drummond Kahn, Audit Services Director  
Office of the City Auditor  
Portland, Oregon

Dear Mr. Kahn,

We have completed a peer review of the City of Portland's Audit Services Division for the period July 2005 through June 2008 and issued our report thereon dated August 28, 2008. 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:

- **Staff Qualifications.** The Division employs competent and qualified staff and its recent hiring decisions complement existing staff and should enhance the future effectiveness of the organization.
- **Audit Results.** The audits we reviewed yielded significant results and recommendations for improvement.
- **Reports.** Your reports were well written and the format is reader-friendly, with good use of summaries and graphics to illustrate main points.

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

- GAS 3.23 requires consideration of whether audits performed by the organization could be significantly or materially affected by nonaudit services. Your policies address, at a high level, how to handle potential impairments if the Audit Services Division is asked to perform an audit of other Auditor's Office functions (e.g. Hearings, Ombudsman, Independent Police Review). However, we did not observe a formal process to evaluate and document the potential effect of the nonaudit services (performed by the other Auditor's Office functions) on individual audit engagements.

We understand you are currently working to update your policies and procedures to reflect recent changes in audit standards and recommend you consider this as part of your update process.

- GAS 7.52 through 7.54 require proper supervision of audit staff and their work. We noted ample evidence of proper supervision of staff and their work in our review of selected audit engagements. As part of your quality control system, your policies require the Director of Audit Services and Auditor-in-Charge to review selected working papers and document their review by initialing and dating each working paper reviewed. For the majority of engagements reviewed, we did not observe initials on working papers as documentation of these reviews.

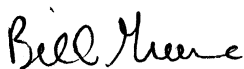
We suggest you consistently document supervisory reviews of selected working papers, in compliance with existing policies, or adjust policies to reflect current practice.

- Audit Services Division policies require that records, memoranda, and other documents obtained during the audit be labeled to indicate the source and date received. For three of the thirteen engagements reviewed, we noted that this information was not always included on the documents.

We suggest you consistently include required information on third-party documents retained in the files, in compliance with existing policies.

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

Sincerely,



Bill Greene  
City of Phoenix, AZ



Janet T. Day  
City of Long Beach, CA



Kelly M. Hammond  
Frederick County, MD





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August 28, 2008

Bill Greene  
Peer Review Team Leader  
City of Phoenix, City Auditor Department  
17 South 2<sup>nd</sup> Avenue, Suite 200  
Phoenix, Arizona 85003

Dear Mr. Greene:

I have reviewed your report of August 28, 2008 containing the results of your external quality control review of the City of Portland Audit Services Division, Office of the City Auditor. I am pleased that once again, an independent peer review team found that our office conducts our work in full compliance with generally accepted government auditing standards.

I appreciate your thoughtful comments about the areas where you found our office to excel, including our staff qualifications and our audit reporting processes and results.

I also appreciate your additional observations and suggestions to further enhance our operations, including documenting our decisions on non-audit services, documenting specific reviews of individual work papers, and document labeling practices. We will remain attentive to these issues as we conduct our audit work.

I extend my personal thanks to you and to Janet Day, City of Long Beach, California, and Kelly Hammond, Frederick County, Maryland. I appreciate your participation in the peer review process and taking the time to visit our office and to review our operations. I will share your report with City Auditor Gary Blackmer and our City Council, and make it available to the media and the public.

Sincerely,

Drummond E. Kahn  
Director of Audit Services

