



Association of Local Government Auditors

October 19, 2012

Mr. Craig Hametner, CPA, CIA, CISA, CMA, CFE
City Auditor
City of Garland, Internal Audit Department
200 North Fifth Street
Garland, TX 75046

Dear Mr. Hametner,

We have completed a peer review of the City of Garland's Internal Audit Department for the period October 1, 2009 through September 30, 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 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 and nonaudit services and working papers.
- Reviewing documents related to independence, training, and development of audit 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 City of Garland's Internal Audit Department's 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 October 1, 2009 through September 30, 2012.

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

Harriet Richardson
Berkeley City Auditor's Office

Keith Slade
Audit Department, Clark County, Nevada



Association of Local Government Auditors

October 19, 2012

Mr. Craig Hametner, CPA, CIA, CISA, CMA, CFE
City Auditor
City of Garland, Internal Audit Department
200 North Fifth Street
Garland, TX 75046

Dear Mr. Hametner,

We have completed a peer review of the City of Garland's Internal Audit Department for the period October 1, 2009 through September 30, 2012 and issued our report thereon dated October 19, 2012. 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 office is well respected by City management, which provides for an independent and collaborative relationship with City management.
- The office has implemented TeamMate, which allows staff to document their work electronically.
- Implemented the recommendations from the 2009 peer review.
- The office has established an information technology audit function and hired an auditor with a background in this area to perform this work.
- The office has implemented a risk-based approach to audit planning.
- The staff are well qualified and contribute a variety of experience and expertise to the office.

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

- Standard 6.49 requires auditors to document their communication with management regarding an overview of the planned audit methodology. The City Auditor informed us that they do have this communication with management. However, we observed that the audit policies and procedures do not require the auditors to document this communication, and none of the workpapers for the six audits or two follow-up audits we reviewed documented communication of methodology with management during audit planning.

We recommend the office revise its audit manual and design procedures to ensure audit staff communicate and document their communication of an overview of the methodology with management of the audited entity and to document such communication in the audit work papers.

- Standard 6.51 and the audit policies and procedures require auditors to prepare a written audit plan for each audit. Neither of the two follow-up audits we reviewed included a written audit plan describing the procedures the auditor would use as a basis for findings.

We recommend the office revise its audit manual and design procedures to ensure audit plans are prepared for follow-up audits.

- Standards 6.66 and 7.13 and the audit policies and procedures require auditors to assess and report on the sufficiency and appropriateness of computer-processed information used as audit evidence regardless of whether this information is provided to auditors or auditors independently extract it. The auditors relied on computer-processed data in four of the six audits we reviewed, but there was no

documentation to indicate that auditors had assessed the sufficiency and appropriateness of computer-processed information in any of the four audits.

We recommend the office design its audit procedures to ensure the sufficiency and appropriateness of computer-processed information is assessed in all audits in which the auditors will rely on the information to support its findings and conclusions. We suggest the office begin using the GAO publication, *Assessing the Reliability of Computer-Processed Data (GAO-09-680G, July 2009)*, to obtain guidance for meeting this requirement, including placing appropriate language in the methodology section of audit report that describes the work performed and the auditor's conclusions about the information.

- Standard 7.11 requires audit reports to describe the audit scope, including any limitations or issues that would be relevant to likely users, so users can reasonably interpret the findings, conclusions, and recommendations without being misled. Internal Audit allows management of the audited entity to write a statement of its accomplishments, which the auditors include in the report verbatim. Four of the six audits we reviewed included an accomplishments statement, but none indicated that management wrote the statements or that the auditors had not audited or verified the information in the statement. Including such a statement in the report without attributing it to management or stating that the auditors did no work to audit or verify the information can mislead a reader. Further, if something related to the cited accomplishments goes awry in the future, an unknowing reader might reference the audit report and question why the auditor did not identify the issue when the audit was conducted.

We recommend the office revise its audit manual and design procedures to ensure the audit reports include language stating that management of the audited entity wrote the accomplishments statement and that the auditors did not audit or verify its accuracy.

- Standard 7.13 requires that, when sampling significantly supports the auditors' findings and conclusions, the report include a description of the sample design, the reason the design was chosen, and whether the results can be projected to the intended population. The auditors used sampling methods for four of the six audits and both of the follow-up audits we reviewed, but the audit reports did not describe the sampling methodology or whether the results could be projected to the intended population.

We recommend the office revise its audit manual and design procedures to ensure auditors document and include language in the report any sampling methodology used, the reason they chose the design methodology and how they chose the sample, and whether the results can be projected to the intended population.

- Standard 7.19 requires audit reports to cite the scope of work the auditors performed on internal control and any deficiencies in internal control that are significant within the context of the audit objectives and based upon the work performed. We observed that the audit policies and procedures require the auditors to report the deficiencies in internal control but does not require them to cite the scope of work they performed on internal control.

We recommend the office revise its audit manual and design procedures to ensure the auditors cite in their audit reports the scope of work they performed on internal control.

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,



Harriet Richardson
Berkeley City Auditor's Office, CA



Keith Slade
Audit Department, Clark County, Nevada



Association of Local Government Auditors

October 19, 2012

Mr. Craig Hametner, CPA, CIA, CISA, CMA, CFE
City Auditor
City of Garland, Internal Audit Department
200 North Fifth Street
Garland, TX 75046

Dear Mr. Hametner,

We have completed a peer review of the City of Garland's Internal Audit Department for the period October 1, 2009 through September 30, 2012 and issued our report thereon dated October 19, 2012. 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 office is well respected by City management, which provides for an independent and collaborative relationship with City management.
- The office has implemented TeamMate, which allows staff to document their work electronically.
- Implemented the recommendations from the 2009 peer review.
- The office has established an information technology audit function and hired an auditor with a background in this area to perform this work.
- The office has implemented a risk-based approach to audit planning.
- The staff are well qualified and contribute a variety of experience and expertise to the office.

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

- Standard 6.49 requires auditors to document their communication with management regarding an overview of the planned audit methodology. The City Auditor informed us that they do have this communication with management. However, we observed that the audit policies and procedures do not require the auditors to document this communication, and none of the workpapers for the six audits or two follow-up audits we reviewed documented communication of methodology with management during audit planning.

We recommend the office revise its audit manual and design procedures to ensure audit staff communicate and document their communication of an overview of the methodology with management of the audited entity and to document such communication in the audit work papers.

Response: *We concur with this recommendation. We will revise our audit manual and ensure that we communicate and document an overview of our audit methodology with management. We will implement this recommendation by January 1, 2013.*

- Standard 6.51 and the audit policies and procedures require auditors to prepare a written audit plan for each audit. Neither of the two follow-up audits we reviewed included a written audit plan describing the procedures the auditor would use as a basis for findings.

We recommend the office revise its audit manual and design procedures to ensure audit plans are prepared for follow-up audits.

Response: *We concur with this recommendation. We will revise our audit manual and ensure that audit plans are prepared for follow-up audits. We will implement this recommendation by January 1, 2013.*

- Standards 6.66 and 7.13 and the audit policies and procedures require auditors to assess and report on the sufficiency and appropriateness of computer-processed information used as audit evidence regardless of whether this information is provided to auditors or auditors independently extract it. The auditors relied on computer-processed data in four of the six audits we reviewed, but there was no documentation to indicate that auditors had assessed the sufficiency and appropriateness of computer-processed information in any of the four audits.

We recommend the office design its audit procedures to ensure the sufficiency and appropriateness of computer-processed information is assessed in all audits in which the auditors will rely on the information to support its findings and conclusions. We suggest the office begin using the GAO publication, *Assessing the Reliability of Computer-Processed Data (GAO-09-680G, July 2009)*, to obtain guidance for meeting this requirement, including placing appropriate language in the methodology section of audit report that describes the work performed and the auditor's conclusions about the information.

Response: *We concur with this recommendation. We will update our policies and procedures, brief staff, document in the workpapers and describe in the audit report. We will implement this recommendation by January 1, 2013.*

- Standard 7.11 requires audit reports to describe the audit scope, including any limitations or issues that would be relevant to likely users, so users can reasonably interpret the findings, conclusions, and recommendations without being misled. Internal Audit allows management of the audited entity to write a statement of its accomplishments, which the auditors include in the report verbatim. Four of the six audits we reviewed included an accomplishments statement, but none indicated that management wrote the statements or that the auditors had not audited or verified the information in the statement. Including such a statement in the report without attributing it to management or stating that the auditors did no work to audit or verify the information can mislead a reader. Further, if something related to the cited accomplishments goes awry in the future, an unknowing reader might reference the audit report and question why the auditor did not identify the issue when the audit was conducted.

We recommend the office revise its audit manual and design procedures to ensure the audit reports include language stating that management of the audited entity wrote the accomplishments statement and that the auditors did not audit or verify its accuracy.

Response: *We concur with this recommendation. We will update our policies and procedures and state in the audit report the Management Accomplishments section is unaudited. We will implement this recommendation by January 1, 2013.*

- Standard 7.13 requires that, when sampling significantly supports the auditors' findings and conclusions, the report include a description of the sample design, the reason the design was chosen, and whether the results can be projected to the intended population. The auditors used sampling methods for four of the six audits and both of the follow-up audits we reviewed, but the audit reports did not describe the sampling methodology or whether the results could be projected to the intended population.

We recommend the office revise its audit manual and design procedures to ensure auditors document and include language in the report any sampling methodology used, the reason they chose the design methodology and how they chose the sample, and whether the results can be projected to the intended population.

Response: *We concur with this recommendation. We will update our policies and procedures and document in the audit report our sampling methodology used. We will implement this recommendation by January 1, 2013.*

- Standard 7.19 requires audit reports to cite the scope of work the auditors performed on internal control and any deficiencies in internal control that are significant within the context of the audit objectives and based upon the work performed. We observed that the audit policies and procedures require the auditors to report the deficiencies in internal control but does not require them to cite the scope of work they performed on internal control.

We recommend the office revise its audit manual and design procedures to ensure the auditors cite in their audit reports the scope of work they performed on internal control.

Response: *We concur with this recommendation. We will update our policies and procedures and document in the audit report the scope of work we performed on internal control. We will implement this recommendation by January 1, 2013.*

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,

Harriet Richardson
Berkeley City Auditor's Office, CA

Keith Slade
Audit Department, Clark County, Nevada