



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

Audit Services Division

Drummond Kahn, Director

1221 S.W. 4th Avenue, Room 310, Portland, Oregon 97204

phone: (503) 823-4005

web: www.portlandoregon.gov/auditor/auditservices



October 2, 2014

Mayor Charlie Hales
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
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." 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 San Diego (CA), Glendale (CA), and Austin (TX). The peer review team found that our office fully complies with Generally Accepted Government Auditing Standards. Their review period was from July 1, 2011 through June 30, 2014.

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.

LaVonne Griffin-Valade
City Auditor

Attachments



External Quality Control Review

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 2011 through June 2014



Association of Local Government Auditors

October 2, 2014

LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Audit Services Director
Office of the City Auditor
Audit Services Division
1221 S.W. 4th Avenue, Room 310
Portland, Oregon 97204

Dear Ms. Griffin-Valade and Mr. Kahn,

We have completed a peer review of the City of Portland's Audit Services Division for the period July 2011 through June 2014. 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 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.

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 and attestation engagements during the period July 2011 through June 2014.

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

Kyle Elser
City of San Diego

Jason Hadavi
City of Austin

Sixia Zhang
City of Glendale



Association of Local Government Auditors

October 2, 2014

LaVonne Griffin-Valade, City Auditor
Drummond Kahn, Audit Services Director
Office of the City Auditor
Audit Services Division
1221 S.W. 4th Avenue, Room 310
Portland, Oregon 97204

Dear Ms. Griffin-Valade and Mr. Kahn,

We have completed a peer review of the City of Portland's Audit Services Division for the period July 2011 through June 2014 and issued our report thereon dated October 2, 2014. 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 development of high quality audit outputs based on well-organized working paper files.
- A commitment to compliance with GAGAS as evidenced by policies and procedures and engagement documentation.
- A commitment to transparency in government as evidenced by the office's approach to informing all stakeholders including the public at large.

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

- Standard 3.26 requires auditors to evaluate a threat's impact on the audit and on GAGAS compliance if a threat to independence is initially identified after the auditor's report is issued. However, there are no procedures specified in the Audit Services Division policies and procedures on how to treat impacts of threats identified after report issuance. Audit staff informed the peer review team that such an independence threat had never been identified. They further stated that such an occurrence would be treated similarly to their procedures if evidence was discovered to be insufficient after the issuance of a report as described on page 32 of the Division's Policies and Procedures. We suggest that you consider documenting this approach in your policies and procedure manual.
- Standards 3.60 and 3.61 require auditors to use professional judgment in planning and performing audits and in reporting the results. The standards state

that professional judgment includes exercising reasonable care and professional skepticism. However, the Audit Services Division policies and procedures do not address professional judgment in planning and performing audits and in reporting the results. During interviews and based on evidence found during the engagement reviews, audit staff demonstrated to the peer review team that they approach all audits using professional judgment, including exercising reasonable care and professional skepticism. We suggest that you consider documenting your approach to professional judgment, including exercising reasonable care and professional skepticism in your policies and procedures manual.

- Standard 6.35 states auditors should evaluate the impact on the current audit when investigations or legal proceedings are initiated or in process. However, the planning to assess risks related to ongoing investigations and legal proceedings was not clearly documented in some projects. Audit staff informed the peer review team that they usually identify ongoing investigations and legal proceedings through discussion with the auditee's senior management at the entrance conference and during interviews. However, we did not see this documented in some of the engagements we reviewed. Discussions with staff also resulted in the identification of multiple possibilities for correcting this matter by contacting the City Attorney, Ombudsman, and other similar parties requesting information in this area. We suggest you consider incorporating a step to document the identification of potential ongoing investigations and legal proceedings in your policies and procedures manual.

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,



Kyle Elser
City of San Diego



Jason Hadavi
City of Austin



Sixia Zhang
City of Glendale



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

Audit Services Division

Drummond Kahn, Director

1221 S.W. 4th Avenue, Room 310, Portland, Oregon 97204

phone: (503) 823-4005

web: www.portlandoregon.gov/auditor/auditservices



October 2, 2014

Kyle Elser
Peer Review Team Leader
Office of the City Auditor
1010 Second Ave., Suite 555
San Diego, CA 92101-4106

Dear Mr. Elser:

We have reviewed your report of October 2, 2014 containing the results of your external quality control review of the City of Portland Audit Services Division, Office of the City Auditor. We are 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.

We appreciate your thoughtful comments about the areas where you found our office to excel, including our development of high quality audit reports, commitment to compliance with GAGAS, and commitment to transparency.

We also appreciate your additional observations and suggestions to further enhance our operations, including documenting procedures for if an independence threat is identified after release of an audit, identifying more clearly our approach to professional skepticism in our policies and procedures manual, and documenting how we evaluate the impacts of current investigations and legal proceedings on an audit. We will remain attentive to these issues as we conduct our audit work.

We would also like to extend our personal thanks to you and to Jason Hadavi, from the Office of the City Auditor in Austin, Texas and Sixia Zhang from the City Auditor's Office in Glendale, California. We appreciate your participation in the peer review process and taking the time to visit our office and to review our operations. We will share your report with our Mayor and City Council, and make it available to the media and the public.

Sincerely,


LaVonne Griffin-Valade
City Auditor


Drummond E. Kahn
Director of Audit Services

