



External Quality Control Review

of the
City of Seattle
Office of the City Auditor

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

for the period
October 1, 2014 through September 30, 2017



Association of Local Government Auditors

November 16, 2017

David Jones, City Auditor
Office of the City Auditor
City of Seattle
700 Fifth Avenue, Suite 2410
Seattle, WA 98124-4729

Dear Mr. Jones,

We have completed a peer review of the Seattle Office of the City Auditor for the period October 1, 2014 through September 30, 2017. 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: (edit as necessary)

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing 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 Seattle Office of the City Auditor 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 October 1, 2014 through September 30, 2017.

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

Danielle Knighten
Deputy City Auditor
City of San Diego

Katja E.V. Freeman
Audit Manager
City and County of Denver

Shalyn Pugh-Davis
Auditor I
City of Berkley



Association of Local Government Auditors

November 16, 2017

David Jones, City Auditor
Office of the City Auditor
City of Seattle
700 Fifth Avenue, Suite 2410
Seattle, WA 98124-4729

Dear Mr. Jones,

We have completed a peer review of the Seattle Office of the City Auditor for the period October 1, 2014 through September 30, 2017 and issued our report thereon dated November 16, 2017. 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 highly experienced and dedicated staff members are very knowledgeable about the *Government Auditing Standards* and staff demonstrates their abilities to research audit subject matters and obtain audit criteria and benchmarking data.
- The office received the 2015 Knighton Award as a Distinguished Winner for the *Audit of the Seattle Police Department's Public Disclosure Process*.
- The office appears to be highly respected and demonstrates a well-defined working relationship with the executive and legislative branches, as demonstrated by the number of requests for audits and nonaudit services.
- The office continues to demonstrate continuous improvement through their well-documented policies and procedures that are enhanced by a variety of checklists, which are used to ensure compliance with *Government Auditing Standards*.

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

- **Standard 3.11** provides requirements and guidance in paragraphs 3.33 through 3.58 to evaluate threats to independence related to nonaudit services provided by auditors to audited entities. **Standard 3.03b** "Independence in Appearance" requires that any informed third party can reasonably conclude that the integrity, objectivity, or professional skepticism of an audit organization or a member of the audit team has not been compromised. The Office's Policies and Procedures manual does address how these situations should be documented; however, we observed instances where your department did not document the specifics of your evaluation process on the impact of nonaudit services on new audits.

We recommend updating your policy and procedures to also evaluate and document the impact of any nonaudit services on new audit projects.

- **Standard 3.78** requires the audit organization to have quality control procedures to help ensure that auditors meet the continuing education requirements, including documentation of the CPE completed. Generally, most CPE claims were properly supported. However, during our review we could not confirm the number of CPE hour(s) claimed because the supporting documentation did not indicate how many CPE hour(s) were provided or the supporting documentation was insufficient.

We recommend that the Office retain additional documentation, when certificates are not available, that demonstrate the number of CPE hours and training objectives offered.

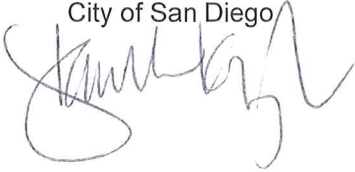
- **Standard 6.79** requires that auditors prepare documentation related to planning, conducting, and reporting of an audit so that an experienced auditor, who was not involved in the audit work, will be able to understand the nature, timing, extent, and results of the audit procedures performed. This will also help the unaffiliated auditor to understand the evidence obtained, its sources, and the judgements and conclusions derived from the audit work. The Office has policies and procedures and identified key documents that demonstrate approval of the support pertaining to findings, conclusions and recommendations. However, the organization of documentation did not always allow an experienced auditor to readily trace evidence to support findings or conclusions.

We recommend following your existing policies and procedures and standardizing the requirements for key documents. These documents should be able to stand on their own and allow an experienced, unaffiliated auditor to trace conclusions to findings and the report.

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

Sincerely,

Danielle Knighten
Deputy City Auditor
City of San Diego



Katja E.V. Freeman
Audit Manager
City and County of Denver



Shalyn Pugh-Davis
Auditor I
City of Berkeley





City of Seattle
Office of City Auditor

November 17, 2017

Ms. Danielle Knighten, Deputy City Auditor
Office of the City Auditor
City of San Diego
1010 Second Avenue, Suite 555
San Diego, CA 92101

Dear Ms. Knighten:

On behalf of Seattle's Office of City Auditor, I want to thank you, the Association of Local Government Auditors (ALGA), and the other members of your peer review team (Katja Freeman, Audit Manager, City and County of Denver; and Shalyn Pugh-Davis, Auditor I, City of Berkeley) for the recently performed ALGA peer review of our office. This was the third time that our office, which began operations in 1993, has undergone a formal ALGA peer review, and, as was the case with our previous ALGA peer reviews, we benefited greatly from the experience.

We were pleased to learn that your independent peer review team concluded that our internal quality control system is suitably designed and operated to provide reasonable assurance of compliance with the *Government Auditing Standards* issued by the Comptroller General of the United States. We also appreciate the companion letter to the report that described those areas in which we excelled as well as areas in which we could improve our internal control systems. We concur with each of the improvement suggestions, and will act to implement each of them as follows:

Standards 3.03b and 3.11: Documentation of Independence Procedures

We will revise our policies and procedures to improve documentation of independence discussions, including those related to the impact of nonaudit services on new audits.

Standard 3.78: Continuing Professional Education (CPE) Procedures

We will revise our policies and procedures to improve documentation of training duration and objectives when CPE certificates are not available.

Standard 6.79: Documentation Procedures

We will review our policies and procedures to ensure more standardized completion and organization of key documents.

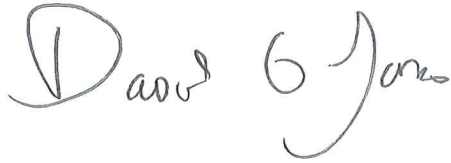
We appreciate the thorough work performed by the peer review team during the week it spent in our office. We thank you for your leadership of the team, and ALGA for providing a highly experienced team

David G. Jones, City Auditor
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<http://www.seattle.gov/cityauditor>

of auditors to perform the review.

Sincerely,

A handwritten signature in black ink that reads "David G. Jones". The signature is written in a cursive style with a large, looped "D" and "J".

David G. Jones, CGFM, CIA, CISA
Seattle City Auditor

Copy: Erin Kenney, Chair, ALGA Peer Review Committee
Corrie Stokes, ALGA Region V Peer Review Coordinator